



## Traits Associated with the Success or Failure of Emerging SACCOS in Tanzania : A Case of Four Regions in Tanzania Mainland

Mjatta, G.T. (M.A.)<sup>1</sup> & Akarro, R.R.J. (Ph.D.)<sup>2</sup>

<sup>1</sup>Senior Statistician, The Cooperative Development Commission, Ministry of Agriculture, Livestock and Fisheries, P.O. Box 9192 Dar es Salaam, Tanzania

<sup>2</sup>Professor, University of Dar es Salaam, Department of Statistics, P.O. Box 35047 Dar es Salaam, Tanzania

### Abstract

This paper identifies various characteristics or traits associated with the success or failure of the emerging SACCOS in Tanzania Mainland. Mtwara, Lindi, Tabora and Kigoma regions were used as a case study. Factors motivating SACCOS' inception; their success or failure and their characteristics are presented. Multi-stage sampling technique was employed to come up with sample for the study.

It was found that, lack of access to loans for individuals was the main factor that led to the SACCOS inception. On the other hand, political influence has a negative effect on establishing strong cooperative societies/ SACCOS in the country.

Moreover, rural SACCOS have shown poor performance as compared to SACCOS operating in urban areas while education level of leaders and managers has shown a positive relationship with SACCOS' performance. The findings also concluded that lack of commitment to members (18.34 percent of the responses), lack of patience (17.58 percent), shifting to other areas (16.64 percent) and loan default (16.07 percent) were the major reasons for members' withdrawal from SACCOS.

With regards to start up capital, the results show that although shares was the main source of start up capital to most (43.68 percent) of the emerging SACCOS, their amount of shares contribution at the initial stage was between Tshs 100,000 to 1 million which is an obstacle to enable establishing strong SACCOS.

### 1. Introduction

Cooperatives are defined as “an autonomous association of persons who unite voluntarily to meet their common economy and social needs and aspiration through a jointly owned and democratically controlled enterprise (ICA, 1995).

The history of cooperatives in Tanzania dates as far back as 1925 when the Kilimanjaro Native Planters Association was formed. However, the first Cooperative legislation was not passed until 1932 when the Cooperative Ordinance was enacted. The cooperative movement in Tanzania has been a vehicle for mobilization of human, capital and financial resources for national development since the pre-independence period.

Indeed cooperatives have been underscored as essential development agents in many major policies in the country including: Small and Medium Enterprises policy, National Microfinance Policy and National Strategy for Growth and Poverty Reduction. “The National Poverty Reduction Strategy Paper (PRSP) emphasizes that the Government will endeavor to ensure that poor people's organizations such as cooperatives take lead in developing mechanisms and schemes that are effective, and as far as possible market oriented.

The statistical report of 2014 shows that there are 9,964 cooperative societies with a membership of more than 2.2 million in the country of which 5,559 are Savings and Credit Cooperative Societies (SACCOS) with membership of 1.2 million.

### Liberalization and Tanzania Cooperative Movement

Cooperative development in Tanzania can be said to have traversed two main eras: the era of state control and that of liberalization. Changes in the macro-economic policies, which started in late 1980s, aimed at introducing free market and trade liberalization policies, in turn led to the ongoing efforts to make cooperatives member-based organizations. Despite efforts from government and other stakeholders, problems in cooperative development have persisted.

The main problem has been the inability of cooperatives to operate under a liberalized economy. Cooperatives were in a weak structural and financial position at the start of the trade reform process, which was introduced without giving them any breathing space to adjust to the vagaries of the new economic order. Cooperatives have been operating in the face of competition from the better prepared private traders. As a consequence they have been unable to provide adequate services to their members, who resorted to do business with private traders.

According to the 2012 Tanzania National Census, majority of Tanzanians (more than 80 percent) engage in peasant agricultural production and dwell in rural areas. Traditionally the type of cooperative that has been dominant in Tanzania mainland is the one that has focused on marketing of peasant's agricultural crops.

This kind of cooperative has been dominant in terms of members and volume of trade since the birth of cooperatives in the 1920s. The present day dominance of SACCOS is thus a recent phenomenon that started after liberalization of financial services. SACCOS came to solve the problem of capital inadequacy for rural poor in the country. Since that period, SACCOS have grown rapidly and have remained more stable than the other type of cooperatives.

An abruptly change was observed in early 2000s when the number of SACCOS increased from 948 in 2002 to 3,425 in 2006. The trend continued to 5,559 in 2014.

### **SACCOS and Poverty Reduction in Tanzania**

According to the World Summit for Social Development held in Copenhagen in 1995 "Poverty has various manifestations including lack of income and productive resources sufficient to ensure sustainable livelihoods; hunger and malnutrition; ill health; limited or lack of access to education and other basic services; increased morbidity and mortality from illness; homelessness and inadequate housing; unsafe environments; and social discrimination and exclusion. It is also characterized by lack of participation in decision making and in civil, social and cultural life ..."

The importance of SACCOS in poverty alleviation and the general economic growth of Tanzania should not be under estimated; there are some special features which make SACCOS important financial institutions for poverty alleviation in Tanzania. SACCOS are established in rural areas where most of the poor people live and no or limited access to banks services.

They are targeted to serve the poor, this is done through organizing groups, train them on the necessary requirements for them to access the loans and the way the loans are to be spent, this ensures a good repayment rate and in turn these microfinance institutions become more strong to serve the poor as they don't lose capital out of defaults. Bwana and Mwakujonga (2013) and Qin and Ndiege (2013) asserted that SACCOS in Tanzania not only have solved the problem of capital inadequacy to the rural dwellers but also contribute positively to economic development of Tanzania by adding value to the GDP.

On the other hand, SACCOS are very important for businesses and investment growth in the economy. Also they have a direct impact on the poverty reduction, by widening access to the poor. These impacts/effects arise from the intermediation role provided by financial institutions which enable the financial sector to; mobilize savings for investment, facilitate and encourage inflows of foreign capital and optimize the allocation of capital between competing uses.

### **Savings and Credit Cooperative Societies in Tanzania**

Savings and Credit Cooperative Society (SACCOS) is one of the types of primary cooperatives societies. It is a private and cooperative financial intermediary where membership is open and voluntary. It belongs to its members who manage it democratically. The principal objects of establishment of SACCOS are to encourage thrift among its members and to create a source of cheap credit to them at proper rate of interest as well as to provide other financial and non financial services to its members.

The first established SACCOS in Tanzania was Tanganyika Ismailia Savings and Credit Cooperative Society which was established in the year 1932. According to The Cooperative Development Commission statistical report; in the year 2005 there were 3,425 registered SACCOS, the number increased to 5,559 in 2014. This reveals that, more than two thousands SACCOS were registered in the period of ten years since 2005. Among these newly established SACCOS, more than 60 percent were not successful. However, the failure rate among the newly established SACCOS is high and thus SACCOS could not benefit their members as their main objective.

This paper presents the main traits or characteristics associated with the success or failure of the emerging SACCOS in the country.

### **SACCOS Success or Failure**

One of the major problems with the cooperatives in Tanzania is the failure of the newly established Cooperative Societies especially SACCOS to achieve their principal objects of encouraging thrift among its members and to create a source of cheap credit to them at proper rate of interest as well as to provide other financial and non financial services to its members.

However, in recent years an increase in number of newly formed SACCOS has been noted, the high failure rate of these newly established SACCOS has also been observed. Despite various scholars assert that most SACCOS in Tanzania are inefficient, they are poorly operated and they are not sustainable, on the other hand, more details especially on the quantitative data which contributed to their best performance and efficiency were not given.

Therefore, considering the importance of SACCOS, the paper seeks to identify some traits associated with

success or failure of the emerging SACCOS, so as to assist the regulatory authority and stakeholders in making decision on establishment and registration of successful Savings and Credit Cooperative Societies in the country.

## Literature Review

### Empirical literature

Any organization or institution is said to be successful if and only if it has met the principal objectives of its formation, otherwise it is a failure. A successful organization performs and is sustainable. So in order to succeed there must be some contributing factors likewise for failure there must be reasons for that failure. These factors may vary from SACCOS as financial cooperative to other types of organizations. Therefore, besides achieving its principal objectives, SACCOS should also be sustainable and efficient in its operations.

To achieve their goals, SACCOS need to be commercially viable enterprises, able to survive and prosper in the marketplace. To be sustainable, cooperatives have to be run on a business-like footing. In contrast to other businesses, however, the rewards from their trading activity are available to be shared between all the members, on a collective basis.

This uniqueness and voluntary model of SACCOS imply that the objectives of a typical cooperative may not necessarily reflect the typical profit maximization objective under neoclassical theory of the firm (Fried et al, 1993). This means that profit maximization may not be the main objective of financial cooperatives (Fried *et al*, 1993). Therefore in this study, SACCOS will be treated as if they are seeking to maximize benefit (loans and deposits mobilization) to their members.

Kushoka (2013) did an analysis on the sustainability and the ability of an employee-based Savings and 'Credit Cooperative Society (SACCOS) to meet its members' needs. The main objective of the study was to understand whether SACCOS are able to respond to members' needs and to examine sustainability of SACCOS. The findings of his report indicated that employee-based SACCOS have insufficient funds to meet members' requirements. The credit needs are left unmet and thus to a large extent discourage members.

On the other hand, different scholars stated that SACCOS in Tanzania face problems of poor corporate governance, fraud and lack of skilled staff (Bibi 2006; Hakikazi 2006; Maghimbi 2010). These problems have led to poor performance and low efficiency of SACCOS which affects their sustainability (Magali and Pastory 2013). Furthermore, some scholars have shown that poor structures of SACCOS especially those operating in the rural areas of Tanzania and in other developing countries is the reason for SACCOS' inefficiency (Dong and Featherstone 2004; Tesfamariam et al 2013; Nyankomo and Aziakpono 2013).

Furthermore, some other few existing empirical literature on the performance and sustainability of microfinance offers varied results. For example the findings from Namibia concluded that almost all microfinance is not sustainable (Adongo and Stork, 2005). A study on Nepal microfinance showed that most of rural microfinance institutions are not sustainable (Acharya and Acharya, 2010). Thapa (2006) using Mix data set found that MFI in all the developing regions except Africa were sustainable. Further analysis by the same author reported that MFIs from South East Asia are fairly sustainable while the South Asian MFI is not. Nyamsogoro (2010) found that out of 424 observations 80.2% of the microfinance in Tanzania were financial sustainable.

Based on this results there is a signal that the microfinance sector in Tanzania is relatively healthy. The current study will add to the limited empirical literature in this area by exploring traits associated with the sustainability of saving and Credit Cooperatives which is almost at the lower end of the microfinance pyramid in Tanzania.

Based on the history, the literatures indicate that improper management, frauds, inadequate capital, business misconduct and Non Performing Loans (NPL) are the problems facing cooperatives and SACCOS in Tanzania (TFC 2006; Bibby 2006; Maghimbi 2010; Magali 2014).

## Materials and Methods

### Materials: The Study area

The study was conducted in four regions, Lindi, Mtwara, Kigoma and Tabora. The regions selected were supported by the fact that they are among the regions with both successful and failure performance of the emerging SACCOS in Tanzania.

A cross-section study was adopted as the main strategy in researching. SACCOS established and registered in or after the year 2005 were involved in the research. Both primary and secondary data were used in the study. Primary data were collected using questionnaire and in-depth interviews. Secondary data were searched from SACCOS' records and statistical reports from Regional and District Cooperative Departments. Furthermore, documents and literature review were also used to capture secondary data and information.

A multi-stage sampling technique was used to select a sample of SACCOS from which data were collected. At first stage, four regions were randomly selected from a list of ten regions which have shown both success and failure of emerging SACCOS. Mtwara, Lindi, Kigoma and Tabora regions were selected.

At the second stage, from each region two districts were randomly selected to form a total of eight districts. The selected districts were Kasulu and Ujiji from Kigoma region, Kilwa and Lindi from Lindi region, Masasi and Mtwara from Mtwara region and Nzega and Tabora districts from Tabora region.

At third stage, all SACCOS formed from year 2005 onwards were selected from the list of all SACCOS in the district. The procedure was not complicated since registers of all SACCOS were obtained at Regional and District Cooperative Departments.

The sample involved was all SACCOS established and registered since the year 2005 onwards, a total of 156 SACCOS were identified. Some of the SACCOS were untraceable; they were just registered and vanished.

Structured questionnaires were administered to collect primary data from the respondents who are members or were members, staff or board members of a SACCOS.

Respondents were asked to complete questionnaires designed to identify the economic factors motivating the SACCOS' inception and factors keys to its subsequent success or failure.

### The Success Rating

Respondents were asked to rate their recently formed SACCOS' performance as very good, good, fair, poor or very poor. Although respondents were given these five success/failure categories, these categories were condensed into major success and failure. SACCOS which was rated as very good or good or fair was placed in the major success category (assigned the value 1) and all other responses were put into failure category (assigned the value 0).

### Methods of Data Analysis

Data analysis involved both qualitative and quantitative techniques. Data analysis involved the use of excel, SPSS software version 20.0. Descriptive and cross tabulations were the major routines used.

## Results and Discussion

### Response Rate

156 questionnaires were collected and found usable for analysis. The majority of the respondents were staff (48.08 percent out of 156), while members and board members were 24 (15.38 percent) and 57 (36.54 percent) respectively.

### Age and Current Status of SACCOS

Out these 156 SACCOS involved in this study, 64(41 percent) were from Lindi, 43(28 percent) from Kigoma, 32(21 percent) from Tabora and 17(11 percent) SACCOS from Mtwara region. During this study it was revealed that 81(51.92 percent) were either active or new SACCOS while 75(48.08 percent) were dormant SACCOS (See Table 1 below).

**Table 1 Status of the Surveyed SACCOS**

Region	<u>Current status of SACCOS studied</u>			Total
	Active	New	Dormant	
Kigoma	19(31.2%)	12(60%)	12(16%)	<b>43 (28%)</b>
Lindi	22(36.1%)	4(20%)	38(50.7%)	<b>64 (41%)</b>
Mtwara	10(16.4%)	3(15%)	4(5.4%)	<b>17 (11%)</b>
Tabora	10(16.4%)	1(5%)	21(28%)	<b>32 (21%)</b>
<b>Total</b>	<b>61(39.1%)</b>	<b>20(12.9%)</b>	<b>75(48.1%)</b>	<b>156(100%)</b>

Table 2 shows that most of the sampled SACCOS (77 out of 156) equivalent to 49.36 percent were established in the year 2006. On the other hand, 47 out of 77 SACCOS equivalents to 61.04 percent were dormant. During the year 2005/2006, the Government encouraged people to form groups, cooperative societies and associations in order to empower them by providing loans as revolving funds through their societies. It is in that time when most of the SACCOS were established and registered. The research findings revealed that most of the SACCOS registered during this time through political influence became dormant.

The implication of these results was that, political influence was an obstacle in forming strong and sustainable cooperative societies including SACCOS. On the other hand, some scholars declare that age of the SACCOS or Micro finance institutions has relationship with efficiency, financial performance and sustainability.

Majumdar (1997) and Kipesha (2013) showed that despite of being productive, age influenced negatively the profitability of Micro finance institutions in India and Tanzania respectively. However, Masood and Ahmad (2010) and Abayie et al (2011) revealed that age determines positively efficiency and productivity of Micro finance

institutions in India and Ghana respectively. This study results show that age influenced negatively the success performance of SACCOS in Tanzania; since most (62.67 percent) of the dormant SACCOS was registered almost ten years ago.

**Table 2 Years of Registration of the SACCOS**

<b>Current status of the SACCOS</b>				
<b>Year</b>	<b>Active</b>	<b>New</b>	<b>Dormant</b>	<b>Total</b>
2005	2	0	1	<b>3 (2%)</b>
2006	30	0	47	<b>77(49.4%)</b>
2007	11	0	23	<b>34(21.8%)</b>
2008	5	0	0	<b>5 (3.2%)</b>
2009	1	0	0	<b>1 (0.7%)</b>
2010	5	0	1	<b>6 (3.9%)</b>
2011	2	0	1	<b>3 (2%)</b>
2012	3	0	1	<b>4 (2.6%)</b>
2013	2	7	1	<b>10 (6.5%)</b>
2014	0	13	0	<b>13 (8.4%)</b>
<b>Total</b>	<b>61</b>	<b>20</b>	<b>75</b>	<b>156(100%)</b>

As regards to area of operation of the surveyed SACCOS, Table 3 showed that 81 SACCOS equivalent to 51.92 percent operate in urban while 48.08 percent operate in rural areas. Furthermore, the research report revealed that 56 percent of SACCOS operating in rural areas were dormant or inactive.

Also the result indicates the relationship between sustainability of SACCOS and location (area of operation). This agreed with scholars Dong and Featherstone 2004; Nyamsogoro 2010; Masood and Ahmad 2010; Tesfamariam et al 2013: who revealed that location affects the efficiency of SACCOS and microfinance institutions in China, India, Tanzania and Ethiopia.

**Table 3 Area of operation of surveyed SACCOS**

<b>Status</b>	<b>Area of Operation of the Society</b>		
	<b>Urban</b>	<b>Rural</b>	<b>Total</b>
<b>Active</b>	32 (52.5%)	29 (47.6%)	61 (100%)
<b>New</b>	16 (80%)	4 (20%)	20 (100%)
<b>Dormant</b>	33 (44%)	42 (56%)	75 (100%)
<b>Total</b>	<b>81 (51.9%)</b>	<b>75 (48.1%)</b>	<b>156 (100%)</b>

### Gender and Level of Education of Board Members and Managers

The study results presented in Table 4 below, show that though only 27 SACCOS studied were led by female chairpersons, 59 percent of them were successful compared with 49 percent of those led by male chairpersons.

**Table 4 SACCOS Performance and Gender of the Chairperson**

Performance	Gender of the Chairperson			
	Male	Female	Missing	Total
Failure	62	11	2	75
	49%	41%		48%
Success	65	16	0	81
	51%	59%	0	52%
<b>Total</b>	127	27	2	156

As regards to gender of manager, the research findings revealed that most of the SACCOS led by female managers are more successful compared to those led by male managers. This implies that females are good managers as compared to males see table 5 below.

**Table 5: SACCOS Performance and Gender of Managers**

Performance	Gender of the Manager			Total
	Male	Female	Missing	
Failure	13	2	59	74
	22.81%	9.52%		
Success	44	19	19	82
	77.19%	90.48%		
<b>Total</b>	57	21	78	156

### SACCOS Performance with Education level

The findings show that lower education level to board chairperson and managers is an obstacle towards attaining the successful performance for the SACCOS in Tanzania. . In general, survey results show that there is a positive relationship between education level of both chairpersons and managers and success performance of SACCOS. The percentage of successful performance increases with the level of education of chairperson and manager respectively (see table 6 and 7).

**Table 6 SACCOS Performance and Education level of the Chairperson**

Education level of Chairpersons	Performance	
	Success	Failure
Non Response	0	100%
Primary	42.2%	57.8%
Secondary	66.7%	33.3%
Tertiary	71.4%	28.6%
University	91.7%	8.3%

**Table 7 SACCOS Performance and Education level of Managers**

Education level of Managers	Performance	
	Success	Failure
<b>Non-Response</b>	23%	77%
<b>Primary</b>	76%	24%
<b>Secondary</b>	78%	22%
<b>Tertiary</b>	91%	9%
<b>University</b>	100%	0

### Membership

The total number of members at initial stage was 12,999 while the current total number of active members is 12,151. Also, as regard to initial members, the study revealed that majority of all SACCOS (87.8 percent) in the sample started with membership of between 19-152 members. Only 12.2 percent of sample SACCOS started with more than 153 members (Table 8).

On the other hand, the results of the research findings show that, the current membership of most of the SACCOS (85.26 percent) in the sample is between 3-118 members (see Table 9). The research results indicate the drop of members which implies the withdrawal or dormancy of members in the SACCOS due to some reasons which were also identified in this paper.

**Table 8 Initial Membership**

Members	Frequency	Percentage (%)
19-152	137	87.82
153-286	11	7.05
287-420	4	2.56
421-554	2	1.28
555-688	2	1.28
<b>Total</b>	<b>156</b>	<b>100</b>

**Table 9 Current Membership**

Members	Frequency	Percentage (%)
3-118	133	85.26
119-234	11	7.05
235-350	5	3.21
351-466	3	1.92
467-582	4	2.56
<b>Total</b>	<b>156</b>	<b>100.00</b>

The study shows that lack of commitment (18.34 percent), lack of patience (17.58 percent), shifting to other areas (16.64 percent) and loan default (16.07 percent) have been the major reasons for members' dormancy or withdrawal from the societies (table 10).

Members' withdrawal from SACCOS has been one of the major problems that make SACCOS to become inactive or dormant. A lot of researches on SACCOS have been conducted including assessing their sustainability. Kushoka (2013) assessed the sustainability of employee based SACCOS in Tanzania.

His study findings showed that lack of capital to meet member' requirements, small size of loan offered and higher interest rate were the most limitations for SACCOS' sustainability. Now days, there are banks and microfinance institutions that provide loans with the same interest rate as that charged by SACCOS.

Members may choose to withdraw from SACCOS and borrow from these financial institutions where their requirements will be restricted to loan service. This may hinder SACCOS' sustainability.

**Table 10 Reasons for Members' Dormancy**

<b>Reasons</b>	<b>Frequencies (Responses)</b>	<b>Percentages (%)</b>
'loan default'	85	16.07
'lack of commitment and vision'	97	18.34
'lack of patience'	93	17.58
'conflict between members'	49	9.26
'lack minimum requirements'	65	12.29
'shifting to other areas'	88	16.64
'Joined other SACCOS'	52	9.83
<b>Total</b>	<b>529</b>	<b>100.00</b>

#### **Start up Equity Capital and Growth Capital**

During this study, it was revealed that 152 responses equivalent to 43.68 percent of all responses show that shares was the main source for start up equity capital of the studied SACCOS followed by fees, donations or grants and prizes as shown in table 11.

**Table 11 Sources of Start up Equity Capital**

<b>Sources</b>	<b>Responses</b>	<b>Percent</b>
'Fees'	75	21.55
'Shares'	152	43.68
'Donations/grants and Prizes'	75	21.55
'Loans from financial Institutions'	46	13.22
<b>Total</b>	<b>348</b>	<b>100</b>

#### **Shares**

Results of statistical analysis (as shown in table 12) indicate that majority of the studied SACCOS equivalent to 63.46 percent started with share capital between 100,000 and 1,000,000 Tshs, while only 35.9 percent of these started with share capital of more than 1,000,000 Tshs and 0.64 percent started with share capital of less than 100,000.

The results are in agreement with others studies (Mataba and Haule, 2011) whose findings showed that 12.24 percent of the studied SACCOS started with initial share capital of less than Tshs. 100,000 while 12.24 SACCOS started with initial share capital of more than Tshs. 50 million. However 16.3 percent of SACCOS, which is the highest percentage, started with initial capital ranging between Tshs. 100,000 to 1,000,000.



**Table 12 Initial Share Capital**

Shares Group (Tshs)	Frequency	Percent (%)
<100,000	1	0.64
>100,000-1,000,000	99	63.46
>1,000,000-5,000,000	48	30.77
>5,000,000-10,000,000	6	3.85
>10,000,000-15,000,000	1	0.64
>15,000,000-30,000,000	1	0.64
<b>Total</b>	<b>156</b>	<b>100</b>

### Loans v/s Internal Capital

In the last two years, a total of 10,823,888,878.00 Tshs was disbursed as loans to members by the studied SACCOS of which 7,714,197,089.00 Tshs equivalent to 71.27 percent was given to male members and 28.29 percent to female members.

On the other hand, it was reported that the total value of outstanding loans to members was 5,311,322,282.00 Tshs equivalent to 49.07 percent of the total disbursed loans. The study discloses that the value of outstanding loans to female members was only 39.69 percent compared to 42.35 percent of male members. Meaning that male are more loan defaulters than female members. The study results agreed with most of the studies conducted on SACCOS.

Major assets in SACCOS are outstanding loans; the capitalization ratio indicates the capacity of SACCOS to take up possible losses that may arise from loan default or from irregular business failures. Capitalization Ratio, CR is the percentage of the ratio of Internal Capital (IC) and total Outstanding Loan (OL) i.e.  $CR = (IC/OL) * 100$ . Thus,  $CR = (5,485,000,000.00/5,311,322,282.00) * 100 = 103\%$ . Where: Internal Capital = Total share + Total savings+ Total deposits

i.e  $5,485,000,000 = 925,000,000 + 3,510,000,000 + 1,050,000,000$

The industrial standard (for commercial and financial institutions) of capitalization ratio is 10 percent. Results from the study show the capitalization ratio of 103 percent, this implies that 103 percent of the outstanding long term loans were financed from within the SACCOS themselves. This implies independence on external funding by most of the studied SACCOS.

### Factors Mostly Led to the Establishment of SACCOS

The study results came up with the fact that 'Individual lack of access to loans' was the major factor (19.6 percent of the responses) that led to the formation of SACCOS followed by a need of 'Soft loans for businesses' which was 17.2 percent of the responses. Furthermore, 16.1 percent of the responses illustrate that pledges of loans or grants from Government and Stakeholders was the important factor for SACCOS' inception as shown in Table 13.

**Table 13: Factors mostly led to SACCOS' Inception**

Factor	Responses	
	N	%
Individual lack of access to loans	145	19.6
Loans/Grants from Government and Stakeholders	119	16.1
Soft loans for business	127	17.2
Soft loans for non business	121	16.4
For savings	87	11.8
For safety purpose	51	6.9
Copying from others	89	12

### Conclusion and Recommendations

Lack of access to loans for individuals was the main factor that led to the SACCOS inception. Furthermore, it

was concluded that political influence has a negative effect on establishing strong cooperative societies in Tanzania. Moreover, location, gender and education level of chairpersons and managers have shown different effect on the status and performance of SACCOS; Rural SACCOS have shown poor performance as compared to SACCOS operating in urban areas; education level have shown a positive relationship with SACCOS' performance. Members' withdrawal have been the problem for most of the emerging SACCOS in Tanzania, the findings concluded that the major reasons for this were lack of commitment to members (18.34 percent), lack of patience (17.58 percent), shifting to other areas (16.64 percent) and loan default (16.07 percent).

With regards to start up capital, the results findings concluded that although shares was the main source of start up capital to most (43.68 percent of surveyed SACCOS) of the emerging SACCOS, the amount of shares contribution at the initial stage was between Tshs 100,000 to 1 million in most of them which is an obstacle to enable establishing strong SACCOS.

It was also concluded that male members were more loan defaulters than female members.

Based on these findings, it was recommended as follows:

- Political influence should not be allowed in cooperatives; politicians should not use their influence to establish cooperatives by promising loans in steady they have to encourage members to establish groups, SACCOS and associations from their own source by buying shares, savings and deposits. By doing this members may be committed to their society;
- It is recommended that female members should be given priority in receiving loans since they have shown discipline in paying back the outstanding loans;
- Female members should be encouraged to compete for leadership since they have shown good performance in SACCOS they lead;
- Non members' business should be encouraged and accepted by SACCOS for their successful performance;
- Proper conflict management strategy should be prepared and distributed to the societies, also board members should be provided with trainings on good governance and conflicts management; this may assist in reducing disputes among members, staff and board members;
- SACCOS should employ full time professional management as it has been shown as the key success determinant factor for emerging SACCOS;

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