Impact of Savings and credit Co-operative Societies on Economic Growth in Tanzania
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Savings and Credit Co-operatives Societies (SACCOs) have grown to be the leading forms of Microfinance Institutions (MFIs) in many developing countries. Literature has generated much hope that microfinance is the critical tool for the development of financial inclusions in poor countries. However, financial inclusion is usually described as an essential ingredient in economic development. As such, the SACCOs model is increasingly considered as a valuable tool for the sustainable economic development in developing countries. For this reason, the question, which needed broad empirical examination, is whether the SACCOs model has significant impacts on the economic growth and whether it is sustainable. Thus, to add knowledge this study was set to examine the impacts of SACCOs in economic growth and the viability of SACCOs, using the experience of Tanzania. As such, the study performed four tasks. The impact of SACCOs' savings and credit on the economic growth was examined. The expansion opportunity of SACCOs was examined. The impact of financial linkage on the performance of SACCOs was examined. Lastly financial risk management practices and loan repayment performances in SACCOS was examined. The study mostly used secondary data that were in four sets to achieve the objectives. The first set of data was from SACCOs statistical records prepared in the Department of Co-operatives of the Ministry of Agriculture, Foods Security, and Co-operatives (MAFSC).

The second set was from World Economic Outlook (WEO) database, International Monetary Fund (IMF). Both the first and second data sets were time series data that cover the period of 1990—2012. The third set was panel data compiled from the SACCOs financial statements. The information gathered from Co-operative Audit and Supervision Corporation (COASCO) office in Kilimanjaro region for the period of 2004-2011. Finally, the fourth set of data was from the network of SACCOs known as USAWA in Kilimanjaro, for the period of 201 1-2012. Econometric tools primarily employed in the analysis. Firstly, time series regression and Granger causality test was used to develop the relationship between SACCOs financial development and economic growth. Secondly cointegration test was used to check the long run relation between SACCOs financial development and economic Thirdly, panel regression model and multivariate panel estimations was used in developing the relationship between expenses and outputs, and also in examining the impact of financial linkage and performance. Lastly, linear regression was employed to identity the fundamental factors for improving reimbursement of the loan issued. In addition, the descriptive statistics were used. The findings portrayed that SACCOs had experienced solid savings and credit growth in recent

years. There was also a positive relationship between SACCOs financial development (for both savings and credit) and economic growth (measured in real GDP per capital income).
Moreover. there was bi-directional Granger causality between economic growth and the SACCOs financial development. Also. findings showed that there was a long-run relationship between SACCOs financial development and economic growth. Furthermore, SACCOs experienced economies of scale, whereby an increase in average output results to lower average expenses. Thus, SACCOs have brighter opportunities for expansion by increasing loans issued, deposits and shares. The SACCOs that were operational self-efficient and which did not allocate much of their resources in liquid investment had a significant growth (which measured as assets, loans issued, deposits and shares). Also, SACCOs that their capital structures based on savings and institutional capital, and not shares, had reasonable growth. The findings also showed that financial linkages were liable to lowering sustainability in SACCOs. Lastly, there was a higher level of bad loan that is an indication of poor financial risk management. The SACCOs, which were operational self-efficient and which focused on income growth, had improved performing loans. Whereas, focusing on profitability resulted in higher nonperforming loans. Poor loan recovery has a harmful impact on the long-term institutions' capital and earning.

Thus, based on the findings, the study asserts that SACCOs play a vital role in financial intermediation and economic development. SACCOs savings mobilization should be the foremost task. SACCOs are viable, and they can expand and make great impacts on the economy. However, there are signs of declining in both efficiency and sustainability with time. To be a sustainable model, the flow of commercial loans to the SACCOs should be minimized. SACCOs borrowing from the commercial institutions should confine to their institutional and managerial capacities. Also, in addition to the available traditional methods of evaluating loan applicants, SACCOs should employ credit scoring in evaluating credit worthy and unworthy borrowers to reduce loan default. Credit management of SACCOs should neglect the principles and laws, like repayment history of the borrower in issuing loans. Lastly, as Co-operative institutions, they should not move away from objectives of maximizing the welfare of the members.

Keywords: Microfinance, SACCOs, Economic Growth, Sustainability, Tanzania