

MEMBER EMPOWERMENT IN CO-OPERATIVE SAVINGS AND CREDIT SOCIETIES IN TANZANIA

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1. Introduction

One of the pillars of good governance in co-operatives is member participation in all stages of decision making (Prakash: 1999). But member participation does not just happen naturally or automatically. It has to be induced through different efforts by the leaders, the employed staff as well as the members themselves. One of the critical factors, for causing member participation, is member empowerment. In this presentation, we are going to look at member empowerment in Savings and Credit Co-operatives (SACCOS) in Tanzania. The Savings and Credit Co-operative Movement is the second biggest and also the fastest growing co-operative system in Tanzania. With 890 societies, it boasts 1,75,000 membership (SCCULT:2003), while the agricultural marketing cooperative movement, is formed by over 4,000 co-operatives with 600,000 members. In economic terms, the relationship between savings and credit cooperatives and entrepreneurship development in marketing co-operatives are obvious. The two have a technical logic of existence. But in Tanzania the interaction between financial and crop marketing co-operatives is marginal. Historically, the two do not exist in the same geographical space. The Savings and credit movement is largely employee-based hence urban centric, while the agricultural marketing movement is typically rural. This is a challenge which cooperative promoters and supporters will have to face.

However, looking at member empowerment in SACCOS, our discussion, will cover the following issues:

- The conceptual framework
- The context of the SACCOS movement in Tanzania
- The member empowerment problem
- The future of member empowerment in SACCOS.

2. The Conceptual Framework

The concept of empowerment has been discussed from several perspectives. But in this presentation, I will only look at three perspectives of empowerment. The leadership — membership trust perspective, the oppressor — Savior — Victim relation model and the self-awareness for freedom perspective.

2.1 Leadership - Membership Trust Model

According to Cockman et al (1999), empowerment is seen as a feeling that people are set, when they are recognized as having a visible contribution or are motivated to contribute to the growth of their organization. Empowerment is a relational concept taking two forces of the organization — the leaders and the members into mutual trust of each other. In a co-operative society, SACCOS included, empowerment does not happen automatically; but both the leaders and the members must enter into the empowerment processes. Leaders accept a critical role of facilitating member empowerment. Leaders of co-operatives therefore, are distinguished by their ability for member empowerment or none of it.

The attributes of empowering leaders include those where leaders creatively build mutual relationships with members, they are nonprescriptive in helping members solve their problems. They encourage critical feedback without being punitive, fearful or revengeful. They are ready to allow members assume certain levels of control over the leadership.

On the other side, the leadership — membership trust model, demands that the members need to attain certain features of self empowerment. Empowered members are those who are actively participating in decision making. They have a high degree of control in the way the objectives of the co-operative society are being attained. There is a considerable investment in education and training so that the members' capacity for problem diagnosis and contribution to institutional development are enhanced. Their ability to see options and claim their rights and obligations is greatly developed.

In this model, both leaders and members deliberately enter into a mutual process of empowerment where the leaders accept to share power with the members and on the other side the members are conscious about what they want and what they can contribute to the growth of their cooperative.

2.2 The Oppressor— Saviour — Victim Relationship Model

This model postulates that organizations move between equilibria and disequilibria situations. According to Batmann and Batmann (1999), organization such as Savings and Credit Co-operatives are largely in a state of disequilibria. In a disequilibrium situation, the leaders take an oppressive role while the staff are seen by the members as saviours. The members always take a victim position. Leaders are in the forefront of designing policies and may not care what happens to the members. They may be detached from the members and to the members they may appear as oppressive. On the other hand, the employed staff try to play it safe. They do not want to contradict the leaders, but when they meet the members, they pretend to be saviours, that if it was not for their expertise, things would go bad. At the same time, the members feel weakened and suspicious of both the leaders and employed staff. They are the victims. Such a situation happens when there is a crisis of loan shortages, embezzlement, and mismanagement causing member apathy.

To put such an organization back into equilibrium, a training intervention is required to change the attitudes of all the three parties from their current oppressor - savior -victim relationships to become facilitators of empowerment. Members are trained to change the leadership from being oppressive to facilitators of empowerment. Leaders and employed staff are trained to take up empowerment facilitation in the organization.

2.3 Self — Awareness for Freedom Model

This is an educational action — oriented intervention model that starts from members. The assumption behind this model comes from two democratic principles of association; first individual members are free to join or exit a co-operative society. Second, if a co-operative society is owned by members, then the basic source of good management, good leadership and democratic control is the membership.

The starting point of the member empowerment process is the basic assumption that the co-operative movement is in a state of disequilibria internally and externally. While internally members are being victimized by oppressive, leaders, structures and regulations, externally the relationship between the support institution and co-operatives is guided by conditional disempowerment. Conditional disempowerment comes through the logic of external support which ends up in creating more dependency and a state of helplessness.

Under such circumstances, member empowerment is targeted to the members only so that they take responsibility to change their cooperatives in their favour. This is the model taken up by the MEMCOOP¹ approach where member empowerment is a central issue of concern

and all other factors will follow. If members are empowered, they will set up good and accountable leadership and management.

3. The Context of Member Owned Financial Services in Tanzania¹

If one looked at the state of governance between the agricultural marketing cooperatives and the SACCOS movement, it is very clear that the state of governance in the former is much poorer than the later. There is more member participation and more so, gender participation in the SACCOS movement, than in agricultural marketing cooperatives. The reasons for the differences are clear: The SACCOS movement has been a marginal player in the economic game hence politically secure. The sub-sector occupied marginal urban areas and not agriculture: But, in dynamic terms, as the SACCOS movement grows fast, it must expect similar interventions from government.

But even from a marginal standpoint, it can still be postulated that, the development of people-owned financial services in Tanzania is historically a disaster for three reasons. First, promotional efforts were more invested in the agricultural marketing co-operative movement. Second, the first attempt to form a co-operative bank was met with biased political interpretation that it was promoting capitalism in a country that was building socialism. Third, even when they were established in the rural areas, SACCOS were not seen as providing alternative financial mechanisms for the agricultural economy, but centres for storing money, separated from investment activities in agriculture.

At a macro-economic level, the SACCOS movement is not considered a major player. The current policy drive to formulate the Microfinance policy has been necessitated by and large by the non co-operative microfinance movement through financial NGOS such as PRIDE, SEDA, MAYAWA and others.

The quick rise of the credit only financial NGOS are capitalizing on the outreach failure of the SACCOS movement in both urban and rural areas. The credit only programmes are well established in urban areas because they are more inclined to deal with the commercial sector than agricultural production. They have however posed serious competition on the outreach front with the cooperative SACCOS movement. Credit only microfinance organizations have cultivated more urban membership and have disposed off more loan volumes than the SACCOS movement. The financial credit only NGOs are now developing strategies for

¹ MEMCOOP —Member Empowerment in Cooperatives — A capacity building programme initiated by the Cooperative College to reconstruct new responsibilities for members to manage and control their cooperative organizations,

entering the rural economy. They have started with pilot projects where credit money is given to small farmers with high interest rates. The development of the SACCAS movement in Southern Highlands of Tanzania, is part of a long term strategy for financial credit only NGOS trying to enter the rural areas. The credit only financial NGOS, have had two lessons over the SACCOS movement. They offer extensive education programmes for loan repayment. They also teach the population, a new culture and discipline for loan repayment. But they have four disadvantages: First, the credit only membership though big, is not sustainable. According to a study carried out in six African countries (Maximanbali et al: 1999) there is more client drop outs usually at 50% in the credit only NGOs than drop out of membership in the SACCOS movement. Secondly, the credit only financial NGOS depend on savings generated elsewhere and not from the membership. This maintains the status quo of dependence and hence continued disempowerment of the members. Thirdly it discourages the development of a meaningful SACCOS movement. The ordinary people find it difficult to conceive at savings while in the other programmes they accessed credit without savings. Fourthly, it has become difficult to measure impact of the credit only programmes, since group lending is diffused, flexible and spread out. The clients remain sure clients and do not in any way have ownership roles of such organizations

The above scenario indicates that the savings and credit co-operative movement has a strong future, because it is based on individual ownership of the institutions hence more sustainable. It allows member participation hence empowerment and starts from savings as mother of credit, therefore creates independence, autonomy and self reliance at the national level. The SACCOS movement has a consistent organizational as well as a national structure. It has consistent by laws and linked internationally. It follows the reknown co-operative values and principles which support members action for poverty alleviation.

But with all these potential advantages of the SACCOS movement, there are still issues of members empowerment which need discussion.

4. The Member Empowerment Problem in The Saccos Movement in Tanzania

Looking back at the conceptual models of power relations in organizations, we note a series of constraints on member empowerment in the Savings and Credit Co-operative Movement in Tanzania. The constraints are both external and internal.

4.1 External Constraints

There are many areas where the empowerment problem manifests itself. But in this short presentation we highlight two areas where member empowerment in SACCOS faces external deficit:

Conditional Disempowerment (Capacity Building)

Conditional disempowerment or disarmament is a situation whereby promotional and support institutions play a controlling rather than freeing role to savings and credit co-operative societies. The support institutions for co-operatives in Tanzania are the Ministry of Co-operatives and Marketing, the Co-operative College, COASCO and the Tanzania Federation of Co-operatives. The specialized functions of these support institutions on SACCOS do not create space for empowerment but tend to control them (Chambo: 2002). COASCO would give the audit report to the committee, rather than directly to the membership. The Cooperative College does not create internal structures for self-education in the SACCOS; instead, they control education and training. Likewise, the Co-operative Officers, do not create conditions for self inspection but rather continue with the so called continuous inspection. It is conditional disempowerment because the functions are carried out that way as part of the official job description.

i) Economic Disempowerment

Macro-economic policy may be empowering or disempowering depending on its impact on the general public. Unsound fiscal policies, taking away financial resources from the poor, poor logistical systems and unproductive technologies have made most of the poor farmers unable to save. There are no surplus resources that could motivate small farmers become members of SACCOS because they have to meet their basic subsistence needs first especially food security.

4.2 Internal Constraints

We look at internal constraints to empowerment at two levels: the global national level system led by SCCULT and the internal conditions within the SACCOS themselves.

a) The National System

Of recent, SCCULT headquarters has taken positive steps towards addressing major challenges of competition in the financial sector. They are trying to develop new products for modernization of SACCOS; they are developing new instruments for financial management and governance. SCCULT has also developed a structured instrument for analysing the status and stages of SACCOS development. All these notwithstanding, SCCULT has not yet addressed the challenges of member empowerment of its members.

First, SCCULT does not have a comprehensive programme for a country wide member empowerment. SCCULT views its member societies as an ordinary collection of units who form SCCULT. The changes initiated by SCCULT are good as management instruments. But if they are not creatively transmitted to the members, they will degenerate into instruments of member control by employed staff. A member empowerment structure is needed so that the new innovations developed by SCCULT are embraced by the members.

Second, the national representative structure, starting from primaries to district committees, regional committee and zonal set ups is too long, and more administrative hence more disempowering. One would think that the district and regional levels, should constitute the business networks. The more political and representative structures could start at the zonal blocks. The evolution of district and regional networks should be characterized by the formation of strong district or regional SACCOS unions dealing with the money business. Such unions in turn could now join to form the zonal blocks to build the democratic structures at the national level.

Third, SCCULT has not developed a long term future picture of the SACCOS movement in Tanzania. It has its own vision and mission, but it does not have a vision for the SACCOS movement in Tanzania. There is so far no statement about how the movement will build the banking and insurance industries for economic empowerment of its members. There is no statement on how the SACCOS movement is going to realign itself with the agricultural sector and the promotion of entrepreneurship in general. Such gaps leave the members and small SACCOS in isolation and it is very easy that they may be swept by globalization.

b) Micro-level Dynamics of Empowerment inside Individual SACCOS

Apart from the problems of empowerment at the national levels, empowerment in individual SACCOS though it differs from one society to another, it is in a crisis.

The first constraint to empowerment in individual SACCOS is old style leadership. Very few leaders are prepared for major changes. Most of them lack innovation, mistrust progressive members, tearful, revengeful and are not free. They would like to be prescriptive than facilitative.

Second is lack of transparency and communication. some of the leadership in SACCOS is confined to rule hence they are not prepared to deliver information of the SACCOS to the membership.

Third, the practice of management in SACCOS is running routine business without proactively getting acquainted with the poverty situation of the members. Due to lack of participatory planning, SACCOS leadership and management do not have member empowerment strategies. There is therefore no measure of attainment and achievements against poverty (Mosley: 1999)

Fourth, looking at the members' position we find more conditions for member disempowerment. Members are interested in getting the loans. They are not interested in building their SACCOS into strong institutions for their empowerment and development.

5. The Future of Empowerment in SACCOS

The Savings and Credit Co-operative Movement is going to be the most vibrant and the biggest of all co-operative movements in the country. It is attracting support from people of all walks of life because it is needed by all the other sectors of the co-operative economy. It is an entry point into the process of poverty alleviation and can be organized under any economic circumstances be it in agriculture, industry or the service sectors. By the very nature of the activities involved in the savings and credit mechanisms, it is inclusive and encompassing all people in the country. As such, the following strategies for the future are pertinent:

5.1 Comprehensive Vision and Strategic Planning

The savings and credit co-operative movement especially at the SCCULT level need to formulate a long term vision for itself and for the movement. That vision and strategy, need to articulate how SCCULT will create the necessary conditions for introducing banking and co-operative insurance at the national level.

Such a vision will strengthen and protect members and empower them to face modern competition. After developing the long-term vision, SCCULT need to indicate, popularize and institutionalise the art of participatory strategic planning and business planning for all member

societies. Such a process will create conditions for member participation and empowerment in decision-making at the local level.

In the same visioning exercise, SCCULT should project to include every Tanzanian into the Savings and Credit System starting from the household to the national levels.

5.2 Strategic Intervention into Agriculture

Currently, agriculture is left out as part and player of the savings and credit cooperative movement. Small scale farmers feel risky and disempowered because they do not have any fall-back financial mechanism.

Promoting institutions in collaboration with SCCULT need to develop a specific strategy that targets the rural people. One of the entry points into agriculture is to popularize the institutionalization of SACCOS in all workers of the extension ministries — Agriculture, Cooperatives and marketing, health, Natural Resources and Tourism, Livestock Development and Water. President's Office (Local Government and Regional Administration). These ministries have salaried people in the rural areas. Such SACCOS of salaried people, but operating in the rural areas will be the nucleus of expansion of the SACCOS movement to include traders, business people, commercial farmers and small scale farmers. Our studies in Arusha and Manyara have revealed that such SACCOS have the capacity to allow members invest in agriculture and livestock and hence encourage small farmers to join the network.

5.3 Retraining for Modernisation and Member Empowerment

In the process of transformation, some of the support agencies such as the extension staff of the Ministry of Co-operatives and Marketing, COASCO auditors and trainers from training institutions like the Cooperative College do not match with the requirements for empowerment and modernization in SACCOS. There should be specific professional re-training programmes for such staff, so that they can give the right advice to SACCOS on such matters.

5.4 Enterprise Development

It has been common that members of SACCOS register one source of savings with their SACCOS. The other streams of incomes contribute to savings through other forms of bank accounts. This spreads out sources of member empowerment. From SCCULT levels and at individual society level, there should be strategies to mobilize members to expand their business activities and direct all their revenues and savings through their SACCOS accounts. This also means that individual SACCOS must be prepared to expand the width of savings as well as loan products so that ordinary members find it prudent to utilize different savings accounts offered by SACCOS.

5.5 Relaxing Regulations and redefining common Bond

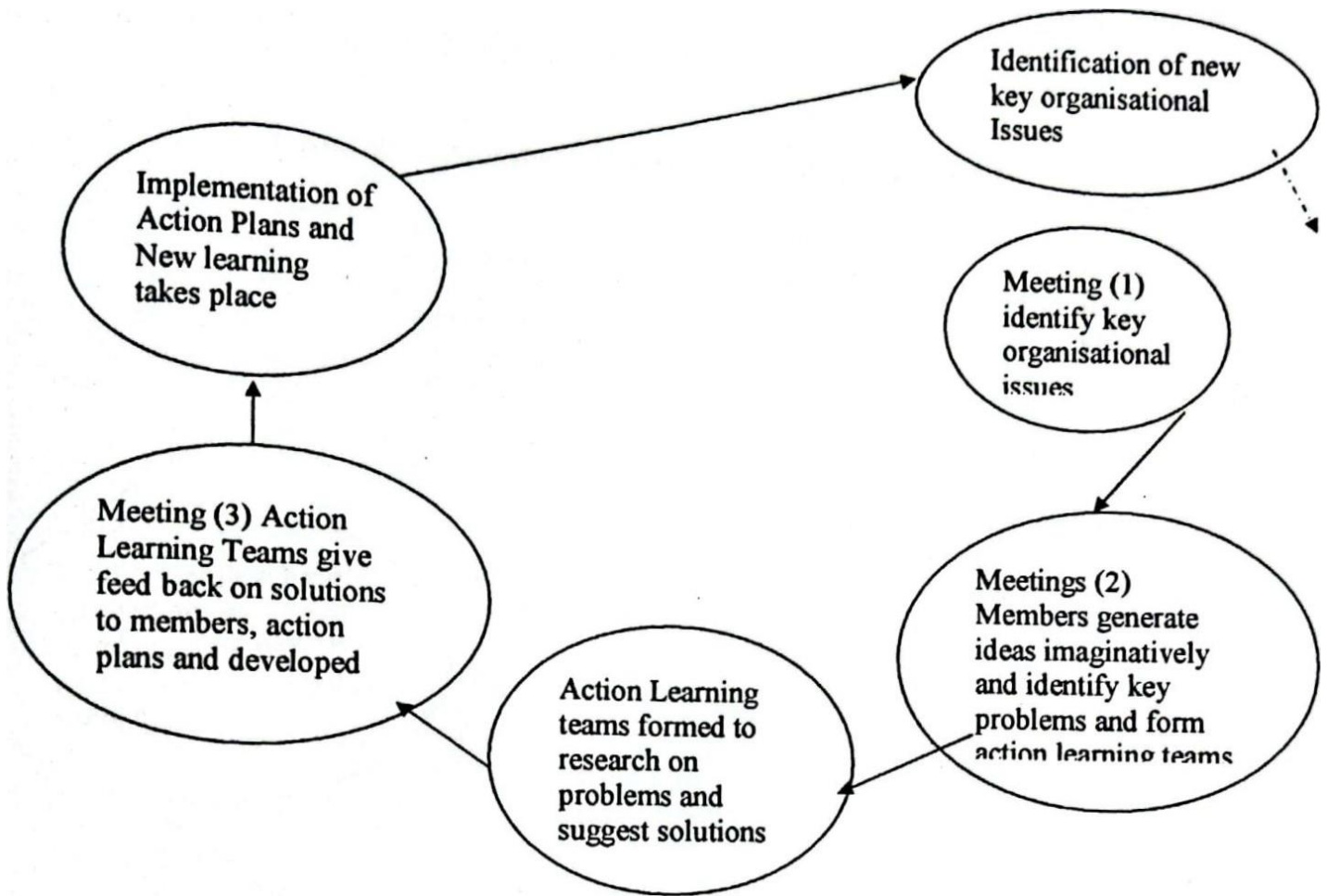
In order to match with current competition and enhancing the ability to exist in the market, and promote member empowerment, certain conditions of entry, rigid by-laws and rigid, common bonds should be reviewed and relaxed. This will allow more people to join as members of SACCOs as well as depositors. If co-operative savings and credit societies are a source of economic freedom and empowerment, more people should find it easy to join SACCOs. One of the examples of this flexibility is Busara Savings and Credit Co-operative Society whose common bond is qualified by just being a resident of Dar and minimum deposit of a month. Such conditions allow more and more people to own and make use of opportunities offered by SACCOs.

5.6 Member Empowerment Through Changing SACCOs

In order to institutionalize member participation and empowerment, the leadership in savings and Credit societies must be prepared to share power and hand over some leadership responsibilities to the ordinary members. There are two ways of sharing power with members: The first one is suggested by Garrat (1999) in the processes towards organisational learning and emotional development. The process is a complete learning cycle as shown by the figure 1 below:

- (i) Members meetings are organized on key issues of the SACCOs where members are allowed to give their inner feelings and emotions about those issues freely.
- (ii) Action learning teams are formed from the members for each major issue.
- (iii) The Action learning teams are given sufficient time frame to research on the issues, process the data and write reports.
- (iv) The Action learning teams reports are then fed back to the members in a decision-making so that they develop solutions.
- (v) Action plans are developed to implement solutions and after one operating year, new issues may come up and new action learning teams are formed for a new cycle of learning workshops.

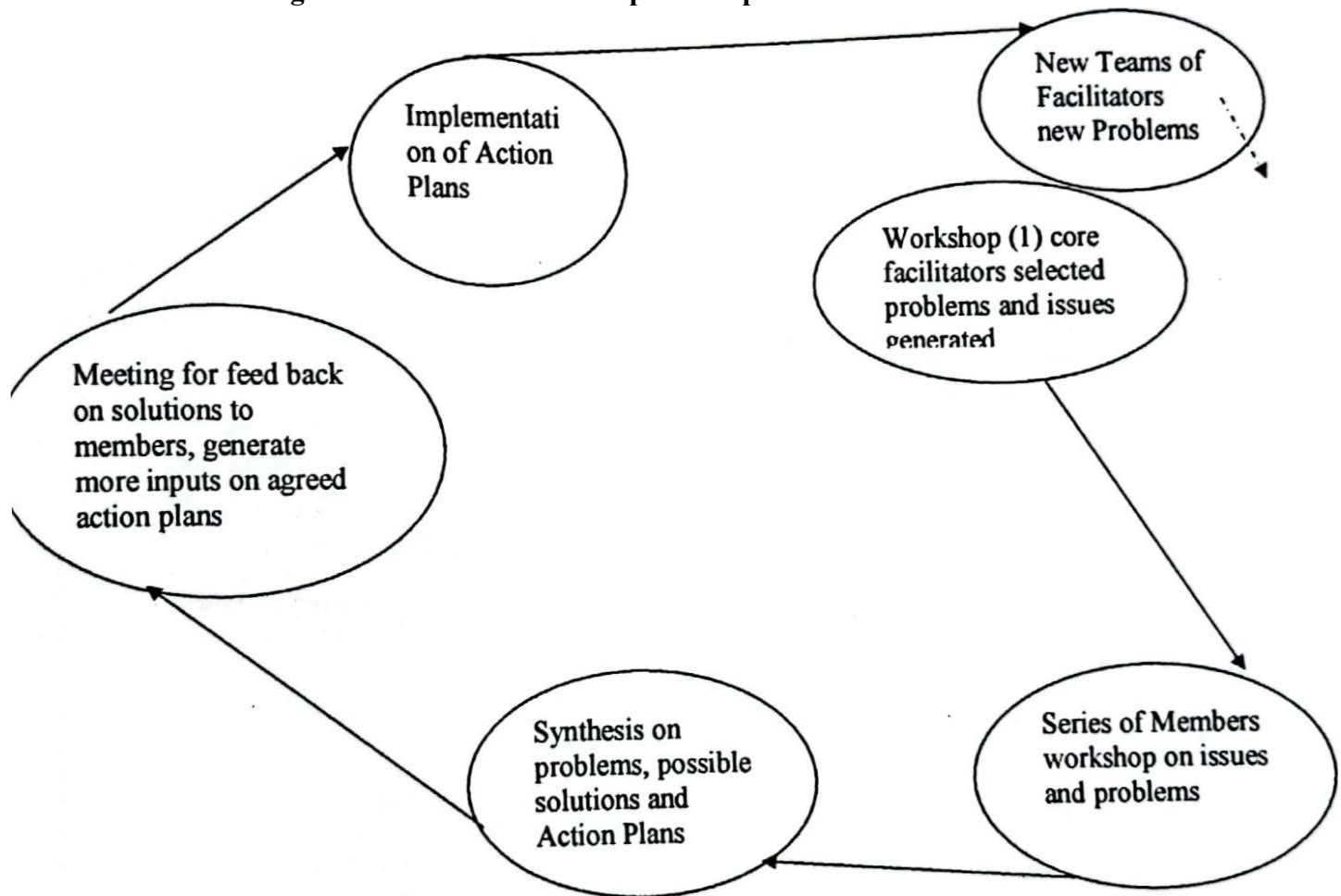
Figure 1: Organisational Learning Cycle for Member Empowerment in SACCOS.



The second approach is the members' workshop method.

- i) One core team of facilitators from the membership but outside the leadership is formed
- ii) The core team uses the forum of a general meeting to generate ideas issues and problems
- iii) The facilitators carry out all membership workshops in smaller groups to discuss in detail one group one issue and analyse the causes of the problem, manifestations, impact on members, and possible solutions.
- iv) Facilitators make a synthesis of issues, problem, manifestations, impact on members, possible solutions and possible action plans.
- v) Second meeting is held where the core team gives feedback to the members on the synthesis of problems and action plans. Members contribute inputs and action plans are agreed.

Figure 2: Members Workshop for Empowerment



Both of these approaches are aimed at member participation and allow members to develop more knowledge about their SACCOs. The members will start to see issues of institutional development beyond getting loans only. When such processes are institutionalized and carried out annually, the annual general meetings will be richer with enhanced member participation, transparency and accountability.

5.7 Institutionalise Annual Membership Attitude Surveys for Evaluation of Leadership

In order to check whether individual leaders are still needed, there is need to carry out Membership Attitude Surveys (MAS) so that ordinary members have the opportunity to evaluate the competency and capacity of the leadership and management (Chambo:2002). The questionnaire on leadership audit or evaluation should be administered by an independent supervisory committee and the following questions in figure 3 below could be asked.

FIGURE 3: THE QUESTIONNAIRE ON LEADERSHIP

S/NO.	ITEM	INDICATORS					
		0	1	2	3	4	5
1.	Chairperson <ul style="list-style-type: none"> • Technical Competence • Vision • Public Relations • Entrepreneurship • Leadership • Innovation • Capacity for Member Empowerment 						
2.	Vice – Chairperson <ul style="list-style-type: none"> • Technical Competence • Vision • Entrepreneurship • Leadership • Innovation • Capacity for Member Empowerment 						
3.	Other Members of Committee Name of the Member: <ul style="list-style-type: none"> • Technical Competence • Public Relations • Entrepreneurship • Leadership • Innovation 						
4.	Management <ul style="list-style-type: none"> • Technical Competence • Innovation • Entrepreneurship • Public relations 						

Indicators:

- 5 - Excellent
- 4 - Very good
- 3 - Good
- 2 - Fair
- 1 - Poor
- 0 - Very poor

When the survey is complete, the supervising committee should give feedback to the leadership and management group about how members see them. The results are then summarized and feedback is given to the members in an open way.

Those leaders and managers who fall below standards with averages of (1) and (0) should consider themselves ineffective and should be changed. Those getting an average of 2 should be requested to improve subject to next members' evaluation. Only those who get averages of (3) or above, should be allowed to continue with their leadership positions. This process allows and gives more powers to the members to evaluate leadership and approve the quality of leadership they need for the survival of the organization.

Conclusion

Member empowerment is key to the survival and performance of savings and credit societies. Member empowerment however, does not just come about; it must be created by change of attitude and perspectives of accepting to facilitate it. In this case, there are empowering leaders and those who cannot do it. Those who cannot empower their members should not be allowed to continue with leadership.

The SACCOS movement in Tanzania is potentially the most powerful institution in the fight against poverty because everyone can participate and especially the 16 million poor Tanzanians. But in order to motivate those poor Tanzanians to join, the national organization and other support institutions must be mobilized towards that direction. Finally, each SACCOS, must be prepared to Institutionalise member participation and empowerment to demonstrate the highest values of good governance.

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