

# Socio-Economic Factors Affecting Deposits Growth in Sacco's Development Case of Geita Tanzania

Anthony Nyangarika and Felician S.M. Bundala

Department of Adult and Continuing Education Studies, Institute of Adult Education,  
P.O. Box 20679, Dar es Salaam, Tanzania

## ABSTRACT

*The paper examined the factors affecting deposits growth of SACCOs under the following factors: interest rates, information technology, loan provisions, lack of information and public awareness, knowledge of savings and training have any impact on the deposit and saving growth in SACCOs. Many microfinance institutions, saving and credit cooperatives societies face liquidity problems due to the slow growth of their members' deposits and they have come up with different approaches about deposits and savings entail. The study used simple regression analysis to determine a statistical relationship between independent and dependent variables. The findings show that drawn information technology, staff training, loans provision, lack of information, public awareness and knowledge of savings, policies, procedures and regulatory frameworks and competence of an elected board of directors and supervisors of SACCOs qualification are some of the factors affecting deposits growth of SACCO that needs to be addressed by the respective stakeholders. Results show that SACCOs need to be more innovative in formulating strategies to attract more deposits and savings from their members in order to be financially viable and liquid in meeting their customers' short and long-term demands for diversified needs satisfaction.*

**Keywords :** *Deposits Growth, Saving and Credits, Cooperative Societies, Geita, Economic Development.*

## 1. Introduction

SACCOs play very important roles in the economic development of the country. The Co-operatives create opportunities for people to take responsibility for their own financial organization with democratic process as an integral part of the co-operative and it encourages people to take control of their own financial affairs [7]. Among the many advantages of SACCOs are Savings mobilized locally and returned to members in the form of loans. The ideal model invests 80% of mobilized savings to members in the form of loans. The money stays and works within the members. Also Sacco's interest rates on both savings and loans are generally better than rates given by banks and the reason for this is that SACCOs have very low overheads as compared to banks that pay low interest on savings but charge a lot of interest to cover their overheads. In addition to that SACCOs encourage members to save, essential for economic empowerment [7].

They also educate their members on financial matters by teaching prudent handling of money, how to keep track of finances, how to budget and why to keep away from hire purchases and loan sharks; they pay dividends on shares to their members once the SACCO is established and profitable. Members therefore take pride in owning their own SACCO [36]. There is a high potential to mobilize savings among low-income people in Tanzania. However, poor people used to mostly rely on informal often-insecure ways of saving, such as saving circles or hiding money under the mattress. Providing financially excluded people with secure opportunities to save can minimize the losses, which arise from the insecure ways of savings, and therefore empower the poor financially. Furthermore, savings can help to access loans from financial institutions [38].

Tanzania is a large and sparsely populated country with under-developed physical and financial infrastructure services. Typically, of a developing country, Tanzania has a large and growing informal sector that supports more than 60 percent of the population that the majority of whom earn less than one US dollar a day. It was

observed that the major challenge facing the Tanzanian government is on how to effectively alleviate poverty of its people in both rural and urban areas [30].

According to [29] economic development needs to accelerate beyond 6% pa to have any significant impact on poverty reduction, unemployment remains high, infrastructure continues to constrain growth, institutional capacity needs strengthening, and a constant policy environment is needed to encourage investors. Thus, despite the positive performance of Tanzania over the past decade, major challenges remain.

In Tanzania, 80% of deposits are in the hands of banking institutions, namely four local banks and six foreign banks. Local banks primarily service local customers while foreign banks tend to operate as subsidiaries of large groups, such as Citigroup and Barclays, using strategies oriented to the international market [36].

The mobilization of saving is an important process that may assist a country to foster its economic development. However, individuals and institutions can save very much depends upon their wealth holdings and in particular on their current income. Through savings, financial resources are accumulated thus making the financing investments possible [22].

According to [27] there is a direct correlation between the number of banks a country has and economic performance. Big and affluent economies such as United Kingdom, United States of America and South Africa have a strong base of banks and other financial institutions, SACCOs being one of the microfinance financial institutions can contribute to the economic development of the country if their performance flourish.

Thus if the money growth in the SACCOs do not increase, the microfinance institutions will be forced to pay higher deposit rates to their customers which in turn will cause the lending rates to go up and hence the whole economy will be affected because capital (money) is a very important factor of production. This phenomenon requires attention as it threatens the economic development due to the importance of liquidity in the market for the sake of price and inflation control and hence to reduce costs of doing business which in the long run may facilitate business expansion and employment creation. Thus, this study will analyze and assess all factors, which affect deposits growth in the SACCOs for economic development in Tanzania.

Tanzania is among of sub-Saharan countries whose economy is growing very fast. Tanzania posted a GDP growth of 6.5 per cent in 2012 despite a slowdown in the global economy [5]. The annual population growth is estimated at 2.9 per cent and the country managed to control inflation, which currently stands at single digit 9.8 per cent. Despite the above positive achievements, Tanzania economy also faces challenges, which are raising unemployment, poor productivity, inaccessibility to credit facilities and the current state of country's infrastructure [15]. [11] banking review report indicates that Tanzania had 50 banks, the highest in East Africa but only 12 per cent of the country's population is banked. SACCOs as a grass root based financial institutions with an effective financial intermediary provides solid foundation for the provision of banking services in rural areas where majority of Tanzanians live. Being a member of two SACCOs in Geita, I have established that the SACCOs potentiality has not been optimized due to limited deposits growth which cannot make them liquid in meeting their members' demands, lack of innovation of products, low capital formation (depending much in equity financing which is not a permanent capital) and financing strategies. SACCO's deposit growth can solve inaccessibility of credit facilities problems, which currently Tanzanians are facing, and hence enable citizens to engage themselves in the micro-business activities in order to create jobs, which will solve unemployment problem. Tanzanians are still starving from accessing enough banking services for financing economic activities. The latest data from the Ministry of Finance shows that only 12.4 per cent of 45 million Tanzanians access banking services, and there are about 50 commercial banks [33]. Thus this study analyzed and assessed all factors, which affect deposits growth in the SACCOs for economic development in Geita region.

The aim of this research is to assess and analyze the factors affecting the growth of deposits in SACCOs for economic development in Geita Region in Tanzania. There is no relationship between external and internal factors affecting deposits growth in the SACCOs and trends of deposits. The study filled a gap in that there is no significant research addressing the factors affecting the deposits growth in the SACCOs in Geita Region. The government and institutions regulating the operations of SACCOs will use the research findings to formulate the rules and regulations, which may foster and flourish the growth of SACCOs, which in the long run will contribute to the social and economic development of the community in Tanzania. There are numerous studies and surveys done to ascertain the factors that attract the deposits in the SACCOs; however most of them were done when there was no mobile banking. Recently we have seen mobile phone companies provide certain services, which in the past were being provided by the microfinance institutions. The regulators of financial institutions including microfinance will use the research findings to provide guidance to the deposits of SACCOs in this era where technology brought significant changes in the microfinance and SACCOs.

The study may provide guidance to professional working with SACCOs who wish to understand the causes of money growth in microfinance. This will include saving and credit societies as most of the saving units are individuals as well as commercial banks, which provide salaries service accounts. Also the employees of the SACCOs who will be guaranteed of work continuity and even good remuneration after their business volume increases due to strategic marketing they can adopt after this research work. Academics and students of microfinance courses will also benefit from this study as well. Factors affecting financial deposits will be critically evaluated in order to understand causes according to the financial environment we are living. Most of the factors affecting deposits growth were researched in the developed countries but this study will specifically concentrate in Tanzania environment and establishes the reasons behind this phenomenon.

The final beneficiary will be a SACCO competitor who can use the information obtained to take advantage on the weak areas of the SACCOs. They can also use the same to learn new skills and concepts at no cost and implement them in their organizations. The results and related analyses will support government and other policy-makers, bank regulators, private sector financial institutions (of all types and sizes), researchers and the donor community to understand the present state of demand for financial services across the country and what challenges and opportunities this represents.

## 2. Material and Methods

Government recognizes that the pace of growth of SACCOs has been slow, especially in rural areas. Most have been established in urban areas and workplaces. As a result, members of rural primary societies have been unable to access adequate credit. To improve this situation Government plans to encourage the development of SACCOs in all rural areas. Advice will be made available at District level regarding setting up SACCOs and technical assistance will also be provided to all existing SACCOs to strengthen their capital base and development. [4] President Kikwete allocated 1bn/- to every District of mainland Tanzania when he took power in 2005 to assist petty traders and other economically disadvantaged groups that cannot access bank loans get affordable credit to boost their productivity. This is one of the supports which government provided to the SACCOs.

According to [21], NMB extended to Mwananchi Communications Saccos a loan amounting to TZS 500 Million. Officiating the handing over event, NMB Chief Commercial Officer Bas Nierop said SACCOS have become common in recent years in Tanzania; they have assisted in uplifting the lives of their members through credit and deposit systems. Mr Nierop underlined the importance of SACCOS in social and economic development and welcomed Saccos all over Tanzania to come to NMB: These are also support which government institutions provided to the SACCOs. [19] stated that the government, in collaboration with cooperative stakeholders, was currently implementing a modernization programme for cooperatives intended to build a vibrant and economically viable cooperative to compete in the global market and serve its members more efficiently. Further he mentioned that some of the issues emphasized in the programme as preparation of strategies implementation and business plans, performance recommended in the running of SACCOS as well as adherence to leadership ethics and employment of skilled labor force to enhance productivity.

The cooperative values under the principle based model, (voluntary membership, democratic member control, member economic participation, autonomy and independence, education, training and information, cooperation among cooperatives and concern for community) are key to upholding normalcy and enhancing performance in cooperative fraternity. These principles outline the fundamental tenets of cooperative direction and control. They have the capacity and have assisted cooperatives to experience peace and reasonable levels of stability. It is the members who control the cooperatives, regardless of the rights and powers of any stakeholder group. To be precise, the membership – based structure of a cooperative is the feature, distinguishing it from an ordinary corporation- and the feature that lies at the core of its success. The organization is run by its members: one person, one vote Members exercise this control by electing representatives to govern the cooperative on their behalf; the board is therefore elected directly by the members and the elected representatives are accountable to the membership; mechanisms, such as annual and special meetings and reports, always need to be put in place to ensure this.

[32], acting Manager for MUZE SACCOS 'Sometimes is our unfaithful leadership that is the source of problems and not SCCULT or banks,'. The SACCOS, which has over 275 members, got a 33m/- from SCCULT in 2008 which has since caused leadership crisis as the chairman and executive committee members shared the money as loans among themselves [2]. [27] commented that it is leaders of SACCOS who change regulations to suit their interests. We shall deal with them squarely because they are tarnishing the good image of SCCULT which is there to assist them develop as per President Kikwete's vision that states: Supervision is an intervention that is provided by a senior member of a profession to a junior member or members of that same

profession/organization. This relationship is having the simultaneous purposes of enhancing the professional functioning of the junior member(s), monitoring the quality of professional services offered to the clients she, he, or they see(s), and serving as a gatekeeper of those who are to enter the particular profession.

The government and stakeholders needed new policy and laws for the development of cooperatives because many cooperatives have not prospered in the free market economy. As a result, they have been less able to provide inputs, credit and crop marketing services to members. The government sees cooperatives as an important means to the achievement of development goals. People working together can solve problems that cannot be solved by individuals. Earlier laws and policies did not properly address some issues that are important to cooperatives working in the free market economy; such as the role of women, caring for the environment and the roles that different stakeholders should play in the development of cooperatives.

SACCOs are member-based institutions that intermediate savings into loans. SACCOs are usually rather small, independent financial institutions. The business model of most SACCOs is to collect savings from their members and to intermediate them into loans. This enables the rural and poor population to deposit savings as well as to take loans. Only members can use the services of SACCOs [7]. Savings and Credit Co-operative Societies (SACCOs) are started locally and have solid bases of small saving accounts constituting a stable and relatively low-cost source of funding and low administrative costs. More so, SACCOs are able to advance loans at interest rates lower than those charged by other financial providers. In addition, SACCOs have the ability and opportunity to reach clients in areas that are unattractive to banks, such as rural or poor areas [28].

In Tanzania most of the microfinance institutions are focused on disbursing loans to small and medium enterprises in order to empower rural citizens and poverty alleviations [20]. Microcredit programmes have successfully contributed to lifting people out of poverty in many countries around the world, noticed the UN resolution of 15 December 1998. In launching the Year of Microcredit “on 18-11-2004, Kofi Annan emphasized on 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 opportunities of taking the best possible decisions for their development [6]. 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 micro savings and micro lending is uncontroversial – both decisive factors for income generation. The more people join in and the more capital base is being created and gets stabilized. Savings and loan associations, mutual savings banks and credit unions, and money market mutual funds are other deposit-taking institutions. Savings and loan associations take savings deposits and primarily make mortgage loans throughout the country. They have provided funds to create millions of housing units in the country. Their key function is maturity intermediation when they accept short-term deposits and make long-term mortgage loans. Mutual savings banks exist mainly in the eastern part of the United States. Like savings and loan associations, they, too, accept short-maturity deposits and make long-term mortgage loans. They also issue consumer and other loans, making them somewhat more diversified, and therefore their loan portfolio is less risky in terms of loan defaults. Credit unions specialize in member savings and loans, although they also make mortgage-type loans and other investments.[17].

The government of Tanzania has recognized the importance of SACCOs in the economic developments as such the government has been in forefront in supporting their growth through creating conducive environment for them and provisions of soft loans. LOANS disbursed from the President Jakaya Mrisho Kikwete’s 21bn/- revolving fund targeting economically disadvantaged groups in the society should not be charged interest rate of more than 12 per cent, Savings and Credit Cooperative Society League of Tanzania (SCCULT) Microfinance Manager, [27].

[18], NSSF Director of Operations said SACCOs are entitled to borrow up to a maximum of TZS 1 billion per year at an interest of 10.68 per cent –in which they may charge an extra three per cent to their members to cater for other expenses involved in the process. “We have two types of loans which are education loan which is payable in two years at an interest of 9.32 per cent and the development loan which is payable in five years at an interest rate of 10.68 per cent,” Member deposits contribute to the sustainability of SACCOs. In general, MFIs are increasingly providing formal saving opportunities. They have realized that savings, especially long-term deposits, are a cheap and reliable refinancing tool and can increase their funding base – thereby contributing to their sustainability. SACCOs are practically excluded from capital markets and wholesale loans; loans from other lending institutions would only be available at prohibitively high interest rates. On the other hand, SACCO’s members in Ruvuma District argued that banks and SCCULT who are charging them 15 per cent interest rate contrary to the president’s directive are fleecing them. ‘We have failed to secure loans from SCCULT because of tough conditions including a 15 per cent interest rate and strict repayment schedule [32].

Scarcity of liquidity in the financial market, coupled with a widening of the avenues for portfolio investment and the coming of new commercial banks are the driving factors behind an increase in deposit rates during the past few months'' [5]. CRDB Bank's report (2013) indicated that the scarcity of liquidity in the financial market was experienced following the tight monetary policy instituted by the Bank of Tanzania (BoT) to curb high inflation and the continuous depreciation of the local currency 14 months ago.

The Tanzania Securities Chief Executive Officer was recently quoted as saying that investors currently have wider investment options that range from deposits that fetch yields of 8 per cent on average, T-bills between 15 and 18 per cent and equity yields which fetch above 10 per cent. This is good for investors as banks and equities are competing for fund. Those with huge funds are the ones who benefit most from the said banks' interest rates including pension funds and fund managers [28].

According to [12] factors that affect the deposits growth and contribute to poor sustainability of SACCOS includes weak internal control system; inadequate Human resources, unsustainable interest rates, inadequate knowledge on microfinance best practices.

SACCOS have comparative advantages over other financial services providers. People in rural areas often lack financial services providers that lie within range and are regularly accessible. SACCOS with their brick and mortar" structure are often the only formal financial institutions people in rural areas can access; this quasi-monopolistic position in the countryside gives SACCOS a distinct comparative advantage over other financial institutions those are mainly present in the urban areas in Tanzania. However poor infrastructure limits them to grow significantly and manage to attract high deposits. These infrastructures include transport and power availability.

According to [32] who heads close to 200 members said another frustrating condition is that which requires them to travel to Sumbawanga urban, some 40 kilometers every week to deposit loan repayment installments. "It's impossible bearing in mind that we are facing shortage of transport and have work to do on our farms. The availability of power may facilitate them to use information technology equipment's in recording keeping and establish reliable and regular correspondences with their members which can motivates and awake their awareness. Location of financial institutions also contributed to the non-growth of money in the financial institutions. Tanzanians are still starving from accessing enough banking services for financing their economic activities including creations of saving deposits. The latest data from the ministry of Finance shows that only 12.4 per cent of 45 million Tanzanians access banking services, and there are about 50 commercial banks. Most of these financial institutions are located in the urban areas [21].

[7] indicated that lack of savings is a major bottleneck to growth for SACCOS. Almost all SACCOS visited mentioned they are not able to attract sufficient savings from their members to meet the high demand for loans and to grow fast. SACCOS' member deposits are in relation to the share capital from their members, an indicator of the capability of SACCOS to attract capital from their members apart from the member shares bought by the members. The numbers clearly show that bigger SACCOS are better able to attract member savings. Among the principal functions of the financial institutions and SACCOS are to accept customer's deposits from saving units and advance loans to the deficit units. Main source of funds of banks are deposits and capital contributed by their shareholders. Approximately 1.5 percent of the average industrial firm's assets are held in the form of cash, which is defined as demand deposits plus currency. Cash is often called a "non-earning asset." It is needed to pay for labor and raw materials, to buy fixed assets, to pay taxes, to service debt, to pay dividends, and so on. However, Cash itself earns no interest. Thus, the goal of the cash manager is to minimize the amount of cash the firm must hold for use in conducting its normal business activities [10].

Firms and individuals hold cash for three primary reasons, which are transactions; cash balances are necessary in business operations. Payments must be made in cash, and receipts are deposited in the cash account. Cash inflows and outflows are unpredictable, with the degree of predictability varying among firms and industries. Therefore, firms need to hold some cash in reserve for random, unforeseen fluctuations in inflows and outflows [10]. Speculative motive to take advantage of temporary opportunities such as a sudden decline in the price of the raw materials and precautionary motive – to maintain a safety cushion or buffer to meet unexpected cash needs. The more predictable the inflows and outflows of cash for a firm, the less cash that need to be held for precautionary need [13].

[9] argued that people must be made aware of the services offered and the requirements to be met. Creating a savings culture, capacity building with regard to financial management, linking up with partners and tailor made provision of loans following the annual agricultural growth cycle are among the recommendations given. The KIFISACCOS case demonstrates that there is still a world to win to have rural economic development supported by well-functioning financial services. Savings and Credit Cooperatives (SACCOS) in the country have failed to

fully utilize a TZS5 billion-facility set by the National Social Security Fund (NSSF) to help them borrow and lend to their members. According to the NSSF Director of Planning and Investment, the situation has been caused by lack of information and public awareness among members of these credit schemes. The prescribed amount is earmarked purposely to help and facilitate the issuance of affordable medium term loans to NSSF members from respective SACCOs in the country, but the response has been very minimal. Up to this moment, not more than half of the TZS 5 billion which has been utilized; we therefore urge that SACCOs come and apply for these loans, given the fact that they have all the qualification required.

Cooperative development in Tanzania can be traced during 20th century. Unfair marketing and processing practices and political discrimination were among the factors caused the establishment of cooperatives association mainly in cash cropping areas. After independence in 1961 the government policy was to make the cooperative movement an engine for economic development. Therefore, government promoted the existing cooperatives and became important tool for the economic development of the rural sector [12]. The policy of Socialism and self-reliance for the period of 1967-1976, transformed the cooperative to the rural development process based on Ujamaa villages. Thus, individuals or groups allowed forming multipurpose cooperative societies. Activities for the multipurpose cooperative ranging from Marketing Agricultural produce, procurement and distribution of inputs and wholesale and retail trade and transportation [12]. This was followed by the open market policy in 1986, made the Government with support from World Bank and International Monetary fund to undertake the structural and economic adjustment program. This policy had a negative impact in cooperatives such as abolition of price control, elimination of subsidies, liberalization of marketing of agricultural inputs and outputs [12]. New policy of cooperative development (2002) was the second cooperative policy after that of 1997. The main policy objective includes the availability of sustainable development of members and using cooperative as a tool for achievements. The impact of this policy has been revealed in different aspect including the establishment of cooperatives in other sectors of the economy and make the total number of 5789 cooperatives country wide (SACCOS, 2004). The Cooperative Poverty Reduction policy is performing in line with vision National Strategy for Growth and Reduction of Poverty (NSGRP) commonly known as (MKUKUTA). Cooperatives have been penetrating in rural areas and are involved with agricultural crops and credit and saving activities [36]. In contrast to other financial institutions, the SACCOs sector in Tanzania is not regulated by the Bank of Tanzania (BoT). Commercial banks and microfinance institutions are prudentially regulated through the BFIA, while the microfinance deposit taking institutions are prudentially regulated through the Microfinance Companies and Microcredit Activities Regulations 2005. SACCOs are regulated through the Cooperative Societies Act, but this act is not sufficient for financial institutions. Thus, SACCOs are the only financial institutions that are collecting savings but that are not prudentially regulated by the BoT. Savings and Credit Cooperative Societies (SACCOS) Regulations 2005 regulate SACCOs.

### 3. Methods

The researcher collected data from primary and secondary sources. Primary data was obtained using semi structured questionnaire which have both open and closed-ended questions; while secondary data was obtained from Sacco's financial statements and other records through documentary review such as dissertations, journals, reports, SACCO's Act, internet, research projects and information from e-library. The questionnaires distributed to respondents were in both English and Kiswahili languages with a very simplified terminology and language that allowed the respondents to understand it and be able to respond quite easily. The respondents had to answer the questions on their own. The method of collecting data by mailing the questionnaires to respondents is most extensively employed in various economic and business surveys [16]. This questionnaire was adopted from Makerere University research works. In Tanzania, there are 1507 registered SACCOs with 217,248 individual members but only 761 are active SACCOs. SACCOs affiliated to SCCULT count to 657 with 92,687 individual members. 242 SACCOs are Rural SACCOs whereas 415 are Urban SACCOs. Source - The Savings and Credit Cooperative Union League of Tanzania (1992) Limited (SCCULT). The study population was three SACCOs which are operating in Geita District and have been in existence for over three years in the year 2012. According to data obtained from regulator of SACCOs in 2012 there were 25 SACCOs whereby 21 were actively operating while 4 were dormant. Although there were 21 operating SACCOs with 3847 members in Geita District in 2012, the study will focus on only three SACCOs with 300 members. The respondents were members and Chief Executive Officers of these SACCOs. The targeted populations of the study were members of SACCOs. The researcher selected 75 individuals. The study aimed to identify factors hindering deposits growth in SACCOs.

### 4. Results

A total of 75 questionnaires were issued but only 65 were returned. From the data collected the total actual response was about 87 per cent while the remaining 13 per cent did not return their questionnaires either due to time factor or general failure. Four factors were considered to affect the deposit trend for SACCOs in the country. The predefined factors were interest rate, lack of information, use of ICT and loans provision. It has been established that interest rate affects the trend of deposits in most SACCOs as were rated by the respondents. Findings in Figure 1 show that the majority agreed on the interest rate as a contributing factor for deposits.

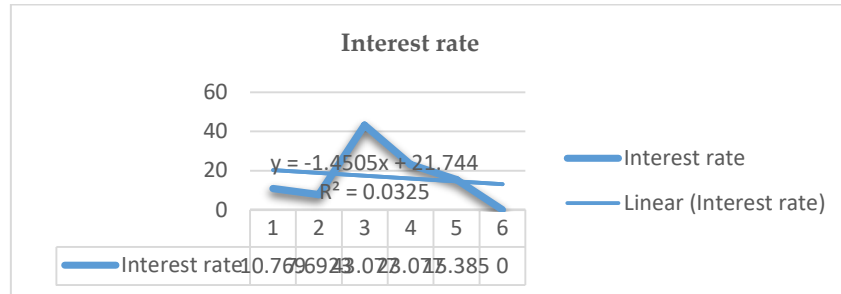


Figure 1: Ratings for interest rate factor

Results in Figure 2 indicate that the lack of information was not considered as a major factor affecting the deposits in many SACCOs. The figure skews data toward the left which means that majority rated never, seldom or sometimes as compared to frequently, always and the missing data.

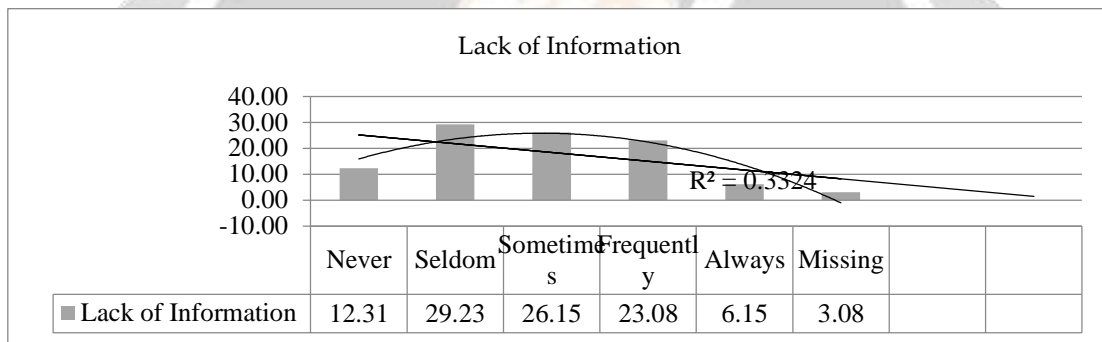


Figure 2: Ratings for lack of information factor

Findings in Figure 3 indicate that there is a balanced opinion on the use of ICT in SACCOs to have an impact in operations performed and hence affecting the deposits. Use of mobile banking for deposits is not realized in most SACCOs as applied to many banks in the country. The use of ICT has permeated in most microfinance with the exception of SACCOs. However, some cooperative societies employ the ICT in their basic operations, as most cannot afford to have the infrastructure in terms of hardware and software.

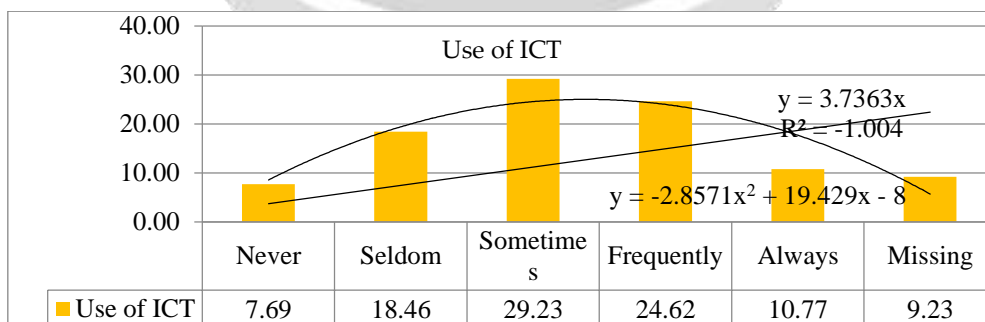


Figure 3: Ratings for use of ICT factor

Figure 4 results indicate that higher percent of respondents agree that the loans provision has an impact to the deposits made in SACCOs. The percent is remarkable for frequent and always ratings. The study identify the internal and external factors that affect the growth of deposits in SACCOs. Factor analysis was employed in identifying the key factors and their associated weightings. The factor analysis is a multivariate statistical technique that addresses itself to the study of interrelationship among a total set of observed

variables. It is different from multiple regressions in a sense that multiple regressions explicitly consider the criterion (dependent) variable and all others as the predictor (independent) variables, all of the variables in factor analysis are considered simultaneously

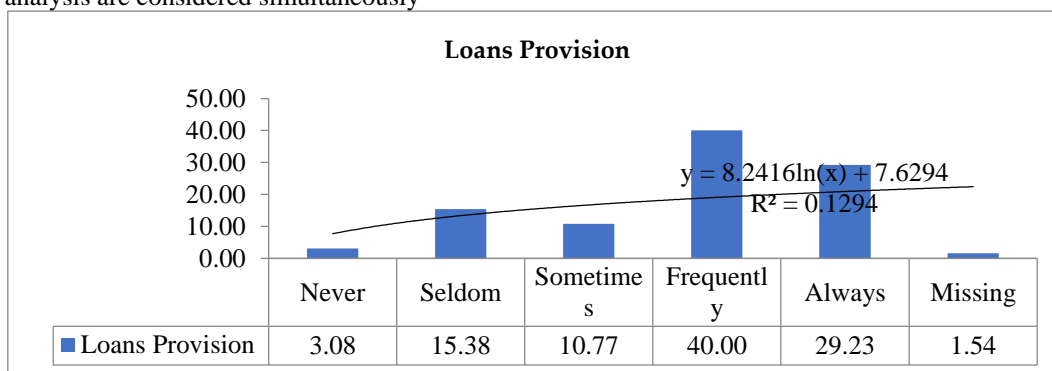


Figure 4 : Ratings for loans provision factor

In a sense, each of the above-observed variables is considered as a dependent variable that is a function of some underlying, latent and hypothetical set of factors. Principal component factor analysis with varimax rotation was used on 14 variables or statements rated by the respondents. The value of Kaiser-Meyer Measure of Sampling Adequacy (KMO) is higher than 0.6 (KMO = 0.675), and the Bartlett’s Test of Sphericity is significant (significant value= .000), therefore factor analysis is appropriate (Table 1 below). The KMO is used to compare the observed coefficient value and partial correlation coefficient. The closer KMO value approaches 1, the better the factor analysis operate, By the use of Kaiser’s criterion, five components with eigenvalue of 1 or more, explaining 71.283% of the total variance. The variables Interest rate motivate SACCOs deposit; Non-Monetary considered motivating factor; and SACCOs Laws and regulations applicable have loadings greater than 0.5 in more than one component and they were deleted as considered to be cross-loading

Table 1: KMO and Bartlett’s Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.675
Bartlett’s Test of Sphericity	Approx. Chi-Square	319.808
	df	91
	Sig.	.000

The loading factors (fundamental dimensions) and their respective means for the five components obtained by using the factor analysis are summarized in Table 3 below. Factor means indicates respondents’ attitude towards different factors for deposit in SACCOs. The five items in descending order of means were factor 4 (4), factor 5 (3.905), factor 3 (3.79), factor 1 (3.607) and factor 2 (2.79). The important observation here is that the variables used in the factor analysis can are grouped into five as indicated in Table 2. This is in contrary to the hypothesized groupings of variables or factors as internal and external. This also implies that they are more than the hypothesized factors contributing to the trends of deposits in SACCOs. Relationship between factors affecting the deposits and the trends of deposits.

The study findings required establishing the relationship of factors affecting the deposits and the trend of deposits for the cooperative societies in the country. The study also required testing of the hypothesis stated as follows: H<sub>0</sub>: There is no relationship between the factors affecting deposits in the SACCOs and the trends of deposits in the SACCOs. H<sub>a</sub>: there is significant relationship between the factors affecting deposits in SACCOs and the trends of deposits in the SACCOs. The standard multiple regression was applied in establishing the interrelationship of variables of interest in the study. All the independent variables were entered into the regression equation at the same time. The R and R<sup>2</sup> were used to measure the strength of the existing relationship between the set of independent variables and dependent variable. An F- Distribution was used to determine if the relationship can be generalized to the population represented by the sample as 5 per cent level of significant. It was hypothesized from the conceptual framework that factors affecting the trend of deposits in SACCOs are categorized into internal and external. It has turned out from above that the factors are grouped into five as presented above in Table 2. The dependent variable which was aimed at establishing the relationship with other independent variables was captured by the question Basing on training provided by Sacco’s



management, how often do you think you are attracted by the SACCO's products? renamed as trend. The responses obtained were used to establish the relationships with other independent variables as extracted above from the factor analysis.

**Table 2: Factor Extracted for deposit growth**

Factor 1	Loadings	Mean	Factor Mean
Frequency for need of SACCOs for growth	0.579	4.1	
SACCOs use IT to process information to increase efficiency	0.557	3.56	
SACCOs carry out employee training	0.772	3.41	
SACCOs emphasis level of staff education	0.792	3.51	
Training about SACCOs product	0.713	3.57	
How popular is SACCOs product are	0.657	3.49	3.607(4 <sup>th</sup> )
Factor 2			
	Loading	Mean	
Frequency of using mobile banking	0.51	2.79	2.79(5 <sup>th</sup> )
Factor 3			
	Loading	Mean	
Use of mobile money banking technology improve performance	0.576	3.79	3.79(3 <sup>rd</sup> )
Factor 4			
	Loading	Mean	
Comparison of SACCOs deposits and buying shares	0.538	4	4(1 <sup>st</sup> )
Factor 5			
Increase deposit	0.506	3.33	
How often do you rate service delivery	0.652	4.48	3.905(2 <sup>nd</sup> )

The probability of the F statistic (3.453) for the overall regression relationship is <0.001, less than or equal to the level of significance of 0.05. We reject the null hypothesis that there is no relationship between the set of independent variables and the dependent variable. The research hypothesis that there is a statistically significant relationship at 5 per cent level between the set of independent variables and the dependent variable as given in Table 3.

**Table 3: Model Summary**

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.716 <sup>a</sup>	.512	.364	.77941
a. Predictors: (Constant), comparison of SACCOs deposits and buying shares, frequency of using mobile banking, SACCOs Laws and regulations applicable, Interest rate motivate SACCOs, Use of mobile money banking technology improve performance, How often do you rate service delivery, SACCOs use IT to process information to increase efficiency, Increase deposit, Non-Monetary considered motivating factor, How popular is SACCOs product are, frequency for need of SACCOs for growth, Training about SACCOs product, SACCOs emphasis level of staff education, SACCOs carry out employee training				
b. Dependent Variable: trend				

The Multiple R square for the relationship between the set of independent variables and the dependent variable is .512, which would be characterized as MODERATE using the rule of thumb that a correlation less than or equal to 0.20 is characterized as very weak; greater than 0.20 and less than or equal to 0.40 is weak; greater than

0.40 and less than or equal to 0.60 is moderate; greater than 0.60 and less than or equal to 0.80 is strong; and greater than 0.80 is very strong as shown in Table 4.

**Table 4 ANOVA**

ANOVA <sup>b</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	29.367	14	2.098	3.453	.001 <sup>a</sup>
	Residual	27.944	46	.607		
	Total	57.311	60			
<p>a. Predictors: (Constant), comparison of SACCOs deposits and buying shares, frequency of using mobile banking, SACCOs Laws and regulations applicable, Interest rate motivate SACCOs, Use of mobile money banking technology improve performance, How often do you rate service delivery, SACCOs use IT to process information to increase efficiency, Increase deposit, Non-Monetary considered motivating factor, How popular is SACCOs product are, frequency for need of SACCOs for growth, Training about SACCOs product, SACCOs emphasis level of staff education, SACCOs carry out employee training</p> <p>b. Dependent Variable: trend</p>						

The study identifies the external and internal factors affecting the growth of deposits in SACCOs; and to find out the relationship between factors affecting deposits and the trends of deposits in the SACCOs. The survey responses were collected from 65 participants who are the members of SACCOs operating in Geita City using the questionnaire instrument. Respondents were requested to provide their ratings on various factors that were predetermined to affect the deposits made in various SACCOs in one way or another. There are three limitations to this study:

- The respondent were members of the SACCOs under study, however, participant may selectively attend issues which do portray the good image of their society and hide the negative side;
- Consumer attitude was studied from the view point of employees thus did not reveal the exact consumer attitude; and
- The case study chosen is meant for academic purpose and might not reveal all information concerning SACCOs countrywide.

The base of most SACCOS is from small saving accounts that later on create a stable and relatively low-cost source of funding. The study by [28] confirms the findings above related to loans provision. Higher percent agreed on the increase of deposits by the loans provision. In Tanzania most of the microfinance institutions are focused on disbursing loans to small and medium enterprises in order to empower rural citizens and poverty alleviations [20]. In Africa perspective, microcredit sustains access to microcredit and contributed to poverty reduction by generating income and employment. The lending and savings made by cooperative financial institutions had contributed to income generation and attracted majority to join. The cooperative societies issue consumer the loans that make them somewhat more diversified, and therefore their loan portfolio is less risky in terms of loan defaults. Credit unions specialize in member savings and loans, although they also make mortgage-type loans and other investments. The government of Tanzania has recognized the importance of SACCOs in the economic developments as such the government has been in forefront in supporting their growth through creating conducive environment for them and provisions of soft loans. The government issued the funds for interest rate of less than 12 per cent, Savings and Credit Cooperative Society League of Tanzania (SCCULT) Microfinance Manager [27]. SACCOs were entitled to borrow and an interest rate 10.68 per cent and charge not more than 3 per cent to their members. This resulted to increase in the number of membership in some SACCOs for them to be able to access the funds released by the government. The loans were for education and development.

The education loans were charged at 9.32 per cent while the development was charged an interest of 10.68 per cent. This definitely attracted members of various SACCOs to make deposits for them to be able to borrow at the reasonable interest rates that cannot be compared with banking and other financial institutions. They have realized that savings, especially long-term deposits, are a cheap and reliable refinancing tool and can increase their funding base – thereby contributing to their sustainability. SACCO's members in Ruvuma District argued that banks and SCCULT who are charging them 15 per cent interest rate contrary to the president's directive are fleecing them. 'We have failed to secure loans from SCCULT because of tough conditions including a 15 per cent interest rate and strict repayment schedule [32]. Other investment options include deposits that yield 8 per

cent on average including the T-bills that range between 15 and 18 per cent. This is good for investors as banks and equities are competing for fund. Those with huge funds are the ones who benefit most from the said banks' interest rates including pension funds and fund managers.

Use of ICT and other infrastructures by SACCOs in providing services to stakeholder was also rated as one of the important factor contributing to deposits. SACCOs was observed to have advantage as compared to other financial institutions in the country. However poor infrastructure limits them to grow significantly and manage to attract high deposits. These infrastructures include transport and power availability. According to [32] who heads close to 200 members said another frustrating condition is that which requires them to travel to Sumbawanga urban, some 40 kilometers every week to deposit loan repayment installments. It's impossible bearing in mind that we are facing shortage of transport and has work to do on our farms, Songolo argued. The availability of power may facilitate them to use information technology equipment's in recording keeping and establish reliable and regular correspondences with their members which can motivates and awake their awareness. Tanzanians are still starving from accessing enough banking services for financing their economic activities including creations of saving deposits. The latest data from the ministry of Finance shows that only 12.4 per cent of 45 million Tanzanians access banking services, and there are about 50 commercial banks. Most of these financial institutions are located in the urban areas.

SACCOs' member deposits are in relation to the share capital from their members, an indicator of the capability of SACCOs to attract capital from their members apart from the member shares bought by the members. The numbers clearly show that bigger SACCOs are better able to attract member savings. Among of the principal functions of the financial institutions and SACCOs are to accept customer's deposits from saving units and advance loans to the deficit units. Main source of funds of banks are deposits and capital contributed by their shareholders. Approximately 1.5 percent of the average industrial firm's assets are held in the form of cash, which is defined as demand deposits plus currency. Cash is often called a "non-earning asset." It is needed to pay for labor and raw materials, to buy fixed assets, to pay taxes, to service debt, to pay dividends, and so on. However, Cash itself earns no interest. People must be made aware of the services offered and the requirements to be met by various SACCOs. Creating a savings culture, capacity building with regard to financial management, linking up with partners and tailor made provision of loans are one of the important aspects that must be observed and considered by most SACCOs. For instance, KIFISACCOS case demonstrates that there is still a world to win to have rural economic development supported by well-functioning financial services.

## 5. Conclusion

From the findings, conclusion has been drawn that information technology, staff training, loans provision, lack of information, public awareness and knowledge of savings, policies, procedures and regulatory frameworks and competence of elected board of directors and supervision of SACCOs qualification are some of the factors affecting deposits growth of SACCO that need to be addressed by the respective stakeholders. Further, results show that SACCOs need to be more innovative in formulating strategies to attract more deposits and savings from their members in order to be financially viable and liquid in meeting their customers' short and long-term demands for diversified needs satisfaction. SACCOs in Geita have been rapidly increasing and significantly improving the economic life of their members. The government has introduced the SACCOs' Act with a view to regulate and supervise the activities in SACCOs; since they are of great importance to the financial sub-sector and attracts heavy deposits from their members (majority indigenous). SACCOs therefore need to embrace adequate marketing skills and strategies in order to survive the stiff competitive in the banking/financial industry. However, there are some factors that have posed a threat to the marketing of Sacco products. I have drawn conclusion that interest rate, information technology, staff training and loan provisions are some of the factors affecting growth of SACCO deposits that need to be addressed by the respective stakeholders. SACCOs need to be more innovative in products development in order to appeal to customers who want many products which satisfies their diversified needs. IT systems have proved to be the cornerstone of growth of many modern organizations. Those organizations that are not embracing the IT are finding themselves confronted by numerous challenges. Staff training/ qualification plays a major role in the growth of the organizations. Staffs should have the necessary skills to tackle even the most complicated tasks that may arise in the organizations and it's upon the organizations to train staffs irrespective of the position held which will be contrary to what SCCULT that advocates for senior staff training stipulates. Consumers' attitude towards the SACCO products is still not very positive. Some relate SACCOs with common bonds, which hinder free joining. Others say that there are several limitations and compulsory demands that distant them from any attractive product. Hence SACCOs should hold nationwide education to enlighten the civilians about how to be a member. SACCOs have played an important role as financial services providers in rural Geita, giving the low-income population the chance of accessing financial services. However, more could be done to strengthen the role of SACCOs as financial intermediaries. In particular, their role as absorber of savings has great potential to improve the well-

being of the rural population. Bringing the focus on micro savings would lead to more sustainable MFIs and help poor people escape poverty. Policy makers should contemplate orienting microfinance policies – regulation and subsidization – towards micro savings. In the future, traditional branch banking models will increasingly be complemented by innovative ways of banking. Mobile phone banking as a form of branchless banking, for Instance, will play a greater role, enabling people to send, receive, and deposit money. New technologies entail new challenges for SACCOs that have to adapt to the new competitive. Environment in order to keep their comparative advantage in rural Geita. It is particularly questionable whether the SACCO sector as it is today, characterized by many small standalone SACCOs (and only few large and mature SACCOs), is viable in the future; a process of consolidation might be required to enable SACCOs to reap economies of scale and help SACCOs stay attractive to their traditional client base.

## 6. Acknowledgment

I extend my sincere gratitude to all the respondents and interviewees whose friendliness and support helped me achieve this paper work.

## References

- [1] Arora, M.N. (2010). Statistics for Management. 5th Ed. New Delhi. India
- [2] Agumba, N. (2008). Effectiveness of the SACCOs Governance Model. Kuscco Limited. Nairobi Kenya.
- [3] A Simplified Guide to the Cooperative Development Policy and the Cooperative Societies Act of Tanzania Mainland. Prepared by the Tanzanian Federation of Cooperatives (TFC) in
- [4] Collaboration with the Cooperative Development Department - October 2006
- [5] Bank of Tanzania Economic Review Report (December 2012). Retrieved from <http://www.bot-tz.org>
- [6] Deutscher, G. R. (2005). Management of Cooperatives. Retrieved from <http://www.rescoop.eu>
- [7] Distler, M. (2011). Assessing the Sustainability of Savings and Credit Cooperatives. Mountain of the Moon University, Research Works, Uganda
- [8] Driscoll, D.L and Brizee, A. (2012). Ethical Considerations in Primary Research. Retrieved From <https://owl.english.purdue.edu/owl/resource/559/02/>
- [9] Gildemacher, P.R., K. Davis, N. Sellemna, W. Ochola and W. Heemskerk, 2011. Essential capacities for the future agricultural advisor and resulting challenges for education. Paper presented at the GFRAS International conference on innovations in extension and advisory services, 15-18 November 2011, Nairobi.
- [10] Ehrhardt, M.C. and Brigham E. F. (2006). Corporate Finance. A Focused Approach. 2nd Ed. Florida, USA.
- [11] Ernst & Young. (2012). Time for bold action. Global banking outlook 2013–14. Retrieved from [Iwww.ey.com/banking](http://www.ey.com/banking)
- [12] Fumbuka Tanzania Blogspot. (2011). <http://fumbuka.blogspot.com>
- [13] Horne, J. C.V & Wachowicz, J.M. J. (2008). Fundamental of Financial Management 13th Edition. Retrieved from <http://www.ebookl.com/556562-fundamentals-financial-management-13th-edition-van-horne-and-john-m-wachowicz>
- [14] Jacobs, R.M. (2005). Educational Research. Retrieved from <http://www.nationalacademies.org>
- [15] John Mashaka. (2013). Fighting for the common good of man. Retrieved from. <http://www.mashakafoundation.org/>
- [16] Kothari, C. R. (2008). Research Methodology-Methods & Techniques. Revised 2nd Edition. Published by New Age International (P) Ltd, New Delhi India
- [17] Kapitza S P 2007 Global Population Blow-Up and After. The Demographic Revolution and Information Society (A Report to the Club of Rome and the Global Marshall Plan Initiative) (Hamburg: Tolleranza, 2006, Moscow)
- [18] Magori, C. (2012). NSSF Director of Operations. Pesa Times News. Banking and Finance News. Retrieved from <http://www.pesatimes.com>
- [19] Maghembe. (2011). Food Security and Cooperative. Daily Newspaper February 17, 2011. Tanzania
- [20] Makorere, R. and Gwakisa, B. (2011). The Accountant Journal Vol 26. Published by National Board of Accountants and Auditors.
- [21] Millinga, A. (2007). Microfinance policies and regulatory system in Tanzania Practitioner Perspective: A presentation to the 3rd African Microfinance Conference August 20 -23, 2007 Kampala, Uganda.
- [22] Mutaitina, O. R. (2007). The African Journal of Finance and Management Vol.7 No.2 Pp106 – South Africa Journal of Education.
- [23] Nyangarika A. (2016a). An Analysis of Service Quality for Customer Satisfaction at Tanzania Posts Corporation. Journal of Consumer and Market Research, 1-12.

- [24] Nyangarika A. (2016b). Impact of Networking on Performance of Small and Medium Enterprises in Tanzania. *European Journal of Business and Management*, 40-57.
- [25] Nyangarika A. (2016c). Social-Economic Constraints Towards Women Business Growth in Tanzania. *European Journal of Business and Management*, 130-139.
- [26] Nellis, J. G. and Parker, D (2006). *Principles of Business Economic*. 2nd Edition. Great Britain.
- [27] Nkwera, D. (2010). Savings and Credit Co-operative League of Tanzania. Published in the Daily Newspaper December 12, 2010.
- [28] Olando, C. O. (2012). Financial Practice as a Determinant of Growth of Savings and Credit Co-Operative Societies. *Wealth International Journal of Business and Social Science* Volume 3. No.24 (Special Issue December 2012)
- [29] Price water house Coopers. (2006). About Tanzania. Tanzania.
- [30] Rubambey, G.C. (2005). Policy, Regulatory and Supervisory Environment for Microfinance in Tanzania. Published by the Microfinance Regulation and Supervision Resource Center.
- [31] Savings and Credit Co-operative League of South Africa. (2011). Retrieved from <http://www.saccol.org.za>
- [32] Songolo, F. (2010). SACCOS in Sumbawanga Rural Region. Published in the Daily Newspaper December 12, 2010. Tanzania
- [33] Tanzanian Microfinance Institutions Directory (2005) <http://www.bot-tz.org/mfi>
- [34] University of Bradford. An Introduction to Research & Research Methods Retrieved from <http://www.brad.ac.uk/management>.
- [35] Wamburu, G. A. (2011). An Investigation into the factors affecting marketing of SACCO's products. Research paper presented to the Makerere University. Uganda.
- [36] Source – Bank of Tanzania: Tanzanian Microfinance Institutions Directory 2005
- [37] Speech By The Minister For Finance Hon. Dr. William Augustao Mgimwa (Mp) Introducing To The National Assembly, The Estimates Of Government Revenue And Expenditure For Fiscal Year 2013/2014
- [38] Zhou, L., Zhang, Y., Dai, G. et al. Small-scale Forestry (2016) 15: 291. <https://doi.org/10.1007/s11842-016-9323-4>