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## MEMBERS' PARTICIPATION, SUSTAINABILITY OF SAVINGS AND CREDITS CO-OPERATIVE SOCIETIES: A QUALITATIVE CASE STUDY

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### ABSTRACT

Savings and Credit Co-operative Societies (SACCOS) are directly serving more than two million people in Tanzania; most of whom are from the low-income population. However, its sustainability remains questionable. This paper explored the role of members' participation in the sustainability of their SACCOS. The study used a qualitative case studies approach. This design was suitable for understanding the membership and sustainability as it helps to probe deeply by exposing participants to a real-life situation which otherwise is difficult. Data were collected from four (4) rural SACCOS based in Mpwapwa district in Dodoma (MDC, 2016), Tanzania using focus group discussion and interview methods and was analyzed using the content analysis. The findings of the study revealed that members' participation and the way SACCOS was formed are crucial in the sustainability of SACCOS. The findings too show that participation is determined by the way SACCOS was formed and commitments of members in SACCOS' activities which are; attending meetings, borrowing and saving money. Moreover, the results show that the conditions that limit the ability of a member to practice democratic rights are the major reasons for poor participation and sustainability in SACCOS. For instance, the wider coverage area for SACCOS' operations and co-operative education were identified were important factor which influences members' participation in SACCOS activities. Thus, to improve sustainability in SACCOS the focus should be on strengthening member's participation through promoting close membership which will enhance the democratic process in SACCOS.

**Keywords:** Member's participation, Sustainability, SACCOS, Qualitative Study

**Paper type:** Research paper

**Type of Review:** Peer Review

### 1. INTRODUCTION

While SACCOS are considered important vehicles towards development in developing economies (Kwai and Urassa, 2015; Qin and Ndiege, 2013), literature attests that a good number of SACCOS collapsed or became inactive year after year (Uronu and Ndiege, 2018; Muriithi, 2017; Mjatta *et al.*, 2016; Mrisho, 2015; Sebhatu, 2012; Chundu, 2011; Markus and Daniel, 2011). In Tanzania particularly, the Tanzanian Co-operative Development Commission (TCDC) report of 2017 shows that about 20% to 40% of SACCOS collapsed annually. This phenomenon creates doubt on the sustainability and the contribution of SACCOS to their members' wellbeing. While there are various reasons for poor sustainability among SACCOS (e.g. see Annuar and Hamdan, 2019; Henock, 2018 and Ndiege, Qin, Kazungu, and Moshi, 2014), the role of members is less discussed. This study addresses the role of member participation in the sustainability of Savings and Credit Co-operative Societies (SACCOS).

Membership is an important factor for the sustainability of democratic organizations in which co-operatives like SACCOS are included (Elliott, 2018). Being a co-operative organization it is expected that members of SACCOS practice their democratic right. The democratic theory of the organization explains that in a democratic organization, the stakeholders are participating in both ownership and decision making within the organization (Pozzobon, 2011; Rothschild and Whitt, 1989). Also, in a democratic organization, all stakeholders have equal right in decision making about the development of their organization (Poole, 2017; Pozzobon, Decio Zylbersztajn, 2011). A member as a key stakeholder in co-operative participates in the collective decision-making process during the general assembly, in the board meetings or directly in co-operative office (Khatiwada, 2014). On the International Co-operative Alliance (ICA) website the democratic owner and control are mentioned as one of the seven principles of co-operatives. As such proper democracy in SACCOS is a backbone for their sustainability.

One of the important democratic right in co-operative is that a person is willingly joining co-operative. In this context, this first principle of co-operative is not clear about the size of a co-operative. However, the size of co-operative in term of membership has an impact on other elements of democracy in a co-operative such as participation in decision making which are related to commitment and engagement of member into the co-operative enterprise activities. The New Generation Cooperative Model (NGC) proposes that membership be closed in the sense that co-operative is registering a manageable number of members (Hackman, 2001), contrary to the traditional co-operative model in which membership is open. In the Tanzanian context, the limit of membership is a common bond and not number of members. This study considered both democratic process assumptions and cooperative models (new and old) in the discussing level and determinants of member participation in SACCOS.

Moreover, the stakeholder model indicates that involvement of all stakeholders in the management of not for profit organization is crucial for the sustainability of an organization (Zheng, Wang, Liu, and Mingers, 2018; Carroll and Buchholtz, 2014). The stakeholder model further indicates that, the business environment of an organization influence all stakeholders. As indicated before in this section, SACCOS the main stakeholders are members. Other, stakeholders are employees, non-members, NGOs and government. The effects of members' participation on SACCOS sustainability is crucial, but also vice versa is true. Therefore, the model helps in describing the way SACCOS are operating and their impacts on the wider environment. Also, the need for proper involvement of SACCOS members in the management of SACCOS and the effects of improper participation of members in SACCOS management.

Using a case study data analysis, the study argues that members are central to the sustainability of their SACCOS once they practice their democratic obligations. Specifically, the study discussed the level of SACCOS' member participation, the determinants of member participation and how participation influences the sustainability of SACCOS in Tanzania. The findings support the stakeholder's model on the relevance of promoting stakeholders in the management of the business organization. By unveiling how members contribute to making their co-operatives unsustainable, the paper enlarges and complements the efforts in uplifting the co-operative sector as the engine of economic growth in Tanzania. It contributes towards inspiring knowledge of the relationship between sustainable SACCOS and sustainable development. Also, it is an important bridge for future studies that could explore the usefulness of these indicators to other co-operatives in different localities.

## **2. A brief History of SACCOS in Tanzania**

The co-operative history in Tanzania can be traced back in the 1930s. The historian literature including Seimu (2015) shows the dominance of agricultural co-operatives until the late 1970s. The SACCOS model was strongly adopted in the 1990s (Mwakajumilo, 2011). The development of SACCOS is linked with financial reforms in the early 1980s. It is during this period that Tanzania made financial reforms which immediately had resulted in the development of the banking sector (Qin and Ndiege, 2013). However, despite the growth of the banking sector, it was immediately observed that poor and rural population remained unsaved (Magali, 2013; Qin and Ndiege, 2013; Bee, 2007). The major reasons for bank financial exclusion were that the bank conditions such as demand for collateral for loans and the fact that most of the commercial banks were located in cities or towns, thus

unfavourable to poor and rural residents. Also, banks were charging higher interest rates and unable to deliver varieties of products that meet the demands of poor and mostly rural people.

As a solution for financial inclusion to the majority of Tanzanians, the government of Tanzania focuses on promoting microfinance model including SACCO's model. The major assumption is that less conditional microcredit through microfinance is crucial for poor and rural financial inclusion and economic development (Kratzer and Kato, 2013). The efforts done by the Government to promote this sector includes the formulation of national policies and programmes such as the National Development Co-operative Policies of 1997 and 2002, the National Microfinance Policy of 2000, the Co-operative Act of 2003 and 2013 and their respective SACCOS regulations such as those of 2016. Also, there was an introduction of various rural financial programmes to facilitate SACCOS' initiatives at the community level such as RFSP and Market Infrastructure Value Addition and Rural Finance (MIVARF). Other initiatives to promote this sector of SACCOS in particular, include conducting of the World and National Co-operative day each year and strengthening co-operative training institutions and their respective services. Various co-operative sector reforms have also been done as well as the provision of government directives and statements in respect to promoting SACCOS and co-operative sector in general. As a result, there was tremendous sectorial growth and influence in the country in the 1990s. For instance, the number of SACCOS has increased from 3,400 in early 2005 to 5,346 in 2013 and 5,918 in 2017 (TCDC, 2017).

In Tanzania context, the official documents in Tanzania such as National Development Co-operative Policies of 2002 and the Co-operative Act of 2013 recognized cooperatives as a democratic organization that should be owned and controlled by members. At large, the cooperative model in Tanzania continues to follow the traditional cooperatives model. Contrary to the new generation co-operative model NGCs which membership is closed, in the traditional co-operative model membership is open to all those who wish to join. Though the expansion of membership brings economies of scale and lower average cost (Ndiege, *et al.*, 2016), unlimited membership may limit the participation of members in the cooperatives. It may limit the ability of members to exercise the democratic rights for instance members in decision making and using services because of distance and inability of co-operative to serve both members equally.

### **3. Sustainability of SACCOS**

Savings and Credit Co-operatives Societies (SACCOS) are among the major provider of microcredit services to a wide population who are unbankable by the commercial banks in developing countries. Despite their weaknesses as other forms of microfinance, such a high costs of funds, high interest rate and poor human resources quality (Haneef *et al.*, 2015), they remain to be the most proper financial inclusion tool among the poor and in rural areas (Ghosh, 2013), because there no alternative way to ensure financial inclusion in the rural areas. They have become currently the vital model for economic development by promoting joint efforts and self-reliance (Qin and Ndiege, 2013) and solve their financial, social and economic problems that cannot be solved individually (Abdul *at al.*, 2018). Due to their importance in social and economic development, the sustainability of SACCOS has been in the centre of the discussion. Sustainability implies continuation or keeps the business going within the likely resources of a SACCOS (Marwa and Aziakpono, 2015).

Thus, unsustainable SACCOS cannot meet the traditional role of supporting socio-economic development and poverty reduction. Rather they will be the reason for financial instability and enhanced vulnerability among the poorest people (Ghosh, 2013). Sustainability of SACCOS is an important issue because millions of people are served either as members/customers, employees/participants, or both (Abdul *et al.*, 2018; Bijman, 2018). Cooperators invest their time and their few resources in SACCOS; hence it becomes very expensive to those who put their resources, in case SACCOS fails. Meaning that, if SACCOS is unsustainable it may lead to a higher level of poverty among the members who invest their resources. Thus, as a value-based, principle-driven organization, and to be able to deliver the expected incomes, SACCOS, should be sustainable organizations. That means they should have the ability to run independently and provide long-term impact to the society (Ssebaale, 2008; Porter *et al.*, 1995). Sustainability in SACCOS will ensure continuing with the enormous contribution to social and economic growth and meet members' expectations.

Though there is literature on the sustainability of SACCOS (e.g. Said, *et al.*, 2019; Mjatta *et al.*, 2016; Churk, 2015; Marwa and Aziakpono, 2015; Mrisho, 2015; Chundu, 2014; Ndiege *et al.*, 2014; Magali, 2013) at most these studies are focusing on financial sustainability. For instance, Marwa and Aziakpono, (2015) viewed sustainability in SACCOS as the ability to meet its goals or targets over the long term. Marwa and Aziakpono added that sustainability is a smooth operation of the SACCOS with the necessary profitability, having adequate liquidity to overcome any challenges of bankruptcy over a long period. Ndiege *et al.* (2014) measured as operational self-sufficiency of SACCOS which calculated as total financial revenues divided by the expenses times a hundred percent. Also, Ssebaale (2008) defined sustainability as the ability of the SACCOS to collect its savings and cover all its cost sufficiently enough in such a way that the lending operations can continue serving its members and reading out to increase the number of members even after it is no longer getting grant or loans from any other financial institutions. Even though SACCOS are socially organized institutions, we did not find any study focusing on social sustainability in SACCOS.

Probably the most important agreement in literature conducted in Tanzania on sustainability is that majority of SACCOS are unsustainable. For instance, Magali (2013) who assessed the financial sustainability of rural SACCOS in Tanzania concluded that 46% of SACCOS in rural Eastern, Central and Northern zones of Tanzania were not sustainable. Mjatta *et al.* (2016) reported that most of the SACCOS in Tanzania do not provide the expected services to their members hence they are not sustainable. Marwa (2015) showed that about 49% of the SACCOS in Tanzania was not financially sustainable. Mwisimba (2015) observed that the number of active SACCOS in Morogoro Municipal Council was decreasing year after year, as a result, more than 60% of the SACCOS in the district were dormant hence failed to provide the expected services to their members. Similarly, Chundu (2014) who studied the financial sustainability of SACCOS in Ilala Municipal, Dar es Salaam revealed that SACCOS were not sustainable and hence they failed to provide the expected services to their members. In this circumstance, studies such as Churk (2015) argued that SACCOS played a very minimal role in promoting rural livelihoods, the feature that made poverty situation persist in the community members.

Studies including Markus and Daniel (2011) in Uganda and Muriithi (2017) in Kenya and Ndiege *et al.* (2014) in Tanzania, had a similar observation and concluded that many SACCOS were poorly performing and thus unsustainable because they were highly over dependant on subsidies from the governments or loans from formal financial intuitions. Said, *et al.*, (2019) concluded that poor sustainability in SACCOS was due to poor members education and dependency on a single source of income for SACCOS. Over dependency on government and other formal financial institutions and poor members' education imply that SACCOS probably do not concentrate on co-operative values and principles. A cooperative should be self-help institution. This can be achieved through members' joint work toward a specified goal. This means even financial sustainability could be archived once there is strong participation of members which represent the social sustainability of SACCOS. They may end up being financially unsustainable because they are not socially sustainable.

The most important issue is that co-operatives are a social organization. The social performance of an institution portrays the institution's ability to implement its social mission in the day to day operations. This makes a straight link between sustainability and how the co-operative portray the principles (Birchall, 2013). For instance, co-operative principles of voluntary and open membership, democratic control, member's economic participation, and education and training are the set of ideas that ensure the long term sustainability of co-operative movement. As such this study considers sustainability as the longevity of SACCOS to deliver services to their members. Thus, it is highly assumed that adhering to principles stand a great chance to influence their performance and sustainability. This study, therefore, focused on the role of members' participation in the sustainability of SACCOS.

#### **4. RESEARCH METHODS**

##### **4.1 Research Design**

The study used the inductive approach to establish participation as a major factor for the sustainability of SACCOS. The approach helped to establish the role played by members' participation in the sustainability of the

SACCOS. The study too adopted multiple case study research design in capturing and analyzing data. Multiple case research design is using several bounded cases in data collection and multiple sources of information (Creswell, 2013). The advantage of this design is its ability to probe deeply by exposing participants to a real-life situation which otherwise is difficult. It helps to add value to the participants through a discussion on a concrete subject; it also analyzes intensively to get an in-depth and detailed understanding of the study. Creswell (2013) states that a case study is an exploration or in-depth analysis of a bounded system (bounded by place and time) or a single or multiple cases over some time and it is best in collecting qualitative data. Thus, the design was suitable for the study due to its in-depth and contextual analysis of the natural setting to get an up closed detailed examination of the case being studied.

The research was conducted in Mpwapwa district which is one of the seven (7) districts of Dodoma region in Tanzania. The study collected data from four (4) SACCOS as cases in which 40 SACCOS members (10 members from each SACCOS) and seven (7) board members (three members from three SACCOS and one member from one (1) SACCOS) and one District Co-operative officer working in the respective district. The SACCOS were selected purposively, three (3) SACCOS from the list of dormant and one SACCOS from the list of active SACCOS. Dormant SACCOS were slightly overrepresented (3 out of 4) to have a better knowledge of what makes them dormant while active SACCOS was selected so that the best lesson learned from active SACCOS could be applied to improve the dormant SACCOS. The members of SACCOS who were included in the study were selected randomly by picking the first 10 names in the members' register books in each SACCOS. Then the arrangements were made to meet them. All SACCOS under the study were community member-based, however, two out of four SACCOS were agricultural based SACCOS, one was agriculture and entrepreneurship based SACCOS and the other one was livestock member-based SACCOS.

Mainly the study used the primary data. To supplement the information collected from the primary source, secondary data were also collected by reviewing various documents such as a progress report, minutes of meetings and individual member's passbooks for the past five years. Based on the variability of our respondents three methods of data collection were used in this study because each method of data collection complemented each other. The methods used were focus group discussion, interview, and documentary. These methods were found to be useful in exploring and understanding the phenomena under the study in great depth and detail. Focus group discussion (FGD) was the major data collection techniques as it promotes a comfortable atmosphere of disclosure in which people can share ideas, experiences, and attitudes about the topic. The method is a form of qualitative research used to collect similar data from many participants at once, participants influence and is influenced while the researchers play various roles including that of the moderator, listener, an observer. Interview and documentary review were additional data collection methods.

#### **4.2 Data Processing and Analysis**

The content analysis method was used to analyze the collected data as summarized in Table 1. Coding and grouping were done to identify emerging common themes. The content analysis method is a systematic coding and categorization approach used to analyze large amounts of existing qualitative textual data to explore a large amount of existing textual information (Patton, 2002). The method helps to explore the trends and patterns of words used and their frequency, their relationships and structures, their contexts and discourse of communication. The method focuses on the characteristics of language as communication with attention to the content or contextual meaning of the text.

One of basic issue when performing the qualitative content analysis is to decide the focus of the analysis (Erlingsson and Brysiewicz, 2013). The focus of analysis can be manifest content or latent content analysis depending on the nature of the data collected at hand. The analysis of what text says deals with the content aspect and describes the visible, obvious components referred to as manifest content. The analysis of what the text talks about deals with the relationship aspects and involves an interpretation of the underlying meaning of the text is referred to as the latent content (Erlingsson and Brysiewicz, 2013).

Based on the nature and characteristics of the collected data, the study adopted a latent content analysis approach to analyze data. Latent content analysis is used to analyze data characterized by what the text talks about, data with related aspects which involves interpretation of the underlying meaning of a text. Herein six (6) stages were involved: a selection of the unit of analysis, identify the meaning unit, shortening the text, condensing the text, analyzing data and compiling the report. During analysis, the whole transcript comprising of all data collected from SACCOS' members and key informants in all four SACCOS was used as a unit of analysis. Unit of analysis in qualitative data refers to all parts of the text that abstracted and coded or every word or phrase is written in the transcripts (Weber, 1990).

The identification of a meaning unit was performed. Meaning unit is words or sentences or paragraphs containing aspects related to each other through their content and context (Kovach, 1991). It is a constellation of words or statements that relate to the same central meaning or referred to as a content unit or coding unit. This is a stage when researcher begun to read and reread each transcript carefully from the beginning to the end and then highlighted all text that appeared to capture key concepts about the study and describe the reaction using participant's words. This was followed by a shortening of the text. This step involves the reduction and distillation of the text (Cavanagh, 1997). Reduction refers to decreasing the size of the text but maintain the quality, distillation deals with the abstracted quality of a text. The researcher continued by reading all the highlighted text and shortening it as short as possible without diluting the contents. Then it was followed by condensation of the text. This refers to abstraction or aggregation of the text (Cavanagh, 1997). In this stage, all condensed data were grouped under the same headings and concept based on the emerged themes and categories. Responses from participants were described using the identified codes. The results from the content analysis were compared with the research question. The last step was to report writing. This signifies the choice of words to summaries and reflects the complexity of the data. The researcher engaged in the interpretative act, lending shape, and giving meaning to a massive amount of raw data. In this final stage, the researcher attempted to support findings by integrating relevant literature, answers to the research questions and related findings to the aims of the research objective in the study.

## 5. FINDINGS AND DISCUSSION

### 5.1 Formation of SACCOS

Mpwapwa district has 34 co-operative societies, out of which five (5) are AMCOS and 29 are SACCOS. This match with previous research studies (e.g. Sumelius, *et al.*, 2013) that SACCOS are dominant co-operatives in Tanzania. The SACCOS has 6, 109 members of whom 3, 370 are male and 2, 423 are female while 316 are groups. Also, the findings in Table 2 reveals that in 2018 out of 29 SACCOS which were registered in the district, 23 were classified as dormant, which is more than 79% of registered SACCOS. This finding march with the observation by Uronu and Ndiege (2018) that a large number of SACCOS are dormant in Mpwapwa District. The study had a total of 48 respondents in three categories including SACCOS' members, Board members, and District Co-operative Officer. Out of 48 respondents, 40 (83%) were SACCOS members, seven (15%) were board members and one (2%) Co-operative officer as it is summarized in Table 2.

**Table 2: Distribution of Respondents**

Category	Male	Female	Total	Percent (%)
SACCOS Members	22	18	40	83
Board Members	4	3	7	15
Co-operative staffs	1	-	1	2
<b>Total</b>	<b>27</b>	<b>31</b>	<b>48</b>	<b>100</b>

The study involved four (4) SACCOS which were Luhundwa Ward SACCOS Ltd, Chipogoro ward SACCOS Ltd, Mshikamano Wafugaji SACCOS Ltd, and Matomondo Ward SACCOS Ltd as it is summarized in Table 3.

**Table 3: Summary of the Surveyed SACCOS**

SACCOS	Reg. NO.	Year of formation	Male members	Female members	Group members	Total members
Luhundwa SACCOS	DOR 589	2003	2000	171	53	404
Chipogoro SACCOS	SIR 364	2003	134	75	12	221
Mshikamano Wafugaji	DOR 593	2003	82	123	-	205
Matomondo SACCOS	DOR 591	2003	187	189	21	397
<b>Total</b>			<b>603</b>	<b>558</b>	<b>66</b>	<b>1227</b>

Table 3 shows that all the surveyed SACCOS were started in the same year of 2003. It was observed that many SACCOS in Mpwapwa were formed in the early 2000s under the external initiative. The formation of SACCOS in Mpwapwa district was as a result of pressure from the government through the RFSP programme. [The participant number one from Luhundwa Ward SACCOS Ltd (2003), number five from Chipogoro Ward SACCOS Ltd (2003), number nine from Mshikamano wafugaji SACCOS Ltd (2003) and number fourteen from Matomondo Ward SACCOS Ltd (2003)] explained that:

*"...The SACCOS were member-initiated after the mobilization done by the district government officials who emphasized on the importance of establishing at least one SACCOS in each respective ward by 2005..."* (Interview field data, Mpwapwa, June 2018).

The RFSP programme targeted at least one SACCOS in each ward by 2005. This program opened a wider door which allowed many people to join or form SACCOS. Due to this most of those members were less committed to SACCOS. Such observation was supported by participant number five from Chipogoro Ward SACCOS Ltd (2003) who commented that:

*"...Currently, the SACCOS is dead; the member drop out started in 2009 when RFSP phased out its support in the area of management and supervision..."* (Interview field data, Mpwapwa, June 2018).

This indicates that members of SACCOS' mentality remain dependent on external support to run their organizations. Once the external support come to an end, the participation of most of the members decreases. Participant number five from Chipogoro Ward SACCOS Ltd (2003) pointed out that:

*"...After this period of phasing out, members started to be reluctant on loan repayment, as a result, the financial capacity of the SACCOS also dropped..."* (Interview field data, Mpwapwa, June 2018).

This shows that the process used to form the SACCOS was a reason in the collapse of the SACCOS. Probably, the members were not committed and responsible for their SACCOS because they did not invest enough energy to have the SACCOS. The motivation for starting a SACCOS is very much the same as for starting other businesses (Bwana, 2013). Thus, it requires considerable time, energy, commitments, and resources following planned step by step procedures whereby the process can be completed in an efficient and timely manner without that the success and sustainability of SACCOS might be in danger. Short of that the sense of ownership and accountability is lacking.

The Co-operative Societies Act, 2013, section 30 (1b) indicates that there will be a feasibility study to see the economic viability of the co-operative before registration. In the case of external forces whether from the government, politician or NGOs, it will be easy to meet the requirement but with inadequate assessment. For example, one of the requirement is "potential members ability to buy shares and make a contribution to raising enough initial capital to sustain the basic costs of running the co-operative society or rather be approved". Under external initiative it is difficult to assess this condition; hence there is a high possibility of approving unviable co-operatives.

## 5.2 Decision making

The study found that members in all visited SACCOS were not participating fully in the decision making process. They insisted that they have nothing to discuss that is why they don't see the reason for attending the meetings. For example, one participant from Chipogoro Ward SACCOS Ltd (2003) pointed out that:

*"...Since we know that they have nothing to tell us in the meetings, we don't see the reason of wasting our time to attend the meeting, unless they tell us that our stolen funds have been returned then we will attend the meetings otherwise we won't do that..."*(Interview field data, Mpwapwa, June 2018).

The level of monitoring and members' participation to make decisions is important in the sustainability of SACCOS (Birchall, 2013). However, based on the respondent's comment, it is evident that members were not aware of their role as owners in the decision-making process. It seems they surrendered their power to the board members and employees something which makes them distant from their organization. This is known as agency cost, that the plan and decisions are made by management (Pozzobon, 2011). In SACCOS' industry, this led to massive corruption and fraud cases. The respondent's argument was also supported by the report from management which revealed that, for instance, there were only two meetings conducted in two SACCOS in the past five years. Also, the minutes of the past meetings showed that the member's attendance in the meetings was very low in all SACCOS. For example, for the Chipogoro and Matomondo SACCOS, the attendance was 67 (30%) out of 221 members in the AGM conducted on 27<sup>th</sup> October 2017 and 73 (19%) out of 390 members in the meeting conducted on 16<sup>th</sup> December 2016. The study failed to get evidence to verify if there were any meetings conducted for Luhundwa and Mshikamano Wafugaji SACCOS in the past five years at the time of data collection 2018.

When the meetings are not conducted as per requirement it means democracy in SACCO' operations was not adhered to. Because members did not participate enough in the decision-making process, it is likely management would have a chance to decide whatever they think is correct according to their preference. This increases agency costs because members won't know where their institution is heading to. There are many cases in Tanzania that board members or management (employees) or both misuse the SACCOS funds. Meaning that there is a greater chance that when there is undemocratic decision making, also there is a misuse of funds and other resources and hence contribute to poor sustainability of the SACCOS. For instance, participant number one from Luhundwa Ward SACCOS Ltd (2003) said (and was supported by majority of the participant) that:

*"...Sincerely co-operative knowledge to the members is very low. This is evidenced by a big mistake we did years back to allow one of the members to join our SACCOS contrary to the by-law and constitution which stated that member of the SACCOS must be a permanent villager in one of the villages in the ward and not otherwise. Bad enough we elected him as board chairperson. As a result, he used his position to destroy our SACCOS. He forged minutes and stole more than TZS 40m (forty million shillings) from our bank account. Thus lack of co-operative knowledge among members was a source of all this..."* (Interview field data, Mpwapwa, June 2018).

This indicates that together with missing regular meeting as required by the SACCOS regulation no. of 2016 there was also minimum involvement in SACCOS' activities. In SACCOS' management structure the supervisory committee and board members who are both members of SACCOS are in a position to monitor daily activities.

## 5.3 Using SACCOS services

Another issue identified was the use of SACCOS' services. Member's participation in the use of SACCOS' services in every co-operative society is very pertinent for its survival and sustainability (Bwana, 2013). Two Participants one from Luhundwa Ward SACCOS Ltd (2003) and another from Chipogoro Ward SACCOS Ltd (2003) revealed that:

*"...The current performance and status of our SACCOS are very poor compared to the previous years because now nothing is going on, the SACCOS have dead since 2010 and there are no any initiatives to make it live because even meetings are not conducted..."*( Participant from Luhundwa Ward SACCOS).

*"...In our SACCOS there are some of the members who are not honest because when they were given loan they didn't repay them on times. As a result, some of the members who were liable for loan missed the service hence were demoralized to continue with the business, I was the one who applied for loan in the past years but the loan was not*



*provided due to insufficient funds...*"(Interview field data, Mpwapwa, June 2018) (Participant from Chipogoro SACCOS).

From these members' comment and observations made by researchers, almost all SACCOS were inactive in terms of savings and borrowing. It was observed that there were no new savings, share, and borrowing in all SACCOS for the past five years. It was observed that there was no fund owned in the accounts of all researched SACCOS. Moreover, money borrowed by members was still in the hands of members, some of them for more than five years. The argument was also supported through the district co-operative report which showed that until the time of data collection more than TZS: 26.8 million in the visited SACCOS were in the hands of members as unpaid loans.

Because in SACCOS the clients are the members, the survival of any SACCOS depends on how members are committed and participate in SACCOS' business activities which are mainly savings and borrowing money. This is in line with the guiding co-operative principle of member's economic participation as a base for the sustainability of the SACCOS. This situation supports USAID (2006) that, the successful and sustainability of SACCOS lays on how members participate in the use of SACCOS services such as borrowing. The findings are in line with Kwai and Urassa (2015), who insisted that for better performance and sustainability of SACCOS members are encouraged to increase savings and share as a major source of capital for the SACCOS.

#### **5.4 Geographical Coverage of the SACCOS**

They say, the one who sees the tower of the church is a good believer. Meaning that a member of SACCOS who distant from SACCOS headquarters may not participate effectively in the SACCOS. Co-operative principle number one as outlined by ICA (1995), states that co-operative is a voluntary and open membership to all persons. However, open membership is limited to a common bond. The common bond is the common characteristics among members who wish to join the SACCOS. One of the most used common bond in SACCOS especially in rural areas is the location. Location is important as a common bond because members are known by each other which allow members to participate in SACCOS' activities.

All the visited SACCOS were community member based. The study found that all surveyed SACCOS were serving members from two to three wards with several villages which were also scattered with different characteristics of members. The respondents were of the opinion that wide coverage of more than one ward was a challenge toward the life and growth of SACCOS. For instance, two participants from Mshikamano Wafugaji SACCOS Ltd (2003) respectively argued that:

*"...Mshikamano Wafugaji SACCOS is serving members from three wards of Mazae, Kibakwe, and Matomondo. As a result of the distance majority of members become tired along the way; distance discouraged the majority of members who were coming from far away villages to the head office which is Mazae. Members who left the SACCOS were mostly coming from wards such as Kibakwe which is more than fifty kilometers and Matomondo more than thirty kilometers away..."*

*"...Long-distance also has cost implication during follow up of loans, attendance in meetings and loan repayment among members..."* (Interview field data, Mpwapwa, June 2018).

Based on geography and infrastructures in the study area, it is difficult for members to know each other. This is important because, if a member of SACCOS can reach and participate easily in SACCOS activities then he/she is a good cooperator. Moreover, when members are dispersed the cost of management will be high for example cost for loan follow-up. Thus, this reveals that, the bigger size of geographical coverage by SACCOS' causes poor participation by members.

According to the National Co-operative Society Act (2013) and the Savings and Credit Co-operative Societies regulations of 2016, the minimum number of members to form SACCOS is twenty. This number of members can be found within the same village or street. Hence for community member based SACCOS, there is no need to find

members from out of the village to form the SACCOS unless there is a concrete reason to do so, and otherwise, it is better to remain with a SACCOS with few members but is sustainable

### 5.5 Co-operative Knowledge

Co-operative education is one of the co-operative principles. Its objective is to foster understanding to members, leaders, and employees to carry out their respective roles by ensuring that members and the general public are informed about the nature of the co-operative movement. Moreover, cooperative education is important because members of SACCOS require new ideas, new standards, new habits and behaviors (Dogarawa, 2005). However, the lack of co-operative knowledge was identified as another reason for poor participation of members in the study area. The study found that members and board members in general lack co-operative knowledge in SACCOS' activities. For instance, a participant from Mshikamano Wafugaji SACCOS Ltd (2003) said that:

*"...Currently, we don't have any training programme in our SACCOS and even from the government in general. Training in this SACCOS was conducted more than ten years ago and it was specific for some of the board members only..."*(Interview field data, Mpwapwa, June 2018).

This implies that members forget that SACCOS and all that is in it is their property. As such the SACCOS assets seen to have no owner because the owner, who is a member is not aware. For instance, if members are less knowledgeable, they will not understand the advantage of attending the meeting and participating in decision making. Ultimately, they surrender the main decisions to the leaders. The management will not see the relevance of conducting a meeting or may use that opportunity of members' ignorance to benefit them. That means, in this situation unfaithful or incompetent leader will not follow cooperative regulation. The records show that many SACCOS have collapsed because of mismanagement and frauds in Tanzania.

The respondents were generally of the opinions that, co-operative education should be provided effectively and regularly to all stakeholders at various levels such as at members' level, committees, board members and the general public on the nature of SACCOS, duties, and responsibilities of members and the benefits that can be accrued by members. The respondents' opinions are concurrent with Anania and Gikuri (2015) who emphasized on the importance of co-operative education in the SACCOS activities. Anania and Gikuri also insisted that intensive education and training programmes are needed to build capacity to members, staff and board members to function effectively by being responsible members and leaders who are committed to the SACCOS activities in Tanzania. Gathigia (2011) emphasized that co-operative education aims at developing enlightened members and responsible leaders capable of directing and effectively controlling co-operative for the benefit of members and continued prosperity of the co-operative movement. This can be achieved through imparting relevant entrepreneurial skills and knowledge to members and management to enhance efficiency and effectiveness in the services rendered by the co-operatives.

### 6. THEORETICAL IMPLICATION

The study established three major ways which member should participate in SACCOS and thus contribute to the sustainability of the SACCOS. First is participation in the formation of SACCOS. Normally co-operatives are formed through the internal or external initiative. The internal initiative is when the idea comes from among the co-operators themselves stimulated by their challenges. This gives members voice, sense of ownership and become accountable. The later is when the formation of co-operatives is based on external force such as from politician, non-governmental organizations and the government. Contrary to the internal initiative, by external initiative members are in most cases less committed and irresponsible to the SACCOS activities. Under external pressure, normally many people join co-operatives because of expectations of getting a free meal, and once they realize that co-operative basis is self-help they are demoralized. Secondly, many members do not participate in decision making including attending annual general meetings. Also, this study noted that low uses of SACCOS' services such as savings, borrowing and loan repayment resulted in poor sustainability of the SACCOS. Then the study established two major reasons for poor participation especially in decision making and use of SACCOS' services. First is geographical coverage of SACCOS' operational area. The wider geographical area gives members less

opportunity to participate in SACCOS' activities especially attending meetings. Secondly, low skill regarding co-operative and co-operative management. The level of education and access to SACCOS' location influences the democratic chances for a member of SACCOS. That means members are less committed or they are unable to influence the activities of SACCOS or/and the cooperative to have an inability to provide basic service such as training and education to members. This is because SACCOS are run under the traditional cooperative model in which membership is open. Moreover, the poor performance of SACCOS has a negative influence on economic development of members themselves, non-members (who are affected through multiplier effects), employees in the SACCOS and the government which considers SACCOS as a model for poverty reduction.

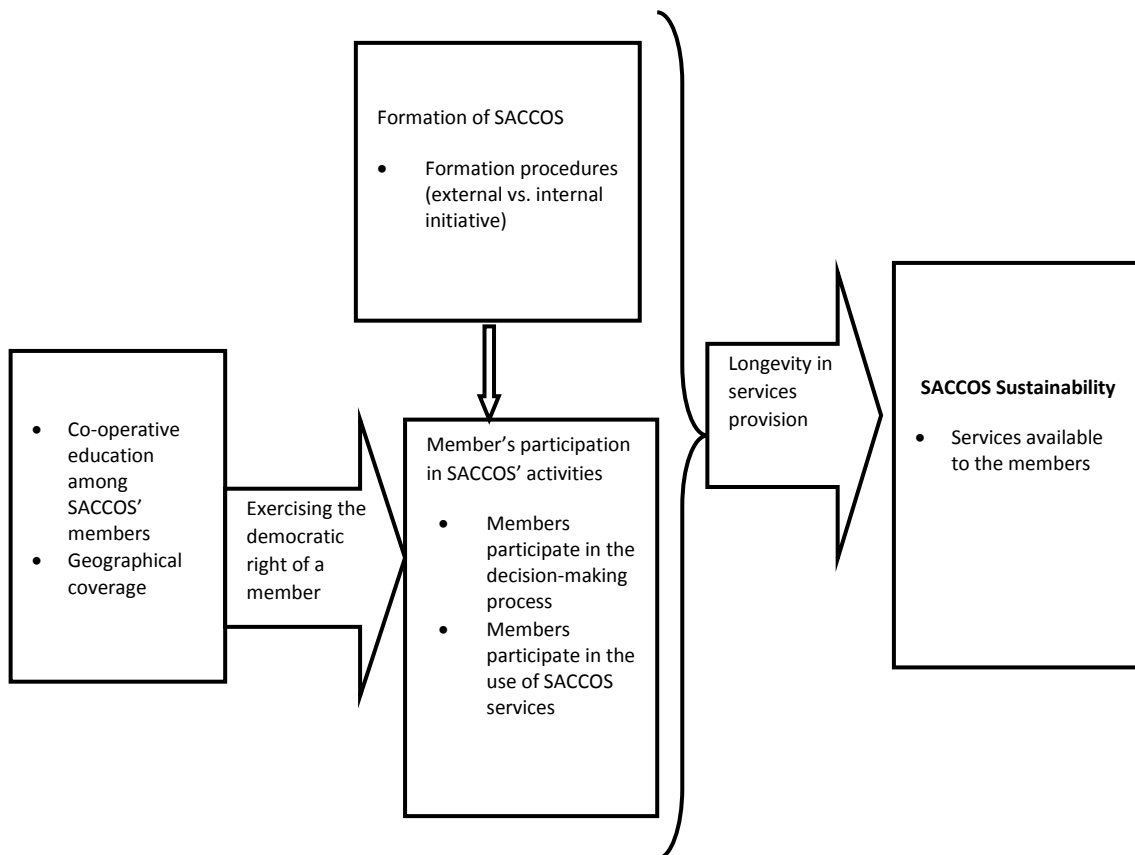


Figure 1: Conceptual framework for SACCOS Sustainability

7. CONCLUSIONS AND RECOMMENDATIONS

This study analysed how members' participation affects the sustainability of SACCOS. Particularly the study examined the level of member participation, determinants of member participation and the possible influence of members' participation in the sustainability of SACCOS. In Mpwapwa district 79% of SACCOS were classified as inactive, the study found that many SACCOS are inactive leading to poor sustainability in SACCOS. The study thus concluded that sustainability of SACCOS is higher when members' participation in SACCOS' activities is high. Implying that, the sustainability of SACCOS depends on the quality of members in terms of their involvements in savings, borrowing, paying loans and engage in decision making. All these will be achieved when members have higher skills regarding co-operative and co-operative management and have access to SACCOS' location.

Base on the findings, it is obvious that SACCOS are working under traditional co-operative model by leaving membership open. In turn, this limits the chances of members to practice their democratic rights in their cooperatives. Thus, it is high time now for SACCOS to focus on having closed members of those who are interested and manageable. That is, following the new generation cooperative (NGC). The government and other stakeholders should support to ensure that effective co-operative education is provided to all stakeholders in the

sector regularly at various levels such as a member's level, committees, board members and the general public. This study also established the important indicators for the sustainability of SACCOS using data from Mpwapwa district. There is a need to conduct a broader study that also involves quantitative analysis to test the significance of the indicators of sustainability and determine the level of influence each indicator by giving weight to each indicator.

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**APPENDICES**

**Table 1: Content analysis matrix**

Topic	Meaning unit	Condensed meaning unit	Code	Theme	
<b>The influence of formation of SACCOS on the sustainability of SACCOS</b>	SACCOS were self-initiated, mobilization was done by government officials	Self-initiative and government support	Self-initiative and government support	External support	
	The SACCOS are dead; the drop-out started in 2009 when RFSP phased out to support	Dependence from external support	Depend on external support		
	SACCOS serving members from two to three wards, as a result, distance discouraged some of the members who were located in far villages	Serving members in more than one ward discouraged members	Distance discourage Members participation		Wide Geographical coverage
<b>The influence of members' participation in sustainability of SACCOS</b>	We don't see the reason for wasting our time to attend the meeting	Lack of democratic knowledge	Members discouragement	Decision-making process	
	Performance status of our SACCOS is very poor, nothing is going on, the SACCOS died since 2010	Dormant SACCOS	The SACCOS is dormant		
	Members are not honest, they don't repay the loan on time	Members trustful	Lack of trust		Lack of commitment among members
<b>The role of co-operative knowledge in the sustainability of SACCOS</b>	Members benefited from SACCOS during the starting period which went up to 2012, then after the SACCOS lost its direction	Over dependent on external support	Over dependent from external support	Over dependence on external financial institutions	
	In the past years when we applied for a loan, we were provided without any problems. The problem started in 2010 when we got a loan of TZS: 0.32millions from PRIDE Tanzania	Management ethics	Management ethics		Co-operative knowledge
	We don't have any training programme in our SACCOS the last training was conducted more than ten years ago	Lack of co-operative knowledge	Lack of co-operative knowledge		Co-operative education among members and board

Source: Field data (2018)