

**The Role of Savings and Credit Cooperatives (SACCOS) in Financial Intermediation
A Case of Kitunda Savings and Credit Cooperative (KISACO) in the Outskirts of
Dar es Salaam Region**

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Abstract

The main objective of this study was to examine the extent to which SACCOS have been able to provide financial service in the rural and semi rural-setting. Kitunda SACCOS was used a case study. Various methods were used to collect data such as interviews, questionnaires, focused group discussions. data validation and feedback.

The findings indicate the Kitunda SACCOS has to a great extent succeeded in the provision of financial intermediation to its members. It was found that the SACCOS provides three savings products, and they include withdrawable savings (voluntary savings) account, fixed deposits and compulsory savings. It was also observed that the amount of savings has increased from zero in 2003 to Tshs 660 to 2008. Members' equity has also increased from Tshs 1.2 million to more than Tshs 1.1 billion during the same period. Both savings and equity mobilization has been instrumental in building an internally-generated loanable fund making it one of the few SACCOSs in Tanzania which have refused to accept huge "but loans from commercial banks. Using its internal sources from savings and equity to a great extent, the SACCOS has managed to provide loans amounting to more than 2 4 billion to its members from 2003 to date.

Membership has continued to grow overtime although at a slow pace due to lack of sufficient promotional efforts and increasing competition from other MFIs in the area. Nevertheless, the SACCOS has a lot of potential opportunities because it has extended its services to Chanika, which is more rural and a potential market of more than 15,000 farmers and small business entrepreneurs. Based on the findings it is recommended that Kitunda SACCOS needs to make effort to attract new members. This can be done through promotional campaign showing the competitive advantages it can offer to its potential customers. It is either recommended that Kitunda should speed up its efforts to expand services in Chanika area because of Chanika's strategic market position. It is further recommended that SACCOSs in the area should emulate Kitunda by mobilizing savings and equity from within in order to build their loanable funds internally so as to avoid dependence and loss of autonomy to commercial banks.