

**SOUTHERN NEW HAMPSHIRE UNIVERSITY**

**AND**

**THE OPEN UNIVERSITY OF TANZANIA**

**(OUT)**

**Masters of Science in Community Economic Development**

**CED – 2007**

**Sustainability of Savings and Credit Co-operative Societies**

**(SACCOS): A CASE OF MONDULI DISTRICT – ARUSHA**

**A project Submitted in Partial Fulfillment of Requirements**

**for the Master of Science in Community and Economic**

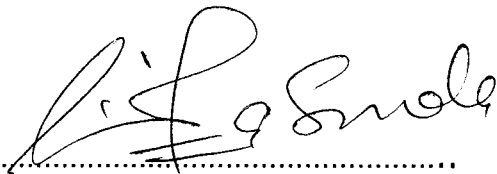
**Development (CED) IN SOUTHERN NEW HAMPSHIRE**

**UNIVERSITY AT THE OPEN UNIVERSITY OF TANZANIA 2007**

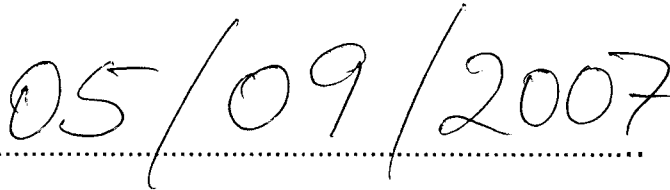
**Hamis Ally Kingu**

## Supervisor(s) Certification

I, **Dr. Sinda Hussein Sinda**, hereby certify that I have read the project titled sustainability of **Saving and Credit Cooperative Societies: A case study of Monduli District Arusha region**, and found it to be in a form acceptable for review.



.....  
Signature of the Supervisor



.....  
Date

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## Declaration by the Candidate

I, **Hamis Ally Kingu** declare that this project is my own original work and that it has never been submitted for the similar degree in any other university.

Signature: ..... *Hamis Ally Kingu* .....

Date: ..... *4/9/2007* .....

## **Dedication**

To my beloved family: My former wife the late Amina Musa, my wife Asha Steven, my daughters Zaituni Hamis and the late Zainabu Hamis and my son Mpinga Hamis

## **Abstract**

Saving and Credit Cooperative Societies (SACCOS) are Community Economic Development Projects which are based on three nexes: Participation, Empowerment and sustainability of the economic ventures carried out by community members. The main objective of this survey is to assess the sustainability of these Peoples' Based Organization (PBOs) by analysing both their activity and financial performance.

The survey was carried out in Monduli District in Arusha Region between October 2005 and August 2006 in collaboration with the CBO-Arusha Community Initiatives Support Trust (ACIST) situated in Arusha City Council (ACC). It involved 105 respondents 100 were SACCOS members and 5 were staff from ACIST (Arusha) Community Development and Cooperatives Departments in Monduli District.

The principal methodology used in this survey includes structured interviews, Questionnaires, Focus Group Discuss, Key Informants Interviews and Observation.

The general observation from the findings revelled that most SACCOS are not performing well due to lack of adequate capital, low level of education, poor extension services, inaccessibility to credit facilities and services. Only workers based SACCOS had stable source of their income.

However, its is a naked fact SACCOS do need a comprehensive and concerted effort by both the Government, NGOs and Civil Society Organization (CSOs) to uplift their status and make them sustainable and be fuelling tool for Community Economic Development.

## **Executive Summary**

How poverty is understood determines the way how policy makes and planners respond to it. A Sustainable Livelihood Approach (SLA) adopts a distinctive perspective on the understanding of both urban and rural poverty and how to intervene to improve the conditions of the poor. The sustainable livelihood approach has received legitimacy over the last decade through acceptance and development of government and international forums. For instance, the 1997 UK Government White Paper on International Development Community, the Department for International Development (DFID, 1997) applied this approach in promoting sustainable livelihoods.

A Sustainable Livelihood Approach starts from the premise that poverty is a condition of in security or vulnerability rather than merely lack of wealth. Further it stresses that poverty is not a stable, permanent or static condition. Thus the poor move in and out of relative poverty as they respond to the opportunities, shocks and stresses, which they experience. Broadly a sustainable livelihood is a means of living, which is resilient to shocks and stresses, which does not adversely affect the environment.

This paper examines and discusses the sustainability nexes among the rural poor, and underpins their causes, impact implications of the rural setting for the sustainable livelihoods approach.



A sustainable livelihood is both dynamic and adaptable and is therefore sustainable over long term. It incorporates the capacities, assets, both material and social, and activities which are available to the both poor men and women which make-up a living. The variety of opportunities available differs according to where people live in and their accessible to resource pentagon. People are at the centre of the livelihood framework and are perceived as capable actors and not happiness victims.

The people can invent new social constitutions focused on the community level and specially at the community level and be a comprehensive, multi-functional, integrated, holistic strategy which is locally conceived and directed, not something offered from outside the community.

The livelihood outcomes of individuals or household s are the results of people's success or failure in transforming, through a variety of strategies, the assets available to them into income which will help them to obtain on basic goods and services.

The main problem of the rural poor in Monduli district, Arusha region in their effort to create sustainable livelihoods, through Saving and Credit Cooperative Societies (SACCOS) is lack of adequate capacity to mobilize the locally available resources. This is mainly due to lack of adequate education to harness such resource.

According to MDC (Dec, 2000), Socio-economic profile, the district per capita income is estimated to be USD 140 per annum (1994).

Agriculture and wildlife are the major economic activities in the district.

Agriculture relies mostly on rainfall, which is not reliable. Agricultural extension services are still very crucial especially for poor and illiterate farmers but extension workers are very inadequate.

It is obvious that lack of adequate extension services in both productive and social sectors affects the sustainable livelihood of the population in Monduli district.

In the district some people have decided to join hands together in their efforts to sustain their daily livelihood through establishing economic ventures hence creating new business community. They have resorted to establish Saving and Credit Cooperation Societies (SACCOS).

Proper training and information could lead into improved Physical Quality of life of the rural poor. It is therefore the goal of this paper to build capacity among the rural poor in local resource mobilization; so as to attain sustainable livelihoods. The study on the sustainability of SACCOS was carried out in Monduli District, Arusha region between October 2005 and August, 2006 involving five SACCOS. It aimed at assessing sustainability of Asset Based Approach both tangible and non-tangible. It involved an assessment of these CBOs resources pentagon that is physical, material, financial, human and social.

The survey findings revealed that people in the district live in an abject poverty and fail to harness locally available resource effectively and efficiently. This is due to lack of adequate knowledge and skills in project planning and management, poor organization structure, poor system of book and record-keeping, low level of capital profile and operational problems including poor administrative system and weak financial control within some organization.

It is evident that SACCOS are in principle financial organization that are based on creating human values through addressing members needs adhering to equality, promotion of self-esteem practising support to others attendance of self-reliance.

Sustainability of SACCOS depends upon commitment of community members towards creating enabling environment for sustainable growth and prosperity.

## **Acknowledgement**

This project is an outcome of different personalities whose ideas were sought and other facilitations, which were provided.

I would like to appreciate highly the financial support provided by my sponsor the Ministry of Community Development, Gender and Children through the Community Development Training Institute (CDTI) under the Principal Mr. Salum H. Selenge.

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I am highly inclined to acknowledge the contribution of my supervisor Dr. Sinda Hussein Sinda for his committed guidance in processing this paper and made it bear the present form

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## Table of Contents

|                                   |       |
|-----------------------------------|-------|
| Supervisor(s) Certification       | i     |
| Copyright                         | ii    |
| Declaration by the Candidates     | iii   |
| Dedication                        | iv    |
| Abstract                          | v     |
| Executive Summary                 | vii   |
| Acknowledgement                   | xi    |
| Table of Contents                 | xiii  |
| List of Tables                    | xvi   |
| List of Figures                   | xviii |
| List of Photos                    | xix   |
| List of Acronyms and Abbreviation | xx    |

### **Chapter One: Community Needs Assessment**

|  |    |
|--|----|
| 1.1 Background to the Community Based Organization                 | 1  |
| 1.2 Historical Development of Cooperative Society in<br>Tanzania   | 5  |
| 1.3 Community Profile  | 7  |
| 1.4 Community Needs Assessment                                     | 16 |
| 1.5 Research Methodology used during Community<br>Needs Assessment | 18 |
| 1.5.1 Survey Design  | 18 |
| 1.5.2 Internal and External Validity                               | 19 |
| 1.5.3 Reliability  | 20 |
| 1.5.4 Administration of the Survey                                 | 21 |
| 1.5.5 Methods of data collection                                   | 22 |
| 1.5.6 Methods of data presentation                                 | 22 |

|   |    |
|---|----|
| 1.5.7 Methods of analysis of the findings | 23 |
| 1.5.8 Population and Sample               | 26 |
| 1.5.9 Sampling Techniques                 | 27 |
| 1.5.10 Results and discussions            | 29 |
| 1.5.11 The main observation               | 34 |
| 1.5.12 SACCOS performance                 | 37 |

## **Chapter Two: Problem Identification**

|                                 |    |
|---------------------------------|----|
| 2.1 The Problem Statement       | 52 |
| 2.2 Stakeholders to the Project | 53 |
| 2.3 The Project Objectives      | 55 |
| 2.3.1 The general Objective     | 55 |
| 2.3.2 The Specific Objectives   | 55 |
| 2.3.3 The Host Organization     | 55 |
| 2.3.4 Research Questions        | 55 |

## **Chapter Three: Literature Review**

|  |    |
|--|----|
| 3.1 Conceptual Analysis                    | 57 |
| 3.2 The Theoretical Literature Review      | 57 |
| 3.3 Basic School of thought on Cooperative | 59 |
| 3.4 Empirical Literature Review            | 63 |
| 3.5 Policy Review                          | 71 |
| 3.6 Observation from Literature Review     | 78 |

## **Chapter Four: Implementation**

|   |    |
|---|----|
| 4.1 Products and Outputs                | 80 |
| 4.2 Project Planning and Implementation | 80 |
| 4.3 Project Implementation Strategy     | 81 |

|   |     |
|---|-----|
| 4.4 Staff Pattern   | 82  |
| 4.5 Inclusive Participation   | 83  |
| 4.6 Planned Versus Actual Implementation                                  | 83  |
| 4.7 Project Implementation Report   | 84  |
| 4.7.1 Capacity Building among SACCOS                                      | 85  |
| 4.7.2 Training on Project Planning  | 85  |
| 4.7.3 Establishing More Income Generating Activities                      | 85  |
| 4.7.4 Strengthening Economic Group Leadership                             | 86  |
| 4.7.5 Application of Record Keeping Techniques for<br>Project Development | 86  |
| <br>  |     |
| <b>Chapter Five: Monitoring, Evaluation and Sustainability</b>            |     |
| 5.1 Monitoring  | 87  |
| 5.2 Research Methodology  | 88  |
| 5.2.1 Methods used  | 88  |
| 5.2.2 Basic Tools and techniques used in Monitoring                       | 91  |
| 5.3 Evaluation  | 93  |
| 5.4 Research Methodology  | 93  |
| 5.5 Tools and Techniques  | 94  |
| 5.6 Sustainability  | 96  |
| <br>  |     |
| <b>Chapter Six: Conclusion and Recommendations</b>                        |     |
| 6.1 Summary   | 98  |
| 6.2 Implication and Recommendations                                       | 99  |
| <br>  |     |
| <b>References</b>   | 101 |



|  |     |
|--|-----|
| Appendix I: Interview Guide for SACCOS Members                         | 106 |
| Appendix II: Questionnaires for ACIST and Extension<br>Staff           | 114 |
| Appendix III: Staff Job Description                                    | 116 |
| Appendix IV: Project Budget (Estimated)                                | 118 |
| Appendix V: Questionnaires for Monitoring and Evaluation<br>for SACCOS | 119 |
| Appendix VI: SACCOS Photos   | 121 |
| Appendix VII: $X^2$ Critical Values                                    | 124 |
| Appendix VIII: Project Implementation Plan                             | 125 |
| Appendix IX: ACIST Request Letter                                      |     |
| Appendix X: ACIST Invitation Letter                                    |     |
| Appendix XI: Project Power Point Presentation                          |     |
| Appendix XII: Monduli District Map                                     |     |

## **List of Tables**

1. Table 1.1: Land use and Distribution
2. Table 1.2: Major food and cash crops production in Monduli District
3. Table 1.3: Productivity index for major crops
4. Table 1.4: Irrigation potential Area in the district
5. Table 1.5: Major livestock Distribution by Division
6. Table 1.6: Minerals available in the district
7. Table 1.7: Survey Administrator
8. Table 1.8: The Sample distribution of the survey
9. Table 1.9: Distribution of Respondents by education level
10. Table 1.10: Respondents by age group
11. Table 1.11: Respondents by income distribution per month
12. Table 1.12: Respondents by Marital Status
13. Table 1.13: Respondents Distribution in the five
- 14.
15. Table 1.14: Summary of the Community Needs
16. Table 1.15: Activities diversification per SACCOS
17. Table 1.16: Activities diversification per SACCOS
18. Table 1.17: Return on investment as per SACCOS (2001-2005)
19. Table 1.18: Cumulative capital per SACCOS up to 2003
20. Table 1.19: Savings Contribution to the Total capital base
21. Table 1.20: Loan Product duration and Interest rates
22. Table 1.21: Trend of Income for 2001-2005
23. Table 1.22: Employment in different areas

24. Table 1.23: Physical quality of living index parameter
25. Table 1.24: Monduli district Basic-Socio-Economic indicators
26. Table 4.1: Project Planning Matrix for CED Project-SACCOS
27. Table 4.2: Training Budget for the Project
28. Table 4.3: Project Action Planning
29. Table 5.1 Monitoring Indicators for the Project
30. Table 5.2: Information for monitoring program Operation
31. Table 5.3: Evaluation Plan
32. Table 5.4: Evaluation Plan for The Project

## **List of Figures**

1. Fig1.1: Population Distribution by Age and Sex
2. Fig. 1.2: Percentage Distribution of respondents by gender
3. Fig. 1.3: Percentage distribution of respondents by level of Education
4. Fig. 1.5: Trend of Income for 2001-2005
5. Fig.1.6: Occupation structure in the District
6. Fig. 3.1: Sustainable livelihood: concept and implication for policy
7. Fig. 3.2: Empirical for problems facing performance of SACCOS sectors
8. Fig. 3.3: The policy framework for sustainable of SACCOS
9. Fig 5.1: Monitoring and Evaluation

## **List of Photos**

1. Photo 1: **HAMASA FARMERS SACCOS:** Paddy Growing
2. Photo 2: **MANAPA SACCOS:** Construction of a Mini-Hotel
3. Photo 3: **HAMASA FARMERS SACCOS:** Glorious Farm
4. Photo 4: **MLIMANI NGARASH:** Calico Selling Shop
5. Photo 5: **MONDULI DISTRICT COUNCIL WORKERS SACCOS** Training on elementary Book-keeping
6. PHOTO 6: **HAMASA FARMERS SACCOS**

## **List of Acronyms and Abbreviations:**

|        |   |
|--------|---|
| ACIST  | : Arusha Community Initiative Support Trust                 |
| CED    | : Community Economic Development                            |
| DFID   | : Department of Foreign and International<br>Development    |
| ACC    | : Arusha City Council                                       |
| PBOs   | : Peoples Based Organizations                               |
| CBOs   | : Community Based Organizations                             |
| CSOs   | : Civil Society Organizations                               |
| NGOs   | : Non-Governmental Organizations                            |
| SACCOS | : Saving and Credit Cooperative Societies                   |
| MCDGC  | : Ministry of Community Development, Gender and<br>Children |
| SCCULT | : Saving and Credit Cooperative League of Tanzania          |
| KUSCO  | : Kenya Union Saving and Cooperation                        |
| DCO    | : District Cooperative Office                               |
| CPI    | : Center for the Promotion of Imports                       |
| ITC    | : International Trade Center                                |
| MDC    | : Monduli District Council                                  |
| MFI    | : Micro Finance Institution                                 |
| DSC    | : District SACCOS Committee                                 |
| PPR    | : Poverty Prevalence Rate                                   |
| TSIM   | : Traditional Social Inclined Model                         |
| MSOM   | : Business Social Oriented Model                            |
| ICU    | : Ismailia Credit Unit                                      |
| ROSCA  | : Rotary Saving and Credit Association                      |
| SCULT  | : Saving and Credit Union League of Tanganyika              |
| ICA    | : International Co-operative Alliance                       |

|         |  |
|---------|--|
| SACAs   | : Saving and Credit Associations                                 |
| SqKm    | : Square Kilometre   |
| GSR     | : General Sex Ratio  |
| ADR     | : Age Dependency Ratio   |
| DALDO   | : District Agricultural Development Office                       |
| GDP     | : Gross Domestic Product   |
| DMO     | : District Medical Office  |
| DPU     | : Development Planning Unit                                      |
| PQLI    | : Physical Quality of Living Index                               |
| FIDE    | : Friends in Development   |
| MVIWAMO | : Vikundi Vya Wakulima Monduli                                   |
| CORDS   | : Community Organization for Research and<br>Development Support |
| CSA     | : Cooperative Societies Act                                      |
| BAFIA   | : Baking and Financial Institutional Act                         |
| NMFP    | : National Micro-Finance Policy                                  |
| NESP    | : National Economic Survival Programme                           |
| SAP     | : Structural Adjustment Programme                                |
| DSE     | : Dar-Es-Salaam Stock Exchange                                   |
| URT     | : United Republic of Tanzania                                    |
| SME     | : Small and Medium Enterprise                                    |
| SIDP    | : SME Industrial Development Policy                              |
| TCCIA   | : Tanzania Chamber of Commerce, Industries and<br>Agriculture.   |
| MTTF    | : Monduli Teachers Trust Fund                                    |
| ICT     | : Information Communication Technology                           |
| NEM     | : Not Ever Married   |
| ROI     | : Return on Investment   |
| SSEA    | : Support and strengthening of Economic Activities               |

|      |   |
|------|---|
| PQLI | : Physical Quality of Living Index        |
| CDP  | : Cooperative Development Policy          |
| SAP  | : Structural Adjustment Programme         |
| NESP | : National Economic Survival Programme    |
| ESRF | : Economic and Social Research Foundation |



## **CHAPTER ONE: Community Needs Assessment**

This chapter examines the background to the community based organization, the community profile and the community needs assessment. As well, it describes the research methodology used for community needs assessment and discussed the findings.

### **1.1 Background to the Community Based Organization**

The Arusha Community Initiatives Support Trust (ACIST) is located in Arusha City, Unga Limited Municipality. It is a Non-Governmental Organization dealing with mobilization of Communities towards rural financing in Monduli and Babati districts.

The other organizations in which ACIST is affiliated with include the following:

- Saving and Credit Cooperative Union League of Tanzania (SCCULT),
- Kenya Union Saving and Cooperatives (KUSCO),
- District Cooperative Office (DCO),
- A service Provider Based in Moshi-FERT,
- Department of Foreign and International development (DFID),
- Center for the Promotion of Imports (CPI), and
- International Trade Centre (ITC).

The communities formulate their own plans after identifying their needs that are then forwarded to the relevant organization, in this case ACIST. This is a way of demand driven service approach.

District SACCOS Committee (DSC) is a cost-effective approach operating within the local areas hence a case to the members at a great ease.

Saving and Credit Cooperative Union League of Tanzania (SCCULT) and ACIST have prepared training manual which now with the Ministry of Cooperative and Marketing for approval. This includes SACCOS merging and unification set-up process, linkage process, loan processing and screening and saving mobilization. Consultancy is a side activity of ACIST as a CBO. This service will later be extended to modernize SACCOS of Monduli District as a product of ACIST's effort to improve SACCOS' performance abilities towards sustainable and viable Micro-Finance Institutions (MFIs).

- ACIST under the programme Support and Strengthening of Economic Activities (SSEA) of poor communities in Tanzania, sub-action support of Saving and Credit Cooperative Societies is being funded by TRIAS which is the Belgium International NGO, which extends financial support to ACIST as well as Institutional strengthening through its house placed advisor. This programme started in the year 2003 and experts to come to an end in the year 2007.

The future funding plans include internal mobilization of financed form local funding sources including members' subscriptions to make the organization more sustainable.

ACIST Target Group Composes of SACCOS and SACCO-like groups. Members of these organizations are both rural and urban poor with little formal education. Most of them are peasant workers and farmers with limited income and lack of both financial and market

access. Even the employed SACCOS members like teachers their income is so meager that it cannot shift them fully for sustainable livelihood for both poor farmers and workers. Most of the target group members live below poverty line and are not aware of SACCOS, (ACIST 2004:10). It is through the SACCOS and SACCO-like groups that a wide segment of the members of the rural poor communities get access to financial services enabling them to curb poverty and improve the livelihood security at household level.

SACCO – like groups are informal groups whose members agree to contribute regular fixed amount of money for leading to each other at agreed terms and conditions. Both SACCOS and SACCO-like groups consist of Youth, women and farmers mostly the vulnerable.

In Monduli there are about 25 SACCOS and SACCO-like group with members with from 50 to 90. Currently there are 700 members of SACCOS in the district.

ACIST focused on modernization of SACCOS by opening of front office leading into villager community banks. It facilitates and ensures by laws and policy are followed for the security and good governance. It links SACCOS to other actors to get services as a package on an integrated approach. It is gender sensitivity or participatory approach for the sustainable community initiatives interactions.

The mission statement of ACIST is to serve as an active and effective organization for improvement of SACCOS and SACCO-like

groups involved alleviating poverty and improving the livelihood security of the community they are serving.

- To offer wholesale financial services to SACCOS and SACCO-like groups,
- To conduct relevant studies surveys and research for SACCOS and SACCO-like groups as support to capacity building inputs, and
- To promote and to work in collaboration with all stakeholders involved in the development of all SACCOS and SACCO-like groups.

The main pre-requisites to achieve the project aim is the availability of both financial and human resources as well as the market access. The project does not have adequate resource to fulfill the pre-requisite but it is trying at its best to mobilize such resources through outstanding partnership and networking with other stakeholders including community members.

The capacity building process emphasizes on modernization of the SACCOS from Traditional Social Inclined Model (TSIM) to Business Social Oriented Model (BSOM) which akin to Community Economic Development-CED Model.

ACIST believes that the modernization of SACCOS will contribute immensely towards the improvement of rural livelihoods in the urban areas as well as urban livelihoods in the urban poor resident through an increasing access of the communities to rural financial services. According to ACIST (2003:1) Monduli District is facing numerous constraints including that of inadequate working capital.

## **1.2 Historical Development of Cooperative Societies in Tanzania**

Tanzania is among the poorest countries in the World with urban biased financial market development. Whereas developing economies in Latin America and Asia show bank density of 8 to 30 thousands inhabitant per branch, but in sub-Saharan Africa this is in order of 100 to 420 thousands inhabitants (Kashuliza: 1998).

With the inadequate rural financial market, people are engaged in the informal market which exploits the poor and hence perpetuating the degree of poverty. To overcome this situation Savings and Credit Cooperative Societies (SACCOS) are among the Micro-Finance Institution (MFIs) operating in Tanzania. Others are Financial NGOs, and commercial banks such as Co-operative Bank and Community Banks such as MUCOBA (Mufindi Community Bank) in Iringa region, Mufindi district.

According to an informal study, the outreach of Micro-finance in Tanzania was estimated to be 165,000 individuals or a penetration rate of 0.7% of the country's population per annum (ACIST: 2004:2). This is probably the lowest outreach rate in Africa.

Historically the idea of SACCOS originated in Germany way back in 1849. Poor people in Germany established SACCOS in order to fight exploitation by local and foreign moneylenders. The development of SACCOS in the developing countries was supported by communities (Bee, 19987:3). In Tanzania, although the informal Rotating Saving and Credit Associations (ROSCAs) has existed for many years, the origin of modern SACCOS dates way back in 1938, when a group of Indians of the Ismailia origin established one

SACCOS to meet their Financial needs. By 1947, there were a total of 5 Ismailia Credit Union (ICU) Located in Moshi, Iringa and Dar-es-salaam (Ngeze, 1975:34). The Catholic Mission took up the ideas of establishing SACCOS in Kilimanjaro, where Kianga SACCOS was formed and registered in 1961 followed by the Mawela Mission SACCOS in the same year (Bee, op.cit).

The development of cooperative financial services took shape after independence with a support from the Scandinavian countries and the US-based World Council; of Credit Union. After independence, the government promoted Cooperative Union vigorously. The Apex Organization-The Saving and Credit Union League of Tanganyika (SCULT) was established in 1964 by SACCOS to organize training, provide management advisory service, organize insurance, supply stationary and represent SACCOS nationally and internationally. In 1976, the government disbanded this first apex body. In its place, there is now the Saving and Credit Cooperatives Union League of Tanzania (SCCULT: 1992).

The independent government of Tanzania used Cooperative to meet a varied range of development objectives. After independence, many new nations saw in co-operation a multi-vehicle for achieving a broad array of national development objectives (Bee, 1996:8).

Saving and Credit Cooperatives, that had flourished and estimated to be about 150, were also not spared together with their apex body the Saving and Credit Union League of Tanganyika (SCULT) (ICA, Ibid).

Although the government restricted cooperatives societies in 1982, SACCOS were not given an opportunity to grow as an independent form of cooperation. Instead they were made scheme of marketing cooperative societies.

In terms of regional distribution, over 50% of the rural based SACCOS are concentrated in three regions of Mbeya (20%), Iringa (16%) and Kilimanjaro (14%) (ICA,ibid). In terms of membership figures Kilimanjaro has the highest membership party owing to its strong co-operative tradition. According to ICA (2001:21) "The average membership figures per region are skewed, as always by usually strong cooperative tradition.

The distribution is as follows: all regions (average) 209, highest, is Kilimanjaro (907), Median, Mbeya (56) and lowest Rukwa (17). This picture was true before the dissolution of cooperative in 1976.

By 1970, for instance, there were about 239 SACCOS in Tanzania mainland. The number increased to 419 by 1990 and out of these 55 were in Kilimanjaro alone and 20 were in Iringa and Arusha (Bee, 1997:4).

### **1.3 Community Profile**

- **Geographical Location**

Monduli District was established in 1979 and is one of the five districts of Arusha regions. Others are Karatu, Arumeru, Arusha Municipality and Ngorongoro, It is situated between latitude 2° 20' and 4° 00' South of Equator and Longitudes 30° 00' and 37°30' East of Greenwich Meridian.

It is bordered by Arumeru and Rombo districts to the East, Ngorongoro and Karatu districts to the West, Mbulu and Babati districts to the South and Simanjiro district to the South East. To the North lies the Kenya territory.

▪ **Administration and Land Area**

Administratively the district is divided into six (6) divisions There are: (Manyara, Makuyuni, Kisongo, Longido, Ketumbeine and Enduimet), twenty (20) wards and seventy three (73) villages. The district has a total land mass of 14,201 square kilometers of which 13,267 sq km is grazing land, 510 sq km is arable land, 139 sq km is forest land, 285 sq km is covered by water. Land use and distribution can be depicted in the following table:

**Table 1.1: Land use and Distribution**

| Land use     | Land Distribution (SqKm) | Valid Percentage | Cumulative percentage |
|--------------|--------------------------|------------------|-----------------------|
| Grazing land | 13,267.0                 | 93.41            | 93.41                 |
| Arable land  | 510.0                    | 3.60             | 97.01                 |
| Forest       | 139.0                    | 0.98             | 97.99                 |
| Water        | 285.0                    | 2.01             | 100                   |
| <b>Total</b> | <b>14,201.0</b>          | <b>100.00</b>    |                       |

**Source:** MDC, December, 2000:1

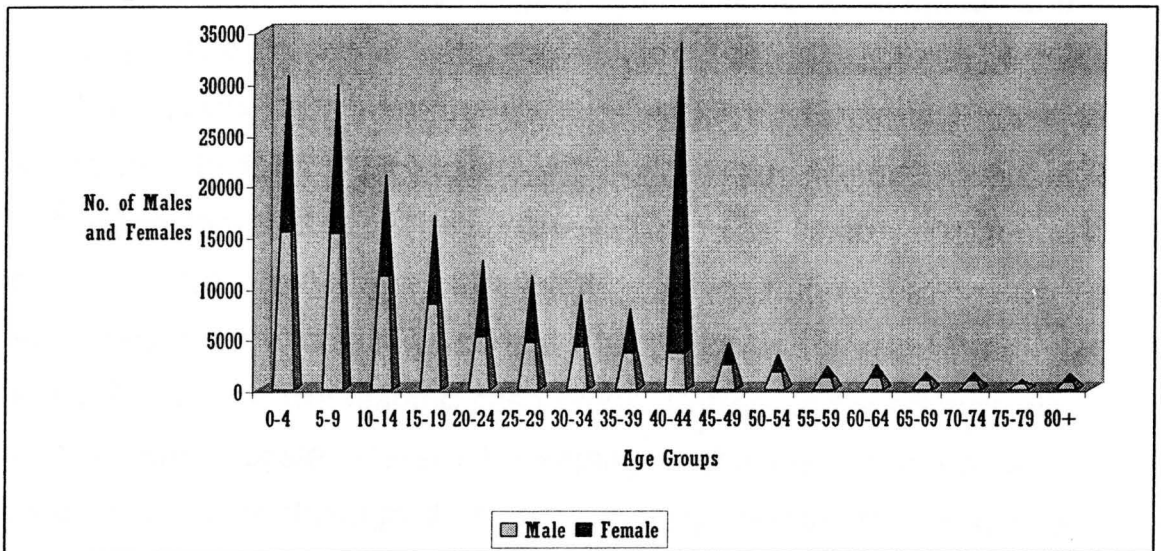
As it can be observed from table above, 93.41% of the total land mass in the is used for grazing showing most of the people in the district especially in rural areas are pastoralist hence exercising livestock keeping which is not a sustainable venture especially during drought like that of 2004/05.



- **Population Dynamics**

According to the 2002 census data Monduli has total population of 185,237. Out of this 90,223 are male which is 48.7 percent of the total population and 95,014 are female who account for 51.3 percent. The age sex pyramid of the district is depicted by the following figure 1.1:

**Figure 1.1 Population Distributions by Age and Sex**



**Source:** MDC (2005:4) District Profile

The population's overall literacy rate is 39 percent, 45 percent for males and 34 for females. The district has a total number of 41,112 and households with average family size of 4.5. The urban population is 23,995 which is 12.95% and the rural population is 160,521 which is 87.05 of the total population. This implies that the majority of the people in Monduli district dwell in rural areas.

Population density of the district is 13.04 people per square kilometer. The General Sex Ratio (GSR) is 95 male per 100 female and the population growth rate is 3.8 percent per annum which is slightly lower than the regional average which is 4.0 percent but

higher than the national average which is 2.8 percent. The Total Age Dependency Ratio (ADR) is 108 per 100 people. The majority ethnic group is the Wamaasai

- **District Economy**

The main economic activities of Monduli district are livestock keeping, agricultural production and wildlife. More than 90 percent of the total population is engaged in livestock keeping and agriculture. The district is estimated to have 51,067 hectares of potential. Cultivated land but only 40,000 hectares are under cultivation which is 78 percent. Although large scale farming is practiced in the southern part of the District (Lolkisale), subsistence farming is the main form of farming. Major and cash crops are maize, beans and paddy which are the leading food crops. Coffee and sunflower are the leading cash crops. Coffee and sunflower are grown at small scale. Livestock keeping is the main predominant economic activity through it is not properly managed and hence does not contribute significantly to the district economy.

- **Crop Husbandry**

The district has a total area of 1,420,100 hectares of which 51,067 hectares are arable land. Land under cultivation amounts to 40,000 hectares, which is 67 percent. Although large scale farming is practiced in Southern part of the District, subsistence farming is the main form of farming which is dominated by small holders with an average of 2 hectares per farming households. Productivity is low and estimated at 7.2 bags per acre of maize; also marketing system is not well developed.

Maize, beans and paddy form main staple food while maize and beans are grown practically everywhere in the district; paddy and bananas are grown in Mto wa Mbu and Selela ward. Wheat, bailey and coffee are grown on the highlands with cool climate such as West Kilimanjaro and Monduli Juu. Crop Production largely depends on both traditional and modern methods with medium technology. In lowlands cattle are extensively used for ploughing.

In high lands the hand hoe is the major implement used by most house holds due to low income for small holder farmers and thus can neither afford to buy modern farm equipment nor industrial fertilizer nor improved seeds.

▪ **Food and cash crop production**

**Table 1.2 Major Food and Cash Crops Production in Monduli District  
Between 1989/90-1998/99**

| Year    | Maize |       |      | Beans |       |      | Paddy |       |      |
|---------|-------|-------|------|-------|-------|------|-------|-------|------|
|         | Ha    | Tonne | THR  | Ha    | Tonne | THR  | Ha    | Tonne | THR  |
| 1989/90 | 3210  | 7295  | 2.27 | 8830  | 8830  | 1.00 | 300   | 1350  | 4.50 |
| 1990/91 | 3312  | 7386  | 2.23 | 4582  | 4450  | 0.97 | 500   | 1800  | 3.6  |
| 1991/92 | 4917  | 7375  | 1.49 | 4450  | 4000  | 0.89 | 500   | 1800  | 3.6  |
| 1992/93 | 3600  | 3250  | 0.90 | 4450  | 2660  | 0.59 | 700   | 2500  | 3.5  |
| 1993/94 | 3600  | 3250  | 0.90 | 4450  | 5563  | 1.25 | 700   | 2500  | 3.5  |
| 1994/95 | 3600  | 9000  | 2.50 | 4450  | 5563  | 1.25 | 700   | 2500  | 3.5  |
| 1995/96 | 5600  | 1306  | 0.20 | 5550  | 6875  | 1.23 | 500   | 1936  | 3.8  |
| 1996/97 | 5600  | 1200  | 0.21 | 5550  | 6875  | 1.23 | 500   | 1936  | 3.8  |
| 1997/98 | 5600  | 1400  | 0.25 | 5950  | 5950  | 1.00 | 1700  | 8500  | 3.5  |
| 1998/99 | 14494 | 3846  | 0.26 | 8188  | 7613  | 0.92 | 512   | 805   | 1.5  |

**Source:** DPLO Office, June 2006

THR: Tonne Hectare Ratio

It can be observed from that for maize THR was the highest year 1994/95 and lowest in 1995/96 due to long period draught. For

Beans the case was different. It was highest in 1994/95 and lowest in 1998/99. for paddy the ratio was highest in 1995/96 and 1996/97 and lowest in 1998/99.

- **Major food crop and cash crop productivity Index.**

The major crop productivity index for the major crop in the district between 1989/90 and 1998/1999 is given by the in following table:

**Table 1.3 Productivity Index for Major Crops**

| Crops  | Potential/Ha (Tonnes) | Actual Production (Tonnes) | Variance (Tonnes) |
|--------|-----------------------|----------------------------|-------------------|
| Maize  | 3                     | 1.8                        | 1.2               |
| Beans  | 2                     | 1                          | 1                 |
| Paddy  | 6                     | 2.8                        | 3.2               |
| Banana | 4.5                   | 2.5                        | 2.0               |
| Coffee | 1.2                   | 0.4                        | 0.8               |
| Wheat  | 2.7                   | 1.8                        | 0.9               |

**Source:** DALDO Office, June, 2006

The productivity index is the highest for paddy which is 2.8 tonnes and lowest for coffee which is 0.4 tonnes. However the same crop (paddy) has the highest variances between potential production and actual production.

- **Irrigation Farming**

The district has high potential for irrigation system. There are 4117Ha potential for the purpose equivalent to 6.8 percent of the total arable land in the district but only 1860 ha are utilized for irrigation farming leaving the whole of 2257 ha unengaged. The following table shows the Areas potential for irrigation in the district.

**Table 1.4 Irrigation Potential Areas in the District**

| S/N          | Area       | Potential Area (Ha) | Land Irrigation in Ha | Variance in Ha |
|--------------|------------|---------------------|-----------------------|----------------|
| 1            | Mto wa Mbu | 1017                | 916                   | 101            |
| 2            | Selela     | 1200                | 500                   | 700            |
| 3            | Engaruka   | 1500                | 800                   | 700            |
| 4            | Ngereyani  | 400                 | 90                    | 310            |
| <b>Total</b> |            | <b>4117</b>         | <b>2306</b>           | <b>1811</b>    |

**Source:** DALDO, Monduli, June, 2006

From the table it shows that there is highest variances in irrigation farming for Selela and Engaruka wards and lowest in Mto wa Mbu ward where irrigation farming is highly practiced.

#### ▪ **Animal Husbandry**

Livestock rearing is generally part of farming of the most households in Monduli district. Therefore it is naked evidence that livestock keeping plays a significant role as an economic activity. According to 1999 Animal Census Monduli District had 325,110 cattle, 221,702 goats, 176,209 sheep and 20,694 donkeys district in each division as follows:

**Table 1:5 Major Livestock Distributions by Division**

| S/N          | Division | Cattle         | Goats          | Sheep          | Donkey        |
|--------------|----------|----------------|----------------|----------------|---------------|
| 1            | Kisongo  | 165,350        | 39,129         | 32,588         | 3,251         |
| 2            | Manyara  | 89,444         | 61,554         | 43,068         | 2,891         |
| 3            | Longido  | 170,316        | 121,019        | 100,553        | 14,552        |
| <b>Total</b> |          | <b>425,110</b> | <b>221,702</b> | <b>176,209</b> | <b>20,694</b> |

**Source:** DALDO, Monduli, June, 2006

Diary cattle do exist in very small numbers. Monduli District is estimated to have a total of 1625 dairy cattle. Milk production is at 5 to 10 litres per day on average.

- **Industrial Activities**

Although Monduli District is a producer of Primary products such as skins, hides and milk very little effort had been made to establish industries which can process these primary products.

There is one MONACT INDUSTRY which extracted oil from oil seeds (Sunflowers) and processes animal food. A plant for processing milk is being installed. In a nutshell, Monduli still has a long way to go in establishing livestock based industries which could have value added and hence increase the per capita income of the people.

- **Mining**

Monduli is among the Districts which have abundant minerals resources. There are more than five types of different minerals in the district. Mining is done at a very small scale. This is attributed to inferior mining tools being employed as well as lack of financial resources and technical knowledge. Due to this fact minerals' wealth has not contributed significantly to the District GDP. The following table shows the list of minerals available in the District:

**Table 1.6: Minerals available in the District**

| S/N | Mineral          | Area                  | Remarks   |
|-----|------------------|-----------------------|---|
| 1   | Ruby             | Munarara              | Mining carried out by small scale miners  |
| 2   | Sodium Carbonate | Lake Natron           | Estimated at 168mltons of total salts Development has been delayed by problems of accessibility, and power supply |
| 3   | Amethyst         |                       | Deposit not yet qualified   |
| 4   | Meerschaum       | Amboseli              | Low potential and mining has been suspended   |
| 5   | Bentomite        | Gelai and Lake Natron | Medium Potential – some production is being done  |
| 6   | Magnesite        | Gelai                 | Medium potential –minor exploitation is being done  |
| 7   | Lime             | Meserani              | Estimated at 125 mil tones  |

**Source:** 1-6 Investment opportunities in Arusha Region DPLO, Monduli, 2006

- **Economic Infrastructure**

The district is not well served with economic infrastructure. It has a total road network of 1260Kms. Trunk roads 173km and regional roads of 174 kms. District roads, feeder roads and villages access roads are earth-surfaced and they are passable with difficult during rainy seasons. This is result of lack of funds and equipment for regular maintenance. Monduli also is served with electricity.

The district is served with two airstrips which are at Ketumbeine and Makuyuni. They accommodate only aircraft only. The distinct is not served with any railway line. The main sources of energy include wood, fuel and electricity.

- **Social Services**

- Education Sector**

In 1998 there were 11 Pre-schools in Monduli district and in 2000 the district had 18 Pre-school with enrolment of 858 children By the end of 1994 there were 51 primary schools with 407 streams. The number of pupils enrolled reached 1747 boys and 1509 girls. Expansion of primary schools rose from 51 in 1994 to 59 in 2000 an increase of 15.7 percent Monduli District has 7 secondary schools; five are public whereas two are private.

- Health Sector**

The situation regarding health sector is not good in Monduli district. The Hospital, rural health centres and Dispensaries do not receive regular maintenance. The district has one District Hospital serving for the whole population, two (2) Rural Health Centres and 32

Dispensaries. Nine (9) Dispensaries are owned by private organizations and individuals (DMO Office – MDC).

### **Water Sector**

Monduli town is supplied with water from spring by two ways by gravity systems which caters for about  $\frac{3}{4}$  of the town areas and by booster pumps station which supplies to the remaining residential areas not commanded by the gravity systems with population growing at 4.2 percent per year the capacity of the source is not enough to meet urban water demand in Monduli town is estimated at  $552\text{m}^3/\text{Day}$  enlarge while the amount of water supplied in a day in  $195\text{m}^3/\text{day}$  with a variance of  $357\text{m}^3/\text{Day}$

#### **1.4 Community Needs Assessment**

Community Needs assessment is one of the critical stages in the project development process. Systematic needs assessment is comparatively an imperative phenomenon. Generally needs are considered to be wants, aspirations interests and wishes of the people (ACIST 200:12, Hope A. and Timmels, 1992:24). In development literature, such are defined as the discrepancies between what is and what should be. There is growing consensus among development practitioners to consider needs assessment as a process of identification and measuring gaps between what is and what should be provided and determine ways of bridging them.

Community Needs Assessment was carried out in Monduli District in collaboration with the host CBO-ACIST. It was done in collaboration with the primary stakeholders especially the SACCOS



members and the community. The main sources of data for Community Needs Assessment include the following:

In needs assessment, which was carriage out in Monduli district by DPU, on food poverty revealed that more than 75 percent of its residents are below poverty line (DPU: Food Poverty Line Survey: 2002:12).

It was also found from the same source that more than 85 percent of the rural poor in Monduli live below the income poverty Line (DPU: Income Poverty Survey: 2002:20)

In the same year, 2002, ACIST established its pilot project in Monduli district. The surveys it different wards revealed that the rural poor are also those who are also subjected to low income and education level.

This project aims to work with the rural poor who want to join hands for the common destiny of improving their physical quality of life through SACCOS.

The survey found out that members of these organizations are the rural poor with little formal education. Most of them are farmers with limited income and lack of both financial and market access. Even the employed SACCOS members like teachers; their income is so limited and cannot fully shift them to sustainable livelihood.

## **1.5 Research Methodology used during Community Needs Assessment**

### **1.5.1 Survey Design**

Fink A. and Koseoff J. (1985:65) define design as the way in which the survey environment is controlled or organized. When designing a survey, the chief concerns are with when and how often the survey undertaken and how many groups will be involved.

The survey on the sustainability of SACCOS was both Cross-sectional and longitudinal in terms of design. In the first incidence data were collected from the field between October 2005 and August, 2006, in Monduli district.

#### **Cross-sectional design**

This is a snapshot of a group of people or organizations.

It involves collection of data at a single point of time. It helps to assess the preference of the target member on a particular intervention programme including SACCOS program. It directs the timing of survey and is usually a period in a year. This design had the following benefits on my study:

- o It helped to describe things as they are so that people can plan easily.
- o It revealed directly the general feeling of the target group and it becomes easier to change it.
- o It was relatively easy to the survey hence cost – effective, as it is not repetitive.

However, the main concern about this type of design is that if the situation changes rapidly, the survey information will possibly be outdated.

### **Longitudinal Design**

With longitudinal survey designs, data are collected over time. At least three variations particularly useful, however, the study will use this design partially as it will use trend data to assess the performance of SACCOS through existing records.

Performance assessment over the past five years that is 2000, 2001, 2002, 2004 and 2005 was done. A random sample of 100 respondents from five SACCOS were selected and interviewed. Five (5) respondents were purposively selected from CBO, Community Development Office and Cooperative Office and provided with questionnaires to fill in which were later collected.

#### **1.5.2 Internal and External Validity of my survey.**

##### **▪ External Validity**

The external validity of results of my survey, results from the community or group of people – SACCOS was guaranteed by the following ways:

- o Extensive pilot testing of the results obtained covering 20 respondents;
- o Choosing the methods of data collection that were that most precise and accurate such as interviewing and participant observation especially for those respondents;
- o *Anonymity*: Use of questionnaires, which can hide respondents identity enabled, improved validity;
- o *Confidentiality*: This was a cornerstone for external validity; and

- o *Convenience*: Questionnaires let people work at their own speed and when and where they want. Interviews were pre-plan and a mutual consensus was reached by the surveyor and the respondents.

- **Internal Validity**

The internal validity of the study was guaranteed by carefully structuring of interviews and questionnaires so as to be comprehensive, consistent and precise. Questionnaires were pre-tested to ensure internal validity for the surveying instruments.

Delicate, sensitive and embarrassing questions were either avoided or dealt with greater care using Community Development Approaches.

### **1.5.3 Reliability**

#### **Establishment of Reliability**

Reliability was guaranteed by making sure that the Questionnaires were adequate, precise, exhaustive and mutually exclusive.

- Adequacy of reliability for surveys was assured by making a sample which is large enough to be representative. Five (5) SACCOS out of 20 were selected, this is 25 percent. Ten (10) SACCOS and 200 members were selected, this is 5 percent.
- Adequacy of Description and methods for establishing reliability Methods used for establishing reliability include the interviews and Focus Group Discussions. The principal tools were the questionnaires and interview checklist.

#### 1.5.4 Administration of the survey

- **Characteristics of survey administrators:**

There were three survey administrators as indicated in the following table:

**Table: 1.7 Survey Administrators**

| <b>Administrator</b>            | <b>Level of Education</b>                 | <b>Working Experience</b> |
|---------------------------------|---|---------------------------|
| • CED Student                   | MSc CED aspirant                          | 18 years                  |
| • Community Development officer | Advanced Diploma in Community Development | 8 years                   |
| • Cooperative officer           | Basic Certificate in Cooperatives         | 4 years                   |

#### **Training Activities for Interviews and other data collectors:**

- Training on how to apply questionnaires exhaustively and mutually exclusively,
- Training on how to make a pilot pre-test of questions,
- Training on survey ethics, and
- Training on how to conduct interviews and the average required time.

#### **Characteristics of quality assurance methods**

Qualities of the results were assured through:

- Participatory Approach to data collection,
- Questionnaire Pre-test,
- Setting clear objectives of the survey, and
- Friendly environment between respondents and interviewees

### **1.5.5 Methods of data collection**

- **In-person interview**

In-depth interviewing was used to the SACCOS members to explore their opinions, views, outlook and expectation on the sustainability of SACCOS.

- **Observation**

Observation was used to explore the real situation of SACCOS in terms of types of projects carried out, membership, systems used in book – keeping and their organization chart.

- **Record review**

The method / instrument were used to study the performance of SACCOS over a specified period of time so as to enable making a trend analysis.

- **Focus group discussion**

Members of SACCOS were also interviewed in groups and the subject matter was thoroughly discussed by both the interviewer and respondents.

- **Key informant interview**

This was applied to the key members of the SACCOS group such as leaders and donor agencies.

### **1.5.6 Methods of data Presentation**

There are several techniques that are available for presenting survey data. These include reproducing a summarised version of the questionnaire and its responses, tables, pie diagrams, bar charts and line graphs and pictures.

The collected data have been presented by the following tools:

- **Tabular presentation**

Data have been presented by using both simple tables and cross tables methods especially for descriptive attributes, such as sex, occupation and age group.

- **Graphs**

Both simple and compound graphs were used to present data related to the trend of economic performance in different SACCOS groups.

- **Charts**

The data have been presented by using in pie or bar charts when considering descriptive attributes especially those related to the profile of respondents such as sex, residence, and literacy.

- **Drawing pictures**

This involved use of maps and photographs to display the surveyed areas as well as the activities of the respondents.

### **1.5.7 Methods of analysis of the findings**

#### **Data processing**

Data analysis embraces all the concepts of processing operation, which include:

**Editing:** It is a process of examining the collecting raw data to collect error and omissions and to correct them when possible. It is

done by a careful scrutiny of the completed questionnaires to ensure that the data are accurate consistent with other facts gathered, uniformly entered and as completed as possible. There was both field editing and central editing. The former refers to translating or rewriting what has to be written in abbreviated or illegible form at the time of recording responses.

Central editing took place after the fieldwork at the host organization-ACIST in collaboration with ACIST consultant.

**Coding:** The responses were assigned numerals or other symbols so that they can be put into a limited number of categories or classes. The responses were both exhaustive and mutually exclusive. They were assigned numbers such as 1, 2, 3,... for simplicity in data analysis using SPSS.

**Classification:** The collected data were classified or arranged in groups or classes on the basis of common characteristics such as on the basis of education, income, residence, marital status, and age-cohort. Classification can be either in terms of attributes, which can either, be descriptive (literacy, sex, occupation, marital status, residence) or numerical (weight, height, income).

It can also be in terms of class intervals: the numerical characteristics of respondents can be measured quantitatively and classified on the basis of class interval (such as income, height, weight, age, production).



Class interval was estimated by H.A. Sturges rule:

$$i = R / (1 + 3.3 \log N)$$

Where:

**i** = Size of class interval

**R** = Range (i.e. difference between the values of the largest item and smallest item among the given items)

**N** = number of items to be grouped.

**Tabulation:** - This is the process of summarizing raw data and displaying them in a compact form of statistical tables for further analysis. The data collected from the field were arranged and analysed by tabulations and cross-tabulations.

### • **Survey data Analysis techniques**

The survey data were analysed by the following technique:

- o Descriptive Statistics. These were used to analyse both descriptive and numerical attributes of respondents such as sex, age, literacy, income and so on. These techniques included both measures of central tendency (such as mean, medium, mode) and measures of variability (such as range, variance, coefficient of variation, standard deviation and Gini Coefficient).
- o Correlation Analysis: this method was used to analyse the relationship between the income levels of the SACCOS members and their productivity:

Two methods were used:

- i. Karl Pearson's Moment Correlation Coefficient (r)
- ii. Charles Spearman's Coefficient of Rank Correlation (R)

This will be used to determine the degree of correlation between two variables in case of ordinal data where ranks are given to the different values of the variables.

- o **Association Analysis:** The association between preference in SACCOS between men and Women will be assessed by using Chi-Square method:

$$X^2 = \sum \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$$

Where  $O_{ij}$  is observable frequency

$E_{ij}$  is Expected frequency

- o **Comparative Analysis:**

The study was Wilcoxon Mann – Whitney U – test to compare different independent groups of SACCOS in the district. This is the rank sum test.

$$U = n_1 n_2 + \frac{n_1(n_1+1) - R_1}{2}$$

Where  $n_1$  and  $n_2$  are the sample sizes, and  $R_1$  is the sum of rank assign

### 1.5.8 Population and Sample

- **Sample Size**

There are two approaches in determining sample size according to Kothari C.R. (1984):

- o To specify the precision of estimate desired sample and then to determine the sample size necessary to ensure it, and
- o Bayesian Statistics: To weight cost of additional value against the expected value of the additional information.

Since the population is finite (2000 people) then sample size can be estimated by the formula:  $N = \frac{Z_c^2 \delta^2}{E^2}$

N = Sample size, E = the acceptable error (precision)

Z = standard variable at a given confidence level (by this case 95%)

⇒ **Sample and target Population**

Table 1.8 The sample distribution of the survey

| Category          | Population  | Sample Size |
|-------------------|-------------|-------------|
| SACCOS members    | 2000        | 100         |
| Extension Workers | 20          | 3           |
| ACIST Staff       | 12          | 2           |
| <b>Total</b>      | <b>2032</b> | <b>105</b>  |

**Source:** Survey design, 2006

### 1.5.9 Sampling Techniques

- **Probability Sampling**

My survey used a simple random sampling as it provided an equal chance for every element to be included in the sample. This helps to reduce the sampling bias. Every member of SACCOS had an equal chance to be involved in the sample by assigning names and numbers in small pieces of papers and mixed them thoroughly through and pick every piece randomly until a number of 100 respondents was obtained.

- **Non-Probability sampling.**

The survey used judgment at sampling in selecting purposely the extension staff and ACIST staff due to the virtue of their positions in the project.

- **Survey response rate**

The response rate was 100 percent for SACCOS members and ACIST and extension staff. Close follow-up by the researcher and research assistants guaranteed the response rate to that tune. The clear objectives of the survey and the members need to have knowledge and skills concerning their own organization motivated them to respond positively.

- **Types of questions used by the survey**

- 1. Structured questions:**

Few alternative ways of answering the questions;

Are you at present?

1.1 Single ( )

1.2 Married ( )

1.3 Divorced ( )

1.4 Separated ( )

1.5 Widowed ( )

- 2. Unstructured Questions or Ended questions**

Any type of answer was expected. A wide choice of answers for the respondents was available

- 3. Dichotomous Questions**

- i. Yes or No answers, Two alternatives of responses are available.

- 4. Multiple Choice Questions**

- i. Several alternatives
- ii. What is your occupation
  1. Farmer
  2. Pastoralism
  3. Business

4. Employees
5. Any other (specify)

### 5. Ranking item questions

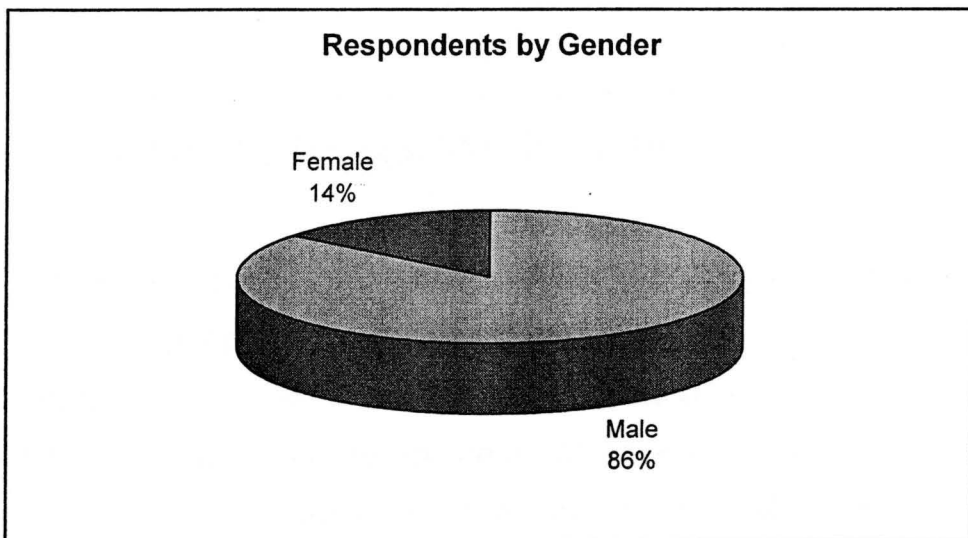
- i. Ranked or show preference?
- ii. What is the performance of SACCOS
  1. Very High ( )
  2. High ( )
  3. Low ( )
  4. Very low ( )

### 1.5.10 Results and Discussions

- Respondents Profile
- Respondents by Gender

The study involved 90 (85.7%) male respondents and 15 (14.3%) female respondents.

**Fig.1.2 Percentage Distribution of respondents by Gender**



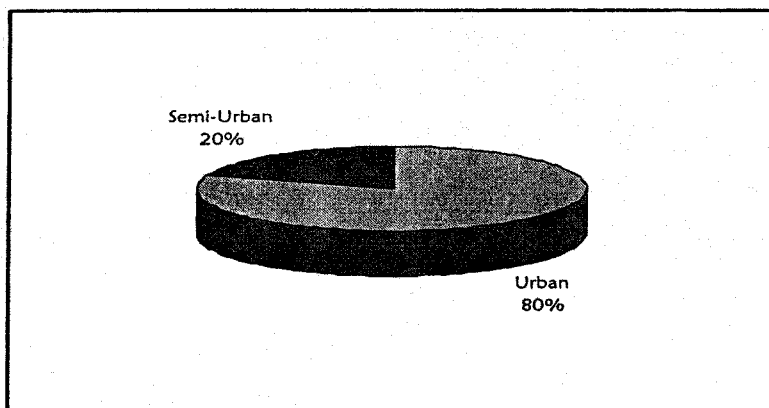
**Source:** Survey Findings, Monduli District, 2005/06

It can be observed from the figure above that the majority of the respondents are males. Females form the minority part of SACCOS membership. This was found to be based on gender discrimination. Most women had to be inclined to their gender roles which forced them to stay at home and nurse their families rather than forming associations such as SACCOS.

- **Respondents by Residence**

The respondents were from types of residents: Urban Rural and Semi-Urban. 80 (76.2%) respondents were Urbanites and 5 (4.8%) were from semi-urban 20(19.0) respondents were from rural area.

**Fig. 1.3: Percentage distribution of respondents by Gender**



Source: Survey findings, Monduli District, 2005/06

It was observed that most SACCOS' are Urban centred. This is because people in urban areas are more accessible to Credit facilities and services including information. It also became evident that most rural people are pastoralists and sometimes nomadic as such it becomes difficult to form SACCOS or SACCO-like groups.

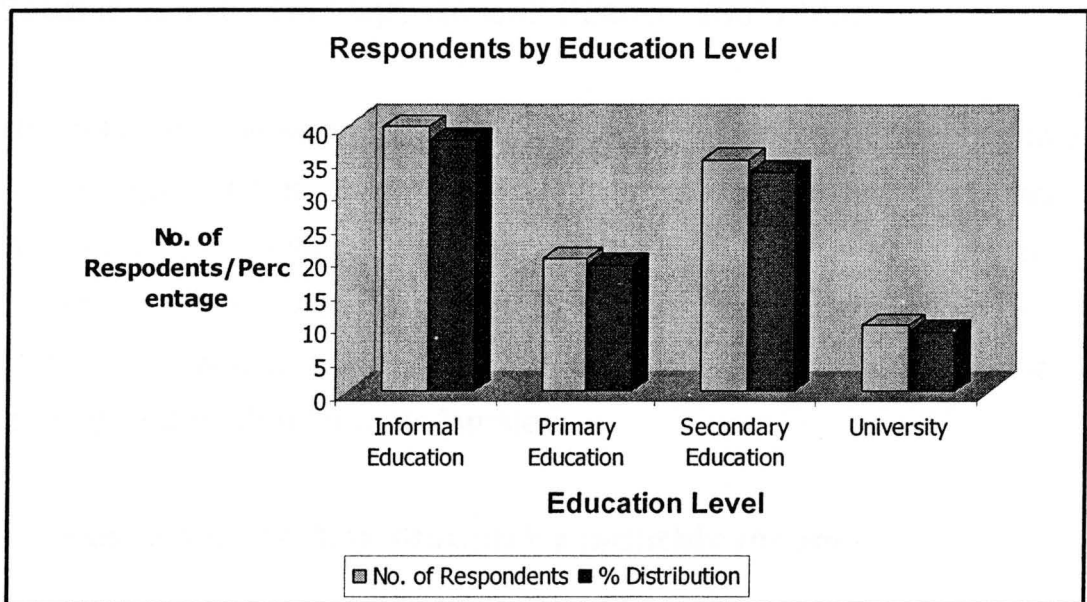
- Respondents by education Profile

**Table 1.9 Distribution of respondents by education level**

| Education level | Frequency | Percent | Valid Percent | Cumulative Percent |
|-----------------|-----------|---------|---------------|--------------------|
| IE              | 39        | 37.1    | 37.1          | 37.1               |
| PE              | 20        | 19.0    | 19.0          | 56.2               |
| SE              | 36        | 34.3    | 34.3          | 90.5               |
| UE              | 10        | 9.5     | 9.5           | 100.0              |
| Total           | 105       | 100.0   | 100.0         |                    |

Source: Survey Findings, 2005/2006

**Fig.1.4 Percentage distribution of respondents by level of education**



Source: Survey Findings, 2005/2006

It is observed from the figure that, 52 percent of all respondents have either completed primary education or possess only information education (Adult Literacy). This shows that with exception of primary school teachers other SACCOS member possess, low level of education which can be a hindrance to the success of SACCOS.

- **Respondents by age cohort**

**Table 1.10 Respondents by age group**

|       | Age Group    | Frequency  | Percent      | Valid Percent | Cumulative Percent |
|-------|--------------|------------|--------------|---------------|--------------------|
| Valid | 15-19        | 2          | 1.9          | 1.9           | 1.9                |
|       | 20-24        | 11         | 10.5         | 10.5          | 12.4               |
|       | 25-29        | 14         | 13.3         | 13.3          | 25.7               |
|       | 30-34        | 24         | 22.9         | 22.9          | 48.6               |
|       | 31-34        | 6          | 5.7          | 5.7           | 54.3               |
|       | 35-39        | 28         | 26.7         | 26.7          | 81.0               |
|       | 40-44        | 11         | 10.5         | 10.5          | 91.4               |
|       | 45-49        | 5          | 4.8          | 4.8           | 96.2               |
|       | 50-54        | 3          | 2.9          | 2.9           | 99.0               |
|       | 54+          | 1          | 1.0          | 1.0           | 100.0              |
|       | <b>Total</b> | <b>105</b> | <b>100.0</b> | <b>100.0</b>  |                    |

**Source:** Survey Findings, Monduli District, 2005/2006

The table above shows that 80.9 percent of all respondents have age ranging from 20-44 years. It was found out that most members of these groups have families. They are parents. Therefore, they have joined SACCOS to meet their parenthood obligations including provision of food, shelter, clothing, medical care and education to their families.

- **Respondents Distribution by monthly income**

The study involved the following income distribution pattern of participants indicated in table 1.11. From the table mean income per month per household is Tz shs. 58,350, whereas the median income is Tz shs. 51,500. This shows that there is a greater variation in terms of income between a high income awareness and low income earners. The variation is Tz shs. 350.14 with the standard deviation of Tz shs. 23.02. The Pearson Coefficient of Skewness shows a value of +0.8 showing that the income is



skewed to the right and hence the majority of the respondents fall to the left hand side of the mean.

**Table 1.11 Respondents by Income Distribution per Month**

|       | Income 000Tshs | Frequency  | Percent      | Valid Percent | Cumulative Percent |
|-------|----------------|------------|--------------|---------------|--------------------|
| Valid | 31-40          | 30         | 28.6         | 28.6          | 35.2               |
|       | 41-50          | 17         | 16.2         | 16.2          | 51.4               |
|       | 51-60          | 14         | 13.3         | 13.3          | 64.8               |
|       | 61-60          | 1          | 1.0          | 1.0           | 65.7               |
|       | 61-70          | 13         | 12.4         | 12.4          | 78.1               |
|       | 71-80          | 8          | 7.6          | 7.6           | 85.7               |
|       | 81-90          | 9          | 8.6          | 8.6           | 94.3               |
|       | 91-100         | 3          | 2.9          | 2.9           | 97.1               |
|       | 101-110        | 4          | 3.8          | 3.8           | 3.8                |
|       | 111-120        | 3          | 2.9          | 2.9           | 6.7                |
|       | ABOVE 120      | 3          | 2.9          | 2.9           | 100.0              |
|       | <b>Total</b>   | <b>105</b> | <b>100.0</b> | <b>100.0</b>  |                    |

Source: Survey Findings, Monduli District, 2006

However, in terms of income the values shows that 74.3 per of all respondents' income fall between Tshs. 31,000 and Tshs. 70,000 showing some kind of homogeneity. This is confirmed with the measure of degree of disparity. The Gini Coefficient which is 0.3 indicating a fair distribution of income among SACCOS members.

The study involved respondents of the following marital status:

- **Respondents by Marital Status**

**Table 1.12 Respondents by Marital Status**

|       | Marital Status | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|----------------|-----------|---------|---------------|--------------------|
| Valid | DESERT         | 1         | 1.0     | 1.0           | 1.0                |
|       | DIV            | 8         | 7.6     | 7.6           | 8.6                |
|       | MARRIED        | 60        | 57.1    | 57.1          | 65.7               |
|       | NEM            | 30        | 28.6    | 28.6          | 94.3               |
|       | SEPARATED      | 1         | 1.0     | 1.0           | 95.2               |
|       | WID            | 5         | 4.8     | 4.8           | 100.0              |

|              |            |              |              |  |
|--------------|------------|--------------|--------------|--|
| <b>Total</b> | <b>105</b> | <b>100.0</b> | <b>100.0</b> |  |
|--------------|------------|--------------|--------------|--|

Source: Survey Findings , Monduli District, 2006

It can be observed from the table that, the majority of the respondents 57.1 percent implying that their main aim is to increase their financial liquidity with family economic, Social and cultural obligation.

### 1.5.11 The main observation

The questionnaires and interview checklist revealed a variety of observations, which relate to the surveys objectives and research questions. The instruments were applied to five SACCOS with the following distribution of respondents:

**Table 1.13 Respondents Distribution in the five SACCOS**

| <b>SACCOS Name</b>          | <b>No. of Respondents</b> | <b>Percentage Distribution</b> |
|-----------------------------|---------------------------|--------------------------------|
| Monduli Teachers Trust Fund | 20                        | 20.0                           |
| TCCIA SACCOS                | 20                        | 20.0                           |
| Mlimani                     | 20                        | 20.0                           |
| Ngarashi                    | 20                        | 20.0                           |
| Hamasa                      | 20                        | 20.0                           |
| <b>Total</b>                | <b>100</b>                | <b>100.0</b>                   |

Source: Survey Findings, Monduli District, 2006

The study involved equal number of respondents from each SACCOS, as the average number of members per SACCOS was the same.

It was observed that, SACCOS sustainability is questionable. It can be a short lived Community Economic Development (CED) Programme due to a myriad of problems facing these SACCOS. It

was found that, 95 percent of the SACCOS members argued that, unless the problems facing SACCOS are abated the future prospect of SACCOS is uncertain. They mentioned low level of knowledge and skills to handle project as one the main problem with their percentage of response rate from SACCOS members being 100 percent.

- **Low Level of education**

It was observed that 57 percent of the total SACCOS members are either primary schools leavers or did not attend formal education at all. This makes them fail to have clear vision, mission, and strategies business plans.

- **Inadequate Capital**

The Credit Institution such as ACIST gives a loan to a tune of Tz Shs 1,000,000.00 while the SACCOS members range from 50 to 90 making the Loan-SACCOS. Members' loan ratio is very low and hence inadequate capital for diversification of productive projects. It was found out 85 percent of the total SACCOS respondents responded that inadequate capital is great roadblock to the growth of the SACCOS.

Low level of income among SACCOS members also contribute to low level of capital for their business. It was observed that, 75.3% of the SACCOS members get income of Tz Shs 30,000.00 to Tz Shs 70,000.00. This amount is very insignificant for business growth preponderances and prosperity.

- **Lack of Adequate personal with skills in financial management and accounting:**

It was found that over 95 percent of the SACCOS survey had cashiers who do not have adequate skills and knowledge in book-keeping leave alone accounting and financial management. Only Mlimani Ngarash has employed an accountant with Advanced Diploma in Financial Management. Other cashiers cannot even prepare financial statement including cash flow statement (cash movement), Income statement (Profit/loss) and Balance sheet (Position of the business:  $\text{Asset} = \text{Capital} + \text{Liability}$ )

- **Lack of proper Monitoring and Evaluation system**

It was observed that 60 percent of the respondents argued that lack of proper monitoring and evaluation loophole for financial leakage wasted and loss.

- **Inadequate Accessibility to Information Communication Technology (ICT)**

Information Technology is very important in the modern world of globalization. Among 105 respondents 60% argued that there is lack of accessibility to ICT and therefore failed to modernize their SACCOS. Table 1.14 give the summary of identified community needs.

**Table 1.14: Summary of Community Needs**

Total number of respondents N = 100

| S/N |   | Popul. | Size | % Distri. | Total |
|-----|---|--------|------|-----------|-------|
| 1   | Low level capital                           | 75     | 4    | 75        | 100   |
| 2   | Lack of adequate knowledge & skills on IGAs | 85     | 1    | 85        | 100   |
| 3   | Low level pf education                      | 70     | 6    | 70        | 100   |
| 4   | Inaccessibility of credit facilities        | 60     | 7    | 60        | 100   |
| 5   | Poor extension services                     | 60     | 7    | 60        | 100   |
| 6   | Erratic rainfall                            | 75     | 4    | 75        | 100   |
| 7   | Low level of technology                     | 80     | 2    | 80        | 100   |
| 8   | Poor government policy                      | 60     | 7    | 60        | 100   |
| 9   | Poor infrastructure                         | 50     | 10   | 50        | 100   |
| 10  | Low level of income                         | 80     | 2    | 80        | 100   |

Source: CNA, Monduli District, 2006

### **1.5.12 SACCOS Performance**

SACCOS performance in the district was measured by both activity ratios and financial ratios. The activity ratios were imperative in studying the activity diversification by SACCOS whereas the financial ratios were important in assessing the financial performance of these community based organization.

These two types ratio are crucial in determining the sustainability and prospects of SACCOS in Monduli district and elsewhere in Tanzania.

Activity portfolio provides a buffer zone for risk aversion in any project. Financial stability also plays a great role for risk aversion in any project. Financial stability also plays a great role in raising the return on Investment (ROI).

- **Activity performance**

- Activity Diversification**

It was observed that most workers SACCOS concentrate on Savings and Credit services as they do not have side – project as they are permanently employed members who lack adequate time to deal with development projects. However due to the fact that they have stable services of income (wage-employment), most of their SACCOS are expanding and having high ROI resulting from members contribution, loans and interest paid in by borrowers.

However for non-workers SACCOS, they tend to diversity their activities in order to expand market base and opportunities. These activities include food vending, calico selling, gardening, rental shops, mini-hotels and diary cattle husbandry.

The activities diversification according to SACCOS in the district is as follows:-

**Table 1.15: Activities diversification as per SACCOS**

| SN | NAME OF SOCIETY     | Farming | Savings and credit | Food vending | Calico selling | Retail shop | Diary cattle | Mini Hotel |
|----|---------------------|---------|--------------------|--------------|----------------|-------------|--------------|------------|
| 1  | Monduli Teachers CW | -       | √                  | -            | -              | -           | -            | -          |
| 2  | Mlimali Ngarash     | -       | √                  | √            | √              | -           | √            | -          |
| 3  | Monduli District CW | -       | √                  | -            | -              | -           | -            | -          |
| 4  | HAMASA Farmer       | √       | √                  | -            | -              | -           | -            | -          |
| 5  | MANAPA              | -       | √                  | -            | -              | -           | -            | √          |

**Source:** Survey Findings, 2006.

It was observed "that" most SACCOS engage on Savings and Credit activities only as they do lack adequate time for other ventures apart from their employment contract which abide them to spend almost all their time working for their employers.

It can be seen from the table that one SACCOS Mlimani Ngarash followed by HAMASA farmers, have the highest concentration of activities which lead to a maximum of four and three activities respectively. There are followed by MANAPA SACCOS with two different types of activities.

This implies that the lower the activity diversification the lower the man-activity ratio and the highest the business risk due to low portfolio.

- **Product differentiation**

It was observed that most SACCOS in Monduli district still depend on traditional and undifferentiated products whose market demand is low and eventually leading into diminishing marginal returns to the original investment.

HAMASA farmers SACCOS, continue to deal with traditional crops such as Maize, Beans, and Coffee to a large extent, horticultural crops such as carrots and sweet potatoes.

Employed workers SACCOS such as Monduli Teachers College and Monduli District Council workers dwell their activity more on Saving and Credit services leading into poor deposits. Mlimali Ngarashi SACCO tends to differentiate its product by adding more value through decoration, packing and streamline their products so as to attract their customers.

- **New Product Development**

Due in part to lack of adequate marketing skills and knowledge, most SACCOS fail to develop new product which will catch the market locally and internationally.

New product development requires knowledge and skills on market research, analysis and forces, which are lacking with SACCOS members. It is quite that new desires and wants do arise and hence a need for new products

In this area of globalization, product differentiation and new product development are very crucial processes and phenomena in capturing the market share.

- **Gender Participation Ratio**

It was noted that there was gender participation differential in SACCOS. Participation of both men and women is imperative in the development of any economic and social venture. Denying one part of gender whether men or women will distort development process



as it needs the concerted effort of both. It was found that there was gender participation gap in most SACCOS in Monduli district the number of men outpacing that of women.

The following table shows the gender distribution of member in five SACCOS:

**Table 1.16: Distribution of member by gender**

| Society Name                     | Establishment | Current Membership |           | Total Members |
|----------------------------------|---------------|--------------------|-----------|---------------|
|                                  |               | Men                | Women     |               |
| Monduli Teachers College Workers | 1994          | 166 (192)          | 146 (120) | 312           |
| Mlimani Ngarash                  | 1996          | 132(106)           | 41 (67)   | 173           |
| Monduli District Council Woeker  | 1999          | 23(27)             | 20 (16)   | 43            |
| MANAPA                           | 1998          | 55(45)             | 18 (28)   | 73            |
| HAMASA Farmers                   | 1999          | 5(10)              | 12 (7)    | 17            |
| Total                            |               | 381                | 237       | 618           |
| Percentage Distribution          |               | 61.7               | 38.3      | 100.0         |

**Source:** Survey Findings, Monduli District, 2006  
(Represents Expected Frequency)

The Friedman Chi-square at 0.01 level of significant and four degree of freedom is 0.297, therefore the value  $X^2 = 38.2$  falls outside the acceptable range showing that there is a great discrepancy between men and women participation in SACCOS.

By using Charles Spearman Rank correlation Coefficient it shows that there is a positive correlation between men and women participation in SACCOS. The value obtained is +0.4. This implies that participation in SACCOS is gender biased. By using the Mann-Whitney U-test (a non-parametric measurement used to assess

whether the two samples varies significantly from the result) shows a value of  $U_{0.01} = 25$  which is above the tabulated value of  $U = 23$ .

It was observed from the survey that gender participation gap in SACCOS is due to a myriad of reasons, inter alia, the following:

- **Heavy workload among women especially the housewives.**

This is due to skewed distribution of social roles at home subjecting women into a more congested calendar of work at the household level.

The workload among women includes the triple role of women inter alia:

- i. **Reproductive role:** related to the family upkeep,
  - ii. **Productive role:** related to income generating activities, and
  - iii. **Community management role:** Related to social responsibility of women in community development including building of community centres, rural roads, dispensaries and so on.
- **Traditional Norms and values**  
These stereotype a woman as being submissive to man and hence alienated from major decision making process.
  - **Inaccessibility to Family Life Education (FLE) and Reproductive Health Education (RHE)**  
Making a wife or women prone to large families and small span of child spacing and hence spend a grate portion of time in child rearing

- **Inaccessibility to credit service and facilities**

Most women do lack adequate information on credit facilities and services and hence fail to get credits for income generating activities and hence lag behind in the process of project development.

- **Poor gender relation**

Women are considered as instruments of labour for household life stay and therefore confined to household chores including cooking, house keeping, and child nurturing, taking care of the sick and maintaining the husband. Man considers himself as being biologically stronger than a women, hence he must dominate her (Biological and social Theory of Sir Saint Charles Darwin)-Survival for the fittest.

- **Financial Performance of SACCOS**

For any community Economic Development Project to be sustainable performance is very critical. A stable financial trend may show the extent of sustainability of a given enterprise. It was observed that the extend of sustainability of a given enterprise. It was observed that the trend of income level in some of the SACCOS was not encouraging

### ***Financial ratios***

The performance in monetary terms can also be determined by assessing the net income obtained by SACCOS in comparison to the initial investment. The following table shows the return on investment for the five SACCOS in Monduli District for the period of five years.

**Table: 1.17 Return on investment as per SACCOS (2001-2005)**

| S/N | SACCOS                            | Cumulative Loans (Tshs) | Cumulative Income (Tshs) | Average Income (Tshs) | Cumulative (ROI)% | Average (ROI)% |
|-----|-----------------------------------|-------------------------|--------------------------|-----------------------|-------------------|----------------|
| 1   | Monduli Teacher's Collage Workers | 35,018,300              | 10,489,105               | 2,097,821             | 30.0              | 6.0            |
| 2   | Mlimani Ngarash                   | 12,392,009              | 1,325,387                | 265,077               | 10.7              | 2.2            |
| 3   | Monduli District Council Workers  | 18,850,000              | 2,345,215                | 469,043               | 12.0              | 2.4            |
| 4   | HAMASA Farmers                    | 7,857,000               | 1,029,350                | 205,870               | 13.0              | 2.6            |
| 5   | MANAPA                            | 217,000                 | 168,000                  | 33,600                | 77.0              | 17.4           |

**Source:** Survey Findings, Monduli District Council, 2006

It can be observed from the above table that the returns on investment have been the highest for HAMASA farmers, which is 77 percent and the lowest is for Mlimani Ngarash which is 10.7 Percent. The highest Returns for HAMASA farmers is just due to the relatively small number of members which stands at 27 only with the average income per member being Tz Shs 1,244 per year, which is very low.

**Table: 1.18 Cumulative Capital per SACCOS up to 2003**

| Name of Society     | Est  | Initial Membership | Current Membership | Initial Capital | Average Capital | Current capital | Capital growth(%) |
|---------------------|------|--------------------|--------------------|-----------------|-----------------|-----------------|-------------------|
| Monduli Teachers CW | 1994 | 101                | 312                | 8,075,600       | 79,966          | 35,018,300      | 3.4               |
| Mlimali Ngarash     | 1996 | 37                 | 175                | 956,150         | 25,842          | 12,392,000      | 6.2               |
| Monduli District CW | 1996 | 87                 | 120                | 5,750,000       | 47,917          | 18,850,000      | 6.8               |
| MANAPA              | 1998 | 40                 | 98                 | 2,000,000       | 50,000          | 7,857,000       | 2.9               |
| HAMASA Farmers      | 1998 | 27                 | 27                 | 94,000          | 3,481           | 217,000         | 1.31              |

**Source:** ACIST, 2003: Appendix Vii

The capital growth has been the fastest for Monduli district council workers 6.8 percent followed by Mlimani Ngarash, 6.2 percent a

variance of 0.6 percent. The growth has been slow for HAMASA farmers which is 1.31 percent due to low initial capital investment.

It can be observed from the table that the minimum amount of initial capital per member is Tz Shs 3,481 for HAMASA farmers. This amount is very small when compared with Monduli Teachers Training College workers, which is Tz Shs 79,966, a variance of Tz Shs 76,485.

### ***Financial Performance of SACCOS***

For any Community Economic Development Project to be sustainable, financial performance is very critical.

A stable financial trend may show the extent of sustainability of a given enterprise. It was observed that the trend of income level in some of the SACCOS was not encouraging.

**Table 1.19 Saving Contribution to the Total capital base**

| S/N | Name of Society                   | Total Capital | Savings    | %age of Saving to capital base |
|-----|-----------------------------------|---------------|------------|--------------------------------|
| 1.  | Monduli Teacher's Collage Workers | 35,018,300    | 24,414,814 | 69.7                           |
| 2.  | Mlimani Ngarash                   | 4,350,696     | 3,081,696  | 70.8                           |
| 3.  | Monduli District Council Workers  | 25,440,860    | 18,750,600 | 73.7                           |
| 4.  | HAMASA Farmers                    | 217,000       | 88,960     | 58.3                           |
| 5.  | MANAPA                            | 22,556,780    | 13,460,570 | 59.6                           |

**Source:** District Cooperatives Office, Monduli, 2006

It can be observed from the above table that HAMASA farmers has the lowest Savings-Capital base ratio (58.3) due to the fact their source of capital is not adequate and stable whereas Monduli District workers has the highest Saving-capital ratio (73.7) due to the stable income (the monthly salary).

**Table 1.20 Loan Products Duration and Interest Rates**

| S/N | Name of society                     | Loan Product   | Duration                               | Interest Rates      | Loan Policy  |
|-----|-------------------------------------|--|--|---------------------|--|
| 1   | Monduli Teachers<br>College workers | <ul style="list-style-type: none"> <li>• Long term loan</li> <li>• Emergency Loan</li> </ul>   | 6-24 Months<br>1-6 Months              | 6-25 %<br><br>4-14% | Tshs.100,00-<br>400,000<br>Tshs 10,000-<br>150,000 |
| 2.  | Mlimani Ngarash                     | <ul style="list-style-type: none"> <li>• Normal Loan</li> <li>• Special Loan</li> </ul>  | 6 months<br>1-3 Years                  | 18%<br>18%          | Flexible   |
| 3.  | Monduli District<br>Council Workers | <ul style="list-style-type: none"> <li>• Normal Loan</li> </ul>  | 1 Year                                 |                     | Twice deposits                                     |
| 4.  | HAMASA Farmers                      | <ul style="list-style-type: none"> <li>• Emergency Loan</li> <li>• Long Term loan</li> </ul>   | 6 Months<br><br>18 Months              | 12%<br><br>10%      | Twice deposits                                     |
| 5.  | MANAPA                              | <ul style="list-style-type: none"> <li>• Ordinary Loan</li> <li>• Development<br/>(Agriculture)</li> <li>• Emergency Loan</li> </ul> | 8 Months<br><br>1 Year<br><br>1 Months | 10%<br><br>12.5%    | Twice deposits                                     |

**Source:** Survey Findings, Mondul District, 2006

It can be observed from the table that loan product duration is too short for SACCOS to get high profit margins and break even. The interest rates charged to SACCOS are also exorbitant making them progress gradually and may eventually lead into their collapse.

### ***Income trend of SACCOS***

Financial sustainability of any Community Economic Development Project SACCOS inclusive is very crucial for the growth of such a venture and will ultimately lead into improvement of the Physical Quality Index of the members. It was observed that financial stability was higher for employees have stable income sources accruing from their monthly salary.

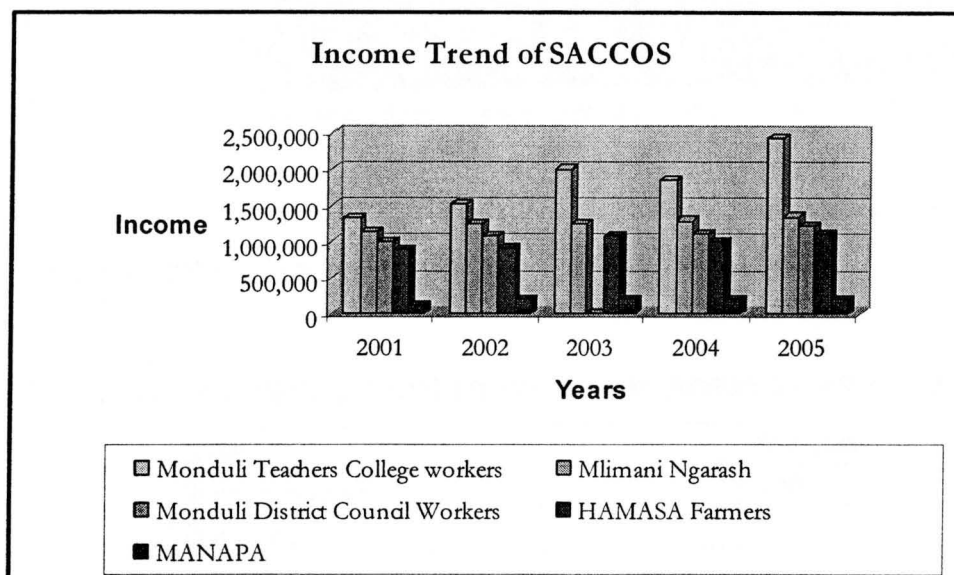
The following table shows the income trend of the five SACCOS (in Tz Shs):

**Table 1.21 Trend of income for 2001-2005**

| S/N | Name of society                  | 2001      | 2002      | 2003      | 2004      | 2005      |
|-----|----------------------------------|-----------|-----------|-----------|-----------|-----------|
| 1   | Monduli Teachers College workers | 1,325,387 | 1,520,217 | 2,007,875 | 1,852,775 | 2,437,215 |
| 2.  | Mlimani Ngarash                  | 1,141,182 | 1,252,180 | 1,252,180 | 1,289,865 | 1,347,816 |
| 3.  | Monduli District Council Workers | 1,007,800 | 1,089,720 | 1,200,500 | 1,121,314 | 1,234,415 |
| 4.  | HAMASA Farmers                   | 897,000   | 911,780   | 1,090,000 | 1,000,200 | 1,121,000 |
| 5.  | MANAPA                           | 118,600   | 192,400   | 200,400   | 198,800   | 201,708   |

Source: District Cooperative Office, 2006

**Fig: 1.5 Trend of Income for 2001-2005**



Source: District Cooperative Office, 2006

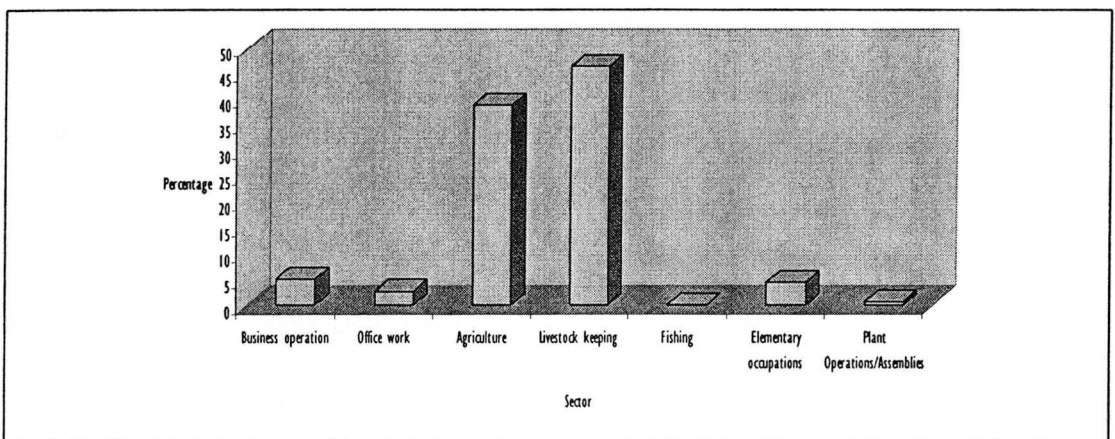
- **Basic Socio-Economic Facts of the District**

- **Occupation structure**

The main economic activities of Monduli District are livestock keeping, agriculture and wildlife. More than 90% of the population

is engaged in livestock keeping and agriculture. The district is estimated to have 51,067 hectares of potential cultivated land but only 40,000 hectares are under cultivation which is 78 percent. Although large scale farming is practiced in the Southern part of the district (Lolkisale), subsistence farming is the main form of farming. The occupation distribution in the district is shown in the following figure.

**Fig. 1.6 Occupation Structure in the District**



**Source:** MDC, Socio-Economic, Profile, Dec 2004:4

**Table 1.22 Employment in different areas is as follows:**

| Sector                      | Percentage |
|-----------------------------|------------|
| Business operation          | 5.00       |
| Office work                 | 2.71       |
| Agriculture                 | 39.00      |
| Livestock keeping           | 46.50      |
| Fishing                     | 0.12       |
| Elementary occupations      | 4.48       |
| Plant Operations/Assemblies | 0.56       |

**Source:** MDC, Socio-economic Profile, Dec, 2000:4

This table shows that 85.5 percent of total population in Monduli is engaged either on crop or animal husbandry. They are peasant



farmers. They live on subsistence farming. The least employer is the fishing industry which employs only 0.12 percent.

The data also shows the following distribution on social and economic parameters of the Physical Quality of Living Index (PQLI) of the people in the district. The quality of livelihood is very low due to low income, low level of literacy and low life expectancy due to poor nutrition status.

The following table shows other parameters of PQLI in the district:

**Table 1.23: Physical Quality of Living Index Parameter**

| <b>Description</b>  | <b>Percentage</b> |
|---|-------------------|
| Backed bricks as the main building material                 | 8.0               |
| Cement as the main building material                        | 12.0              |
| Corrugated iron sheet as the main material roofing material | 125.0             |
| Electricity as the main source of energy                    | 3.0               |
| Firewood/charcoal as the main source of energy              | 95.0              |
| Traditional pit latrine as the main Toilet facility         | 32.0              |
| Percentage with no Toilet Facility                          | 67.0              |
| Hand hoe an asset owned by people                           | 88.0              |

**Source:** MDC, Socio-Economic Profile, 2004

It can be observed from the table that the majority of the people in the district, which is 88 percent, own and use a hand hoe in farming. Charcoal and fire wood is a source of energy to 95 percent of the total population. Electricity is considered as a rich man's source of energy in the district as only 3 percent of the total population is the consumer of such energy. Lack of toilet facility to the 67 percent of the total population may lead people into frequent eruption of epidemics such as cholera and diarrhoea.

- **Basic Social and Economic Indicators**

The MDC, in collaboration with the District Planning Office made a survey on basic social-economic indicators. The following table shows these indicators for the district, relative to the National and Regional values:

**Table 1.24: Monduli District Basic Socio-Economic Indicators**

| S/N | Indicator                          | National  | Arusha Region | Monduli District | Variance (National) |
|-----|------------------------------------|-----------|---------------|------------------|---------------------|
| 1   | GDP(1994)Mil. Tshs                 | 1,639,929 | 145,192       | 19,642           | 1,620,283           |
| 2   | Per Capita Income (1994)           | 62,138    | 91,204        | 140,000          | 77,864              |
| 3   | Life Expectance(1988) Yrs          | 50        | 57            | 52               | 2                   |
| 4   | Infant Mortality Rate (1988)       | 92/1000   | NA            | 150/1000         | 58/1000             |
| 5   | Population Density (1988)          | 26.2      | 16.2          | 12.7             | 13.5                |
| 6   | Population Growth Rate (1988)      | 2.8       | 3.8           | 4.3              | 1.5                 |
| 7   | Environment Rate (1988)            | 74.2      | 65            | 30               | 44.2                |
| 8   | Illiteracy rate (1994)             | 16        | 41.9          | 95               | 79.0                |
| 9   | No. of Primary Schools (2000)      | 10,454    | 608           | 58               | 10,396              |
| 10  | No. of secondary Schools (2000)    | 405       | 50            | 7                | 398                 |
| 11  | Pop. Accessibility to clean water% | 50.6      | 41.6          | 42               | 2,982               |
| 12  | No. of Dispensaries                | 3,014     | 333           | 32               | 2,982               |
| 13  | No. of Health Centers              | 276       | 13            | 2                | 274                 |
| 14  | Population per Health centers      | 50,000    | 150,579       | 90,507           | 40,567              |
| 15  | No. of Hospitals (1994)            | 175       | 15            | 1                | 174                 |
| 16  | Population per Hospitals           | 100,000   | 130,502       | 181,134          | 81,134              |
| 17  | No. of Doctors                     | 1,086     | 50            | 2                | 1,084               |
| 18  | Population per Doctors             | 24,930    | 39,150        | 86,572           | 61,642              |

**Source:** DPLO-Monduli District, 2005.

NA: Not Available

It can be observed that the district has high life expectancy than the national average with a variance of 2 years. However, it has a lower population density than the national average with a variance of 13.5 people per sq. km. This shows that the district's population is sparsely distributed and the people are highly scattered as such provision of social and economic amenities becomes difficult.

The district population growth rate is higher than that of the national average with a variance of 1.5 percent indicating that the population of Monduli is increasing faster than the overall national population. It is evident that if the situation is left unchecked overtime it may lead into land crisis and environmental degradation through indiscriminate cutting down of tree for house building, poles for cowsheds, fuel wood and charcoal.

Illiteracy rate for the district is higher than the national average with a variance of 79 percent. This indicates that most people in the district have low level of education or no formal education at all.

## **CHAPTER TWO: Problem Identification**

This chapter consists of the essential social and economic data for the district as well as the problem statement. It is a result of the community assessment done in chapter one.

### **2.1 The problem statement**

Savings and credit facilities and cooperative societies were established in the District in the mid 1990s for the purpose of improving social and economic condition of their members. These SACCOS were created to make people especially in rural areas improve their quality of life through operating their savings and credit groups so as to get profit, providing loans which have soft conditions and also supporting different economic activities such as a village projects and women income.

In Monduli district rural residents live in widespread poverty. They lack adequate capacity to utilize locally available resources such as land and livestock to generate sustainable income; in order to sustain their SACCOS. These rural poor experience low level of physical quality of living index and therefore cannot afford their daily subsistence to the maximum.

The following factors contribute to the main causes of the problem of lack of inadequate capacity to utilize their locally available resources:

- ***Low level of education***

It is evident that there is a direct correlation between level of development and educational attainment, since an uneducated population cannot be able to interpret development messages.

- ***Lack of accessibility to credit facilities***

Financial resource is an essential gadget in carrying out the development projects.

- ***Poor agricultural extension coverage***

Training and technical advice are important in propelling the development wheel for Community Economic Development projects.

- ***Lack of incentives.***

Motivation acts as a driving force for accelerated growth for any CED Projects.

- ***Shortage of financial resources.***

Inadequate financial resource is a hindrance to the development of CED projects.

- ***Lack of adequate capital***

Inadequate capital slows down the performance of SACCOS. These problems affect more than ninety percent of the rural population in Monduli district. However, women are more affected than men, due to high prevalence of illiteracy among them. The goal of this project is to build adequate capacity among SACCOS members so as to enable them utilize locally available resources more efficiently and effectively.

## **2.2 Stakeholders to the project**

The main stakeholders of the projects include Arusha Community, Inactive support Trust (ACIST), TRIAS (Tanzania), Friends in Development (FIDE), Mtandao wa Vikundi vya Wakulima Monduli

(MVIWAMO), Community Organization for Research and Development Support (CORDS).

The stakeholder roles include credit provision, consultancies, provision of essential data and information about the project data as well as provision of training for the target group. These stakeholders expect that if they help the rural poor in building capacity they will be able to harness the resources pentagon affectively and efficiently.

**Table 2.1: Stakeholders Analysis**

| S/N | Stakeholder | Participation   | Impact   | Plan  |
|-----|-------------|---|----------|---|
| 1   | ACIST       | Credit Supply, Consultancy and Training                       | Positive | Internal Capacity Building                                  |
| 2   | FIDE        | Credit Supply, Consultancy and Training                       | Positive | Improvement of physical Quality of Living Index of the poor |
| 3   | BEST        | Credit Supply   | Positive | Development of Business Skills                              |
| 4   | MVIWANO     | Provision of essential data and information about the project | Positive | Networking among SACCOS Members                             |
| 5   | CORDS       | Provision of survey data and information                      | Positive | Strengthening SACCOS through SWART Analysis                 |
| 6   | TRIAS       | Financial support and consultancy                             | Positive | Organization Development                                    |
| 7   | SACCOS      | Creating Self Sustaining organization                         | Positive | Internal capacity Building                                  |

**Source:** Research Findings, 2006

## **2.3 The Project Objective**

### **2.3.1 The General Objective**

The main objective is to assess the sustainability of SACCO as community based organization.

### **2.3.2 The Specific Objectives**

Other specific objectives include:

- To assess the performance of SACCOS as in Income Generating Activities groups;
- To explore the diversity of economic activities undertaken by SACCOS;
- To investigate the auditing system used by SACCOS;
- To analyse the gender participation rate of SACCOS;
- To assess the organization structure of SACCOS;
- To assess the monitoring and evaluation system used by SACCOS.

### **2.3.3 The Host Organization**

The host organization for my project is Arusha community Initiative Support Trust (ACIST). The Organization supports SACCOS by providing Credits for the member so as to establish income generating activities.

### **2.3.4 Research Questions**

*2.3.4.1 What are the main problems facing SACCOS in Monduli District?*

*2.3.4.2 To what extent are SACCOS activities diversified?*

*2.3.4.3 What are the main sources of fundings for SACCOS?*

*2.3.4.4 What is the performance trend of SACCOS in Monduli District?*

*2.3.4.5 What is the Gender Participation in SACCOS?*



## **CHAPTER THREE: Literature Review**

Review of existing literature provides an essential data and information regarding conceptual framework, background and statement of the problem as a comparative tool for other authors. It helps to reveal the gaps and strengths of other writers. This part is divided into three main parts: Theoretical Literature, Empirical Literature and Policy Review.

### **3.1 Conceptual Analysis**

The conceptual reviews of the Credit Scheme have been provided by different authors including the following:-

**Virji and Meghji (1987)** defines cooperative as the programme which extended money to the people for commercial rather than as a grant in order to commit them to work for income generating profits so as to make them successful and create self-spirit.

**Oxfam (2002:1)** narrates on Credits and Savings as:- widespread board for other forms of individual and communal capacity building means to much greater end as may increase levels of self-esteem and self-worth for individuals whilst the process of coming together is groups development a system of group management and can open doors leading to wider change and empowerment.

### **3.2 The Theoretical Literature Review**

A cooperative means an association of person who have voluntary joined together for the purpose of achieving common need through the formation of democratically controlled organization and who make equitable contribution to the capital required for the

formation of such an organization and who accept the risk and the benefit of the undertaking in which they actively participated.

A cooperative society is defined by **Chambo S.A (1994:224)** as; A voluntary association of free individuals who agree to pool their resources to address common felt needs economically and socially, usually, the members have a common problem where resolution cannot be achieved by any one of them individually. Cooperatives, therefore, are organizational means which the members use to effect their own transformation or change their material and social condition of life through democratically organized institution. Therefore cooperatives are about self-reliance, self-management through people initiatives and about change.

Cooperatives have existed as formal institution since the early years of the Great Industrial revolution in the 18<sup>th</sup> century. They have been organized to meet virtually all social and which people have to face.

Since then they can be found in almost all kinds of people under all kinds of government and within kinds of every level of social economic development of society.

Savings and credit Cooperative Societies (SACCOS) are Microfinance Institutions that are established to provide financial services to low income households, small scale farmers and Micro entrepreneurs for both rural and urban areas, the conceptual analysis on provision of credit has been described.

### **3.3 Basic Schools of thought on cooperatives**

- **The cooperatives Enterprises school**

This school of thought believes that cooperatives like any other business enterprises, needed to compete in order to survive in a market economy. Therefore the responsibility of an enterprise is the mobilization of resources from the weak member of the community so that through their cooperative business they can change their conditions of life.

- **The commonwealth school**

This school postulates that cooperatives are more than business enterprises. They have social responsibilities to fulfil for their members which consist be judged by simple financial calculations.

- **The socialist school**

This school looks at cooperatives as instruments to build a socialist economy. They are seen as not just economic institutions to achieve economic ends for the member but as a political means to eventually bring about social; ownership of the means of production.

- **The cooperative sector school**

This school argues that any economy is divided into three main sectors-the public, private and cooperative sectors. However, none of the sectors has the capacity to meet the needs of the population.

Hurdling H.A. (1996:214) defines a savings and credit cooperative society (SACCOS) as:

*.....An association of persons, usually who have limited income and so, they voluntarily join together to achieve a common economic goal and through the formation of democratically controlled business.*

*Organizationally, SACCOS, make equitable contributions to the capitals required and accepting a fair share of the risk and benefits of the economic undertakings.....*

What differentiates SACCOS from other business organization, are the cooperative principles which include open and voluntary member, democratic control, limited interest, share capital and equitable distribution of resources.

Good governance is a governing system that appeals to the value and principles of cooperatives enterprise.

There are four principles of good governance in Cooperative Organization these includes

- Accountability,
- Transparency,
- Predictability, and
- Members participation in decision making.

According to **ACIST (2003:15)** SACCOS are members driven organization. While they perform money business, they carry a value system that call for the adherence to principles of good leadership in the exercise of general principles of good government. In terms of cooperative development members participation puts the cooperative society under the leadership of the members.

SACCOS have become a burning top priority among, competing national needs, under the benefit that the Savings and Credit Cooperative sector could be the basic social and economic

development. Among the strategies for Community Economic Development SACCOS are considered to be the major strategy.

Although cooperatives have never met a welcoming attitude from the rich and more conservative individuals, they have been received and accepted by all types of governments in the world, the governments of the developing countries have found these organizations to be of crucial assistance in this efforts to bring about economic and social independence.

The governing principles, which guided the SACCOS are the ones, which are adopted and adapted in all categories of Co-operative Development almost everywhere. Concerning the origin of these principles it is explained succinctly by the following author.

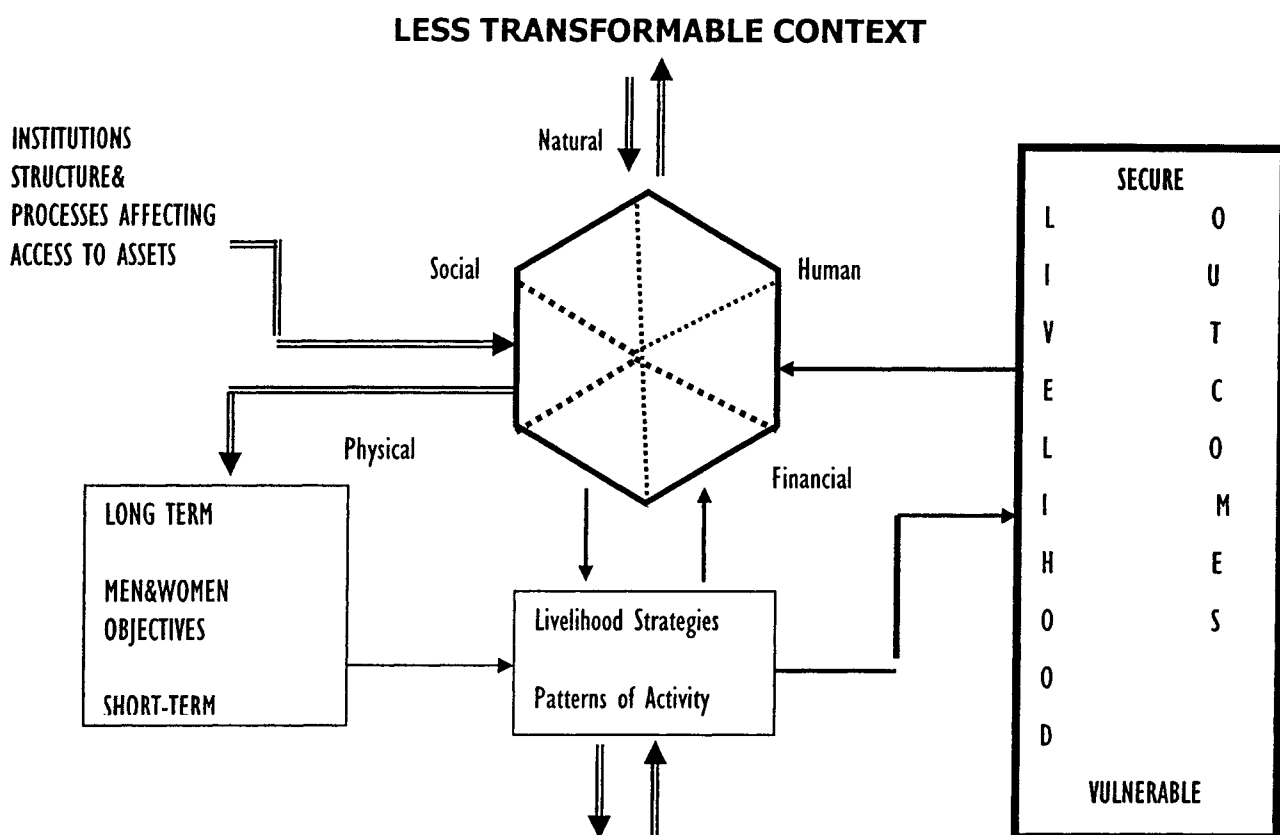
**Kibiringe** (1980:15) maintains that:

*.....The Rochdale Pioneers that is people who were concerned with the idea of cooperative movement in Great Britain in 1944 worked out some basic idea. These were later modified and become perfect..... This implies that:*

*.....These cooperatives were voluntary membership, democratic control, limited interest on capital, and proportional distribution on capital and cooperative education.....*

A saving and credit cooperative society is composed of individual persons who agree voluntarily to pool their resources together and use them in helping one another. The individuals are owners of the organization provided they do not contravene the government laws as stipulated in the Cooperative Society Act of 1982.

**Figure 3.1: Sustainable Livelihoods: Concepts and Implications for Policy**



**MORE TRANSFORMABLE CONTEXT**

**Source:** Meikle S, Ramasut and Walker J. (1999): Sustainable livelihoods Concepts and Implications for Policy

The model above shows that the key elements of the sustainable livelihoods are assets, livelihood strategies, livelihood outcomes, context and men’s and women’s short and long-term objectives.

There are five types of assets: financial, human, natural, physical and social. There are assets which are significant on the pentagon because they are relatively available and those which are ascribed particular importance or value by men and women undertaking livelihood strategies who may therefore make an extra effort to

invest in them out through different ways such as financial credit and education or information.

Livelihood strategies are shaped by a combination of the assets available, the rural contextual factors which determine the availability of these assets, and men's and women's objectives. Individuals and households build up various patterns of activities which together constitute their livelihood strategies.

The sustainable livelihood approach stresses the need to accentuate positive aspects of livelihood systems, highlighting the strengths and capabilities of poor men and women.

Livelihood outcomes can be aggregated and seen in relation to their position on a continuum between vulnerability and security.

### **3.4 Empirical Literature Review**

**Chambo S.A** (1994) in the book *Economic Performance and Poverty Alleviation in Tanzania: Cases of Dare Es Salaam, Moshi and Hai Districts*, Economic and Social Research Foundation, narrates the perspective of cooperative movement in Tanzania as follows:

- **During the colonial days**

Cooperative was legally controlled by the colonial state and was confined to cash crops export sector and followed the cooperative enterprises model and survived through competition not by government protection.

- **During independence 1967**

Cooperatives were recognized as central policy instrument. The government used the commonwealth model by expending cooperatives even areas with no cash crops.

- **In 1967 after Arusha Declaration**

Tanzania adopted the socialist model of development there were contradictions between market oriented cooperation economy and the state.

In 1975 after Village and Villagezation, the government disbanded the market cooperative in favour of the village based socialist model. Villages were demanded to form multi purpose cooperative societies.

In 1982 after Cooperative Act, it initiated three tiers cooperative structure formed in primary societies, secondary unions and the national apex organization – WASHIRIKA

These facts about cooperative movement in Tanzania show the entity had been a dynamic process to favour more democratisation of these People Based Organization.

**Meikle S. and others (1999)** approach the problem of rural poor in terms of sustainable livelihood. They state as follows:

*.....The selection and design of live hood strategies relates to women's and men's objectives and their priorities. Livelihood strategies are therefore based on the values and priorities of men and women who pursue them, rather than simply on the option and resources available. Some contextual factors are controllable by poor men and women, who*



*may make effort to adopt their environment to be more in line with their needs. Even those contextual factors, which cannot be deliberately transformed, by individuals or small community groups may be unnaturally transformed by the collective effort of men and women livelihood strategies.....*

In the other findings, **Rona (1984:12)** found out that:

*.....The formation of savings and credit cooperative societies in developing countries follow the principle of cooperation. Normally cooperation societies are democratic organization. Their affairs should be administered by person selected as appointed in a manner agreed by all members and are accountable to them; members organizing primary societies should enjoy equal rights of voting and participate in decision affecting their societies.....*

**ACIST (May, 2003:14):** SACCOS in Monduli are facing three important challenges which must come under critical discussion.

First is the challenge of creating internal management stability so that they can serve their members better all the time. Two is the challenge of growth and expansion in a competitive market environment. Third and finally is the need to modernize from where they are. These challenges call for a visionary leadership, advanced management capacity and well enlightened members.

**Strendsen and Teiser(eds) (1989:283)** observe that a few years after independence in Tanzania there were three defects of savings and credit cooperative societies as follows:

There were greater number of societies whose members were unformed about the nature of the cooperative and the duties of the committee and the power and responsibility of the members. Second defect was the shortage of appropriate manpower and inadequate trained employees. The final defect was the responsibility of the cooperative movement to the political interest.

The above mentioned problems were also explicated by another writer **Cliffe, L. (1996:208)** who cited and commented in the report of the presidential special committee of inquiry at the cooperative management and market of the cooperative management and market board of 1996.

He referred to the disappointing lack of involvement on the large part of many people in the control and running of their own cooperative.

The research written by **Goran H, (1973:13)** observes that:

*.....Government has made extensive interview to the management affairs of cooperatives. Thus the voluntary character of this institution has been lost.....*

Likewise, on the same issue, similar observation is made by **Omari, C.K. (ed) (1984:121)** who states that:

Lack of proper financial control and inspection adds to the problem facing saving and credit cooperative societies as they become victims of misappropriation of funds, despite the presence of the government inspectorate unit.

**ACIST (2003:15)** Observes that SACCOS in Monduli were operating without future directions and dreams. They have no well developed vision and mission. The absence of such instruments caused uncertainty in terms of planning for future actions. This implies that the future of SACCOS in Monduli is not well determined and hence the modularization process cannot be projected. It is therefore evident that SACCOS are faced with the problem of financial management which is one of the greater barriers to cooperate success.

It was observed that there are three models, which are used in SACCOS in Monduli district. DCO (2005:2) reveals these models as follows:

- **Centralized SACCOS model:**

This is practised by Cooperative Financial Institutions like Monduli Teachers Trust Fund (MTTF) and private SACCOS being promoted by Tanzania Chambers of commerce, industries and agriculture (TCCIA). This model commands certain opportunities which include large-scale organization of savings ability to hire professional managers modern technology and appropriate risk managers.

- **Open-Ended SACCOS Model**

This model accepts the membership from all walks of life. These include Mlimani, Ngarashi, and HAMASA (Harra, Mirambi, Ambalalai, Samoe and Ayahoma-These are sub-villages of Himiti village).

- **Institutional based SACCOS model**

This is an employees based model. The opportunities of this model include mutual trust among the members and stable income resulting from the same professionals and employees.

**Kweka et al** (2004:5) of Economic and Social Research Foundation did a study on Credit Markets in Tanzania revealed that most commercial banks are urban based. They found that rural constraints as exposed by financial institutions surveyed include the followings:

- Scattered low population density,
- Small average loan per loaner,

- Low household Savings which increases transactions costs per monetary unit of financial intermediation,
- Poor physical and communication infrastructure,
- Seasonality (annuity) of agricultural production,
- Susceptibility of agriculture to natural disaster such as floods, draughts, pestilences and plant diseases,
- Lack of records keeping culture due to high levels of illiteracy,
- Lack of Credit information concerning the ability and willing of potential borrowers to repay the loan, and
- Some bankers have negative attitudes towards rural leading, as they believe that rural population are weaker sections for whom any form of banking service must necessarily be subsidized.

These researchers also believe that the culture of loan default prevails in many rural areas in Tanzania where by borrowers seek to avoid loan repayment even where it is in their ability to do so.

Lenders believe that rural people are not potential profitable customers. They cite history of government sponsored often politicized cooperation in Tanzania as 'no unreasonably' leads bankers to believe that leading scheme to the rural sector are necessary doomed to fail.

Tanzania has been implementing financial sector reforms, as part of broader market oriented reforms. The goal is to permit banking and financial institutions to operate on commercial basis, making their business and management decision free from outside intervention within which was between 6 to 9 percent (**Kweka, J. etal 2004:5.**

**Rweyemamu D.** (2004:5) confesses that most financial institutions and their branches are based in Dar-es-salaam where there is big proportion of their loan portfolio. Dar-es-salaam accounts for 93 percent of all loans given out followed by Arusha, which accounts for 3.3 percent and Mwanza 1.7 percent. About 23 out of 31 financial institutions have their headquarters in Dar-es-salaam which to large extent explain the skewed loan distribution pattern.

Most of the existing rural household enterprises are part time activities and the available funds are subjected to the competing demands of the farm, non-farm enterprise and household consumption.

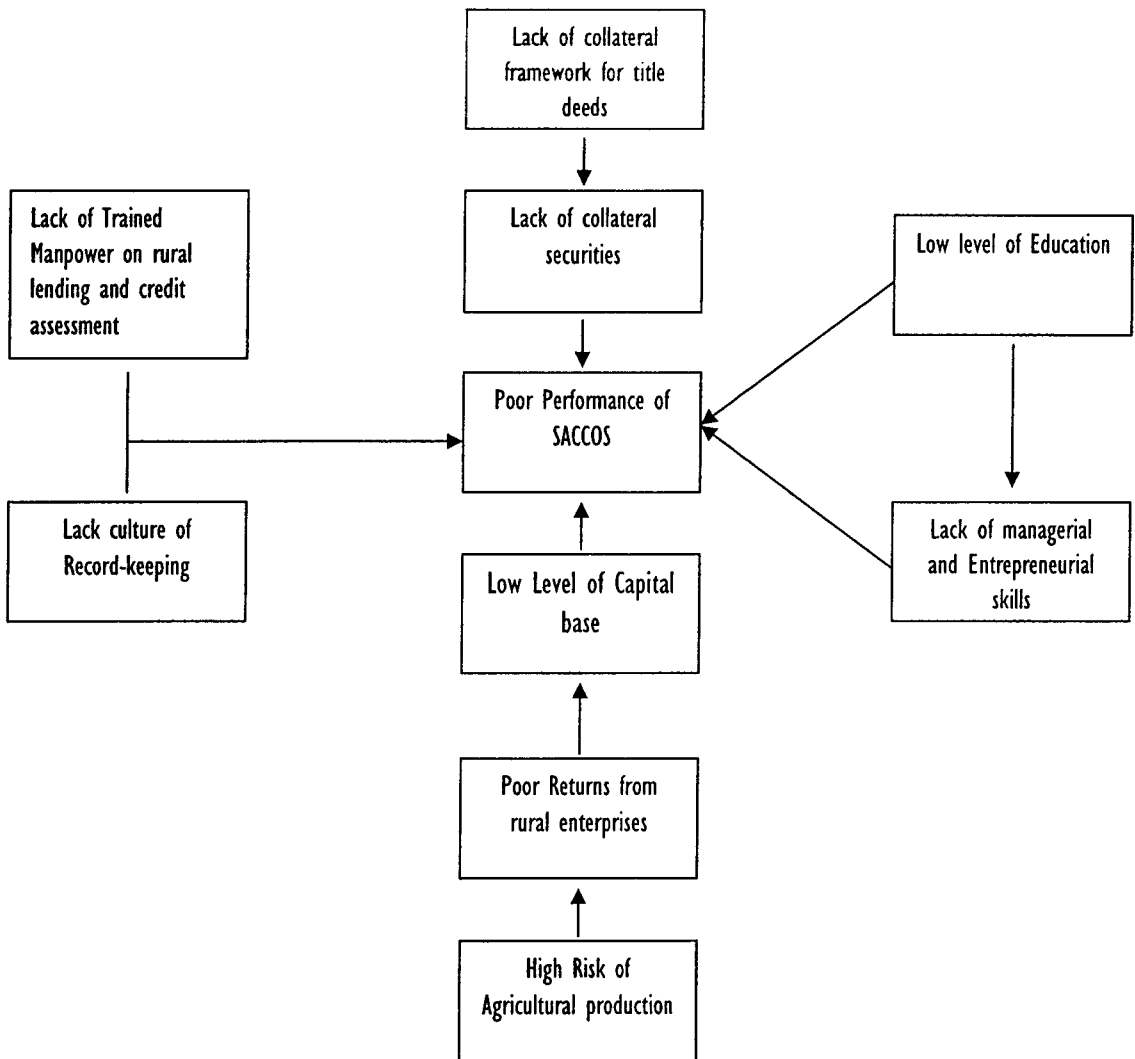
Similarly unusually high household expenditure affect both farm and non-farm operations.

**Leyaro** (2004:5) finds out that rural entrepreneurs in Tanzania are high-risk borrowers this increasing the importance of collateral security. He adds other factors making financial institutions lack appetite for rural enterprise as:

- Low level of education of the entrepreneurs,
- Lack of management and entrepreneurial skills,
- Poor and unreliable financial records,
- Difficult and unreliable financial review, and
- Small loan sizes secured by rural enterprises imply high unit administrative costs, aggravated at times, by the geographical dispersion of the potential clients in rural setting

The following framework shows the hindering factors for growth of savings and Credit Cooperatives Societies in rural areas in Tanzania where more than 85 per the total population resides.

**Figure 3.2: Empirical Framework for problems facing performance of SACCOS Rural sector**



**Source:** ESRF (2004:5), Supply Factors Affecting Rural Credit in Tanzania

### **3.5 Policy Review**

Macro policies can affect the condition of the poor, Meckle and others (1999: iv) point out those structural adjustment policies, which began in the early 1980s, and the late 1990s to have increased the vulnerability of many poor rural households.

In Tanzania the cooperative **Act No. 15 of 1991** laid down the foundation for establishing self-managed cooperatives by reforming the existing state owned societies. The decision to reform was taken in order to maintain continuity in the market channels previously established by cooperative societies.

The Act recognized cooperative as a private institution established and controlled by members according to the intentionally accepted cooperative principles and values. Thus the cooperative movement was since then built on a four tier structure-primary, secondary apex and federation.

**Chambo S.A (1994)** argues that:

A policy level the government is supposed to implement economic reform either far-reaching implication on the future of the cooperative movement.

The current privatization and trade liberalization policies, have removed the monopoly position and protectionism previously enjoyed by the cooperatives. This implies that, cooperatives have to in order to compete to survive. This system is backed on the Cooperatives, enterprises school of thought.

The market influence on the cooperative has meant that those Cooperatives which cannot compete will have to die natural deaths. However, some of the large ones have disintegrated into smaller districts level unions for efficiency, effectiveness and transparency.

**The Co-operative Development Policy (CDP)** of 2002 as well as the **National Micro-finance Policy (NMFP)** of 2000 both reorganize the role of SACCOS in the national poverty reduction initiatives.

The government of the Tanzania implemented rigorous transformation from planned economy with a single –party political system to a market economy with a multiparty democracy between mid-1980s and early 1990s. These changes were necessary due to various reasons resulting from both internal and external factors. Internally, there were pressures from finance imbalances including budgeting deficits, balance of payment crisis, and financial loses by parastatal bodies. On the other hand market and price control exercised by the government proved ineffective.

Externally, it was also during this time the country external debt increased substantially. Most donor countries and institutions recommended developing countries including Tanzania to adopt economic, social and political structural Adjustment Programmes (SAPs).

At first the government launched two self-guided economic structure adjustment programmes: the National Economic Survival



Programme (NESP) and Structural Adjustment Programme (SAP) in 1981 and 1982 respectively. A more significant reform was launched in 1986 that aimed at liberalizing the economy.

Series of political and economic reform measures followed thereafter that called also for formulation of different policies and enactment of favourable regulatory and legal frame work.

The most relevant changes of legal frameworks that favours the development of SACCOS are the Co-operative Societies Act (**CSA**) of 1991 and the Banking and Financial Institutions Act (**BAFIA**) of 1991. The CSA allowed members to form Co-operatives societies of their own liking. It emphasized establishment of member owned Co-operatives Organizations rather than the state driven co-operative.

CAS was amended in 1997 to provide for more freedom in Cooperative business development in a competitive economy.

The Banking and Financial Institution **Act (BAFIA)** provide for competition in the financial markets by opening up the private investment in the financial markets, restricting of the public institution and privatization of the same, lifting up controls on exchange and interest rates.

The liberation of the financial markets have enabled auctioning of government treasury bills at market interest rates and establishment of the Dar-es-salaam Stock Exchange (DSE), things that are crucial in the development of the capital in the country.

These developments were further reinforcing by the Co-operative Development Policy of 1997, which was revised in 2002 and the National Microfinance Policy (NMFP) of 2000, both of which set stage for the development of SACCOS in a liberal market environment. The Cooperative development Policy of 2002 recognizes the important role of SACCOS in organizing the highly needed cooperative finance.

The policy states **(URT: 2002:24-25)**

*".....To solve the problem of liquidity to members and primary co-operative societies, the government will encourage formation of SACCOS within the government will also continue to provide technical assessment to strength and develop the existing SACCOS in urban and rural areas....."*

The National Microfinance Policy re-affirms the importance of such financial institution in the objective of the NMFP is to establish a basis for the evolution of an efficient and effective micro-financial system that services low-income segment of society and thereby contribute to economic growth and reduction of poverty.

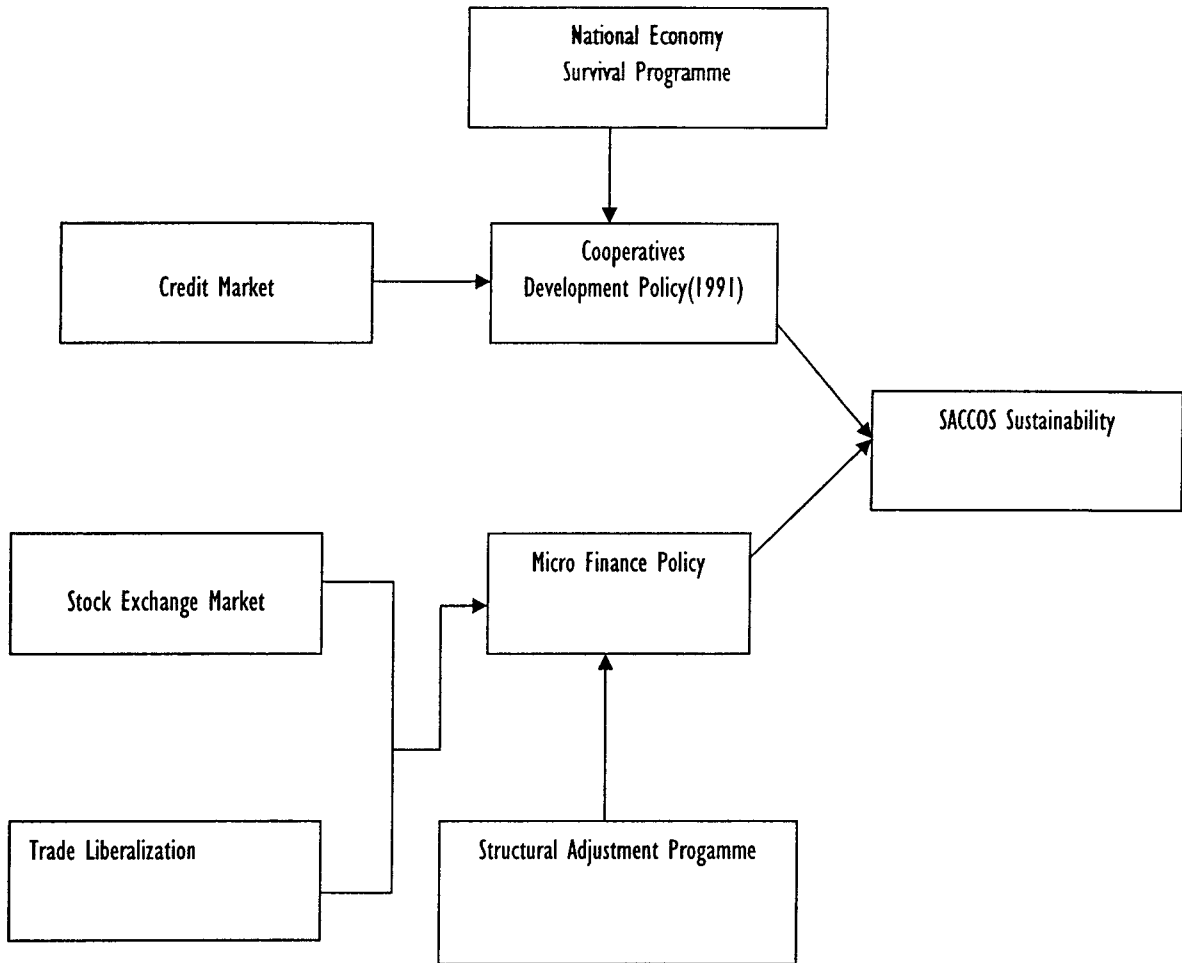
The policy intends to set up a best practice framework so that all practitioners of Micro-finances offer their service under reasonably similar conditions of quality and sustainability.

The government considers micro-finance services as an integral part of the development of the wider financial sector. SACCOS are recognized by this policy as one of the providers of micro-finance services in the country. The following model provides the policy framework for SACCOS sustainability.

Regarding Micro-finances, in 2003, the **Banking and Financial Institution Act** (BAFIA) was amended to provide for creation of banks and financial institution specialized in Microfinance such NMB designed to offer services to individual, groups and micro enterprises in the rural and urban areas of Tanzania mainland and Zanzibar. In the year 2000, the Government approved a **National Microfinance Policy** (NMFP) whose objective is to establish a basis for the evaluation of an efficient and effective micro-financial and thereby contributes to economic growth and reduction of poverty.

Financial services providers in Tanzania include licenses commercial banks, non-bank financial institutions, Regional and Rural unit Banks, Savings and Credit Cooperatives Societies and several NGO's whose micro-credit delivery operation are funded and supported by international donors. To date there are around 31 financial institutions. These include 20 registered banks of which 14 are foreign owned banks, 4 are jointly owned banks and 2 are locally owned banks, 5 non-bank financial institutions, 2 regional cooperative banks and 4 community banks (ESRF: 2004:6).

**Fig. 3.3 The Policy Framework for Sustainability of SACCOS**



**Source:** Adopted and Modified from ACIST (2004:5)

Ntobi M.P (2005:41) found out that if effective various regulatory framework like the National Micro-finance policy (NMFP) of 2000, SME Industrial Development Policy (SIDP) covering (1996-2020) have been developed to promote the financial sector.

The national Microfinance policy acknowledge that Micro-Finance Systems is an integral part of the financial sector that falls within the general framework of the Financial sector reform policy Statement of 1991. The National Micro-finance Policy is mainly

focused on efficient and effective micro financial system in Tanzania that serves the low income segment of sociality and thereby contributes to economic growth and poverty reduction by:

- Establishing a framework within which Micro-Finance Operation will develop,
- Laying out the principles that will guide operations of the systems, and
- Describing the roles of the implementing agencies and the tools to be in facilitating development.

The policy stresses that government's role is to create a supportive environment (**Section 4.1**) and that direct involvement by the government and political entities in financial services provision is counter productive (**Section 4.1.2 Ntobi (ibid:43)**).

NMFP appreciates that MFIs have been weak due to the following reasons sections section (1.1.3) explores them as:

- Interest rates are not set by the organization or programme or scheme themselves and as such in most cases they can hardly meet operational costs.
- Ngo's providing Micro-Finance Services have continued to depend on donor funds for their operations instead of building their own internal capital base.
- Lack of effective procedures for coordination, tracking and analysis of micro-Financial Operation.
- NGOs and other MFIs operate under different laws which render it difficult to be monitored and development of common standards becomes difficult.

- Operational problems including poor administrative systems and weak financial control within some organizations.

This situation stipulated a matter of fact that SACCOS which most of them depend upon donors funding including NGOs and other financial and Credit institutions are deemed to fail if deliberate measures are not taken to rescue the situation.

**MDC (200:40)** reports that prior to 1991 **Cooperative Act**, Cooperative Unions all over the country had sweeping marketing powers over the main cash crops purchases. Earlier, they had full control of cooperatives primary societies, particularly with regard to supply of inputs. As a result societies become heavily indebted, went bankrupt and eventually collapsed.

The **Cooperative Act** of 1991 gave primary societies power to manage their own affairs without the interference of the cooperatives Unions. This freedom according to primary societies by the new Act gave rise to the establishment of the 9 producers marketing societies, 1 saving Credit Societies, 6 consumer shops or societies and one industrial society.

### **3.6 Observations from Literature Review**

All the surveyed literatures admire the critical role of SACCOS in Community Economic Development. The SACCOS aim at building new business communities by enhancing capacity in production, ownership, control and access to productive assets.

The Literatures also provide conceptual and theoretical review on SACCOS as being an association of people who join hands together

with the purpose of reducing poverty and improving their Physical Quality of Living Index (PQLI). These people join together voluntarily and hence have democratic organizations.

The Policy Review has been concerned with total welfare of the SACCOS members by amending policies to make people have a greater say upon their association. National Microfinance Policy (2003) aims at providing services to the poor segment of population so as to make them come out of the jungle of poverty.

However, most literatures failed to come out with the feasible and viable solutions to the problems facing SACCOS. Some of the literatures are time-barred they outdate and hence no longer relevant. Situation are always dynamic, time and location specific.

The study aims to close the existing gaps in literature by exploring the current facing SACCOS and recommend on both feasible and viable solutions.

## **CHAPTER FOUR: Implementation**

This chapter comprises both planned and actual implementation of the project. It gives the original plan of the project, the implementation process, output and products as well as inputs. It also narrates the implementation plan, budget report and staff pattern.

### **4.1 Products and Outputs**

The project will be able to accomplish the following items by the end of the second year, 2007.

#### **Products:**

- SACCOS members with knowledge and skills in bookkeeping,
- Feasible and viable leadership structures,
- Diversified income generating activities, and
- Monitoring and evolution systems.

#### **Outputs:**

- 50 members of SACCOS trained on Bookkeeping,
- 50 new identified income generating activities,
- 50 group leaders trained on leadership, and
- 10 samples of ME systems developed.

### **4.2 Project planning and Implementation**

#### **▪ Project Planning**

The following is a list of activities needed to accomplish each objective includes people responsible, time frames and sources required, output, input, objectives and activities:



**Table 4.1: Project Planning Matrix for CED Project-SACCOS**

| S/N | Activity   | Objective   | Output   | Input   | Resources   |   |                | Responsible Party                              | Time Frame             |
|-----|--|---|--|---|---|---|----------------|--|------------------------|
|     |  |   |  |   | Material  | human   | Financial Tsh. |  |                        |
| 1.  | Development of the Problem statement                 | To get the insight of the undesirable situation-the nature cause and consequence              | Problem statement                                | Documents from CBO SACCOS annual report               | PRA Reports<br>Survey Results                         | CED students<br>ACIST Staff<br>Community Members<br>Extension Workers | 0.4mil         | CED-Students<br>ACIST-Staff                    | Oct. 2005              |
| 2.  | Community Needs Assessment                           | To obtain the authentic requirements of community members to analyse the existing situation   | Community Needs Assessment Report                | Interview Checklists                                  | Community Profile Report                              | CED Students<br>ACIST Staff<br>Community members<br>Extension workers | 0.6 mil        | CED-Students<br>ACIST-Staff<br>Extension Staff | Nov. 2005              |
| 3.  | Working with CBO and Communities for Data Collection | To gat data to fulfil the study objectives and answer research questions                      | Data and information on sustainability of SACCOS | Documents from CBO interview checklist questionnaires | SACCOS Annual Report<br>CBO Reports                   | CED students<br>Co-Surveyors  | 1.2 mil        | CED-Students<br>Co-Surveys                     | Jan. 2005-<br>May 2006 |
| 4.  | SACCOS Training on M&E System                        | To impart knowledge and skills on M&E system to SACCOS members                                | 100 members of SACCOS Trained on M&E System      | Training manual on M&E Training Programme             | Stationary<br>Flip charts<br>Chalk Board<br>Notebooks | CED-students<br>Co-Surveyors  | 2.88 mil       | CE Students<br>Co-Surveyors                    | Jun 2006 –<br>May 2006 |
| 5.  | Training Impact Evaluation on M&E system             | To ascertain relevance appropriateness effectiveness and efficiency of the training programme | M&E training Participants using M&E system       | SACCOS Performance Report<br>M&E Reports              |   | CED-Students<br>ACIST   | 0.38 mil       | CED-Students                                   | Feb, 2007              |
|     | Establishing IGAs                                    | To create financial sustainability  | IGA Started                                      | Financial material resources                          | Project Requirements                                  | Project experts<br>CED Student  | 3.0mil         | CBO stakeholders                               | October 2006           |

Source: Survey Design, 2006

### 4.3 Project Implementation Strategy

The implementation of the project was through participation of all stakeholders including CED student, cooperative officer, and CBO and Community Development officer. It started by identifying the basic inputs for the project implementation.

## **Inputs for Implementation**

Included physical, material, financial, human and social resources:

Physical inputs:

- Training Venue

Material:

- Training Aids

Financial Inputs:

- Funds required to accomplish the training

Human Resources:

- Facilitators
- Coordinator/moderator
- Co-facilitators

Social Resources

- Good will of facilitators and SACCOS members
- Active participation of the SACCOS members in the training.

## **4.4 Staff Pattern**

The implantation of the project had the following staff pattern

- o The CBO (ACIST) was the main care taker of the training programme.
- o The other stakeholders such as TRIAS provided consultation support to the project.
- o The CED student was involved in the facilitation of the training.
- o Extension staff (the Community Development office and the Cooperative officer) were involved in the facilitation of the training programme.

Training Budget for the project:

The training and preparation of monitoring and Evaluation system for the SACCOS had the following budget:

**Table 4.2 Training Budget for the project**

| S/N          | Description                                      | Quantity        | Amount              |
|--------------|--|-----------------|---------------------|
| 1            | Stationary                                       |                 | 300,000.00          |
| 2            | Food for participation (50)                      | 5,000x50x5 days | 1,250,000.00        |
| 3            | Facilitation allowance (4)                       | 30,000x4x5days  | 600,000.00          |
| 4            | Transport  |                 | 200,000.00          |
| 5            | Preparation of monitoring and evaluation systems |                 | 400,000.00          |
| 6            | Midterm evaluation                               |                 | 600,000.00          |
| <b>Total</b> |  |                 | <b>3,350,000.00</b> |

#### **4.5 Inclusive Participation**

The project was implemented by the participatory approach of the SACCOS members and other stakeholders

Participation approach ensured that:

- Members were enabled to participate through sensitization and mobilization of their won available resources.
- Members were made willing to participate through training and participation was bottom-up to accommodate the opinion and views of the members.
- The members were allowed to choose their own, therefore they were comfortable with their project as it was a result of their own willingness and convenience.

#### **4.6 Planned versus Actual Implementation**

The output and product of this survey was twofold:

Training on elementary Book-keeping for SACCOS members and develops monitoring and Evaluation system

**Table 4.3: Project Action Plan**

| Activity  | Objective  | Duration        | Output   | Resources                           |                              |                  | Status of implementation                 | Comments            |
|---|--|-----------------|--|-------------------------------------|------------------------------|------------------|--|---------------------|
|   |  |                 |  | Human                               | Material                     | Financial        |  |                     |
| Community mobilize to join SACCOS               | To get clear situation of the gap existing between real and ideal situation  | October 2005    | Mobilize communities                                 | Research CBO stakeholders           | Stationary CEDPA             | 150,000          | Complete                                 | -                   |
| Training on Elementary Book-keeping for SACCOS  | To enable participate have skills and knowledge on bookkeeping and hence use | August 2007     | Participants with knowledge a skills on book keeping | Researches Trainers On cooperatives | Stationary Books Flip charts | 2,600,000        | Incomplete Training done to three SACCOS | Financial Constrain |
| Development of Monitoring and Evaluation System | To enable members monitor & Evaluate their projects                          | October 2007    | Monitoring & Evaluation systems                      | Researcher Consultants              | Stationary                   | 300,000          | Complete                                 | -                   |
| Establishing Income Generation Activities       |  | Sept. Nov. 2007 | IGA establish extension staff                        | Researcher Consultant (             | Stationary Computer          | 370,000          | Complete                                 | -                   |
| <b>Total</b>                                    |  |                 |  |                                     |                              | <b>4,380,000</b> |  |                     |

**SOURCE:** Survey design, 2006

## 4.7 Project Implementation Report

### 4.7.1 Capacity Building among SACCOS

It was clear that SACCOS were an epicentre for Community Economic Development Process. Capacity among SACCOS members should be given an upper hand by all stakeholders

It is therefore anticipated that, by the end of year 2007, the main key areas for improvement will be in the following:

- i. Training on Project Planning and Management,
- ii. Project Monitoring and Evaluation,
- iii. Establishment more Income Generating Activities,
- iv. Strengthening Economic Group Leadership, and
- v. Application of record keeping techniques for project development.

#### **4.7.2 Training on Project Planning or Management**

The CBO will strive to make sure that all SACCOS establish in the district are feasible, viable and sustainable by providing adequate knowledge on Project Planning and Management.

It was observed that, most people rushed into establishing SACCOS without being given the appropriate skills on project identification, information, analysis, implementation and monitoring and evaluation.

This situation had hampered the smooth performance of SACCOS project. However, the CBO in lessoning with other stakeholders will provide basic skills on project planning by the end of 2007.

#### **4.7.3 Establishing More Income Generating Activities**

The project succeeded to mobilize establishment of 50 new Income Generating Activities for three SACCOS group,

The CBOs had formerly strives to establish SACCOS whose activities were neither diversified nor differentiated.

So in order to obtain large market share, the two aspects above are not only crucial but also inevitable.

The knowledge and skills on established new Income Generating Activities should be based on Competence Based Education Training Techniques in order to make them sustainable.

#### **4.7.4 Strengthening Economic Group Leadership**

So far, the CBO, did not find any value for training group leaders for SACCOS. The time has now come when the CBO has realized the importance of leadership training performance, due to the complexity of group dynamics, resulting from social and economic interaction of members.

The CBO, has planned to establish a comprehensive leadership training programmes for SACCOS leaders which is expected to be effective.

#### **4.7.5 Application of Record Keeping Techniques for Project Development**

As it has been discussed earlier, CBO had been training SACCOS on Record Keeping but, the exercise has not very much successful. It is clear members have no habit of keeping records especially for SMEs. The Monitoring and Evaluation System developed would enable CBO and the consultant to make a close follow-up for SACCOS record keeping exercise.

Record keeping and analysis would enable the SACCOS financial position and performance, as well as cash status.

## **CHAPTER FIVE: Monitoring, Evaluation and Sustainability**

This chapter discusses Monitoring, Evaluation and Sustainability processes that are the three main pillars of project design and management. Monitoring enables a project to be on right track while deviation is immediately corrected. Monitoring enables the progress of the project in terms of performance, quality and quantity.

Evaluation is a critical assessment on the surveillance of the project's situation and its appropriateness, acceptability and impact. Hence, evaluation is a work oriented to impact. Sustainability refers to continual survival of the project, through exploiting resources, but without comprising the users of tomorrow. In other words sustainability means viability.

### **5.1 Monitoring**

According to De Conick J. (1995:5), monitoring is a continuous process which will be done from the commencement of the research project: It compare progress of an activity with the original plan: this is based on the following main areas: Analysing the current situation

- Identifying problems and finding solution,
- Discover trends and patterns,
- Keeping project activities on schedule,
- Measuring progress towards and formulate or revise future goals, and
- Making decisions about human, financial and material resources.

## **5.2 Research Methodology**

Monitoring for projects was done continuously through out the project life in order to detect discrepancy between planned and actual implementation. Key people including ACIST Staff, CDO, and Cooperative officer were involved in making sure that the project was in track.

### **5.2.1 Methods used**

It is therefore obvious that participatory monitoring approach was a key to the success of the monitoring of the projects. Prepared interview, checklist and guidelines were used to seek opinion from stakeholders of the project. The weekly and financial and activity reports and records were also used to get data and information for monitoring.

- **Reliability and Validity**

Data and information from monitoring of the project-SACCOS were made reliable and valid by using systematically prepared tools and techniques. Also monitoring was done by trained people in that field including the researcher

Pre-testing of the monitoring tools also guaranteed data and information validity.

- **Data Analysis Techniques**

Data obtained through monitoring of the project implementation were not bulk enough to use computer packages such as SPSS V.10 and Microsoft Excel Office (2003) but through manual manipulation.



## ▪ **Monitoring Tools**

Monitoring is the systematic and continuous collection and analysing of information about the progress of the programmes.

The following tools were used in the monitoring process of the SACCOS in Monduli District.

### *The Committee Meeting Minutes*

The minutes were reviewed in order to identify the strength and weakness in the programme, so as to provide the people responsible with sufficient information to make the right decision at the right time to improve its quality.

### *Interview Checklist*

A set of questions related to the progress were prepared and asked to the SACCOS members so as to give out the current status of the project

### *Reviewing Framework*

A monitoring matrix was asked to crosscheck between the planned activities and the actual implementation as it shown in chapter four

### *Discussion Guidelines*

Discussion with the SACCOS members was done focusing continuous reviewing and surveillance of activities and results of programmes.

### *Attendance Register*

Participants of the SACCOS members in the meeting programme implementation and discussion of the development of the project was used a monitoring tool to ensure progress.

### *Observation Checklist*

Key areas for observation were sorted and physical inspection of the project was made to oversee the discrepancy between the actual and intended implementation.

#### ▪ **Monitoring Indicators**

The survey used the monitoring indicators to ensure the daily surveillance of the project

#### ▪ **Performance Indicators**

**Table 5.1: Monitoring Indicators for the Project**

| S/N | Activity  | Monitoring Indicators  | Responsible Party                                      |
|-----|---|--|--|
| 1   | Mobilization of Community members to join with SACCOS | Number of Community members joining with SACCOS per month                                    | - CED Student<br>- Community Extension Staff           |
| 2   | Training Book-keeping                                 | - Quality and Quantity of material prepared<br>- Number of SACCOS members attending training | - CED-Student<br>- CED-Staff                           |
| 3   | Formulation of Monitoring and Evaluation Systems      | - Checking of the Quality and quantity of the M&E systems Prepared                           | - CBO-Staff  |
| 4   | Establishment of new Income Generating Activities     | The number of the newly Income Generating Activities   | - CBO-Consultant<br>- CBO-Staff<br>- Community Members |

**Source:** Survey Findings, Monduli District, 2007

It is therefore obvious that participatory monitoring approach was a key to the success of the monitoring of the projects.

### **5.2.2 Basic Tools and Techniques used in monitoring**

The following tools and techniques were used:

Key informants Interviews including SACCOS members,

Site visits for the place where projects were taking place,

Weekly/month financial and activity reports where they were available,

Direct observation of the activities being done (physical checks),

A Hen dance register, and

Time taken to complete the work versus the planned one.

**Table 5.2 Information for monitoring program operations**

| Categories of information | What to monitor   | What record to keep  | Who collect data                    | Who uses data   | How to use information  | What decision can be made   |
|---------------------------|---|--|-------------------------------------|---|---|---|
| 1. Work Plan Activities   | - Consulting a CBO<br>- Defining Problem                                    | Acceptance letter<br>- Monthly work plans                        | - Researcher<br>- CBO               | - Project manager   | - Ensure Availability of CBO                                  | - Rescheduling activities According time and resources.                       |
| 2. Costs and Expenditure  | - Budgeted amount as attached in appendix 2                                 | - Ledger a/c of expenditures<br>- Receipts<br>- Bank transaction | Financial officer from Donor Agency | - Auditor (SACCOS)<br>- Donor Agency  | - Ensuring that funds for the research project are available  | - Determine need for other funding sources                                    |
| 3. Staff and Supervisor   | - Educational level of staff<br>- Salaries & benefits                       | Performance reviews<br><br>- Feedback from training attended     | - Supervisor<br>- Trainers          | Supervisor<br>- CED Director  | - Advice staff on career                                      | - Training needs  |
| 4. Commodities            | - stationary<br>- Computer<br>- PowerPoint                                  | - Stock register<br>- Field Workers report                       | Logistics personal                  | - Project Manger<br>- Donor Agency  | - Ensure availability of commodities and distribution         | - Quantity to order<br>- when to order  |
| 5. Results                | - Training was conducted to SACCOS members<br>- Improved performance SACCOS | Field Workers reports on project progress and setback            | - Field Supervisor<br>- Researchers | - Field Supervisor<br>- Donor Agency was able to measure SACCOS Performance | - Ensured that Objectives were SMART<br>- Quality of training | - Revised project strategy and approach for more efficiency and effectiveness |

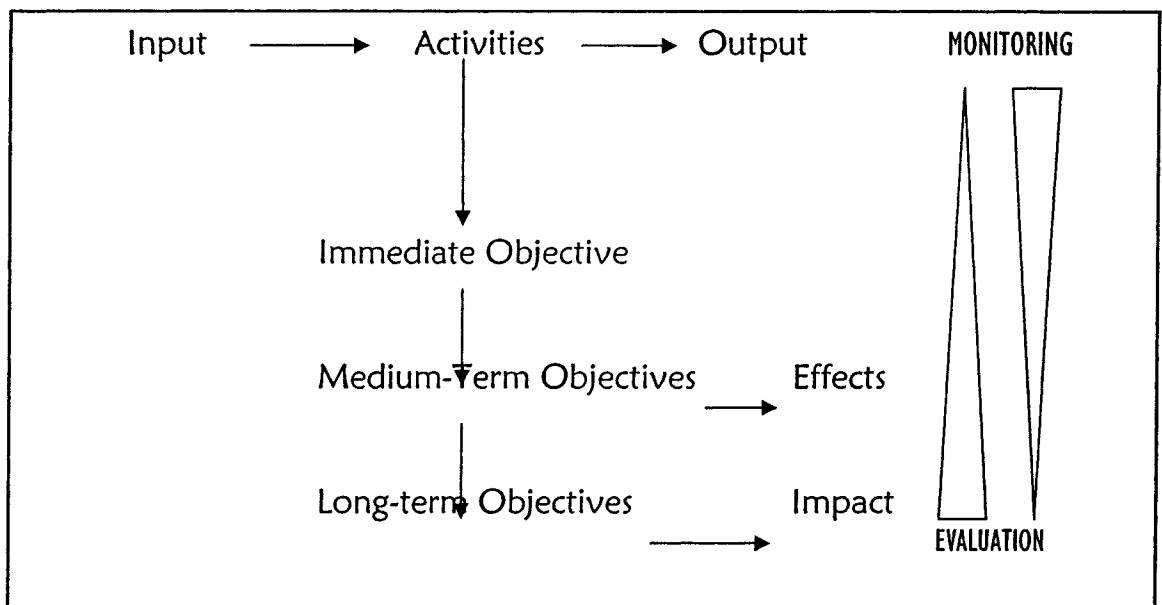
**Source:** CEDPA Training manual Service Volume II

### 5.3 Evaluation

#### 5.3.1 Conceptualization

De Conick J. (1995:5), Evaluation is the periodic assessment and review of the extent to which medium and long-term objectives of an activity or programme have been reached. In order to organize monitoring and evaluation, it is very useful to think about activities and objectives leading to each other, in other words to rank them and to place them in their hierarchy.

**Fig 5.1 Monitoring and evaluation nexes**



**Source:** De Conick J., 1995:6.

#### 5.4 Research Methodology

Evaluation process was participatory involving stakeholders; including community members, SACCOS and CBO and consultant. Only midterm evaluation was carried out by involved monthly and weekly reports and records where they were available.

## 5.5 Tools and Techniques

- Project implementation report
- Review of the contract document
- Participant observation
- Interviews
- Questionnaires
- Focused group discussion
- SWOT Analysis
- Quality control methods (required standard of work, quality of product, required model and brand of input)

The following was an evaluation plan for CED project on SACCOS

**Table 5.3: Evaluation plan**

| Objective  | Activity  | Indicators  | Data source   | Methods/tools  | Personal responsible                            | Time Frame          |
|--|---|---|---|--|---|---------------------|
| To train 100 SACCOS member from Monduli District on book-keeping and M&E System by the End of 2006 | -Training<br>-Mobilizing<br>-Sensitization<br>-Preparation of materials | -No. of SACCOS Member trained<br>-No. of SACCOS using Book-Keeping and M&E System | -CEDPA materials<br>-ACIST Datasheet<br>-Monduli district Profile | -Focus Group<br>-Field Visit<br>-Observation<br>-Documentation | -CED student<br>-ACIST<br>-Trainers             | June to August 2006 |
| To Mobilize about 50 new more SACCOS members by the end of year                                    | Consciountization of the rural poor on importance of SACCOS             | No of SACCOS Group Fomulated  | -Community Profile<br>-ACIST<br>-EEDPA materaila                  | -FGDS<br>-Key informants<br>-Interview<br>-Case studies        | -CED Students<br>-ACIST<br>-Community Mobilizer | Sept to Oct. 2006   |

- **Formative Evaluation**

The report used formative rather than summative evaluation. This was because the project is still an on-going one and yet to be completed. The project aimed at building capacity among SACCOS members so as to be in a position to harness their locally available resources through improved financial record keeping and monitoring and evaluation (M&E).

The aim of this kind of evaluation was to assess the progress, appropriateness and acceptability of the project to the community members.

- **Findings and Analysis**

It was observed from formative evaluation that the actual implementation was only 50 percent of the planned one. Hence the project has yet to be completed.

The implementation had the following former implementation plan

**Table 5.4: Evaluation Plan for the Project**

| S/N                  | Plan   | Actual Implementation | Complementation rate (%) |
|----------------------|--|-----------------------|--------------------------|
| 1                    | 100 SACCOS members trained Book keeping        | 50 Members Trained    | 50.0                     |
| 2                    | 60 New Identified Income Generating Activities | 50 Identified IGAs    | 50.0                     |
| 3                    | 100 Group Leaders Trained on Leadership        | 50 Leaders Trained    | 50.0                     |
| 4                    | 50 Samples of M&E Systems developed            | 10 Samples Developed  | 50.0                     |
| <b>Total Average</b> |  |                       | <b>50</b>                |

**Source:** Surveys Findings, Monduli District, 2007

## **5.6 Sustainability**

Building capacity to the SACCOS members will imply that, they will be more knowledgeable and skilled in the running the project and hence able to sustain them in the long run.

They would be able to establish a portfolio of income generating activities.

Jordan (1996,D2-D4) catalogues sustainable in three main areas: Benefit, Organizational, financial and sustainability for the project will be guaranteed in these areas as follows:-

- **Benefit sustainability:**

There will be mutual sharing of the benefits accruing from the project as such members will be motivated and improve their physical quality of living: Continuous flow of benefited accumulated from the project will make the project sustainable.

- **Organization sustainability**

Good governance, transparent leadership, clear organization structure and clear objective, mission and vision backed up by institutional sustainable freedom of choice, democratic elected leaders, committed members and support other stakeholders will guarantee organizational sustainability of SACCOS.

- **Financial Sustainability**

Viable and feasible source of income from a variety of sources (local, national and international, private and public), will ensure financial sustainability.



Communities will diversify differentiate and develop new products which are customer driven. They will be competitive enough to maintain their market share.

- **Community Sustainability**

SACCOS aim at building sustainable communities by standing on their own feet and not dependent on NGOs. Through the sense of we feeling, togetherness, belongingness and permanently, community members will strive hard to build their self-reliant community with self-esteem and integrity.

## **CHAPTER SIX: Conclusion and Recommendations**

This chapter consist of two main parts, conclusion and recommendations. It gives an overall of what were the main findings from the survey and the proposed feasible and viable solution. The report recommends to different stakeholders on how to improve the performance of SACCOS.

### **6.1 Summary of important points**

It is obvious that SACCOS are very basic factors or entities in accelerating Community Economic Development.

It is evident that SACCOS are in principle financial Institution that focus on creating human values through addressing members needs adhering to equality, promotion of self-esteem practicing support to others and attendance of self-reliance, therefore they should be encouraged and supported by any and all means, otherwise SACCOS will not be sustainable and are going to die a natural death due to a myriad of reasons given in the results obtained. These include lack of adequate capital, low level of education, inaccessibility to ICT and lack of monitoring and evaluation system.

Furthermore we observed the following issues within ACIST setup:

- Most SACCOS in the district have no clear vision and mission as such they have no strategic and comprehensive business plan;
- Fellow members on part time bases hence inhibiting business growth, income and products development manage all SACCOS;

- There is lack of professional management due to poor level of education;
- Lack of product mix and diversity leading into poor revenue, saving deposits, market shares and few cases of specialized production;
- Limited capital growth;
- Weak governance capacity; and
- Lack of access to use of Information Communication Technology (ICT).

## **6.2 RECOMMENDATIONS**

It is a matter of fact that SACCOS are the pure People's Based Organization (PBOs) and therefore adheres to the community Economic development principles.

Adherence to principles but based on economic sustainability of the SACCOS implies to both feasibility and viability of these PBOs Addressing to the critical setbacks facing SACCOS will lead into sustainability of SACCOS today, tomorrow and in the unforeseeable future.

Therefore the study recommends the following:

- Proper training on book-keeping system should be provided to the SACCOS members.
- The government should maintain a supportive policy regime and establish an appropriate legal, regulatory and supervisory framework for rural micro-leading.
- Promoting Savings mobilization, by the use of appropriate, designed financial technology since the potential capacity of the rural households to save is there.

- Establishing a credit information base for lenders can facilitate market development by reducing risks and transaction costs. These can support measures to provide accurate and timely information regarding collateral or risk of default.
- Technical assistance to improve the type and quality of documentation can significantly improve rural access to credit and is frequently considered indispensable elements in the financing of small industry.
- Formal Financial institutions operating in rural areas should be more social centric low transactional costs, informal leading procedures and minimal collateral requirements. The Grameen Bank Project (GBP) of Bangladesh provides an interesting example of how can this be done. The impressive achievement of PRIDE Tanzania which is a credit provision NGO in micro financing reflects the potential for rural credit financing waiting to be exploited.
- Organization structure of SACCOS should be revised for good governance.
- SACCOS principles should be adhered to and implemented accordingly.
- There must be adequate diversification of the SACCOS products.
- SACCOS should make adequate market survey for their products.
- SACCOS products should be customer oriented rather than producer oriented.

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