

**Analysis of the Possibilities for Expansion of Services in
Tanzanian Savings and Credits Co-operative Societies:
Learning from Economies of Scale**

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Annals of Public and Cooperative Economics, 2015

ABSTRACT

Savings and Credit Co-operative Societies (SACCOS) increasingly recognized as the valuable tool for economic development in low-income countries. However, recently researchers reported that one of their primary challenges to their expansion is the high level of inefficient. In this study, we analyzed the relationship between growth and efficiency of SACCOS using economies of scale concept. Then we address the role of management of the capital structure and allocation of resources in the expansion of SACCOS. The study used financial statement data from 60 SACCOS in Tanzania for the period of 2004–2011. The findings supports that most of SACCOS are small and cost inefficient because the industry is young, but the efficiency increases as SACCOS expand. Second the allocation of resources in liquid, financial and non- financial investment leads to no expansion in SACCOS. Thus, the growth of SACCOS via increasing loan to members, members' savings, shares, and institutional capital should be encouraged as it increases the efficiency of SACCOS. Also, SACCOS should minimize the allocation of assets in other investments which are different from credit to members.

Keywords: economies of scale, efficiency, SACCOS, Tanzania