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DETERMINANTS OF FINANCIAL SUSTAINABILITY IN SAVING AND CREDIT COOPERATIVE SOCIETIES (SACCOS) IN TANZANIA

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ABSTRACT: The paper assessed the determinants of Saving and Credit Co-operative Societies (SACCOS) policies on financial sustainability, with evidence from registered SACCOS in Hai District, Tanzania. Specifically, the study examined the influence of credit management policies on financial sustainability, determined the management of loan defaulters towards financial sustainability, and examined the influence of membership enrollment policies on financial sustainability. The paper is guided by three theories, i.e., the Life Cycle Theory (LCT), the Profit-Incentive Theory (PIT) Agency Theory. The study adopted a descriptive research design complemented by a case study research design. The sample size of the study was 138 respondents. The study found that loan repayment terms and conditions are critical factors in ensuring the financial sustainability of SACCOS. Additionally, monitoring and evaluation are critical components of effective loan management, as justified by a significant majority of respondents. Further, the essence of SACCOS limiting loan amounts to collateral value scored the highest estimate and was statistically significant. The study concluded that credit management, loan defaulter management, and membership enrollment can enhance SACCOS' financial sustainability with varying variables. The study recommends that SACCOS should regularly provide training to members on credit issues. Further, SACCOS should continuously monitor the effectiveness of recovery policies by properly elaborating on the loan categorization report based on the time of payment; penalize delinquent loans, and ensure zero tolerance for members with loans in arrears.

Keywords: Determinants, Financial sustainability, SACCOS

INTRODUCTION

In many developed economies, microfinance institutions (MFIs) and their networks are well-developed and hold a significant market share in financial services (Chikali- pah, 2017). According to the World Bank (2017) and Kagan (2020), microfinance products such as stand-alone micro-savings, remittances, and insurance provide services to individuals and institutions, expanding financial inclusion among the poor and underprivileged by granting them access to credit and other financial services. According to Bolivar and Subires (2018), SACCOS' financial sustainability refers to having adequate funds to meet all their resource and financial obligations, regardless of the continuity of funds. According to Rwekaza et al.,

(2020) SACCOs must be able to generate returns for their members while preserving financial capacity over time. Financial sustainability can be measured in two stages: operational sustainability and financial self-sufficiency. According to Mayer (2002) operational sustainability refers to the ability of the SACCOs to cover their operational costs from their operating income, regardless of whether it is subsidized or not. According to Edwards and Bake (2019) SACCOs are financially self-sufficient when they can cover both operating and financing costs, along with other forms of subsidy valued at market prices, from their own generated income. Self-sustainability requires the SACCOs to cover at least the opportunity cost of all factors of production and assets from self-generated income (Rwekaza, 2021; Kinde, 2017). In this study, financial sustainability is the capacity of a firm to earn revenue or receive a return on an investment that covers all expenses and generates a profit. In Latin America, particularly in Brazil, access to financial services contributes to rural development and poverty reduction by promoting income-enhancing and vulnerability-reducing investments, enabling better management of cash flows and risks, and facilitating remittances (Bogan, 2012). According to Kibelioni and Ayuma (2019) argued that, in Brazili, the main actors in rural finance are the federal bank called *Banco do Brasil;* the private bank Bradesco; the Brazilians have a variety of regional development financial institutions and financial cooperatives (FCs). *Banco do Brasil* is present in at least 87 percent of the municipalities across the country (World Bank, 2017). Despite having these banks, the need for SACCOS to absorb economic and financial access resilience were seen as important for the community to enhance financial sustainability (Baesel and Vordzogbe, 2021; Tehulu, 2018; Harvey, 2011). According to Nair (2022) contend that, in Brazil, financial cooperatives SACCOS have a small role in rural lending in terms of volume, accounting for only 6.2 percent of total financing, but they are relatively important in terms of outreach by 2020. According to Katunzi (2019) and Robinson, (2001) proposed that these remarks, the need for policy change to enable the marginalized to become part of the SACCOS beneficiaries has always been paramount. Rural credit in Brazil has primarily been channeled through public financial institutions either directly or through on-lending agreements with private entities, ensuring financial sustainability (Machiaveli, 2020). According to Kevin, (2021) and Hughes and Williams (2017) ccredit is financed with a variety of off-budget taxes and earmarked constitutional funds and 25 percent mandatory lending requirements on all unremunerated demand deposits. By 2022 in Brazil nearly US$17 billion (about 8 percent of the banking system's total portfolio) was lent to rural areas to uphold financial resilience among community members (Nair, 2022). These policies for uplifting community members through microloans become important, especially in African economies, with Sub-Sahara being the majority. In Asia, Sri Lanka, SACCOS has the largest member-owned financial cooperative network. Members are drawn from all ethnic communities and include middle to low-income entrepreneurs, farmers, workers, and civil servants; more than half of the members are women (Baesel and Vordzogbe, 2021). The Sri Lanka uses SANASA as a SACCOS and Microfinance network; the SANASA is Sri Lanka's largest financial cooperative network. According to Chikalipah (2017), SANASA has cooperatives in all of Sri Lanka's 27 districts. However, there has been little growth in membership and financial sustainability due to the absence of inclusive policies to cater to all the community's diversity (Kevin, 2021). Similarly, the consistently high percentage of loans that are reported to be past due (25.1 percent in 2020) was found to be at a high PAR (Kibelioni and Ayuma, 2019). An accurate assessment of the performance of SANASA FCs

is not possible because there is no centralized system for collecting, verifying, and consolidating information on the primary cooperatives (Nair, 2022). There should be an established policy framework to regulate the digital information system to capture financial and none financial reports to regulate sustainability. In Bangladesh; according to Hossain and Khan (2018) their study includes 29 microfinance institutions, SACCOs among them, only 4 were found financially sustainable. The conclusions made in this study suggest that microfinance institutions in Bangladesh should first have a policy framework to reduce their dependence on equity and to develop competence in the market. According to Hossain and Khan (2020) Bangladeshi SACCOs have large asset power, which is very helpful in making them financially sustainable, with econometric results proven by hypotheses on operating expenses and write-off ratios; that means SACCOs in Bangladesh have a low-cost operating system for serving loans, and their management is quite strong. Bangladeshi SACCOs have experienced staff to manage their activities, contributing to the sustainability of the SACCOs. According to Chikalipah, (2017) and (UNDP, 2017) African countries have developed policies to establish SACCOS as a financial intermediary to meet the unsatisfied demand for financial services. Over time, a variety of microfinance institutions (MFIs) have emerged. Some of these institutions focus solely on providing credit, while others offer both deposit and credit facilities, and some are solely involved in deposit collection (Kagan, 2020; Ngoc 2019). In sub–Saharan Africa, Nigeria in particular, studies have shown that MFIs, SACCOS have been facing a lot of challenges that threaten their financial sustainability. According to World Bank Group (2017) and Dunford (2018) report on Nigeria's microfinance sector described the MFBs as weak, insolvent, and undercapitalized. MFIs in Nigeria face additional challenges such as high setup and administrative costs, a poor business model, insufficient financial resources, and a weak regulatory and supervisory framework (Levine, 2018; Kanayo at el.,2018). All of these factors impact the operational and financial sustainability of MFIs and SACCOS, necessitating the implementation of policy frameworks to enhance their resilience to these challenges. In Tanzania, the government has developed various policies to enable the environment for the financial sustainability of cooperative societies since independence in 1961 (Nyamsogoro, 2017; URT, 2017). This is due to the importance of those institutions in serving the low-income portion of society and thereby contributing to economic growth and poverty reduction (URT, 2013). According to Laurence, at el., (2022) proposed that, in serving the microfinance, the recognition of Microfinance Policy of 2017 in Tanzania had been noticed as the cornerstone for the development of SACCOS and other microfinance institution in the country. For the Saving and Credit Cooperative Society to provide sustainable and suitable financial services and contribute to poverty reduction, SACCOS need to be financially stable (Johnson and Sharma, 2020). It has been reported that only those SACCOS that are financially sustainable stand a chance of reaching the vast millions of the poor (Katunzi, 2019; Kevin and Owino, 2021). According to Johnson, and Murphy (2020) expressed that, financial sustainability has become an important component in developing financial capacities to provide services to financial cooperative members. However, there is a complaint from SACCOS members that they do not receive the loan on time, and if they do, the requested amount might not be available (Fersi and Boujelbéne, 2019; Katunzi, 2019). According to Hulme and Mosley (2016), this problem is widespread; it is witnessed countrywide, especially among those SACCOS located in the countryside, probably due to poor financial sustainability in terms of capital structure, asset size, and financial innovation. The study conducted by Machiaveli (2020) in

Nyamasheke district, western province of Rwanda, revealed that the major determinants of financial sustainability of microfinance institutions, especially SACCOS, are capital structure, asset size, and financial innovation. Other factors prosed by Hermes, et al., (2018) included good risk management and corporate governance frameworks

According to According to Rwekaza, at el., (2018) Bell and Morse (2020) propounds that, government of Tanzania allows SACCOS to set their capital structure, asset size, and financial innovations to achieve financial sustainability, which enhances member satisfaction with financial services through established policies. URT (2013) express that, there are other efforts made by the government and other development agents in ensuring the financial sustainability of SACCOS; these include short and long-term loans provided by commercial banks to SACCOS, financial loans that are provided by cooperative banks and SCULT, investments that are made by SACCOS themselves in fixed deposits, insurance, and buying government bonds, investments in real estate, and other financial diversification with the deliberate intention of addressing the problems among SACCOs members. Despite these efforts, the sustainability of SACCOS' finances has not become apparent. Ensuring the sustainability of Savings and Credit Cooperative Societies is crucial to providing sustainable services and contributing to poverty alleviation. Given this background, this paper aims to assess the determinants of financial sustainability of SACCOS in Tanzania. The primary objective of the study is to evaluate the determinants of financial sustainability of SACCOs in Hai District, Tanzania. Specifically, the study explores the impact of credit management policies on financial sustainability, investigates the management of loan defaulters in relation to financial sustainability, and examines the influence of membership enrollment policies on the financial sustainability of Savings and Credit Cooperative Societies. The paper is guided by three theories, i.e., the Life Cycle Theory (LCT), the Profit-Incentive Theory (PIT) Agency Theory. According to Bogan (2012), while there are various theories explaining MFIs' funding, they can be categorized into two main frameworks: the life cycle theory (LCT) and the profit-incentive theory (PIT). Bayai and Ikhide (2016), however, added the agency theory (AT) to arrive at three. The LCT explains the evolution of MFIs based on their financing structure. Rwekaza, at el 2021) According to the theory, most MFIs start as non-governmental organizations (NGOs) with a social vision, thereby obtaining funding from grants and donations (Bogan, 2012). Bayai and Ikhide (2016) described the growth stages as follows: start-up, expansion, consolidation, and integration. The start-up stage is when MFIs are financed through donations and concessionary funding from NGOs and governments (Thapa, at el.,2019).

MATERIALS AND METHODS

The study adopted a descriptive research design complemented by a case study research design because it suits the investigation of phenomena placed in their actual context, where the researcher cannot control the events. The selection of Hai District is based on the presence of thirty (30) SACCOs with a significantly large number of members benefiting from various SACCOs products. The target population of this study was SACCOs

management. In this case, 210 board members of thirty (30) SACCOs in Hai District were included, calculated by multiplying 7 board members by 30 SACCOs. The population was obtained by looking into the leadership (board members) in each SACCOs. The sample size of the study was 138 respondents, determined by Yamane (1967) mathematical formula.

$n = N/(1+Ne^2)$, Where N is the total population size, and e is the error or confidence level. The conventional confidence level of 95% was used to ensure a more accurate result from the sample. Based on this, the error term would equal 5%. Using the total population of 210 board members and an error margin of 0.05, the sample size was 138 respondents.

$n = 210/1+210*(0.05)^2 = 137.7 = 138$ respondents. The study adopted simple random sampling to obtain 138 respondents. Since the number of SACCOs was 30 in the district and the study needed 138 respondents, the research divided equally 138 by 30 SACCOs and the number of respondents to each SACCO being 5. This was obtained by preparing seven pieces of paper, five pieces written "yes" and the remaining 2 pieces written "no" and asking board members in each SACCOs visited to pick one piece of paper while folded. Tache, et al (2006) Therefore, those who picked "YES" were chosen to be the respondents of the study. Researchers referred to this approach as simple random sampling using the rotary method, where every board member has an equal chance of being chosen as a respondent. The data for the study consisted of both primary and secondary sources. Primary data were collected directly from respondents through questionnaires and a key informant interview guide on the determinants of financial sustainability of SACCOs. Secondary data obtained from the SACCOs documents included annual reports on the performance of the SACCOs in terms of profitability, liquidity, risk, sustainable investments, environment, social affairs, and good corporate governance. Questionnaires were the primary data collection instruments consisting of closed items. Questionnaires were distributed to the respondents in all SACCOs. The study used an interview method to obtain significant data from the key informants, specifically from the SACCO's accountant and loan officer(s). An interview was conducted with the assistance of a key informant interview guide prepared on the determinants of financial sustainability of the microfinance institutions, particularly SACCOs. In this study, both quantitative and qualitative data were analyzed. To assess the determinants of financial sustainability of SACCOs, the most popular tool among the researchers was regression analysis. Objective one, examining the influence of credit management policies on financial sustainability, used a Likert scale with multiple regressions, where the maximum score was five and a minimum of one to assess agreement behavior. Additionally, in credit management, loan defaulters were assessed for financial sustainability using binary regression analysis, where variables were measured to determine the extent to which financial sustainability can be achieved by addressing loan defaulters. Objective two, which aimed to evaluate the impact of membership enrollment policies on financial sustainability in SACCOS, was analyzed using correlation regression analysis with the assistance of the Statistical Package for Social Sciences (SPSS). For qualitative data, thematic analysis was employed, where the actual words of the key informants were reported alongside to complement the quantitative data.

FINDINGS AND DISCUSSION

According to Bolivar and Subires (2018) and Rwekaza and Anania (2020), cooperatives were established and are being promoted to absorb the economic shocks and social needs of members. SACCOS, as one of the microfinance institutions of the financial intermediaries to

uplift member access to savings and credits at an affordable cost. The necessity to establish feasible access to services and products as a crucial aspect of the paper. The paper explored the impact of credit management policies on financial sustainability; the management of loan defaulters for financial sustainability; and the influence of membership enrollment policies on financial sustainability in SACCOS.

The influence of credit management in SACCOs toward financial sustainability: According to (Kosgei,2014) Credit management was assessed using six variables: repayment terms and conditions open to members; monitored and evaluated loans; competitive interest rate charged; credit committee following up for loan recovery; fixed interest rate charged at an affordable price; and loan amount issued to members with full security.

Table 1: Credit management determinants for SACCOS financial sustainability

Variables	n	Mean	Std. D
Repayment terms and conditions are open to members	138	1.0000	.00000
Loans are monitored and evaluated.	138	1.4565	.49992
Interest rate charged is competitive. Interest rate charged is competitive.	138	1.5217	.50135
The credit committee follows up for loan recovery.	138	2.2536	.43667
Interest rate charged is affordable. Interest rate charged is affordable.	138	1.3333	.47312
The amount of loan issued to members has full security.	138	1.1014	.30302

Table 1 shows the respondents' attitudes regarding credit management and its impact on the financial sustainability of SACCOs. Smith, R., & Deeming, H. (2019) The results indicated that respondents had a strong agreement that loan repayment terms and conditions are open to members as determinants of financial sustainability, with a mean of 1.00 and a standard deviation of 0.00. The majority of respondents (97.9%) strongly agree that the terms and conditions are an important factor for SACCOS financial sustainability. This implies that if SACCOS develop policies that stipulate participatory planning on the terms and conditions that govern SACCOs' business operations, the SACCOs will be in a prime position to develop sustainable business practices, products, and investments. This finding is supported by various studies. For example, a study by Abisanto and Aikaruwa (2018) found that SACCOS with clear and transparent loan repayment terms and conditions tend to have better financial performance. Another study by Oynaka, (2020) and Hartarska and Nadolynyak (2017) found that SACCOS that enforce loan repayment discipline have lower default rates and higher profitability. On the other hand, it was found that the amount of loans issued to members, with full security in terms of guarantee and insurance schemes, has become an important component for the financial sustainability of SACCOs (with a mean of 1.1014 and a standard deviation of 0.30302). This implies that loan security policies ensure low or no loan defaulters in SACCOS. Overall, the results of the survey suggest that loan repayment terms and conditions are critical factors in ensuring the financial sustainability of SACCOS. SACCOS that can effectively manage loan repayments are more likely to thrive and provide

valuable financial services to their members. The loan security component aligns with the Life Cycle Theory (LCT), where good loan repayment guarantees further loan acquisitions, ensuring cash flows and liquidity in the MFIs are secured (Bogan, 2012). Based on growth stages such as start-up, expansion, consolidation, and integration, loan repayment will be constant and not subject to any shocks. (Ghosh, 2006; Mahajan and Nagasri, 2014). Whereas one's however, the findings indicate that follow-up of loans by the Credit Committee for loan recovery had little response in terms of agreements (standard deviation =.2.2536). This implies that once the Credit Committee has approved the loan, and the management disburses the same. The credit committee does not make the loan follow-up. It remains the work of the management.

Table 2. Management of Loan Defaulters as a Determinant of SACCOS Financial Sustainability

Loan Defaulter Variables	Estimate	Std. Error	Wald	df	Sig.
Limit Loan Amount to Collateral Value	1.591	0.716	8.526	1	0.000
Ability of Borrower to Pay Loan	1.628	0.477	7.614	1	0.006
The Credit Committee withholds assets from defaulters. The credit committee withholds assets from defaulters Credit committee withholds defaulters' assets	1.983	0.797	5.478	1	0.040
Lending procedures are clearly outlined. Lending procedures are clearly outlined Lending procedures are clearly documented	0.924	0.991	1.053	1	0.064
Loan delinquency is minimized to an acceptable level. Loan delinquency is minimized to an acceptable level Loan delinquency minimized to an acceptable level	0.540	0.556	0.349	1	0.045
Legal actions are taken against loan defaulters. Legal actions are taken against loan defaulters Legal actions are taken to loan defaulters	0.560	0.780	0.358	1	0.047

The model fitting X2= 48.95, p = 0.011, goodness of Fit x2= 36.158, p = 0.639, Cox and Snell = 0.620, Nagelkerke = 0.786, McFadden = 0.632.

McFadden, Nagelkerke, and Cox above present the results of a statistical analysis evaluating the impact of various factors related to loan management on the likelihood of loan default. Each factor was assessed for its statistical significance and its potential influence on the financial sustainability of Savings and Credit Cooperative Organizations (SACCOS). The model in the table above was compared against the explanatory variable to see whether it significantly fits the data. Independent variables are said to be significant predictors of the dependent variable provided that the P – value in the Chi-Square statistics is less than the absolute critical value ($P < 0.05$). The findings of the ordinal logistic analysis indicated that the significant P-value in the Chi- Square statistics at 95% is 0.001 ($P = 0.011 < 0.05$). This

shows that the model used in this study was significant, and the independent variables: limit loan amount to collateral value, ability of the borrower to pay the loan, credit committee withholds defaulters' assets, lending procedures are clearly documented, loan delinquency minimized to an acceptable level, and loan delinquency minimized to an acceptable level do explain the management of loan defaulters as a determinant of SACCOS' financial sustainability. Limiting the loan amount to collateral value with a Wald ratio of 8.526 (p-value of 0.000) implies that loan limits amounting to collateral value are important in assessing the borrower's capacity to pay the loan amount. The assessment of the borrower needs to consider the amount of the requested loan. Based on the findings, this variable has the highest estimate and is statistically significant at a p-value of 0.000. This indicates a strong positive relationship between limiting the loan amount to the value of the collateral and reducing the risk of loan default. Chundu (2014) and Siti, at el., (2020) argued that ensuring that loans are capped at the value of the collateral, SACCOS can mitigate potential losses from defaults, thereby enhancing their financial stability. Borrower discipline becomes the factor; when borrowers know that they cannot access more funds than the value of their assets, they are incentivized to borrow responsibly (Dhakal, 2021; Rwekaza, at el., 2019). This encourages financial planning and ensures that loans are used for purposes that enhance financial stability. By avoiding over-indebtedness and limiting loan amounts, borrowers are less likely to take on debt that exceeds their repayment capacity, thus reducing the risk of financial distress. The borrower's ability to repay the loan was assessed, and the factor had a significant p-value of 0.006 and a Wald ratio of 7.614, implying that lending can significantly influence financial sustainability for both lenders and borrowers, with the loan amount playing a crucial role in determining the capacity to repay. Rwekaza and Anania (2021) and Bayai and Ikhide (2016) proposed that, loan managers need to assess borrowers before disbursing loans, ensuring that they have the capacity to repay the loan. According to SCULLT (2019) and Thompson, and Davis, (2018) the loan borrower assessment in determining the limiting loan amounts to collateral value serves as a fundamental mechanism for promoting financial sustainability. It helps ensure that lending practices remain prudent, encourages responsible borrowing, and supports overall economic stability. By aligning loans with the actual value of assets, both lenders and borrowers can work towards maintaining a healthy financial ecosystem. According to Muriu (2023) and Oynaka (2020) argued that promoting sustainable lending practices requires long-term viability: for lenders, maintaining a portfolio where loans are secured by adequate collateral supports sustainable business practices. It enhances liquidity and reduces the likelihood of needing to write off bad debts. Stability in economic downturns; collateralized lending tends to be more resilient during economic downturns, as the underlying assets can provide a safety net that allows lenders to maintain financial health (Hughes and Williams, 2017). Access to credit, by evaluating the limits on loan collateral values, can ensure that borrowers access credit that aligns with their actual financial standing, leading to healthier financial behavior and outcomes (Rahman et al.,2018; Levine, 2018). According to Machiavelli (2020), when borrowers can secure loans

that are well-aligned with their asset values, they can invest in productive assets, promoting growth and financial stability over time. Kagan (2020) argued that when lending is tied to the value of collateral, it can help maintain market stability. Lenders are incentivized to assess and manage the value of the underlying assets, which can prevent market bubbles and crashes. Also, Kevin and Owino (2021) comment that borrowers are likely to take better care of their collateral (e.g., properties, vehicles) to preserve its value, thus supporting overall market health.

The Influence of Membership Enrollment on the Financial Sustainability of SACCOS: Binary logistic regression was conducted to evaluate the impact of membership enrollment on the financial sustainability of Savings and Credit Cooperative Societies. The model included independent variables (Dividend resulting in membership increase; Diversifying SAACOS products leading to membership growth; Interest on savings determining membership enrollment; Compulsory monthly savings set at affordable rates; Members encouraged to save at high rates; External borrowings as a factor for membership enrollment; Awards from super savings determining membership enrollment) and SACCOS financial sustainability as the dependent variable, as depicted in the table below.

Table 3: Membership Enrollment's Impact on the Financial Sustainability of SACCOS

Variables	B	S.E.	Wald	Sig.	Exp(β)
Dividend leads to an increase in membership Dividend has resulted in membership increase Dividend has resulted in membership increase Dividend results in membership increase	3.102	1.776	9.710	0.000	7.167
Diversifying SAACOS products leads to membership growth Diversifying SAACOS products leads to membership growth	3.450	1.373	11.164	0.006	9.453
Interest on savings determines membership enrollment	2.591	0.234	5.129	0.011	3.321
Compulsory monthly savings is set at affordable rates Compulsory monthly savings is set at affordable rates	2.513	2.636	4.918	0.000	3.484
Members are encouraged to maintain a high rate of savings Members encouraged a high rate of savings	-1.638	0.676	0.765	0.041	0.965
External borrowings are a factor for membership enrollment External borrowings are factor for membership enrollment	2.892	0.341	7.961	0.067	3.981
Awards from super savings determine membership enrollment Awards from super savings determine membership enrolment	2.432	0.143	6.321	0.062	3.321

Omnibus test of model coefficient x2= 70.52, p = 0.000, Cox and Snell R2=0.515, Nagelkerke R2= 0.647, Hosmer and Lemeshow test x2= 20.890, p = 0.762

The findings indicated that, dividend has been a factor that determines SACCOS member increase (p-value of 0.000) and have at odds ratio of 9.710). Implies that member increases lead to an increase in incomes in terms of fees and savings; hence, financial sustainability: Dividends can serve as a significant determinant of financial sustainability among members

of financial institutions, particularly in credit unions and cooperatives. According to Aziakpono (2013) argues that, when members receive dividends, it reinforces their financial commitment and encourages continued savings, fostering financial stability. For instance, members of a credit union who receive annual dividends based on their savings balances are likely to feel rewarded for their loyalty, motivating them to maintain or increase their savings. Based on Profit-Incentive Theory (PIT) and Agency Theory as proposed by Bogan (2012), dividends play a crucial role in determining the financial sustainability of both members and financial institutions. By providing tangible returns on savings, promoting member participation, and reinforcing community ties, dividends help create a sustainable financial ecosystem that benefits all stakeholders involved. Baesel and Vordzogbe (2021) suggest that a history of declaring dividends significantly boosts the likelihood of membership enrollment. This is consistent with findings in cooperative finance research, which indicate that consistent dividends can enhance member satisfaction and loyalty, leading to increased enrollment and retention. Also, studies such as those by Mkhize et al. (2020) highlight that regular dividends can be a major motivator for individuals to join and stay with cooperatives. Similarly, the results showed that diversifying SAACOS products leads to membership growth (p-value of 0.006 and odds ratio of 11.164). This implies that the variable was statistically significant and is a strong factor in determining membership decisions. Research by Baesel and Vordzogbe (2021) and Epifanova, et al., (2017) supports this by showing that MFI, SACCOS are advised to diversify products and services to enhance financial resilience by ensuring all human needs are met by the MFIs. In addition, interest on savings had a strong relationship to membership growth that results in the financial sustainability of SACCOS, with a significant coefficient ($p = 0.006$; $Exp(\beta) = 3.321$). This implies that interest gained leads to members' gains on personal capital and has a strong positive effect on membership enrollment. This aligns with the idea that members are attracted to institutions where their savings grow, reflecting the principles of interest-bearing accounts in cooperative financial models. According to Anania at al., (2020) and Bell and Morse (2020) and CGAP (2018), for MFIs to reduce economic shocks, they need to add value to the finances that are invested by members and diversify investment portfolios. Members are attracted by benefits without altering the going concern of the SACCOS.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion: Saving and credit cooperative societies make a significant and valuable contribution to Tanzanian citizens, inclusive of building a strong economy. This contribution has been influenced by some financial factors that can affect SACCOS' liquidity and financial sustainability, hence absorbing economic shocks. In order to survive negative shocks and improve their capacity to maintain good financial stability, it is concluded that credit management of SACCOS the assessment of loan repayment terms and conditions are critical factors in ensuring the financial sustainability of Additionally, the study concludes that effective monitoring and evaluation helps identify potential risks early, enabling timely intervention. This helps maintain the health of the loan portfolio and ensures that the objectives of the loan are met. Regular follow-up on loans is a key factor in successful loan recovery. thathis involves tracking the repayment status, addressing issues early, and working with borrowers to ensure timely repayments. Regarding the management of loan defaulters

on SACCOS financial sustainability, the study concluded that limiting the loan amount to the collateral value indicates a strong positive relationship between this practice and reducing the risk of loan default. By ensuring that loans are capped at the value of the collateral, SACCOS can mitigate potential losses from defaults, thereby enhancing their financial stability. Similarly, when considering whether membership enrollment might influence the financial sustainability of SACCOS, the study concluded that providing dividends, interest on savings, and diversifying products were important factors in increasing member loyalty, attracting more members to join, leading to increased enrollment and retention.

Recommendations: The study recommends that regulators and policymakers implement appropriate recovery policies and continuously monitor their effectiveness by accurately detailing the loan categorization report based on payment timelines. They should penalize delinquent loans and enforce a zero-tolerance policy for members with overdue loans, ensuring effective follow-up measures for loan repayment. Non-repaid loans should be written off in accordance with regulatory guidelines, and if necessary, defaulting members should be taken to court. tolerance policy for members with overdue loans, ensuring effective follow-up measures for loan repayment. Non-repaid loans should be written off in accordance with regulatory guidelines, and if necessary, defaulting members should be taken to court. Additionally, the study recommends that the Credit Committee take action by withholding defaulters' assets, as this practice is a relevant factor in managing defaults. When the Credit Committee takes action to withhold defaulters' assets, it can act as a deterrent and improve recovery rates. This practice enhances financial sustainability by reducing potential losses from defaults. The SACCOS management and board should regularly provide training to members on credit issues, use tools like credit policy, and assess members based on loan application analysis. The study recommends that SACCOS management diversify the credit products according to the members' needs. This will have a positive impact on increasing membership based on product demands. As membership increases, financial sustainability issues will be addressed by increasing capital portfolio indexes. SACCOS management and the Board of Directors should provide various products that respond to their members' needs and raise awareness among all members by using different means of communication for market sustainability through the monitoring and evaluation of their products on a timely basis.

Knowledge contribution: The study will add knowledge to expertise and researchers on loan repayment terms and conditions in ensuring the financial sustainability of SACCOS. Also, to researchers and policy makers on designing the monitoring and evaluation components on effective loan management. Further, the study will add knowledge to SACCOS leaders, Credit committee and internal policy developers in understanding the essence of limiting loan amounts to collateral value.

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