

**SUCCESS OF MICROFINANCE INSTITUTIONS IN TANZANIA:
THE CASE OF SAVINGS AND CREDIT CO-OPERATIVE SOCIETIES
(SACCOS)**

**FOR REFERENCE
ONLY**

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**A THESIS SUBMITTED IN FULFILMENT OF THE REQUIREMENTS
FOR THE DEGREE OF DOCTOR OF PHILOSOPHY OF SOKOINE
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ABSTRACT

Success of Microfinance Institutions (MFIs) in terms of financial access and poverty reduction while some of MFIs do not succeed has remained inadequately established. That was a knowledge gap focused by this study on “Success of microfinance institutions in Tanzania: The Case of Savings and Credit Co-operative Societies (SACCOS)”. The study was intended to establish factors which lead to success of SACCOS. The specific objectives were to examine backgrounds of successful SACCOS (SUS), establish characteristics of SUS, examine the internal environment that affects success, investigate the external environment that influences success and determine key factors which lead to success of SACCOS. Primary data were collected using a questionnaire which was administered to 120 SACCOS in Dar es Salaam, Dodoma, Kilimanjaro and Morogoro regions. Descriptive statistics were used to describe backgrounds, internal and external environments of SACCOS. Logit regression model enabled the researcher to establish the most important success characteristics. Probit regression model enabled the researcher to determine the key factors which lead to success of SACCOS. Backgrounds of SUS were revealed to base on common bond and age of SACCOS. Twenty two aspects of internal and external environments were revealed to influence success of SACCOS. Fourteen success characteristics were established. The most important ones (Wald statistics ≥ 1.96 in parentheses) were, ratio of number of staff to members being one to 154 (15.392), total number of active members being ≥ 1000 (10.344), positive changes in business of members (2.538), origin of SACCOS being members (2.097) and repayment rate of loans being $\geq 95\%$ (1.983). Nagelkerke R^2 was 0.734. Twelve factors which led to success of SACCOS were established; three of them were

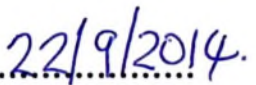
determined to be key success factors significant at $P < 0.05$ and $Z \geq 1.96$. They included, attitude of members to their SACCOS ($Z = 2.24$, Coefficient = 0.68), actual number of active members ($Z = 2.11$, Coefficient = 0.84), ability of SACCOS to provide services ($Z = 2.07$, Coefficient = 7.49). Pseudo R^2 was 0.877. It is concluded that success of SACCOS depend on their backgrounds, success characteristics, internal environment, external environment and success factors.

DECLARATION

I, Kitala Christian Tobias Malamsha, do hereby declare to the Senate of Sokoine University of Agriculture that this thesis is my own original work and that it has neither been submitted nor concurrently being submitted in any other institution.



.....

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(PhD Candidate)

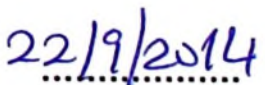

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LIST OF ABBREVIATIONS

BoT	Bank of Tanzania
BCU	Bukoba Co-operative Union
CCGAP	Consultative Group to Assist the Poorest
COASCO	Cooperative Audit and Supervision Corporation
CRMP	Cooperative Reform and Modernization Program
DCOs	District Cooperative officers
FAO	Food and Agriculture Organization
FINCA	Foundation for International Community Assistance
FOSA	Front Office Services Avenue
Frcq.	Frequency
FSDT	Financial Sector Deepening Trust
GB	Grameen Bank
GDP	Gross Domestic Product
GIS	Geographical Information System
GoT	Government of Tanzania
GOV	Governance Index
ICA	International Cooperative Alliance
IDRE	Institute for Digital Research and Education
IFAD	International Fund for Agricultural Development
IFPRI	International Food Policy Research Institute
KIU	<i>Kipima Ufanisi</i>
KNCU	Kilimanjaro Native Co-operative Union
K-Rep	Kenya Rural Enterprise Programme

LTD	Limited
LVIA	Lay Volunteers International Association
MAFSC	Ministry of Agriculture Food Security and Cooperatives
MCM	Ministry of Cooperative and Marketing
MFIs	Microfinance Institutions
MKURABITA	<i>Mpango wa Kurasimisha Biashara Tanzania</i>
MOMFISCO	Morogoro Mvomero Financial Services Cooperative
MSAWAKI	<i>Mtandao wa SACCOS za Wakulima Kilimanjaro</i>
MSEs	Micro and Small Enterprises
MUCCoBS	Moshi University College of Cooperative and Business Studies
MVIWATA	<i>Muungano wa Vikundi vya Wakulima Tanzania</i>
NBS	National Bureau of Statistics
NGOs	Non-Governmental organizations
NMP	National Microfinance Policy
NSGRP	National Strategy for Growth and Reduction of Poverty
p.a	Per annum
PCA	Principal Component Analysis
PRIDE	Promotion for Rural Enterprise Development
Prob.	Probability
RCOs	Regional Cooperative officers
REPOA	Research in Poverty Alleviation
RPCS	Rural Primary Cooperative Societies
RUFIP	Rural Financial Project
SACCOS	Savings and Credit Cooperative Societies

SCCULT	Savings and Credit Cooperative Union of Tanzania
SM	Success Metre
SNAL	Sokoine University National Agriculture Library
SPSS	Statistical Package for Social Sciences
SUA	Sokoine University of Agriculture
SUS	Successful SACCOS
TEA	Tanzania Education Authority
TFC	Tanzania Federation of Cooperatives
TPBP	Tanzania's Property and Business Formalization Programme
TZS	Tanzanian Shillings
UK	United Kingdom
UMADEP	Uluguru Mountain Agricultural Development Project.
UNSUS	Unsuccessful SACCOS
URT	United Republic of Tanzania
US\$	United States Dollar
USA	United States of America
VICOBA	Village Community Bank
VFCUs	Victoria Federation of Co-operative Unions
WOCCU	World Council of Credit Union
www	World Wide Website

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background Information

Micro finance refers to small-scale financial services provided by microfinance institutions (MFIs) to people who work in agriculture, fishing and herding, who operate small or micro enterprises, who provide services, who work for wages or commissions, and other individuals and groups at the local levels both in rural and urban areas (Robinson, 1996; Graume, 1997).

The importance of MFIs is based on financial services they provide to people. The financial services in turn bring positive impact on poverty reduction, especially to poor people as reported by Zeller *et al.* (2002). It is expected that financial services will enable the poor to apply improved technologies, use inputs, increase capital, pay for education, health, clothing, housing, and make savings for future investment (Kashuliza, 1986; Mlambiti 1994; Kitale, 2001; Khandler, 2005; Urio and Kessy, 2006; URT, 2006a; Chambo *et al.*, 2007). To be able to reduce poverty, the poor must be reached by MFIs. The poor must be accessed to supply them with financial services easily, cheaply and constantly. This phenomenon is called outreach and sustainability (Zeller and Meyer, 2006). When a MFI achieves the phenomena of outreach and sustainability, that achievement is called success of that MFI. Success is when you achieve what you wanted or intended (Longman, 2006).

By recognizing the importance of MFIs, the Government of Tanzania (GoT) provided an enabling environment for their growth since independence in 1961. This recognition of MFIs was evidenced with launching of Microfinance Policy (MFP) in

Tanzania in 2000. The overall policy objective of the National Microfinance Policy is to establish a basis for evolution of an efficient and effective micro financial system. The system serves low income segments of the society, and thereby contributes to economic growth and poverty reduction (URT, 2000a). In order to ensure that policy objectives are achieved, MFP divided MFIs in four types, namely Non-Governmental Organizations (NGOs), Commercial Banks, Donor Community and Savings and Credit Cooperative Societies abbreviated as SACCOS (URT, 2000b; Mchujuko, 2007a). SACCOS means a society established under applicable laws for cooperatives or other societies, whose principal objectives are to encourage thrift (using money carefully and wisely) among its members and to create a source of credit for its members (URT, 2000b; URT, 2003b; URT, 2005a; URT, 2006b; Mchujuko, 2007b; Kitale and Simon, 2011).

Financial and economic values of SACCOS influenced greatly increased growth and formation of SACCOS in Tanzania since independence. For instance, after independence in 1961 there were 3 SACCOS but after three years, in 1964, Savings and Credit Union League of Tanganyika (SCCULT) was formed with 42 affiliated SACCOS. About 40 years later, by May 2005, the number of SACCOS had increased to 1875, with 254 651 members of SACCOS (SCCULT, 2005; MCM, 2005; SCCULT, 2006). By May 2006, the number of SACCOS had increased to 2028, the number of members of SACCOS being 291 368 and the combined volume of savings, shares and deposits in SACCOS being TZS 72.85 billion. The loan portfolio amounted to TZS 66.98 billion (MAFSC, 2006; 2007). By May 2007 the number of SACCOS had reached 3469, the number of members increased to 590 163 and the

loan portfolio increased to reach TZS116.7 billion (MAFSC, 2007). By May 2007, the combined volume of savings, shares and deposits in SACCOS was TZS 77.96 billion (MAFSC, 2007) and by June 2008, the number of SACCOS had reached 4780. Combined, these numbers of SACCOS had a total number of 713 699 members of SACCOS (MAFSC, 2008). However, the increase in number of SACCOS may not bring the intended results if people's access to its financial services from SACCOS is either difficult or impossible.

With such large numbers of SACCOS, there are a number of Successful SACCOS (SUS) that have been able to reach the poor and extend their financial services over a long time. In this study SUS were referred to as the SACCOS that have been able to reach the poor and extend their financial services over a long time (Tiruhungwa, 2006). The examples of these include Turiani SACCOS, Kinole SACCOS, Kindi SACCOS, Same Kaya SACCOS, Dodoma Municipal Teachers SACCOS, and Tandale SACCOS. On the other hand, there are as well a number of unsuccessful SACCOS (UNSUS), which include Kwanduju SACCOS, Kigwe SACCOS, Rufiji Basin SACCOS and Mkuyuni Juhudi SACCOS. In this study, UNSUS were referred to as the SACCOS that have been unable to reach the poor and failed to extend their financial services over a long time. The reasons for either successes or failures have not been well documented (Chijoriga and Cassimon 1999; Urrio and Kessy, 2006). Whatever the case, the problem is that the factors which lead to such situations of successfulness and unsuccessfulness are not clear. With such uncertainty, it was considered imperative to conduct this research which investigated factors influencing success of SACCOS in Tanzania.

1.2 Problem Statement

Despite the fact that SACCOS members strive to attain SACCOS success in terms of financial access and poverty reduction, still some SACCOS do not succeed. The number of members, volume of savings, shares, deposits and loan portfolio of SACCOS in Tanzania remained small despite the increase in number of SACCOS (MAFSC, 2007; Financial Sector Deepening Trust, 2009). The SACCOS were small in size in 2007 and hence their services were small in volume. There were 3469 SACCOS with only 590 163 members (about 3% of adult population in Tanzania) and a loan portfolio of only TZS 116.7 billion (MAFSC, 2007; 2008).

So, the question is: if there is that number of SACCOS, why have the number of people joining them and volume of financial services remained low? By serving a large number of people they could change to be successful SACCOS. Which key elements can make them successful, that is to be accessible by many people, remains an overarching research question. These call for a serious re-think in policy towards SACCOS. Some probable causes can be poor procedures in forming SACCOS which allow small common bonds and small initial capital during registration, poor governance leading people to having low trust on SACCOS, poor awareness of people, political interference, and diseconomies of scale leading to employing staff with low professional management skills. The entire effect is that, with a big number of outlets (4780 SACCOS), the members are less than one million (713 699), and hence their contribution to financial access remains tiny in Tanzania (MAFSC, 2008; Financial Sector Deepening Trust, 2009). This research aimed at investigating factors which influence success of SACCOS in Tanzania.

1.3 Research Justification

A number of studies have been undertaken to investigate the importance of MFIs in Tanzania. They include a study of the Rural Financial market in Tanzania by Temu, (1994). Other studies have focusing on the role of credit for small business success by Kuzilwa (2005), Effectiveness of Savings and Credit Cooperative Societies (SACCOS) in alleviating poverty by Yunge (2009), Access to formal credit and its linkage with agricultural technologies adoption by Mohammed (2009), rural small scale farmers' access to credit in Iringa and Kilimanjaro Regions, Tanzania by Towo (2012) and Contribution of Savings and Credit Cooperative Societies in reducing Income Poverty in Moshi Municipality, Tanzania by Robert (2013).

Few of the previous studies made some general investigation about factors that lead to success of SACCOS. The key factors that lead to success of SACCOS remain inconclusively determined by those studies. This is an information gap that is critically needed by development partners who need such information to push for the success of such institutions and developing long term research policies. The information from this study contributes to developing strategies to success of SACCOS. Basing on that gap, this study, therefore analyzed the factors that lead to the success of SACCOS in Tanzania. It was important to conduct this research at this time in order to contribute information for successful formulation and implementation of policies, strategies and programmes which are aiming at maximizing access to financial services by poor people for poverty reduction in Tanzania. They include, among others, the National Microfinance Policy (URT, 2000a), the Co-operative Development Policy (URT, 2002), the National Poverty

Eradication Strategies (URT, 1999; URT, 2004b), the Co-operative Reform and Modernization Programme (CRMP) of 2005 to 2015 (MCM, 2002; URT, 2005a) and the National Strategy for Growth and Reduction of Poverty (URT, 2005c).

1.4 Objectives of the Study

1.4.1 Overall objective

The overall objective of the study was to establish factors that lead to success of SACCOS in Tanzania.

1.4.2 Specific objectives

1. To examine backgrounds of Successful SACCOS.
2. To establish characteristics of Successful SACCOS.
3. To examine the internal environment that affects success of SACCOS.
4. To investigate the external environment that influences success of SACCOS.
5. To determine key factors that lead to success of SACCOS.

1.5 Research Questions

1. How do the backgrounds of SACCOS contribute to success of SACCOS?
2. Which are success characteristics of SACCOS into SUS?
3. How do the internal environments affect the success of SACCOS?
4. What external environments influence the success of SACCOS?

1.6 Null Operational Hypotheses

1. Each of the hypothesized success characteristics has no significant effect to categorization of SACCOS into either Successful SACCOS or Unsuccessful SACCOS.

2. Each of the hypothesized success factors has no significant effect to change of SACCOS to Successful SACCOS.

1.7 Limitations of the Research

1. The expectation that urban areas can be easier than rural areas in terms of data collection was not true. People in urban areas, especially Dar es Salaam City, appeared to be busy and gave the research the last priority. In order to come up with good results, a Master's Degree holder who was born, grew and hence was familiar with Dar es Salaam Region was hired to assist as an enumerator in the city. Furthermore, time was extended to collect data in urban areas so as to capture the respondents at the time they promised to be available. Some of them had to be visited several times.
2. Some respondents wanted to know if they would get feedback from this study or not before they could provide data. They were promised to get feedback soon after completing the study.
3. Some key informants differed from one another about which things they looked at, in order to say about success level of SACCOS. Their opinions were crosschecked with those in literature before establishing the cut off points.

1.8 Organization of the Thesis

This thesis is organized in five chapters. Chapter one is an introductory one that carries background information, problem statement and justification, objectives of the study and research questions.

Chapter two is about literature review and conceptual framework. It is organised in six sections namely General literature, then positive and negative literature, theoretical literature, empirical literature, gaps in literature, and lastly the conceptual framework.

Chapter three describes the methodology adopted by this study which covers the study area, research design, sampling procedures, data collection procedures, processing and analysis. It covers success characteristics of SUS, cut off points for determination of SUS and UNSUS, measures for internal and external environments, and operationalisation of the variables used.

Chapter four presents and discusses the major findings of the study. The chapter presents the description of success characteristics and cut-off points for categorizing SACCOS into SUS and UNSUS, determination of SUS and UNSUS, analysis of effects of internal and external environments of SACCOS, and factors that influence success of SACCOS. The success factors of SACCOS include efforts of SACCOS to make people access financial services, ability of SACCOS to provide financial services regardless of tasks difficult in the environments, age of SACCOS, number of active members of SACCOS, members' entrepreneurial characteristics, members' care by SACCOS, governance practices, and attitude of members towards their SACCOS. Chapter five provides conclusions and policy recommendations resulting from the major findings of the research. Lastly, areas for further research are provided in this chapter.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Background of Savings and Credit Cooperative Societies (SACCOS)

SACCOS is a financial co-operative society. Hence the history of SACCOS can be traced from when the Rochdale Pioneers put the cooperative society idea in action in 1844 in Germany. The Pioneers set the cooperative principles that were used by them to establish the first consumer cooperative (DID, 2005b). In 1849 the Flammersfeld Relief Society was established as the first Credit Union. In 1892 the credit unions spread to other countries (DID, 2007; Kikula, 2012).

In 1892 a Canadian, Alphonse Desjardins set the pattern of today's Savings and credit movement of the cooperatives that relied on the values and justice and the self-help (DID, 2007). Desjardins pointed out that the cooperative principles as laid down by Rochdale pioneers in 1844 must be the foundation of true and sound financial co-operative society. Furthermore, he said that a sound credit union must have a governmental framework (regulatory framework) within which to operate (DID, 2005a). The credit unions were replaced by SACCOS because the latter deals with both savings and credits.

In Africa, the idea of SACCOS was first introduced in Ghana in 1955 by a white Father Missionary called John Mac Nutty (DID, 2005a; DID, 2005c). As far as African SACCOS are concerned specifically, it is important to stress on the existence of a profusion of models that quite often espouse the models promoted in the funding sources. If supported by Germans then it is Raiffessen model based or if supported

by Canadian then it is Desjardins model based and so on. However, one cannot claim that African SACCOS are purely and simply reproductions of European or North American models.

SACCOS distinguish themselves from one another according to features of the membership DID (2007) point out that the common features of membership or common bond of SACCOS in Africa include:

- (a) Territorial neighbours basis (geographical, village or neighbourhood SACCOS),
- (b) Occupational basis (company or business based SACCOS),
- (c) Associative basis (women's groups based SACCOS), and
- (d) Social category basis (SACCOS with homogeneous membership such as praying in one church or mosque.

SACCOS were initially introduced to Tanzania in 1960 by missionaries working with the Nyegezi Social Training Centre (Dublin, 1978 cited by Kaleshu, (2006); WOCCU, 2003). This was a result of Bishop Laurian Rugambwa's visit to Michigan Credit Unions in the late 1950's. This made SACCOS of various common bonds to be formed in Tanzania (DID, 2005d; DID, 2007).

However according to (Seimu, 2014) co-operative financial institutions namely credit co-operative societies was formed in Tanzania before independence. Examples were the Tanganyika Ismailia Credit Co-operative Society Ltd (1559 members in 1947) was in Dar es Salaam, Moshi Ismailia Credit Co-operative Society Ltd (476 members

in 1947), Mwanza Credit Co-operative Society Ltd (212 members formed in 1947) and all were registered in 1938 and Dodoma Ismailia Credit Co-operative Society Ltd which was registered in 1946 (268 members in 1947), comprising of Indian ethnic community. The first union was Kiyanga based in Dar es Salaam registered in 1962. Those co-operative credit societies were dealing more with credit provision to members but SACCOS deals with both savings and credit service provision to members.

According to (Mchujuko, 2007a), the existence of various SACCOS as mentioned above has been recognized by the Government of Tanzania (GoT) and various other stakeholders. For instance, GoT recognizes the importance of financial services provided by successful SACCOS and other financial institutions. Therefore, GoT initiated financial reforms in 1991. The GoT set a participatory process which began in 1996 to develop the National Microfinance Policy (NMP). It involved nation-wide demand studies and sensitization tours for policy makers, practitioners, government officials and members of the policy drafting team from Indonesia and Bolivia. It also involved seminars to Members of Parliament. The policy was discussed at stakeholder meeting in May 1999 and gained approval in 2001 (Mchujuko, 2007a).

According to Radhawa and Gallardo (2003), the financial reform programme in 1991 has led to the following developments of National Microfinance Policy (NMP) (URT, 2000a). The NMP's overall policy objective is to establish a basis for evolution of an efficient and effective micro financial system. The system serves all (low, medium and high) income segments of the society, and thereby contributes to economic

growth and poverty reduction (URT, 2000b). In 2005 the Financial Sector Deepening Trust (FSDT) was established. FSDT has developed in response to the NMP and National Strategy for Growth and Reduction of Poverty (NSGRP) [<http://www.bot-tz.org/mfi/LibraryMFI-Bestpracticespdf>] site visited on 27/10/2013. FSDT is important to ensure more outreach of microfinance in Tanzania.

Besides GoT, other stakeholders who recognize the importance of services provided by SACCOS include Tanzania Network of Farmers Association, in Kiswahili (*Mtandao wa Vikundi vya Wakulima Tanzania (MVIWATA)*), which worked in collaboration with a French NGO dedicated to Rural Economy (FERT). Others are Lay Volunteers International Association (LVIA) and Uluguru Mountain Agricultural Development Project (UMADEP). They played an important role in the development of 30 SACCOS at the grass root level (MVIWATA/FERT, 2006). Furthermore, as stated above, SACCOS are co-operatives hence they are directly influenced by co-operative principles.

2.1.1 Co-operative principles for SACCOS

SACCOS are governed by seven co-operative principles (Vienna Congress, 1966 and ICA Manchester Congress, 1995 cited by (DID, 2005a; DID, 2007). These principles are:

(a) Voluntary and open membership

Co-operatives are based on voluntary service and open to all persons to be members without discrimination.

(b) Democratic member control

Co-operatives are governed by members who establish policies and decision making; one member one vote rule is used in decision making.

(c) Member economic participation

Members contribute equitably to the equity of their co-operative and control it.

(d) Autonomy and independence

Co-operatives are autonomous mutual-assistance organizations managed by the members. Signing agreements with other organizations, including governments or the search of funds from outside sources must be done under conditions that perceive the democratic power of the members and maintain the independence of their co-operative.

(e) Training and Information

Co-operatives provide their members, their elected leaders, their managers and employees' with education, training and information. They inform the public, particularly the young people, about the nature and advantage of cooperatives.

(f) Co-operation among cooperators

To provide better service to their members and strengthen the co-operative movement, cooperatives work together within local, national, regional and international structures,

(g) Concern for the community

Co-operatives contribute to the lasting development of their community as part of the orientations approved by their members.

In addition to co-operative principles, SACCOS, being MFIs, operate by ensuring that they fulfill Microfinance Institutions Best Practice (URT, 2000a; CGAP, 2003).

2.1.2 Microfinance institutions best practice

The microfinance came into existence for the first time in 1976 when the Grameen Bank (GB) was started by Muhammad Yunus, Professor of Economics at the University of Chittagong. GB was established to lend money to landless poor women who had no assets and who had no clear way of repaying their debts (Levistiky, 1993) cited by Kitale (2001). Yunus structured his activities in a village called Jobva as part of Chittagong University programme. This has made the first goal of microfinance to be poverty reduction. MFIs are concerned with delivering services to poor households that have capacity to strengthen their livelihoods, but lack the financial resources to do so. However, now the goal is under serious challenge as pressures to demonstrate financial sustainability and to commercialize operations threaten to overwhelm the social mission of microfinance institutions (Simanowitz, 2003). The second goal is the establishment of functional financial markets, particularly in rural areas for households without financial access (Greeley, 2003).

To attain these goals MFIs provide a broad range of financial services. Those services are, among others, deposits, loans, payment services, money transfer, and insurance to poor and low-income households and their micro enterprises [http://www.bsp.gov.ph] site visited on 2/2/2007.

The principal providers of those financial services to the poor and low income households in the rural and urban areas of Tanzania consist of licensed commercial

banks, regional and rural unit banks, savings and credit cooperative societies and several NGOs whose micro-credit delivery operations are funded and supported with technical assistance by international donors [<http://www.worldbank.org/afr/wps/wp3585pdf>] site visited on 28/8/2011. The NMP of Tanzania of 2000 recognized a variety of licensed, regulated and supervised MFIs. The MFIs are categorized in four groups including Banks and Non-Bank Financial Institutions, SACCOS, Non-Governmental Organizations (NGOs) and Donor Community (URT, 2000a).

Since SACCOS is a part of MFIs, SACCOS should work according to MFIs best practice. According to the Consultative Group to Assist the Poorest (CGAP), MFIs Best Practice (2001), as cited by Urio and Kessy (2006); an MFI is said to have a good performance if it attains among other things, a minimum annual repayment rate of 95%, 154 clients per staff members, and at least 88.8 operational self sufficiency. MFIs are supposed to charge affordable interest rates for the advanced loans, coupled with low total costs as Mmari and Kitale (2010) recommended to owners or managers of small and medium garages. Substantial evidence exists to show that financial institutions can profitably provide micro credit, delivered locally to large numbers of borrowers, at 5 to 15% of the interest rates, and below 10 to 20% of the total costs that are normally paid by lower-income borrowers for informal commercial credit (Yaron *et al.*, 1997; Daily News, October 2000, cited by Kitale 2001). The best practices call upon MFIs to reduce bureaucracy and advertise their financial services aiming at more people to access those services (Mmari, 2012). If the SACCOS can perform according to Microfinance Best Practices then this is a positive achievement to its objectives, and the vice versa is true.

2.1.3 Success of SACCOS

Achievement of objectives by organizations or individuals is a phenomenon referred to as success (Chambers, 2004; Longman, 2006). Judgments of success of SACCOS and other MFIs are in many cases based on the concepts of outreach and sustainability (Yaron, 1994; Sergio *et al.*, 2000; Zeller *et al.*, 2006; Kitala and Mmari (2012). This implies that sustainability and outreach indicate the success of SACCOS. In this study the successful SACCOS (SUS) and unsuccessful SACCOS (UNSUS) were therefore judged based on the concepts of outreach and sustainability (Yaron, 2004; Sergio *et al.* (2000); Paxton and Cuevas (2002); Zeller *et al.* (2006) and Kitala, 2012).

The GB is one of the worldwide best-known successful microfinance. The GB had 82 branches in five districts in 1983 seven years since it had been established. According to Yunus (1981) and Levistiky (1993) cited by Kitala (2001) the factors for success of the GB included, conscientisation of the needy, recognition of credit as a key element in the process of development of small scale business, commitment of the staff of the scheme to the borrowers business, operation of weekly repayment schedules and cooperation with and support from the Central Bank.

Another successful MFI is the Banco Solidario (Bancosol) in Bolivia Bancoro, a private bank. The bank was created in 1992 from PRODEM, an NGO providing loans to micro entrepreneurs as explained by Robinson (1996) and Zeller *et al.* (2000). The bank became profitable without subsidy within three years of its opening.

Another successful MFI is the Kenya Rural Enterprise Programme (K-Rep). The successes of K-Rep, including the cost per shilling loaned, has on average declined from 96 cents to 25 cents; repayment rates have increased from 78% to 98%, monthly revenues cover between 60% and 90% of branch costs, and it has helped groups to internally mobilize deposits amounting to over Kenyan shillings 12 million.

PRIDE Tanzania is another successful story. The PRIDE Tanzania is said to be the most successful micro finance institution (Paschal, 1988 cited by Makombe *et al.* (1999). The achievements of PRIDE Tanzania include: trebling of loan volume amounting to TZS 2.3 billion since its establishment in 1994 and loan repayment performance is 99%. Despite the success stories about SACCOS, there are weaknesses in those institutions. Some of these weaknesses are as presented in the following section.

2.1.4 Weakness of SACCOS

In Tanzania, it is particularly interesting that there are 50% more savers than borrowers in SACCOS, suggesting that there is surplus money in many organizations. The overall total savings are more than total outstanding loans by over TZS 1 billion (Financial Sector Deepening Trust, 2009; MAFSC, 2008). This status of SACCOS suggests that their members have opportunities to utilize more of loan money for their investments.

The actual SACCOS membership was about 800 000 hundred people; this represents a mere 3.6% of the adult population in Tanzania. In Tanzania only just about 600

000 people (2.7% of the population) said they save with SACCOS. Without a major re-think and overhaul of the SACCOS sector, these institutions will remain just bit-players in terms of financial access (Financial Sector Deepening Trust, 2009).

Most of SACCOS, especially rural ones, are disadvantaged by the low educational level of their technical staff, the treasurer and secretary. Majority of members who are involved in financial matters of SACCOS have primary level education (Kironde *et al.*, 2007). This low technical capacity of staff implies low financial management practice in SACCOS.

In 2006 National Microfinance Bank, CRDB Bank Ltd and Akiba Commercial Bank Ltd were leading providers of microfinance services, with outreach that exceeds the combined outreach of SACCOS and MFIs. The 650 active urban and rural SACCOS have an estimated membership base between 130 000 and 160 000, only 50% of them borrowers (<http://www.worldbank.org>). In Kenya, a major threat to SACCOs was the competition from Banks and MFIs. Another large threat is HIV/AIDs, because it leads to large increases in loans and savings withdrawals for medical expenses (<http://vle.worldbank.org>). This suggests that more effort is required from internal and external environments of SACCOS to enable them to make active poor people to access financial services.

2.2 Theories that Govern Success

Two groups of theories were reviewed. The first group is theories' regarding formation of SACCOS and the second group is psychological theories of success. Finally, based on the reviewed theories, theoretical framework of this study was

established. The explanation of the theories and the theoretical framework are as follows:

2.2.1 Theories regarding formation of SACCOS

Lufthansa (1992) cited by PREMESE Africa Development Institute (2002) proposed four theories to explain the dynamics of SACCOS formation. The proposed theories are proximity theory, activity theory, Exchange/Benefit Theory and Balance Theory.

(a) Proximity Theory

According to PREMESE Africa Development Institute (2002), proximity theory advocates that individuals tend to affiliate with one another because of geographical proximity. For instance, peasants in the same village or employees in the same department/ office or students sitting next to each other in a class will tend to interact more and therefore would most likely find it easier to form a group among themselves. The theory shows that the idea of group formation should come from the individuals themselves who tend to affiliate with one another and not influenced by external people. The theory explains a strong foundation of SACCOS in terms of outreach and sustainability.

(b) Activity Theory

This theory says that the fact that people are involved in similar activities tends to generate spontaneous interactions and sentimentality leading to or in search of cooperation and problem solving. Commonness in occupational interests makes it possible for people to interact on a wide range of issues related to particular occupational activity (PREMESE Africa Development Institute, 2002). The examples

of activities based on groups include small farmers groups, small traders groups, self-employment (artisans) group and professional groups, among others. Often, these groups would relate at a horizontal level through networking and uniting at vertical levels to form trade unions and professional associations.

(c) Exchange/Benefit Theory

This theory holds that some SACCOS are formed purely on business-like relations. In other words, members will only decide to form, join or continue being members of a group on the basis of the gains that can be derived from such participation. A guaranteed benefit will be the determining factor for one to enroll or to stay as a member (PREMESE Africa Development Institute, 2002). This is the only factor that will make the SACCOS/group attractive for affiliation. Rewards will gratify needs of the members. Costs may include material loss, anxiety, and loss of privileges, frustrations, embarrassment or fatigue. While the benefits could either be tangible or non-tangible (for example power, position of leadership, prestige). Nonetheless, they must outweigh the costs for the members to maintain their loyalty to the SACCOS.

(d) Balance Theory

According to PREMESE Africa Development Institute (2002) balance theory borders closely with the activity theory except that while the latter would emphasize occupational/professional interests, the balance theory would draw on the emotional dimension of the interaction. The school of thought advances the theory that people will be attracted to one another on the basis of similar attitudes towards certain aspects of life, for example likes and dislikes, beliefs and cultural values and political views. Asymmetrical balance between the attraction and common attitudes lead to a

breakdown of relationship unless efforts to restore it occur. Examples of such groups include religious and political groups whose membership may keep changing as long as members' attitudes and values keep changing. Marriage can also be categorized under this theory. People in similar positions (though in different organizations) may share certain values or attitudes, but not necessarily similar activities. Some SACCOS are likely to be formed in a view of balance theory.

2.2.2 Psychological theories of success

The theories reviewed in this group are namely attribution theory on achievement, theory of academic achievement and cognitive theory.

(a) Attribution theory on achievement

Weiner (1974) focused his attribution theory on achievement. Weiner advocates that there is strong relationship between self-concept and achievement. He identified ability, effort, task difficulty, and luck as the most important factors affecting attributions for achievement. Attributions are classified along three causal dimensions: locus of control, stability, and controllability. The locus of control dimension has two poles: that is internal and external locus of control. Weiner (1980) states: "Causal attributions determine affective reactions to success and failure". Weiner's attribution theory has been widely applied in education, law, clinical psychology, and the mental health domain as pointed by Weiner (1974).

This Weiner's theory of attribution can as well be applied to SACCOS success in this study as explained by Jarvis (2014). The performance of these institutions is



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determined by both internal and external environmental actions. SACCOS are supposed to make effort to mobilize more members so as to attain outreach to the poor. When more members get services from SACCOS, its ability increases in terms of financial sustainability.

(b) Theory of academic achievement

Maruyama and Magarey (1980) advocate theory of academic achievement. The theory states that ability causes achievement. Furthermore, they said that, in reality, achievement may cause ability. The statements regarding ability and achievement that each of the two can cause one another are true as far as this study is concerned. When SACCOS are new they are characterized by small ability depicted by small financial sustainability. Hence they have small or no impact on poverty reduction. The ability and effort of SACCOS were expected to make more people to get services from SACCOS, increasing financial sustainability and hence bringing positive impact on poverty reduction a phenomenon referred to as successful SACCOS (SUS).

(c) Cognitive theory

In cognitive theory, motivation serves to create intentions, and goal-seeking acts as stated by Ames and Ames (1979) cited by Keller (1983). Motivation to achieve is a function of the individual's desire for success, the expectancy of success, and the incentives provided. Keller (1983) presents an instructional design model for motivation that is based upon a number of other theories. His model suggests a design strategy that encompasses four components of motivation: arousing interest, creating relevance, developing an expectancy of success, and producing satisfaction through intrinsic/extrinsic rewards.

2.3 Characteristics of SACCOS

2.3.1 Outreach of SACCOS

Outreach is the social value of services offered by MFI. Navajas *et al.* (2000); Zeller *et al.* (2000); Sergio *et al.* (2000); and Kitale and Mosha (2009) indicated that there are six aspects of measuring outreach, namely depth, worth of users, cost to users, breadth, length and scope. Depth of outreach refers to "the value the society attaches to the net gain from the use of micro finance by a given borrower" (Navajas *et al.*, 2000).

This measure is used to identify poor clients. The poor are the ones who fail to get access to credit from formal financial institutions since they fail to signal that they can repay their loans (Kereta, 2007). Worth of outreach to users refers to how much a borrower is willing to pay for a loan (Navajas *et al.*, 2000). Cost of outreach to user refers to cost of a loan to a borrower (Navajas *et al.*, 2000). These costs to users might consist of prices like interest rates and various payments that they have to pay, which could be revenue to the lender, and other loan-related transaction costs like expenses on documents, transport, food, taxes, and so on (Navajas *et al.*, 2000). Breadth of outreach is the number of users. Length of outreach is the time frame in which a microfinance organization produces loans. Scope of outreach is the number of types of financial contracts offered by a microfinance organization (Navajas *et al.*, 2000).

Outreach at a glance means the number of clients served (Kereta, 2007). Furthermore the author noted that outreach is a multidimensional concept. In order to measure outreach we need to look into different dimensions. The first is simply

the number of persons now served that were previously denied access to formal financial services. Usually these persons will be the poor because they cannot provide the collateral required for accessing formal loans, are perceived as being too risky to serve, and impose high transaction costs on financial institutions. This is because of the small size of their financial activities and transactions.

Women often face greater problems than men in accessing financial services; so the number of women served is often measured as another criterion. Although difficult to measure, depth of poverty is a concern because the poorest of the poor face the greatest access problem. Some measures of depth of outreach are needed to evaluate how well MFIs reach the very poor. Finally, the variety of financial services provided is the criterion. This is because it has been shown that the poor demand and their welfare will be improved if efficient and secure savings and other services are provided in addition to the loans.

In this research outreach was measured through breadth and depth of outreach. Breadth of outreach is based on measuring the number of members of SACCOS. Depth of outreach is based on measuring percent of women participation, minimum savings acceptable in Tsh/US\$, and areas covered by the SACCOS (Urio and Kessy, 2006; Kereta, 2007).

2.3.2 Sustainability of SACCOS

Sustainability of SACCOS can be defined as the persistence and capacity of the society to deliver services/benefits to its members (despite unexpected difficulties)

for the aim of accomplishing its purpose (Sergio *et al.*, 2000). To achieve sustainability, MFIs need to ensure that the cost of providing services are kept low and are covered by income earned through interest and fees on loans (Mbeiyererwa, 2000).

Ledgerwood (2000) points out that there are two kinds of sustainability that we could observe in assessing MFIs success levels. The two levels are operational self-sustainability and financial self-sustainability. Operational self-sustainability is when the operating income is sufficient enough to cover operational costs like salaries, supplies, loan losses, and other administrative costs. Financial self-sustainability, which he referred to as a high standard measure, is when MFIs can also cover the costs of funds and other forms of subsidies received when they are valued at market prices (Ledgerwood, 2000). Financial sustainability helps to maximize outreach of SACCOS. Financial sustainability has become an important goal of the Grameen Bank and other MFIs (Yunus, 1995 cited by Aminur, 1999).

Different literature sources have noted that financial sustainability is one of the areas that we need to look at to assess the performance of micro finance institutions (Kereta, 2007). Navajas *et al.* (2000) noted that the poor needed to have access to financial services on a long-term basis rather than just a one-time financial support. Meyer (2002) cited by Kereta (2007) stated that the financial un-sustainability in the MFI arises due to low repayment rate. Furthermore, argues: "Measuring financial sustainability requires that MFIs maintain good financial accounts and follow recognized accounting practices that provide full transparency for income, expenses, loan recovery, and potential losses." Regarding indicators of financial

sustainability, Khandler *et al.* (2003) point out that loan repayment (measured by default rate) could be another indicator for financial sustainability of MFIs because low default rate would help to realize future lending.

According to SEEP and Calmeadow (1995) financial sustainability ratios are among indicators used in measuring success of MFIs. In this research sustainability was measured through financial sustainability/financial self sufficiency ratio (FSSR). Unless at least 100 percent FSSR is attained, provision of financial services in the long term cannot be achieved, that is no financial sustainability (CGAP, 1997); Ledgerwood, 2000; Kessy and Urio 2006).

Nevertheless, alternative measures were used to assess financial sustainability of SACCOS in this study. Operational sustainability examination, as a component of financial sustainability measurement, revealed that SACCOS as an industry are measured by return on asset (ROA) and return on equity (ROE) (Kereta, 2007). The study measured size of common bond, entry fee, repayment rate, auditing frequencies, dividend payment, return on Equity (ROE), return on capital/investment (ROC), profitability ratio, Return on assets (ROA), number of members per employee, number of board members and number of members of supervisory committee (Ledgerwood, 2000; Navanjas *et al.*, 2000; Kereta, 2006).

2.3.3 Links between outreach and sustainability

There are some disputes on the link between financial sustainability and outreach to the poor (Kereta, 2007; Mosley and Hulme (1996) argue that there is inverse

relationship between outreach and financial sustainability. Here the argument is that higher outreach means higher transaction cost in order to get information about creditworthiness of clients and hence make MFI financially unsustainable. However, according to Christen *et al.* (1995), outreach and financial sustainability are complimentary policy objectives of MFIs. This is because as the number of clients increases, MFIs enjoy economies of scale and hence reduce costs per unit which helps them to be financially sustainable. In this research, outreach and financial sustainability are considered to be complements. More outreach caused by increase in number of members has been assumed to result into increase in financial sustainability as explained by (Kitala, 2011).

2.3.4 Success characteristics of SACCOS

The success characteristics of SACCOS are based on level of outreach and sustainability of MFIs (Yaron, 1994; Sergial *et al.*, 2000; Zeller *et al.*, 2006). Fourteen statements of success characteristics SACCOS have been judged based on concepts of outreach and sustainability (Yaron, 1994; 2004); Sergio *et al.* (2000); Paxton and Cueves (2002); Zeller *et al.* 2006). These statements of success characteristics were:

- (a) Origin of SACCOS,
- (b) Number of people in the common bond,
- (c) Repayment rate of loans in the SACCOS,
- (d) Ratio of number of members to that of staff,
- (e) Total number of active members,
- (f) The value of total costs and total revenue of SACCOS,
- (g) The members are gender participatory (female, male, young, old),

- (h) Number of services and products offered by SACCOS,
- (i) The SACCOS offer services which assist the active poor people,
- (j) Areas which benefit from services offered to members of SACCOS
- (k) The SACCOS offer services to members regardless of their level of education (literate, semiliterate and illiterate),
- (l) Changes in members' life conditions as a result of getting financial services,
- (m) The SACCOS practicing good governance (openness, equity, accountability and participatory), and
- (n) Changes in business of members after they use SACCOS services and products.

2.4 Environment of SACCOS

2.4.1 Internal environment of SACCOS

The internal environment includes the members, leaders, management, staff and the SACCOS business. The SACCOS business is money business including savings, deposits, and loans and so on. This internal environment is the center of the success of SACCOS. The positive change of the internal environment increases the success of SACCOS other factors held constant. The positive change in internal environment can be attained if the SACCOS practise MFIs best practices. The MFIs best practices are done if SACCOS charge affordable interest rates for the advanced loans coupled with low total costs (Temu, 1994; Kitale, 2001; Urio and Kessy, 2006).

Ledgerwood (2000) and Ledgerwood *et al.* (2013) gave seven key areas of internal environment of SACCOS which affect success of SACCOS. The first area is

outreach and sustainability. The other six areas include mission and vision, financial services and delivery methodologies, organization structure and human resource, administrative and finance, management information systems and institutional viability. Ledgerwood (2000) furthermore explains these six areas as follows:

- (a) Mission and Vision. SACCOS should possess the following in this key area:
 - i. A mission statement that defines the target market and services offered and endorsed by management and staff,
 - ii. A strong commitment of board and management on managing funds for benefits to members,
 - iii. A business plan stating how to reach specific objectives in three to five years, and
 - iv. A clear goal to which the business is to be directed, to provide both target and motivation (Blayney, 2005)

- (b) Financial services and delivery methods. This key area includes the following:
 - i. Financial services adapted to the local context which can get high demand;
 - ii. Presence of different financial services, such as short and long term loans and savings (Innovations);
 - iii. Interest rates charged on loans being 15% or less;
 - iv. Repayment rates of 95% and above;
 - v. Presence of savings mobilization strategies;
 - vi. Savings are paid with interest;
 - vii. Presence of financial services promotion; and
 - viii. Capitalization process which depends on several sources of funds.

- (c) Organization structure and human resource. This key area covers:
 - (i) Accurate job descriptions, relevant training, and regular performance review,
 - (ii) Business plans spelling the training priorities and expected costs, and
 - (iii) Appropriate performance based incentives offered to staff.
- (d) Administration and Finance. This key area includes:
 - (i) Loan processing following the loan policy,
 - (ii) Accounting systems producing accurate, timely, and transparent information as inputs to the management information system,
 - (iii) Internal and external audits carried out on regular intervals, and
 - (iv) Budgets and financial projections made regularly and realistically.
- (e) Management information system. The key area contains a system providing timely and accurate information on key indicators that are most relevant to operations and are regularly used in the SACCOS.
- (f) The sixth key area is institutional viability. This includes:
 - (i) Legal registration and compliance with supervisory requirements,
 - (ii) Clearly defined rights and responsibilities of members, board of directors management and staff and.
 - (iii) Positive attitude of the members towards the SACCOS.

2.4.2 External environment of SACCOS

Ledgerwood (2000) and Ledgerwood *et al.* (2013) mentioned that external environments which influence success of SACCOS include:

- (i) Awareness creation by local environment;
- (ii) Registration procedures for SACCOS;
- (iii) Networking existing and growing with time;
- (iv) Training provided to members, board members and staff;
- (v) Not being donor dependent;
- (vi) Appropriate technology used in the SACCOS;
- (vii) Availability of people who can join the SACCOS in the future;
- (vii) Having weak or no competitors; and
- (viii) Regular inspection by co-operative officers.

The external environment surrounds the internal environment (Lomash and Mishra (2003; Saunders, 2007). The external environment is divided into two types: the direct and indirect. The direct external environment includes conditions for sources of money, conditions for providing loans and competition. The indirect external environment for any organization includes the political, economic, technological, legal and social cultural issues (Lomash and Mishra (2003; Saunders, 2007). The political environment of SACCOS is such that they have been recognized by government as explained in background information of this study. Economically, SACCOS depend on members' economic characteristics. The legal environment of SACCOS is guided by Co-operative Act No. 20 (URT, 2005a). SACCOS develop their own constitutions which are guided by the co-operative Act Number 20 of the year 2003.

2.5 Previous Studies Conducted on Success of SACCOS

Studies on SACCOS and other MFIs have been conducted in various countries all over the world. The findings from these studies are useful to new researches on MFIs. Hassan and Renteria-Guerrero (1997) made an empirical contribution in this area. They examined experience of the Grameen Bank (GB) of Bangladesh with the purpose of understanding the essential elements of its operations and the factors that enabled GB to reach the poor. This study revealed that the GB has established its credentials as an institution that aims at providing credit to the landless and asset less poor in rural areas. GB credit gives the recipients the power of entitlement to society's productive goods and services with immediate effect. It was observed that credit by itself is an insufficient factor to improve poverty conditions, and thus the GB devotes a substantial amount of resources to the improvement of the social wellbeing of its members. However, Hassan and Renteria (1997) criticized GB that it has never given an alternative solution for poverty alleviation.

Chijoriga (2000) conducted a study on the performance and sustainability of MFIs in Tanzania. The variables examined in her study were overall institutional and organizational strength, client outreach, operational performance and financial performance.

Another study on microfinance services was carried out in Tanzania by Kuzilwa (2002). Kuzilwa examined the role of credit in generating entrepreneurial activities. He used qualitative case studies with a sample survey of businesses that had gained access to credit from Tanzania government financial sources. The findings revealed that the output of enterprises increased following the access to credit. It was further

observed that the enterprises whose owners had received business training and advice performed better than those whose owners had not received training. He recommended that an environment should be created where informal and quasi-informal financial institutions can continue to be easily accessed by micro and small businesses.

A study by Rweyemamu *et al.* (2003) evaluated the performance of, and constraints facing, the semi-formal microfinance institutions which were providing credit in Mbeya and Mwanza regions. The primary data, which were supplemented by secondary data, were collected through a formal survey of 222 farmers participating in the Agricultural Development Programme in Mbozi and the Mwanza Women Development Association in Ukerewe. The analysis of this study revealed that the interest rates were a significant barrier to the borrowing decision. Borrowers also cited problems with lengthy credit procurement procedures and the amount disbursed being inadequate. On the side of institutions, the study observed that both credit programmes experienced poor repayment rates, especially in the early years of operation, with farmers citing poor crop yields, low producer prices and untimely acquisition of loans as reasons for non – payment, Rweyemamu *et al.* (2003).

A study by Urrio and Kessy (2006) was on the contribution of microfinance institutions on poverty reduction in Tanzania. The study covered four regions of Tanzania including Dar es Salaam (24 MFIs), Zanzibar-Urban West Region (three MFIs), Mwanza (five MFIs) and Arusha (five MFIs). According to Urrio and Kessy (2006) the PRIDE Tanzania operational self-sufficiency increased from 29% in 1996

to 53% in 1997 and to 100% in 2001. The increasing trend was due to the increased operating income, which is partially contributed by interest rate on loan. The number of clients per staff member in PRIDE Tanzania increased from 107 in 1996 to 216 in 2001. This resulted into the problem of some clients delaying to get services. The standard requirement is for 154 clients to be supported by one staff (CGAP, 2003).

Another study was conducted by Bee (2007) on Rural Financial Markets in Tanzania; an analysis of access to financial services in Babati District, Manyara Region. He pointed out that there is a need for financial institutions to become more innovative in developing new products and services, improvement in organization of the rural financial institutions, improved delivery mechanisms and establishment of the institutional framework for integration of MFIs into financial systems. Product development and pricing need to be based on clients' needs and flexibility. The author furthermore pointed out that financial viability of the infant financial intermediaries is critical. The government has to ensure that such institutions are nurtured through appropriate intervention mechanisms (Bee, 2007).

Duursma (2004) pointed out generally success factors as mentioned by members to contribute to success of CHAMBASHO SACCOS in Dodoma, Tanzania as follows:

- (a) The bank is not a goal in itself, but it is a means to solve problems in the community. This brings people together.
- (b) The self-help concept and aspect of voluntarism are well understood in the community, which is also involved in other self-help projects. One needs a

development spirit and long-term vision, without expecting short-term (personal) gains. The elected leaders are committed to this principle.

- (c) Involvement of different groups: farmers, business people and livestock keepers.
- (d) Transparency from the beginning: about meetings, progress and performance.
- (e) A successful SACCOS had been operating for some time in a nearby ward – this provided an inspiring and practical example.

Mutua *et al.* (1996) cited by (Kitala, 2001) explains factors behind the success of MFI called Bancosol. The factors included micro economic and political stability, dedication and hard work, support from prominent members of the local business community, demand based strategy, experience and assistance from other organisations. Furthermore, K-Rep's factors for success included operating as a commercial viable venture, having comprehensive operation plans and financial projections, establishing clear performance indicators and trading the progress in resetting them, rational product pricing, and having strong financial and credit operation systems.

Mpanju (1999) points out that the PRIDE Tanzania was successful as a result of commitment to self sustainability, commitment to quality training of its staff, forging a special relationship with commercial banks and treating the poor as commercial clients rather than mere beneficiaries.

Chijoriga (2000) pointed out low population density, poor infrastructures and low house hold income levels as the main constraints that hinder MFIs performance.

Many of these MFIs had no clear mission and objectives, and their employees lacked capacity in credit management and business skills.

Rweyemamu (2003) too pointed factors affecting performance of MFIs including:

- (a) High interest rate on loans,
- (b) Lengthy credit procurement procedures,
- (c) Inadequate loans disbursed,
- (d) Poor repayments especially at early stages of MFI,
- (e) Poor yield productivity on the borrowers enterprises, and
- (f) Low producer prices of the products supplied by members of MFIs.

Through reviewing relevant literature, the factors of success for different SACCOS and other MFIs presented above, we can generally say that the success of microfinance programmes depend on a combination of many factors as given in the list below:

- (a) Age of SACCOS;
- (b) Effort of SACCOS to reach and avail it services to people (number of villages covered, growth in number of members, women participation and minimum savings accepted);
- (c) Ability of SACCOS to provide services regardless of difficulties in that task (size of the common bond, financial self reliance, repayment rate, growth in value of shares, savings and deposits in SACCOS);
- (d) Networking of SACCOS with other organization;
- (e) Products and services offered by SACCOS;
- (f) Attitude of members towards their SACCOS (members' retention);

- (g) Financial control;
- (h) Interest rate charged on loan from members;
- (i) Governance (transparency, participation, accountability, equity);
- (j) Active number of members of the SACCOS;
- (k) Members' care by the SACCOS (training to members, loans provision); and
- (l) Members' entrepreneurial characteristics.

However some of those factors can be key factors which required being determined.

The determination of key factors was performed by this research.

2.6 Gaps in Literature

The knowledge gaps have been identified through reviewing relevant literature. A number of studies have investigated the importance of MFIs in Tanzania. Although there were some researches conducted on SACCOS and other MFIs some areas were not yet covered by those researches in Tanzania. What eventually was inconclusive by all of them include:

- (a) Establishment of success characteristics of SACCOS
- (b) Determination of key factors that lead to success of SACCOS.

Knowledge was therefore, still lacking for establishment of success characteristics of SACCOS. Determination of key factors that lead to success of SACCOS was also lacking. This knowledge gap was critical for designing effective intervention to SACCOS and developing long term research policies. This study came up with results to fill the knowledge gaps.

2.7 The Conceptual Framework

According to (Jeffels, 2014) a conceptual framework is a tool researchers use to guide their enquiry; it is a set of ideas used to structure the research. Furthermore researchers use conceptual framework to guide their data collection, data analysis and establish links between existing literature and research work in hand as explained by Oliver (2009) and by Jeffels (2014).

Fig. 1 shows the conceptual framework of the study on factors influencing success of SACCOS. The strong relationship between self-concept (background and characteristics) and achievement (success) of SACCOS as stated by Weiner (1980) enabled the four background variables of this study namely background of SACCOS, its internal environment, its external environment and level of already possessed success characteristics to be established.

The background of SACCOS is the first background variable of its success. The background comprises governance since the origin of the idea for formation of the SACCOS and the age since registration. The idea for SACCOS formation may come from the founder members or from external environment (example government, donors, employers or others). The idea for SACCOS formation from founder members is supported by theories of group formation namely proximity, activity, exchange and balance theories (PREMESE Africa Development Institute, 2002). The origin of the idea from the founder members makes SACCOS to be successful easily because those who initiated the SACCOS are ready to participate in each effort to make sure that the SACCOS succeed. The SACCOS which were

formed by members themselves had good governance from the beginning and therefore big possibility to succeed. In addition the longer the age of a SACCOS the more the success of the SACCOS as it has survived over a long period of time. Hence the SACOSS formation theories were analysed jointly with findings of specific objective number one of this study.

The second background variable is the internal environment of SACCOS (Weiner, 1974). This includes several independent variables. Effort is made by SACCOS to reach people because people are the members and customers of SACCOS. Ability of SACCOS to provide services regardless of difficulties in the environment assures that the business will be successful. Number of active members of SACCOS has an influence on success because the active members are the true customers. Members' care by SACCOS is very important to ensure SACCOS success because it retains members and attracts new ones. Services and products (financial services delivery methodologies, loan policy) are assumed to increase success of SACCOS if they are well organized and implemented. Financial control (accounting, auditing), if well practised will assure success to SACCOS. Governance, if well practised internally, the organizational aspects (mission, vision, and human resource management and organization structure) and management (management information systems and internal strategies) are likely to contribute positively to success of SACCOS. If the interest rate charged on loans is low then more members rely on SACCOS and therefore can increase success of SACCOS. The findings of specific objectives number three (Internal environments of SACCOS) were analysed jointly with the attribution on achievement theory.

The third background variable is the external environment of the SACCOS (Weiner, 1974, 1980). The external environment provided some independent variables including attitude of members towards SACCOS; the positive attitude results with success of SACCOS as well as vice versa remains true. Based on members' entrepreneurial characteristics; if members are entrepreneurs they borrow for good purpose. Positive changes occur to members after they get financial services. If the business environment allows members to apply for more loans and the loans cause positive changes to members, this attracts more people to join SACCOS and hence influence successfulness to SUS. Similarly, a SACCOS attains success faster if it networks with other organizations. Good governance in the external environment of SACCOS was expected to accelerate success to SUS. It facilitates various issues like solving challenges to SACCOS through implementation of government policy for aspects like awareness creation, registration, competition, inspection, training, networking, searching for opportunities and technology. External environment is required to support the internal environment towards achieving successful SACCOS. The findings of specific objective number four (external environments of SACCOS) were analysed jointly with the attribution on achievement theory.

The fourth background variable is the level of possession of success characteristics by the SACCOS. The possession of those characteristics is an achievement. This achievement increases its ability to achieve success as stated by Maruyama and Magarey (1980). The findings for specific objective number two (success characteristics) were analyzed jointly with academic achievement theory.

The independent variables in this study were factors that lead to success of SACCOS. Those factors were derived from the background variables. They were age of SACCOS since registration, governance practices by SACCOS, effort of SACCOS to reach many people, ability of SACCOS to provide financial services sustainably, actual number of active members of SACCOS, members care by SACCOS, attitude of members towards SACCOS, members' entrepreneurial characteristics, financial control, interest rates charged on loans, services and products offered and networking of SACCOS with other organizations. The findings of specific objective number five (factors that lead to success of SACCOS) were analysed jointly with the attribution on achievement theory.

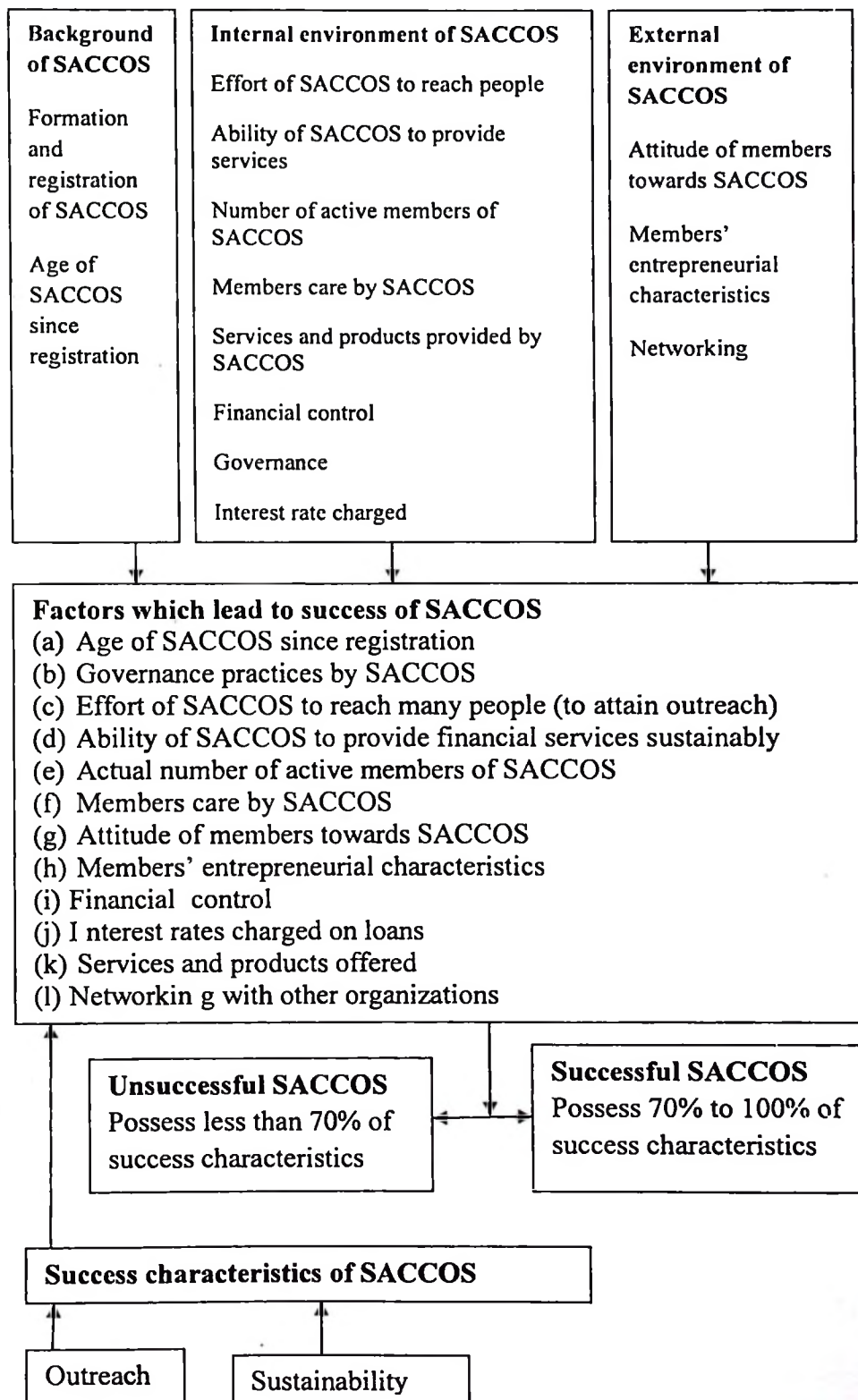


Figure 1: Conceptual framework for investigating factors influencing successful SACCOS

CHAPTER THREE

3.0 METHODOLOGY

3.1 Geographical Location of the Study Area

The study was conducted in four regions within Tanzania namely Dar es Salaam, Dodoma, Kilimanjaro and Morogoro regions as shown in Fig. 2. The census of all regions was the interest of the researcher. However, the choice of four regions was made because of availability of funds and each region has SACCOS in each region of Tanzania.

Dar es Salaam Region is located approximately 800 km south of Equator along the East African coast, between latitudes $6^{\circ} 34'$ and $7^{\circ} 10'$ South of the Equator. Historically and ecologically, the region is famous as part of it is occupied by the largest commercial city in Tanzania, namely Dar es Salaam City. The region occupies an area of 1393 km^2 or 0.2% of the total land of Tanzania. Out of this land, 448 km^2 is reserved for city expansion while 945 km^2 is known as a green belt area which is fertile for agricultural production. The region has 2 497 940 people (7.2% of the Tanzania's population) as shown in the 2002 National Population Census. However, the number of people was 4 364 541 according to the 2012 National Population and Housing Census (NBS, 2013). In an effort to boost regional economy, several initiatives were established including formation of SACCOS which by, 2005 and 2008, were 237 and 457 SACCOS respectively (MCM, 2005; MAFSC, 2008).

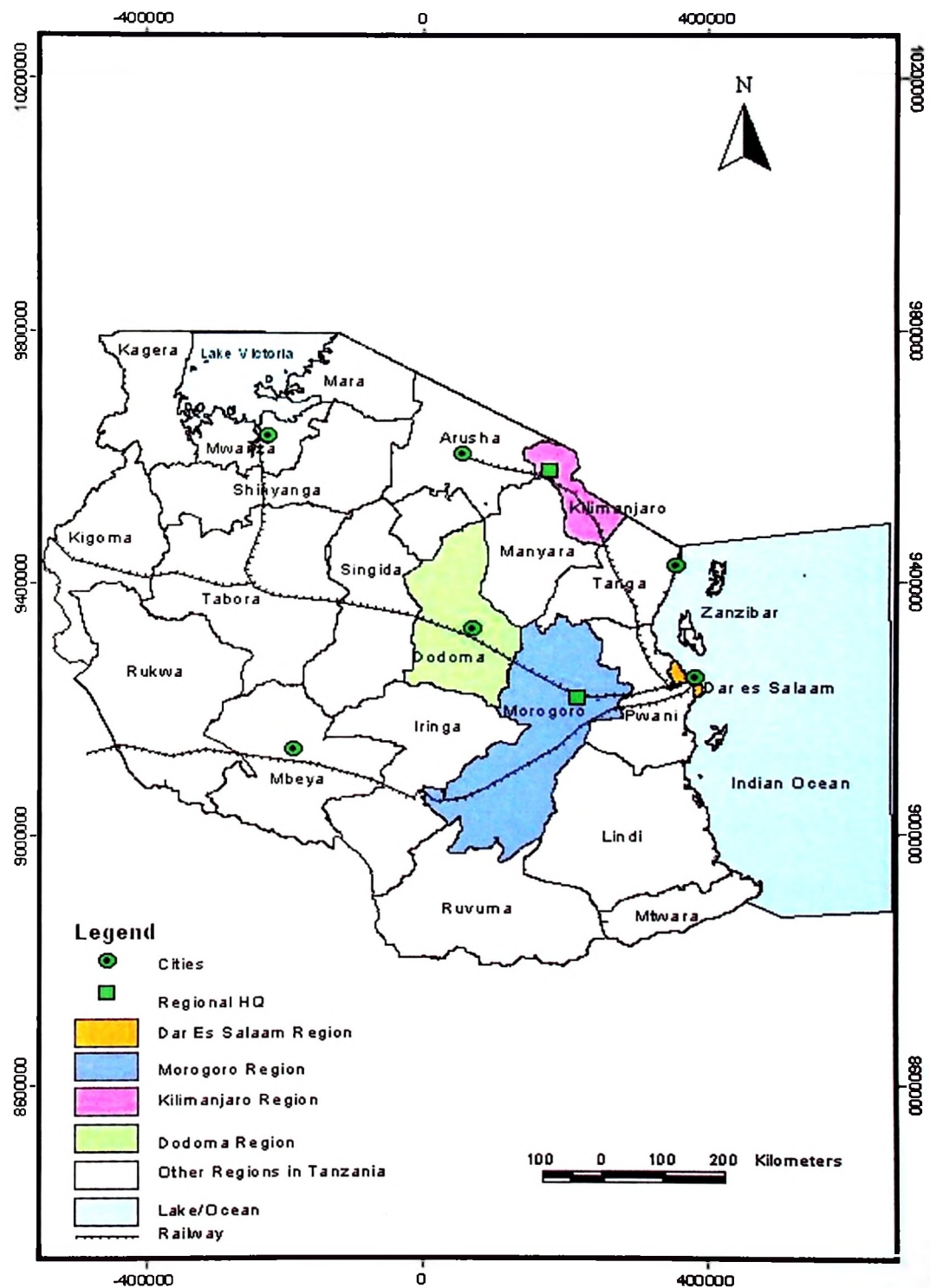


Figure 2: Map showing location of Tanzania and study regions

Dodoma Region is geographically located between latitudes $4^{\circ} 7'$ and $7^{\circ} 21'$ South of the Equator and between longitudes $36^{\circ} 43'$ and $35^{\circ} 5'$ East of the Greenwich (URT, 2003b). Historically and ecologically, the region is famous as the driest region but is located at the central part of the country and its part is occupied by the political capital city in Tanzania, namely Dodoma Municipality. Moreover, the population and housing census of 2002 indicated that the region had 1 692 025 people but the number was 2 083 588 in 2012, according to the 2012 population and housing census (NBS, 2013). In an effort to boost regional economy, several initiatives were established including formation of SACCOS which, by 2005 and 2008 the numbers were 99 and 158 SACCOS respectively (MCM, 2005; MAFSC, 2008).

Kilimanjaro Region is geographically located between latitudes $2^{\circ} 20'$ and $4^{\circ} 30'$ South of the Equator and between longitudes 37° and 38° East of the Greenwich. Historically and ecologically, the region is famous as part of it occupies the highest mountain in Africa which is the second highest mountain in the world after Everest of Asia namely Kilimanjaro Mountain. The surface area of the region is 13 209 km^2 , out of which 8, 380 km^2 is fertile for agricultural production. Moreover, population census of 2002 indicated that the region had 1 376 702 people but NBS (2013) shows that in 2012 the population was 1 640 087. In an effort to boost regional economy, several initiatives were established including formation of SACCOS which, by 2005 and 2008 the numbers were 134 and 212 SACCOS respectively (MCM, 2005; MAFSC, 2008).

Morogoro region is geographically located between latitudes $5^{\circ} 58'$ and $10^{\circ} 0'$ South of the Equator and between longitudes $35^{\circ} 25'$ and $38^{\circ} 30'$ East of the Greenwich. Historically and ecologically, the region is famous as one of the big four regions which are the giant producers of food crops in the country. Moreover, the population and housing census of 2002 indicated that the region had 1 753 362 people but the number increased to 2 218 492 by 2012 (NBS, 2013). In an effort to boost regional economy, several initiatives were established and these include formation of SACCOS, which were 99 and 314 by years 2005 and 2008 respectively (MCM, 2005; MAFSC, 2008).

3.2 Research Design

A research design is a plan of action for collecting data, organizing and analyzing it with objectives of combining the relevance of the research with economy in procedure (Kothari, 2009). This study employed a cross-sectional research design. The design entails collection of data on more than one case (usually quite a lot more than one) at a single point in time. The design enables a researcher to collect a body of quantitative and/or qualitative data for about two or more variables which are then examined to detect patterns of associations (Bryman, 2004; Rwegoshora, 2006). This study collected both quantitative and qualitative data for more than two variables. Furthermore, the adoption of the design was justifiable on the basis that it is the commonest design used in survey research to compare extents to which at least two categories of people or organizations differ on the dependent variable (De Vaus, 1993). The two categories of organisations in this research are SUS and UNSUS. The time frame was from August 2008 to July 2009.

3.3 Sampling Procedures

3.3.1 Selection of study regions

A list of 21 regions was obtained from the Ministry of Cooperatives and Marketing (MCM, 2005) as shown in Appendix 3 in Dodoma, Tanzania. The list showed that each region in Tanzania mainland has a SACCOS. The best preferred study could be a census of all SACCOS. However, the available resources could allow conducting this study in maximum of four regions. The simple random sampling was used so as to give each region equal chances to be included in the study. Each region was assigned a number, and the selection of the four regions was conducted randomly using a computer random number key. The selected regions were Dar es Salaam, Dodoma, Kilimanjaro and Morogoro.

3.3.2 Selection of sample SACCOS

The selection of the study SACCOS was done during the preliminary survey. During the preliminary survey discussion of success characteristics was done and resulted in developing criteria for a SACCOS to be SUS as shown in Table 1. Basing on specified cut off points, the key informants identified successful and unsuccessful SACCOS in their areas of operation. This was done by key informants responding to question 2 in the Guideline for key informant survey (Appendix 1). The key informants included Regional and District Cooperative officers (RCOs and DCOs), SCCULT National and Zonal Leaders, Leaders of Networks of SACCOS (SCULT, RUFIP, UMADEP, RFSP, MOMFISCO and MSAWAKI), village executive officers and other knowledgeable people about SACCOS. The identified successful and unsuccessful SACCOS facilitated formation of sampling frames. A sampling frame

or source list is a list from which a sample is drawn (Mugenda and Mugenda, 2003; Kothari, 2004; Bailey, 2009). Two sampling frames or source lists of SACCOS were prepared for each region; one sampling frame consisting of SUS and the second one consisting of UNSUS.

Table 1: Success characteristics and criteria for Successful SACCOS

S. N	SACCOS' success characteristics	Criteria for success
1	Origin of SACCOS	Originated by members
2	Number of people in the common bond (NP)	NP \geq 3000
3	Repayment rate of loans in the SACCOS	95% and above
4	Ratio of number of members to staff	154 or more
5	Number of active members	\geq 1000
6	Enough total revenue to enable SACCOS to meet all costs	Revenue > Costs
7	Members are gender participatory (female, male, young, old)	Female members \geq 30%
8	Number of services and products offered by SACCOS	Three or more offered
9	The SACCOS offer services which build economic capacity to active poor people	Enabled poor members to start earning 1US\$/day
10	The SACCOS offer services which can benefit people in rural areas	Services benefit rural areas
11	The SACCOS offer services to members regardless of their level of education (literate, semiliterate and illiterate)	Members of at least two levels of education
12	Members live in better life conditions as a result of change in income	Income increased
13	The SACCOS practise governance (openness, equity, accountability and participatory).	Governance practised
14	Changes in business of members after they use SACCOS services and products	Positive

Simple Stratified Random Sampling (Kothari, 2009; Rwegoshora, 2006) was employed to select 15 SACCOS from identified SUS and 15 SACCOS from the identified UNSUS in each region. The two strata were suggested by key informants, the strata were SUS and UNSUS. The stratification criteria of the sample were criteria for success given in Table 1. This resulted into a sample size of 30 SACCOS for each region and a total of 120 SACCOS for the study as a whole as shown in Table 2. According to Bailey (2009), a sub-sample size of 30 respondents is the minimum for studies in which statistical data analysis can be done.

Table 2: Sample size

Name of Region	Successful SACCOS	Unsuccessful SACCOS	Total sample
Dar es Salaam	15	15	30
Dodoma	15	15	30
Kilimanjaro	15	15	30
Morogoro	15	15	30
Total	60	60	120

3.4 Data Collection Procedures

The data needs of the study were both primary and secondary data. The study collected quantitative and qualitative data. Both quantitative and qualitative data were important in examining situations of this kind (Gupta and Gupta, 1994; Gupta, 2008; Saunders and Smidt, 2000). Quantitative data were gathered through a questionnaire while qualitative data were obtained through interviews and direct observations. Secondary data were collected through documentary review. Data collection involved two visits to the study areas. The first visit was a preliminary survey during which the researcher conducted in-depth interviews, with SACCOS network leaders, RCOs,

DCOs, leaders and some members of SACCOS in preparation for survey to be conducted. Also the researcher made direct observation and documentary review in the offices of those interviewees. This first visit was conducted from April to June 2008. The second visit was for administering the research questionnaire to SACCOS. This second visit took place from August 2008 to July 2009. Data were collected by using four methods of data collection as described below.

(a) Questionnaire based survey

Questionnaire was used to collect quantitative data. One set of structured questionnaire (Appendix 2) was prepared and pre-tested before being used as a main data collection tool. The structured questionnaire was administered to Boards of SACCOS. A structured questionnaire is one which consists of definite, concrete and pre-ordered questions that is they are prepared in advance (Rwegoshora, 2006). The purpose of pre-testing the questionnaire was to test wording, sequencing, questionnaire layout and fieldwork arrangement, testing analysis procedures and estimate response rate (Veal, 1997). Pre-testing of a questionnaire is also important because it allows generating an understanding of the concepts and theories held by the organisations being studied and enable one to check the viability and reliability of the data collected (Rwegoshora, 2006).

Part A of the questionnaire consisted of questions focusing on background and success characteristics of SACCOS. Parts B and C contained questions on the outreach and sustainability of SACCOS respectively. Parts D and E had questions on internal and external environments of SACCOS respectively. Part F comprised of questions regarding factors influencing success of SACCOS.

(b) In depth interviews

The structured interview guidelines were used to collect data from key informants (Appendix 1). The key informants included those mentioned in section 3.3.2.

(c) Direct observation

Observation is a technique that involves systematic selection, watching, and recording behaviour characteristics of living beings, organisations, objects or phenomena (Corlien *et al.*, 1999; Itika, 2007; Encarta, 2008). The observation was made on the infrastructure of SACCOS including: offices, if there was an office or not; if front office or back office was used, computers and furniture. Also human resources were observed in the SACCOS and the flow of members and customers and how they were cared in SACCOS. Direct observation was also made on members' participation in decision making through the researcher attending Annual General Meetings of some SACCOS namely BUNJU SACCOS, MOCEMA SACCOS, WAZALENDU SACCOS and NSHARA SACCOS. The observations were recorded in a diary soon after each observation.

(d) Documentary review

Some time was spent in the offices of RCOs, DCOs, MUCCoBS Regional centres in Morogoro, Dar es Salaam (centre located in Kibaha), Kilimanjaro and Dodoma, study SACCOS, stakeholders of SACCOS including SCCULT, RUFIP, MSAWAKI, MOMFISCO, RFSP, libraries of SNAL and MUCCoBS to collect information from documents and files. Information obtained included objectives and strategies of SACCOS.

3.5 Data Processing and Analysis

3.5.1 Data processing

Collected data were processed prior to analysis using Statistical Package for Social Sciences (SPSS for windows version 12.0) computer software. The exercise involved questionnaire data entering into SPSS for windows prior to analysis. SPSS defines data as nominal data, ordinal data or ratio-scale data. Nominal data is where the number codes represent labels for categories of responses. Examples are marital status and gender. Ordinal data is where the sequence of number codes for a variable reflects an ordered relationship. Example is education level of members. Ratio-scale data require an absolute zero point. These represent an actual unit of measurement, such as value. Entry fee, amount of money saved and amount of loan disbursed are examples of a ratio scale variable. Ratio-scale data permit more rigorous statistical testing (CGAP, 2003; Bryman, 2004). In this study wherever possible, quantifiable variables were recorded as ratio scale data to permit more rigorous statistical testing.

Transfer of data from SPSS software to STATA software was done to allow good running of the probit model. The data transfer was necessary because SPSS is not good for probit regressions as it gave omitted data. The probit regression analysis was conducted in STATA software. Through probit regression analysis the values of Z and their respective probit coefficients of each independent variable were obtained. On top of that, STATA software has ability to automatically drop down the variables which cause multicollinearity.

3.5.2 Data analysis

Data analysis consists of examining, categorizing, tabulating, testing data to address the initial proposition of the study (Yin, 2003); Ellis and Mdoe (2003); (Mbwambo, 2007) state that a judicious combination of qualitative and quantitative methods can help to solve problems that are associated with each type of method taken separately. Therefore, this study used both qualitative and quantitative data analysis methods (Seur, 1992; Mugenda and Mugenda 2003; Kimeme 2005; Kessy and Urio, 2006; Oliver, 2008; Bailey 2009; Kothari, 2009).

Descriptive statistics such as frequency, means, cross-tabulations, percentages, correlation coefficients were used to profile respondents' success characteristics, internal environment, external environment and success factors of SACCOS. The descriptive statistics enabled the two research questions of this study to be answered. Apart from the descriptive statistics, inferential analysis such as probit model and binary logistic model were used in order to reinforce the descriptive statistics and test the two hypotheses not validated by using the above descriptive statistical analysis. A detailed explanation of how the data was analysed is given in the following section namely data management procedures.

3.6 Data Management Procedures

The data for overall objective of this study were addressed jointly with findings of attribution theory of achievement and other theories. Specifically, the data for each of the specific objectives of this study were addressed separately. The first specific objective was worked on together with research question one and theories of formation. The second specific objective was worked on simultaneously with

testing of the first hypothesis and analyzing findings of theory of academic achievement. Specific objectives three and four were worked on together with research questions three and four respectively and findings of cognitive theory. The fifth specific objective was worked on together with testing its second hypothesis and analyzing findings of the attribution theory of achievement.

3.6.1 Background of successful SACCOS

To achieve the first specific objective, which was to examine backgrounds of Successful SACCOS, content analysis and descriptive statistics were used. The contribution of that background to success of SACCOS and factors influencing the success were the focus of this section. For instance, origin of SACCOS, founder members, years of formation and registration for SACCOS, age of SACCOS since registration, time between formation and registration, and type and size of the common bond.

3.6.2 Characteristics for successful SACCOS

To achieve the second specific objective, which was to describe success characteristics of SACCOS, descriptive statistics on outreach, sustainability, and success characteristics were computed. Then hypothesis one was tested through binary logistic regression.

(a) Operationalization for measuring outreach

According to (CGAP, (1997); Ledgerwood (2000); Urio and Kessy (2006); Mlowe and Kaleshu (2009) outreach was measured through two aspects namely breadth of outreach and depth of outreach as described below:

(i) Breadth of outreach

The numbers of people who are members of SACCOS were observed. SACCOS with 1000 members has adequate outreach. The minimum acceptable number of members is 154 (CGAP, 2003). Another issue measured is the annual increase of number of members from one year to another. The increase in this number is necessary to show that there is outreach.

(ii) Depth of outreach

Women participation (WP) and minimum acceptable savings were measured. Women participation should be a minimum of 30%.

$$WP = \frac{\text{Number of women who are members}}{\text{Total number of members}} \geq 30\% \text{-----}(2a)$$

(b) Operationalization for measuring sustainability

Sustainability was measured through financial sustainability (financial self sufficiency). The financial sustainability was measured firstly through its various aspects as described below. Finally the financial sustainability ratio (SSR) was computed (Ledgerwood, 2000). Various measuring aspects were as follows:

(i) Measuring values of savings, capital and loans per year

Value of savings, capital collected and loans disbursed per annum were measured. The criteria are that for those aspects, their values should increase from one year to another to show that sustainability is increasing. That is savings, capital and loan disbursed should increase from time to time.

Average savings accumulated every year was measured and comparison of figures of SUS from those of UNSUS was done.

$$S = \sum Si / n \text{ -----(2b)}$$

Where S = Average savings

Si = Savings collected by SACCOS in a year

n = Sample size

Average capital accumulated every year was measured and comparison of figures of SUS from those of UNSUS was done.

$$C = \sum Ci / n \text{ -----(2c)}$$

Where C = Average capital

Ci = Capital accumulated by SACCOS in a year

n = Sample size

Average loan disbursed every year was measured and comparison of figures of SUS from those of UNSUS was done

$$L = \sum Li / n \text{ -----(2d)}$$

Where L = Average Loan

Li = Loan disbursed by SACCOS in a year

n = Sample size

(ii) Repayment rate (R) of loans disbursed

The ratio of value of actual loans returned divided by value of expected loan to be returned per annum times 100. The standard minimum value of R is 95%.

$$R = \frac{\text{Actual value of loan repaid}}{\text{Expected value of loan to be repaid}} \times 100 \geq 95\%$$

Let f be frequencies of SACCOS which attained $R = 95\%$.

Let g be percentages of SACCOS which attained R (95%). Then

$$g = (\text{SACCOS attained } R \times 100) / n \text{ -----(2e)}$$

$$g = 100f.$$

Where n is sample size.

Comparison of SUS and UNSUS was done based on g .

(iii) Return on Assets (ROA), Return on Equity (ROE) and Return on Capital (ROC)

Return on Assets (ROA). The main asset of SACCOS is provision of loan, other factors being held constant.

$$\text{ROA} = \frac{\text{Average profit of sample SACCOS per annum}}{\text{Average of total value of loans disbursed per annum}} \text{ -----(2f)}$$

ROA should be in the range of 0.08 to 0.15 (8% to 15%), similar to interest charged on loan.

Return on Equity (ROE). The main equity of SACCOS is shares, other factors being held constant.

$$\text{ROE} = \frac{\text{Average total value of profit of sample SACCOS p. a.}}{\text{Average total value of shares of sample SACCOS p.a.}} \text{ ----- (2g)}$$

ROE should be in the range of 0.1 to 0.15 (10% to 15%), similar to interest charged on loan.

Return on Capital (ROC). The capital composed of shares and savings of SACCOS, other factors held constant.

$$\text{ROC} = \frac{\text{Average profit of sample SACCOS per annum}}{\text{Average of total capital per annum}} \text{ -----(2h)}$$

ROC should be 1 or more (100% or more) for a SACCOS to be sustainable, otherwise they are unsustainable.

(iv) Operating income, Operating expenditure and operating profit earned

Let P be profit

Profit was calculated by taking Income minus Expenditure.

$$P = Y - E \text{ -----(2i)}$$

P should be positive and grow from one year to another.

Where P is profit of SACCOS, Y is income, E = Expenditure

(v) Financial self-sufficiency ratio (FSSR)

FSSR indicates whether or not enough revenue has been earned to cover both direct costs including financing costs, provision for loan losses, and operating expenses for loans losses, and operating expenses, and indirect costs, including cost of capital.

$$FSSR = OI / (TOE + CC) \text{ -----(2j)}$$

Where:

FSSR = Financial self- sufficiency ratio

OI = Operating income

TOE = Total operating expenses (Operating expenses + financing costs + Provision for loan losses)

CC = cost of capital.

Unless at least 100 percent financial self-sufficiency is reached, provision of financial services in the long term is not there, no financial sustainability (CGAP, 1997); (Ledgerwood 2000); Urio and Kessy (2006); Mlowe and Kaleshu (2009). This was adopted as a measure of sustainability in this study.

(c) Operationalisation of success characteristics of SUS and UNSUS

Data on success were obtained by asking SACCOS if they possessed these characteristics (question 20 in Appendix 2). The response for “Yes” was given a score of 1 and “no” was given a score of 0. The total scores from each SACCOS ranged from 0 to 14. Zero score (0%) means that the SACCOS has zero success (absolutely failure SACCOS). Fourteen score (100%) means that the SACCOS is a 100% successful one (completely SUS). However, most of the SACCOS studied appeared to be between zero and 14 scores. The number of SACCOS in each level of score was found through calculating its frequency and percentage.

Confirmation of SACCOS to be Successful SACCOS (SUS) was based on their scores. The scores were divided by the maximum possible score, 14, and the ratio converted to percentage. A SACCOS which scored 10 to 14 out of 14 (more than 70%) was confirmed to be successful SACCOS (SUS). A SACCOS which scored zero (0) to nine (9) (70% or less) was confirmed to be unsuccessful SACCOS (UNSUS).

(d) Testing hypothesis 1

Binary response models are common models used to analyze success problems due to the categorical nature of the outcomes whether there is success or no success

(failure). Binary logistic regression is a form of regression that is used when the dependent variable is dichotomy and the independent variables are of any type (Kayunze, 2008); (Agresti, 2002); Daniel and Xie (2000). Several applications of the qualitative choice models have been reported by (Aminur, 1999); (Duong, 2002); (Khandler, 2003); (Kimeme, 2005); (Hawassi, 2006); (Kadigi, 2006) and (Simon, 2006).

Due to the estimation problems associated with the applications of multivariate regression models that use qualitative dependent variables, the Linear Probability Models were proposed as the alternatives, Aldrich and Nelson (1990). The only problem with the Linear Probability Model specification is that $\sum b_k X_{ik}$ is used to approximate a probability number $[P_i [P_i = P(Y_i = 1)]]$ assumed to be constrained from 0 to 1 while $\sum b_k X_{ik}$ is itself not constrained (Simon, 2006).

According to Griffiths *et al.* (1993) and Wooldridge (2003), one way of approaching this problem is to transform P_i through logarithmic transformation to obtain the function.

$$P_i = \exp(Z_i) / \{1 + \exp(-Z_i)\} = 1 / \{1 + \exp(-Z_i)\}$$

This expression, commonly referred to as “logistic function”, is continuous and can take on any value from 0 to 1. It is near zero when Z_i near negative infinity, and then increases monotonically with Z_i . It goes to 1 as Z_i goes to positive infinity. The function is in fact as smooth S-shaped curve asymmetric about the point $Z_i = 0$. Unlike the linear specification, it satisfies the 0 – 1 constraint on P_i without also constraining $Z_i = \sum b_k X_{ik}$.

The characteristics of the function $P_i = \exp(Z_i)/(1 + \exp(Z_i))$ makes it an alternative to the linear probability model for dichotomous dependent variables. The use of monotonic transformations (probit or logit specifications) guarantees that predictions lie within the unit interval, Capps and Kramer (1985). The logit and probit probabilities provide greater reliability and statistical sophistication in analyzing binary choice decisions (Amemiya, 1981). The probit model is associated with the standard cumulative distribution function while the logit model is associated with the logistic cumulative distribution, Hanushek and Jackson (1977). The probit and logit models usually give similar results for most problems and it is difficult to distinguish between them statistically (Amemiya, 1981). The logistic (logit) and normal (probit) curves are so similar as to yield essentially identical results. The only essential difference is the thickness of the tails of the curves that show how rapidly the curves approach 0 and 1, Aldrich and Nelson (1990).

In practice, logit and probit model yield estimated choice probabilities that differ by less than 0.02 and which can be distinguished in the sense of statistical significance, only with very large samples, Aldrich and Nelson (1990). Consequently, there is little to guide the choice between the two. Therefore, the choice of specification remains fairly arbitrary, revolving around practical concerns such as the availability and flexibility of computer programs and personal preference and experience, Aldrich and Nelson (1990). Madalla (1983, 1989) stresses as that the choice between probit and logit models come down to convenience. As a result, both models have been used widely in various studies.

The first hypothesis, which was that each of the hypothesized success characteristics has no significant effect to categorize SACCOS into either Successful SACCOS or Unsuccessful SACCOS, was tested using binary logistic regression model since such a model is ideal for variables in which the dependent one is dichotomous like successful SACCOS and unsuccessful SACCOS. According to Hosmer and Lamesow (2000); Powers and Xie (2000); (Agresti, 2002); (Kayunze, 2008), the model was specified as follows:

$$\text{Logit}(p_i) = \log(P/1-P_i) = b_0 + b_1x_1 + b_2x_2 + \dots + b_kx_k \quad (2k)$$

Where:

$\text{Logit}(p_i) = \ln(\text{odds/event})$, that is the natural log of the odds of an event occurring.

P_i = Prob (event), that is the probability that the event will occur

$1-P_i$ = Prob (event), that is the probability that the event will not occur

b_0 = constant of the equation

b_1 to b_k = Coefficients of independent/predictor/response variables

k = Number of independent variables

X_1 to X_k = independent variables entered in the model are as shown in Table 3.

The dependent variable was a dummy of successful SACCOS, whereby successful SACCOS was 1 if a SACCOS had 10 to 14 out of 14 (70% to 100%) of success characteristics and unsuccessful SACCOS was 0 if a SACCOS possessed less than 10 out of 14 (less than 70%) of success characteristics. The dependent variable was

regressed on the above 14 independent variables to find the contribution of each of them on the dependent variable.

Table 3: Independent variables entered in Binary Logistic regression model

	Independent variable	Types of variable	Explanation of variables
X ₁	Origin of SACCOS (ORS)	Dummy	Originated by members = 1, Originated by non-members = 0
X ₂	Number of people in the common bond (NPC)	Continuous	NPC \geq 3000 = 1, 3000 > NPC = 0
X ₃	Repayment rate of loans in the SACCOS (RRL)	Continuous	95% and above = 1, Less than 95% = 0
X ₄	Ratio of number of members to staff (RMS)	Continuous	154 or more = 1, Less than 154 = 0
X ₅	Total number of active members (NAM)	Continuous	\geq 1000 = 1, Less than 1000 = 0
X ₆	Total revenue enough to enable SACCOS to meet all costs (TRC)	Dummy	Revenue \geq Costs = 1, Revenue < Costs = 0
X ₇	The members are gender participatory (female, male, young, old) (GND)	Dummy	Female members \geq 30% = 1, 30% > Female members = 0
X ₈	Number of services offered by SACCOS (NSO)	Dummy	Three or more offered = 1, Less than three offered = 0
X ₉	The SACCOS offer services which build economic capacity to active poor people (SAP)	Dummy	Enabled poor members to start to earn 1US\$/day = 1, Some members earn less than 1US\$/day = 0
X ₁₀	The SACCOS offer services which can benefit people in rural areas (SBR)	Dummy	Services benefit rural areas = 1, No benefit to rural areas = 0
X ₁₁	The SACCOS offer services to members regardless of their level of education (literate, semiliterate and illiterate) (SAL)	Dummy	Members of at least two levels of education = 1, All members are of only one level of education = 0
X ₁₂	Members live in better life conditions as a result of change in income (MBL)	Dummy	Income increased = 1, Income decreased = 0
X ₁₃	The SACCOS practise governance (openness, equity, accountability and participatory). (GNP)	Dummy	Governance practiced = 1, Governance not practiced = 0
X ₁₄	Changes in business of members after they use SACCOS services and products (MBP)	Dummy	Positive = 1, Negative = 0

3.6.3 Assessment of the internal environment that affects success of SACCOS

The internal environment assessment was done in order to achieve specific objective number three of this study. Assessment was done on thirteen aspects. Various tools were used to manage data towards achieving this objective.

(a) Descriptive statistics analysis

Under descriptive statistics, means, percentages frequency distribution of different variables were calculated (Gupta and Gupta, 2006). Results from descriptive statistics were used to construct frequency distribution tables important to simplify interpretation of results.

(b) Principal Component Analysis (PCA)

Factor analysis refers to a class of techniques whose purpose often consists of data reduction and summarization (Wuensch, 2009). According to Simon (2006; Wuensch, 2009), the purpose of factor analysis is to identify a relatively small number of factors that can be used to represent relationships among sets of interrelated variables.

The Principal Component Analysis (PCA) which is the default method for factor extraction in SPSS/PC+ was used as a method of factor extraction. According to Wuensch (2009), one may do a PCA simply to reduce a set of p variables to m components or factors prior to further analyses on those m factors. For example, Ossenkopp and Mazmanian had 19 behavioral and physiological variables from which they wished to predict a single criterion variable, physiological response to four hours of cold-restraint. They first subjected the 19 predictor variables to a FA. They extracted five factors, which were labeled Exploration, General Activity, Metabolic Rate, Behavioral Reactivity, and Autonomic Reactivity. They then computed for each subject scores on each of the five factors. That is, each subject's set of scores on 19 variables was reduced to a set of scores on 5 factors. These five

factors were then used as predictors (of the single criterion) in a stepwise multiple regression, Wuensch (2009).

In this research, factor analysis particularly PCA was used as a method of item analysis for index variables of indices of ability to provide microfinance services (ABS), and governance (GOV) in order to identify the appropriate items that determine these variables. According to IDRE (2014) communalities is the proportion of each variable's variance that can be explained by PCA. Extraction of communalities values indicate the proportion of each variable's variance that can be explained by principal components. The condition is for the communalities values less than 0.5 are removed as written by Kline (1993), cited by Towo (2012).

According to Wuensch (2009); IDRE (2014) Eigen values are the variances of the principal components. Through extraction Sums squared loadings the numbers of principal components whose Eigen values are 1 or greater are determined. Scree plot graphs of the Eigen value against the principal component shows graphically principal components whose Eigen values are 1 or greater. In general, we are interested in keeping only those principal components whose Eigen values are greater than 1. Furthermore the condition is that the component loadings, which are the correlations between the variable and the component must be greater than 0.3.

The operationalization of PCA in this study was guided by accepting variables with communalities of 0.5 or more, Eigen values greater than 1 and correlations between variables and components greater than 0.3.

(c) Developed index variables

To formulate single number variable representing aggregate effects of number of individual factors may need a conversion of units to a common unit, something which could be complex and a time consuming procedure. This could require some assumptions which may not hold true in real situations. The index variable development does not require such complex situation. This enables two indices, ability index and governance index to be developed from aggregate effect of a number of individual factors (Kothari, 2009). Hotland (1993) cited by Simon (2006) to have developed a Wealth index formulae $[WET = \sum(Y_{ij}/Y_{max})(i=1,2...x, j=1,2.....n)]$ by summing up individual asset indices obtained from assets determining individuals' wealth. This index formulae was adopted by the present research in developing the following indices:

A total of two indices were developed. The indices are Index of ability to provide services, and Index of governance. Before these indices were developed, sets of statements were made on each factor which was considered to influence the variable. These statements were included in the questionnaire administered to sample SACCOS. Developing such statements was necessary because it was not easy to solicit information for such variables by asking one question to a respondent. The descriptions of individual indices development and operationalization were as follows:

(i) Index of ability to provide microfinance services (ABS)

Key informants hypothesized 6 factors influencing ability of SACCOS to provide services as follows:

- Ability of SACCOS to attain financial self-reliance (100%),
- Ability of SACCOS to attain positive growth of value of shares for 3 years,
- Ability of SACCOS to attain positive growth of value of savings for 3 years,
- Ability of SACCOS to attain positive growth of value of loans for 3 years,
- Ability of SACCOS to attain 95% repayment rate of loan per year, and
- Ability of SACCOS to attain a size of common bond of 3000 people.

The factors were then converted into statements which were included in the questionnaire as question 59 as shown in Appendix 2. SACCOS' board members or managers were requested to provide scores to each statement depending on their strength of influence on the ability of SACCOS to provide services. The hypothesized statements were subjected to PCA to select the important ones used to calculate ABS. Four statements were selected. Therefore, ability index was measured by four factors namely Size of common bond to be 3000 or more people for SACCOS, Growth of value of shares being positive for the past 3 to 10 years, Growth of value of savings be positive for the past 3 to 10 years and Percentage repayment rate being 95% of expected amount of loan per year.

The scores were analyzed through the following formula to get the ABS:

$$ABS = \sum (A_{ij}/A_{\max}) \{i = 1, 2, \dots, s, j = 1, 2, \dots, n\} \dots\dots\dots(3a)$$

Where ABS = Index of ability for individual SACCOS

A_{ij} = Scores for statements of an individual SACCOS

A_{\max} = Maximum scores in the ability statements.

The total score values in index of ability therefore ranged from $(1 \text{ to } 5) \times 4 = 4$ to 20. A score of 4 means that the SACCOS is able and a score of 20 shows full ability of SACCOS. The total score of each SACCOS was divided by 20 so as to have an index ranging from 0.0 to 1.0. Indices of ability of SACCOS between 0.0 and less than 0.8 were classified as unable SACCOS and therefore to be assigned a value of 0 in the binary model. Indices of ability of SACCOS between 0.8 and 1.0 were classified as able SACCOS and therefore to be assigned a value of 1 in the binary logistic model in section 3.6.5.

(ii) Index of governance (GOV)

Key informants hypothesized 8 factors influencing good governance practise by a SACCOS as follows:

- If idea for SACCOS formation was from members,
- Election of leaders was conducted in every three years,
- Practising participatory decision making,
- If accountability is practised to leaders and members,
- If audited reports are open to members,
- Number of board members be 5, 7 or 9
- Committees held meetings as per schedule, and
- High possibility to use of information presented in suggestion box.

The factors were then developed into statements which were included in the questionnaire as question 70 as shown in Appendix 2. SACCOS were requested to provide scores to each statement depending on whether the statement was practised

1 or is not practised 0. The hypothesized statements were subjected to PCA to select the important ones used to calculate GOV. Six statements were selected. Therefore governance index was measured by six factors namely, Election of leaders being conducted in every three years, accountability being practised by leaders and management, presence of financial openness through audited reports being open to members, and Number of board members being 5, 7 or 9 to allow balanced decision making (URT, 2003), Committees held meetings as per schedule and higher possibility of use of information presented in the suggestion box. The scores were analyzed through the following formula to get the GOV:

$$GOV = \sum (G_{ij}/G_{max}) \{i = 1, 2, \dots, g, j = 1, 2, \dots, n\} \dots\dots\dots(3b)$$

Where: GOV = Governance Index for individual SACCOS

G_{ij} = Scores for statements to an individual SACCOS

G_{max} = Maximum scores in the governance statements.

The total score values in index of governance therefore ranged from 0 to 6. The 0 score means that the SACCOS do not practise good governance and 6 scores shows that SACCOS practise good governance in all aspects. The total score of each SACCOS was divided by 6 so as to have an index ranging from 0.0 to 1.0. Indices of governance of SACCOS between 0.0 and less than 0.8 were classified as SACCOS without good governance and therefore were assigned a value of 0 in the binary logistic regression model. Indices of governance practised by SACCOS between 0.8 and 1.0 were classified as SACCOS which practised good governance and therefore to be assigned a value of 1 in the binary logistic model in section 3.6.5.

3.6.4 External environment of SACCOS

The external environment assessment was made in order to achieve specific objective number four of this study. Investigation was done on seven aspects. The assessment was done through the two tools of analysis as following:

(a) Descriptive statistics analysis

Under descriptive statistics, means, percentages frequency distribution of different variables were calculated to enable to construct frequency distribution tables important to simplify interpretation of results.

(b) Content analysis

Content analysis refers to words, meanings, pictures, symbols, themes or any message that was communicated during the study (Mouton, 2001). Content analysis was used to analyze the qualitative information from observations of state of SACCOS offices, documents and reports from SACCOS offices, DCOs offices, RCOs offices, MAFSC Dodoma and SACCOS Networking organizations. Content analysis enabled the information regarding success of SACCOS and factors that lead to success of SACCOS to be organized according to emerging themes and sub-themes.

3.6.5 Analysis of factors influencing success of SACCOS

Factors that lead to success of SACCOS were analyzed through regression. Regression is a measure of the average relationship between two or more variables in terms of the original units of the data. Through regression analysis, estimates of values of the dependent variable are obtained from values of independent variables. Regression analysis is one of the most frequently used in economics and business

research. The simple and commonly used approach is the Ordinary Least Square (OLS) regression model (Gupta, 2008). However, OLS has some problems; it requires the dependent variable to be continuous, and it can't be used for the case of non-continuous dependent variable, Frone (1997) cited by Hawassi (2006). The exact set of problems of OLS regression model may differ across various types of outcome variables. The following four problems are common:

- (a) Non-sensical predicted values falling outside the possible range of outcome,
- (b) Biased regression coefficient,
- (c) Non-normality distribution error terms, and
- (d) Presence of heteroscedasticity.

Items (a) and (b) above undermine one's ability to trust predicted values and the direction and the size of estimated relations. Items (c) and (d) undermine the ability to produce unbiased standard errors and to conduct tests of statistical significance.

Alternatively, four qualitative models are commonly used by researchers to analyze non-continuous dependent variable. These models are namely: Linear Probability Model (LPM) (Long, 1997; Gujarati, 1998; Hawassi, 2006), Complementary Log-Log model (Long, 1997; Tambi *et al.*, 1999; Nyange, 2000; Frances and Paap, (2001), Logit model (Liao, 1994; Frances and Paap, 2001 and Probit Model (Long, 1997; Powers and Xie (2000); Mohammed, 2009). Among these models, Logit and probit models have ability to perform Binary logistic Regression, and they are therefore, referred to as the Binary response models. The Binary logistic Regression is necessary for this study because of nature of factors that lead to success of SACCOS or not which are the variables that assume one of two possible values Daniel and Xie (2000); (Siegel, 2003; Kisusu, 2003).

The analysis of factors that lead to success of SACCOS was done in order to achieve the fifth specific objective of this research. The analysis was guided by the second hypothesis which was about hypothesized success factor having no significant effect to influence change of SACCOS to Successful SACCOS. The hypothesis was tested using probit regression model since such a model is an ideal for variables in which the dependent one is dichotomous like successful SACCOS and unsuccessful SACCOS.

Testing hypothesis 2

Senkondo *et al.* (1998) used both logit and probit models to analyze the socio – economic factors that influence the adoption of Rain Water Harvesting (RWH) technologies in Western Pare low lands of Tanzania. However, they only used the probit model results to explain the factors influencing farmers' decisions to adopt the RWH because the probit model produced better fits (relatively larger McFadden's R^2) compared to the logit model.

Capps and Kramer (1985) compared results from logit and probit models and both deduced that the correlation coefficients and the prediction probabilities were slightly higher for the logit than probit model. However, the values for the McFadden's R^2 , log of likelihood function, likelihood ratio test, percent of farmers' correctly classified and total number of iterations differed between the two models and the differences did not show the same trend for the two studies. This suggests that criteria for the choice of any one between the two decision models must be based on statistical grounds (Amemiya, 1981). Consequently, Polson and Spenser (1991) cited by Simon (2006) suggested use of correct predictions, McFadden's R^2 and the like

hood ratio test as the criteria for evaluating the alternative specifications between logit and probit models. Simon (2006) selected the probit model which he used in the study to determine factors influencing adoption of agro forestry technologies based on these criteria. The convenience as stated by Madalla (1989), comparison made and utilization of the models explained by Ameiya (1981); Capps and Kramer (1985); Aminur (1999); Khandler (2003); Simon (2006) has been used to select probit model to determine the factors that leads to success or failure in SACCOS in this study.

Probit regression model was employed for testing the second hypothesis on determination of factors influencing change of SACCOS to successful SACCOS. Several applications of the qualitative choice models have been reported by (Aminur, 1999); (Duong, 2002), (Khandler, 2003); (Kimeme, 2005); (Hawassi, 2006); (Kadigi, 2006) and (Towo, 2012). According to Gujarati (2004), probit model uses the Normal Distribution Function which has been found very useful in analyzing dichotomous variables. Probit model is therefore ideal for variables in which the dependent one is dichotomous like successful SACCOS and unsuccessful SACCOS. Logit model was not used because the analysis was not interesting in assessing odds ratios. In probit model we have probit coefficients. The probit regression coefficients give the change in the z-score or probit index for a one unit change in the predictor. For probit models, exponential coefficients have no statistically interesting interpretation. The analysis was interested in predictive and classification value of model, then the probit model was preferable than that of logit model, Hardin and Hilbe (2007).

To be a SUS or UNSUS is assumed to be a binary response variable that can be analyzed using probit model. The influence of independent variables on the dependent variable is gauged by observing the signs of the logistic regression coefficients (β Values). The logistic regression coefficients that bear negative signs show negative influence on the dependent variable. The logistic regression coefficients, which bear positive signs, show positive influence on the dependent variable. The relative importance of independent variables is determined by observing the magnitudes of levels of significances, which test the significance of β Value for each individual variable (Garson, 2008).

Due to the estimation problems associated with the applications of multivariate regression models that use qualitative dependent variables, the Linear Probability Models were proposed as the alternatives, Adrich and Nelson (1990). The only problem with the Linear Probability Model specification is that $\sum b_k X_{ik}$ is used to approximate a probability number P_i [$P_i = P(Y_i=1)$] assumed to be constrained from 0 to 1 while $\sum b_k X_{ik}$ is itself not constrained (Simon, 2006). Probability distribution in probit results acts as the best alternative for indicating effects of the variables in the development of a SACCOS to SUS or UNSUS. This is due to the fact that parameters in probit regression are not easily interpretable as parameters in OLS regression. The probability in probit regression is therefore obtained as follows:

$$\text{Log}(ODDS) = \frac{\ln(Y_i=1)}{(1-p)(Y_i=1)} = a + \sum_{k=1}^k \beta_k X_{ik} = Z_i$$

$$ODDS = \frac{P(Y_i=1)}{(1-p)(Y_i=1)} = \exp(a + \sum_{k=1}^k \beta_k X_{ik}) = \exp(Z_i)$$

$$\text{Probability} = P_i = \text{ODDS} = \exp(Z_i)$$

$$\text{This implies that } 1 - \text{ODDS} = 1 + \exp(-Z_i)$$

Dividing the above equation by $\exp(-Z_i)$

Therefore $P_i = 1 / [1 + \exp(-Z_i)]$ (Wooldridge, 2003 and Gujarati, 2003).

The probability distributions can therefore be calculated for SACCOS to determine their probability of developing to SUS under different levels of variables which influence success of SACCOS to SUS.

The marginal effects on the success probabilities are often reported as explained by Daniel and Xie (2000). A marginal effect expresses the rate of change in one quantity relative to another. More specifically, the marginal effect is the change in the dependent variable per unit change in independent variables. Marginal effects can also be constructed for probabilities themselves. This is the most common usage in the literature. The marginal effect of K_{th} independent variable is given by

$$\frac{\partial P}{\partial X_{ik}} \left\{ \frac{Y_i=1}{X_i} \right\} = \frac{\partial P}{\partial X_{ik}} (X_i \beta) = f \frac{(X_i \beta) \beta_k}{\partial X_{ik}}$$

Where $F(\cdot)$ denotes cumulative distribution function and $f(\cdot)$ denotes the density function. Marginal effects for each independent variable (factor that governs success of SACCOS) to dependent variable (Successful SACCOS) were calculated as output of probit regression model in this study.

(a) Operationalization of probit model

Survey data were applied to the empirical probit model and estimation was done using Maximum Likelihood (ML) command of STATA econometric model. The ML estimates maximize the value of the probability density function $f(X, \beta)$ and assumes normality of the disturbance term, Griffiths *et al.* (1993). Thus ML coefficients become consistent and asymptotically normally distributed. The assumption of asymptotic normality of distribution and consistency is known to give satisfactory results when the sample size is large (Madalla, 1983). One of the major benefits of using STATA econometric computer program is its ability to automatically drop down the variables which cause multicollinearity.

In this study the successful SACCOS, symbolically identified as SUS, was assigned a value of 1 ($SUS = 1$) and 0 otherwise that UNSUS that is those not defined as successful SACCOS. The empirical model is specified as shown in equation (5a) and Table 4.

(b) Operationalization of model variables

The operationalization of model variables covers the explanation of influence of each independent variable to the dependent variable. Specifically are explanations about if the influence is high or low, the direction of influence and finally the reason of that influence. The dependent variable is the success of SACCOS (SUS). The independent variables were operationalized as explained below.

i. Effort of SACCOS to reach people (ERP)

The SACCOS which have high level of ERP were expected to reach more people and hence recruit large number of members. It was expected ERP would cause positive effect to successful SACCOS.

$$\text{SUS} = \beta_0 + \beta_1(\text{ERP}) + \beta_2(\text{ABS}) + \beta_3(\text{AGE}) + \beta_4(\text{NET}) + \beta_5(\text{FIC}) + \beta_6(\text{ACM}) + \beta_7(\text{ATI}) + \beta_8(\text{PRS}) + \beta_9(\text{INT}) + \beta_{10}(\text{MEC}) + \beta_{11}(\text{GOV}) + \beta_{12}(\text{CAM}) + e \dots\dots\dots(5a)$$

Table 4: Variables entered in the probit model

Variable	Types of Variable	Explanation of Variables
Y= SUS	Binary	Binary dependent variable that takes the value of "1" for SUS "0" otherwise for UNSUS
X ₁ = ERP	Dummy	1 if the i th SACCOS is classified as attained effort to reach people, 0 otherwise
X ₂ = ABS	Dummy	1 if the i th SACCOS is classified as attained ability to provide services, 0 otherwise
X ₃ = AGE	Continuous	Age of SACCOS in years since registration
X ₄ = NET	Continuous	Benefit to cost ratio of networking.
X ₅ = FIC	Continuous	Ratio of number of years external auditing done to those not done
X ₆ = ACM	Continuous	Actual number of active members for SACCOS
X ₇ = ATI	Continuous	Ratio for number of members in SACCOS in current year to previous year
X ₈ = PRS	Continuous	SACCOS offers 3 products and services namely savings, loans and deposits, 0 otherwise
X ₉ = INT	Continuous	SACCOS has interest rate on loans equal or less than 15% per annum, 0 otherwise
X ₁₀ = MEC	Dummy	1 if i th SACCOS is classified to have entrepreneurial members, 0 otherwise
X ₁₁ = GOV	Dummy	1 if i th SACCOS is classified to practise governance, 0 otherwise
X ₁₂ = CAM	Dummy	1 if the i th SACCOS is classified to practise care for members, 0 otherwise

β_i = Parameters estimated

β_0 = Intercept

e_i = Random error term

X_1 - X_{12} = Predictor variables included in the model

ii. Index of ability (ABS)

The ABS was developed as shown in section 3.6.3 (b) (i). ABS was expected to influence significantly a SACCOS to Successful SACCOS. The SACCOS which have high level of ABS were expected to accumulate more capital through receiving more shares from the members, accumulate more savings from members, provide adequate loans and get higher percentage of loan repayment. This was assumed to cause positive effect to successful SACCOS.

iii Age of SACCOS (AGE)

Age of SACCOS since registration is expected to have significant influence to change SACCOS to Successful SACCOS. Aged SACCOS were expected to have more time of attracting people and hence recruiting large number of members and therefore become more successful SACCOS.

iv Networking of SACCOS (NET)

Networking expected to influence successful SACCOS significantly. SUS was hypothesized to be a positive networking of SACCOS with other organizations. Networking was expected to enable SACCOS to get services from their partners. It was expected that if the services provide SACCOS with more benefits than costs then this results into successful SACCOS.

v Financial control (FIC)

Financial control was expected to influence significantly SACCOS to change to Successful SACCOS. It was expected that FIC protect resources and hence allow successful SACCOS to be attained. This implies that the positive effect from FIC was expected.

vi Actual number of active members (ACM)

The actual number of active members (ACM) was expected to cause significant influence of SACCOS change to Successful SACCOS. The SACCOS which have large number of active members were expected to be Successful SACCOS. This is because active members contribute more shares, accumulate more savings, take adequate loans and repay loans at higher percentage rate. This implies that positive effect from ACM was expected.

vii Attitude of members towards SACCOS (ATI)

Attitude of members towards SACCOS (ATI) was expected to influence greatly Successful SACCOS. SUS was hypothesized to be a positive function of attitude of members to the SACCOS. When members have positive attitude they were expected to continue with their membership (no or negligible dropouts) and attract others to be members therefore more success.

viii Products and services offered by SACCOS (PRS)

Products and services offered by SACCOS were expected to cause significant influence to Success of SACCOS (SUS). The SACCOS which have large number of products and services is expected to be a SUS. This is because more savings, more loans and more deposits can make big profit and hence increase success of SACCOS.

ix Interest rate on loans (INT)

Interest rates on loans were expected to cause significant influence to Successful SACCOS. This is because high interest rate is expected to

reduce amount of loan to be taken. High interest rate was expected to cause negative effect to successful SACCOS.

x Members' entrepreneurial characteristics (MEC)

Members' entrepreneurial characteristics (MEC) were expected to cause high significant influence to Successful SACCOS. SACCOS which have high level of MEC were expected to have active members in various occupations and high productivity. This was expected to cause positive effect to successful SACCOS.

xi Index of governance (GOV)

Index of governance (GOV) was developed as explained in section 3.6.3 (b) (ii). GOV was expected to influence significantly the Successful SACCOS (SUS). SUS was hypothesized to be a positive function of governance practice in the SACCOS (GOV).

xii Care for members (CAM)

Care for members (CAM) was expected to cause high significant effect to Successful SACCOS. Successful SACCOS was also hypothesized to be a positive function of care for members (CAM). SACCOS provide training to members and make sure that members get loans in time they are likely to be Successful SACCOS.

(c) Testing for significance

Testing for significance between SUS and UNSUS involved chi-square test. The chi-square test was used to determine whether associations in the distribution of responses were significant in statistical sense. The differences between groups were tested using both z - test of differences between means and chi-square test for cross

tabulations. Chi-square test is used when one wants to see if there is relationship between two categorical variables (Madale, 2007; Gupta, 2008).

The (χ^2) defined as:

$$\chi^2 = \sum (O - E)^2/E \dots\dots\dots(5b)$$

Where

χ^2 is Chi square

O is observed frequency

E is expected frequency

The calculated value of χ^2 was compared with the table value of χ^2 for degrees of freedom at 5% level of significance. In this study for χ^2 ($P = 0.000$) the difference between theory and observation is considered to be significant, that is it could not have arisen due to fluctuations of simple sampling. If, on the other hand, the calculated value of χ^2 was less than the table value, the difference between theory and observation was not considered as significant, that is it was regarded as due to fluctuations of simple sampling and hence ignored.

The Z test is defined as

$$Z = \sqrt{2 \chi^2} - \sqrt{\sum(2n - 1)} \text{ (Gupta, 2008) } \dots\dots\dots(5C)$$

Where

χ^2 is Chi square

$2n - 1$ are degrees of freedom

If the calculated value of Z through probit regression was revealed to be equal or more than 1.96 the effect of the hypothesized factor was statistically significant to

influencing the successful SACCOS and therefore the null hypothesis was rejected (Kothari, 2009). The z-statistic (sometimes called a Wald z-statistic), and the associated p-values enable to decide about whether the independent variables are statistically significant. The probit regression coefficients give the change in the z-score or probit index for a one unit change in the predictor. For a one unit increase in predictor variable, the z-score increases by amount equal to the positive coefficient; the converse is true for the negative coefficient [<https://idre.ucla.edu/state/dac/probit/> htm] site visited on 28/06/2013.

CHAPTER FOUR

4.0 RESULTS AND DISCUSSION

4.1 Backgrounds of Successful SACCOS

The purpose of this section is to present and discuss data about achieving specific objective number one of this research. The objective was to examine the background of successful SACCOS. In this section aspects of origin, common bond, formation and registration of SACCOS and finally the age of SACCOS since registration were presented and discussed.

4.1.1 Origin and common bond in relation to formation theories of SACCOS

A large proportion of the SACCOS studied, had originated from members themselves. It was observed that about 98% of the unsuccessful SACCOS had been formed by members themselves while 100% of Successful SACCOS had been formed by members themselves. This kind of originality in the formation of SACCOS justifies these organisations to be cooperatives. Cooperatives are supposed to be formed and owned by members, ICA (1995) cited by MUCCoBS (2005a); (URT (2006a); Mchujuko (2007b); Kitala (2008).

Founder members who had established SACCOS were found to be in a certain type of common bond as shown in Table 5. They had four types of common bond, namely “the occupational, geographical (territorial), associative (institutional) and social category” as explained by (DID 2005a, 2007). The existence of the four types of common bond justifies the four theories which were proposed to explain dynamics of SACCOS formation in this study. The relation between the formation theories and the types of common bonds was as shown in Table 5.

Table 5: Distribution of SACCOS by formation theories and Common bonds

Formation theory	Type of common bond of SACCOS	SUS (n =60)		UNSUS (n = 60)		Over all sample (n = 120)	
		Fre q.	%	Freq.	%	Freq.	%
Proximity theory	Geographical or Territorial common bond	36	60	39	65	75	63
Activity theory	Occupational common bond	12	20	13	21	25	21
Balance theory	Social common bond	9	15	7	12	16	13
Exchange/Benefit theory	Institutional or Associative common bond	3	5	1	2	4	3
Total		60	100	60	100	120	100

The results revealed that the majority (63%) of SACCOS were those in territorial type of common bond while the second common bond involved SACCOS with occupational (21%) followed by social category (13%) and the least was the associative (4%). The numbers of SACCOS in the types of common bond differed from SUS to UNSUS. In the geographical and social category common bonds it was observed that UNSUS were more than SUS. On the other hand, most of SACCOS were based on the occupational and institutional were SUS. The geographical and social category common bonds originated from communities hence captured members who had low economic capacities. This was indicated by majority of their SACCOS to be UNSUS.

The common bonds were revealed by this study to possess different numbers of people that is they differed in size. Table 6 shows distribution of respondents based on size of common bond. The overall percent of SUS in the size of common bond below 1000 people were 10% while the overall percent of UNSUS below 1000 people were 35%.

Table 6: Distribution of SACCOS based on size of common bond

Size of common bond (number of people)	SUS (n = 60)		UNSUS (n =60)		Overall sample (n = 120)	
	Freq.	%	Freq.	%	Freq.	%
20 to 153	0	0	9	15	9	8
154 to 999	6	10	12	20	18	15
1000 to 2999	9	15	11	18	20	17
3000 to 10000	22	37	20	33	42	35
11000 to 20000	14	23	6	10	20	17
Above 20000	9	15	2	4	11	9
Total	60	100	60	100	120	100

Furthermore, there was 0% of SUS within the size of common bond below 154 while 15% of UNSUS were of the common bond of less than 154 people. These findings suggest that, SUS originated more from large size common bonds than UNSUS. The majority of SUS (75%) had common bond of number of people equal or larger than 3 000. These support findings by Kessy and Urio (2006) that SACCOS and other MFIs should have more people who can become members, at least 154 in order to be successful. These findings suggest that some SACCOS had been formed with small size common bond which made them to remain UNSUS unless they expanded their common bond.

4.1.2 Formation and registration of SACCOS

Most of the SACCOS (51.7%) were found to have been registered before they had attained the age of one year. The registration of SUS was faster, done before the age of one year (60%) of SUS. This was the case for 43.3% of UNSUS. The actual life span is time taken from formation to registration are presented in Table 7.

Table 7: Time in years from formation to registration * SUS and UNSUS from field data Cross tabulation

Number of years from formation to registration	SUS (n=60)		UNSUS (n=60)		Overall Sample (n=120)	
	Freq	%	Freq	%	Freq	%
0.0	36	60.0	26	43.3	62	51.7
1.0	12	20.0	23	38.3	35	29.2
2.0	3	5.0	4	6.7	7	5.8
3.0	3	5.0	4	6.7	7	5.8
4.0	3	5.0	1	1.7	4	3.3
5.0	0	0.0	2	3.3	2	1.7
6.0	1	1.7	0	0.0	1	0.8
7.0	1	1.7	0	0.0	1	0.8
8.0	1	1.7	0	0.0	1	0.8
Total	60	100.0	60	100.0	120	100.0

4.1.3 Age of SACCOS since registration

The research results revealed that this study covered SACCOS aged from 0 to 36 years. The ages of SUS were found to be higher than those of UNSUS as shown in Table 8. The oldest SUS had an operation age of 36 years; with the mean age of 8.9 years for SUS. The oldest UNSUS was 26 years old, the mean age of UNSUS being 5.2 years. This provides a signal that the higher the age of a SACCOS the more the success of the SACCOS. This supports the hypothesis that SACCOS having more years of existence are likely to be successful, as stated in Section 4.5 of this study.

Table 8: Distribution of SACCOS based on actual years of operation of SACCOS since registration to June 2008

Actual years of operation since registration to June 2008	UNSUS (n= 60)	SUS (n=60)	Overall sample (n=120)
0.00	4	0	4
1.00	16	0	16
2.00	10	0	10
3.00	6	11	17
4.00	6	6	12
5.00	1	8	9
6.00	1	8	9
7.00	4	2	6
8.00	1	4	5
9.00	1	4	5
10.00	0	3	3
11.00	3	3	6
12.00	0	2	2
13.00	0	2	2
15.00	1	1	2
16.00	1	0	1
17.00	1	0	1
18.00	1	0	1
22.00	1	1	2
26.00	2	2	4
32.00	0	1	1
34.00	0	1	1
36.00	0	1	1
Total	60	60	120
Minimum	0	3	0
Maximum	26	36	36
Mean	5	9	7

4.1.4 Members of SACCOS during formation and during registration

Numbers of members of SACCOS were changing from time of formation to time of registration. Table 9 shows the number of members of SACCOS in two different times. The periods were that during formation of SACCOS and the other one was during registration of SACCOS. Regarding numbers of members of SACCOS during their formation, the original (founder) members of SACCOS were fewer. The average numbers of members of SACCOS during formation of SUS were 21 male, 22 female and 48 total members. For the UNSUS the member were 34 male,

33 females and 63 total members. The SACCOS in general had averages of 28 men, 27 female, and 56 total members during formation. The study results revealed that, during registration, the number of members in SACCOS increased from the number of members during formation. This is based on the fact that at the time of formation a SACCOS had only founder members. Soon after formation it started mobilizing and recruiting new members. This made the number of members to increase after formation and registration. The maximum number of members reached was 1918 for SUS and 1300 for UNSUS.

Table 9: Number of members of SACCOS during formation and during registration

Time	SACCOS	Members	Freq,	%
During formation of SACCOS	SUS (n=60)	Male	21	49
		Female	22	51
		Total	43	100
	UNSUS (n=60)	Male	34	51
		Female	33	49
		Total	67	100
	Overall sample (n=120)	Male	28	51
		Female	27	49
		Total	55	100
During registration of SACCOS	SUS (n=60)	Male	100	72
		Female	39	28
		Total	139	100
	UNSUS (n=60)	Male	48	51
		Female	45	49
		Total	93	100
	Overall sample (n=120)	Male	75	64
		Female	42	36
		Total	117	100

The average number of members during registration was 162 members for SUS, 86 members for UNSUS and 117 members for overall SACCOS. These numbers justify the situation that is required by law that during registration the members should be 20 or more members (URT, 2004b). Therefore, during registration each SACCOS had a minimum of 20 members. In terms of gender, women were fewer than men in both cases of SUS, and UNSUS, and in the overall sample during formation and registration.

4.1.5 Capital of SACCOS during formation and during registration

For all the types and sizes of common bond of SACCOS, savings mobilization was one of the early stage activities which must be conducted by SACCOS. The respondents' SACCOS were asked if their SACCOS had mobilized savings soon after formation, and their responses are as given in Table 10. The study results revealed that SUS had mobilized savings more than UNSUS had done. Almost all (98.3%) SUS had mobilized savings while the proportion of UNSUS which has done so was 90%. This justifies the condition that the SACCOS are thrift organizations (URT 2006a; Mchujuko, 2007a).

Table 10: Distribution of SACCOS based on savings mobilization

Mobilize savings	SUS (n=60)		UNSUS (n=60)		Overall sample (n=120)	
	Freq.	%	Freq.	%	Freq.	%
YES	59	98.3	54	90.0	113	94.2
NO	1	1.7	6	10.0	7	5.8
Total	60	100.0	60	100.0	120	100.0

Savings and shares form the capital of SACCOS. Table 11 shows value of savings, shares and the entire capital of SACCOS during formation and during registration.

The research results revealed that SACCOS were formed by different sizes of savings, shares and the capital. The maximum size shares, savings and the whole capital were revealed to be bigger in SUS than UNSUS. These findings suggest that, SUS originally had large values of savings, shares and capital than UNSUS. The research results revealed that SACCOS were registered having different sizes of savings, shares and capital. The maximum sizes of shares, savings and the whole capital were found to be bigger in SUS than UNSUS. These findings suggest that SUS originated from larger values of savings, shares and capital compared to UNSUS. These values of shares, savings and capital are crucial because the SACCOS have just acquired legal status to be registered.

Table 11: Distribution of SACCOS based on value of savings, shares and capital in Tanzanian Shillings during formation and registration

Time	SACCOS	Statistics	Savings (TZS)	Shares (TZS)	Capital (TZS)
During formation of SACCOS	SUS (n=60)	Mean	3 029 446	1 723 934	4 805 3300
	UNSUS (n=60)	Mean	833 888	683 883	1 995 832
	Overall sample (n = 120)	Mean	2 018 009	1 268 912	3 609 799
During registration of SACCOS	SUS (n=60)	Mean	4 629 347	3 686 215	12 613 264
	UNSUS (n=60)	Mean	4 576 583	2 085 166	12 573 653
	Overall sample (n = 120)	Mean	4 605 310	3 009 483	12 596 930

4.2 Characteristics of Successful SACCOS

This section addresses the second specific objective of this study. The objective was to establish success characteristics of Successful SACCOS. To address this

objective the Success of SACCOS based on outreach and sustainability of SACCOS were described, and finally the first hypothesis was tested regarding characteristics of successful SACCOS.

4.2.1 Success level as judged by outreach and sustainability of SACCOS

(a) Success level of SACCOS in terms of outreach

Through research results it was found that success level in terms of outreach for SUS was higher than that of UNSUS while for the overall sample it was between the two. The outreach for SUS was generally found to be 81%. On the other hand UNSUS had a general outreach of only 70%. The low general outreach was caused by small outreach in various characteristics. These included 45% outreach on financial access to the poor, and 65% on provision of service to rural people. This status justifies the absolute number of people reached by the SACCOS (Zeller *et al.*, 2006). Regarding the overall sample, the enabling of financial access to the poor has remained low (52.5%). The overall outreach of SACCOS was found to be 75%. These findings indicated that the outreach in terms of depth and breadth (Sergio *et al.*, 2000) was attained by 75%.

Table 12 shows distribution of SACCOS based on what they had as characteristics for outreach. The respondents were asked to answer YES if the SACCOS had the aspects, or otherwise (NO), if the SACCOS did not have such aspects. The SUS had the highest outreach (91.7%) for serving women. Women were frequently found getting financial services in their SACCOS during data collection.

Successful SACCOS (88.3%) revealed to offer more services to active poor people than UNSUS (16.7%). This shows that the more successful a SACCOS is the more the effort to reach the poor. This made SACCOS friendly MFIs to people with low income. This finding shows that the more the SACCOS were successful, the more effective they were in improving people standards of living. Higher success of SACCOS results into more positive effects to businesses of their members. This was revealed by field data that 98.3% of SUS contributed positively to businesses of members while 70% of UNSUS contributed to businesses of members. Kinole SACCOS, as an example, contributed successfully to businesses of its members.

Table 12: Distribution of SACCOS based on outreach characteristics

Characteristics for Outreach possessed by SACCOS		SUS (n = 60)		UNSUS (n = 60)		Overall sample (n = 120)	
		Freq.	%	Freq.	%	Freq.	%
The SACCOS serve rural people in villages	YES	50	83.3	39	65.0	89	74.2
	NO	10	16.7	21	35.0	31	25.8
	Total	60	100.0	60	100.0	120	100.0
The SACCOS serve people of various levels of education	YES	55	91.7	53	88.3	108	90.0
	NO	05	09.3	07	11.7	12	10.0
	Total	60	100.0	60	100.0	120	100.0
The SACCOS serve women	YES	55	91.7	49	81.7	104	86.7
	NO	05	09.3	11	18.3	16	13.3
	Total	60	100.0	60	100.0	120	100.0
The SACCOS enable financial access to the poor	YES	36	60.0	27	45.0	63	52.5
	NO	24	40.0	33	25.0	57	47.5
	Total	60	100.0	60	100.0	120	100.0
Total Outreach	YES	49	81.0	42	70.0	91	75.0
	NO	11	19.0	18	30.0	29	25.0
	Total	60	100.0	60	100.0	120	100.0

Table 13 shows average numbers of members the SACCOS had from 1998 to 2008.

The members increased in SUS from an average of 28 men 1998 to 530 men in

2008. The number of women increased from a mean of 18 in 1998 to a mean of 441 in 2008. There were no group members in the SUS before 2000. In 2000, an average of one group member was reported in SUS. The number grew to 33 in the year 2008. This made the overall sample to have a mean of 38 members (1998), and the number of members increased to 1232 in SACCOS by the year 2008. This depicts an increase of 4264% of mean of members of SACCOS from 1998 to 2008.

Table 13: Distribution of SACCOS based on average number of members

SACCOS	Years	Men	Women	Groups	Total	% growth
SUS (n= 60)	2008	530	441	33	1232	4264
	2007	459	406	33	953	2408
	2006	329	232	27	659	1634
	2005	218	164	21	440	1058
	2004	152	123	14	289	661
	2003	82	74	6	211	455
	2002	45	47	2	133	250
	2001	39	37	2	99	151
	2000	27	31	1	71	61
	1999	24	26	0	51	34
	1998	28	18	0	38	0
UNSUS (n= 60)	2008	90	69	18	181	570
	2007	71	53	14	147	444
	2006	46	38	5	84	211
	2005	22	20	4	49	82
	2004	15	16	3	34	26
	2003	15	17	3	34	26
	2002	12	16	3	34	26
	2001	12	16	0	27	0
	2000	14	15	0	27	0
	1999	13	13	0	27	0
	1998	11	13	0	27	0

The outreach in terms of breadth (Sergio *et al.*, 2000) was found to have grown in the decade 1998 to 2008. The average and percentage growth of members in UNSUS was smaller than that of SUS. The average of men members was 11 in 1998 and grew to 90 in 2008. Similarly, the average of women members was 13 in the year 1998 and grew to 69 in 2008. The average of women members in UNSUS

grew very slowly. The UNSUS did not have group members up to year 2001. In year 2002 the average of group members were three and grew to 18 in 2008. This has made the average number of members to change from 27 in year 1998 to 181 in 2008 in UNSUS. This is a growth of 570% from 1998 to 2008.

There was no group or association member of SACCOS before year 2000. The group / association members emerged in year 2001 with an average of one which grew to 26 in year 2008. This made the mean for members of the overall sample to grow from 34 in 1998 to 680 in 2008. Regarding the percentage growth, the research results revealed a growth of 1900% for the decade 1998 to 2008.

(i) Breadth of outreach

The numbers of people who were members of SACCOS were observed as shown in Table 13. The SACCOS with 1000 members had adequate breadth of outreach. The minimum acceptable number of members is 154 (CGAP, 2003). The SUS were revealed to have adequate outreach (1232 average members in the year 2008). Another issue measured was increase in number of members from one year to another, something which indicated increase in outreach. The increase in this number is necessary to show that there is increase in outreach. The increase of members for the period of ten years that is from year 1998 to year 2008 revealed the following: for SUS from 38 to 1232, for UNSUS from 27 to 181, and for the overall sample from 27 to 1232 members.

(ii) Depth of outreach

Women's participation (WP) was measured. It should be a minimum of 30%.

$$WP = \frac{\text{Number of women who are members}}{\text{Total number of members}} * 100 \geq 30\%$$

For example in the year 2008, WP for SUS was 36% while WP for UNSUS was 38%, and the WP for the overall sample was 37%. This depicts that women participated in SACCOS by more than 30%. The participation of women was more in UNSUS than in SUS. This suggests that SACCOS were more user friendly even to disadvantaged groups like women.

(b) Success level of SACCOS in terms of sustainability

The analysis of success level of SACCOS in terms of sustainability of SUS and UNSUS was conducted based on financial self-sufficiency level. The analysis was guided by equations 2a to 2k in chapter three. The financial self-sufficiency aspect covered savings collected, loan disbursement, deposits, repayment rate, income, expenditure, profit, dividend payment, subsidy, interest on loans paid by borrowers and interest paid to lenders.

The findings of this research enabled general comparison of SUS and UNSUS in terms of financial sustainability as shown in Table 14. It was revealed that SUS operating costs were covered by revenue by 93.3% while only 83.3% were covered in UNSUS. The increase in members' savings and loans disbursed were both about 95% in SUS while in UNSUS they were just 50% and 41.7% respectively. Increase in depositors and active savers and borrowers was more than 80% in SUS while in UNSUS it was less than 71%. The growth of revenue to replace donor support (subsidy) appeared to be low 48.3% in SUS and 45% in UNSUS. This is obvious

because SACCOS are less dependent on subsidy. The findings suggest that SUS were more sustainable than UNSUS.

Table 14: Distribution of SACCOS based on their financial sustainability

Sustainability of the SACCOS	SUS (n=60)		UNSUS (n=60)		Difference in %
	Freq.	%	Freq.	%	
Amount of loans disbursed increase with time	57	95.0	25	41.7	53.3
Amount of deposit increase with time	49	81.7	18	30.0	51.7
Increase in active savers and borrowers.	50	83.3	21	35.0	48.3
Financial costs are covered by revenue.	57	95.0	30	50.0	45
Member's savings increase with time	57	95.0	39	65.0	30
Presence of FOSA in the SACCOS	29	48.3	21	35.0	13.3
Operating costs are covered by revenue	56	93.3	50	83.3	10.0
The growth of revenue replace the donor support	29	48.3	27	45.0	3.3

(i) Savings, Capital and loans in SACCOS

Savings have been revealed to increase from one year to another. The increase of savings has been revealed to be very big in SUS while the increase of savings in UNSUS has been small. This can be depicted by figures of averages of savings for SUS, UNSUS and overall sample of this study as shown in Table 15. This indicates that the more the savings the more success and sustainability of SACCOS.

Table 15: Distribution of SACCOS based on averages of savings collected per SACCOS in Tanzanian Shillings from year 1998 to 2007

SACCOS	SUS (n=60) TZS	UNSUS (n=60) TZS	Overall sample (n=120) TZS
2007	264 779 815.21	8 348 971.58	149 920 166.50
2006	215 326 222.22	5 747 343.78	135 690 122.10
2005	67 192 110.43	4 289 328.80	45 350 866.81
2004	57 347 840.14	5 164 966.00	40 781 848.35
2003	36 227 615.55	3 177 794.29	26 370 651.32
2002	33 804 652.41	2 795 026.13	24 443 255.79
2001	26 536 650.69	2 664 852.65	18 879 658.87
2000	25 034 253.59	1 801 699.29	16 973 979.65
1999	20 691 598.07	791 088.94	13 337 062.09
1998	803 943.33	595 071.24	723 242.75

Capital of SACCOS is formed by savings and shares. However, savings take large portion of capital as shown in Table 16. Capital has been increased in more magnitude in SUS than UNSUS. The increase in capital demonstrates more sustainability of the SACCOS taking other things constant.

Table 16: Value of shares, savings and capital during data collection

SACCOS	Shares (TZS)	Savings (TZS)	Capital (TZS)
SUS (n= 60)	87009486	331787375	449498226
UNSUS (n= 60)	5749326	21022409	30964886
Overall sample (n= 120)	47439321	181954266	253670697

Table 17 shows loan disbursed by SACCOS in each year from 1998 to 2007. The amount of loan disbursed increased for SUS, UNSUS and overall SACCOS. However the increases were bigger in SUS than in UNSUS.

Table 17: Loan disbursed by SACCOS in each year from 1998 to 2007

Year	UNSUS (TZS)	SUS (TZS)	Overall SACCOS (TZS)
2007	62645957	458661036	297643916
2006	21319852	300931207	217803507
2005	22973563	214743549	168170838
2004	19644907	179410915	139469413
2003	13318815	183097132	141397195
2002	13335457	193007309	150956444
2001	11512205	155359394	120961154
2000	9756851	30482933	25301413
1999	7672656	21282279	17717853
1998	5959792	5970858	5963255

(ii) Loan repayment rate and provision for bad debts

Table 18 shows proportion of SACCOS based on percent averages of attainment for repayment rate of 95% and above. In 998 only 15% of SUS attained 95% repayment rate. The numbers of SACCOS among SUS which attained 95% repayment rate grew gradually to 46% in the year 2007. On the other hand, in 1998, only 8% UNSUS, attained the repayment rate of 95%. Also, there was gradual

growth of UNSUS which attained 95% of repayment rate to 39% in 2007, which attained 95%. In the overall sample, the repayment rate for SUS and UNSUS, in 1998, was 13% and in 2007 it was 44%. Therefore, based on these research findings, the attainment of 95% repayment rate in SACCOS was difficult. This may call upon attention to increase the loan repayment rate in order to ensure sustainability of SACCOS.

Table 18 shows distribution of SACCOS based on money set aside as provision of bad debt in TZS. Provision of bad debts was done by SUS since 1998 to 2007 while UNSUS did it in some years only. In SUS, the provision for bad debts was TZS 4 659 (average) in 1998 and it grew up to TZS 46 537 676 (average) in 2007. This growth indicates struggle towards sustainability. It may also mean that repayment rate is not good as we saw in Table 18. However, the provision of bad debts appeared to grow with success of the SACCOS. This has been obvious because even the maximum TZS 1 848 712 755 were provided by SUS against the bad debts.

Table 18: Proportion of SACCOS based on percentage of attainment of repayment rate of 95% and above

SACCOS Year	%	SUS (n=60) (TZS)	UNSUS (n=60) %	(TZS)
2007	46	(46 537 676)	39	(227 919)
2006	46	(11 175 439)	27	(167 123)
2005	45	(3 375 619)	27	(29 167)
2004	40	(2 452 699)	26	(0)
2003	36	(1 214 648)	15	(0)
2002	28	(1 046 045)	15	(16 031)
2001	26	(467 235)	8	(2516)
2000	26	(359 859)	9	(0)
1999	25	(321 004)	8	(3572)
1998	15	(4659))	8	(3506)

Figures in parentheses represent money set aside as provision for bad debt in TZS

Table 19 shows binary data of confirmed SUS and UNSUS from field data as cross-tabulated with range of percentage repayment rate of loans for years 1998 - 2007. The repayment rate was 95% to 100% in only 9 out of 60 SUS and 9 out of 60 UNSUS. The majority of UNSUS, 35 out of 60, attained repayment rates of 89% to 100% while the majority of SUS, 43 out of 60, had repayment rates of less than 89%. This may suggest the required repayment rate of 95% to be on the high side. The repayment of 89% may be suggested to be taken as a required minimum rate, other factors held under *ceteris paribus*.

Table 19: Binary data of confirmed SUS and UNSUS range of percentage repayment rate of loans for ten years (1998 - 2007) Cross-tabulation

Type of SACCOS	Range of percentage repayment rate of loans					Total n
	≤ 76%	77% to 82%	83% to 88%	89% to 94%	95% to 100%	
SUS 1	10	19	14	8	9	60
UNSUS 0	1	9	15	26	9	60
Over all sample	11	28	29	34	18	120

(iii) Return on equity (ROE), Return on assets (ROA) and Return on capital (ROC)

Table 20 shows ROA, ROE and ROC for SUS, UNSUS and overall sample, in 2007. Return on assets (ROA) was smaller for SUS than for UNSUS. Loan disbursed was taken to be equal to assets, other things held constant. The ROA for SUS is within the recommended range of 0.08 to 0.15 (Ledgerwood, 2000; Kereta, 2006). It was more than double for UNSUS, something which may indicate exploitation to members of UNSUS by charging them high interest on loan and not paying salaries because in most cases there was no employee. This suggests that there was higher sustainability in SUS than UNSUS.

Return on Equity (ROE) had similar pattern to ROA; it was more than two times in SUS compared to UNSUS as shown in Table 20. This is a sign of sustainability. Therefore, through ROE, it may be suggested that SUS are more sustainable than UNSUS.

Return on Capital (ROC) was such that ROC for SUS was twice in size that for UNSUS. Again, the ROC of SUS, which was 0.139, was within the recommended range of 0.1 to 0.15. The ROC of UNSUS, which was 0.0648, was below the above recommended range and therefore suggests un-sustainability. These findings suggest that SUS are sustainable than UNSUS.

Table 20: ROA, ROC and ROE for SUS and UNSUS, year 2007

Item	SUS (n = 60)	UNSUS (n =60)
Shares (Se)	87009486	5749326
Savings (Sv)	33178735	21022409
Capital (C)= Se+Sv	449498226	30964886
Loans (L)	458661036	62465936
Profit (P)	62 645 957	20064160
ROA = P/L	0.137 =13.7%	0.0321= 3.21%
ROE = P/Se	0.72= 72%	0.3490 = 34.9%
ROC = P/C	0.139 = 13.9%	0.648= 64.8%

(iv) Income, expenditure and profit for SACCOS

Table 21 shows averages of total income for SACCOS from year 2007 to year 1998. Research results revealed the total incomes to have increased from one year to another since 1998 to 2007. This is depicted by the means of total income of SACCOS. However, the means of total income for SUS were very big compared with those for UNSUS and those for the overall sample. In 1998 the overall sample income was TZS 436 715 while for SUS and UNSUS the incomes were TZS 457 221 and TZS 402 537 respectively. The figures of average incomes changed

tremendously for SUS while there was small and gradual change for UNSUS. By 2008, the mean income for SUS was TZS 281 678 880 while that for UNSUS was only TZS 6 065 787. These figures justify that the more the income the more the sustainability. This may call upon to find ways of increasing income of SACCOS so as to increase sustainability.

Table 21: Distribution of SACCOS based on their average income, expenditure and profit in Tanzanian Shillings from 1998 to 2007

SACCOS Year	SUS (n=60)			UNSUS (n=60)		
	Average Income (TZS)	Average Expenditure (TZS)	Average Profit (TZS)	Average Income (TZS)	Average Expenditure (TZS)	Average Profit (TZS)
2007	81 678 880	58760109	62 645 957	6 065 787	4641417	20 064 160
2006	41 475 677	30 336 512	21 319 852	1 204 233	1852737	12 729 480
2005	36 187 238	25 801 521	22 973 563	1 347 558	897421	10 488 336
2004	29 982 762	15 745 451	19 644 907	1 005 007	734942	15 137 374
2003	8 257 202	5 857 745	13 318 815	786 554	1437320	3 763 024
2002	7 893 217	3 263 111	13 335 457	1 229 863	364791	3 788 695
2001	4 560 004	1 185 281	11 512 205	1 132 714	323431	1 841 513
2000	4 051 939	3565477	9 756 851	589 874	269888	1 348 289
1999	2 130 280	1066101	7 672 652	456 713	233729	828 105
1998	457 221	155134	5 969 792	402 537	198829	162135

Furthermore, Table 21 shows distribution of SACCOS based on expenditure per annum in TZS. It was found that the expenditures incurred by SACCOS increased from one year to another. The difference was well pronounced between SUS with UNSUS. The figures of expenditure increased with success of SACCOS.

Regarding profit earned by SACCOS, some SACCOS were not only able to cover the expenditure by income, but also they made profit. Table 21 shows distribution of SACCOS based on profit earned per annum in TZS. Research findings revealed that UNSUS had been making very small profits compared with SUS. In 2007 the

maximum profit made by UNSUS was TZS 107 854 180 with a mean of TZS 20 064 160 while SUS made a maximum of TZS 488 171 130 with a mean of TZS 62 645 957. Maximum and mean profits were increasing gradually from 1998 to 2007. In 1998 the maximum and mean of profits made by UNSUS were TZS 53 221 511 and TZS162 135 respectively. These figures were big for SUS with a maximum profit of TZS 65 667 709 and an average of TZS 5 969 792. These findings authenticate that the more the profit the more the sustainability for SACCOS.

Table 22 shows that SACCOS had adequate income to meet all expenditures. Regarding income and expenditure, the majority of SUS (86.7%) reported that the income met all expenditures. On the other hand, 46.7% of UNSUS had adequate income to meet all the expenditures. The SACCOS which did not have adequate income to meet all the costs adopted some strategies to minimize expenses. Otherwise the SACCOS collapse, something which indicates that there was poor sustainability.

Table 22: SACCOS that have adequate income to meet all expenditures

SACCOS	Frequency	Percent
SUS (n = 60)	52	86.7
UNSUS (n = 60)	28	46.7
Overall sample (n = 120)	80	66.7

Financial self-sufficient ratio (FSSR) is the level whereby MFI generate enough revenue to cover operating expenses, financial costs and the provision for loan losses (Christen *et al.*, 1995; SEEP Network and Calmeadow, 1995; Ledgerwood, 2000). An FSSR of at least 100% should be attained to conclude that a SACCOS is sustainable (CGAP, 2003).

Let FSSR be a financial self-sufficient ratio, OI be Operating Income and TOE be Total operating expenses (Operating expenses + Financing costs + Provision for loan losses + Cost of Capital) as shown in equation (2h). In this research, average income and average expenditure of SACCOS were taken as proxy for operating income and total operating expenses respectively. Table 23 shows FSSR for SUS and UNSUS, where SUS had bigger FSSR than UNSUS to suggest that SUS were financially self sufficient than UNSUS.

Table 23: Distribution of SACCOS based on their FSSR from 1999 to 2007

SACCOS		SUS (n=60)			UNSUS (n=60)	
Year	Average Income (TZS)	Average Expenditure (TZS)	FSSR %	Average Income (TZS)	Average Expenditure (TZS)	FSSR %
2007	81 678 880	58 760 109	139.3	6 065 787	4 641 417	130.6
2006	41 475 677	30 336 512	136.7	1 204 233	1 852 737	64.9
2005	36 187 238	25 801 521	140.2	1 347 558	1 897 421	71.0
2004	29 982 762	15 745 451	190.2	1 005 007	734 942	136.7
2003	8 257 202	5 857 745	120.4	786 554	1 437 320	54.7
2002	7 893 217	3 263 111	240.4	1 229 863	364 791	90.1
2001	4 560 004	3 185 281	143.2	1 132 714	323 431	85.5
2000	4 051 939	3 565 477	113.6	589 874	569 888	103.5
1999	2 130 280	1 866 101	114.1	456 713	433 729	105.2

(c) Success characteristics and cut off points for SUS and UNSUS

The research results revealed that a SACCOS is considered as a SUS if it originates from members; if it offers three services namely savings, deposits and credit services; if it offers services to members regardless of their education level; if it offers services which improve the financial earning capacity of active poor people; if it has a total number of active members of ≥ 1000 ; if it has one staff for 154 or more members; if it has a total income which enables it to meet all expenditures; if it offers services which benefit people in rural areas; if it enables members to live in better life conditions; if it enables members to improve their businesses; if it has good

governance if the number of people in the common bond is equal to or greater than 3000; if members are in gender participatory and if loan repayment rate is 95% and above.

Table 24: Success characteristics and cut off points for SUS and UNSUS

S. N	SACCOS' success characteristics	Level of successfulness (cut off points)	
		SUS	UNSUS
1	Origin of SACCOS	Originated by members	Originated by non members
2	Number of people in the common bond (NP)	NP \geq 3000	3000 > NP
3	Repayment rate of loans in the SACCOS	95% and above	Less than 95%
4	Ratio of number of members to staff	154 or more	Less than 154
5	Total number of active members	\geq 1000	Less than 1000
6	The total revenue enough enable SACCOS to meet all costs	Revenue \geq Costs	Revenue < Costs
7	The member are gender participatory	Female members \geq 30%	30% > Female members
8	Number of services and products offered by SACCOS	Three or more offered	Less than three offered
9	The SACCOS offer services which build economic capacity to active poor people	Enabled poor members to start earn 1US\$/day	Some members earn less than 1US\$/day
10	The SACCOS offer services which can benefit people in rural areas	Services benefit rural areas	No benefit to rural areas
11	The SACCOS offer services to members regardless of their level of education (literate, semiliterate and illiterate)	Members of at least two levels of education	All members are of only one level of education
12	Members live in better life conditions as result of change in income	Income increased	Income decreased
13	The SACCOS practice governance (openness, equity, accountability and participatory).	Governance practiced	Governance not practiced
14	Changes in Business of members after they use SACCOS services and products	Positive	Negative

On the other hand, a SACCOS is considered as a UNSUS if SACCOS is originated from non-members; if the SACCOS does not offer one of the three services namely savings, deposits and credit services; if it is offers services by excluding some people due to their level of education; if it offers services which do not improve the financial earning capacities of active poor people; if it has total number of active members <1000; if it has one staff for less than 154 members; if its total income is less than the SACCOS' expenditures, if it offers services which do not benefit people in rural areas; if does not enable members to live in better life conditions; if it does not enable

members to improve their businesses; if it does not have good governance; if the number of people in the common bond <3000; if the members are not in gender participatory; and if loan repayment rate is less than 95%. Table 24 shows characteristics of SUS and UNSUS.

(d) Scores of SACCOS on cut off points of success characteristics

Table 25 shows distribution of studied SACCOS in this research by scores on success characteristics. It was found that scores ranged from two to 14 out of 14. There was only one respondent SACCOS (0.83%) which was scored 14 out of 14. The SACCOS was, Turiani SACCOS in Morogoro region. The respondent SACCOS which were scored 13 out of 14 were 10 in number (8.3%). These were Bunju Community SACCOS, Kitunda SACCOS and TANESCO Employees SACCOS in Dar es Salaam Region. Another one was Dodoma Municipal Teacher's SACCOS in Dodoma Region. Other SACCOS were ELCT ND SACCOS, Mashati SACCOS, Wazalendo SACCOS, Same Kaya SACCOS and Nshara SACCOS in Kilimanjaro Region. Another one was Kinole SACCOS in Morogoro Region. Other SACCOS scored as per frequencies in Table 25. However there was no any respondent SACCOS which scored one or zero.

Table 25: Distribution of SACCOS by scores on success characteristics

Scores	Frequency	Cumulative Frequency	Percent	Cumulative Percent
2	1	1	0.8	0.8
3	2	3	1.7	2.5
4	5	8	4.2	6.7
7	5	13	4.2	10.8
8	20	33	16.7	27.5
9	27	60	22.5	50.0
10	18	78	15.0	65.0
11	17	95	14.2	79.2
12	14	109	11.7	90.8
13	10	119	8.3	99.2
14	1	120	0.8	100.0
Total	120		100.0	

Furthermore, 60 SACCOS (50% of overall sample SACCOS) scored more than 70% of success characteristics and therefore they were determined to be SUS. Other 60 SACCOS (50% of overall sample SACCOS) scored 70% or less on success characteristics and they were therefore determined to be UNSUS. These findings support two aspects. The first aspect is that 60 SACCOS (50%) were SUS and 60 SACCOS (50%) were UNSUS in this research. The second aspect is the confirmation of a SUS being a SACCOS which had more than 70% scores and UNSUS being a SACCOS which had 70% or fewer scores on success characteristics. Table 26 shows confirmation of SACCOS being either SUS or UNSUS using the field data.

Table 26: Confirmation of SACCOS being either SUS or UNSUS from field data

Scores on success characteristics	Frequency	Percent	Cumulative Percent
Scored 10 to 14 scores out of 14 and therefore are SUS (Scored more than 70%)	60	50.0	50.0
Scored 0 to 9 out of 14 and therefore are UNSUS (Scored 70% or less)	60	50.0	100.0
Total	120	100.0	

4.2.2 Binary logistic regression outputs for success characteristics

categorizing SACCOS as being Successful or Unsuccessful

The binary logistic regression was based on the variables in equation (2k) and in Table 3 in chapter three. The regression was made in order to come out with outputs to enable to test the null hypothesis which stated that *each of the hypothesized success characteristics has no significant effect to categorization of SACCOS into either Successful SACCOS or Unsuccessful SACCOS*. The outputs of the model were as follows:

(a) Case processing summary

The case processing summary was one of important outputs of the binary logistic regression model. The case processing summary is presented in Table 27 and shows that 100% of the 120 cases were included in the analysis, 60 successful cases and 60 unsuccessful cases. This situation depicts that all of the study SACCOS fit well to this analysis.

Table 27: Case Processing Summary

Un-weighted Cases (n = 120)		N	Percent
Selected Cases	Included in Analysis	120	100.0
	Missing Cases	0	0.0
	Total	120	100.0
Unselected Cases		0	0.0
Total		120	100.0

(b) Omnibus test of the coefficients of the model

The omnibus test is a test of capacity of all predictors (independent variables) in the model jointly to predict the response (dependent variable). A finding of significance means that there is adequate fit of the data to the model and that at least one of the predictors is significantly related to the response variable (Garson, 2008; Kayunze, 2008). Basing on this explanation, and by looking at the results in the Table 28, which shows that there was significance at the 0.001 level ($p = 0.000$), the data entered in the model adequately fitted the model. Furthermore, at least one of the predictors is significantly related to the response variable.

Table 28: Omnibus Tests of Model Coefficients

		Chi-square	Df	Sig.
Step 1	Step	96.043	14	0.000
	Block	96.043	14	0.000
	Model	96.043	14	0.000

(c) Model summary

The summary shows Cox & Snell R Square and Nagelkerke R Square as shown in Table 29. This was chosen as an important output of the binary logistic regression model. The Cox-Snell R^2 and Nagelkerke R^2 are attempts to provide a logistic analogy to R^2 in the Ordinary Least Square (OLS) regression; hence are called pseudo R^2 . Nagelkerke R^2 is a modification of Cox-Snell R^2 to assure that Cox-Snell R^2 varies from zero to one, as does R^2 in the OLS regression. The maximum value of Cox- Snell R^2 is usually less than 1; making it difficult to interpret. Therefore, Cox-Snell R^2 must be modified.

Table 29: Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	70.312	0.551	0.734

Nagelkerke R^2 is normally higher than Cox- Snell R^2 and is the most-reported of the pseudo R^2 estimates (Garson, 2008). Therefore, based on the results in Table 28 which showed that Nagelkerke R^2 was 0.734, it means that the independent variables entered in the model explained 73.4% of variance in the dependent variable.

(d) Hosmer and Lemeshow Test

Table 30 shows the Hosmer and Lemeshow test, which is also called Hosmer and Lemeshow chi-square. It is a test of goodness of fit of a logistic regression model, which works by comparing the observed and fitted counts of values according to the estimated probabilities of success. The Hosmer and Lemeshow goodness-of-fit test divides subjects into deciles (as seen in Table 30) based on predicted probabilities,

then computes a chi-square from observed and expected frequencies. A finding of non-significance means that the model adequately fits the data (Agresti, 2002).

In this study, the value of the Hosmer and Lemeshow chi-square obtained was 20.251, and it was not significant ($p = 0.005$), as seen in Table 30. A non-significant chi-square indicates that the data fit the model well. According to Garson (2008), this does not mean that the model necessarily explains much of the variance in the dependent variable, but that it explains the variance in the significant degree. Therefore, according to the explanation above, the model used in this study, which contained fourteen explanatory variables and the response variable (successful SACCOS) adequately fitted the data.

Table 30: Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	20.251	7	0.005

Contingency Table for Hosmer and Lemeshow Test

		Success of SACCOS = Unsuccessful SACCOS		Success of SACCOS = Successful SACCOS		Total
		Observed	Expected	Observed	Expected	
Step 1	1	11	11.918	1	0.082	12
	2	12	11.626	0	0.374	12
	3	11	10.986	1	1.014	12
	4	10	9.571	2	2.429	12
	5	10	8.623	3	4.377	13
	6	4	5.350	9	7.650	13
	7	0	1.483	16	14.517	16
	8	2	.404	12	13.596	14
	9	0	.039	16	15.961	16

(e) Explanatory variables, B coefficients and correlations

In order to be certain that the explanatory variables are significantly important in affecting the variance of the response variable, both the B values and the

correlations should be significant. The requirement helps to contain the problem whereby sometimes logistic regression coefficients are found to be insignificant when the corresponding correlations are found to be insignificant, and vice versa (Garson, 2008; Kayunze, 2008). The disparity of that nature is due to three main reasons, which are: (a) logistic regression coefficients are partial coefficients, controlling for other variables in the model, whereas correlation coefficients are controlled; (b) logistic regression coefficients reflect linear and nonlinear relationships, whereas correlation coefficients reflect only linear relationships; and (c) a significant parameter estimate B means there is relationship of the independent variable to the dependent variable for selected control groups, but not necessarily overall (Garson, 2008). Based on this knowledge, the ratio of number of members to number of staff that had the highest Wald statistic (15.392), which was significant at the level of significance ($p \leq 0.001$) as seen in Table 31, while the correlation between the same variable and the dependent variable was also highly significant ($p \leq 0.001$), was the most explanatory variable.

If the decision to determine the importance of the predictor variables was based only on correlation results, origin of SACCOS, repayment rate of 95% of loans in the SACCOS, ratio of number of members to staff, number of active members of the SACCOS, the total revenue enough to enable SACCOS to meet all costs, the members being gender participatory (female, male, young, old people), SACCOS offering services to members regardless of their level of education, members living in better life conditions as a result of change in income, the SACCOS practising governance, and positive changes in business of members after they use SACCOS services and products.

The effect, which can be negative or positive, of an independent variable on the dependent variable is denoted by sign (negative or positive) of individual logistic regression coefficients (B values) for the independent variable that is generated concomitantly with the Wald statistics. A negative sign associated with a B coefficient shows that the particular variable decreases the logit of the dependent variable that is it decreases the probability that the event (in this case Successful SACCOS) will be realized, and vice versa. For example in Table 31, ratio of number of members to staff, the total revenue enough to enable SACCOS to meet all costs, the members are gender participatory, number of services offered by SACCOS, the SACCOS offer services which build economic capacity to active poor people and the SACCOS offer services which can benefit people in rural areas reduce chances of success characteristics of SACCOS to describe successful SACCOS since their B values are associated with negative signs. By the same token, the other variables increase chances of SACCOS to be successful SACCOS since they bear positive signs. If there was a variable which bears a B value equal to 0 then that variable would have no effect as a characteristic for Successful SACCOS. Therefore, all independent variables in the model had effect to Successful SACCOS. It means that all the fourteen variables hypothesized had contribution as success characteristics of Successful SACCOS. Therefore, this enabled to reject the second null hypothesis of this study.

Table 31: Variables in the Equation

	B	S.E.	Walds	Df	Sig.	Exp(B)	95.0% C.I. for EXP(B)	
							Lower	Upper
Origin of SACCOS	2.393	1.653	2.097	1	0.148	10.952	0.429	279.532
Number of people in the common bond	0.185	0.824	0.050	1	0.823	1.203	0.239	6.047
Repayment rate of loans in the SACCOS	1.200	0.852	1.983	1	0.159	3.320	0.625	17.642
Ratio of number of members to staff	-3.386	0.863	15.392	1	0.000	0.034	0.006	0.184
Total number of active members	-3.506	1.090	10.344	1	0.001	0.030	0.004	0.254
The total revenue enough to enable SACCOS to meet all costs	-0.663	0.767	0.748	1	0.387	0.515	0.115	2.315
The members are gender participatory (female, male, young, old people)	-2.064	1.571	1.728	1	0.189	0.127	0.006	2.757
Number of services offered by SACCOS	-0.016	1.075	0.000	1	0.988	0.984	0.120	8.089
The SACCOS offers services which build economic capacity to active poor people	-0.170	1.095	0.024	1	0.877	0.844	0.099	7.215
The SACCOS offers services which can benefit people in rural areas	-0.228	0.889	0.066	1	0.797	0.796	0.139	4.549
The SACCOS offers services to members regardless of their level of education (literate, semiliterate and illiterate)	-0.743	0.763	0.948	1	0.330	0.476	0.107	2.123
Members live in better life conditions as a result of change in income	0.806	1.007	0.640	1	0.424	2.238	0.311	16.124
The SACCOS practise governance (openness, equity, accountability and participatory)	-0.614	0.775	0.629	1	0.428	0.541	0.118	2.471
Changes in Business of members after they use SACCOS services and products	-2.326	1.460	2.538	1	0.111	0.098	0.006	1.709
Constant	14.067	3.768	13.939	1	0.000	1286382		

(f) Wald statistics

Wald statistics were other vital outputs of the model, which are presented in Table

31. The Wald test is a test which is commonly used to test the significance of

individual logistic regression coefficients for each independent variable (that is, to test the null hypothesis in the logistic regression that a particular effect coefficient is zero). The Wald statistic is the squared ratio of the un-standardized logistic coefficient to its standard error. For example in Table 31, the Wald statistic for number of active members of the SACCOS was 10.344 was obtained from the following relationship $(-3.506/1.090)^2$, which is equal to 10.344. Wald statistic corresponds to significant testing of B coefficients in OLS regression. Wald coefficients associated with individual independent variables help us realize the relative importance of each independent variable. In other words, a Wald coefficient is a measure of the unique contribution of each independent variable in the context of the other independent variables and holding constant other independent variables. A bigger Wald statistic implies that the independent variable associated with it has high contribution to the occurrence of the dependent variable.

This suggests that the most important of these characteristics (their Wald statistics in parentheses) are, ratio of number of staff to members being one to 154 (15.392), total number of active members being 1000 or more (10.344), positive changes in business of members after they use services (2.538), origin of SACCOS being members (2.097) and repayment rate of loans being 95% or more (1.983). This is supported by the fact that those Wald statistics are larger than 1.96.

Furthermore, the Wald statistics shown in Table 31 are presented in Fig. 3 to illustrate the extent to which each of them contributed to the probability of SACCOS being successful SACCOS.

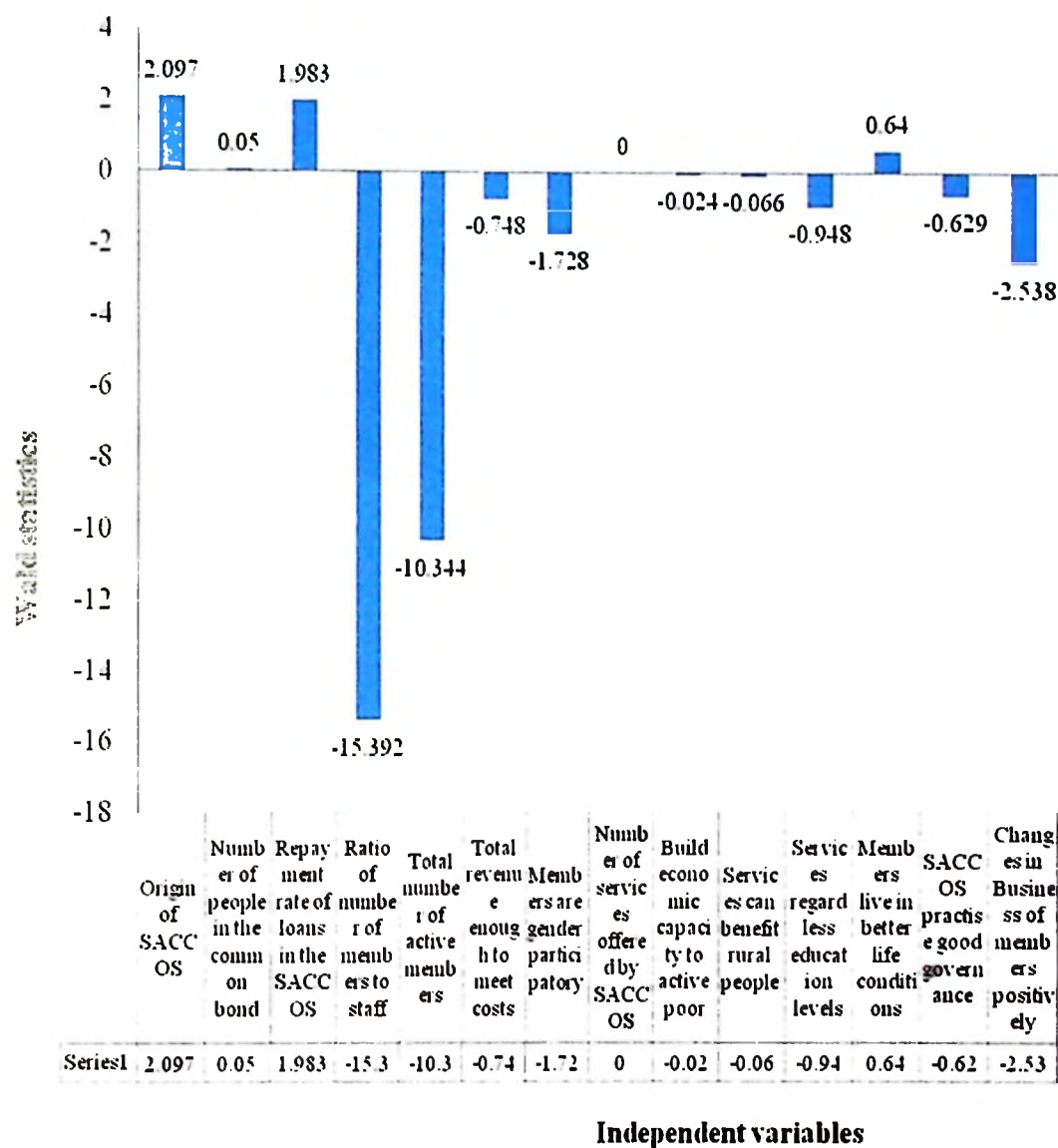


Figure 3: Contribution of independent variables to the Wald statistics of being successful SACCOS

Although all the Wald statistics in Table 31 are positive, the Wald statistics for ratio of number of members to staff, number of active members, the total revenue enough to enable SACCOS to meet all costs, the members are gender participatory, number of services offered by SACCOS, the SACCOS offer.

services which build economic capacity to active poor people and the SACCOS offer services which can benefit people in rural areas were given negative values for the sake of Figure 3 since their logistic regression coefficients (B values) were negative that they had negative effects on the dependent variable. By taking in consideration the results presented in Table 31 and Fig. 3 one easily realizes that the two most important variables that contributed negatively to success of SACCOS are ratio of number of members to staff and number of active members in the SACCOS. The origin of SACCOS, repayment rate, number of the people in the common bond and the governance practices possessed by SACCOS contributed positively to the SACCOS success.

(g) Odds ratios [Exp (B)]

Another vital output was Odds ratios [Exp (B)]. Unlike the odds that are mere probabilities of an event occurring, the odds ratio is the natural log base, e , to the exponent, B , where B = parameter estimate. For example, in Table 31 the odds ratio Exp (B) for number of people in the common bond that is 1.203 has been obtained from the following relationship: $e^{0.185} = 2.718^{0.185} = 1.203$. In Table 31, the “Exp (B)” column is SPSS’s label for Odds ratios of the row independent variables vis-à-vis the dependent variable (successful SACCOS). The odds ratio is the predicted change in odds for a unit increase in the corresponding independent variable. Odds ratios less than 1 correspond to decreases in the odds; odds ratios more than 1.0 correspond to increases in the odds; an odds ratio equal to 1.0 means that the respective independent variable has no effect on the dependent variable and an odds ratio close to 1.0 means that the respective independent

variable almost has no effect on the dependent variable (Wuensch, 2008; Kayunze 2008).

The odds ratio for a given independent variable represents the factor by which the odds (event, in this research Successful SACCOS) change for one unit change in the independent variable. In this example, each additional person in the common bond (because B is positive) increases the odds of being successful SACCOS (because 0 = UNSUS and 1 = SUS) by a factor of about 1.203, controlling for other variables in the model.

4.3 Aspects of Internal Environment of SACCOS' Success

This section addresses the third specific objective of this research. The objective was to examine the internal environment that affects success of SACCOS. The assessment of the internal environment of SUS and UNSUS was done on fifteen aspects as presented and discussed in the subsections below.

4.3.1 Education level of internal stakeholders of SACCOS

Research results revealed that the average number of board members per SUS to be seven. This is within the range of five to nine as prescribed in URT (2003a) and URT (2004b). The level of education of board members in SUS varied from Primary School education to Degree education. However, most of them have primary school and secondary school education. This shows that a requirement for at least holders of secondary school education is not yet reached even in SUS. However, the level of education of board members in SUS was higher than that in

UNSUS. The result of this research revealed the number of board members to be 6 per UNSUS. This is within the range of five to nine board members (URT, 2003a; URT, 2004b). In UNSUS, some board members did not attend school at all. Very few of them were degree holders, about one seventh of those in SUS. Table 32 shows the proportions of SACCOS based on education levels of board members. The internal environment of SUS appeared less supportive to UNSUS than SUS towards contribution to success of SACCOS.

Table 32: Proportions of SACCOS based on education level of board members

Educational level	SUS (n = 60)		UNSUS (n = 60)		Overall sample (n = 120)	
	Freq.	%	Freq.	%	Freq.	%
Not attended school	5	1.3	22	6.6	27	3.8
Primary school education	96	25.3	154	46.5	250	35.7
Secondary school education	99	26.1	53	16.0	152	21.4
A level education	28	7.3	34	10.2	62	8.8
Certificate education	51	13.4	36	10.8	87	12.4
Diploma education	27	7.1	23	6.9	50	7.1
Degree education	63	16.6	9	2.7	72	10.2
Total	379	100.0	331	100.0	700	100.0

Table 33 shows proportions of SACCOS' respondents based on education level of members of supervisory committees of SACCOS. The research findings revealed that the education level of members of supervisory committee varied from Primary education to University graduates for SUS. However, most of the members in these committees were Secondary School graduates, followed by Primary School Graduates. The Supervisory Committee should have members who are at least secondary school leavers with knowledge of bookkeeping. Therefore, it was revealed that the supervisory work could be in doubt. The situation was even worse

in UNSUS. Only one University graduate appeared to be in the supervisory committees of the respondents. Again most of the members were revealed to have primary and secondary school education. The more educated members of supervisory committees the more the supportive internal environment of SACCOS towards developing to SUS. Therefore, weakness was found on this aspect of education of supervisory committees. These findings suggest more education may be required to members of supervisory committees of SACCOS.

Table 33: Proportions of SACCOS based on education level of members of supervisory committees

Educational level	SUS (n = 60)		UNSUS (n = 60)	
	Freq.	%	Freq.	%
Not attended school(Informal)	0	0	3	2.3
Primary school education	33	22.9	73	57.0
Secondary school education	49	34	37	28.9
A level education	18	12.5	11	8.6
Certificate education	15	10.4	9	7.0
Diploma education	20	13.8	3	2.3
Degree education	9	6.2	2	1.7
Total	144	100.0	128	100.0

Table 34 shows proportions of SACCOS based on education level of employees/staff of SUS. The research results revealed that SUS managed to employ up to a maximum of 36 people in a SACCOS. The average number of employees in SUS was revealed to be six. The education level of employees of SUS varied from University graduates down to Primary school level of education. Most employees were secondary school leavers. However, the research revealed that the level of education of employees of UNSUS was not as good as that of those in SUS. In UNSUS the employees were degree holders down to those with no formal education

at all. The average number of employees in UNSUS was revealed to be two. This shows that the internal environment of UNSUS in terms of number and level of education of employees was weak toward with respect to contribution to success of SACCOS. This may suggest improvement in this aspect as to train and recruit more educated staff members.

Table 34: Proportions of SACCOS based on education level of employees

Educational level	SUS (n = 60)		UNSUS (n = 60)	
	Freq.	%	Freq.	%
Not attended school(Informal)	1	0.3	3	2.8
Primary school education	38	12.5	34	31.7
Secondary school education	127	41.7	43	40.1
A level education	25	8.2	9	8.4
Certificate education	55	18	9	8.4
Diploma education	36	11.8	2	1.8
Degree education	22	7.2	7	6.5
Total	304	100.0	107	100.0

4.3.2 Viability of SACCOS

Regarding viability, the research results revealed that SUS were more viable than UNSUS. SUS were more viable in all criteria 71.7% to 98.3% while UNSUS had 58.3% to 83.3% as shown in Table 35. This, therefore, revealed that viability of SACCOS strengthens its internal environment towards development of a SACCOS to SUS. The real states of viability of SACCOS, as revealed through research results, are as given in Table 35.

Table 35: Distributions of SACCOS based on viability

Viability criterion	SUS (n=60)		UNSUS (n=60)	
	Freq	%	Freq	%
SACCOS be in compliance with supervisory requirements.	58	96.7	50	83.3
There is clearly defined Board of directors responsibilities.	57	95.0	40	66.7
There are clearly defined member's responsibilities	60	100.0	47	78.3
There are clearly defined staff responsibilities	59	98.3	41	68.3
There is cohesiveness among members	56	93.3	45	75.0
Members have positive attitude to their SACCOS	43	71.7	35	58.3

4.3.3 Management information system

Research results revealed that SUS had more advanced management systems than UNSUS as shown in Table 36. The status of SUS regarding management information system was higher than 80% while those of UNSUS were below 74%. Therefore, it was revealed that Management Information System contributes positively to the internal environment of SACCOS towards developing to SUS.

Table 36: Distributions of SACCOS based on Management information system

Status of management information system of the SACCOS	SUS (n=60)		UNSUS (n=60)	
	Freq.	Percent	Freq.	Percent
The system provide timely the information on key indicators	54	90.0	44	73.3
The system provide accurate information on key indicators	55	91.7	42	70.0
The key indicators provided the system are regularly used in operations	49	81.7	42	70.0

4.3.4 Strategies of SACCOS

Table 37 shows distribution of SACCOS based on their Strategies to ensure success to SUS. SACCOS was found to possess strategies for further development. They

had outreach, sustainability and facilitation strategies. Many SUS (80%) had strategies to maximize outreach while only 50% of UNSUS had such strategies. Similarly, many SUS (88.3%) had sustainability maximizing strategies while only 70% of UNSUS had such strategies. Both SUS and UNSUS had facilitation strategies. Ninety percent (90%) of SUS and 66.7% of UNSUS had such strategies. SUS were found to have more of those strategies because, as SACCOS developed more, they realized the existing opportunities and hence started to find some means to utilize them.

Table 37: Distribution of SACCOS based on strategies to ensure success to SUS

Strategies of the SACCOS	SUS (n = 60)		UNSUS (n= 60)	
	Freq.	Percent	Freq.	Percent
To maximize outreach for SUS	48	80.0	30	50.0
To ensure sustainability SUS	53	88.3	42	70.0
To facilitate outreach and sustainability for SUS	54	90.0	40	66.7

Table 38 shows strategies of SACCOS. Those strategies are categorized in three groups.

Table 38: Strategies of SACCOS

Outreach strategies	Sustainability strategies	Facilitation strategies
Mobilizing members to increase savings	Capitalization improvement	Allowing direct selling of shares among the members.
Increasing members strategy	Establish sources of income	To use computer
Expand the common bond	Income generating projects establishment	Build own new office
	To be self reliance	Loan application from financial institutions
	Reduce interest from 2% to 1.5%	Buying of stocks and Bonds
	Being independent of obtaining loan from other institutions	Ensure good governance is practiced

4.3.5 Mission and vision of SACCOS

The well set mission and vision of SACCOS has been revealed to bring the SACCOS to SUS (Table 39). The mission and vision towards speeding up outreach and sustainability was 81.7% in SUS and only 55% in UNSUS. Presence of strategic plan was found in 75% of SUS and in 58.3% of UNSUS. These revealed that good mission and vision are core issues for success of SACCOS (Ledgerwood, 2000).

Table 39: Distribution of SACCOS based on their Mission and vision

Mission and vision of the SACCOS	SUS (n=60)		UNSUS (n=60)	
	Freq.	Percent	Freq.	Percent
Mission statement focused on outreach and sustainability.	49	81.7	33	55.0
Strong commitment of board and management for members' benefits	54	90.0	33	55.0
Business plan stating how to reach specific objectives	50	83.3	29	48.3
Objectives for one to three years	45	75.0	35	58.3

Research results revealed that the organization structure of SACCOS was characterized by members being supreme of organization as shown in Figure 4. Members made final decisions through annual general meetings (AGM). They selected Board members in the AGM and those members in their Board they decided to employ managers and other employees. The AGM also selected a supervisory committee which supervised and made internal auditing in the SACCOS. The well implemented organization structure is important to ensure success of SACCOS.

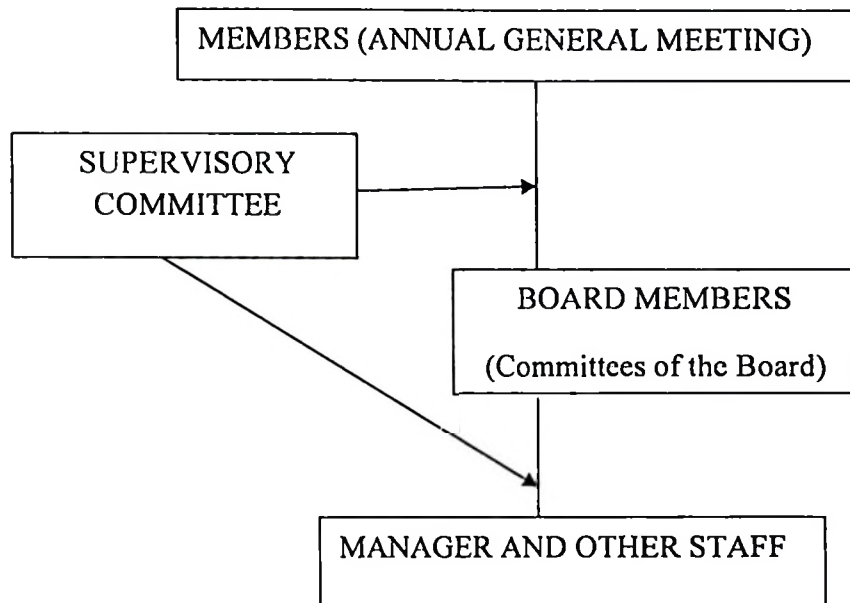


Figure 4: Organization structure of SACCOS

Source: Offices of studied SACCOS in Tanzania, 2009

4.3.6 Human resources in the SACCOS

The research results revealed that the number of both male and female employees increased for both an average of two males, two females and three overall. However, the maximum number of male employees grew up to 21 while that of women reached 15 and for total employees it reached 36 per SACCOS in the year 2008. The average number of members and employees per SACCOS led to computation of number of members per staff as shown in Table 40. The number of members per staff for SUS was 278 for UNSUS 144 and for overall sample of 229. These findings justify the characteristic of success that number of members per staff must be equal to or greater than 154. SUS decided not to employ, rather find some volunteers (can be members or leaders) to do tasks or employed unqualified staff who they therefore could afford to pay them.

Table 40: Number of members per employees in SACCOS in 2007

SACCOS type		Average number of members per SACCOS	Average number of staffs per SACCOS	Ratio of number of members per staff
SUS	(n= 60)	1211	4.36	278:1
UNSUS	(n=60)	157	1.30	144:1
Overall sample (n = 60)		687	3.00	229:1

The human resources of SACCOS differed in number and quality from SUS to UNSUS. SUS had 91.6% in charge officers in their offices as employed people while in UNSUS the people employed in charge were 78.3%. The other employees were such that in SUS there were more qualified employees than in UNSUS. Many SUS (51.7%) had managers while only 20% of UNSUS had managers. The 8.4% and 21.7% of in charge officers in offices of SUS and UNSUS were people working voluntarily. The volunteers can either be members or leaders. These findings support the findings by CGAP (2003) and Kessy and Urrio (2006) that SACCOS should employ at a ratio of one employee to 154 members or clients. Table 41 shows distribution of SACCOS based on their in charge human resources and their positions of deployment.

Table 41: Distribution of SACCOS based on their human resources

Position of in charge officers found in SACCOS's offices		SUS (n =60)		UNSUS (n = 60)	
		Freq.	%	Freq.	%
Employees	Bookkeeper	3	5.0	10	16.7
	Clerk	4	6.7	3	5.0
	Loan Officer	4	6.7	0	0.0
	Manager	31	51.7	12	20.0
	Secretary	9	15.0	16	26.7
	Treasurer	4	6.7	6	10.0
Sub total		55	91.6	47	78.3
Volunteers (members or leaders)		5	8.4	13	21.7
Total		60	100.0	60	100.0

The research findings revealed the organization and the human resource development were critical issues of success of SACCOS. The SUS had larger percentages than UNSUS for those two aspects (Table 42). Accurate job description was very high in SUS 85% while in UNSUS it was 51.7%. Training priorities were high in SUS (73.5%) while in UNSUS they were just low at 31.7%. The incentive to staff was found to be below 60% for both SUS and UNSUS. However, the general status of organization and human resource were better in SUS than in UNSUS. This justifies the importance of the two in success of SACCOS (Ledgerwood, 2000).

Table 42: Distribution of SACCOS based on their organization and human resource development

Organization and human resource development	SUS (n=60)		UNSUS (n=60)	
	Freq.	Percent	Freq.	Percent
Accurate Job description existing	51	85.0	31	51.7
Human resources well trained	40	66.7	28	46.7
There is regular performance review	53	88.3	33	55.0
Training priorities were well stated in the business Plan.	44	73.3	19	31.7
The budget for training were always estimated	50	83.3	24	40.0
Appropriate performance incentive were given to staff	35	58.3	33	55.0

4.3.7 Aspects of finance and accounting in SACCOS

The research findings revealed that SUS provided financial services were better than those provided by UNSUS (Table 43). The services were provided by more appropriate methodologies in SUS than in UNSUS.

Table 43: Distribution of SACCOS based on financial services and delivery methods

Financial services and delivery methods	SUS (n=60)		UNSUS (n=60)	
	Freq.	%	Freq.	%
Simple financial services adopt local context services focused on demand.	52	86.7	38	63.3
Availability of different financial services	52	86.7	31	51.7
Interest rate 15% or less for loans	26	43.3	34	56.7
Presence of savings mobilization	48	90.0	42	70.0
Pay interest on savings	28	46.7	20	33.3
Presence of financial services promotion (Brochures)	43	71.7	33	55.0
Capitalization from several resources.	48	80.0	28	46.7

The accounting system which produces accurate, timely and transparent reports was higher in SUS (100%) than in UNSUS (70%). This may suggest that the better accounting in SACCOS depicts that the SUS perform better than UNSUS in accounting issues.

4.3.8 Actual number of active members of SACCOS

The number of members of SACCOS differed considerably from SUS to UNSUS (Table 44). For SUS the minimum number of members (u) was 161 and for UNSUS 39. The maximum number of members (x) were 5 800 and 900 for SUS and UNSUS respectively. The average numbers of members (a) were 1 211 for SUS, 187 for UNSUS and 687 overall. The average was computed by using the formulae $a = (u+x)/2$. Besides male and female members, both SUS and UNSUS had group members. The number of group members was relatively very big, 276 for SUS, while it was small for UNSUS, just 56 group members. The comparison of the average total number of members during data collection were UNSUS 187 and SUS 1 211. For the overall sample, 687 members were active. The active average members of SUS were $1211 \geq 1000$, to confirm this as a characteristic of success.

Table 44: Number of active members of SACCOS (2008/2009)

SACCOS	Members	Minimum	Maximum	Average	%
SUS (n=60)	Male	15	3000	634	52.3
	Female	14	2800	516	42.6
	Groups	0	276	34	2.8
	Total	161	5 800	1 211	100.0
UNSUS (n=60)	Male	0	581	102	54.5
	Female	6	340	76	40.6
	Groups	0	56	15	8.0
	Total	39	900	187	100
Overall sample (n=120)	Male	15	3000	356	51.3
	Female	14	2800	290	42.2
	Groups	0	276	24	3.4
	Total	39	5 800	687	100.0

4.3.9 Savings, deposits and credits offered by SACCOS

Regarding savings, deposits and loan/credit services, the research findings revealed that 93.3% of SUS offered savings, deposits and credit. This is a good percent unlike only 60% of UNSUS providing savings, credit and deposits. This indicates that some SACCOS lack one product and most of time it was the deposits; that is 6.7% of SUS and 40% of UNSUS.

Table 45 shows averages of savings collected per SACCOS in TZS from year 2007 to 1998. Savings were found to be a crucial service provided by SACCOS. The Savings service was existed in both SUS and UNSUS since 1998.

Table 45: Distribution of SACCOS based on averages of savings collected in TZS from 1998 to 2007

Year	SUS (n=60) TZS	UNSUS (n=60) TZS	Overall sample (n=120) TZS
2007	264 779 815.21	8 348 971.58	149 920 166.50
2006	215 326 222.22	5 747 343.78	135 690 122.10
2005	67 192 110.43	4 289 328.80	45 350 866.81
2004	57 347 840.14	5 164 966.00	40 781 848.35
2003	36 227 615.55	3 177 794.29	26 370 651.32
2002	33 804 652.41	2 795 026.13	24 443 255.79
2001	26 536 650.69	2 664 852.65	18 879 658.87
2000	25 034 253.59	1 801 699.29	16 973 979.65
1999	20 691 598.07	791 088.94	13 337 062.09
1998	803 943.33	595 071.24	723 242.75

Savings were found to increase from one year to another. The increase of savings was found to be very big in SUS while the increase of savings in UNSUS was small. This can be depicted by figures of averages of savings for SUS, UNSUS and overall sample of this study. This indicates that the more the savings the more the sustainability and the more the success of SACCOS.

Table 46 shows averages of total loan disbursement per SACCOS from year 1998 to year 2007. The loan disbursement increased in all SACCOS: the SUS and UNSUS and overall sample from 1998 to 2007. However, the increases in amounts of loans in UNSUS were smaller than those in SUS. In 1998 UNSUS provided averages of TZS 5 969 791.73 while SUS provided averages of TZS 5 960 857.60. In 2007 UNSUS disbursed loans with average of TZS. 62 645 956.92, while SUS disbursed loans with average of TZS 45 661 860 035.98. The loan disbursed by the overall sample SACCOS was (TZS 297 643 915.92) between the (TZS 45 661 860 035.98).SUS and (TZS 62 645 956.92) for UNSUS. The growth of loans justify the sustainability of SACCOS since the major investment of SACCOS is loan provided (URT, 2006a).

Table 46: Distribution of SACCOS based on their averages of total loan disbursement from 1998 to 2007

Year	SUS (n=60) TZS	UNSUS (n=60) TZS	Overall sample (n=120)TZS
2007	458 661 035.98	62 645 956.92	297 643 915.92
2006	300 931 207.37	21 319 852.27	217 803 507.20
2005	214 743 549.11	22 973 563.29	168 170 838.27
2004	179 410 914.96	19 644 907.06	139 469 412.98
2003	183 097 132.30	13 318 814.71	141 397 194.65
2002	193 007 300.81	13 335 457.00	150 956 443.74
2001	155 359 394.43	11 512 205.18	120 961 153.52
2000	30 482 933.00	9 756 851.09	25 301 412.52
1999	21 282 279.45	7 672 651.55	17 717 853.10
1998	5 960 857.60	5 969 791.73	5 963 254.56

Table 47 shows average loan disbursed by a SACCOS per annum. The amounts of loan disbursed increased by huge amount in SUS than UNSUS. The increase went with the large amount of average amount of loan disbursed by SUS. In the year 2007, SUS provided an average amount of loan of TZS 4 438 853 060 while SUS disbursed just a maximum of TZS 488 317 130. The SUS disbursed about 10 times than UNSUS. This indicates that the high the amount of loan disbursed contributed to sustainability and success of SACCOS.

However, based on Fin scope data of year 2009, it is particularly interesting that there were 50% more savers than borrowers in SACCOS, suggesting that there was surplus money in many organisations. Thus, overall, in SACCOS' total savings there were more than total outstanding loans by over TZS 1 billion. So, the question is: if there is that much money in SACCOS, why isn't it being put to more effective use? This comes back to the issue of capability and thus of size.

Table 47: Distribution of SACCOS based on total loan disbursed in Tanzanian Shillings per annum

Year	SUS (n= 60)TZS	(TZS)	UNSUS (n= 60) TZS (TZS)	
2007	458 661 035	(4 938 953 060)	62 645 956	(488 317 130)
2006	300 931 207	(5 250 682 811)	21 319 852	(361 317 130)
2005	214 743 549	(4 393 545 661)	22 973 563	(383 467 201)
2004	179 410 914	(3 828 922 678)	19 644 907	(307 173 513)
2003	183 097 132	(5 140 104 000)	13 318 814	(184 303 406)
2002	193 007 300	(5 217 419 666)	13 335 457	(146 690 027)
2001	155 359 394	(4 183 311 999)	11 512 205	(126 634 257)
2000	30 482 933	(430 656 966)	9 756 851	(107 325 362)
1999	21 282 279	(302 192 890)	7 672 651	(84 399 167)
1998	5 960 858	(65 667 709)	5 969 791	(65 667 709)

Figures in parentheses are maximum amount of loans disbursed

Table 48 shows distribution of SACCOS based on time deposit collected by SACCOS per annum in TZS. Research findings revealed that time deposits were being practised by SACCOS. SUS had been practising it since 1998 while UNSUS had been doing so since 2004. The average of time deposits for SUS was TZS 651 404 in 1998 but grew to TZS 51 401 253 in 2007. In UNSUS, the figures of the average for time deposits were small, amounting to TZS 0 in 1998 and TZS 6 598 533 in 2007. The time deposits, therefore, depicted to go together with sustainability of SACCOS (Sergio *et al.*, 2000).

Table 48: Distribution of SACCOS based on time deposit collected by SACCOS per annum in Tanzanian Shillings

SACCOS Year	SUS (n=60) Average TZS	UNSUS (n=60) Average TZS
2007	51 401 253	6 598 533
2006	23 144 242	1 105 916
2005	14 683 877	67 833
2004	12 646 716	25 420
2003	9 299 057	0
2002	60 653 242	0
2001	408 788	0
2000	198 9482	0
1999	6 514 040	0
1998	651 404	0

Table 49 shows distribution of SACCOS based on average fixed deposit collected by SACCOS per annum in TZS. This is another type of deposit which was revealed to be practised by SACCOS. The fixed deposit was a common practice in SUS than UNSUS. The members of UNSUS had no money to put as fixed deposit, except in the years 2006 and 2007 while since 1998 to 2007 members of SUS were capable to making fixed deposits. The fixed deposits increased from one year to another for SUS. On the other side the UNSUS revealed that the fixed deposit was not common, although it had started to appear from the year 2005.

Table 49: Distribution of SACCOS based on average fixed deposit collected by SACCOS per annum in Tanzanian Shillings

SACCOS Year	SUS (n=60) Average (TZS)	UNSUS (n=60) Average(TZS)
2007	17 722 597	8750
2006	10 687 388	2727
2005	2 704 726	0
2004	5 083 293	0
2003	3 442 723	.0
2002	1 921 966	0
2001	1 509 410	0
2000	391 638	0
1999	411 911	.0
1998	125 837	0

4.3.10 Interest rates payment in SACCOS

Table 50 shows payment of interest rate on Savings by SACCOS. Besides paying interest on savings being an important strategy for mobilizing savings, it appears SACCOS still have not been performing well on this. The 52.5% for overall and 60% response for UNSUS can discourage savings. It can further make people to avoid being members of SACCOS. It can persuade people to save their money in other institutions rather than in SACCOS.

Table 50: Payment of interest rate on savings by SACCOS

Paid	SUS		UNSUS		Overall sample	
	Freq.	%	Freq.	%	Freq.	%
YES	33	55.0	24	40.0	57	47.5
NO	27	45.0	36	60.0	63	52.5
Total	60	100.0	60	100.0	120	100.0

Table 51 shows distribution of SACCOS based on money they obtained as interest rate in TZS. It was revealed through research findings that the major earnings of SACCOS are interest rates on loans for the past ten years (1998 to 2007). The earnings have been increasing for both SUS and UNSUS. The average of money obtained from interest by SUS was TZS 135 251 in 1998 and TZS 58 774 098 in 2007 while the average of money obtained from interest by UNSUS was TZS 150 026 in 1998 and TZS 7 352 263 in 2007. The more earnings to SUS than to UNSUS suggest that the sustainability for provision of more loans can result into reasonable interest rates through economies of scale in SUS than UNSUS, Urio and Kessy (2006).

Table 51: Distribution of SACCOS based on average money obtained as interest on loans in Tanzanian Shillings

SACCOS Year	SUS (n= 60)		UNSUS (n=60)	
	Average (TZS)		Average (TZS)	
2007	58774098	(313362642)	7352263	(68098556)
2006	37373117	(601791197)	1326436	(12218263)
2005	33823845	(798534241)	494578	(4189867)
2004	33334728	(818077152)	502203	(5472632)
2003	7646786	(65575938)	318556	(3822677)
2002	4857740	(61251413)	388987	(3677808)
2001	2641234	(32250300)	381033	(4123431)
2000	2109147	(33154151)	164822	(1977865)
1999	1309811	(23688126)	173084	(2077005)
1998	135251	(1447121)	150026	(1800311)

Figures in parentheses were the maximum amount of money in TZS obtained by a SACCOS as interest on loans.

Table 52 shows distribution of SACCOS based on total interest paid on deposit in TZS. Payment of interest on deposits was not practised by UNSUS while SUS paid it since 2002 to 2007. Before 2002 even SUS did not pay interest on deposits. Payment of interest on deposits was realized by SUS to be important to survive in the financial market. This is because if no interest is paid on deposits then members and customers can shy away from putting deposits in SACCOS. The success as well as sustainability of SACCOS depends on paying interest on deposits from depositors.

Table 52: Distribution of SACCOS based on total interest paid on deposit (Tanzanian Shillings)

SACCOS Year	SUS (n=60) Average(TZS)	UNSUS (n=60) Average (TZS)
2007	1 095 446	0
2006	419 631	0
2005	307 459	0
2004	160 000	0
2003	80 000	0
2002	60 000	0
2001	0	0
2000	0	0
1999	0	0
1998	0	0

Distribution of SACCOS based on the total interest paid to lenders of SACCOS in TZS was as shown in Table 53. The research results revealed that from 1998 to 2001 SACCOS did not pay interest on loans obtained outside. That was because SACCOS were not borrowing money from outside the SACCOS. From 2002 to 2007 SUS were borrowing money from other financial organizations. This indicates that the aspect of SACCOS borrowing money from other organizations has been growing from year 2002. This growth may result into some money being taken away from SACCOS.

Therefore, money was taken indirectly from members as interest payment since members are the ones who pay interest on loans. This may require attention to avoid the possibility of eroding the economy of the members of SACCOS. The key informants were concerned about large amount of money paid to lenders of SACCOS. They suggested the formation of SACCOS Bank to facilitate inter-lending among SACCOS. This findings support the findings stated by CRMP (URT, 2006a). That study was commissioned by GoT and TFC and revealed that cooperatives need to establish a National Cooperative Bank in order to strengthen cooperatives financially facilitating inter-lending and investment of surplus funds.

**Table 53: Distribution of SACCOS based on total interest paid to lenders
Tanzanian Shillings**

Year	SUS (n=60) Average (TZS)	UNSUS (n=60) Average (TZS)
2007	4 122 709	0
2006	2 215 645	0
2005	4 813 241	0
2004	4 482 190	0
2003	113 217	0
2002	39 714	0
2001	0	0
2000	0	0
1999	0	0
1998	0	0

4.3.11 Care for members of SACCOS

The research findings revealed that SACCOS had been accepting members regardless of their education levels. Regarding the overall sample, provision of services to semi-literate was very good (90 %). SUS were found to be better than UNSUS at this aspect. Whether someone was a university graduate or one had not attended school he/she could become a member of SACCOS. Basing on that, only 8.3% of SUS and 11.7% of UNSUS had recruited their members from a certain

level of education and above. Recruitment of members regardless of their levels of education demands continuous training of the members.

Table 54 shows the distribution of SACCOS based on provision of training to their members. Research results revealed that SUS were giving training a bigger priority, 93%, unlike UNSUS in which that was acknowledged by 70% of the respondents. For the overall sample of SACCOS, training was given 81.7%. The provision of training was therefore indicated as an important factor for development of SACCOS towards success of SACCOS.

Table 54: Distribution of SACCOS based on provision of training to members

Provide training	SUS (n = 60)		UNSUS (n = 60)		Overall sample (n= 120)	
	Freq.	%	Freq.	%	Freq.	%
YES	56	93.3	42	70.0	98	81.7
NO	4	6.7	18	30.0	22	18.3
Total	60	100.0	60	100.0	120	100.0

4.3.12 Ability of successful SACCOS to provide financial services

Table 55 shows factors determining ability of SACCOS to provide financial services. The average score for all six factors ranged from 3.1667 to four out of five for the respondents. This indicates that these factors were highly agreed by SACCOS to influence their ability. The average scores were higher for SUS than those for UNSUS. For the overall sample the average was between the two. This suggests that ability is a key factor for success of SACCOS and other MFIs as supported by Zeller *et al.* (2006).

Table 55: Mean scores for each factor of the (ABS) ability index for SACCOS

Factors	SUS (n=60)	UNSUS (n=60)	Overall sample (n=120)
Ability based on size of common bond	3.9833	2.8167	3.4000
Ability based on financial self-reliance of the SACCOS	4.5333	3.4667	4.0000
Ability on growth of value of shares for the past 10 years	3.8667	2.6000	3.2333
Ability on growth of value of savings for the past 10 years	3.8667	2.7667	3.3167
Ability on growth of value of loans for the past 10 years	4.1000	2.7167	3.4083
Ability based on percentage repayment rate of loans for the past ten years (1998 to- 2007)	3.5500	2.7833	3.1667

4.3.13 Principal Component Analysis (PCA) for determining Ability Index

Table 56 shows Kaiser-Meyer-Olkin Measure of Sampling Adequacy and Bartlett's Test of Sphericity for factors determining ability of SACCOS. Kaisers (1974) cited by Wiki (2013) recommends accepting values greater than 0.5. Values between 0.7 and 0.8 are good (Weunsch, 2009). In this research the value was 0.721, and therefore it should be confident to use it in PCA.

Table 56: KMO and Bartlett's Test for factors determining ability

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.721
Bartlett's Test of Sphericity	Approx. Chi-Square	211.807
	Sig.	0.000

On the other hand the Bartlett's Test of Sphericity recommends having ($p < 0.05$) significance value. For this case the Bartlett's Test is highly significant ($p < 0.001$) and therefore factor analysis is appropriate. Table 57 shows results of the factor analysis (PCA). Through factor loadings, four factors were revealed to meet the conditions that communalities were more than 0.5 and the correlations between those variables and the component were greater than 0.3. This means that these 4

factors were important determinants of the ability towards success on SACCOS. As a result, the four were considered by SACCOS to determine ability and hence they were used in the analysis of the ability towards success of SACCOS. Therefore, four statements/factors were added up to calculate ABS.

Table 57: Component Matrix (a) for ability index

Factors	Component 1
Ability on growth of value of shares for the past 10 years	0.802
Ability on growth of value of savings for the past 10 years	0.805
Ability on growth of value of loans for the past 10 years	0.755
Ability based on percentage repayment rate of loans for past 10 years	0.624

Table 58 shows the estimated ability indices for SUS and UNSUS, on average SUS had significantly higher ability index than UNSUS. These results revealed that the ability of SACCOS is a key factor of success.

Table 58: Index of ability for SACCOS

Items	SUS	UNSUS
Mean	0.8	0.6
Standard deviation	0.1	0.2
Minimum	0.4	0.2
Maximum	1.0	0.8

4.3.14 Governance in SACCOS

The study results revealed that the majority of SACCOS practised good governance (openness, equity, accountability and participation among the members, leaders, employees and other stakeholders). The results were such that good governance practice in SUS was 91.7% and for UNSUS 77.5%. This again indicates that good governance is an important factor of success of SACCOS. The details of good governance in SACCOS are as shown in Table 59.

Table 59: Good governance in SACCOS

Statement/factor	SUS (n = 60)		UNSUS (n=60)		Difference	
	Freq.	%	Freq	%	Freq	%
Members develop the idea of formation of SACCOS.	59	98	54	90	5	8
Election of leaders after every three years is practiced	59	98	45	75	14	23
Participatory decision making is practiced	59	98	52	87	7	12
Leaders are accountable	58	97	46	77	12	20
The audited reports are made open to members	58	97	34	57	24	40
Number of board meetings have been 4 or more	58	97	45	75	13	22
The committees held meetings as per schedules	59	98	41	68	18	30
The SACCOS has suggestion box	42	70	25	42	17	28
Good governance in total	55	92	47	78	08	13

4.3.15 Principal Component Analysis (PCA) for determining Governance

Index

The factors in Table 59 were subjected to factor reduction through PCA which gave the results shown in Table 60. The Table shows distribution of SACCOS based on the five variables influencing governance from PCA.

Table 60: Component matrix of Governance index for SACCOS

Factors	Component 1
Participatory decision making is practiced	0.581
The committees held meetings as per schedules	0.837
The actual number of board meetings have been 5, 7 or 9 to allow balanced decision making for the past three years	0.690
The audited reports are made open to members in the SACCOS office	0.702

Table 61 shows index of governance (GOV) for SACCOS. The GOV indices were obtained by summing up the mean score as described in section 3.7.3 b (i), Chapter Three.

Table 61: Index of Governance for SACCOS

Items	SUS	UNSUS
Mean	0.8	0.6
Standard deviation	0.1	0.2
Minimum	0.2	0.1
Maximum	1.0	1.0

4.4 Various Aspects of External Environment of SACCOS

The purpose of this section is to address specific objective number four of this research. The objective was to investigate the external environment that influences success of SACCOS. The external environment of SACCOS (SUS and UNSUS) and its influences to success of SACCOS have been investigated. The investigation was done through studying seven aspects. These aspects are presented and discussed as follows:

4.4.1 Loan application purposes

Table 62 shows purposes of loan application by members of the SACCOS. The activities performed by members and their levels of income were revealed to determine loan application. SUS members applied for loans in large amounts to pay for education, followed by agriculture and business (SMEs). UNSUS members applied for loans mostly for agriculture then business and education. Other purposes of loan applications included paying for health, food, building, livestock, buying cars and social services.

Table 62: Distribution of SACCOS based on purposes of loan application

Purposes	SUS (n = 60)		UNSUS (n= 60)	
	Freq.	%	Freq.	%
Agriculture	2.77	55.4	3.33	66.60
Business (SMEs)	2.7167	54.3	3.0500	61.00
Education	3.4333	68.6	2.7167	54.33
Health	2.3000	46.0	2.5333	50.67
Food	1.8167	36.3	2.2667	45.33
Building/ Shelter	1.9167	38.33	2.2833	45.67
Livestock	2.3000	46.0	1.7000	34.00
Buying car	1.7500	35.0	1.8833	37.67
Social services like playing drummers	1.5500	31.0	1.3667	27.33

4.4.2 Changes to members as a result of services they get from SACCOS

Table 63 shows changes to members as a result of getting financial services from SACCOS. It was revealed that there were bigger positive changes to members of SUS than changes to members of UNSUS in all aspects. The maximum changes were in savings. The big changes in SUS confirm that the success of SACCOS depend on the success of the members themselves. Members are the important elements of SACCOS. These positive changes to members revealed to create a very important contribution to the external environment of SACCOS. People who are not members of SACCOS can observe such positive changes and join SACCOS. Those who are members but do not use the financial services of SACCOS tend to believe that they can get positives changes and therefore start to use the financial services. A typical example of a SACCOS which contributed positive changes is Kinole SACCOS which enabled members to buy tractors, lorries, cars and build houses in rural areas.

Table 63: Distribution of SACCOS based on changes to member as a result of getting financial services

Percentage change on	SUS (n=60) %	UNSUS (n = 60) %	Difference (%) change
Savings	72	47	30
Utilization of modern equipments in farms	51	40	11
Number of students who are getting Education	53	47	6
Paying for Health services	60	40	20
Traditional ceremonies like drams, dancing	48	35	13
Eating balanced diet – Food	39	32	7
Crop storage for future and high price selling/warehouse receipt system	45	39	6
Good practice in animal husbandry	42	41	1
Use of improved inputs in agriculture	46	40	6
Farm size expansion	51	40	11
Opening of new businesses	54	43	11
Expansion of existing businesses	60	43	23
Purchase of transport items (cars, motorbike, bicycle)	56	43	13
Utilization of alternative energies (biogas, solar, wind)	49	41	8
Building houses	47	43	4
Purchase of household items (cookers, fridge etc)	43	40	3
Women open economic projects	50	31	21

4.4.3 Challenges facing SACCOS towards success to SUS

The research findings revealed that there were many challenges facing both SUS and UNSUS. Table 64 shows challenges facing SACCOS towards success to SUS. Some challenges were strong in SUS and others in UNSUS. The challenges which appeared stronger to SUS than UNSUS were those of finding more opportunities, example broadening the common bond. The challenges which appeared stronger to UNSUS than SUS were those requiring more capital/investment for example use of appropriate technology. Some SUS like Mshikamano Gairo SACCOS had invested well in this aspect.

Table 64: Distribution of SACCOS based on challenges towards success

Type of SACCOS	SUS	UNSUS	Difference
Number of respondents	n=60	n=60	(%)
Challenge	%	%	challenge
Broadening our common bond	64	57	7
To be able to employ competitive people by using the income of SACCOS	67	60	7
To be able to make sustainable financial records	65	66	-1
To be able to make our policies for finance and human resources	58	67	-9
Appropriate information technology to be used in the SACCOS	56	70	-14
To prepare our business plan	50	66	-16
To make our capital grow to satisfy demand of credits by members	64	64	0
To have accountable, participatory, openness and trustful leadership	61	63	-2
To have appropriately educated employees	64	75	-9
To be free of being used by political leaders	50	61	-11
To survive and grow under the existing competition for financial market	62	67	-5
To get subsidies for supporting success of our SACCOS	55	61	-6
To utilize the available opportunities	60	64	-4
To equip our members with adequate entrepreneurial and business skills	71	57	-14
To introduce Front Office Services Annex (FOSA)	57	67	-10
To maintain and get members when several SACCOS are established	57	63	-6
To have a clear policy and law governing SACCOS	44	70	-34

4.4.4 Members' entrepreneurial characteristics for successful SACCOS

Member's entrepreneurial characteristics captured two aspects which are occupation and income of members of the studied SACCOS. Table 65 shows distribution of SACCOS based on farming as occupation of members in the SACCOS. Research results revealed that farming is an occupation of most members in SUS than UNSUS. Nineteen point seven percent (19.7%) of members of SUS were not involved in farming while 30.3% of members of UNSUS were not involved in farming. It was further revealed that 28.6% of SUS and 27.9% of UNSUS had the

majority of members being involved in agriculture. It was therefore revealed that the internal environment of SACCOS for developing to SUS could well be supported through intervention of improving farming.

Table 65: Distribution of SACCOS based on farming as occupation of members

Farming	SUS (n=60)		UNSUS (n=60)	
	Freq.	Valid %	Freq.	Valid %
Not occupation to members of a SACCOS	11	19.7	13	30.3
Occupation to smallest group of members	14	25.0	7	16.3
Occupation to small group of members	3	5.4	8	18.6
Occupation to big group of members	12	21.4	3	7.0
Occupation to biggest group of members	16	28.6	12	27.9
Total	56	100.0	43	100.0
Missing System	4		17	
Total	60		60	

Business was found to be the biggest occupation of members of SUS (36.4%). In UNSUS business occupation covered about 20.9% of members (Table 66).

Table 66: Distribution of SACCOS based on occupation of members

Business	SUS (n=60)		UNSUS (n=60)	
	Freq.	Valid %	Freq.	Valid %
Not occupation to members of a SACCOS	3	5.4	8	18.7
Occupation to smallest group of members	10	18.2	11	25.6
Occupation to small group of members	8	14.5	4	9.3
Occupation to big group of members	14	25.5	11	25.6
Occupation to biggest group of members	20	36.4	9	20.9
Total	55	100.0	43	100.0
Missing System	5		17	
Total	60		60	

Only 5.4% of members of SUS did not operate businesses and only 18.7% of UNSUS members did not do business at all. By being business women/men, the members of SACCOS contributed positively to development of SACCOS to SUS. Through research findings, it was found that 10.5% of SUS and 21.6% of UNSUS did not have formally employed members. On the other side, 24.6% of SUS and 17.6% of UNSUS had most of their members being formally employed (Table 67). This can be an indicator that the success of SACCOS had positive relationship with formal employment. It appears that the monthly cash flow from payroll deduction contributes to success of SACCOS by minimizing costs of collecting savings, shares and loan repayment from the members who could be in the informal sector. It was, therefore, found that most of the formally employed people could strengthen the SACCOS towards succeed to SUS.

Table 67: Distribution of SACCOS based on formal employment as occupation

Formal employment	SUS (n=60)		UNSUS (n=60)	
	Freq.	Valid %	Freq.	Valid %
Not occupation to members of a SACCOS	6	10.5	11	21.6
Occupation to smallest group of members	21	36.8	13	25.5
Occupation to small group of members	6	10.5	9	17.6
Occupation to big group of members	10	17.5	9	17.6
Occupation to biggest group of members	14	24.6	9	17.6
Total	57	100.0	51	100.0
Missing System	3		9	
Total	60		60	

The research results revealed that SACCOS had members of three levels of income (Table 68). The first level was that of those below poverty line: they had an income less than one US \$ per day (below poverty line). The second level was one with 1.0 to 1.99 US\$, and the third was one with income from 2 US\$ and above (above

poverty line). Many SUS were found to have fewer members living below the poverty line than the UNSUS (Table 68). One fifth (20%) of SUS did not have members living below poverty line while 40% of UNSUS did not have such members. This implies that 80% of SUS and 60% of UNSUS had some members who were living below poverty line. This indicates that SUS had broadened their common bonds to attract low income earners so as to improve their income in future.

Table 68: Distribution of SACCOS based on levels of income of the members in Tanzanian Shillings per day (US\$ per day)

Levels of member's income	Type of SACCOS	SUS (n=60)		UNSUS (n=60)	
	Status of members in relation to income	Freq.	%	Freq.	%
0 to 1199 Tsh per day (0 to 0.99US \$ per day)	No member in the range of income	12	20.0	24	40.0
	Very few of members in this range of income	18	30.0	7	11.7
	Few members in this range of income	9	15.0	4	6.7
	Half of members in this range of income	5	8.3	3	5.0
	Many members in this range of income	16	26.7	22	36.7
	Total	60	100.0	60	100.0
1200 to 2399 Tsh per day (1 to 1.99US \$ per day)	No member in the range of income	20	33.3	3	5.0
	Very few of members in this range of income	21	35.0	9	15.0
	Few members in this range of income	5	8.3	14	23.3
	Half of members in this range of income	12	20.0	26	43.3
	Many members in this range of income	2	3.3	8	13.3
	Total	60	100.0	60	100.0
2400 Tsh and above per day (2US \$ and above per day)	No member in the range of income	21	35.0	13	21.7
	Very few of members in this range of income	11	18.3	10	16.7
	Few members in this range of income	14	23.3	8	13.3
	Half of members in this range of income	3	5.0	8	13.3
	Many members in this range of income	11	18.3	21	35.0
	Total	60	100.0	60	100.0

4.4.5 Attitude of SACCOS' members as a factor for SACCOS succeeding

Table 69 shows members retention by SACCOS against competitors' attraction.

Many successful SACCOS, 40% of the SUS did not lose any member while only

10% of UNSUS did not lose any member. For the overall sample only 28.3% did not lose any member. Retention of members is based on how members have positive attitude to their SACCOS. The positive attitude cropped from various issues including cohesiveness among the members and consideration of SACCOS as a tool for solving problems in the community. This made members to perform better on their responsibilities in their SACCOS, and particularly this can be shown in good attendance of members in Annual General Meeting and other meetings. Ultimately, members can concentrate on financial services provided by the SACCOS by analyzing the opportunity cost of remaining as members or going out bearing in mind that there is free membership (URT, 2002; URT, 2003a).

Table 69: Members' Retention by SACCOS against Competitors' attraction

SACCOS retain all members	SUS (n = 60)		UNSUS (n= 60)		Overall sample (n = 120)	
	Freq.	%	Freq.	%	Freq.	%
YES	24	40.0	10	16.7	34	28.3
NO	36	60	50	83.3	86	71.7
TOTAL	60	100.0	60	100.0	120	100.0

4.4.6 Networking for Successful SACCOS

Research results revealed that SACCOS were networking with various stakeholders (Fig. 5). When talking about SACCOS, it normally sounds as individual members. SACCOS network with organisations including the Government, through the local authorities, COASCO, MUCCoBS, SCCULT, Banks (CRDB Bank Ltd, NMB and Kilimanjaro Cooperative Bank), Farmer organizations (MVIWATA, MSAWAKI, LVIA, MOMFISCO, UMADEP), village governments, Group members and companies, for example USAWA and NGOs like DUNDULIZA.

The networking of SACCOS has various benefits. The SACCOS can get loans (being a member in a network acts as a collateral), training, materials, supervision, inspection, auditing, stationeries, building, banking and consultation (Table 70). Some advantages of networking were there since 2002. These are training, banking, supervision, inspection and auditing. Other advantages emerged from 2005 including provision of loans, consultation, materials, stationeries and building offices.

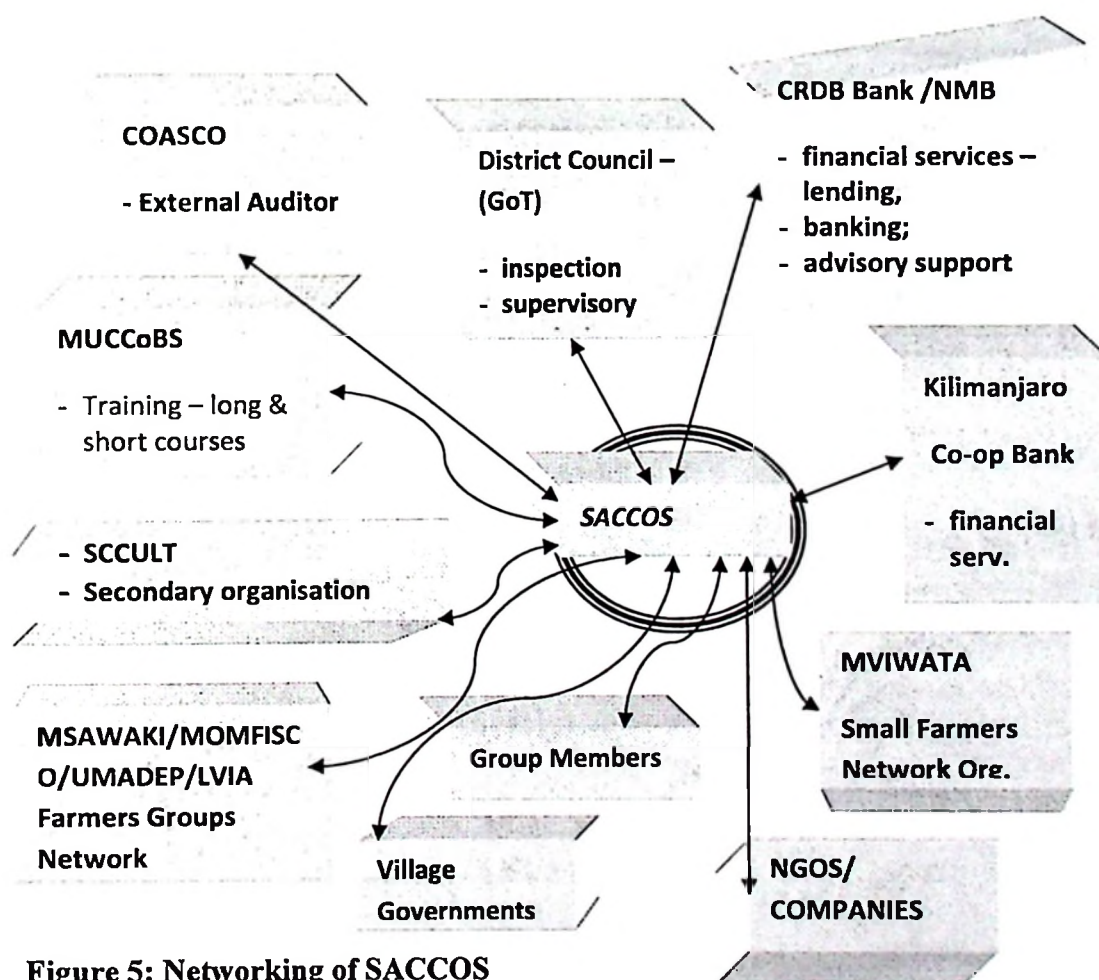


Figure 5: Networking of SACCOS

Source: Constructed from field data, 2009

Table 70: Benefits of SACCOS from networking from 2002 to 2007

Benefit (n = 120)	2007	2006	2005	2004	2003	2002
Loan	√	√				
Training	√	√	√	√	√	√
Banking	√	√	√	√	√	√
Consultation	√	√				
Materials	√	√				
Supervision	√	√	√	√	√	√
Inspection	√	√	√	√	√	√
Auditing	√	√	√	√	√	√
Stationeries	√	√	√			
Building	√	√	√			

SUS had been obtaining loans since 2003 while UNSUS had started getting loans since 2006 as shown in Table 71. Those loans from other institutions to SACCOS could be very good if they were free from interest rates. Again, they could be good if they could still stimulate members of SACCOS to increase savings.

Table 71: Distribution of SACCOS based on amount of loans they obtained through networking with other financial institutions

SUS (n=60)		UNSUS (n=60)
Amount of loans obtained in TZS in a year		
Year	Mean (TZS)	Mean (TZS)
2007	210 960 000	11 340 909
2006	224 565 217	1 181 818
2005	57 777 778	0
2004	20 176 470	0
2003	5 000 000	0

Despite these advantages, there were some disadvantages as viewed by the key informants. Some networks charged SACCOS and their members very high interest rates on loans obtained. The loans had interest rate to be paid to lenders as summarized in Table 72. The interest rate of those loans was revealed to vary from 10% to 25%. The mean of those interest rates varied from 12.75% to 14.21% for

the period when loans were given in year 2003 to 2006. The minimum interest rate dropped from 12.5% to 10%. This is good because 10% can be reasonable interest rate to allow SACCOS to provide loans at around 15% interest rate to its borrowers. Table 72 shows interest rates on loans (%) per annum paid to networking institutions of SACCOS.

The maximum interest rate charged by networking organization to SACCOS was reported to have increased from 13% to 25%. From the year 2002 to 2007 the range of interest charged by lenders to SACCOS increased from 0.5% to 15%. This was so because some of networking organizations were interested in earning large profits by exploiting SACCOS and other borrowers. It was revealed that this caused the SACCOS to provide loans at higher interest rates to members, something which can erode the economy of members. The erosion of economy of members through their SACCOS to the networking organizations can be seen by checking the amount of money paid to lenders of SACCOS.

Table 72: Interest rate on loans per annum paid by SACCOS to their networking institutions on percentage

Year	Interest rate on loans (%) in year (n = 120)			
	Minimum	Maximum	Range	Mean
2007	10.00	25.00	15.0	13.0263
2006	10.00	25.00	15.0	14.2143
2005	11.00	18.00	7.0	13.1111
2004	12.50	17.00	4.5	14.0000
2003	12.50	13.00	0.5	12.7500

The amount of money paid as interest rate to lenders of SACCOS (Networking organizations) have been revealed through the research results to be big (Table 73).

The SUS paid maximum amount of money in year 2006. The SUS paid TZS 650 million.

Table 73: Distribution of SACCOS based on amount of money in Tanzanian Shillings paid as interest by SACCOS to lenders

Year	SUS (n=60)	UNSUS (n=60)
	Mean (TZS)	Mean (TZS)
2007	44411771	4916669
2006	43800006	1363638
2005	36538466	0
2004	26500003	0
2003	7368422	0

The average amount of money paid by SUS as interest rate on loans from networking organizations was the highest in 2007 when it amounted to TZS 44 411 771. The amount was the smallest in 2003 when it was TZS 7 368 422. In UNSUS the maximum amount paid by the SACCOS was TZS 30 million in the year 2007. The average paid by UNSUS reached TZS 4 916 669 in the year 2007. Key informants argued that SACCOS are supposed to be very rational on this aspect. They said that they may cause negative development to themselves and their members through depending on loans from networking organizations.

4.4.7 Strategies recommended by Boards of SACCOS to facilitate their SACCOS' success

Through research results, it was found that SACCOS were aggressive to attain success. This was evidenced by SACCOS having proposed some strategies to facilitate their success. They recommended training as the most crucial strategy for SUS (41.7%) and for UNSUS (35.0%). Entrepreneurship education to members and good market plans were also important strategies. This supports findings by

Kuzilwa (2005) which he found that enterprises whose owners had received business training performed better than those whose owners did not receive training. Table 74 shows strategies recommended by SACCOS to facilitate their success to SUS.

Table 74: Distribution of SACCOS based on strategy they recommended to facilitate their success

Type of SACCOS	SUS (n= 60)		UNSUS (n= 60)	
	Freq.	%	Freq.	%
Recommended strategy				
Entrepreneurship education be given to members	11	18.3	4	6.7
Make thorough follow up to borrowers	6	10.0	9	15.0
Employ qualified staff	4	6.7	2	3.3
Have good marketing plan	8	13.3	13	21.7
Reducing lending interest rate	6	10.0	11	18.3
More training to members is required	25	41.7	21	35.0
Total	60	100.0	60	100.0

4.5 Analysis of Factors Leading to Successful SACCOS

The purpose of this section is to present and discuss data towards achieving specific objective number 5 of this research. That objective was to determine factors that lead to success of SACCOS in Tanzania. The analysis was done through probit model estimation as prescribed by equation (5a) and Table 4 in section 3.6.5, in Chapter three. The analysis was guided by testing the second hypothesis which states that each of the hypothesized success factors has no significant effect to lead to success of SACCOS to Successful SACCOS.

4.5.1 Performance indicators of the probit regression model

The performance indicators of the model are presented in Table 75. As can be seen from the table, the specified probit model fits very well the data as measured by Pseudo R^2 . The high value of Pseudo R^2 (0.877) suggests a good predictive ability of the model implying that the variables included in the model explained about 87.7% of the variation of dependent variable (binary results SUS or UNSUS). Therefore, goodness of fit of the model was relatively high as measured using Pseudo R^2 of 87.7%. Furthermore, the Chi-square statistic showed that the model was highly significant ($p < 0.0001$) implying that the variables included in the model were jointly different from zero. The number of observations was 120, the Chi-square was 145.9 and degrees of freedom were 12. The iterations were 10 in number associated with Log likelihood ranging from -83.177662 to -10.239694. All these confirm that there was relationship between the dependent variable and explanatory variables included in the model.

Table 75: Performance indicators of the estimated probit model

Iterations			
Iteration 0:	log likelihood = -83.177662	Iteration 6:	log likelihood = -10.360036
Iteration 1:	log likelihood = -32.627627	Iteration 7:	log likelihood = -10.247528
Iteration 2:	log likelihood = -20.671958	Iteration 8:	log likelihood = -10.239735
Iteration 3:	log likelihood = -14.939699	Iteration 9:	log likelihood = -10.239694
Iteration 4:	log likelihood = -12.07886	Iteration 10:	log likelihood = -10.239694
Iteration 5:	log likelihood = -10.801707		
Probit estimates	Number of obs = 120 LR chi ² (12) = 145.88 Prob > chi ² = 0.0000 Pseudo R ² = 0.8769 Log likelihood = -10.239694		
obs. P	0.5		
Z and P>z are the test of underlying coefficient being zero			

4.5.2 Probit model regression results for factors governing successful SACCOS

The results from the estimation are as shown in Table 76. The table summarizes factors hypothesized to lead to success of SACCOS to Successful SACCOS. The factors were the independent variables entered into the probit regression model. The binary results were successful SACCOS signed a value of 1 (SUS = 1) and 0 otherwise successful SACCOS (UNSUS = 0) as explained in section 3.6.5 (a). From the results, three variables were found to lead to success of SACCOS to Successful SACCOS significantly at ($Z > 1.96$ and the associated ($P < 0.05$ or 5%). Other four variables were found to lead to success of SACCOS to Successful SACCOS at ($P < 0.1$ or 10%). The rest five variables were found to have Z values and probit coefficients which were not zero and therefore this suggests that when all twelve independent variables were acting together none of them contributed zero to lead to success of SACCOS to Successful SACCOS. The regression results for each independent variable are presented in Table 76.

Table 76: Probit model regression results for factors leading to success SACCOS

Variables	Coefficients (dF/dx)	Z values	P>z	x-bar	[99% C.I.]	
ERP	0.3554006	1.88	0.060	3.70833	-0.096232	0.807033
ABS	7.486663	2.07	0.038	0.685833	-1.6138	16.5871
AGE	0.3149708	1.32	0.185	3.425	-0.295092	0.925033
ACM	0.8384924	2.11	0.035	2.59167	-0.235818	1.9128
NET	1.868249	0.90	0.367	0.280833	3.5328	7.2693
PRS	0.6293552	0.48	0.629	0.418333	-2.77774	4.03645
MEC	0.0965909	-1.73	0.083	2.09167	-1.65831	0.383386
ATI	0.6798396	2.24	0.025	3.33333	-0.032437	1.39212
CAM	0.0244868	1.21	0.225	5.44167	-0.111074	0.304256
FIC	0.0244868	0.13	0.899	2.56667	-0.475903	0.524876
INT	-0.2959726	-1.95	0.052	2.85833	-0.664714	0.072769
GOV	1.085256	1.88	0.060	1.13333	-0.323525	2.49404

Attitude of Members towards their SACCOS (ATI) was revealed to have positive relationship with success of SACCOS to Successful SACCOS as per expectation. It was found to lead to success of SACCOS to Successful SACCOS significantly at ($Z = 2.24$) and associated ($P < 0.05$ or 5%). Its coefficient was positive (0.6798396). This means that for a one unit increase in ATI the z-score increases by 0.68. This suggests that when members have negative attitude they go against the objectives of SACCOS. The SACCOS can be at risk of members moving from it to join other MFIs, given the prevailing competition within the financial market. This suggests that a SACCOS requires members who are cohesive to one another (have positive attitude) and to their SACCOS in order for it to succeed to be SUS. This finding determined positive attitude of members to be among the most important factors that lead to Successful SACCOS.

Actual number of active members of SACCOS (ACM) had influence to success of SACCOS to Successful SACCOS positively as it was expected. It was found to lead to success of SACCOS to Successful SACCOS significantly at ($Z = 2.11$) and associated ($P < 0.05$ or 5%). Its probit coefficient was positive (0.8384924). This means that, for a one unit increase in ACM, the z-score increased by 0.84. This shows that SACCOS depend on the actual number of active members. This is probably due the fact that members are the main consumers' of financial services and products from the SACCOS. The members make savings, pay for shares, obtain loans and pay interests which form the basis for success of SACCOS. This finding determines the actual number of active members of SACCOS to be among the most important factors that led to Successful SACCOS.

Ability of SACCOS to provide services (ABS) had positive to lead to success of SACCOS to Successful SACCOS as it was expected. It was found to lead to success of SACCOS to Successful SACCOS significantly at ($Z = 2.07$), and the association was a significant ($P < 0.05$ or 5%). Its probit coefficient was positive (7.486663). This means that, for a one unit increase in ABS, the z-score increased by 7.49. This shows that success of SACCOS to Successful SACCOS was highly depending on their ability to provide services. This implies that SACCOS which were more capable were likely to grow to SUS. This is probably due to the fact the more able SACCOS are the ones which have big potential of membership coming from the common bond and accumulating capital from shares and savings of the members. This suggests the capacity building of SACCOS from its stakeholders to be of importance to have Successful SACCOS. This finding determines the ability of SACCOS to provide services to be among the most important factors that lead to success of SACCOS to Successful SACCOS.

Interest rate charged on loans to members (INT) was found to have negative relationship with successful SACCOS as it was expected. The influence was at $Z = -1.95$ and associated ($p < 0.1$ or 10%). Its probit coefficient was negative (-0.2959726). This means that for a one unit increase in INT the z-score decreases by 0.30. This suggests to SACCOS that if big interest rates are charged it makes people shy away from getting services from them. This suggests reduction of interest rates to have Successful SACCOS in the communities. This finding shows that interest rates charged is among important factors that lead to success of SACCOS to successful SACCOS or unsuccessful SACCOS.

Good governance practices by SACCOS (GOV) influenced success of SACCOS to Successful SACCOS positively as it was expected. The influence was found to be at $Z = 1.88$ and significant ($p < 0.1$ or 10%). Its probit coefficient was positive (1.085256). This means that for a one unit increase in GOV the z-score increases by 1.09. This implies that as SACCOS practise good governance they build confidence of their stakeholders. This makes the members to maximize to get their financial services from the SACCOS. Members involved in developing the SACCOS, regular election time of three years, participation, accountability, audited reports open to stakeholders, number of board members be five to nine, regular meetings and more possibility of using information from the suggestion box, all these make good governance in the SACCOS.

Effort of SACCOS to reach people (ERP) was found to have positive relationship to Successful SACCOS as it was expected. The influence was at $Z = 1.88$ and associated ($p < 0.1$ or 10%). Its probit coefficient was positive (0.3554006). This means that for a one unit increase in ERP the z-score increases by 0.36. This suggests that SACCOS that have big depth, width, length, scope, breadth, less cost to users and hence more worth to users are more likely to develop to Successful SACCOS. This shows that once people acquire membership of SACCOS they get some information and skills which in turn enable them to provide support to the growth of the SACCOS to SUS. This finding determines effort of SACCOS to reach people to be among important factors that lead to success of SACCOS to Successful SACCOS.

Actual age in years since registration of SACCOS (AGE) influences success of SACCOS to SUS positively as per expectation. This implies that as SACCOS attain

big age they are likely to grow to SUS. This is probably due the fact that aged SACCOS are likely to have adequate time to recruit more members. This supports the argument by Satgar and Williams (2008) that the incubation period remains an important factor for success of SACCOS. This can also probably be due to the fact that more time allows SACCOS to accumulate more savings, shares and gain various experiences. This can suggest that the SACCOS appear to remain as UNSUS for some years and that give more time they can succeed to SUS. However, precaution has to be taken because some SACCOS become SUS within a short time.

Member entrepreneurial characteristics (MEC) were found to have positive relationship with Successful SACCOS as it was expected. This suggests that SACCOS which have members with good entrepreneurial status had accelerated success. This suggests having strong diversified occupation and enterprises of high productivity support Successful SACCOS. This supports the conclusion by Satgar and Williams (2008) that members are the backbone of success of SACCOS. A member with poor entrepreneurial characteristics causes poor progress of a SACCOS. This shows that once people acquire membership of SACCOS they require capacity building towards improving their occupations and productivity of their enterprises. This can appear as a challenge which appears to call upon the stakeholders of SACCOS to work on because MEC accelerate success of SACCOS to Successful SACCOS.

Member care by SACCOS (CAM) has influenced success of SACCOS to Successful SACCOS positively as expected. This implies that as SACCOS ensure that their customers who are mostly the members are well cared for they were likely

to succeed to SUS. This is probably due the fact that good care makes the members to maximize to get their financial services from the SACCOS. The training and accurate financial services attract members. The services provided to members are the final output of proper service and product design.

Networking of SACCOS with other organizations (NET) has influenced success of SACCOS to Successful SACCOS positively as expected. This suggests that a SACCOS can continue to network with others once it is assured to get some benefits. Similarly, products and services offered by SACCOS (PRS) influenced Successful SACCOS positively as per expectation. The accurate financial services attract more members to consume them. The services provided to members are the final output of proper service and product design. Finally financial control (FIN) influenced success of SACCOS to Successful SACCOS positively as it was expected. Both internal and external auditing has to be conducted timely and adequately.

Marginal effects of variables included in the probit model were computed and are presented in Table 76. As indicated in the table, the magnitudes of marginal effects varied from 0.280833 to 5.44167. This suggests that all predictor variables lead to success of SACCOS to Successful SACCOS. Based on the magnitude of marginal effects, the results of probit model suggest that care for members (CAM) was the most sensitive factor which had positive response towards SACCOS becoming Successful SACCOS. This suggests that members of SACCOS required to be cared for very well; otherwise if one member is mistreated and quit from SACCOS

several others can follow. Otherwise good members' care can result into more members being attracted to join SACCOS. This is because 1% increases of CAM results would result into marginal probability of 5.44167 of a positive response of SACCOS towards becoming Successful SACCOS.

The second sensitive variable is the Effort of SACCOS to reach people (ERP) which had marginal effects of 3.70833. Other variables ranked from third to ten in terms of marginal effects as shown in the table. Networking (NET) and Products and services (PRS) offered by SACCOS were the least sensitive variables which have marginal effect of 0.280833 and 0.418333 respectively. But still both of them can contribute to change of SACCOS to Successful SACCOS. These support the twelve predictor variables being among the factors that lead to succeed of SACCOS to Successful SACCOS.

CHAPTER FIVE

5.0 CONCLUSIONS AND RECOMMENDATIONS

The General objective of the study was to establish success factors that lead to the success of SACCOS in Tanzania. The specific objectives were (i) To examine backgrounds of successful SACCOS; (ii) To establish characteristics of successful SACCOS; (iii) To examine the internal environment that affects success of SACCOS; (iv) To investigate the external environment that influences success of SACCOS and (v) To determine the key factors that lead to success of SACCOS. This chapter presents the conclusions and recommendations emerging from the major results of this research.

5.1 Conclusions

On the basis of findings the following conclusions are derived in terms of implications of the findings. It is concluded that the backgrounds of SACCOS depend on dynamics of formation and age of SACCOS since registration. The dynamics of formation lead to formation of four types of common bonds of SACCOS. Those types of common bonds were based on the four theories of formation reviewed in this research. The geographical common bond was based on the proximity theory. The occupational common bond was based on the activity theory. The institutional common bond was based on the exchange theory. The social common bond was based on the balance theory. The formation dynamics of SACCOS determines the backgrounds for success of SACCOS.

It is also concluded that successful SACCOS had success characteristics. The key ones include SACCOS having a ratio of number of staff to members of one to 154, total number of active members being 1000 or more, positive changes in business of members after they use services, origin of SACCOS being members, and repayment rate of loans being 95% or more. With those characteristics, successful SACCOS operate like commercial banks that give savings, deposits and credit services to reliable and potential members who live in rural and urban areas. One of the social observations is that members in such successful SACCOS have attained business advancements whose end-results are life improvement.

Such characteristics of Successful SACCOS are supported by internal environment especially quality education of board members, supervisory committees and employees, occupation of members, accounting and auditing practices, management information systems, viability, the mission and vision, human resource and organization structure, income of members and strategies. It is also supported by influence of external environment, and key aspects are loan application purposes of loan applications by members. Changes take place to members after they get financial services, challenges to SACCOS and members' strategies.

Similarly, the key influencing factors of successful SACCOS are attitude of members to their SACCOS, actual number of active members of the SACCOS, ability of SACCOS to provide services regardless of task difficulties, interest rate charged from loans, efforts made by SACCOS to reach people, good governance practises by SACCOS and member entrepreneurial characteristics.

Successful SACCOS in Tanzania, therefore, heavily rely on strength of backgrounds of SACCOS, characteristics of successful SACCOS, internal environment of SACCOS, external environment support and contribution of factors that lead to success of SACCOS.

5.2 Recommendations

Based on the research results and the conclusions above, five recommendations are made to develop and maintain successful SACCOS in Tanzania.

The backgrounds of SACCOS should be based on founder members themselves. The external people like politicians, academicians, trade unions who facilitated formation of SACCOS should neither own the formation process nor operation of the SACCOS. SACCOS require some years from time of formation to the point of being successful SACCOS. Therefore, young SACCOS should be nurtured with expectation that in the near future they can become successful SACCOS.

Success characteristics of SACCOS should be developed, maintained and applied by the stakeholders of SACCOS in order to have adequate number of successful SACCOS in Tanzania. This can be achieved through exposing the stakeholders of SACCOS about those characteristics. The exposure can improve the ability of members, leaders, management, staff and other stakeholders of SACCOS to contribute to success of SACCOS.

The internal environment of SACCOS should be improved and maintained in order to support the success of SACCOS. The improvement of internal environment requires education to SACCOS members, board members, supervisory committees, management and staff. The trainings can include, among others, members' rights and responsibilities, viability, management information systems, good governance, customer care, financial services (savings, credits, deposits and so on), outreach and sustainability.

The external environment should be improved in order to influence the internal environment to affect the success of SACCOS continuously. The improvement of external environment requires education to Tanzania citizens about benefits of them to become members of SACCOS. To educate members of SACCOS about proper loans application purposes, entrepreneurship skills and positive attitude to their SACCOS. This can include more using of financial services of their SACCOS than any other financial institution. The networking between SACCOS and other organisations requires to be improved to ensure SACCOS to get benefits from networking process. The benefits can be affordable charges on financial, training, auditing, inspection, consultation and other services

Furthermore, improvement should involve the success factors of SACCOS. The effort and ability of SACCOS, members' attraction, retention, care and entrepreneurship skills development should be emphasized. Products and services with affordable interest rates and proper financial control should be offered to members of SACCOS in both rural and urban areas. These should be done under good governance practices.

The improvement to ensure increase in number and sustainability of successful SACCOS in the microfinance market should be done through involving various stakeholders of SACCOS. This can be as stated in the policy level, regional level and SACCOS level recommendations as suggested below.

5.2.1 Policy level recommendations

Based on the conclusions and recommendations above, the Government of Tanzania should make some policies available. This is either by developing new and or reviewing the existing policies and making follow up of implementation of those policies.

The registration policy for SACCOS can be introduced separately or through reviewing microfinance policy. This can be made purposely to ensure that SACCOS can be registered, if its common bond is big enough (at least 3000 people). This is to assure sustainable future recruitment of members. The minimum capital during registration is enough to avoid problem of diseconomies of scale in SACCOS. Amalgamation of SACCOS which have small common bonds should be covered by the policy. This can lead to big number of active members in SACCOS.

Establishment of National SACCOS bank; the bank will be of importance to ensure that SACCOS can be members in the bank. Therefore, SACCOS can get financial services such as loans from that bank. The bank should operate through regional and/or district branches.

Capacity building for SACCOS and other MFIs should be established to facilitate development of various skills such as good governance, entrepreneurship skills, financial management skills and savings skills. The capacity building can be implemented at national, regional and district levels.

The government, NGOs, and other stakeholders should note that interventions to enhance success of SACCOS should be through improving backgrounds, characteristics of success, internal environment, external environment and factors leading to success of SACCOS.

5.2.2 Regional level recommendations

The departments responsible for microfinance such as co-operative department, community development, and finance department should facilitate aspects that lead to Successful SACCOS. Among others, they should facilitate registration of SACCOS which are viable in terms of membership and capital formation. They should make thorough management auditing and regular inspection in SACCOS. The management auditing will ensure that the co-operative principles and microfinance best practices are obeyed. The regular inspection by co-operative officers enhance the good governance practises including among others supervising election of leaders after every three years, participatory decision making, leader's accountability and transparency.

5.2.3 SACCOS level recommendations

Members, Board members, Supervisory Committees, Management, staff and other stakeholders of SACCOS should practise and use Success Meter (SM), in Swahili *Kipima Ufanisi (KIU)* as shown in Appendix 4. This will enable them to increase the success level of SACCOS and therefore act accordingly to improve towards attaining more success of SACCOS.

The boards of SACCOS being policy organs of SACCOS should ensure that all important policies in the SACCOS are developed and applied. They should include, among others, human resource policy which can take care of the staff member ratio, financial policy, auditing policy, education policy and so on. SACCOS should find means to provide more education to board members, supervisory committees and employees.

SACCOS should share some services, which are too expensive to be paid by one SACCOS, for example employment of one professional accountant by a group or network of SACCOS in one division or ward. All these measures enable the SACCOS to provide what have been planned by the owners (members) of SACCOS.

Furthermore, SACCOS should struggle to increase their ability to deliver services and products regardless of task difficulties. This can be attained by implementing the expansion of the common bond for existing SACCOS. The new SACCOS should look at registration on condition that they have a big common bond. Furthermore, the existing UNSUS can join one another (amalgamate) to attain big common bond. The

aspect of self reliance of SACCOS should be insisted to all of them in order to reduce or eradicate dependence on loans from other financial institutions. This can be attained by encouraging members to pay all shares, making savings and deposits. Members should be provided with all possible soft conditions of loans so that they only borrow money from their SACCOS.

SACCOS should join together and initiate establishment of their own bank with each SACCOS being a member. Therefore, in case they borrow money the interest paid remains to be theirs, once they are paid dividends.

In addition to that, members who are the major customers and other customers should be given very good care. The very good care should involve presence of well recruited and trained staff and management. This can ensure loans and other services are developed and provided timely and satisfactorily. Training to three cadres of people in SACCOS (members, leaders and management/staff) is required.

Efforts must be made to ensure that no any member of SACCOS who resign their SACCOS' membership so that to become members of other financial institutions. This can be possible by creating more cohesion among members themselves and their SACCOS. The SACCOS and its stakeholders like government and training institutions can play a role of training to enhance members to like their SACCOS. This is to ensure good members' attitude towards their SACCOS.

Once a SACCOS is formed and registered efforts must be enable them to become a SUS within possible minimum years of age. The stakeholders of SACCOS should clearly understand time is required for a SACCOS to change to SUS. There is no need of blaming a young SACCOS for being UNSUS; rather the stakeholders of SACCOS should work hard to facilitate SACCOS to succeed to SUS.

The member entrepreneurial characteristics should be higher to ensure the success of SACCOS. This can be attained through training of members to acquire various skills. The skills can include entrepreneurship, marketing, production, finance and management. Each SACCOS should set aside some money to ensure training sessions are conducted for its members. Also, SACCOS should be in networks which facilitate such kind of training.

Each SACCOS should ensure that loan repayment rate is increased to 95%. This can be attained by ensuring that loans are provided with clear repayment schedule being understood by both the SACCOS and the borrower. The board, through its Loan committee and Loan officer, should make follow up for full loan repayment. Members should be educated on the benefits of repaying loans as per repayment schedule and disadvantages of delaying loan repayment.

SACCOS should ensure that interest charged on loans remains at 15% or less for loans disbursed to members. Reduction of interest rate can be attained through increasing number and size of loans provided. It can also be reduced if SACCOS rely on internal sources of funds to provide loans to members. It can also be reduced

if external sources of funds are used to provide loans to members, the interest rate to be paid to institutions lending money to SACCOS not exceeding 10%.

5.2.4 Areas for further research

A study can be conducted on repayment rate of loans in SACCOS, aiming at exploring strategies to increase the percentage repayment rate, and studying on how to determine fair repayment rate on SACCOS' loans. This is because large numbers of SACCOS do not attain the required repayment rate of 95%. The numbers of SACCOS which had attained 95% repayment rate were 28 SUS (46.7%) and 24 (40%) of UNSUS in 2007.

Large numbers of SACCOS are formed in Tanzania, but still a small part of population join to be members of SACCOS. There is a need to study membership recruitment, growth and retention in SACCOS, and factors influencing membership.

Interest rates charged to SACCOS by networking organisations increased from one year to another. Loans provided to SACCOS by other financial institutions were revealed to cause negative effect to success of SACCOS. A comprehensive study on interest rates is supposed to be conducted in order to come up with optimal interest rates to be charged in the microfinance market.

SACCOS serve the active poor to enable them to access financial services. However, who is responsible to make the poorest of the poor to access the financial services. A study should be conducted to come up with strategies to include poorest of the poor to financial access.

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APPENDICES

Appendix 1: Guideline for informal and key informants surveys

1. INTRODUCTION

- (a) Date of interview.....
- (b) Place.....
- (c) Name of interviewee (respondent).....
- (d) Sex of the respondent: 1.Male..... 2.Female.....
- (e) Position of respondent

2. IDENTIFICATION OF SUS AND UNSUS.

- (a) Can you mention the number of SACCOS in your area of operations?
- (b) How do you and your activities linked with SACCOS?

- (c) Which are the successively performing SACCOS in your area? Mention

- (i)
- (ii)
- (iii)
- (iv)
- (v)
- (vi)
- (vii)
- (viii)
- (ix)
- (x)
- (xi)
- (xii)
- (xiii)
- (xiv)

- (d) Other SACCOS in your area? Mention

- (i).....
- (ii).....
- (iii).....
- (iv).....
- (v).....
- (vi).....
- (vii).....

- (viii).....
 (ix).....
 (x).....
 (xi).....
 (xii).....
 (xiii).....
 (xiv).....

(e) Identification of the SACCOS, whether SUS or UNSUS. Regarding whether the indicator mentioned is true or not. Put 1 if YES, Put 0 if NO

S.NO	Indicators	0 or 1
1	The SACCOS originated and owned by members	
2	Number of people in the common bond ≥ 3000	
3	Repayment rate has being 95% and above for my SACCOS	
4	The SACCOS have one staff for 154 or more members	
5	The SACCOS have ≥ 1000 active members	
6	The total revenue enable the SACCOS to meet all costs	
7	The member are gender participatory (female, male, young, old)	
8	The SACCOS possess good governance (openness, equity, accountability and participatory decision making)	
9	The SACCOS offered savings, deposits and credit services	
10	The SACCOS offer services to active poor people	
11	The SACCOS offer services to members who are in rural areas	
12	The SACCOS offer services to members regardless their level of education (literate, semiliterate and illiterate)	
13	The SACCOS enable members to live in better life conditions	
14	The SACCOS enable members to improve their businesses	
15	Other indicators used (if any). Mention them ----- ----- ----- ----- -----	

3. OUTREACH AND SUSTAINABILITY OF SACCOS

(a) To the SACCOS mentioned in 2 (c) and (d) above, select two and classify them regarding outreach as follows:

PUT 5 if very highly applicable

PUT 4 if very applicable

PUT 3 if applicable

PUT 2 if slightly applicable

PUT 1 not applicable

NAME OF SUCCESSFUL SACCOS	Indicator	SCORES
1.	SACCOS serve poor people	
	SACCOS serves rural people	
	SACCOS serves illiterate people	
	SACCOS serves women	
	SACCOS serves youth	
	TOTAL	
2.	SACCOS serve poor people	
	SACCOS serves rural people	
	SACCOS serves illiterate people	
	SACCOS serves women	
	SACCOS serves youth	
	TOTAL	
NAME OF OTHER SACCOS	Indicator	SCORES
1.	SACCOS serve poor people	
	SACCOS serves rural people	
	SACCOS serves illiterate people	
	SACCOS serves women	
	SACCOS serves youth	
	TOTAL	
2.	SACCOS serve poor people	
	SACCOS serves rural people	
	SACCOS serves illiterate people	
	SACCOS serves women	
	SACCOS serves youth	
	TOTAL	

(b) To the SACCOS mentioned in 2 (c) and (d) above select two and classify them regarding sustainability as follows:

Put 1 for True and Put 0 for not True

NAME OF SUCCESSFUL SACCOS	Indicator	1 or 0
1.	Financial self-sufficiency (the revenue can enable SACCOS to meet all costs)	
	Revenue from SACCOS can enable to pay salaries and other operational costs.	
	Members contribute from their pockets to make the SACCOS survive	
	Slightly depend on donor	
	Donor dependent	
	TOTAL	

2.	Financial self-sufficiency (the revenue can enable SACCOS to meet all costs)	
	Revenue from SACCOS can enable to pay salaries and other operational costs.	
	Members contribute from their pockets to make the SACCOS survive	
	Slightly depend on donor	
	Donor dependent	
	TOTAL	
NAME OF OTHER SACCOS	Indicator	1 or 0
1.	Financial self-sufficiency (the revenue can enable SACCOS to meet all costs)	
	Revenue from SACCOS can enable to pay salaries and other operational costs.	
	Members contribute from their pockets to make the SACCOS survive	
	Slightly depend on donor	
	Donor dependent	
2.	Financial self-sufficiency (the revenue can enable SACCOS to meet all costs)	
	Revenue from SACCOS can enable to pay salaries and other operational costs.	
	Members contribute from their pockets to make the SACCOS survive	
	Slightly depend on donor	
	Donor dependent	

3. ENVIRONMENT OF SACCOS

Regarding the internal and external environment of the SACCOS in your area, provide the strengths, weakness, threats and opportunities.

Strengths	Weakness
Opportunities	Threats

4. What are the challenges facing SACCOS in your area? Mention them

5. Strategies for SACCOS to succeed to Successful SACCOS.

What are the strategies your office or organization has to facilitate the success of SACCOS to Successful SACCOS? Mention those strategies

..... What are other strategies you can recommend to facilitate the success of SACCOS to succeed to Successful SACCOS? Mention them.

Appendix 2: Questionnaire for examining factors leading to successful SACCOS (SUS)

INTRODUCTION

My name is Kitale Christian Tobias Malamsha, a PhD student at Development Studies Institute of Sokoine University of Agriculture. I am doing research for study purpose only. The research is conducted in selected SACCOS in Dar es salaam, Dodoma, Kilimanjaro and Morogoro regions. Please contribute to success of this research by support me to fill this questionnaire. Thank you in advance.

SECTION A: BACKGROUND AND IDENTIFICATION OF SACCOS

1. Date of interview.....
2. Place.....
3. Name of the in charge in the place
4. Sex of the in charge in the place: 1.Male....Female.....
5. Position of the in charge in place
6. Name of the SACCOS (respondent)
.....
7. Origin of SACCOS []
 1. = Founder members
 2. = Government
 3. = Donor agent
 4. = Others
8. Common bond of the SACCOS -----
9. Number of the people who make common bond -----
10. Area of operation of the SACCOS:
 - (a) Villages/Streets
.....
.....
 - (b) Wards
.....
 - (c) Districts
.....
 - (d) Region

11. Head office of the SACCOS.....
12. Regarding Ownership of SACCOS [] Put 1 or 0 where
1 = Members 0 = Others
13. Year of formation of SACCOS
14. Year of registration of SACCOS
15. Number of registration of SACCOS.
16. Regarding number of active members of SACCOS, please fill the table below:

Time	Number of members as:		
	Male	Female	Total
During formation			
During registration			
During data collection/...../2003			

17. Regarding Capitalization of the SACCOS, please provide value for:

Time	Total value in (TZS) for:		
	Shares	Savings	Shares add Savings
During formation			
During registration			
During data collection2008			

18. Regarding your SACCOS. Put 1 if YES, Put 0 if NO

Sentence	1 or 0
Savings mobilization is conducted by your SACCOS	
Training to members is conducted by your SACCOS	
Pay interest on savings is performed by your SACCOS	
SACCOS employed staff members	

19. Regarding objectives of your SACCOS. Put 1 if YES, Put 0 if NO

Objective	1 or 0
Poverty reduction	
Women empowerment	
Economic empowerment to members	
Financial access to the poor	
Others. Specify	
.....	

20. Characteristics for identifying SACCOS, whether SUS or UNSUS. Put 1 if YES, Put 0 if NO

s.no	Characteristics	1 or 0
1	The SACCOS originated and owned by members	
2	Number of people in the common bond ≥ 3000	
3	Repayment rate has being 95% and above for my SACCOS	
4	The SACCOS have one staff for 154 or more members	
5	The SACCOS have ≥ 1000 active members	
6	The total revenue enable the SACCOS to meet all costs	
7	The member are gender participatory (female, male, young, old)	
8	The SACCOS possess good governance (openness, equity, accountability and participatory decision making)	
9	The SACCOS offered savings, deposits and credit services	
10	The SACCOS offer services to active poor people	
11	The SACCOS offer services to members who are in rural areas	
12	The SACCOS offer services to members regardless of their level of education (literate, semiliterate and illiterate)	
13	The SACCOS enabled members to live in better life conditions	
14	The SACCOS enabled members to improve their businesses	
Total		

SECTION B: OUTREACH OF SACCOS

21. Regarding your SACCOS. Put 1 if YES, Put 0 if NO

Sentence	1 or 0
The SACCOS serve rural people	
The SACCOS serve illiterate people	
The SACCOS serve women	
The SACCOS enable financial access to the poor	
Others Specify	
.....	
.....	

22. Regarding areas where the members of your SACCOS are living. Put
 5 where most of members are living,
 4 where more members are living,
 3 where less members are living,
 2 where least members are living
 1 there is no a member living there.

AREA	1, 2, 3, 4 or 5
In regional headquarter (town)	
In district headquarter (town)	
In suburb area	
In rural area	
In rural remote area	

23. Regarding membership, provide number of members in your SACCOS in the respective years and totals as follows:

Year	MALES	FEMALES	GROUPS	TOTAL
2007				
2006				
2005				
2004				
2003				
2002				
2001				
2000				
1999				
1998				

24 Regarding board members (leaders), provide their number in the SACCOS in your respective years, their sex and totals.

Year	MALES	FEMALES	TOTAL
2007			
2006			
2005			
2004			
2003			
2002			
2001			
2000			
1999			
1998			

25. Regarding inspection and auditing committee, provide their number in your SACCOS in the respective years, their sex and totals.

Year	MALES	FEMALES	TOTAL
2007			
2006			
2005			

2004			
2003			
2002			
2001			
2000			
1999			
1998			

26. Regarding employees provide their number in the SACCOS in your respective years, their sex and totals as follows:

Year	MALES	FEMALES	TOTAL
2007			
2006			
2005			
2004			
2003			
2002			
2001			
2000			
1999			
1998			

SECTION C: SUSTAINABILITY OF SACCOS

27. Regarding entry fee and other charges to members and other stakeholders of your SACCOS. State the amounts in TZS.

Year	Entry fee (TZS)	Fees (TZS)	Loan application form (TZS)	Others (TZS)
2007				
2006				
2005				
2004				
2003				
2002				
2001				
2000				
1999				
1998				

28. Regarding Savings provide the amount of savings collected per year, the accumulated savings at the end of the financial year.

Year	Savings collected (TZS)	Accumulated savings (TZS)
2007		
2006		
2005		
2004		
2003		
2002		
2001		
2000		
1999		
1998		

29. Regarding interest rate paid by your SACCOS to members on Savings, mention the percent of interest rate paid on savings to members in the respective years below.

Year	Interest rate (%) per annum paid on savings	Interest rate (%) per annum paid on deposits
2007		
2006		
2005		
2004		
2003		
2002		
2001		
2000		
1999		
1998		

30. Regarding shares of members in your SACCOS. Provide information requested for the following:

Year	Number of shares purchased per year	Total number of shares purchased since formation	Price of one share (TZS)	Accumulated value of shares (TZS)	Dividend per share (TZS)	Amount of money paid as dividend (TZS)
2007						
2006						
2005						
2004						
2003						

2002						
2001						
2000						
1999						
1998						

31. Regarding money available for lending to members and loan application from members, fill the following table:

Year	Total (TZS) available for lending	Total loan applications (TZS)	Difference (TZS)	Reason for the differences
2007				
2006				
2005				
2004				
2003				
2002				
2001				
2000				
1999				
1998				

32. Regarding total loan application from members and actual loan disbursed, fill the following table:

Year	Total loan applications (TZS)	Total Loan disbursed (TZS)	Difference (TZS)	Reason for the differences
2007				
2006				
2005				
2004				
2003				
2002				
2001				
2000				
1999				
1998				

33. Regarding loans disbursed by your SACCOS, mention.

Year	Loan disbursed (TZS)	Accumulated loans (TZS)	Interest rate (%)	Total amount of money obtained as interest (TZS)	Percentage repayment rate (%) per annum
2007					
2006					
2005					
2004					
2003					
2002					
2001					
2000					
1999					
1998					

34. Regarding types of deposits in your SACCOS. State the duration in months and amount in TZS for the requested years.

Year	Time deposit (TZS)	Fixed deposit		Fixed deposit	
		months	TZS	Months	TZS
2007					
2006					
2005					
2004					
2003					
2002					
2001					
2000					
1999					
1998					

35. Regarding income and expenditure of your SACCOS, mention:

Year	Income per year (TZS)	Expenditure per year (TZS)	Profit (TZS)
2007			
2006			
2005			
2004			
2003			
2002			
2001			
2000			
1999			
1998			

36. Regarding financial costs for your SACCOS to meet demand from members, mention:

Year	Total money paid in (TZS) as				
	dividend on shares	interest on savings	interest on deposits	interest on loans from other institutions	cost to get funds for lending
2007					
2006					
2005					
2004					
2003					
2002					
2001					
2000					
1999					
1998					

37. Regarding provision for bad debts and subsidies by your SACCOS; Mention

Year	Amount of money set aside by your SACCOS as provision for bad debts (TZS)	Amount of money received by the SACCOS as subsidy (TZS)
2007		
2006		
2005		
2004		
2003		
2002		
2001		
2000		
1999		
1998		

SECTION D: INTERNAL ENVIRONMENT OF THE SACCOS

- 38 Level of education in your SACCOS,

Level of Education	Number of Board Members	Number of Members of supervisory committee	Number of employees/ staff
Not Attend School			
Primary School Level			
Form IV			
Form VI			
Certificate			

Diploma			
Degree			
Total			

39. Regarding Main Occupation of Members. Put
 5 for the big group,
 4 to the second big group,
 3 for the third group,
 2 for the smallest group,
 1 to the group not applicable in the SACCOS.

Members under this occupation	1, 2, 3, 4 or 5
Farmers	
Business men/woman	
Employed people	
Mixture of self employed and employed	
Others: Specify	

40. Regarding benefits of Networking with other organizations to your SACCOS.
 Mention:

Names of networking organizations	Year	Benefits of networking	Amount of loans obtained (TZS)
Total			

41. If loans are one of benefits of networking, fill the following table:

Year	Names of Networking organizations	Amount of loans (TZS)	Interest rate on loans (%)
2007			
2006			
2005			
2004			
2003			
2002			
2001			

2000			
1999			
1998			

42. Regarding costs of Networking to other organizations by your SACCOS.
Mention:

Year	Names of Networking organizations	Interest rate on loans (%)	Other costs of networking rather than interest on loans
2007			
2006			
2005			
2004			
2003			
2002			
2001			
2000			
1999			
1998			

43. Regarding Services/Products provided by your SACCOS and their amount in Tshs.

Service/Product	Minimum TZS.	Maximum TZS.
Savings		
Emergency loan		
Short term		
Deposits/Amana		
Long term loan		
Education		
Building houses		
Buying cars		
Buying home utensils		
Other types, Mention		
.....		
.....		
Total number of products/services		

44. Regarding financial administration in your SACCOS. Put 1 if YES, Put 0 if NO

ITEM	1 or 0
Presence of loan policy in the SACCOS	
Loan processing follow loan policy	

Accounting systems produce accurate, timely and transparently to management and members	
Internal audit takes place on regular basis.	
External audit takes place on the regular basis	

45. Regarding Management Information system of your SACCOS. Put 1 if YES, Put 0 if NO

<input type="checkbox"/> Item	1 or 0
The system provide timely the information on key indicators	
The system provide accurate information on key indicators	
The key indicators provided by the system are regularly used in operations	

- 46 Regarding the viability of your SACCOS. Put 1 if YES, Put 0 if NO

Items	1 or 0
SACCOS is legally registered	
SACCOS is in compliance with supervisory requirements.	
There are clearly defined member's responsibilities.	
There is clearly defined Board of directors responsibilities.	
There are clearly defined staff responsibilities.	
There is cohesiveness among members	
Members have positive attitude to their SACCOS	

47. Regarding sustainability of your SACCOS. Put 1 if YES, Put 0 if NO

Item	1 or 0
Operating costs are covered by revenue	
Financial costs are covered by revenue.	
Member's savings increase with time	
Amount of loans disbursed increase with time	
Amount of deposit increase with time	
Presence of FOSA in the SACCOS	
The growth of revenue replace the donor support	
Increase in active savers and borrowers.	

48. Regarding Vision and Mission of your SACCOS. Put 1 if YES, Put 0 if NO

Item	1 or 0
Mission statement focused on outreach and sustainability	
Strong commitment of board and management for members benefits	
Business plan stating how to reach specific objectives	
Objectives for 1 to three years	

49. Regarding financial services and delivery methods by your SACCOS. Put 1 if YES, Put 0 if NO

Item	1 or 0
Simple financial services adopt local context services focused on demand.	
Availability of different financial services	
Interest rate 15% or less for loans	
Present of savings mobilization	
Pay interest or savings	
Present of financial services promotion (Brochures)	
Capitalization from several resources.	

50. Regarding organization structure and human resource development of your SACCOS. Put 1 if YES, Put 0 if NO

Item	1 or 0
Accurate Job description existing	
Human resources well trained.	
There is regular performance review	
Training priorities are well stated in the business Plan.	
The Costs of training are always estimated	
Appropriate performance incentive are given to staff	

51. What are the strategies your SACCOS have to ensure success to Successful SACCOS? Mention those strategies

SECTION E: EXTERNAL ENVIRONMENT OF THE SACCOS

52. Purposes of loan application by members of your SACCOS, Put
 5 for the most applied,
 4 for the more applied,
 3 for average applied,
 2 for least applied,
 1 for not applied for.

Purpose	1, 2, 3, 4 or 5
Agriculture	
Business (SMEs)	
Education	
Health	
Food	
Building/ Shelter	
Livestock	
Buying car	
Social services like drummers	
Others specify	

53. Income of the members of your SACCOS. Put
- 5 If many of members have that range of income,
- 4 If around half of members have that range of income,
- 3 If few of members have that range of income,
- 2 If very few of members have that range of income
- 1 If there is no a member fall at that range of income

Range of Income per day	1, 2, 3, 4 or 5
0 - 1199 TZS per day (0 – 0.99US \$ per day)	
1200 - 2399 TZS per day (1 – 1.99US \$ per day)	
2400 TZS and above per day (2US \$ and above per day)	

54. Regarding the opportunities and threats to your SACCOS, Put 1 if YES, Put 0 if NO regarding your SACCOS.

Item	1 or 0
Awareness creation by local environment	
Registered SACCOS	
Networking existing and growing with stakeholders	
Training provided to members, leaders and staff	
The SACCOS Not donor dependent	
Appropriate technology used in the SACCOS (computer)	
Availability of people who can join the SACCOS in the future basing on the common bond of the SACCOS	
Weak or no Competitors (Further observation will be made regarding who are they, size, interest they charge, their targeted clients)	

Regular Inspection by cooperative officers	
Cohesiveness among the members	
Regular product development according to demand	
Promotion of the SACCOS to non members particularly youths	

55. Regarding changes to members of your SACCOS as result of getting financial services from SACCOS, to each of sentence:

Put 5 if there is addition of 100% and above

Put 4 if there is addition of 75% - 99.9 %

Put 3 if there is addition of 50% - 74.5%

Put 2 if there is addition of 25% - 49.9%

Put 1 if there is addition of $\leq 24.9\%$

Sentence	1, 2, 3, 4 or 5
Savings	
Utilization of modern equipments in farms	
Number of students who are getting Education	
Paying for Health services	
Traditional ceremonies like drams, dancing	
Eating balanced diet – Food	
Crop storage for future and high price selling/warehouse receipt system	
Good practice in animal husbandry	
Use of improved inputs in agriculture	
Farm size expansion	
Opening of new businesses	
Expansion of existed businesses	
Purchases of transport items (cars, motorbike, bicycle)	
Utilization of alternative energies (biogas, solar, wind)	
Building houses	
Purchase of household items (cookers, fridge etc)	
Women open economic projects	
Others specify -----	

56. Regarding challenges towards success of your SACCOS to SUS

Put 5 for the strongest challenge

Put 4 for the strong challenge

Put 3 for the average challenge

Put 2 for the weak challenge

Put 1 for not a challenge

Challenge	1,2,3,4 or 5
Broadening our common bond	
To be able to employ competitive people by using the income generated by the SACCOS	
To be able to make sustainable financial records	
To be able to make our policies for finance and human resources	
Appropriate information technology to be used in the SACCOS	
To make our business plan	
To make our capital grow to satisfy demand of credits by members	
To have accountable, participatory, openness and trustful leadership	
To have appropriately educated employees	
To be free of being used by political leaders	
To survive and grow under the existing competition for financial market	
To get subsidies for supporting success of our SACCOS	
To utilize the available opportunities	
To equip our members with adequate entrepreneurial and business skills	
To introduce Front Office Services Annex (FOSA)	
To maintain and get members when several SACCOS are established	
To have a clear policy and law governing SACCOS	
Other challenges, mention and give them numbers -----	

57. Which strategies you can recommend to facilitate the success of SACCOS to Successful SACCOS? Mention them. -----

SECTION F: FACTORS WHICH CAN MAKE SACCOS BEEN SUCCESSFUL OR UNSUCCESSFUL

58. Effort of SACCOS to reach people to make them access financial services:

A	Regarding number of villages covered by the SACCOS	PUT	SCORE
	If number of villages covered ≥ 7	5	
	If number of villages covered 6 – 7	4	
	If number of villages covered 4 – 5	3	
	If number of villages covered 2. – 3	2	
	If number of villages covered 1	1	
B	Regarding minimum amount of savings (TZS.) which can be accepted by SACCOS		
	If TZS < 500	5	
	If TZS 500 to 2500	4	
	If TZS 2501 to 12500	3	
	If TZS 12501 to 62500	2	
	If TZS > 62500	1	
C	Women participation in the SACCOS		
	If Excellent	5	
	If Very good	4	
	If Good	3	
	If Fair	2	
	If Poor	1	
D	Level of education of members		
	Some members didn't go to school	5	
	Primary school and above	4	
	Secondary school and above	3	
	Form Six and above	2	
	University graduates	1	
E	Regarding growth of number of members for the past 10 years		
	If more than five times	5	
	If five to four times	4	
	If four to three times	3	
	If three to two times	2	
	If doubled	1	
	TOTAL		

59. Ability of SACCOS to offer services regardless of task difficulties:

A	Regarding the size of common bond		
	If the common bond of this SACCOS is 3000 and more people	5	
	If the common bond of this SACCOS is 2000 to 2999 people	4	
	If the common bond of this SACCOS is 1000 to 1999 people	3	

	If the common bond of this SACCOS is 500 to 999 people	2	
	If the common bond of this SACCOS is 20 to 499 people	1	
B	Regarding financial self-reliant of the SACCOS		
	Income of SACCOS covers the operational and financial costs	5	
	Income of SACCOS covers operational costs	4	
	Half of costs are covered by subsidy	3	
	Quarter of costs are covered by subsidy	2	
	All costs depend on subsidiary from donors	1	
C	Regarding growth of value of shares for the past 10 years		
	If more than five times	5	
	If five to four times	4	
	If four to three times	3	
	If three to two times	2	
	If doubled	1	
D	Regarding growth of value of savings for the past 10 years		
	If more than five times	5	
	If five to four times	4	
	If four to three times	3	
	If three to two times	2	
	If doubled	1	
E	Regarding growth of value of loans for the past 10 years		
	If more than five times	5	
	If five to four times	4	
	If four to three times	3	
	If three to two times	2	
	If doubled	1	
F	Regarding the range of percentage repayment rate of loans for the past ten years (1998 – 2007)		
	If 95 – 100	5	
	If 89 – 94	4	
	If 83 – 88	3	
	If 77 – 82	2	
	If ≤ 76	1	
	TOTAL		

60. Age of SACCOS since registration

A	Regarding age of SACCOS being in actual operations		
	If > 7 years	5	
	If 6 - 7 years	4	
	If 4 – 5 years	3	
	If 2 – 3 years	2	
	If 0 – 7 years	1	

61. Active members

A	Regarding actual number of active members		
	If active members \geq 3000	5	
	If active members 1300 - 2999	4	
	If active members 500 - 1299	3	
	If active members 100 - 499	2	
	If active members 20 - 99	1	

62. Average leadership and management/staff education

A	Average education level of board members		
	University graduates	5	
	Form Six	4	
	Form IV	3	
	Primary Education	2	
	Illiterate	1	
B	Average education level management and staff		
	University graduates	5	
	Form Six	4	
	Form IV	3	
	Primary Education	2	
	Illiterate	1	
	TOTAL		

63. Networking as factor of success

A	Regarding number of networking organizations		
	If >4	5	
	If 4	4	
	If 3	3	
	If 2	2	
	If 1	1	
B	Regarding number of benefits from networking organizations		
	If >4	5	
	If 4	4	
	If 3	3	
	If 2	2	
	If 1	1	
C	Interest paid on loans from the networking organization		
	If < 5	5	
	If 5-6	4	
	If 7-8	3	
	If 9-10	2	
	If > 10	1	
	TOTAL		

64. Member characteristics

A	Regarding mixture of members occupation		
	If > 4 occupations	5	
	If Four occupations	4	
	If Three occupations	3	
	If Two occupations	2	
	If One occupation	1	
B	Regarding production of members enterprises		
	If high production	5	
	If productive	4	
	If moderately productive	3	
	If less productive	2	
	If poor productivity	1	
	TOTAL		

65. Number of products/services offered

A	Number and types of loans provided by the SACCOS		
	f > 5	5	
	If 4	4	
	If 3	3	
	If 2	2	
	If 1	1	
B	Number and types of deposits provided by the SACCOS		
	f > 5	5	
	If 4	4	
	If 3	3	
	If 2	2	
	If 1	1	
C	Number and types of savings provided by the SACCOS		
	f > 5	5	
	If 4	4	
	If 3	3	
	If 2	2	
	If 1	1	
	TOTAL		

66. Attitude of members of SACCOS

A	Consideration of SACCOS as a tool of solving problems in the community		
	If very highly considered	5	
	If highly considered	4	

	If considered	3	
	If slightly considered	2	
	If not considered	1	
B	Attendance of members in Annual General Meeting		
	If > 80%	5	
	If 80%	4	
	If 60%	3	
	If 40%	2	
	If ≤ 20%	1	
C	Number of competitors enabled to attract members from the SACCOS in the area of operation		
	If 0	5	
	If 1	4	
	If 2	3	
	If 3	2	
	If 4	1	
D	Cohesiveness among the members		
	If cohesive is very high among members	5	
	If there is high cohesiveness among members	4	
	Members are cohesive	3	
	Negligible cohesiveness existing	2	
	Members are not cohesive	1	
E	Regarding financial services concentration by members		
	Members like to get financial services in this SACCOS only	5	
	About 25% of members get financial services outside SACCOS	4	
	About 50% of members get financial services outside SACCOS	3	
	About 75% of members get financial services outside SACCOS	2	
	About 100% of members get financial services outside SACCOS	1	
	TOTAL		

67. Member/customer care services

A	Number of trainings offered per year		
	> 5	5	
	4	4	
	3	3	
	2	2	
	1	1	
B	The time between the day of application for loan to loan disbursement to member		
	1 to 7 days	5	
	8 to 14 days	4	

	15 to 21 days	3	
	22 to 28 days	2	
	≥29 days	1	
	TOTAL		

68. Financial control

A	Regarding auditing for the past ten years. The SACCOs had clear audited report for how many years		
	If 9 - 10 year	5	
	If 7 - 9 years	4	
	If 5 - 6 years	3	
	If 3 - 4 years	2	
	If 1 - 2 years	1	

69. Regarding interest rates

A	Regarding interest rate on savings		
	If ≥ 5	5	
	If 4	4	
	If 3	3	
	If 2	2	
	If ≤ 1	1	
B	Regarding interest rate on loans		
	If < 10	5	
	If 10 to 11	4	
	If 12 to 13	3	
	If 14 to 15	2	
	If > 15	1	
	TOTAL		

70. Regarding governance (If Yes Put 1, If No put 0)

Members develop the idea of formation of SACCOS.	
Election of leaders after every three years is practiced.	
Participatory decision making is practiced	
Leaders are accountable	
The audited reports are made open to members	
The actual number of board meetings have been 5 - 9 for the past three years	
The committees held meetings as per schedules	
The SACCOS has suggestion box	
TOTAL	

Appendix 3: The profile of Savings and Credit Cooperative Societies in Tanzania as at 31st May, 2005

SN	Region	No. of SACCOS	No. of Members		Total	Shares (TZS)	Deposits (TZS)	Savings (TZS)	Loan issues (TZS)	Loan Outstanding (TZS)	Cash & Bank Balances (TZS)
			M	F							
1	ARUSHA	87	3,962	3,715	7,677	1,293,200,000	370,100,000	1,280,800,000	2,898,898,855	1,466,161,259	263,300,000
2	DSM	237	21,989	14,648	36,637	3,662,550,605	318,437,564	18,842,187,689	25,236,426,764	16,624,206,080	3,003,400,000
3	DODOMA	99	8,367	5,525	13,892	1,639,546,240	210,704,000	254,874,560	3,363,935,000	1,537,935,000	168,000,000
4	IRINGA	116	7,828	5,306	13,134	850,604,000	232,270,000	757,134,000	2,149,550,000	1,097,272,000	-
5	KAGERA	151	9,237	4,112	13,349	196,442,344	195,500	61,237,222	219,682,762	91,637,355	9,945,372
6	KIGOMA	34	1,295	606	1,901	26,614,000	4,718,000	63,036,450	79,273,850	40,850,124	37,231,702
7	KILIMANJARO	134	52,991	10,056	63,047	657,503,056	521,404,304	320,193,776	1,196,380,886	604,249,984	152,808,045
8	LINDI	24	1,673	615	2,288	242,269,874	-	184,638,201	567,183,420	364,674,863	27,941,000
9	MANYARA	47	3,383	1,678	5,061	32,500,772	90,993,811	293,388,972	584,178,828	450,147,022	113,557,557
10	MARA	101	4,880	3,141	8,021	86,725,994	50,498,366	366,978,255	496,254,350	229,759,079	18,661,849
11	MBEYA	159	11,643	9,018	20,661	1,172,974,528	551,430,817	2,165,605,358	2,417,713,113	3,72,319,149	100,063,209
12	MOROGORO	99	9,310	3,910	13,220	858,789,992	61,500,869	1,097,510,499	2,885,006,722	1,173,784,062	5,800,000
13	MTWARA	41	3,445	1,161	4,606	421,841,462	61,520,402	116,616,271	604,821,377	323,434,243	29,008,789
14	MWANZA	217	10,063	5,926	15,989	621,592,612	-	122,983,209	1,129,468,550	269,484,120	9,200,000
15	PWANI	47	1,870	1,251	3,121	199,980,880	32,368,136	693,757,858	5,773,325,960	817,670,300	231,432,136
16	RUKWA	23	1,122	352	1,474	39,231,100	2,570,354	53,580,925	209,668,800	73,451,210	31,906,575
17	RUVUMA	38	4,110	8,998	13,108	245,197,527	237,468,712	704,207,024	789,972,420	277,506,798	1,400,000
18	SHINYANGA	66	3,782	1,606	5,388	310,566,056	13,474,871	249,788,395	649,097,775	293,296,584	100,846,732
19	SINGIDA	40	2,293	1,158	3,451	175,617,630	13,000,000	147,256,106	545,473,724	279,375,299	230,999,115
20	TABORA	64	2,990	574	3,564	75,681,500	82,745,607	5,342,965	277,999,837	132,277,046	30,513,256
21	TANGA	51	2,962	2,100	5,062	360,072,537	8,959,188	748,321,319	2,065,743,535	711,595,925	162,940,259
Total			169,195	85,456	254,651	13,169,502,709	2,864,360,501	28,529,439,054	54,140,056,528	27,231,087,502	4,728,955,596

Source: MCM July, 2005

Appendix 4: Success Meter (SM) [Kipima Ufanisi (KIU)]

Characteristics for successful SACCOS, *Sifa za ufanisi wa vyama vya ushirika wa akiba na mikopo*. Put 1 if yes, 0 if no. *Weka 1 kama ni NDIYO. Weka 0 kama ni HAPANA*. Count if scores are 0 to 9 (0% to 70) out of 14 (100%) then the SACCOS is UNSUS, count if 10 to 14 (71% to 100%) out of 14 (100%) then the SACCOS is SUS. *Hesabu alama za ndiyo zikiwa 0 hadi 9 kati ya 14 (0% hadi 70%) chama cha ushirika wa akiba na mikopo bado hakijapata ufanisi. Alama zikiwa 10 hadi 14 kati ya 14 (71% hadi 100%) tayari chama kimefikia ufanisi*

No /Na	Characteristic of success/ <i>Sifa za ufanisi</i>	1 or 0 <i>1 au 0</i>
1	Origin of SACCOS was founder members (<i>Chanzo cha chama hiki ni wanachama waanzilishi sio nje ya hapo</i>)	
2	The SACCOS have active members ≥ 1000 (<i>Chama kina wanachama hai ≥ 1000</i>)	
3	The SACCOS have one staff for 154 or more members (<i>Chama kina wastani wa mfanyakazi mmoja anayehudumia wanachama 154 au zaidi</i>)	
4	The SACCOS offer services to active poor people (<i>Chama kinatoa huduma kwa masikini walio nafuu/waliochangamka</i>)	
5	Number of people in the common bond (NP) is 3000 or more (<i>Chama kina matlaba/fungamanyisho ya watu 3000 na zaidi</i>)	
6	The total revenue enable the SACCOS to meet all costs (<i>Mapato ya chama yanakiwezesha chama kumudu gharama zote</i>)	
7	The SACCOS offer services in rural and urban areas (<i>Chama kinatoa huduma hadi maeneo ya vijijini na mijini</i>)	
8	There is 95% and above repayment rate of loans in the SACCOS (<i>Marejesho ya mikopo ni 95% au zaidi</i>)	
9	The member are gender participatory -female, male, young, old (<i>Wanachama ni jinsia zote – wanawake, wanaume, vijana wazee</i>)	
10	The SACCOS practice good governance (<i>Chama kinazingatia utawala bora</i>).	
11	The SACCOS offer services to members of different levels of education (<i>Chama kinatoa huduma kwa wenye elimu yoyote</i>)	
12	The SACCOS offers savings, deposits and credit services (<i>Chama kinatoa huduma za akiba, amana na mikopo</i>).	
13	The SACCOS enable members to improve their businesses (<i>Chama kinawawezesha wanachama kuboresha biashara zao</i>)	
14	The SACCOS enable members to live in better life conditions (<i>Chama kinawawezesha wanachama kuboresha maisha</i>)	
Total scores divide by 14 (<i>Jumla ya alama gawanya kwa 14</i>) = a		
Percentage = $a/14 \times 100$ (<i>Asilimia = $a/14 \times 100$</i>)		

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