

Social Performance of Savings and Credit Co-operative Societies in Mwanza and Tabora Rural Areas, Tanzania

By

Richard Ibrahim Msuya

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Abstract

The study was triggered by an increased number of SACCOS in Tanzania since 1990s when financial market reforms took place. The study built that there was uncertainty on whether the increase in number of SACCOS reflects their social performance in terms of outreach services and impact on livelihoods to members. Thus, the study was conducted with regard to the following specific objectives:

- Examine the individuals' determinants of participation in SACCOS,
- Determine quality of services offered by SACCOS
- Determine the impact of SACCOS' services on livelihood outcomes of members and
- Establish relationship between SACCOS' depth of outreach and impact on poverty reduction.

The study depended on blended models and theories. Specifically, it was guided by

- The Participation Chain Model (PCM)
- The Expectancy Disconfirmation Theory (EDT)
- Economic theory of credit union (ETCU)
- Service Quality Model (SERVQUAL model)
- The Sustainable Livelihood Approach (SLA)
- The framework of Critical Microfinance Triangle (CMT)

The study was also guided by positivism philosophy which holds assumptions that events have their causes and that through science these causal links can eventually be uncovered and understood. The scientific method in positivism begins with a theory which defines a certain construct, then data are collected and analysed to either refute or support the theory. Positivists reduce the causes of a problem into discrete sets of ideas to test variables consisting of hypotheses and research questions. Scientists in positivism tend to generalise to the world their findings derived from the hypotheses.

- ✓ The study was conducted in two regions of Mwanza and Tabora, the reasons for selection of these regions were based on the growing number of SACCOS. The study involved six SACCOS (Chasigo, Uvumnya, Upendo, Victoria, Nyaluhwa and Uzinza) which were purposively selected from four districts (Igunga, Nzega, Magu and Sengerema) in Mwanza and Tabora regions. The study employed quasi-experimental design where data were collected from members and non-members and examined at once. Mixed methods approach was adopted, thus both quantitative and qualitative data collection techniques and analyses were used. The study randomly selected a total of 500 respondents of whom 200 were members and 300 were non-members.

Quantitative data was collected through a structured questionnaire while key informant interview guide was used to gather qualitative data respectively. Thematic analysis technique was used to analyse qualitative data. The quantitative data were analysed by using descriptive statistics, paired

samples t-test, independent samples t-test, simple linear regression, logit regression model, Propensity score matching (PSM) and Microfinance Poverty Assessment Tool (MPAT).

The prognostic results from data analyses indicated that:

- Ownership of microenterprise had highest (45.9%) influence for individuals' decision to participate in SACCOS while lack of awareness on the operation of SACCOS was perceived as the major hindering factor which impeded non-members to participate in SACCOS
- Thus, individuals' decision to participate in SACCOS are determined by both socio-economic and institutional factors.
- SACCOS offered unacceptable services to members due to poor leadership in loan management
- In SACCOS, the number of members negatively influenced service quality while poor service quality influenced members' withdrawal.
- Moreover, it was found that members were less effective in fulfilling their responsibilities as suppliers of services.
- The SACCOS offered unacceptable services quality to its members due to poor leadership particularly in management of loan portfolio, as well as irresponsible members.
- Service quality affects negatively members' withdrawal from SACCOS while numbers of members affect negatively the service quality in SACCOS.
- The study found that that livelihood outcomes and poverty level of members were better compared to non-members and that a SACCOS with deepest outreach had also the lowest percentage of members in the lowest poverty group.
- SACCOS are potential financial institutions for livelihood improvement and poverty reduction.
- SACCOS which had deepest outreach also impacted highly on poverty reduction among members.

Summary of the innovative findings for policy action

- Individuals' Determinants of Participation in SACCOS

It was found that determinants of individuals' decision to participate in SACCOS are based on personal factors (socio-economic) and institutional factors (lack of awareness due to poor mobilisation campaign at SACCOS level) in the study area. Ownership of a microenterprise is a leading socio-economic factor while lack of awareness is a leading institutional factor associated with participation in SACCOS in the study areas.

- Service quality in SACCOS

Firstly, it was found that SACCOS offered unacceptable services quality due to poor leadership particularly in management of loan portfolio, as well as irresponsible members. Secondly, it was found that service quality affects negatively members' withdrawal from SACCOS while number of members affect negatively the service quality in SACCOS.

- Impact of SACCOS' services on Livelihood Outcomes

It was found that SACCOS' services impacted positively and significantly the rural livelihood with respect to maize yield, household assets, savings, food expenditures and non-food expenditures for treated households relatively to control group in the study area.

- SACCOS' Depth of Outreach and Impact on Poverty Reduction

It was found that SACCOS interventions in rural area help to reduce poverty among members. It was further found that SACCOS which have deepest outreach also impacted highly poverty reduction among members. For that matter, SACCOS' depth of outreach influences positively and significantly poverty reduction among members.

The usefulness of the findings

- Individuals' Determinants of Participation in SACCOS

The study informs that during the formation process of SACCOS, leaders of SACCOS should consider socio-economic factors positively influencing the likelihood of individuals' participating in SACCOS. In addition, SACCOS' leaders should put more efforts to mobilise non-members who are not aware on the operations of SACCOS. This can be done by dissemination of SACCOS' education through village meetings and other social gatherings.

- Service quality in SACCOS in Mwanza and Tabora Region

The study informs that co-operative education should be provided by co-operative officers to both members and leaders of SACCOS to enhance each part to be committed to fulfil their responsibilities in provision of quality services in SACCOS.

- The Impact of SACCOS' services on Livelihood Outcomes

The study suggests that VEOs, WEOs and co-operative officers should sensitise formation of more SACCOS at village and ward levels. This can be done through conducting meetings to educate villagers on importance of SACCOS for better rural livelihood outcomes.

- SACCOS' depth of outreach and impact on poverty reduction

The study brings insights that SACCOS' leaders should put efforts to attract non-members so that the benefits on poverty reduction enjoyed by members can also be extended to non-members. This can be done through dissemination of SACCOS education through social gatherings such as village festivals and meetings where many people meet. Furthermore, SACCOS should deepen their outreach services by extending small loans to lowest income members because such practices are a means of achieving more impact on poverty reduction.

The study concluded that it was important to reflect on key determinants for participation in SACCOS which timely and lively makes SACCOS effective institutions. On the basis of the findings, it was also concluded that SACCOS offered unacceptable services quality due to poor leadership particularly in management of loan portfolio, as well as irresponsible members. Service quality affects negatively members' withdrawal from SACCOS while numbers of members affect negatively the service quality

- Since the determinants for participating in SACCOS were determined by both socio-economic and institutional factors, the study recommended that during the formation process of SACCOS, leaders of SACCOS should consider socio-economic factors positively influencing the likelihood of individuals' participating in SACCOS. Moreover, it was recommended that SACCOS' leaders should put more efforts to mobilise non-members who are not aware on the operations of SACCOS. This can be done through dissemination of SACCOS' education through village meetings and other social gatherings particularly to male since the findings indicated that few of them participated in SACCOS

- In order to address the unacceptable service quality of SACCOS, it was recommended that co-operative education should be provided by co-operative officers to both members and leaders of SACCOS to enhance each part to be committed to fulfil their responsibilities in provision of quality services in SACCOS. Education to SACCOS members should focus on responsibilities of members as suppliers of services while education to leaders should concentrate on loan management. In addition, since tangibles emerged as the most deficient dimension, SACCOS should pay attention to tangibles first before other dimensions by planning and setting some funds at the end of each financial year to improve tangible items.