

# **The performance of financial cooperative societies and networks in provision of products and services to rural communities – a case of Same Kaya SACCOS, Tanzania**

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## **Abstract**

Cooperative societies have been considered instrumental to sustainable growth and development specifically because they enable interconnected, inclusive growth and development. Micro finance services, have provided access to affordable loans for small holder farmers and well as small scale rural business owners in Tanzania. This study analyzes the performance of savings and credit cooperative societies (SACCOS) in provision of financial products and services to rural households in Tanzania in terms of outreach, financial sustainability, loan recovery and disbursement processes as well as impact on household incomes. Spearman rank order correlation and ANOVA principle indicated that membership in cooperative societies significantly increased household incomes. Low interest rates as well as flexible loan recovery period ensure members access affordable loans to finance their businesses and education and provided better satisfaction to members than commercial banks and other formal financial institutions. These findings are relevant to enlighten policy makers to take active steps towards supporting rural microfinance institutions and providing better environments for them to thrive.

Key words; Microfinance, cooperative societies, rural finance, development

## **1. Introduction**

Rural and Microfinance services are essential for development interventions particularly for small holder farmers in rural areas in Developing Countries. Most financial institutions regard low income earners as too poor, making it difficult for them to access loans and other financial services. According to research, many rural dwellers and poor people are not served by formal financial institutions and about 40% of the population in Tanzania are still excluded from the financial system (World bank 2017). The reluctance of the banking sector to reach out to these rural dwellers highlights the importance of cooperative societies. The Tanzanian post-colonial government attempted to use the cooperative movement to achieve inclusive socioeconomic development. Although this was not entirely efficient, it enabled small holders' farmers mainly for cash crops to participate in production and marketing cooperatives, creating better market for their products. The strategy was aimed at integrating the cooperative model into Government Rural Development Policies. Agricultural marketing cooperative societies (AMCOS) and savings and credit cooperatives (SACCOS) were predominant since majority of rural populations embarked on small scale businesses and agriculture. By the end of 1990s, there had been a growth in the establishment of other cooperatives in the country following the development of the Cooperative Act of 1991<sup>1</sup>. In 2000s there had been some prominent Savings and Credit Cooperative Societies (SACCOS) in different parts of the Country as a result of Government

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<sup>1</sup> Tanzania Affairs, September 1, 1992, issues 43, politics

collaboration with development partners such as International Funds for Agricultural Development (IFAD) to expand the reach of financial services to rural areas. This was done through the rural financing programme where many farmers participated. The participation of Small holder farmers has been growing since then and there are currently over 10,000 cooperative societies with, 5,918 SACCOS and 3413 AMCOS in the Country.<sup>2</sup>

Major contributions of these cooperatives include; facilitating access of farm inputs to members, supervising marketing of products for members, providing storage for members produce while waiting for bulk sale and transport, providing education and training to members, providing innovations to improve income, serving as social welfare facilitators, enhancing women participation, providing savings and credit, amongst others.

Realizing the immense contributions of these cooperatives in development efforts, The Government further established the Marketing infrastructure, Value addition and Rural Finance Programme (MIVARF) in 2011 alongside African Development Bank (AfDB) and IFAD, designed and suited to strengthen grassroots financial institutions to expend and provide effective financial services to low income households in rural areas on sustainable basis<sup>3</sup>. It was relevant to the needs of poor rural farming households who had experienced a significant reduction in their access to financial services after the collapse of the cooperative system and the state-managed financial sector in the late 1980s. Participation has been recognized as essential in ensuring inclusive development, but as a result of complexities and weak institutional frameworks, it has been a major challenge. A brief study by the United Nations indicates that cooperatives have contributed little to increase standard of living in Tanzania. The deteriorating conditions of cooperatives have been identified as a major contributing factor to the increasing poverty rate in most parts of rural Tanzania.

This paper therefore analysis the performance of such financial cooperative societies, financial products and services offered, as well as their effect on household incomes. Results indicate that financial cooperative societies in recent times have provided a convenient means for rural households to access affordable loans without the usual complexities associated with other money lenders such as commercial banks. The low interest rates accompanied by flexible repayment periods have made cooperatives a “rural friendly” means of satisfying the financial needs of rural households.

The rest of the paper is structured as follows; section 2 provides a brief background on cooperative societies in Tanzania, section 3 discusses data and methodology. The fourth section provides detailed empirical analysis of results, while the last section concludes and provides recommendations.

## **2. Cooperative societies in Tanzania**

Cooperative societies in Tanzania go as far back as 1925, when small holder coffee farmers in Kilimanjaro region formed cooperative societies to expand market access and utilize profits. The first cooperative to be formed was the Kibongoto Rural Primary Cooperative, registered in 1932 while the first Cooperative Union was Kilimanjaro Native Cooperative Union (KNCU) registered in 1933. After independence in 1961, the government’s objective was to utilize cooperatives effectively to achieve inclusive development. Through proper legislature and regulations, cooperatives were systematically integrated into the government’s development framework and were considered an important tool for transforming rural community production. In general,

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<sup>2</sup> Tanzanian Cooperative Development Commission 2017

<sup>3</sup> AfDB report on MIVARF. Details here; <https://www.afdb.org/fileadmin/uploads/afdb/Documents/Environmental-and-Social-Assessments/TANZANIA%20MIVARFP%20ESMP%20SUMMARY%20%282%29.pdf>

several kinds of cooperatives were formed including; production cooperatives, supply cooperatives, marketing cooperatives, workers and service cooperatives. The most predominant though were the agricultural cooperatives and the financial cooperatives in form of Savings and Credit Cooperative Societies (SACCOS). Total number of cooperatives registered increased from 573 in 1959 to 1,518 in 1967 (Mruma 2011). The surge in cooperatives after independence was attributed mainly to political expediency which did not allow for proper planning and execution of cooperative activities. Before long, complaints of mismanagement and corruption were reported by members. A presidential committee on enquiry was set up to investigate and proffer solutions. The following problems were highlighted; shortage of manpower, uninformed members, lack of democratic leadership, lack of skilled manpower, political interference. Recommendations were made for the abolition of some major cooperatives and formation of new Unified Cooperative Service Commission (UCSC) which proved very ineffective in solving these problems.

Severe changes were further implemented with the advent of socialism in the country which consequently led to the abolition of all cooperative societies in May 1976. Functions of cooperatives were taken over by state-run institutions. This was evidently very fatal as government institutions operated inefficiently and led to further deterioration. Due to severe failure in the system, cooperative societies were therefore reinstated in 1982. However, by this time, they had lost resources and skilled manpower which made it difficult to regain their previously vibrant status. Lack of morale and distrust made it difficult to operate and members became increasingly dissatisfied. Cooperative societies have been reforming since then, with the enactment of the Cooperative Society Act no 15 in 1991 providing autonomy and government relinquishing all control. Government furthermore, passed the Cooperative Development Act in 2002 to fully disengage itself and allow cooperative freedom. The Cooperative Development Act comprises guidelines within which cooperatives should operate. This attracted formation of various new cooperatives from all sectors.

Figure 1 shows number of cooperatives and membership since the introduction of the Cooperative Development Act in 2002.

Table 1; Number of cooperatives and membership as at December 2017

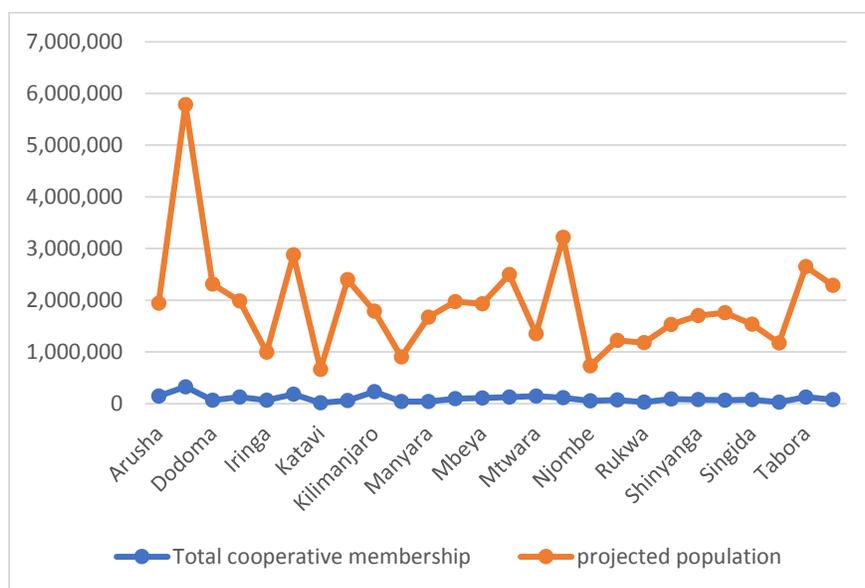
S/N	REGION	Total No	Total Membership	Projected Population	Projected Population vs Cooperative Membership
1	Arusha	508	147,558	1,943,196	7.59
2	Dar es Salaam	1094	327,811	5,781,557	5.67
3	Dodoma	248	68,411	2,312,141	2.96
4	Geita	729	124,991	1,983,653	6.3
5	Iringa	263	65,200	996,105	6.55
6	Kagera	673	181,347	2,879,231	6.3
7	Katavi	31	15,758	663,685	2.37
8	Kigoma	411	62,423	2,399,121	2.6
9	Kilimanjaro	476	235,256	1,790,113	13.14
10	Lindi	126	43,473	905,947	4.8
11	Manyara	244	42,997	1,670,191	2.57
12	Mara	479	95,217	1,972,173	4.83
13	Mbeya	401	109,859	1,929,359	5.69
14	Morogoro	737	129,771	2,495,462	5.2
15	Mtwara	379	144,832	1,351,038	10.72
16	Mwanza	721	118,659	3,217,328	3.69
17	Njombe	254	53,979	730,555	7.39

18	Pwani	534	72,489	1,224,120	5.92
19	Rukwa	175	32,262	1,179,149	2.74
20	Ruvuma	258	89,045	1,530,955	5.82
21	Shinyanga	445	76,872	1,701,220	4.52
22	Simiyu	291	66,433	1,756,839	3.82
23	Singida	246	78,946	1,539,286	5.13
24	Songwe	220	28,178	1,173,667	2.4
25	Tabora	696	129,320	2,652,514	4.88
26	Tanga	351	78,222	2,286,528	3.42
	<b>TOTAL</b>	<b>10990</b>	<b>2,619,309</b>	<b>50,065,133</b>	<b>5.23</b>

Source; Tanzanian Cooperative Development Commission

Fig 2 shows a very interesting graphical representation of total population of Tanzania as at December 2017 in comparison with the number of registered members in cooperative societies. While generally speaking, membership has increased significantly over the years, a wide gap still exists in comparison with total projected population of the country. About 5.23% of the population are members in a cooperative<sup>4</sup>. While the cooperative movement has been gaining more momentum in recent years as a result of several reforms, it only serves a small percentage of the country.

Fig 1. Projected population vs membership in a cooperative



Source; Tanzanian Cooperative Development Commission December 2017

The Cooperative Society Regulations as captured in the updated Cooperative Development Act of 2013 also serves as a regulatory framework for operations. It provides details on formation and organization, inputs and liabilities of members, duties and privileges, amalgamation, dissolution, financial provisions, etc. Additionally, the Tanzanian Cooperative Development Commission was also established to be responsible for all matters relating to cooperative development (registration, supervision, regulatory functions, sensitization, education/training for members).

<sup>4</sup> Report from Planning, Monitoring and Evaluation Unit, TCDC, December 2017. See <https://www.ushirika.go.tz/statistics/>

Recent study showed that institutional strength, outreach, financial performance of many cooperatives in Tanzania is generally poor (Kessy and Urio 2006). Other studies show that many microfinance institutions (MFIs) do not have very clear objectives. Poor infrastructure, low population density, low income levels have been considered as constraints. Rweyemamu et al 2003 examined constraints influencing MFIs in Tanzania and found that interest rates and lengthy lending process influences borrowing decisions. Poor repayment rates especially for agricultural loans has also affected institutional efficiency.

Despite the weaknesses in cooperative movement in Tanzania and indeed other Sub Saharan African countries, reasonable improvement has been reported in terms of operational efficiency and financial sustainability. Other studies however have shown that MFIs in Tanzania have had significant impact on livelihoods. Kuzilwa 2002 found that output of enterprises increased as a result of access to credit from cooperatives. The inability of formal banking institutions to provide financial services to rural communities continue to create a gap that financial cooperative societies can fill. Lack of adequate marketing infrastructure and value addition also presents major challenges to small holder farmers that agricultural marketing cooperatives can address. Rising populations and increased poverty levels reemphasizes they need for individuals to work together towards achieving common social and economic priorities.

### *2.1 Stylized facts on Business Finances in Rural Tanzania*

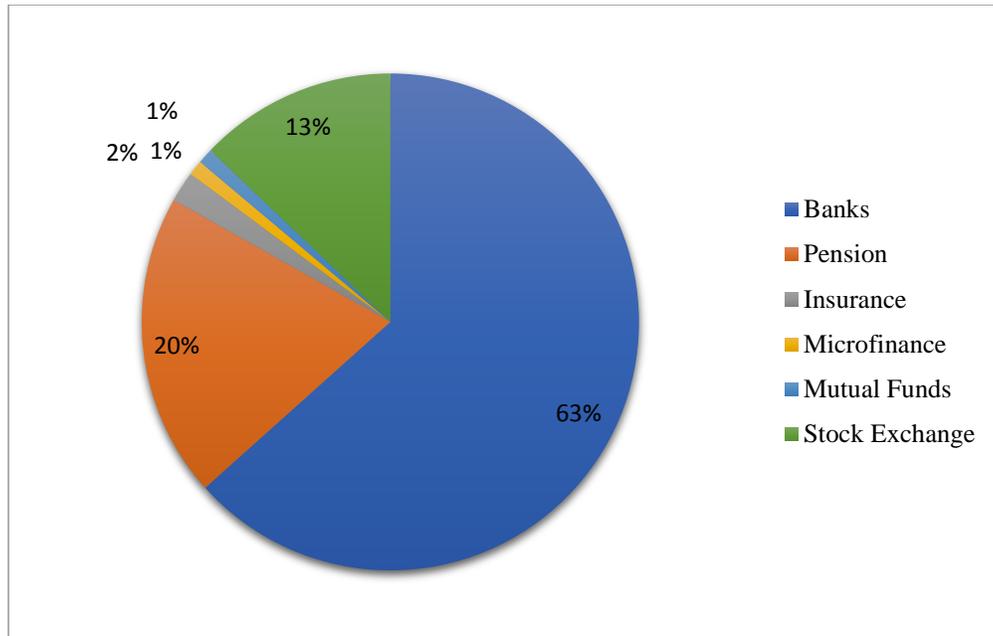
In Tanzania, small and medium scale businesses contribute about 27% to GDP and employ more than 5.2million people especially in agriculture (more than half of which are owned by women) (World Bank 2017). However, limited accesses to finances, collateral requirements, high interest rates, asymmetry of information are some of the challenges associated with operating small businesses in Tanzania. A significant number of rural businesses in Tanzania have difficulties accessing business finances from formal financial institutions; they therefore seek informal alternatives such as money lenders, family and friends, rotating savings and credit associations, etcetera, because they are easier to approach and require less stringent loan qualifications like accounting books, business plans, and credit history.<sup>5</sup> In a bid to improve access to business finances, the Tanzanian government alongside several development partners designed programmes to ease access for rural businesses. According to the Dar es Salaam Stock Exchange 2017, grants and aids amounted to 30% via general budget support and business enterprises (microfinance and health projects).

Fig 2 shows that banks and pension funds account for the highest amount in the financial system with 64% and 20% respectively. While Microfinance is seen to be a major source of cheap funds for rural businesses, it only amounts to about 1% of the assets in the financial system.

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<sup>5</sup> Tanzanian Private Sector Foundation (TPSF) 2017

Fig 2. Assets Allocation in Tanzanian Financial System



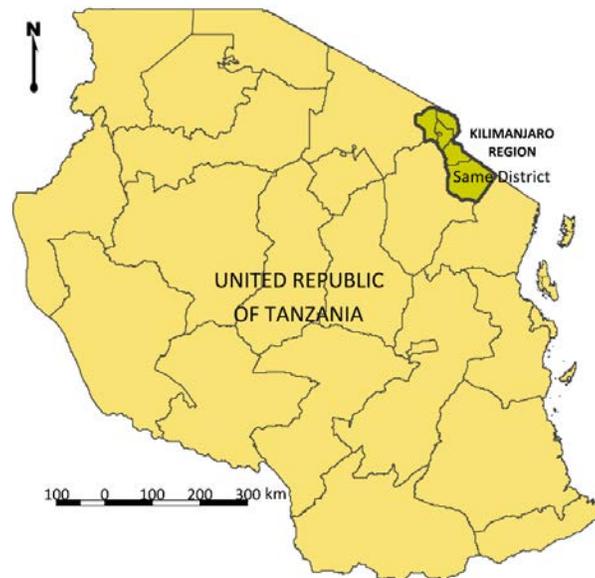
Source: Dar Es Salaam Stock Exchange 2016

### 3. Data and Methodology

#### 3.1 Data sources

The study was conducted in Same district of Tanzania, one of the 7 districts of Kilimanjaro region consisting of a total population of 269,807.<sup>6</sup>

Fig 3. Map of Tanzania, showing Same District



<sup>6</sup> According to the 2012 Tanzania National Census.

The Same KAYA SACCOS is one of the major cooperative societies operating within that district and it serves majority of the rural population. Founded in 2002 with an initial membership of 72, its current membership stands at 4,900 (2,808 men and 2,092 women). It was registered to cater for the financial needs of poor rural farmers, but currently serves as a source of livelihood for farmers, business owners, teachers, civil servants and other organized groups.

Data was obtained from 4 wards under Same Kaya SACCOS; Kisima, Same, Station and Mwembe. Qualitative and quantitative sources of data were used. Questionnaires were distributed to members to ascertain the level of satisfaction gained from the services offered to them by their cooperatives. In-depth interviews were conducted among management staff of the cooperative as well as management of the Northern Union of Cooperatives (NUSACCO). Key informant interviews were conducted to gather relevant information not captured in the questionnaire. The study examined relevant literature such as reports and journals on rural financing for rural development. Data was obtained from the MIVARF office, World Development Indicators (WDI), IFAD, Tanzania Commission for Development of Cooperatives (TCDC), Savings and Credit Cooperative societies (SACCOS), SACCOS Networks, etcetera.

A sample frame of 4,900 members was identified. Purposive sampling technique was employed to identify 600 loan members, after which a simple random sampling technique was implemented to collect data using questionnaires. 306 questionnaires were distributed across 5 wards. This represents over 50% of loan members. Stratified method was also adopted to conduct in-depth interviews with management staff of the cooperatives.

Analysis of this study was based on information extracted from survey questionnaires, in-depth interviews, and other sources of data collection. Responses from questionnaires are presented using simple tables. One-way analysis of variance (ANOVA) was used to determine significance between demographic variables and increase in income. Furthermore, the spearman rank order correlation was used to measure the strength and direction of ordinal and interval variables. Data derived from interviews were analyzed using content analysis and simple tables.

### *3.2 Descriptive statistics*

In terms of participation, 50.8% of respondents interviewed are male while 49.2% are female. This implies more male participation even though the disparity is only 1.6%. Further investigation revealed that about 39.9% of the respondents have primary education. A significant amount of the population does not have any formal education (17.5%), while 25.4 % and 17.2% have secondary and tertiary education respectively.

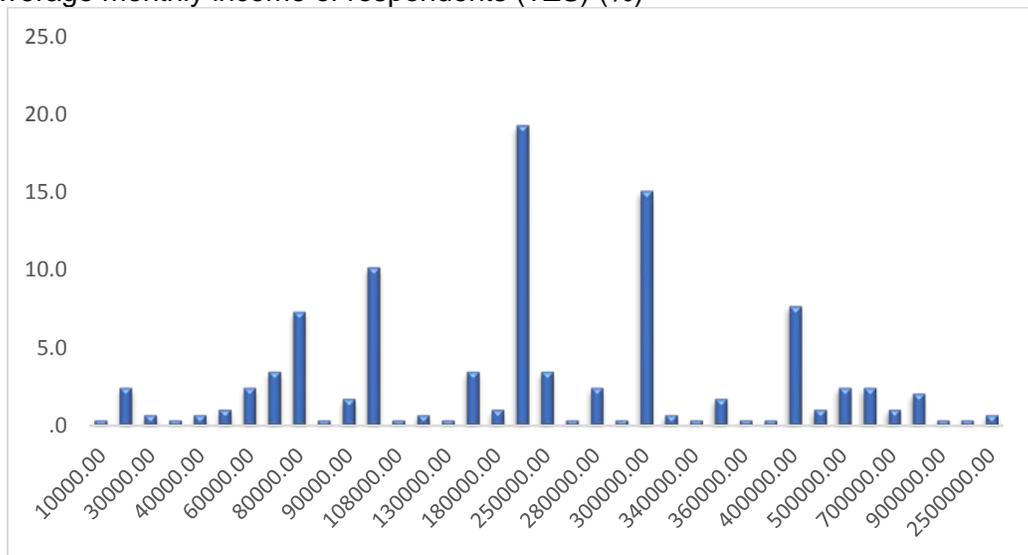
Majority of rural dwellers in Tanzania are farmers or embark on agricultural related trading. 15.5% of respondents are solely into farming (livestock and/or crops); 61.3% are traders (it is important to note here that many traders are also farmers or carry out agricultural related businesses such as selling of crops and livestock); 23.2% are civil servants. Table 2 summarizes demographic characteristics of members captured using survey questionnaires.

Table 2 Demographic Characteristics

Gender	Male	50.8%
	Female	49.2%
Occupation	Farming	15.5%
	Trading	61.3%
	Civil Servant	23.3%
Education	No formal Education	17.5%
	Primary	39.9
	Secondary	25.4
	Tertiary	17.2

Table 2 shows average income distribution of respondents. It was observed that majority of respondents (19.3%) earned an average of TZS200,000 (\$89) monthly. Another observation was that the highest income earners had attained higher educational qualifications (secondary and tertiary) as opposed to those with no formal education and primary education.

Fig 4. Average monthly income of respondents (TZS) (%)



### 3.3 Model Specification

A loan demand model was developed and estimated using the Ordinary Least Squares (OLS) econometric technique. A linear probability model was also specified and estimated to measure odds of obtaining loans from microfinance institutions (cooperative societies) by members.

Going by the economic theory of demand, demand for loans in MFIs is a function of interest rate, borrowers' demographic characteristics, loan repayment period, as well as characteristics of the MFIs (J Taiwo et al. 2016).

Thus, the demand of a customer for loan volume ( $D^L$ ) can be expressed as:

$$D^L = f(i, \mathbf{B}, \mathbf{P}) \dots \dots \dots (1)$$

Where  $i$  is a vector of the rate of interest and is expected to be negatively related to the dependent variable  $D^L$ ;

B is a vector of the enterprise-related variables such as the year of establishment, location, nature of business, among others;

P is a vector of personal characteristics of the borrower such as age, formal educational attainment, gender, household size and so on.

Each of these explanatory variables is assumed to be linearly related to the dependent variable  $D^L$ . However, interest rate will be separately determined.

#### **4. Empirical Results**

##### *4.1 Nature and Types of products and services offered by rural financial cooperatives to members*

Results from questionnaires, in-depth interviews and key informant interviews showed cooperative societies provide both financial and non-financial services to their members. These financial services include agricultural loans, business loans, educational loans, etc. Non-financial services include business advisory services, technical support and entrepreneurial training. One cooperative specified that they offer agricultural loans worth an average of TZS300 million (\$133,630) to members. Other non-financial services they offer are entrepreneurial training, training on agricultural practices and items like commercial motorbikes on a hire purchase agreement. Despite these services, members stated the need for more services including; insurance, education on loan procedures, payment of dividends, more branches, increased agricultural loans, provision of loans for purchase of building materials, reduction of number of shares required to access loans, etcetera.

##### *4.2 Assessment of the performance of rural financial cooperative societies in provision of services to members*

To assess the performance of rural financial cooperative societies in provision of services to members, key performance indicators were identified. These indicators show performance of cooperatives based on client outreach, client poverty level, loan repayment/disbursement and financial sustainability. These indicators were selected because they provide a broad picture on the growth and overall performance of cooperatives as identified by many researchers.

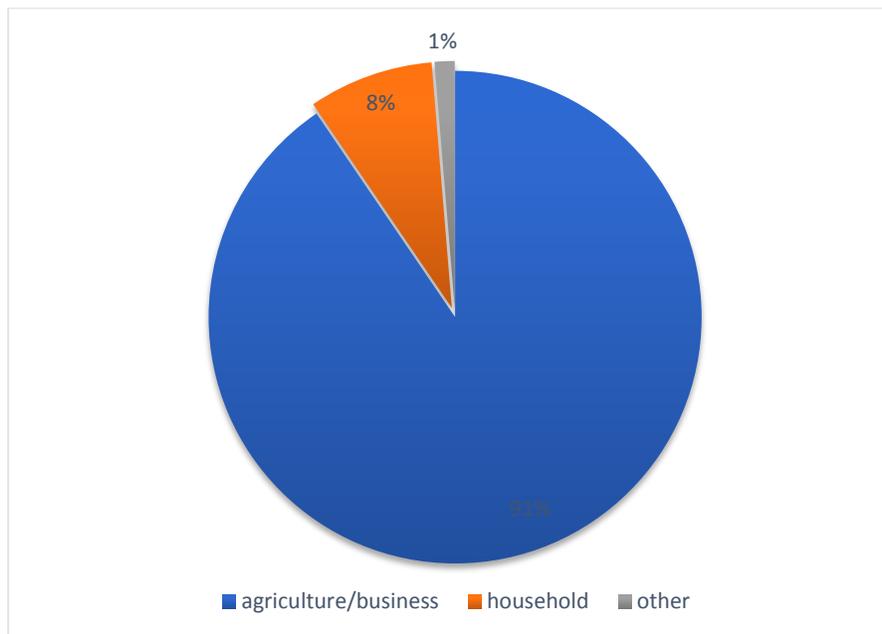
Cooperative loans are given for different purposes, often without the need to own collateral assets. Use of a guarantor ensures that the poorest members of the community without tangible assets can access loans for agricultural purposes, businesses, household expenses and even education for their children, this is in line with the findings of Edgcomb and Garber (1998) and Falaiye (2002) who reported that acceptance of guarantors made it easy to provide loans and brought satisfaction to clients. Findings show that Interest rates of cooperatives are often much smaller than those charged by commercial banks as well as the loan recovery and disbursement processes. A study of Same Kaya SACCOS revealed that loan application takes less than one month to process, and payment plans are flexible enough to accommodate income profiles of individuals. Members are required to have a minimum savings balance to access loans. This arrangement increases savings habit and helps in proper management of finances. Unnecessary spending by members is reduced since more money is saved to access bigger loans for business purposes. The concept of savings as a leading factor of economic development also agrees with many economic growth theories, particularly the Harrod Domar growth model. This model highlights the importance of savings as a major source of capital accumulation. More savings means more money will be available for investment in various sectors, which will mean increase in employment and productivity. This strategy in the long run ensures financial upliftment of

members, similar to what Wanyama et al (2008) found. Majority of commercial banks in Tanzania do not provide agricultural loans at all as they are often considered too risky due to seasonal variations, pests and diseases and many other uncertainties. This makes Cooperative societies very important in rural development because majority of their members are small holder farmers.

Fig. 1 shows that 276 respondents which represent 90.5% use their loans for agricultural purposes and small business. 25 respondents, which is 8.2 % of the total number use theirs for household expenditure while only 4 (1.3%) use the loans for other unstated purposes.

The findings of this study indicate that members are more likely to be uplifted from poverty and improve standard of living if they effectively utilize their savings and loans. Another important discovery of this study is that low interest rate is a major reason why members remain in cooperatives. Any move to increase interest rate in other to expand the cooperative may not be wise. This agrees with the discovery of Park and Ren's (2001) that clients are happier with interest rates lower than that of other sources of credit available to them.

Fig 5. Uses of Loans



Members employ the following means to repay back loans;

Table 3. Interviewee responses on loan payment methods

What methods do you adopt to repay?	No.	Percentage (%)
Salary & Wages	14	4.6
Business & Agriculture	288	94.4
Loan from friends	1	0.3
Others	2	0.7
<b>Total</b>	<b>305</b>	<b>100</b>

#### 4.3 Effects of cooperatives on household income

Here, we examine the pattern of change among members and their level of income using the following hypotheses;

H<sub>1</sub>; There is a relationship between membership in a cooperative society and increase in household income

H<sub>0</sub>; There is no relationship between membership in a cooperative society and increase in household income.

A spearman rank order correlation was run to test these hypotheses. Variables used to test this were average monthly income of members and duration of membership in the cooperative society. Another test was run to see if there is a significant relationship between average monthly income and educational qualification. Results are presented below:

**Table 4. Correlation**

			Average monthly income (TZS)	How long have you been a member
Spearman's rho	Average monthly income (TZS)	Correlation Coefficient	1	.132*
		Sig. (2-tailed)	.	0.026
		N	285	285
	How long have you been a member	Correlation Coefficient	.132*	1
		Sig. (2-tailed)	0.026	.
		N	285	305

\*. Correlation is significant at the 0.05 level (2-tailed).

Table 4 shows significant level of 0.026 which is less than 0.05. This means that there exists a significant relationship between average monthly income and duration of membership in the cooperative.

**Table 5. Correlations**

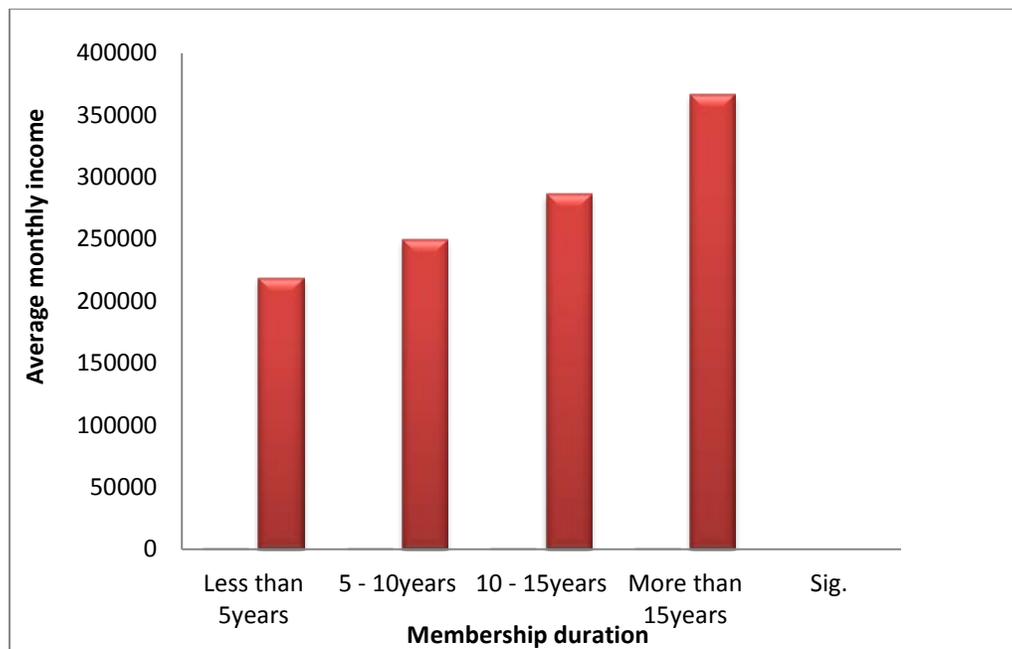
			Average monthly income (TZS)	Highest educational qualification
Spearman's rho	Average monthly income (TZS)	Correlation Coefficient	1	.429**
		Sig. (2-tailed)	.	0
		N	285	283
	Highest educational qualification	Correlation Coefficient	.429**	1
		Sig. (2-tailed)	0	.
		N	283	303

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Table 5 shows a significance level of 0.01 and a p value of 0. This value is less than 0.01 which indicates a significant relationship. This means there is statistical evidence to indicate a relationship between average monthly income and educational qualification of members. The spearman rank order correlation and ANOVA tests also indicate that increase in income is associated with duration of membership in a cooperative. Being a member for a longer period has a significant effect on income status. Holmgren 2011 found that early members enjoyed higher income levels because they had access to the earliest services and trainings offered by their cooperatives. These members often have accumulated savings and thus can access larger loans which enable them to invest in businesses, education and purchase of land. They can also serve as guarantors to new members.

Fig 6 indicates that members with the highest income are those who have been in the cooperative society for more than 15years as opposed to those members who only joined less than 5years ago.

Fig 6. R/ship between Income and Membership duration



Increase access to financial services increases individual's ability to run successful businesses, generate more income, ensures food security and better education. The result of the study also provides basis to support the social capital theory that membership of an association increases socioeconomic conditions (Anderson et al., 2002).

#### *4.4 Challenges faced by cooperative societies in rural Tanzania*

Several challenges faced by cooperative societies have been identified. Some of them include;

- Competition from other MFIs limiting their ability to increase outreach
- Bad debts mostly from agricultural loans due to environmental challenges that often affects yield
- High auditing fees charged by the government which increases their operating cost
- Inaccessibility of some rural areas especially during rainy season
- Lack of education and sensitization of rural dwellers on the importance of participation in cooperatives makes it difficult to increase outreach. Many are not open to new methods of savings and credits

#### **5. Conclusion, recommendations/implication**

The Tanzanian government alongside many development agencies have invested in providing financial services to rural households to eradicate poverty and achieve socioeconomic development. Since majority of rural population are smallholder farmers, the MIVARF program was developed to increase agricultural productivity and market access for goods and services. MIVARF operates in 73 local governments with 3 main programmes as their focus areas; marketing infrastructure, value addition and rural financing. Their objectives are to reduce poverty and enhance food security for the target groups.

A review of various studies provided evidence to support the role of rural financing in poverty alleviation. Studies showed that MFIs contribute significantly to socioeconomic development by

providing better means of livelihoods for members. Participation in cooperatives increases household income, enterprise assets, self-esteem and socioeconomic freedom. It provides information on how rural communities function in terms of building relationships, increasing self-esteem and interdependence and how this is facilitated through memberships in cooperatives and opportunities for accessing affordable credits. Information is also provided on rural businesses and how they function using finances received through cooperatives. This shows a relationship between cooperative finance and rural development.

Possible implications of the results of this study are as follows;

- Participation in cooperative societies increases savings habit of members. Increase in savings can lead to development of rural banks. Policy implications will require a review and regulation of banking policies by the government to allow establishment of rural banks in rural areas. Establishment of such institutions will integrate people into formal banking systems and reduce amount of money floating.
- Study showed that low interest rates and loan availability without collateral brought satisfaction to members. Financial institutions who wish to operate in rural areas must consider these factors since many rural dwellers do not have the collateral required by formal banks and other money lenders (World Bank 2000). Implication is for institutions to devise a means to reach poor people with guarantor systems. Because of this, more funds could also be mobilized through savings.
- Government needs to also provide infrastructural facilities and training schemes to help rural businesses thrive and provide them with relevant information required to compete and gain market access.
- Proper monitoring of loan uses will also ensure defaulters are minimized and loans are used for the acquired purposes.
- Study shows that cooperatives need to be developed to meet the growing financial needs of their members. Cheap funds from government at reduced interest rates will go a long way in ensuring financial sustainability. Conditions attached should also be less stringent to encourage participation of poor people.
- Rural enterprise policy development training programs can be put in place to train individuals on business practices, management, production, marketing to help them generate higher profits.
- Study also revealed high risks associated with agricultural loans. Small holder farmers should be educated on new and improved agricultural practices to increase productivity and make profit. Governments also need to assist with agricultural loans to rural areas to reduce the financial burden on cooperatives. Insurance schemes will also be useful in curtailing risks involved with agricultural loans.
- Study showed that auditing fees charged by the government increases operating cost for cooperatives. Government may need to review auditing fees in order to reduce the financial burden associated with running cooperative societies
- Huge agricultural loans often given to members from cooperatives incur significant bad debts. Government and other institutions can also provide agricultural loans and subsidies for smallholder farmers to reduce burden on cooperative societies
- To ensure and increase financial sustainability, this study provides information to enable support for cooperatives with access to cheap funds from government to increase their lending capacity

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