

**JIMMA UNIVERSITY**  
**COLLEGE OF BUSINESS AND ECONOMICS**



**DEPARTMENT OF BANKING AND FINANCE**

*Title of the proposal;* Factors affecting Operational performance of Savings and Credit Cooperatives (SACCOs) in Haru woreda.

*M.Sc. Thesis Research Proposal*

*By*

*Edosa Birasa*

*Major advisor: Tadale Mengesha (ass professor)*

*And*

*Ms. Gadise Agezu*

*November, 2019*

*Jimma, Ethiopia*

## DECLARATION

This is to certify this thesis entitled “the Factors affecting operational performance of SACCOs in the Haru Woreda, Oromia, Ethiopia. Submitted in partial fulfillment of the requirements for the award of the degree of M.Sc. in Banking and Finance to the School of Graduate Studies, Jimma University through the Department of banking and Finance, done by Mr. Edosa Birasa ID.No RM0297/11 is an authentic work carried out by him under my guidance. The matter embodied in this project work has not been submitted earlier for award of any degree or diploma to the best of my knowledge and belief.

Mr. Edosa Birasa	_____	_____
Name of the Student	Signature	Date
Prof (ass). Tadale Mengash	_____	_____
Name of the supervisor	Signature	Date

## BIOGRAPHY

The author was born in December 5, 1984 in Gageo Kare kebele, Gimbi Woreda, Oromia Regional State. I was started education at Dongoro Gebo elementary school and completed Junior Secondary and also started high School and preparatory education at Wollega Adventist Academy of Dongoro. After that joined Wollega University and graduated by Department of Banking and Finance in September 2014. Upon completion of university education I was employed in Cooperative Agency in Oromia Regional State, western zone and then joined the school of graduate studies of Jimma University in September 2018 to specialize in Banking and Finance.

## **Abbreviations and Acronyms**

ACCOSCA	-----	African Confederation of Cooperative Saving and Credit Association
AGM	-----	Annual General Meeting
BoARD	-----	Bureau of Agriculture & Rural Development
BOFED	-----	Bureau of Finance and Economic Development
CBE	-----	Commercial Bank of Ethiopia
CSA	-----	Central Statistics Authority
Coops	-----	Cooperatives
DECSI	-----	Dedebit Credit & Saving Institution
FAO	-----	Food and agriculture organization
GDP	-----	Gross Domestic Production
Ha	-----	Hectare
IFAD	-----	International food and agriculture development
ICA	-----	International cooperative Alliance
Km	-----	Kilo meter
MFI	-----	Micro Finance Institution
NGO	-----	Non Governmental Organization
RUFIP	-----	Rural Financial Intermediary Programs
SACCOs	-----	Saving and Credit Cooperatives
ROSCAs	-----	Rotations of saving and credit Associations
SPSS	-----	Statistical Package for Social Science
SMEs	-----	Small and Micro Enterprise

## **Acknowledgements**

At the beginning special thanks to God for helping me in every aspects of my life. Next my special thanks go to Mr. John Banti who helped me to develop as to learning my Education.

My special gratitude goes to my advisor ass prof. Tadale mangesha and Mr.Gadise Agazawu for my guidance to this study. Appreciation to all my family who supports me and my friends, without their support it would not have been possible. Mr. Tariku Olika,Firomsa Kabade,Dagafe Yadata and Amanu,el Mangeshahelped you were my discussant, in sharing idea and provided me many useful suggestions during my research and study time. You inspired me to believe in me, I am grateful.

All of you who were supporting me for the realization of this work; you deserve credit, let the God bless you abundantly and allow me to say “Umrii keessan guutuu fayyaa ta’aa”.

<b>Contents</b>	<b>pages</b>
CHAPTER ONE Introduction.....	1
1.1. Background of the Study.....	1
1.2. Statement of the Problem.....	5
1.3. Research Objectives.....	6
1.3.1 General Objective.....	6
1.3.2. The specific Objective.....	6
1.4. Research Question.....	6
1.5. Limitations and Problems of the Study.....	6
1.6. Significance of the study.....	7
1.7. Hypothesis.....	7
CHAPTER TWO: LITERATURE REVIEW.....	8
2.1. Introduction.....	9
2.2. Concepts, characteristics and role of SACCOs.....	9
2.3. History of Savings and Credit Cooperatives in Ethiopia.....	11
2.4 .Savings products.....	11
2.5 .The Function of SACCOs.....	13
2.6 .Characteristics of SACCOs.....	14
2.7.Objectives of a Savings and Credit Cooperative.....	15
2.8. The Role of Savings and Credit Cooperatives.....	16
2.2.4. Theoretical Problems of Saving and Credit Cooperatives.....	17
2.2.5. Theoretical Challenges of SACCOs in Financial Transactions.....	17

## CHAPTER THREE –

3. RESEARCH METHODOLOGY.....	21
3.1 Introduction.....	21
3.1. 1.Description of the study area.....	21
3.2. Location .....	21
3.3. Description of Haru district.....	22
3.4. Sample and Sampling Technique.....	21
3.5. Source of Data and Method of Collection.....	24
3.6. Method of Data Analysis.....	25
3.7. Techniques of data Analysis.....	25
3.8. Descriptive Analysis.....	25
3.9. Operational Definitions of variables .....	25

## CHAPTER- IV RESULTS AND DISCUSSIONS

4.1.1. Existing performance of SACCOs.....	29
4.1.2. Growth of Savings and Share of SACCOs (2014-2019).....	29
4.1.3. Total Amount of Loan Disbursed, repaid, borrowers .....	30
4.1.4. SACCOs Balance Sheet.....	31
4.2. Result on group discussion.....	32
4.2.1. Discussion on SACCOs services provided to members.....	32
4.2.2. Discussion on Loan Policy on operational performance of SACCOs.....	32
4.2.3. Discussion on duties and responsibilities of the Sample SACCOs.....	33
4.2.4. Discussion on Problems of SACCOs.....	33

4.2.5. Discussion on operational performance of the district cooperative desk \$ SACCO.....	34
4.2.6. Suggestions of the discussion group to improve performance of saving activities.....	34
4.3.1. Sex of the household head respondents .....	35
4.3.2. Age of the Respondents.....	36
4.3.3. Marital Status of the respondents.....	36
4.3.4. Educational status of sample respondents.....	37
4.3.5. Distribution of family Size of the Respondents.....	37
4.3.6. Amount of Loan borrowed and loan interest rate.....	38
4.3.7. Security for Savings respondent’s response.....	38
4.3.9. Training.....	39
4.3.10. Positive return.....	39
4.3.11. Credit beneficiaries.....	40
4.3.12. Saving’s interest.....	40
4.3.13. Annual saving’s.....	41
4.4.1. Lack of Skilled Man Power.....	43
4.4.2. Limited Training Opportunities to members.....	43
4.4.3. Weak Management Capacity.....	43
4.4.4. Members, board’ weak management and business opportunity.....	44
4.4.5. Short Repayment Period.....	44



4.4.6. Small account size of Loan Offered.....44

4.4.7. Lacks Good Record Keeping System.....44

4.4.8. Poor Saving Habits of Members.....44

**CHAPTER-V CONCLUSION AND RECOMMENDATIONS**

5.1. Conclusion.....46

5.2. Recommendation.....47

References.....50

## **Abstract**

Saving and Credit Cooperatives (SACCOs) are the main financial solution of the people who have low income level. Savings and Credit Cooperative are a form of a cooperative society aimed to provide financial services to its member's .It is owned by its members through payment of share capital and membership fees to the institution. To study the practices and the problem faced by such cooperatives a descriptive research design was employed.

Five sample SACCOs were taken as a sample and 120 respondents were surveyed proportionally. The variables that influence Operational performance of SACCOs are : Annual savings, credit beneficiaries, savings interest, safety/security, positive returns, amount of loan borrowed, access to training, distance to SACCOS office; accountability, transparency, education level, annual income and family size. Based on the findings the study concluded that majority of members have poor saving habit, lack of training, less awareness about SACCOs are appropriate options for the households, which are providing services to improve operational performance of saving in sustainable way. Major recommendations were made, SACCOs should develop varied products that meet various membership needs, Reward for regular savers by payment of interest on savings deposits, government and non-Government organizations should create on saving mobilization, provide skill and knowledge through problem based trainings to improve operational performance of SACCOs.

## **CHAPTER ONE:**

### **1. Introduction**

#### **1.1. Background of the Study**

Ethiopia are faced with many Socio-Economic problems such as inefficiency, unemployment, illiteracy, shortage of investment funds due to low savings rate and lack of debts.

The Co-operative sector is one source of mobilizing funds besides the Commercial banks and other Non-bank financial institutions.

Savings and Credit Cooperative societies (SACCOs) are voluntary associations financial institution that have similar interest people come together and governed by their members and operated for the purposes of promoting savings, credit at low level of interest rates (Waweru, 2011).

SACCOS are the important micro financing institutions for mobilization of financial resources for various development activities.

Savings and Credit Co-operatives (SACCOs) are community membership based financial institutions that are formed and owned by their members in promotion of their economic interests (Nuwagaba, 2012).

According to Kabuga et al (1995), Savings is an intelligent use of the economic resources that a member possesses to provide for the needs that may present themselves in the future.

Savings in a SACCO should be a systematic process by which the member forms a reserve. Savings serve as a basis to obtain credit in the society. By way of systematic savings a member demonstrates that he can pay his loan in a regular manner. This is one of the guarantees that a SACCO needs an order to be able to make a loan to a member. Generally, the idea behind establishment of SACCOS is to promote savings and make credits available to the members (Mumanyi, 2014).

The first saving and credit co-operative in Ethiopia was established in 1964 by employees of Ethiopian Airlines. During the same period, one SACCO was established by employees of the Ethiopian Road Authority and the Telecommunication Agency.

Gradually, the concept of Co-operative becomes realized by many employees of private and government undertakings. During the regime of Haileselassie, the cooperative legislation No

241/1966 was proclaimed and about 154 different types of cooperatives were organized. During the Derg regime, cooperatives that were organized earlier were considered as unnecessary and discarded.

The newly organized cooperatives under the regime have purposefully made instruments of political power. Their organizational procedures were not based on internationally accepted cooperative principles.

The recent proclamation No.985/2009 created conducive environment for the development of cooperatives.

Different proclamation numbers have been provided to the National Bank of Ethiopia by the Derg regime and the current government to promote and organize saving and credit cooperatives. But the rooted problems of cooperatives are continued.

Collecting and distributing available savings, credit and other services are performed traditionally.

The aim of promoting these SACCOs in developing countries like Ethiopia, there are low levels of saving culture owing to poor, underdeveloped stock markets, dominance of urban based commercial banks, deposit taking institutions, and non-regulated micro finance institutions in the financial markets as vehicles for savings. Hence Savings and Credit Cooperatives (SACCOs) are intended to offer an alternative to improve the above undesirable situation in low income countries especially helping members who in most cases are farmers (Dagneu, 2004).

The rural economy and the urban economy in Ethiopia are largely disconnected .While urban banks have excess liquidity, which costs them money to manage, and some rural people have opportunities requiring credit to be profitable that have low risk, there is no mechanism to bring this liquidity from urban banks to rural businesses.

Saving and Credit Cooperatives (SACCOs) can be the link that will give urban banks low risk loan opportunities in rural areas and give rural businesses access to credit at costs for lower than interest rates currently charged by moneylenders. Although the Government formulated the SACCOs as a basis of poverty reduction in the rural/urban areas having low income households,

they have encountered various challenges such as: shortage of funds for necessary investments in education and technological resources, building offices, knowledge in operation the SACCOs, and financing savings differs among SACCOs (Vaclav, 1977).

In Ethiopia, SACCOs are widespread both in urban and rural areas. In some cases, these institutions have homogeneous membership. For instance, there are SACCOs formed only by women, traders, employees of a given organization and by individuals of similar ethnic or religious group.

In other instances, SACCOs have heterogeneous membership consisting of males and females that come from all walks of life including children whose contributions are often made by parents.

In cases where a child works, the child handles the saving commitment obligations. Often geographical proximity (i.e. same neighborhood) is the prime consideration when forming these interesting saving institutions. In addition to serving as saving vehicles, these institutions create the opportunity for members in a given location to meet and discuss non-financial issues (e.g. to settle social and personal problems). ROSCAs can be big as well as small depending on the socio-economic conditions of participants and the purpose of saving. They serve as important vehicles of mutual assistance in times of need and emergencies.

The first SACCO was formed in Germany in 1846 by Fredrick Wilhelm Raiffeisenand Schulze, "with the aim of introducing self-help.

This first SACCO was rural-based and was meant for the poor. Other early SACCOS were formed in Canada (1900), Italy (1864), U.S.A. (1907), India (1895) and Belgium (1848).

The early pioneers included people like AlphanseDesjarding (Canada), Luigi Luzzatiap Leone Wollenborg (Italy), Felene (U.S.A.), Frederick Nicholson (India) and Francois (Belgium) (Hough, 1966).

The first SACCO Society, in Africa, was introduced in Ghana in 1959. The SACCO was intended to assist villagers improve their economic conditions (Ng'ombe& Mikwamba,

2004). English speaking nations were the first to adopt SACCOs. The first entrants into SACCO community include Ghana, Uganda, Nigeria, Tanzania, and Kenya.

Most of the Non-English speaking nations in Africa started appreciating SACCOs in 1960s, with major influx into SACCO community in 1970s (Mwakajumilo, 2011).

The Rochdale Principles are a set of ideals for the operation of cooperatives. They were first set out by the Rochdale Society of Equitable Pioneers in Rochdale, England, in 1844, and have formed the basis for the principles on which co-operatives around the world operate to this day. The implications of the Rochdale Principles are a focus of study in co-operative economics.

The original Rochdale Principles were officially adopted by the International Co-operative Alliance (ICA). The Rochdale Principles of cooperative according to the 1996 ICA revision are detailed below.

1. Voluntary and open membership
2. Democratic member control
3. Member economic participation
4. Autonomy and independence
5. Education, training, and information
6. Cooperation among cooperatives
7. Concern for community

After the restoration of democracy in the country in 1990, it traced a new way for the new changes in the cooperative movement. Consequently, new Cooperative Act, 1992 was promulgated. This Act recognized cooperative as people's organization with an autonomous body.

On the basis of the Act as on awaited National Cooperative federation came into existence. High level of National Cooperative Confederation Advisory Committee was formed by the interim government soon after the restoration of democracy. The committee's report was studied by the government and subsequently, National Cooperative Development Board was formed for working out a new legislation as well as policy guidelines and for creating the necessary foundation for reorienting the cooperative movement. As a result, a new Cooperative Act was promulgated in 1992. The legislation recognized the democratic character of cooperative movement ensure the operational autonomy of cooperative and defined the role of Department of Cooperative in a transparent way.

## **1.2. Statement of the Problem**

The co-operative sector is faced with weak marketing structures, poor management and leadership capacity, and a weak capital base. As a result, co-operative performance has been declining and a majority of them are not able to compete effectively.” (The National Development Plan 2002-2008).

Ethiopia's data reveals that national and sectoral savings are not sufficient to finance her investment. SACCOS, their capital base is very small to support the lending programs and ensure sustainability (Muluneh, 2012). SACCOS are viable financial institutions whose development must be strongly supported Kifle (2011).According to him lack of awareness and poor saving culture, weak organizational arrangement and governance problems,policy and regulatory environment, weak institutional capacity, low capital base, lack of differentiated products, inappropriate loan security requirements are identified as the factors that affect the growth of SACCOS.

Internally, SACCOs face poor members' participation and the severe shortage of capital misuse by selected committees, misappropriation by leaders, poor administrative skills, and irresponsible lending to members, and limited access to banking services too long periods between audits (UN, 2011).

Members' participation is the determinant factor for the sustainable growth of cooperatives. If no active member participation, there are no successful SACCOs. 78.7% of the members became a

member in cooperatives forcefully by cooperative promoters. As a result, the members' were not aware of the benefits, duties, and rights they have in the cooperative societies, largely the participation of members was weak (Mahmud, 2008). With regard to Haru Woreda in SACCOs though the importance of research is undeniable, no empirical studies have been undertaken that assesses so far about the challenges they faced and about the future prospects. On the bases of the above concept, it is possible to raise questions about the internal and external challenges constraining the performance of Haru Woreda SACCOs, the challenges affecting the members' participation in SACCOs, the problems of SACCOs to deliver the required services of SACCOs, and the members' awareness about the possible prospects of SACCOs. For this matter, 5 saving and credit cooperatives were taken as a case study area.

### **1.3 Research Objectives**

#### **1.3.1 General Objective**

The general objective of this research is to find out the factors that influence SACCOs

#### **1.3.2. The Specific Objectives**

1. To analyze factors affecting the operational performance of SACCO in Haru Woreda.
2. To assess the influencing Operational performance of SACCOs in Haru Woreda .
3. To recommend possible solutions of influencing for the operational performance of SACCOs in Haru Woreda.

### **Research Questions**

This study addresses the following questions:

1. What is existing operational performance of SACCOs in Haru Woreda?
2. What is operational affecting the participation of members in SACCOs?
3. What factor is influencing in the SACCOs during service?
4. What is the possible performance of SACCOs?



5. Up to what extent the factors affect the performance of SACCOs?

### **1.5. Limitations and Problems of the Study**

The study used only five-year audited financial statement. Similarly, there were some factors affecting and problems facing to do this study. It was a case study of individual saving and credit cooperative so that the result may not present all cooperative movement of Haru woreda. Sufficient documents concerning to the subject under this study like researches conducted on the factors and performance of SACCOs are lacking. Most of the documents that were concerned with SACCOs were written in Afan Oromo. To translated in to the required instruction language (English) takes longer period. The finding of the study was limited to determinants of growth and any conclusion and recommendation is related to SACCOs. The researcher also used variables which were measured and explained numerically and did not used other factors like level of education, human power, governance and management etc. that may affect the growth of SACCOs.

### **1.6. Significance of the study**

This study would have assisted the factors affecting performance expects to have the following significance; for practitioners, decision makers and policy implementers, it gives insight on factors that affecting performance in SACCOs and help on how to increase growth, take corrective on deviations and serve the interest of their client. This study was purely a micro level study. By the way the study tries to fulfill the gaps of knowledge about various aspect like saving, credit, microcredit and socio- economic condition of members of the study area. For academicians and other researchers, it will drop light on SACCOs growth and will be using as a source of other researches and reference for relate studies. For policy makers, it can be used as a reference in developing policies related with SACCOs and how to appreciate their expansion considering their current service to poor community.

### **1.7. Hypothesis**

Ho: SACCOs operation in Haru Woreda does not have good operational performance or has good operational performance.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1. Introduction**

Saving and credit cooperatives are user owned financial intermediaries. Cobia (1989) in his book has stated that co- operative is a user - owned and user controlled business that distributes benefits on the basis of use. According to patronage proportionality – ‘a co-operative is a private business organized and joined by members to fulfill their mutual economic needs as patron of the business, with the key control, ownership, and income distribution decision based on patronage proportions; namely, member voting, equity capital investment by patrons, and distribution of net income to patrons are proportional to use of the co-operative. According to United States Department of Agriculture (USDA) cooperative is a user-owned, user controlled business that distributes benefits on the basis of use. This definition captures what are generally considered the three primary cooperative principles: user ownership, user control and proportional distribution of benefits. The “user-owner” principle implies that the people who use the cooperative help finance the cooperative and therefore, own the cooperative. Members are responsible for providing at least some of the cooperative’s capital. The user control concept means that member of the cooperative govern the business directly by voting on significant and long term business decisions and indirectly through their representatives on the board of directors. Equitable voting right or democratic controls are hallmark of cooperative. “Distribution of benefits on the basis of use” describes the principle of proportionality, another key foundation of cooperatives. Members should share the benefits, costs and risk of doing business in equal proportion.

Saving and credit cooperatives have many names around the world, including credit unions, SACCOs, COOPECs etc. Members typically share a “common bond” based on a geographic area, employer, community, or other affiliation. Members have equal voting rights, regardless of how many shares they own. Saving and credit cooperatives are their principal services although many offer money transfers, payment services, and insurance as well. Sometimes savings and credit cooperatives join together to form second tier associations for the purposes of building capacity, liquidity management, and refinancing. Second-tier associations also play a useful monitoring role (CGAP, 2005).

## **2.2 Concepts of saving and credit cooperatives.**

Germany was the first country in the world to apply the principles of cooperation in the field of credit. According to Winfred John A. and V.Kulandaiswamy 1986; in 1849, Raiffeise and Union in Aid of Impoverished Farmers' organized savings and credit cooperatives.

The concept of SACCOs has got a great prominence globally in general and in developing countries in particularly. They are considered as the instrument for growth particularly in the financial sector, and a means to social improvement. Formerly, there was misconception of the role of SACCOs to the economic development and improvement of the wellbeing of the society; rather they were seen as co-operatives organized only for short term and self-help purposes. They were thought as instruments of the state to achieve its mission. On the contrary, SACCOs are member owned financial institutions, which contribute to development of human attitude to work, initiative leadership, self-development, motivation, self-reliance, self-help, self-control and solidarity. SACCOs are owned and controlled by the members themselves. The definition of SACCOs varies from person to person and from time to time.

The Organization and Administration of SACCOs, which is prepared by ACCOSCA; SACCOs is defined as "a voluntary association of people with common-bond who save and lend money to one another at low interest rates for productive and visionary purposes.(Abate Mitiku, Abebe Alemu.

## **2.3 History of Savings and Credit Cooperatives in Ethiopia**

Savings and credit cooperatives in Ethiopia have no very long origin. The first savings and credit cooperative in Ethiopia was established in 1964 by employees of Ethiopian Airlines by the initiative of interested individual Ethiopians who have foreign countries exposure and peace core workers of foreign origins. During the same period, savings and credit cooperatives were established by employees of Ethiopian Road Authority and the Telecommunication Agency (Dejene, 1993).

The cooperatives societies' proclamation Act No. 241/66 was passed in 1966, the existing cooperatives were registered under this proclamation by the Ministry of Community

Development and Social Affairs. In order to promote savings and credit cooperative in the country, in 1970 a national savings and credit cooperatives promotion committee, known as the Ethiopian Thrift and Credit Cooperatives Development Committee was organized. This committee was able to host the ninth African Conference on the mobilization of local savings and facilitated Ethiopia's affiliation with ACCOSCA. It contributed to the increase in the number of savings and credit cooperatives in Ethiopia, and it was able to secure assistance from a number of international donor agencies towards the development of SACCOs.

However, this committee was not granted legal status. That was one reason why it was succeeded by the Ethiopian National Thrift and Credit Society in 1973. This society was established by the already existing credit unions under the 1966 Cooperative Societies Proclamation Act No. 241. It was administered by a board of directors elected by the general assembly of the representatives of each affiliated society. This national society was able to contribute to the further development of savings and credit unions in Ethiopia until its liquidation with the passage of the 1976 Monetary and Banking Proclamation No. 99 and the 1978 Cooperative Societies Proclamation No. 138. By 1978, there were 60 savings and credit cooperatives in the country comprising 13,020 members with savings amounting to Birr 4 million. The annual rate of growth of membership over the 1974-78 period averaged 12 percent and the average savings per member over the same period was Birr 268. The average annual rate of growth in the number of SACCOs was slightly higher than 14.7 percent (Dejene, 1993).

The legal framework of the SACCOs in Ethiopia was provided by the Cooperative Societies Proclamation No.138/1978. Although the contents of the proclamation was socialist oriented, it provided ground for the establishment of savings and credit cooperatives along with three other cooperatives, namely, the producers' cooperative societies, service cooperatives and housing cooperatives. For these different types of cooperatives, different governmental institutions were assigned for promotional and regulatory activities. Since 1978, the responsible governmental institution of Sacco's promotion and regulatory activities was the National Bank of Ethiopia, through establishing an office called Savings and Credit Cooperatives Development Office.

Among other shortcomings proclamation No. 138/1978 was urban SACCOS biased. Until 1998 the cooperatives proclamation No. 147/98 was passed, the SACCOs movement in Ethiopia was

not only urban based but also the technical and regulatory services were offered only from one center- Addis Ababa, where the office was located. This new proclamation No. 985/2009 created conducive environment for the development of cooperatives. is full-fledged with internationally accepted cooperatives principles and also it institutionalizes the technical support and regulatory activities for different types of cooperatives by establishing a governmental institution with branches up to woreda level. Although there was difference in attention and the establishment of the responsible organization, at present there are independent institutions which are responsible for promotional, capacity building and regulatory activities of different types of cooperatives throughout the country in each Administrative region and city councils including the federal cooperative Agency

## **2.4 Savings products**

Saving can be defined simply as holding something back from today's consumption. Saving means withholding something valuable for future use (FAO, 2002). Savings is money put aside by an individual or household for use in the future. People save by putting money aside when it comes in and by spending less when it goes out. Since SACCOS members are owners' of the institutions, they have saved regular savings, to some extent irregular savings and have purchased shares. SACCOS are active in promoting savings, since members' deposits are the principal sources of loan able funds. The SACCOS have two types of clients: members and customers. Customers' have access to only limited financial products (irregular savings for adults and minor or children savings)-saving accounts-and are excluded from loan products.

**Share:** every potential member must purchase the specified minimum share(s) as decided by the SACCO making each member as owner of the cooperative. Purchasing shares is carried out not only by new members but the existing members are also expected to purchase additional shares from the SACCOs.

**Regular savings (compulsory savings):** It is the main part of savings in SACCOS. This type of savings is the predetermined amount of savings, which is saved regularly every month without interruption by SACCOS-members. The amount of monthly regular savings is determined by the saver him/herself within the saving range decided by the cooperative general assembly. Members

can not withdraw this type of savings from the cooperatives unless they decide to terminate their membership. Every six months, members receive interest for the saved amount of cash.

Regular savings are required as a precondition of membership and are used as collateral of loan when members request and get loan. Although regular savings in SACCOS are preconditions for receiving loans, unlike savings made in other types of microfinance, they are not targeted only for loan receiving. It is a continuous financial product, which would improve savings culture and built financial and physical capital for the savers.

**Irregular savings (voluntary savings):** This type of savings is allowed not only for members but also for non-members. As far as they are interested, non-members can use this product.

Irregular savings products can attract idle resources from some clients (both members and nonmembers) and channel them to others (members and cooperatives, which are established under the same proclamation) in the form of loans for investment in productive activities. Unlike regular savings, savers are not obliged to save every month and its amount is not predetermined (Teka, 2008).

## **Loan**

Loan is having some one's money for productive, for school fee, etc and that will pay back at agreed period with additional interest. According FAO, (2002) having a loan (borrowing) can be expensive, risky, difficult and stressful.

Loan is expensive by nature because borrower will have to pay the loan itself with additional interest more than or equal to what it produces. It is risky because it may be exposed to risks caused by weather, income fluctuations, disease and death, that may create a problem for repayment. The poor has more difficulties in obtaining loans than the rich. Local moneylenders, friends, even families and banks are unwilling to lend to people they think will have problems to repay. It can be stressful because loan involves promise to repay to the lender Failure to repay may mean losing of valuable possessions (jewellery, a cow, a plot of land, etc) or losing well reputation. Therefore, loan (borrowing) must be examined and treated carefully and honestly in the SACCO society.

## **2.5. The Function of SACCOs**

SACCOs have many functions but two of them are fundamental. These are financial intermediation and investment. According to Richard John Pelrine (2001), the most important function of a SACCO is financial intermediation. That is bringing savers and borrowers together in a system that covers all of the costs of doing business and is profitable / useful to both parties.

Specifically the financial intermediation function of a SACCO is: to take members savings in the appropriate amounts and at the appropriate times; lend them back to the members for use in their business, with appropriate management; recover all of the loans, on time and with interest; cover all costs to the SACCO from the interest; and, pay the members a premium on their savings from the profit remaining from the interest after all costs have been paid. The other essential function of a SACCO is investment. That is to allow members to form a business (the SACCO itself) by placing their capital at risk and to receive a return (profit) on that investment. Specifically the investment function of a SACCO is: selling shares to members in the appropriate amounts and at the appropriate times; using those shares to guarantee the savings and loans of the members, by providing the correct amount of liquidity in the SACCO to manage risk of withdrawal or late repayment; retaining some profit from interest earned on the lending operation to pay dividend to the members on the basis of the shares owned; redistribute the profits to the members as dividend on the basis of shares owned. Richard John Pelrine (2001) reported that saving and credit cooperatives are cooperatives and voluntary financial organizations owned and operated by members.

Their objective is to encourage savings by creating local deposit activities and then using the pooled funds to make loans for productive, consumer or social purposes to their members. Saving and credit cooperatives operate as farmers' grassroots organizations, aimed usually at meeting the seasonal financial needs of their members, which other financial institutions do not satisfy. Richard John Pelrine (2001) reported that cooperatives create the opportunity for people to take responsibility for their own financial organization. The democratic process is an integral part of the cooperative and encourages people to take control of their own financial affairs.

Among the main purpose of saving and credit cooperatives are: savings are mobilized locally and returned to members in the form of loans; interest rate on both saving and loan are generally better than rates given by banks and the reasons for this is that saving and credit cooperatives have very low overheads compared to banks; educate their members in financial matters by teaching the handling of money; how to keep track of finances; how to budget and how keep away from hire purchases and how to be profitable.

SACCOs and credit unions hold some real advantages for microfinance outreach and development (Birchall, 2004). An organized SACCO is:

- a. An easy way of organizing a community to save and recycle savings in a given locality;
- b. Since the nature of a SACCO is local, it mobilizes savings locally, within the community, and then the profits are returned to members in the form of loans. The money stays and works within the membership and the area. This mutually achieved success helps to not only build a sense of ownership and pride in an area, it creates a culture of saving and investing.

## **2.6. Characteristics of SACCOs**

According to the Co-operatives all over the world have common characteristics such as:

Clients tend to come from low income and lower middle – income groups.

- Services are almost exclusively financial in nature.
- They provide Self-generated capital, typically without any dependence on outside funding to cover operating costs which are generally kept low. This is because they are always started on self-help philosophy
- Members are united through at least one common interest.
- Members pursue the aim of improving their economic and social situation through joint actions.
- Members use jointly owned and operated unit which provides them with services or goods



regardless of its physical size and operations, the units purpose is to use joint resources of the members to obtain goods or services for members (Kabuga and Batarinyebwa, 1995).

One of the key elements of a SACCO is their savings product. Unlike most micro-credit NGOs and institutions they provide a savings product which offers interest and a return on their deposits, which provides a new income stream for the individual and can either be reinvested or withdrawn for use.

## **2.7. Objectives of a Savings and Credit Cooperative**

The objectives of SACCO are to increase the economic interest of their members and in particular to:

- (i) Promote thrift among its members by affording them an opportunity for collecting savings and paying reasonable interest without risk on such savings.
- (ii) Create a source of funds from which it can afford relief to its members in need by making loans to them for productive and provident purposes at fair and reasonable rates of interest and with easy terms of repayment,
- (iii) Continuously educate members on how savings can be made on regular basis and the wise use their savings; and
- v) Provide service to its members such as financial counseling so that the members can solve most of their financial problems, and the risk of management service to ensure the safety of members' savings and loans.
- vi) To fight poverty through improving the members' economic and social conditions by enabling the access financial services.

To fight exploitation of powerless individuals by the powerful individuals or institutions, by pooling their own resources to meet their needs.

As a result, the formation of a SACCO has the following benefits to members:

Members are encouraged to save since SACCOs are readily accessible.

Interest rates on saving and lending is better than elsewhere a fact that sounds idealist (Fred, 2007).

## **2.8. The Role of Savings and Credit Cooperatives**

Savings and credit cooperatives are voluntary financial organizations owned and operated by members. Their objective is to encourage savings by creating local deposit activities and then using the pooled funds to make loans for productive, consumer or social purposes to their members. Savings and credit cooperatives operate as farmers' grassroots organizations, aimed usually at meeting the seasonal financial needs of their members, which other financial institutions do not satisfy (FAO, 2001).

Cooperatives create the opportunity for people to take responsibility for their own financial organization. The democratic process is an integral part of the cooperative and encourages people to take control of their own financial affairs. Among the many purpose of savings and credit cooperatives are; savings are mobilized locally and returned to members in the form of loans; interest rate on both savings and loan are generally better than rates given by banks and the reason for this is that savings and credit cooperatives have very low overheads compared to banks; educate their members in financial matters by teaching prudent handling of money; how to keep track of finances; how to budget and how to keep away from hire purchases and loan sharks; and pay dividends on share to their members once they are established and profitable.

The basic problems of cooperatives specifically in Africa are: absence of experienced management, uneconomic base level units, lack of supporting infrastructure like extension, training, etc., poor member participation due to insufficient supervision and auditing of cooperatives, and too much political disturbance (Padmanabhan, 1987).

## **2.9. Theoretical Problems of Saving and Credit Cooperatives**

The cooperative movement in the country faced a number of problems in the different economic systems of the country. Most of the cooperatives don't have professional managers due to two reasons. The viability of the cooperative is not always ensured due to low organization, technical supports and follows up by the concerned bodies. The ever changing structure of the cooperative bodies at federal, regional and Woreda level highly affected the smooth development of cooperative societies in the country. Lack of long term credit hinders the investment of cooperatives in different projects that would have economic benefit to members. The members' economic and /or financial power to strengthen their cooperative society is very weak. So cooperatives are suffering in shortage of capital .The infrastructure problem (road, transportation, bank, etc) in the rural Ethiopia hinders the provision of inputs, consumer goods and marketing of members produce by cooperative societies to member patrons. Lack of timely, accurate and reliable market information adds to the problem. To conclude, the government of Ethiopia had already paved the way for better cooperative development in the country through creating legal basis and expansion of human resource development at higher institution level .Therefore, it is high time to the cooperative bureaus, cooperative experts, higher institutions, and cooperative staff to maximize the existing policy environment to the advantage of cooperative development so that members will benefit from it and cooperatives can contribute to the social and economic development of the nation (Veerakumaran,2007).

## **2.10. Empirical Studies**

Savings play a critical role in financial management strategies of poor people. Deposit facilities make it easier for poor clients to turn small amounts of money into “useful lump sums,” enabling them to smooth consumption and mitigate the effects of economic shocks (Rutherford 2001).

Secure savings also can provide a measure of independence to socially and economically vulnerable individuals, notably women and children. And, unlike credit, the benefits of savings are not limited to the economically active. Although significant research has documented the benefits of saving to the poor, the microfinance sector remains focused largely on credit delivery.

According to World Bank (2006) and UNDP (2006), perhaps the most important factor that determines the success of financial cooperatives is the quality of internal governance. The governance structures of SACCOs have typically 3 tiers:

1. The general assembly of all members, a board of directors elected by the general assembly, and a management team appointed.
2. The lowest organizational structure in the administrative level of Ethiopian government.
3. Penetration rate is calculated by dividing the total number of reported credit union members by the economically active population.

Board The boards' role is to establish strategic direction, make policies, and hire, supervise and fire managers. Management takes care of the day-to-day operations of the cooperative with in the powers delegated to it by the board.

Financial services integrate markets, encourage savers to hold larger production of their wealth in the form of financial assets than unproductive inflation hedges, and allocate ingestible resources more efficiently. Financial deepening is achieved by reducing risks and minimizing transaction costs through exploitation of economies of scale and scope, professional portfolio management and diversification, systematic collection of information, and fostering a better lender - borrower relationship (Padmanabhan, 1987).

Formal microfinance institutions are regulated by the financial authorities of a country –with special microfinance windows, semi-formal microfinance institutions (savings and credit cooperatives, village banks, etc.)

Are under the control of non-financial authorities and informal micro financial institutions are controlled by customary law and peer pressure (Rajaram, 2001).

The theoretical literature group's household's savings motives into four such as to provide resources for retirement and bequest; to finance large lifetime expenditure; to finance unexpected losses of income; and to smooth the availability of financial resources over time to maintain a more stable consumption profile (Griffiths and Stuart, 1986).

Macroeconomic and political stability affect expectation and thus the saving rate. The services provided by government, such as social security, the availability and the quality of financial services can affect saving rate (Padmanabhan, 1987).

According to FAO studies (2001), on average, rapidly growing countries have higher savings rates than slower-growing countries. These rates are influenced by many factors: the level of income per capita, the rate of income growth, the age composition of the population and attitude toward thrift. The results of the study conducted by Muradoglu and Taskin et al. (1996) indicated that demographic variables such as age groups, birth rates, dependency ratio and financial variables such as interest rates, inflation rates, available financial instruments and initial wealth levels affected the decision of household savings significantly.

There are different types of financial institutions in the world. A single institution model suitable to all countries does not exist, no one structure could say to be clearly preferable to others (Orazio and Miguel, 2000). What is important is that these institutions should be able to adapt to local conditions and financial flow. As a short-term solution to the lack of savings by the households, governments of developing countries are embarking on micro financing schemes to enable the households to venture in to small business activities. However, these measures are not only costly but also not sustainable in the longer run if the societies are not empowered to save by themselves (ibid, 2000).

The major problems of cooperatives in Africa are absence of experienced management, uneconomic base level units, lack of supporting infrastructure like extension, training etc., poor member participation, insufficient supervision and auditing of cooperatives, and too much political disturbance (SACCOL, 2003).

The existence of functioning cooperative societies leaves a positive mark on the economic and social structure of a country since cooperatives develop on the basis of local initiative and local economic strength; decentralized cooperative systems can operate in close proximity to markets and target groups. (ZviGlor, 2006).

In the context of globalization, cooperatives are particularly well-equipped to combine the advantage of local activities with regional and national networking within the system, provided

they adapt their structures and operations accordingly, thus contributing considerably not just to strengthening their members but the local/regional economic structure in which they are operating.

“Microcredit programs have successfully contributed to lifting people out of poverty in many countries around the world”, notes the UN resolution of 15 December 1998. In his speech launching the “Year of Microcredit” on 18-11-2004, Kofi Annan emphasized the fact that sustained access to microcredit has contributed to poverty reduction by generating income and employment, enabling children to attend school, families to receive medical care and by offering individuals the opportunity for taking the best possible decisions for themselves.

The fact that cooperative financial institutions in addition to municipal saving banks (Sparkassen) have had the most prolonged and successful experience in the mobilization of microsavings and microlending is uncontroversial both decisive factors for income generation (ibid, 2009.)

## CHAPTER- THREE

### 3. RESEARCH METHODOLOGY

#### 3.1 Description of the study area.

##### 3.1.1 Location

This study would be conducted in West wollega zone of Oromia Regional State, western Ethiopia. West wollega is located at 441 km, from Addis Ababa to the West.

These zones have three agro ecological zones based on agro climatic conditions namely low land 19.1% (1100 -1700 m), mid land 78.4% (1800-2200 m), and high land 2.5 % (2300 - 2850 m).

The major rainy season is during the months of June to September which is the case for many Ethiopian highlands. West Wollega (Capital city, Gimbi is located at 9° 09' N; 35° 51'E), are characterized by dry season (winter) and wet season (summer), where the rainfall varies from 1100mm to 2450 mm, and the annual mean temperature varies from 18 to 32 °c(WW<sub>o</sub>ANRM, 2019).

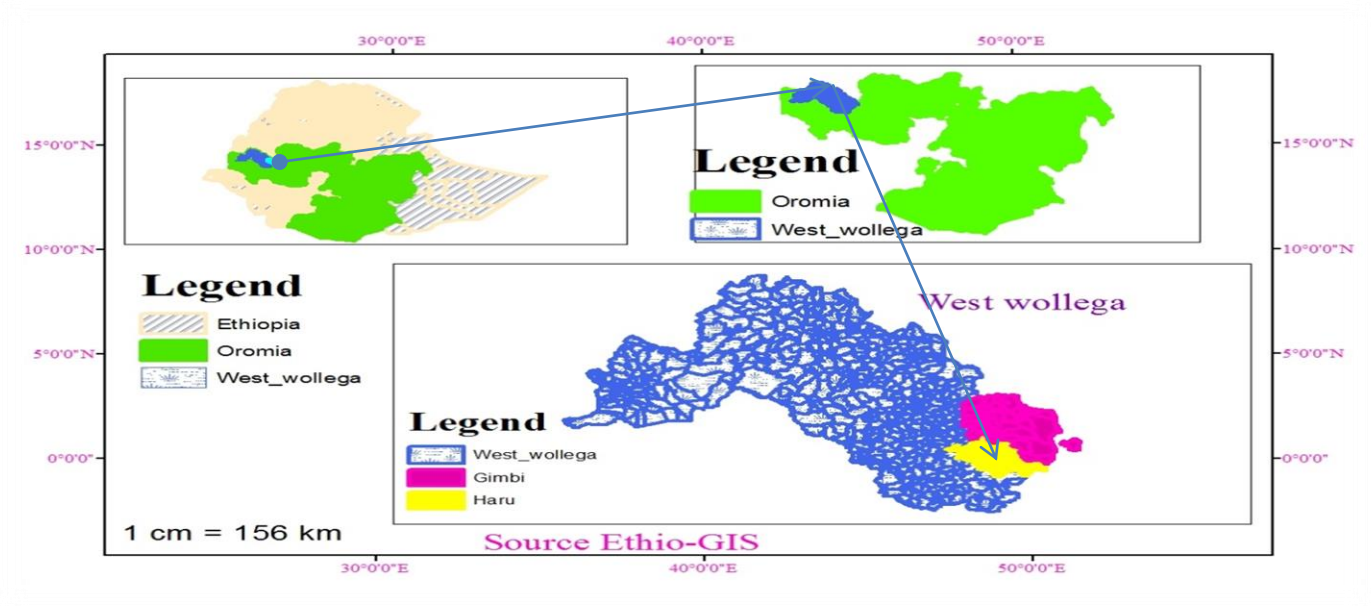


Figure 1: Map and location of West Wollega Zone and selected Districts

### **3.1.2. Description of Haru district**

Haru district in which the study would be conducted is located about 465 km West of Addis-Ababa and 24km south-West of Gimbi town, the capital of Western Wollega Zone of Oromia region. It has an estimated area of 55082 hectare; bordering in south by Cawaka district on the southwest by Nole kaba district, in the west by Ganji district and in the north by the Homa district, on the east by the Gimbi and Cawaqa district respectively. The districts have a total of 28 Keble's of which are 25 rural based peasant administrations. The districts total population and households are estimated to be 94,673 and 24,321 respectively (HWOANRM, 2019). Midland agro-ecological zones characterize the districts climate. The district minimum annual temperature 19°C and the maximum temperature reached as high as 27°C and the mean annual rain fall 1700 mm.

The main rainy season in the district is from March to end of May and from June to end of half of September. The economy of the district is dominated by coffee and other crops such as maize farming mixed with livestock husbandry. The major crops produced in the districts include coffee, maize and sorghum (HWOoNRM, 2018).

In Haru Woreda there are 26 SACCOs with a total membership of 1,582, out of which,1,078 are male members and 504 are female members having amount of capital Birr,2,243,782.56( as, Haru Woreda cooperative office Annul report Jun, 2019).



**Table. 1. Total member of SACCOs of the Haru woreda & their total savings.**

	Name of SACCOs	Total numbers of members(Savers)			Total saving(Asset)
		M	F	Total	
1	Gudata Bori	112	24	136	230,750.66
2	Lalistu Chonge	5	42	47	33,529.65
3	Darartu kalicha	20	74	94	168,008.54
4	Didibe	32	1	33	428,88.44
5	Abdi Gudina	79	12	91	228,027.71
6	Badatu Dogi	28	28	56	57,626.41
7	Gudatu Adare	87	12	99	100,792.4
8	Bikiltu Diri	55	9	64	44,795.517
9	Fayisa Dule	58	11	69	43,597.31
10	Bikiltu Yukira	75	19	94	188,528.08
11	Bule Hora	47	11	58	67,356.17
12	Tokuma Humna	32	6	38	62,854.39
13	Jiregna Bori	37	9	46	30,214
14	Lalisa Metos	53	18	71	202,184.40
15	Efa Jiregna	46	1	47	150,117.83
16	Burka Ujumo	44	12	56	184,820.87
17	Gudatu Acho	26	12	38	163,75.25
18	Biftu Marito	56	10	66	137,181.47
19	Gurmu Jiregna	18	60	78	19,659.16
20	Magartu Shosha	18	54	72	27,982.29
21	Burka Gelel	30	54	84	27,945
22	Lalistu Kaso	12	12	24	23,785
23	Bore	23	7	28	27382.29
24	Gudatu Jitu	-	64	64	147,548.45
25	Abdi Bori	4	41	45	79,443.51
26	Gurmu Fayina	29	15	44	35,381
	<b>Total</b>	<b>1078</b>	<b>504</b>	<b>1582</b>	<b>2,243,782.56</b>

**Source:**Haru Woreda cooperative office Annul report Jun, (2019)

### 3.4. Sample and Sampling Technique

A multistage random sampling procedure was adopted to selected the samples of respondents.

In the first stage, Haru woreda was selected purposively because it is the 1st woreda having more financial service transaction in saving and credit activities and it has an experience in providing loan for the society.

In the second stage, to selected the target respondents from the 26 SACCOs, by using simple random sampling method, 5 SACCOs was selected.

In the third stage, using probability proportionate to size of the population (SPPS)from total 1,582 members, a total sample of 120 members were selected at random as respondent for the study. In addition, 5 promotion officials and Cooperative experts, 7 Board and Committee member's thus total 12 were considered for focus group discussion.

**Table.2.Total member of the Woreda & their sample respondents**

No	Name of SACCOs	Total number of members			Respondents(120)			
		M	F	Total	M	F	Total	%
1	Gudata Bori	112	24	136	27	8	36	30%
5	Abdi Gudina	79	12	91	21	4	25	21%
10	Bikiltu Yukira	75	19	94	21	5	26	27%
15	Ifa Jiregna	-	64	64	-	19	19	16%
24	Gudatu Jitu	46	1	47	13	1	14	12%
<b>Total</b>		<b>312</b>	<b>120</b>	<b>432</b>	<b>83</b>	<b>37</b>	<b>120</b>	<b>100%</b>

**Source:**Haru Woreda cooperative office Annul report Jun, (2019)

### 3.5. Source of Data and Method of Collection

The study used secondary data from SACCOS in Haru Woreda. The secondary data was collected from the audited financial statements, annual reports and magazines of the respective cooperatives included in the sample in addition letters which respective SACCOs sent to their respective district was used. The researcher was collected primary data from the members of the SACCOs members by using interview schedule. During the collection of primary data, the sources of information were personal interview of the respondents. They were given appropriate training about the objectives of the study, the content of the interview schedule and how to deal

with the respondents when they conducted interviews. Pre testing of the interview schedule were carried out & depending on the result; some adjustments were made to the final version of the interview schedule. The interview schedules were developed in English then later it was translated in to local language of the Afan Oromo.

### **3.7. Techniques of data Analysis**

Based on the objectives of the study, appropriate tools and techniques of analysis such as descriptive statistics were employed.

### **3.8. Descriptive Analysis**

The first objective deals with the past performance of the SACCOs. Therefore, this could be analyzed with the help of descriptive statistics, Frequency; such as; mean, minimum, maximum percentage, standard deviation were used.

### **3.9. Operational Definitions of variables**

It is necessary to identify the potential explanatory variables that would influence household decision to join savings and credit cooperative to save money. Review of literature, past research findings, experts and author's knowledge of household's savings behavior of the study areas were used to identify potential determinants of households' decision to join savings and credit cooperatives to save money. The following variables are selected to analyze whether they explain households' decision to join SACCO to save or not.

#### **A. Dependant**

1. Effectiveness of SACCO, ( $Y_i$ ). The dependent variable of this study is Effectiveness of SACCO in improving operational performance and measured by the amount of total savings saved annually in SACCO.

#### **B. Independent –.**

1. Annual Savings ;( $X_1$ )
2. Credit beneficiaries( $X_2$ ).
3. Savings Interest ;( $X_3$ )
4. Safety/security( $X_4$ ) –

5. Positive returns(X5)
6. Amount of loan borrowed ;( X6)
7. Access to training (X7).
8. Distance to SACCO office; (X8)
9. Accountability ;( X9)
10. Transparency (X10).
11. Education level ;( X11)
12. Annual income(X12
13. Family size(X13)

**1. Annual Savings (X1).**

Savings defined as portion of disposable income not spent on consumption of consumer goods but accumulated or invested directly in capital equipment and it is measuring by the amount of money saved per year.

**2. Credit beneficiaries (X2).**

Since one of the major objectives of SACCOs is to offer loan products to the members, those who have credit use experiences are expected to be pioneer in the SACCO movement may be directly related to both decision to join SACCOs to save cash and the magnitude of savings.

**3. Savings Interest (X3)**

It is a continuous variable in rate of interest. The expectation is that the members preferred to save his/her cash where savings interest rate of SACCOs is fair. Therefore, it is hypothesized that this variable has a positive relationship with savings level of member of SACCOs.

**4. Safety/security (X4) -**

Safety/security is the most frequent question asked by savers, most savers seek safety/security for their savings; they need to know how their savings will be handled and secured from any risk. Therefore, the SACCO Society need to develop sound system of handling member's savings; that can minimize any risk and ensure security, which will build members confidence to save in the institution.

### **5. Positive returns(X5)**

Members will have an incentive to save if the interest rate for savings is better than the Commercial banks and other financial institutions. Offering attractive interest rate for Savings is a fast and efficient way to stimulate savings growth, because Savers expect real positive return on their savings from saving interest, and dividend as well as easy accessible loan opportunity.

### **6. Amount of loan borrowed (X6)**

It is a continuous variable that the members of SACCO borrow loan from their societies. Amount of loan is positively or negatively associated with savings level of members. Increasing savings will develop confidence and On the other hand if members of SACCOS have limited capital to save regularly and have the commitment of to repay the loan, they can't increase their savings, then it would be associated negatively with the savings magnitude of members.

### **7. Access to training (X7).**

It is a discrete variable, usually the trainings programs focus on organization, management, objectives, operation system, savings mobilization, etc. of SACCOs. Therefore, access to training would have positive impact on the decision of farmers to join cooperative to save.

### **8. Distance to SACCO office (X8)**

It is a continuous variable and distance is measured in terms of Kilo meters. The long distance to SACCOs might discourage members' participation in the cooperative and it becomes difficult to follow up and control the operational system of the cooperatives. Therefore, it is hypothesized that distance to SACCOs' office is negatively related to the household's decision to join the SACCO to save cash.

### **9. Accountability (X9)**

Cooperative governance should be accountable that is the capacity to call officials and members of cooperatives to account for their actions. Effective accountability has two elements. Answerability and consequences without which accountability is only a time consuming formality and both external and internal accountability is needed.

### **10. Transparency (X10).**

The function and activities of SACCOs should be transparent to all the members. Availability of reliable and timely economic and financial information is a must for the public. This encourages members to save.

### **11. Education level (X11)**

It refers to the number of years of formal schooling. Educated farmers are expected to have more exposure to the external environment and accumulated knowledge through formal learning which might enable them to pursue livelihood strategy that leads to better income through making use of available opportunities, which lead to increased household consumption level. Therefore, it is hypothesized that education level of the household head is positively or negatively related to both the decision to join the SACCO to save cash.

### **12. Annual income (X12)**

It represents the members' annual income generated from any activities. It is a Continuous variable. The higher amount of annual income might reflect households' strategy of improving its productivity to secure the members' basic needs and gradually to change the household members' life style and positively related to the level of savings.

### **13. Family size(X13)**

It indicates the total number of members in the family. As the members' family size increases, the number of mouths to be fed obviously increases, which share available income to consume. If the majority of the SACCOS members are productive, the level of income at household level will be increased. Hence, it is hypothesized that the household's family size is directly or inversely related to the members' level of savings.

## CHAPTER- IV

### 4.1. RESULTS AND DISCUSSIONS

This part presents the findings of descriptive statistics in the problem on savings and credit cooperatives. Descriptive statistical techniques were employed to analyze the collected Primary data. The results of the analysis are presented in two categories. First, descriptive statistical methods were employed to assess the demographic and socio-economic characteristics of the respondents to discover the most important variables which enabled to identify factors that influence the operational performance of SACCOs.

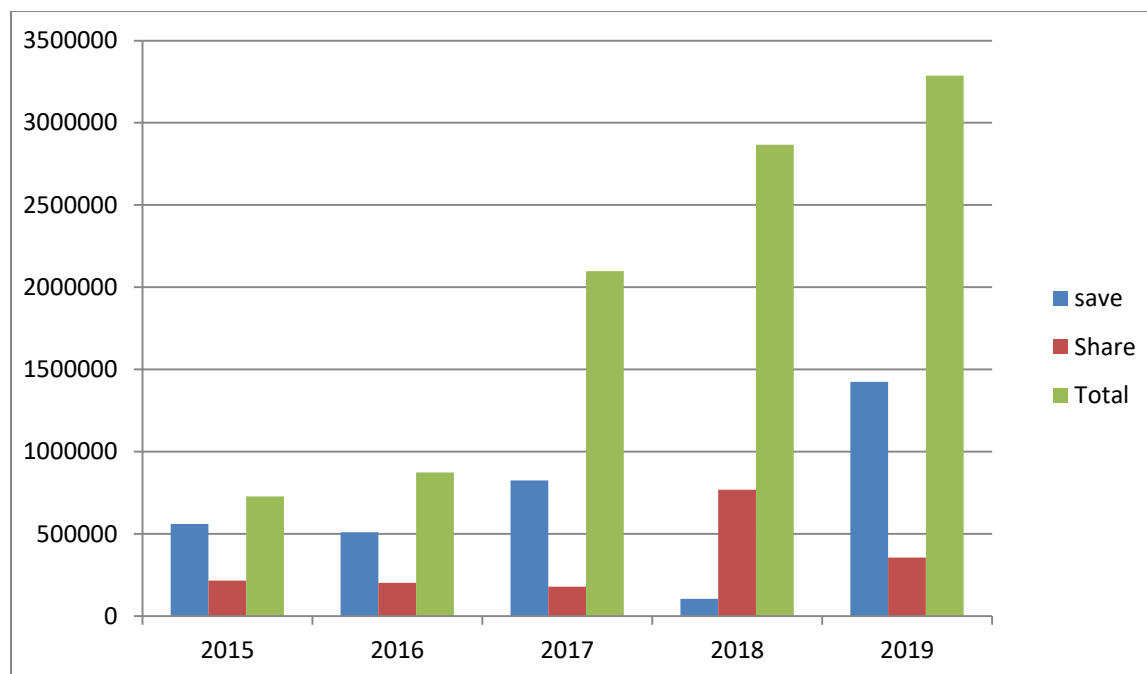
#### 4.1.1. Growth of Savings and Share of SACCOs (2015-2019)

Saving mobilization is crucial factor of any growth and the growth of total assets is dependent on the growth of savings. The savings operation of the people can be improved through increasing the memberships of SACCOS and strengthen the financial structure of the societies.

**Table. 3. Growth of Savings and Share of SACCOs (2015-2019)**

Year	No of SACCOs	Total Asset in Birr			%Growth	
		Share	Saving	Total	Share	Saving
2015	22	216,664	560,000	776,664	40%	55%
2016	22	203,120	510,000	713120	32%	51%
2017	24	178,750	825,000	1,003,750	25%	70%
2018	25	769,500	1,060,000	1,829,500	90%	53%
201	26	916,686	1,425,000	2,341,686	19.5%	57%
<b>Total</b>		<b>1,725,532</b>	<b>4,380,000</b>	<b>6,105,532</b>	<b>47%</b>	<b>92.9%</b>

**Source:**field survey of woreda annual reports (2019).



#### 4.1.4. Total Amount of Loan Disbursed, repaid, borrowers and defaulted (2015-2019)

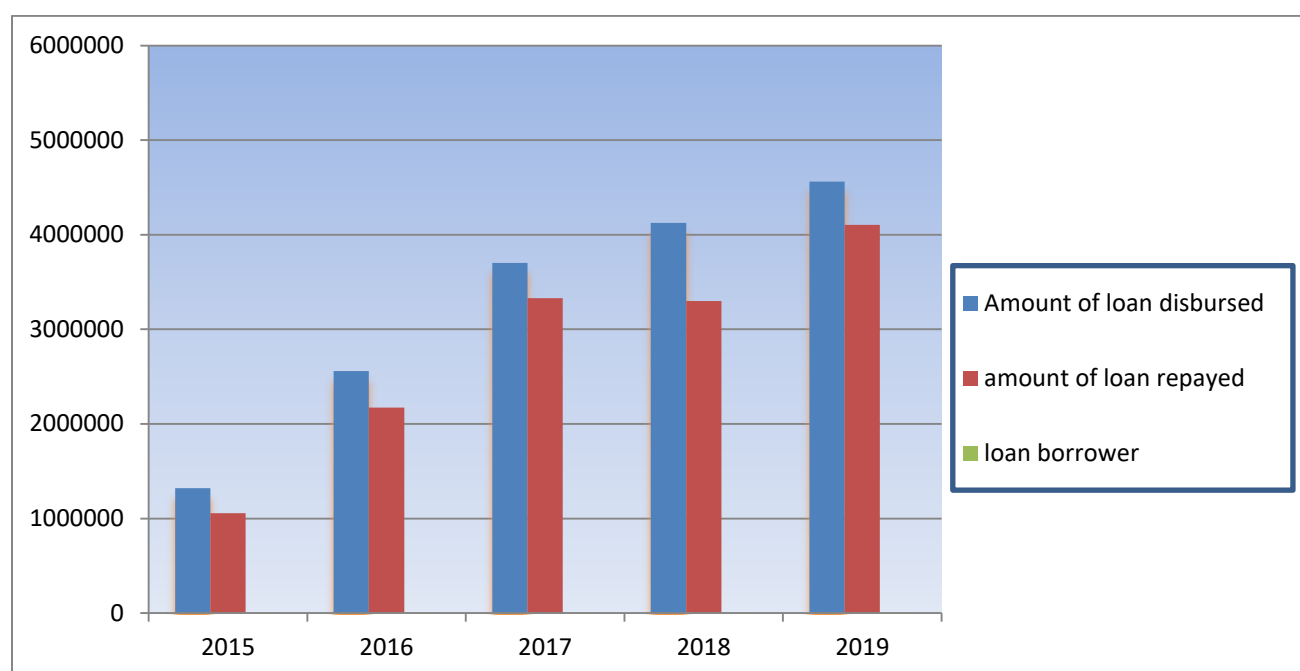
The performance of SACCOs in the study areas on lending growth from the past up to (2019) years in terms of number of loan borrowers, growths and amount of loan disbursed.

**Table.4.Total Amount of Loan Disbursed, repaid, borrowers and defaulted (2015-2019)**

Year	Amount of loan disbursed	Amount of loan repaid	Loan defaulted	%Growth		
				Loan borrowers	Loan disbursed	Loan borrowers
2015	1,319,012	1,055,209.4	-	706	26.3%	55%
2016	2,55,7314	359,303	-	811	42%	59.3
2017	3,700,800	3,330,720	-	916	90	62%
2018	4,125,510	3,300,408	-	996	41%	65%
2019	4,560,700	4,104,630	-	1076	38%	68%
<b>Total</b>	<b>16,263,336</b>	<b>12,150,270</b>		<b>4,505</b>	<b>39.5</b>	<b>64%</b>



**Fig.5. Total Amount of Loan Disbursed, repaid, borrowers and defaulted (2015-2019)**



**Source:** field survey of woreda annual reports (2019).

### SACCOs Balance Sheet

Even though the report does not show the progress of the SACCO starting from the inception period up to the current performance but one can understand the progress from the balance sheet that the SACCO capital performance and asset size. The revolving fund is considered as liability to the SACCO because the fund belong to the RuFIP but in order to facilitate the credit service the SACCO function as bridge between Cooperative agency.

**Table.5. SACCOs Balance Sheet**

No	Name of SACCO	Asset	Liability	Capital	Revolve funding
1	Gudata Bori	2307,50.66	169,747.9	61,002.76	-
2	Abdi Gudina	272,614.14	228,027.71	44,586.73	-
3	Bikiltu yukira	250390.75	188,528.08	61,862.68	-
4	Gudatu Jitu	222310.08	147,548.45	74,761.63	-
5	Ifa Jiregna	66437.47	41,787.26	24650.21	Birr 66,000

**Source:** field survey of woreda annual reports (2019).

## **4.2. Result on group discussion.**

### **4.2.1. Discussion on SACCOs' service provided on operational performance of members**

The discussion group discussed about service provided by SACCOs and it play an important operational performance on providing services to their clients. There are three types of saving:-

1. **Compulsory savings** is a saving that a member is forced to save on regular basis; it is must be saved on weekly, monthly, seasonally basis depending on the income of the member. It is flexible the amount of saving depending on the Condition because in the year for three up to five months member getting income from production or an others. If members did not save on time they will get penalized based on the savings policy of the society.

2. **Voluntary savings** is very important to farmers since they don't have regular income they can save as voluntary saving at any time. Voluntary savings are deposited and withdrawn as the member interest.

3. **Childrensaving** is a saving that deposited for a children under 18 years according to the compulsory saving on weekly, monthly but it is not giving for loans.

**Loan** is having some one's money for productive purpose to solve Social problem and that will repay at agreed period with additional agreed interest. It can be expensive because borrower will have to pay the loan itself with additional interest more than or equal to what they produce.

### **4.2.2. Discussion on Loan Policy of SACCOs**

With respect to the criteria of that qualify a member for a loan; the discussions committees have applied depend on the society's loan policy approved by the general assembly after fulfill the loan criteria.

1) Saving regularly, 2) Being a member for required period, 3) Fulfilling his duties and responsibilities: - having minimum share and compulsory savings, active in promoting new members, 4) Personal integrity of the business owner(s) and family, 5) Honest and trustworthy, honorability to agreements with the SACCO Society 6) Ability of the business to repay the loan, the profitability and viability of the business for which the borrower applied.

All loan applications must have one or more forms of guarantee attached to them, in order to be approved. The first and best form of guarantee is savings, either for the client individually or from a guarantor, however, savings will never be sufficient to cover the full value of the loan.

The savings, is as guarantee, must be locked away (made unavailable to a member) during the full term of the loan. Other forms of collateral can then be used to guarantee the remaining portion of the loan.

#### **4.2.3. Discussion on duties and responsibilities of the Sample SACCOs.**

Types of service provided, organizational status, loan policy, problems and recommendation of the sample SACCOS were discussed.

The SACCO Society needs a key position to be held in between the members and hired management, which represents the members as user and owner of the SACCO Services.

The Boards of directories have the power and duties of managing and controlling the affairs of the SACCOS in transparent way.

The primary responsibilities of the directors are to hire the manager, other employees, establish operating environment and direct the SACCOS towards its overall objectives.

All the sample savings and credit cooperative societies in the study were managed by Board of directories elected by the General Assembly (GA) of the societies. As the same time, the researcher discussed with the focused groups of SACCOS on the duties, powers and responsibilities of the leaders.

The group discussion committee replied that, every sample societies have control committee, savings committee, loan committee.

Based on the organizational structure each society has specific roles and responsibilities in the overall operation of the SACCO Society.

#### **4.2.4. Discussion on operational performance Problems of SACCOs.**

SACCOs in the woreda have been relatively successful due to members' awareness of the principles and objectives of savings and credit cooperatives and strong commitment of the discussion group has been confronted with the following problems:

Lack of the necessary operating office facilities;

Limited knowledge of financial management, and unable to do the recording, posting and summarizing of accounts as per the standards, Lack of capital or budget for work, Inadequate promotional activities by the organizing body; and Absence of information and technical assistance on local investment opportunities.

Problems associated with this also included the unproductive use of loans and

Farmers do not always spend loans for income generating activities.

They were often used for emergencies and home improvement purposes.

#### **4.2.5 Discussion on Operational performance of cooperative office and SACCOs.**

The cooperative management concept relates to the quality of the relationship between the government and the citizens that is cooperative system and its members for whom it exists to serve, and protect. SACCOs have no capacity to deliver loan to their members by themselves.

In order to strengthen the material and non-material base of SACCOs. As the government set up of cooperative promotion bodies, the district Cooperative Promotion Offices are responsible to organize, prepare to registration, promote, and provide auditing and inspection services and properly regulated and supervised primary and secondary cooperatives at district level. The desk has mobilized and aware people who are living in the same area and they have similar economic problems. The Office has organized volunteers above 26 SACCOs and the desk have believed that cooperatives are improving saving and play a vital role in poverty alleviation.

#### **4.2.6. Suggestions of the discussion group to improve saving activities**

The training has to be accompanied by career development schemes so as to increase their motivation. The staff should undergo practical on the job training in cooperatives so as to be acquainted with the day-to-day problems of cooperatives;

Provision of technical support in the areas of bookkeeping, (recording, posting, summarizing and reporting transactions); Provision of technical assistance on identification of small scale local investment opportunities; It is therefore recommended that the SACCO consider hiring a manager in the future.

Create awareness to members and to save more because financial cooperatives had high impact on economic development.

Create awareness to members and nonmembers to be a member of SACCOs and to save more.

#### **4.2.7. Starting and current status of sample SACCOs**

From the total sample, Gudatu Jitu SACCOs is getting credit from non-government of Rural financial intermediate project (RuFIP) cooperatives. And play an important role in the growth and rapid expansion of SACCOs in the Haru woreda. It provides fund above 66,000 Birr for 44

members to help people establish permanent socio-economic structure and to encourage self-reliance and to reduce poverty. The numbers of total sample cooperative members' were 68; 25; 31; 44 and 30 in the year and now 136, 91, 94, 64 and 47 respectively growth. The member's growth of the sample savings and credit cooperative societies in the study area were discussed by the groups.

**Table. 6. Starting and current status of sample SACCOs**

No	SACCOs Establishment	Name of SACCOs	Members at the starting	Current status of members	Total Asset
1	1996	Gudata Bori	68	136	230,750.66
2	1998	Abdi Gudina	25	91	272,614.14
3	1999	Bikiltu Yukira	31	94	250,390.75
4	2006	Gudatu Jitu	44	64	222,310.08
5	2007	Ifa Jiregna	30	47	66,437.47
<b>Total</b>			<b>198</b>	<b>432</b>	<b>1,042,503.1</b>

**Source:** Primary data collected through field survey (2019)

#### 4.3.1. Sex of the household head respondents

It is observed that the majority of the respondents 104 (86.6 percent) are male and remaining (13.4 percent) are women headed households respectively.

**Table.7. Sex of the household head (N=120)**

No	Description	Number	Percentage
1	Male	104	86.6
2	Female	16	13.4
<b>Total</b>		<b>120</b>	<b>100</b>

**Source:** Primary data collected through field survey (2019)

### 4.3.2. Age of the Respondents

The average age of sample respondents was about 37 years with the minimum and maximum ages of 21 and 60 years, respectively. And (49.1 percent) was the middle aged from 31-45 ages are greater opportunities to join the SACCO, (28.3 percent) are up to 30 age and only (22.5 percent) were respondents in the old age category, which are not active in savings generation activities.

**Table. 8. Age of the households Respondents (N=120)**

No	Age group in Years	Number	Percentage	
1	Up to 30 Age	34	28.3	Mean=37.2
2	31-45	59	49.16	Minimam=21
3	46-60	27	22.5	Maximam=60
<b>Total</b>		<b>120</b>	<b>100</b>	

**Source:** Primary data collected through field survey (2019)

### 4.3.3. Marital Status of the respondents

Table indicates that 4 percent and 9 percent of respondents are divorced and widows respectively, who are really suffering a lot due to their low economic status. For such respondents, membership in SACCO has proved to be a turning point in responding their economic status. Only 81.6% percent are married and 4 percent of respondents are single.

**Table. 9. Marital Status of respondents (N=120)**

No	Marital Status of respondent	Number	Percentage
1	Single	6	5
2	Married	98	81.6
3	Divorced	5	4
4	Widows	11	9
<b>Total</b>		<b>120</b>	<b>100</b>

**Source:** Primary data collected through field survey (2019)

#### 4.3.4. Educational status of sample respondents

Sample members' education status helps them to understand how to save money and profitably handle cash in financial institutions, which are found in nearby areas. The survey results indicates that 18(15 percent) of the sample members were illiterate while 63(52.5 percent) were 1-up to 6th grade, 7th grade-10th grade 25 (20 percent) and 14(11.6 percent) 11th grade and above.

**Table. 10. Marital Status of respondents (N=120)**

No	Educational Level	Numbers	Percentage
1	Illiterate	18	15
2	1-up to 6th grade	63	52.5
3	7 to 10th grade	25	20.8
4	11th grade and above	14	11.6
<b>Total</b>		<b>120</b>	<b>100</b>

Source: Computed from the field survey data (2019)

#### 4.3.5. Distribution of family Size of the Respondents

It is observed from table 4.12 that nearly 22 (18.3) percent of the respondents had the family size that ranges from 1 to 3. While majority 56 (46.6) of respondents had 4 to 6 family size 41 (34.1) percent of the respondents had the family size that range from 7 to 9. Only 1 (0.83 percent) of the respondents 10 and above family sizes.

**Table.11. Distribution of family Size of the Respondents (N=120)**

No	Family size	Number	Percentage
1	1-3	22	18.3
2	4-6	56	46.6
3	7-10	41	34.1
4	10 and above	1	0.83
<b>Total</b>		<b>120</b>	<b>100</b>

**Source:** Primary data collected through field survey (2019)

#### 4.3.6. Amount of Loan borrowed and loan interest rate

The major formal sources of credit in the study areas are SACCOS, Results of the survey revealed that about 116 members of SACCOS (96.0 percent) were loan beneficiaries from SACCOS and the interest rate charged by SACCOS to the loan 10 percent and the loan distributed minimum Birr 700.00, maximum 9000.00 and total 141971.00 amount of loan was dispersed.

**Table. 12. Loan beneficiaries, loan interest rate and SACCO membership (N =120)**

No	Lenders SACCOS	Numbers	Percent	Minimum	Maximum	Interest rate	Amount of loan
1	Borrowers	116	96	700	9000	10%	141971
2	Not borrowed	4	4	-	-	-	-
<b>Total</b>		<b>120</b>	<b>100</b>	<b>700</b>	<b>9000</b>	<b>10%</b>	<b>141971</b>

**Source:** field survey data (2019)

#### 4.3.7. Security for Savings respondent's response

Security means protection of against theft or other losses caused by fire or other natural causes. Security means income protection in order to deal with unexpected expenses without disrupting the family budget.

Majority 96 (80 percent) of the respondents said that there is security in SACCOS and members have confidence on their savings and 14 (20 percent) of the respondents said that there is no secured. So to be members increase saving habit and confidence deposits should safeguard.

**Table. 13. Security for Savings respondent's response (N=120)**

No	Security	Numbers	Percent
1	Yes	96	80
2	No	14	20
<b>Total</b>		<b>120</b>	<b>100</b>

**Source:** field survey data (2019)



#### 4.3.9. Access to Training

SACCO training facilitates to run the units operational performance of SACCOs. Training programs are offered by Nongovernmental or other specialized agencies. Major trainings conducted by SACCO include awareness creation about cooperative philosophy, proper utilization of credit, improving saving habit and business diversification. From the table 15. It is found that from the total 120 respondents 86.7 percent) of the respondents have received training in saving and credit area, whereas (13.3 percent) of the respondents' not received training. Cooperatives should provide education, training and information to their members, elected leaders, employees and to the potential members as well to improve savings.

**Table.14. Sample members' response about training (N=120)**

No	Training	Numbers	Percent
1	Trained	104	86.7
2	Not trained	16	13.3
Total		120	100

**Source:** Computed from the field survey data (2019).

#### 4.3.10. Positive return

Members will have an incentive to save if the interest rate for savings is better than in other financial institutions. Offering attractive interest rate for Savings is a fast and efficient way to stimulate savings growth, because Savers expect real positive return on their savings from saving interest, and dividend as well as easy accessible loan opportunity. Respondents 108 (90 percent) said that SACCOs provides dividends to members and respondents 12(10 percent) were not get positive return. Therefore attractive interest rate and dividend to members were used members to save more.

**Table. 15. Respondent’s response on positive return (N=120)**

No	Positive return	Numbers	Percent
1	Yes	108	90
2	No	12	10
<b>Total</b>		<b>120</b>	<b>100</b>

**Source:** Computed from the field survey data (2019).

#### **4.3.11. Credit beneficiaries**

Since one of the major objectives of SACCOs is to provide credit to the members, those who have credit use experiences are expected to be pioneer in the SACCO movement and directly related to join SACCOs to increase savings. The table indicates that respondents 96 (80 percent) were credit users and 24(20 percent) were not credit beneficiaries.

**Table.16. Respondents response on credit beneficiaries (N=120)**

No	credit beneficiaries	Numbers	Percent
1	Yes	96	80
2	No	24	20
<b>Total</b>		<b>120</b>	<b>100</b>

**Source:** Computed from the field survey data (2019).

#### **4.3.12. Saving’s interest**

The interest rates that individuals received from their deposits were lower than commercial bank and DECSI. The table indicates majority 88(73 percent) of the respondents said saving interest rate of SACCO was not fear. Therefore, to motivate for members and nonmembers on improvement of saving the interest rate of saving should increase.

**Table. 17. Response on saving interest rate of SACCOs (N=120)**

No	Interest rate of saving	Numbers	Percent
1	Fear	32	27
2	No fear	88	73
<b>Total</b>		<b>120</b>	<b>100</b>

**Source:** From the field survey data (2019).

#### **4.13. Annual saving's**

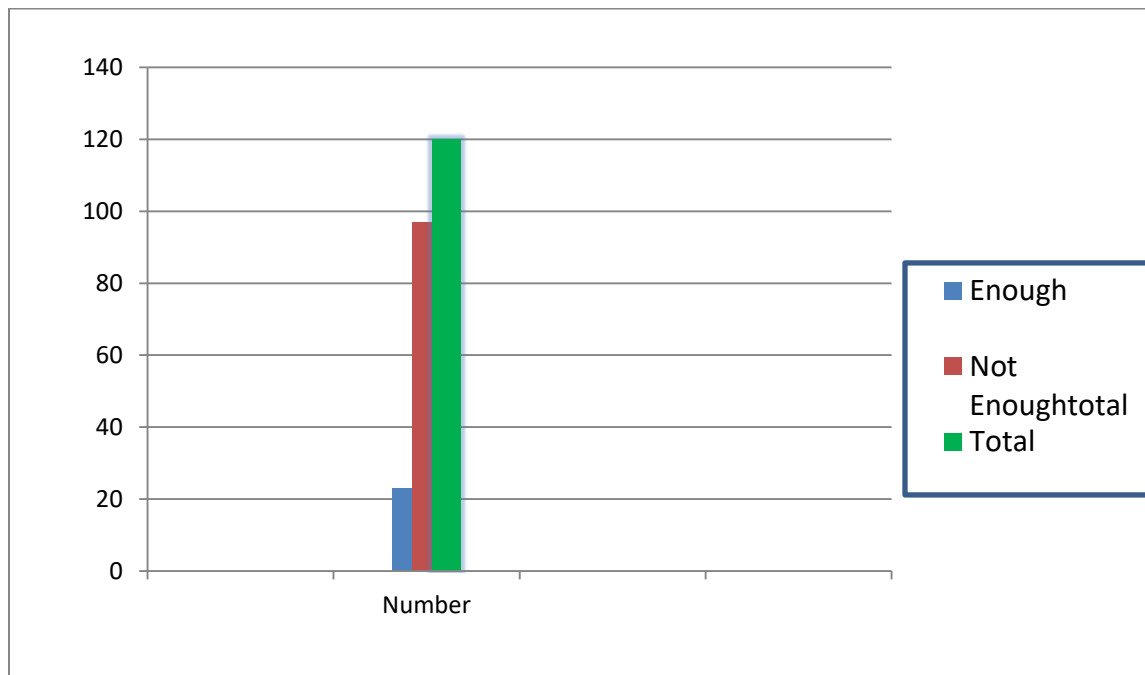
Savings mobilization is becoming a crucial factor of many micro finance institutions. Savings is important for an institution that offers financial services. It provides a source of funds and income. The members of SACCOS can receive a market interest rate on savings and dividend from profit of the SACCOS. The study presents the mean annual savings of the respondents were Save Birr 540.03, minimum Birr, 240.00 maximum Birr, 2,600.00 and the amount of annual saving is Birr 51,428.57. Respondents 80.8(73.4 percent) agreed that the amount of annual saving wasn't enough and the 23(19.2 percent) not enough. This indicates poor saving habit of members and members should increase the amount of savings.

**Table.18. Amount of annual saving respondent's distribution (N=120)**

No	Annual saving	Numbers	Percent	Mean=540
1	Enough	23	19.2	Minimum=240
2	No enough	97	80.8	Maximum=26,00
<b>Total</b>		<b>120</b>	<b>100</b>	<b>Sum=51428.57</b>

**Source:** From the field survey data (2019).

Fig.6 Annual saving



#### 4.4. The operational performance problems that have been faced in SACCOs.

Table.19. Response on problems of SACCOs.

Problem	Agree		Disagree		Total
	Number	Percent	number	Percent	
1. Lack of Skilled Man Power	106	88.3	14	11.6	120
2. Limited training opportunities available to members	114	95	6	5	120
3. Weak management capacity	106	88.3	14	11.6	120
4. Members, board, weak management and business opportunity capacity	104	86.6	16	13.4	120
5. Short loan repayment period	100	83.3	20	16.6	120
6. Small account size of loans offered by SACCOs;	106	88.3	14	11.6	120
7. Lack of record keeping system	96	80	24	20	120
8. Poor saving habits of members	89	74.16	31	25.8	120

Source: From the field survey data (2019).

#### **4.4.1. Lack of Skilled Man Power**

Respondents were asked to state whether they agree or disagree regarding the absence of skilled man power. In response to these statements, all the respondents (88.3 percent) agreed that "SACCOs do not have professional skilled manpower that fully committed to achieves its goals for savings, lending, repayment, education and others. The existing management committee lack adequate knowledge about the functions and activities of SACCOs.

#### **4.4.2. Limited Training Opportunities to members**

It is observed from the table 5 that almost all (95 percent) of the respondents agreed that there is limited training opportunity available in SACCO, so this is one of the problems that limited knowledge related with saving and credit services and to know the overall importance of cooperatives. Only (6 percent) of respondents disagreed to the statement, in that training is not the major problem in improvement of members savings behavior.

#### **4.4.3. Weak Management Capacity**

A high proportion of respondents (88.3 percent) agreed that "SACCO board of directors have weak management capacity. In answering this question, it may be that respondents took into account the management committee's educational background and general knowledge about cooperatives. Only limited numbers of respondents (11.6 percent) believed that SACCOs management committee has good management capacity.

In order to expand saving and credit service, the researcher recognized the need for expertise and professionalism. How could this be achieved? This could be achieved in two ways:

- 1) Increased the on-going education as fundamental for the management committee and
- 2) Recruit train and knowledgeable professional work force in light of the financial conditions of the SACCO.

#### **4.4.4. Members, board' weak management and business opportunity**

The respondents (86. percent) agree that Members and board directors have capacity of managing.

#### **4.4.5. Short Repayment Period**

Respondents 83.3 percent agree and said that the repayment period is one year regardless of the borrowed amount; so this is one problem that forces non-members not to join in SACCO. To encourage to save more and non-members to join to the SACCO it is better to extend the repayment periods compared with the other financial institutions.

#### **4.4.6. Small account size of Loan Offered**

When asked “Do you think loans offered by SACCO is small in amount”, a high proportion of Respondents (88.3 percent) agreed that SACCO offer only small amount of loan to its members.

It has been ascertained in the field visit, that many of the members need large amount of loan in order to do business. Another (11.7 percent) responded negatively that is, SACCO offer large amount of loan to its members.

#### **4.4.7. Lacks Good Record Keeping System**

It is found that (80 percent) of respondents agreed that SACCO lack good record keeping about record showing asset, liabilities, and cash received and paid out. (20 percent) of respondents disagreed that SACCO have good record keeping systems that reflect the transaction and financial position of the SACCO.

#### **4.4.8. Poor Saving Habits of Members**

All SACCO members are required to hold share accounts from the sample respondents (74 percent) agreed that SACCO members have poor saving habit, due to low income source; they are not able to increase their share amount. Only (26 percent) of respondents disagreed that SACCO members have good saving habit.

#### 4.5. Suggestions/recommendations/for improving the members' savings Behavior of SACCO.

Table.20. Response on Suggestions of SACCOs.

No	Recommendation	Very important		Important		Total
		Number	Percent	Number	Percent	
1	Promote awareness creation on savings mobilization	96	80	24	20	120
2	Provide problem based training for members	81	67.5	39	32.5	120
3	Strengthen the governance of SACCOS	93	77.5	27	22.5	120
4	Build autonomous and independence of SACCO	96	80	24	20	120
5	Increase members participation	94	78.3	26	21.6	120
6	Provide qualified promoters to assist the SACCO society	84	70	36	30	120

The table indicates that respondents response on Promote awareness creation on savings mobilization 96(80 percent) very important, on provide problem based training for members (67.5 percent) very important, on strengthen the governance of SACCOS 93(77.5 percent) very important, on build autonomous and independence of SACCO 96 (80 percent) very important, on increase members participation 94(78.3 percent)very important and on provide qualified promoters to assist the SACCO society 84(70 percent)were very important and the other percentage also shows important suggestions for improving the members' savings operational performance of SACCO.

## CHAPTER-V

### CONCLUSION AND RECOMMENDATIONS

#### 5.1. Conclusion

The delivery of financial products and services through microfinance institutions in Ethiopia is one of the policy instruments used to enable rural and urban households to increase their output and productivity, induce technology adoption, increase input supply, increase income thereby helping them reduce their poverty and attain food security.

It is an accepted fact that the future economic growth is largely a result of current investment activities. These investments could be expended in the development of human resources to increase efficiency as well as in building up productive capacity to exploit its natural resources.

This study was undertaken in one purposively selected woreda, namely Haru Woreda.

From five randomly selected sample cooperatives, 120 member respondents were randomly selected and 12 management committee cooperatives expert's members were chosen for focus groups discussion. Both primary and secondary data were collected and used. Based on the objectives of the study, appropriate tools and techniques of analysis such as descriptive statistics, frequency, mean, minimum, maximum and percentage statistical models procedure were employed. The researcher observed that the difference between loan interest and the savings interest rate in the study area was very high. In Haru woreda the loan interest rate ranges from 5.0 percent to 15.0 percent and the savings interests were 3.0 percent and 4.0 percent respectively.

This difference influences the actual and potential members not to participate in increasing share, savings and it will not encourage nonmembers to membership.

Poor Saving Habits of Members, all SACCO members are required to hold share accounts from the sample respondents (74.16 percent) agreed that SACCO members have poor saving habit, due to low income source; they are not able to increase their share amount. Only (25.8 percent) of respondents disagreed that SACCO members have good saving habit. Poor saving should be



improved through awareness creation to members. Small account size of Loan Offered, a high proportion of Respondents (88.3 percent) agreed that SACCO offer only small amount of loan to its members. It has been ascertained in the field visit, that many of the members need large amount of loan in order to do business. Another (11.6 percent) responded negatively that is, SACCO offer large amount of loan to its members.

Members of savings and credit cooperatives have regularly deposited their monthly regular savings. The amount of members' monthly regular savings differ from individual to individual due to their awareness level, savings habit, consumption habit, sources of earning, capacity to save, and accessibility to the facilities.

The major sources of credit for the respondents are SACCOs. From 120 members, (89.0 percent) of the respondents were credit beneficiaries. The maximum and minimum loan distributed in the study area was 9,000 Birr and 700 Birr respectively. To identify factors that influence on operational performance of SACCOs, descriptive statistics was used. Thirteen variables influence the operational performance of SACCO.

## **5.2. Recommendation**

In order to promote and strengthen savings and credit cooperatives in Haru woreda and to assure the beneficiaries of the households from SACCOs' financial products and services in a sustainable manner, some recommendations are suggested to be addressed by the concerned stakeholders.

The focus group and members recommended to strengthen savings and credit cooperative, the government should encourage the promotion of savings and credit cooperatives, because they are the surest ways of increasing savings and lowering the cost of living for rural and urban people.

The good running of savings and credit cooperative was affected due to lack of awareness, lack of general basic knowledge and negative influence by externals. The study has shown that a unit increment of farmers' annual on-farm income increases the probability of members' increasing the savings amount of rural members and encourages the potential members to participate in SACCOS.

The participation rate of members in the SACCO movement as compared to the potential members and the demand for the services is very minimal. Therefore, knowledge gained through training might give a chance to the beneficiaries to be part of the solution.

The other possible reason is that SACCOS' financial institutions owned by the members are providing financial services, products and net benefits obtained from the operation to the members themselves. Therefore, problem oriented and target focused training programs and relevant modules should be prepared. The concerned stakeholders government, religious leaders and non-government organizations should take a measure to minimize the expenditure on social and religious ceremonies in order to increase the savings of the households. Therefore,

- Minimize the gap between the loan and savings interest rate based on the existed market interest rate. To improve saving habit of members, the membership is to be increased and the poor should participate in SACCOs.
- SACCOs should have professional skilled manpower that is fully committed to achieve its goals for savings, lending, repayment, education and others by hiring skilled a manager in the future.
- Focus on deposit mobilization first. Savings and credit cooperatives with this focus tend to be stronger and more durable because savers have the biggest incentive to keep their cooperatives financially sound. Support with technical assistance to improve savings products and information systems.
- Support savings and credit cooperatives that want to learn new techniques to reach poorer customers. Donors can provide technical assistance to help savings and credit cooperatives better understand member needs, and develop and manage credit, savings, payment, and money transfer services appropriate for poorer and more remote clients.
- Keep financial standards at the core of internal management and external supervision. To fulfill their mission of providing members with high-quality services, savings and credit cooperatives need to run a sound financial business.

The training has to be accompanied by career development schemes so as to increase their motivation. The staff should undergo practical on the job training in cooperatives so as to be acquainted with the day-to-day problems of cooperatives

- Provide competent supervision of savings and credit cooperatives. Savings and credit cooperatives are often supervised by the same government agency that is responsible for all kinds of non-financial cooperatives, including agricultural and marketing.
- Concentrate resources on savings and credit cooperatives that are willing to implement Sound policies and standards. The government and non-government organizations may encourage savings and credit cooperatives. Because savings and credit cooperatives societies are the surest ways of increasing savings and lowering the cost of living, mobilize rural finance and create investment in the rural areas.

## References

- Alila P.O. and Obado P.O., (1990). Cooperative credit, the Kenyan SACCOs in a historical and development perspective. Institute for development studies, University of Nairobi, working paper no. 474.
- Abate Mitiku and Abebe Alemu, 1998, status of saving and credit coops in Ethiopia,
- Adera, 1995, Rural saving mobilization economic development
- Amaha, Wolday. 2000. AEMFI Occasional Paper No. 2, Addis Ababa, Ethiopia.
- Bereket Z. and Rani L., (2011). Is There a Tradeoff between Outreach and Sustainability of Micro finance institutions? Evidence from Indian Microfinance Institutions (MFIs). *Research Journal of Finance and Accounting*, Vol 2, No 11, pp 32-42
- Bwana K.M, and Mwakujonga J., (2013). Issues in SACCOS Development in Kenya and Tanzania: The Historical and Development Perspectives. *Developing Country Studies*, Vol.3, No.5, pp. 114-122.
- Bezabih E. (2012), Cooperative Movement in Ethiopia. Workshop on perspectives for Cooperatives in Eastern Africa October 2-3, 2012, Uganda
- Cooper, D. C., & Schindler, P. S. (2009). *Business Research Methods*. 9th edn. Tata McGraw Hill. New Delhi.
- Dessalew A. (2014), The Socio-Economic Role of Saving and Credit Cooperatives in Promoting Gender Equality: The Case of Estie Woreda, Ethiopia. *European Journal of Business and Management*, Vol.6, No.1, PP 1-7
- Getachew M.T (2006). Working paper - sustainable SACCO development
- Henama U.S., (2012). Trade union savings and credit operatives: The case of national education, health and allied workers, savings and credit co-operative in South Africa, *International Journal of Cooperative Studies* vol. 1, no. 1,
- Holtland G. (2011), the Role of Cooperatives, SACCOs and Traders in Value Chain Development in Borana Zone. Produced with the financial assistance of the European Union.
- Kereta B.B., (2007). Outreach and Financial Performance Analysis of Microfinance Institutions in Ethiopia. Paper presented at African Economic Conference. Addis Ababa, Ethiopia.

Kifle.T.S, (2011). Management of Savings and Credit Cooperatives from the Perspective of Outreach and Sustainability: Evidence from Southern Tigray of Ethiopia. Research Journal of Finance and Accounting, Vol. 2, No 7/8, 10-23.

Kifle T. S (2012). The Impact of Savings and Credit Cooperatives in Ofla Wereda Tigray Region of Ethiopia. European Journal of Business and Management, Vol 4, No.3.pp 78-91. Available at: <http://www.iiste.org/Journals/index.php/RJFA/article/download/1282/1203>

Magali J.J (2013), The Influence of Rural Savings and Credits Cooperatives Societies (SACCOS') Variables on Loans Default Risks: The Case Study of Tanzania. Research Journal of Finance and Accounting Vol.4, No.19, PP 77-91

Magali J.J (2013), Factors Affecting Credit Default Risks For Rural Savings and Credits Cooperative Societies (SACCOS) in Tanzania. Vol.5, No.32, PP 60-73

Mwangi I.W and Wanjau K.W. (2013), the Role of SACCO in Growth of Youth Entrepreneurship in Kenya: A Case of Nairobi County. Greener Journal of Business and Management Studies, Vol. 3(3), pp. 113-118

Ndiege B.O, Haule T.B. and Kazungu I. (2013) Relationship between Sources of Funds and Outreach in Savings and Credits Cooperatives Societies: Tanzanian case. European Journal of Business and Management Vol.5, No.9, PP 188-196.

Okoye G. The Role of Financial Services Cooperatives (FSCs/SACCOS) in Savings Mobilization and Economic Development. Paper presented to the first International Conference held at the ICC-DURBAN 23rd – 26th February, 2009

Piprek G., (2007). Linking with Savings and Credit Cooperatives (SACCOs) to expand financial access in rural areas: a case study of CRDB Bank in Tanzania.

Prakash D. (2003), THE PRINCIPLES OF COOPERATION -A Look at the ICA Cooperative Identity Statement, Participatory Management Development Advisory Network], The Saryu', J-102 Kalkaji, New Delhi 110019. India

Relampagos J.P., Lamberte M.B., and Graham D.H., (1990). A study of operations and performance of credit cooperatives in Philippines. Makati, institute for development studies, working paper No. 90-23

- Schreiner M. (2002), Aspects of Outreach: A Framework for the Discussion of the Social Benefits of Microfinance, Center for Social Development Washington University in St. Louis
- Temu, S.S. and Ishengoma, E.K. (2010). Financial Linkages and Performance of Rural Microfinance Cooperatives: Tanzanian Case. Indian Journal of Economics and Business, Vol. 9. No.2.
- Toli J. (2013), Analysis of Savings and Credit Cooperative Societies Financial Services in Addis Ababa. Master's thesis, Addis Ababa University, 2013
- Turto T. (2008). Financial Cooperatives and Rural outreach in developing countries: A tool to involve rural poor in economic life. ICA Research Conference. The Role of Co operatives in Sustaining Development and Fostering Social Responsibility
- Wolday A. (2004). The Development Microfinance Industry in Ethiopia: Current Status and the Prospect for Growth.
- Yaron J. (1992), "Successful rural finance institutions", Discussion Paper No. 150. Washington D.C, World Bank
- Zerfeshewa B. (2010), Determinants of saving and credit cooperatives (SACCOS) operational performance in Gondar town, Ethiopia, master's thesis Mekele University.

INTERVIEW SCHEDULE; FOR MEMBERS

The role of SACCOs on the improvement of member's savings behavior in Haru Woreda, western Zone, Oromia, Ethiopia

1. General information

.Respondents Name -----

Location:

Region -----

Zone -----

Woreda -----

.Date of data collected \_\_\_\_\_ Date of supervision \_\_\_\_\_

1.1. Sex of the household head \_\_\_\_\_ 1. Male 2. Female

1.2. Age of the household head \_\_\_\_\_ Years

1.3. Can you read and write? ----- 1= Yes 2= No

1.4. Are you member of local organization? (Idir, Equib, etc). 1= Yes 2=No

1.5. Do you have any responsibility in SACCO cooperatives?

1= Yes 2= No

1.6. Marital status, 1= Single, 2= Married, 3 = divorced, 4= Widows,

2. Total family size (including the household head)

2.1 Children less than 8 years of age-----

2.2 Children 8 to 14 years of age-----

2.3 Men 15-60 years of age-----and above-----

2.4 Women 15-60 years of age----- and above-----

3. Credit beneficiaries

3. Are you credit beneficiary from SACCO? 1= Yes 2= No

4. Have you ever been default credit from SACCO? 1= Yes 2= No

5. If yes, to question no, 4 what is the reason(s)? Please encircle one.

1 = crop failure due to natural hazard

2 = Miss used of the loan

3 = due to low market price of products produced

4 = the loan was beyond the capacity of the household

5 = other (specify) -----

6. Did the credit bring significant change in your living standard? 1= Yes 2= No

4. Safety / security

7. Do have confidence on your SACCO security for your savings 1= Yes 2= No

8. If your answer to question is yes, how much is your savings secure from any risk?

1 = highly secured 2 = Low secured 3 = I believe it is secured 4 = I don't know

9. Which financial institutions are convenient to you to save your money?

1 =SACCO

2 = commercial bank branch

3 = Microfinance

4 = Multipurpose cooperative office

10. Why do you prefer the above financial institution than others?

1=Takes shortest time to travel,

2= low Transportation cost,

3 = short time of service delivery,

4 = there is low travel associated risk

5 = All the above

6. Liquidity

11. As a member, is it possible to withdraw your savings at any time? 1 = Yes 2= No

12. If yes, for what purpose money was withdrawn from your saving account?

Reasons for withdrawals Rank according to the reason;

1 = Home improvement

3 = Business expansion



2 = Food

4 = Clothing

5 = Health needs

6 = Education

7. Household appliance

8= Celebrations

9= Transportation

10= Other, Specify

13. If your answer to question to No.14, is no, what is the reason?

1 = Financial shortage

2 = The SACCOs doesn't has cash reserve in bank

3 = Poor management of the Board

4 =Others, Specify -----

7. Positive returns

14. Do you get any profit from income generating activity after joining the SACCO?

1= Yes 2= No

15. If yes, what would you like to see done with the profit funds in your business?

1 = Invest it back to SACCO

2 = Modernization of operations

3 = Financing of new services

4 = Household consumption

5 = Business expansion

6= others specify-----

16. Did you receive dividends from your savings? 1 = Yes 2 = No

17. If yes, how much do you receive? \_\_\_\_\_

8. Distance to the SACCOs office in relation to others.

18. How long is the SACCOs office far from your home? Distance to the nearest

SACCO \_\_\_\_\_ Km

19. Is it appropriate? 1 = Yes 2 = No

9. Amount of loan borrowed

20. Since joining saving and credit cooperatives, did you borrow loan?

1 = Yes 2 = No

21. If yes, how much you have borrowed per year? -----

22. How many times you borrowed? Number of times;

1= First time 2= Second times 3=Third times

4= Fourth times 5= More than fourth times

23. If you did not have access service from the cooperatives, how do you yourself to Changing needs?

1 = Borrow from families/friends 2 = Borrow from moneylenders

3 = Commercial banks of Ethiopia

24. How much is the interest rate SACCO charge for the loan you borrow? Yearly====%

25. Is it fear? 1 = Yes 2 = No

26. Are you late in repayments of your loan? 1 = Yes 2 = No

27. If yes, what are the reasons behind late in loan repayment? Reasons for late

Repayment;

1= Negligence 3 = Payment period too short

2 = UN foreseen events 4 = UN expected expenses

5 = UN profitable venture

6 = other reason, specify-----

10. Annual savings

28. What type of saving account do you have in saving and credit cooperatives?

1 = Voluntary saving. 2= Compulsory saving. 3. Childrens saving 4= 1 and 2 5.all

29. What is the main reason for your savings?

1 = to avoid unwanted expenses 2 = to have access to credit

3 = To Purchase of animals 4 = to undertaking a new business

5 = to Excess income 6 = other,

specify\_\_\_\_\_

30. What is the amount of total savings you have saved annually in SACCO? -----

31. Do you believe your total annual savings is enough? 1 = Yes 2 = No

32. When you save your money in the financial institutions?

1= Monthly    2 =any time    3 = weekly    4 = yearly

33. Are you increasing your monthly regular savings from time to time?                    1 = Yes 2 = No

34. If the answer is no, what is the main reasons not to increase your annual cash

Savings?

1 = income is low

2 = High social commitments

3 = Family expenditure commitment    4 = high cost of living

5 = debt commitment

6= Lack of confidence on financial institutions

7 = other (specify) -----

#### 11. Training

35. Have you received training after becoming a member in SACCOs?

1 = Yes    2 = No

36. If yes, what type of training have you received? Nature of training,

1 = Auditing and accounting

2 = Record keeping system

3 = Risk and investment management

4 = Business plan

5 = Proper use of credit Habit of saving coops and philosophy

6 = others (specify) -----

37. Who organized the training?

1 = Cooperative

2 = Government

3 = NGOs

4 = Universities

5 = others, specify-----

#### 12. Savings Interest;

38. How much is the saving interest rate of SACCOS yearly? -----%

39. Do you believe the saving interest rate of SACCOs is fear?    1 = Yes    2 = No

40. Is the interest rate of SACCOs for savings is better than others? 1 = Yes    2 = No

### 13. Accountability

41. Do you think that the committee members know their duties and responsibilities properly?

1 = Yes                      2 = No

42. Are the committee members working according to the cooperative bylaw and general Assembly decisions?      = Yes    2 = No                      3= I don't know

43. Do leaders of the SACCOs are accountable for their action to their members?

1 = Yes    2 = No

### 14. Transparency

44. DO you believe SACCOs activities transparent to all members and nonmembers?

1 = Yes    2 = No

45. Is regulations and policies of SACCOs like reports and financial activities are applied transparently 1=yes    2=No    3=I don't know