Success of Microfinance Institutions in Tanzania
The Case of Savings and Credit Co-Operative Societies (SACCOs)
By
Kitala Christian Tobias Malamsha

Doctor of Philosophy, Sokoine University of Agriculture, 2014

The 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. Logii regression model en abled 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 $\geq$ 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 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 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.