



Mekelle University

The School of Graduate Studies



Faculty of Dryland Agriculture and Natural Resources

**The Impact of Rural Savings and Credit Cooperatives in
Ofa Woreda, Tigray Region, Ethiopia**

By

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A Thesis

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Advisor

Dr. G.B.Pillai (Professor)



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Declaration

This is to certify that this thesis entitled “**The Impact of Rural Savings and Credit Cooperatives in Ofla woreda, Tigray region, Ethiopia**” submitted in partial fulfillment of the requirements for the award of the degree of M.Sc., in Cooperative Marketing to the School of Graduate Studies, Mekelle University, through the Department of Cooperatives, done by Mr. Kifle T/Mariam, Id.No. FDA/GR 018/98 is an authentic work carried out by him under my guidance. The matter embodied in this project work has not been submitted earlier for award of any Degree or Diploma to the best of my knowledge and belief.

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Autobiography

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Abstract

Savings and Credit Cooperatives (SACCO) provide the capital to improve the income of the farm and non farm sector. Still most of the poorest do not have access to the formal financial institutions in Ethiopia and they depend on informal sources for their credit needs. SACCO are evolving as promising intermediaries to enable the poor link with the formal financial institutions. Promotion of SACCO brings in vibrancy to the local economy as it unfolds business opportunities to the poor and marginalized farmers and enables them to come out of poverty.

The present study primarily addresses the impact of RUSACCO on the business, income, family living conditions and empowerment in the study area. The objectives of the study are: 1) To study the functions and activities of RUSACCO in Ofla woreda, 2) To assess the factors influencing socio-economic changes by RUSACCO, 3) To explore the impact of SACCOs on socio-economic changes and 4) To suggest measures for improving the functions of RUSACCO in Ofla woreda, Tigray.

The study is based on primary and secondary data. The plausible conditions to select Ofla woreda as the area of the study are: most of well established RUSACCOs are found in Ofla woreda (16 RUSACCOs); relatively in these woreda, books of accounting system are at good status; most of the cooperatives in this area have operated more than three years and the woreda is predominantly agricultural area.

The study has adopted random sampling procedure for the selection of the members. The data analysis employed various statistical tools like correlation and regression. Tables and pie-chart were used to interpret the data.

The correlation analysis reveals that the independent variables seniority at the SACCO, savings, size of loan and number of times loan availed have significant positive correlation with post-income of the respondents. Similarly, there is significant and positive correlation between seniority at the SACCO, size of loan and number of times loan availed and profit from economic activities, while the variable savings has significant negative correlation with the profit.

The regression analysis reveals that the independent variables such as savings and number of times SACCO loan availed have significant positive relationship with the post-SACCO income, while the variables education and seniority at SACCO have significant negative relationship with the post-SACCO income, contrary to what was expected. Rigid lending system, high interest on loan etc. were perceived as problems of SACCOs.

Recommendations are furnished for the problems faced by the respondents in the study area. Diversified lending system, training, member education, increasing the amount of credit, extending the repayment period and relaxing the collateral security needs have been suggested to improve their income, business, living conditions and empowerment (women) of the members. Concerted efforts are needed to organize seminars and campaigns to create awareness about SACCO. Cooperative Extension Work is to be promoted to persuade the non-members to join SACCO. The study also points out to the need of more number of SACCOs. The officials suggested that since most of the currently assigned cooperative organizers /personnel/are new to the sector, measures must be undertaken to improve their qualifications.

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

The implementation of the above suggestions will lead to strengthening of the RUSACCO movement, which will unfold the prosperity to the poor members and empowerment of the women.

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I wish to extend my heart felt thanks and gratitude to **Dr. G.B.Pillai** , Professor, department of Cooperatives, Mekelle University for his valuable guidance, constructive suggestions and continued facilitation through out the course of the study. Interactions with **Dr. G.B.Pillai**, Professor, at all stages of this work unfolded many insights to me on how to take forward this study and led to stimulation of thinking at a higher order. Sparing his valuable time, he has offered his help to me at every stage of the study.

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Acronyms

ADLI	—Agricultural Development—Led Industrialization
AIMS	—Assessing the Impact of Micro enterprise Service’s
BOA	—Bank of Abyssinia
DECSI	—Dedebit Credit and Saving Institution
FOA	—Food and Agricultural Organization
HHEP	—Household Economic Portfolio Model
INAFI	—International Network of Alternative Financial Institution
MFI	—Micro Finance Institution
MOA	—Ministry of Agriculture
NGO	—Non–Governmental Organization
RUSACCO	—Rural Savings and Credit Cooperatives
SACCO	—Savings and Credit Cooperatives
SCG	—Savings and Credit Groups
SPSS	—Statistical Package for Social Sciences
VOCA	—Volunteers in Overseas Cooperative Assistance

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CHAPTER I—INTRODUCTION

1.1. Background

Since the second half of the twentieth century, third world countries have constantly changed their path of development with the hope of registering economic growth. For instance, in the 1950s and 1960s the most important issue that attracted the development agenda of developing countries was to attain rapid development and thereby catch up with the western world. In these periods, areas with high potential were selected as “engines of growth” with the assumption that the benefits of growth would trickle down to the other sections of the population. With the passage of time, however, the expected results became hard to come by. Instead, the programs and projects that were envisaged became rather a frightening dream. As a result, countries changed their path of development and subscribed to the *Integrated Rural Development Paradigm*, which was practiced in the 1970s. Before a decade was out, this approach was also proved to be a failure, as it neglected urban center. Then the World Bank blamed governments of developing countries for their inefficiency in achieving economic growth, and advised them to follow another development path. This was Redistribution with Growth, by which assets were redistributed to the rural poor, land in Ethiopia, for example (BOA, 1997, cited in Lakew *et al*, 2000 and Solomon, 1994).

The above point could tell us that Ethiopia has also implemented various projects and programs that aim at increasing production and food self-sufficiency. For instance, at the beginning of the 1990s, a broad spectrum of reform has been introduced among which the Agricultural

Development—Led Industrialization Strategy (ADLI) stood as the prime vehicle to address poverty and food security (Yohannes, 2002). However, in the context of achieving economic growth, actors of development have not been given the chance to get involved in the whole process of socio-economic transformation for quite a long time. As a result, deteriorating economic conditions started to be observed in the country. Rural poverty level in Ethiopia is 45 percent (World Bank, 2006). But, nowadays, it becomes a conventional wisdom to argue that development is understood to be a multi-actor process, where government-owned institutions alone couldn't register economic growth. Therefore, if economic growth is to be achieved, NGOs and private sectors should join hands (Elias, 2003; Fitsum, 2002; Helmsing, 2001 and Kirkpatrick, 2001). In this regard, microfinance institutions are integral part of the financial system by which communities are mobilized to engage in productive activities so as to generate income, create employment opportunities, stimulate the economy of a well-defined area and thereby improve their livelihood situation (Gebeyehu, 2002 and Ledgerwood, 1999).

Majority of the rural people are not able to meet their day-to-day requirements from their own sources of income not to speak of investing in other productive enterprise for improving their economic conditions. Therefore, they have to depend on various financial agencies for getting funds for making investment. To bring about the over all development in the rural areas, financial assistance to the rural poor, particularly different strategies and programs have been drafted and implemented by government to back the economy of the country on track. Among these development programs, organizing different classes of people through cooperatives that enable them to solve their common economic and social problems has become imperative. The production and productivity can also be improved through expansion of cooperatives as a base

line for development. (Richard John Pelrine, 2001).

There are various types of banking and non-banking financial intermediaries in the world, and they differ in the services they offer to their clientele. In Ethiopia in general there are two types of non-banking financial intermediaries: share company micro finance institutions, which are 23 in number and SACCOs, which are much more numerous. However, as compared to the demand for the service, their coverage is very small. Specifically in the Tigray National Regional State there are only 163 rural and 34 urban SACCO, which are established based on cooperative law 147/98. Accordingly the SACCO are user-owned financial intermediaries.

Although these SACCO are newly emerging institutions, most of them have started providing at least savings and credit services to their members. This study focuses on the assessment on the impact of RUSACCO on business, income, family living conditions and empowerment (women).

1.2. Problem Statement

In subsistence agriculture and low income countries like Ethiopia, where the smallholder farming dominates the overall national economy, small peasant farmers often face scarcity of capital/credit due to low level of production to adopt new agricultural technologies.

Hence, short and medium term credits with favorable terms for seasonal inputs like fertilizer, improved seeds, pesticide and herbicides with in the cropping season and to conduct petty business would generally be favored because better return would be achieved quickly. Moreover, achieving household food security remains a major objective of rural development. This can be materialized by increasing agricultural productivity and off-farm income and by improving the ability of households to stabilize their income and food purchasing power.

Since the rural people were unable to meet their credit requirements from their own sources, there was a need for providing timely and adequate institutional credit to improve the economic conditions to help especially weaker sections. The small and marginal farmers and rural artisans find it difficult to make investment because they do not have sufficient funds of their own for this purpose.

SACCO interventions may lead to empowerment of rural poor by increasing their income and their control over that income, enhancing their knowledge and skills in production, trade and service, and increasing their participation in household decision-making. As a result, the socio-economic conditions of the rural society may change (Kabeer, 1996).

There are 5437 SACCOs with membership of 381212 in Ethiopia. In Tigray, 197 SACCOs with membership of 9081 are operational. There are 16 RUSACCO found in Ofla woreda.

To realize the aforementioned objectives, the Ofla woreda RUSACCO have been extending reasonable amounts of credits to rural poor since 2002. In addition, RUSACCO were found by rigid lending policy to the members that resulted in tied up capital (too much money is locked up). Moreover, more than half of the disbursed loan of RUSACCO goes to the purchase of agricultural input such as fertilizer, improved seeds and farming oxen. Members do not invest their loans in self-employment and other off-farm income generating schemes due to lack of entrepreneurial talent.

Moreover, the impact of RUSACCO in Ofla woreda is not yet studied. To understand the contribution of RUSACCO in improving the well being of the members and the activities performed by the RUSACCO to the rural people, this study was carried out which answers the following research questions:

Productive Credit

- Does productive credit generate profit and increase income of the members?
- Are the profits generated by productive credit shared between the needs of the business and improved living conditions for the family?
- Does the granting of productive credit lead to greater empowerment especially for women?

Savings

- Do members of the cooperative deposit in order to acquire goods and services for productive services or for consumer spending which would not have taken place otherwise or at a greater cost?

1.3. Purpose of the Study

A study of the impact of SACCO is vital because it provides information that enable assess to improving the business, income and living conditions on the members.

1.4. Objectives of the Study

SACCOs are integral parts of development, which enable people to be engaged in economic activities that enhance self-reliance.

1.5. Hypothesis

- Productive credit services have a positive impact on business expansion.
- The services offered have a positive impact on income and living conditions of the families involved.
- Productive credit has a positive impact on the empowerment of beneficiaries especially on women.

Saving and credit schemes increase the productive potential particularly of rural households. Credit plays a crucial role in agricultural and non-agricultural production. It is said to be the lifeblood of agriculture and hence, the need for adequate farm finance is obvious.

To generate a substantial income from agricultural production, the provision of credit for rural people must be associated with the provision of technical advice and loan advanced should be repaid in order to have an improvement in living condition year after year.

The **general objective** of the study is to assess the impact (or generator effect) of SACCO on the socio-economic (or well-being) of beneficiaries in Ofla woreda of the Tigray region of Ethiopia.

Specific Objectives

- To study the functions of RUSACCO in Ofla woreda.
- To assess the factors influencing socio-economic changes by RUSACCO.
- To explore the impact of RUSACCO on socio-economic changes.
- To suggest measures for improving the functions of RUSACCO in Ofla woreda, Tigray.

1.6. Scope of the Study

This study covers membership, socio-economic, and institutional impact of RUSACCO on rural households in Ofla woreda of southern Tigray. In particular, four RUSACCOs were selected for the study (in Endodo, Meseret, Embeba Hashenge, and Lemelem Korem). The study may become very useful to the officials and leaders of SACCO operating in Ethiopia.

1.7. Limitations of the Study

This study was limited to the household's level in the Ofla woreda of southern Tigray who are participating in RUSACCO. Therefore it may not have a scientific justification to assure the reader that the final conclusion out of this paper is representative and applicable to all households who are participating in RUSACCO throughout the nation. Even though efforts were made to investigate the impact of RUSACCO in Ofla woreda, the study is not without limitations. Due to the resource and time constraints, the sample survey was carried out only in four RUSACCO in Ofla woreda, which of course represent Tigray region, but may not represent Ethiopia as a whole.

CHAPTER II—LITERATURE REVIEW

Introduction

As preliminary and preparatory part of the present research work, the researcher undertook a review of literature on micro finance and SACCO. The review enabled the researcher to ascertain the contribution made by various experts and scholars in the field and to identify the promising virgin field awaiting fresh initiatives.

The collected literature on "The Impact of Savings and Credit Cooperatives" is organized under heads namely 'Concepts related with savings and credit' and 'Impact of microfinance'.

Concepts Related with SACCO

The Need for Credit

Credit is the key input in every development program; this is particularly true for rural development because so long as sufficient credit is not provided to the development programs of poor sections of the society, the goal of development cannot be achieved. Access to capital in the form of either accumulated savings or a capital market is necessary in financing the adoption of many new agricultural technologies (Feder *et al.*, 1985).

The importance of credit facilities to smallholders of less developed countries has been underlined by several authors (Adams and Graham, 1981; FAO, 1996; Gonzalez-Vega, 1977; Pischke, 1980). Governments of less developed countries and aid agencies have extended a large amount of money in the form of agricultural loans. The motivation has been the belief that loans are an essential part of various input packages that are prescribed as part of agricultural

investment projects designed to introduce modern technologies and thus stimulate change and growth in agriculture.

Kumar *et al.*, (1978) indicated that the need for credit in the case of majority of cultivators arises from inadequate savings to finance various activities on their farm. Moreover, while their income accrues during limited period of the year, their expenses are spread throughout the year. This implies that expenditure on inputs have to be incurred much in advance of the income from resulting outputs.

Studies undertaken in Ethiopia show that credit provision to small farmers increases their productivity and improves their standard of living. For instance, Assefa (1987) reported the need for the expansion of rural credit to all areas of the country. Likewise, Berhanu (1993) and Getachew (1993) pointed out the need for agricultural credit to increase productivity and accelerate adoption rates.

As a result of high population pressure in rural areas of developing countries like Ethiopia, bringing of additional productive land under cultivation is difficult, implying the need of improving farm level productivity through intensification. This involves, as pointed out by Jama and Kulundu (1992), the use of improved farm inputs such as fertilizers and selected seeds besides improved tillage and husbandry practices. These inputs are not available on the farm and some farmers are not able to purchase them due to their meager resources. Moreover, most of the commercial inputs are expensive and hence smallholder farmers can not afford to buy from their own cash earnings. It is, therefore, generally acknowledged that rural credit can help improve smallholders' farm productivity through use of purchased farm inputs.

MOA (Ministry of Agriculture) (1995) reported that, credit removes a financial constraint and helps accelerate the adoption of new technologies, increases productivity, and improves national and personal incomes. In addition, it constitutes an integral part of the process of commercialization of the rural economy and a convenient means of redressing rural poverty.

The Role of RUSACCO

Padmanabhan(1987) pointed out that there are different types of financial institutions in the world. A single institution model suitable to all countries does not exist. No one structure could be said to be clearly preferable to others. What is important is that these institutions should be able to adapt to local conditions and financial flow.

Orazion and Miguel (2000) found that as a short-term solution to the lack of saving by the households, governments of developing countries are embarking on micro financing schemes to enable the households to venture in to small business activities. However, these measures are not only costly but also not sustainable in the long run if the societies are not empowered to save by themselves.

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

Richard John Pelrine (2001) reported that cooperatives create the opportunity for people to take responsibility for their own financial organization. The democratic process is an integral part of

the cooperative and encourages people to take control of their own financial affairs.

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

The Function of a SACCO

Richard John Pelrine (2001) says that understanding any operation from a functional perspective allows seeing the logic in its operation. It allows defining, with great precision, what the operation should do and what it should not do. Further, it allows defining what the necessary inputs to produce the desired outputs are. SACCO has multiple functions but two of them are fundamental. These are financial intermediation and investment.

According to Richard John Pelrine (2001), the most basic function of a SACCO is *financial intermediation*. That is bringing savers and borrowers together in a system that covers all of the costs of doing business and is profitable / useful to both parties.

Specifically the financial intermediation function of a SACCO is: to take members savings in the appropriate amounts and at the appropriate times; lend them back to the members for use in their business, with appropriate management; recover all of the loans, on time and with interest; cover all costs to the SACCO from the interest; and, pay the members a premium on their savings from the profit remaining from the interest after all costs have been paid.

The other essential function of a SACCO is *investment*. That is to allow members to form a business (the SACCO itself) by placing their capital at risk and to receive a return (profit) on that investment. Specifically the investment function of a SACCO is: selling shares to members in the appropriate amounts and at the appropriate times; using those shares to guarantee the savings and loans of the members, by providing the correct amount of liquidity in the SACCO to manage risk of withdrawal or late repayment; retaining some profit from interest earned on the lending operation to pay dividend to the members on the basis of the shares owned; redistribute the profits to the members as dividend on the basis of shares owned.

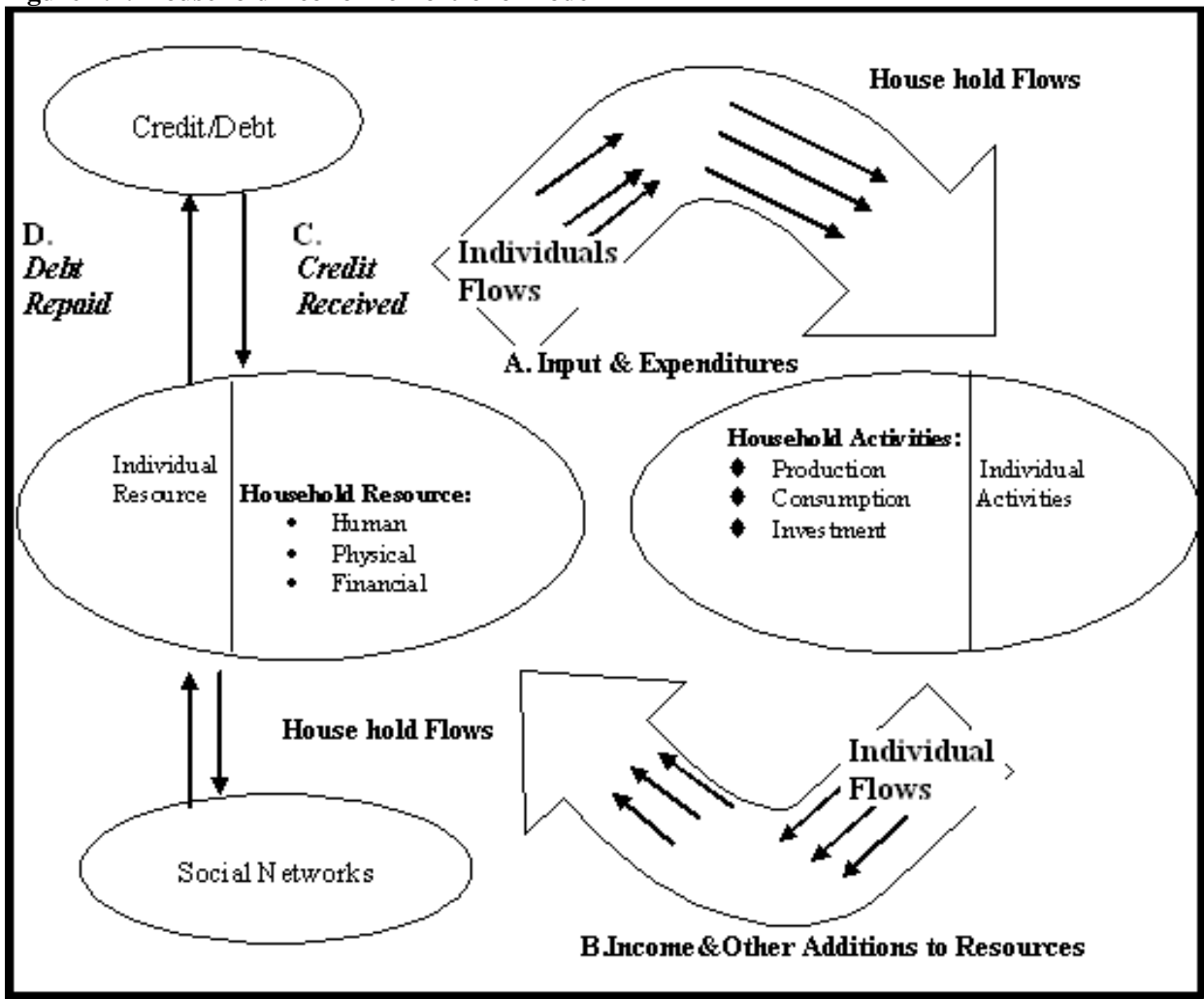
Conceptual Framework to Impact Assessment

Impact assessment technique of microenterprise services has been developing substantially in last few decades, with the emergence of new conceptual understanding of the household. Drawing on key concepts from anthropological, economic and feminist literature on the household, Chen and Dunn (1996) developed a dynamic conceptual; model of the Household Economic Portfolio.

In the conceptual model of the Household Economic Portfolio (HHEP), the household is defined in terms of three components: a) the human, physical, and financial *resources* of the household b) the consumption, production, and investment *activities* of the household; and the circular *flows* between resources and activities.

Assessing the Impact of Micro enterprise Service's (AIMS) conceptual framework is based on the HHEP. Specifically, the conceptual framework departs from the conventional approach in that it starts with the household rather than the enterprise. Traditionally, evaluations of small-enterprise credit programs are typically focused on enterprise returns and employment creation or hired labor.

Figure 2.1: Household Economic Portfolio Model



Source: Chen & Dunn, 1996

This is because historically the target clientele was of a higher socio-economic status and was typically engaged on a full-time basis in a *single enterprise* activity that used *hired labor*.

The AIMS conceptual framework recognizes that decisions about micro enterprises can be understood more clearly when considered in relation to the overall household economic strategies. It clarifies how micro enterprise interventions can contribute to household security, enterprise stability and growth, individual well-being and the economic development of communities (MkNelly and McCord, 2002).

The conceptual framework is particularly useful in addressing the issue of attribution and fungibility (AIMS Team, 2001). The problem of fungibility can be addressed by widening the unit of analysis for the impact assessment from single enterprise to the entire economic portfolio within which the fungible capital might be used. Credit is fungible within the household economic portfolio in the sense that it is interchangeable with other monetary units and difficult to trace. The model recognizes that loan funds, like any of the household resources, can be allocated to any activity in the household economic portfolio. The micro enterprise is embedded in the household economy and represents only one of the household's production, consumption, and investment activities. By treating the micro enterprise as part of the larger household economy, the model deals with the problems of fungibility.

The model also helps to build the case for attribution (a basic challenge in impact evaluation in social sciences) by providing an internally consistent conceptual framework that can be used to link the micro enterprise intervention to the impact in a plausible cause-and-effect relationship. Another way to strengthen the case for attribution is to use qualitative research (e.g. case studies) to identify chain of events that lead from the program service to impact.

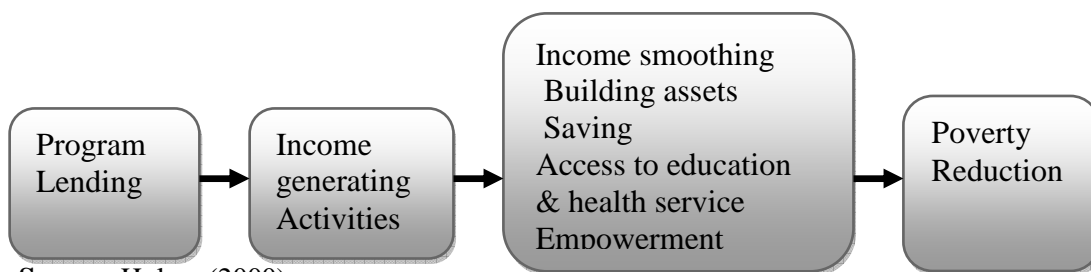
Moreover, in order to see the change in the life condition of people brought about by any intervention, one needs to identify a comparison group.

In cross sectional analysis, one can use "Clients only", "Clients and non-clients" or "Mature clients and incoming clients" as comparison groups. The first, though popular, depends only on clients' self-reports; and the lack of a comparison group makes it impossible to know whether the changes clients describe exist because of the program or if they simply represent general

trends in the area. The “Clients and non-clients” option is perhaps the most common cross-sectional design used in evaluation research. The responses of clients are compared to those of non-clients through a “with/without” framework. Yet, it cannot solve the problem of what has come to be known as “*self-selection bias*”.

“Mature clients and incoming clients”, is the most promising and valid of the cross-sectional approaches. The comparison group is composed of the program’s incoming clients. They represent the best comparison group since they have not been in the program long enough to exhibit impact; yet they should be similar “types” of people, and selected from the same or very similar program areas as those in the client sample.

In addition, it is easier to select a comparison group from existing lists of incoming clients than it is to select non-clients at random from the local population.



Source: Hulme (2000)

The above model indicates that the independent variable is the program lending. The mediating variables indicate that there are modified behaviors and practices over a period of time.

These behaviors are depicted under the idea that program clients will engage in income generating activities. Compulsory saving and group monitoring are adjunct variables.

Impact of Micro Finance in Africa

Financial services help the poor cope with a common feature to their lives: vulnerability.

Whether they save or borrow, evidence shows that when poor people have access to financial

services, it leads to the following: the strengthening of the poor people security of life, the formation of material capital and the growth of their economy.

Impact of Savings

Rutherford (1999) noted that access to more and better ways of turning savings into lump sums—helps poor people from sliding deeper into poverty and helps them lay foundations for their ambitions to better themselves and their families.

This and other studies by (Graham et.al Uganda 1999) had similar conclusions that show that: poor do save, have a need to save and use savings for a variety of reasons, which include daily expenditure, to fix a leaky roof, to pay for healthcare, consumption smoothing, accumulation to meet life–cycle needs and to send children to school.

In summary the three studies together with the findings from INAFI member institutions responses during a recent study (Mwaniki, 2006) have indicated that the poor save to and accumulate some lump sums for: emergencies, consumption smoothing, other needs and events and daily expenditure. The findings clearly indicate that micro finance programs have had a positive impact on the livelihoods of poor clients through their savings products.

Accumulation for Emergencies

Poor people use their savings to cope with unanticipated events such as sickness, theft, fires, accidents, and deaths, among many others.

Consumption Smoothing

The poor also save during high–income seasons in order to have some money to spend when the incomes are low—this is common among smallholder farmers due to seasonal fluctuations of

their incomes. As (Mwaniki, 2006) point out “micro finance helps safeguard poor households against the extreme vulnerability that characterizes their daily existence. Loans, savings and insurance help smooth out income fluctuations and maintain consumption levels even during lean periods. The availability of financial services acts as a buffer for sudden emergencies, business risk, seasonal slumps, or events such as a flood or death in the family that can push a family into destitutions.

Accumulation for Other Needs and Events

The studies and the AFRACA/INAFI Africa study institutions indicated that sometimes the poor save large sums of money to deal with life cycle events such as the purchase of plot, construction or purchase of home, wedding ceremonies, education, old age, death, and the need to leave something behind for one’s heirs. This involves building up longer-term savings balances in order to make future large expenditure.

Poor people also accumulate large sums of money to set up a business, acquire productive assets or simply to purchase consumer goods such as refrigerators, cookers, televisions, etc.

This is especially very common among the SACCOs clients—sometimes members will save for a long period of time without taking loans to take care of these substantial and usually future needs and events.

Rutherford (1999) concludes: “Financial services provided on a timely basis are way for poor people to turn savings into large lump sums that enable them not only to protect against risks, but also to take advantage of investment opportunities when they present themselves.”

Daily Expenditure and Needs

Poor people like all others need to keep cash safely in order to manage and deal with day-to-day expenses and occurrences, including financing small emergencies. These are usually small amounts held in highly liquid form.

Impact of Credit

Financial Assets

A number of impact studies have demonstrated that micro finance clients have been able to accumulate financial assets through the financial services offered by the MFIs and other formal and informal financial institutions. Especially where the financial institutions are offering a number of loan products e.g. for emergency, health, education many clients tend to use their productive loans to *expand business capital and generate more profits*. This way they are able to grow their business and generate even more income. A study by Muhammad Yunus, 2003 undertaken on the Grameen bank clients stated, "the most direct effect of the Grameen bank has been on the accumulation of capital by the poor".

Working Capital

Many MFIs, SACCOs and informal lenders provide their clients with small size loans repaid over a period of 3–12 months. These loans are therefore mainly used to *working capital*. This enables them to increase their working capital, which in turn results in more sales and profits. The surpluses are then used to increase the households' asset base and therefore reduce their vulnerability to risk. The institutions under the study confirmed this finding. In the area of

working capital Muhammad Yunus, 2003 Study showed that *“the amount of working capital employed by members enterprises increased by an average of three times with a period of 27 months.”*

Purchase of Productive Assets

Impact studies have also shown that some borrowers actually use their loans to purchase productive assets like sewing machines, welding tools, coolers, beauty saloon equipment, furniture for hotels, etc. These assets are usually bought out of the income surpluses as the enterprise matures. The Muhammad Yunus, 2003 indicated *“the investment in fixed assets was about 2.5 times higher for borrowers with more than three years membership than those who joined during the year of the survey.”*

Social Impact of Micro Finance

Education and Health

A number of studies have demonstrated that households that have access to micro finance spend more on education than non-client households. Studies shows that children of clients of micro finance programs are more likely to go to school and stay longer in school. Student dropout rates are much lower in micro finance client households.

To support this priority, many micro finance programs are developing new savings and credit programs specifically tailored for school fees. The AIMS study of Zambuko Trust clients in Zimbabwe found positive impact on enrolment ratios of boys 6–16 years old from 1997–1999. The data for repeat borrowers suggest that cumulative loans increase the likelihood that clients’ children aged 6–21 would stay in school.

Households of micro finance clients appear to have a better nutrition, better health practices and health outcome than comparable non-clients households. Larger and more stable incomes generally lead to better nutrition, living conditions and preventive health care. Increased earnings and financial management options also allow clients to treat health problems promptly rather than waiting for conditions to deteriorate. The specific evidence on health outcomes for women and children in program households, though sparse, does point to a strong positive impact.

The Uganda study by Graham et.al (1999) concluded that many of the clients of MFIs were using their productive loans to send their children to school and pay for their health services. Many more studies undertaken in this area have also confirmed that both education and health (and particularly education) are some of the most valued results of access to credit.

Women Empowerment

Traditionally, micro finance programs have targeted women as the group that is most vulnerable to poverty. In most societies, women manage the day-to-day household budget, and are more likely to save regularly investing the benefits into the welfare of the family. Besides a number of studies have shown that they are lesser credit risks than their male counterparts. Hulme and Mosley (1997) noted that 81percent of female borrowers had no overdue repayment installments as against 74 percent for men.

In many micro finance programs financial services appear to strengthen the position of women in the home. They gain respect from their families, as they now are able to contribute towards the household incomes. They can now be involved in decision-making; they are able to purchase some assets, which give them some level of confidence and security. Furthermore, as in

Bangladesh, careful examination of the evidence suggests that participation in an MFI's program also typically strengthens the position of the woman in her family Hulme and Paul Mosley (1997).

Not only does the access to credit gives the woman the opportunity to make a larger contribution to the family business, but she can also deploy it to assist the husband's business and act as the family's banker—all of which increase her prestige and influence within the household. As Hulme and Paul Mosley (1997) notes, "In developing countries survival of low income families may compel all members to engage in productive activities. In spite of little improvement in total household earnings, a woman's status is likely to be affected by the increase in bargaining power as a result of her crucial contributions to family subsistence."

Relationships of Trust

The Uganda study pointed that micro finance programs especially those that are using solidarity or group based delivery methodology has led to the following benefits among their membership: the poor are able to work together and this tends to encourage learning and knowledge among members. Some of the learning include; how to save, how to borrow wisely; how to manage their enterprise or household expenditures, etc. Often the members will assist each other during times of needs: funerals, weddings, etc which lessens each member's personal burdens.

Operational Definition of Concepts used in the Study

Savings and Credit Cooperatives (SACCO)

Savings and credit cooperatives is a set of financial services namely savings, credit and technical services like training, to the members in rural, semi urban, urban and metropolitan areas for enabling them to build asset, to reduce their vulnerability and improve their living standards.

Rural Savings and Credit Cooperatives (RUSACCO)

Rural savings and credit cooperatives is a set of financial services namely savings, credit and technical services like training, to the members in rural areas for enabling them to build asset, to reduce their vulnerability and improve their living standards

Shares

Shares are deposits that represent the net worth of the member's equity in the SACCO.

Credit/ Loan

Credit is the financial assistance given by SACCO to its members out of its own common fund; it is to be repaid with interest

Compulsory Deposit (Savings)

Compulsory deposit refers to the minimum deposits contractually agree to bring to the savings and credit cooperatives on monthly basis.

Business

Business is an enterprise of production or service provider or trading which may be in the farm sector or non farm sector that serving the local market.

Guarantors

Guarantors or members of rural savings and credit cooperatives who pledge their compulsory savings and shares to cover the loss to the rural savings and credit cooperatives in the events that the borrower does not repay.

Asset

Asset comprise of building, equipment, tools, livestock, grain stocks, jewels and consumer durables.

Household

Family, a basic unit is the household, which includes its different family members, their resources and capabilities.

Empowerment

Empowerment is building capacity of women to have access to and control of resources and making their voices heard in mainstream institution/ household.

Rural Area

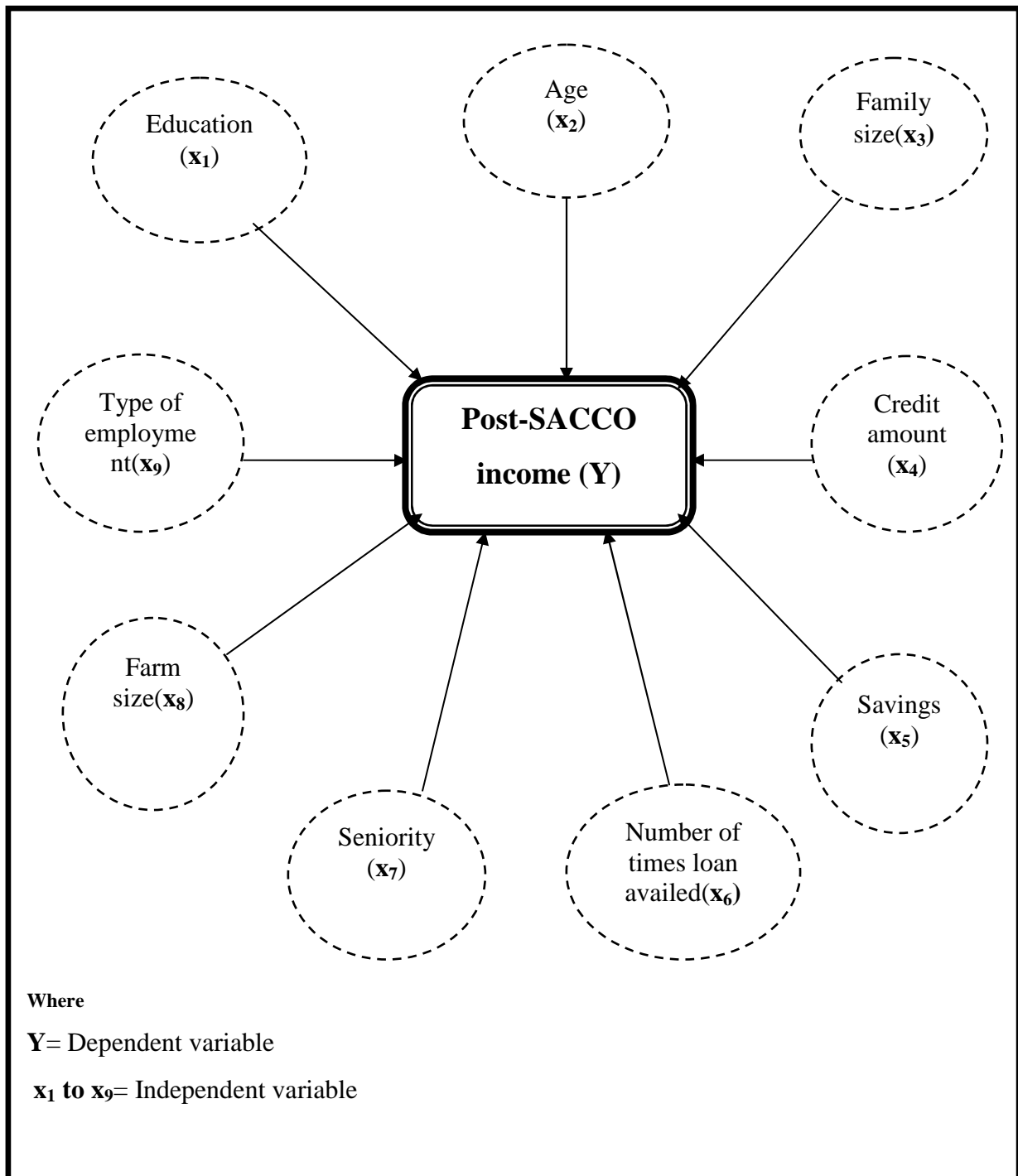
Rural area is the area, which has a population of 5000 or less. The main occupations of the rural people are based on agriculture and petty business.

Loan Diversion

Loan diversion refers to members who tend to divert intended credit to either productive or non-productive purposes.

The following (figure 2.2) provides the conceptual frame work developed by the researcher that shows the effect of independent variables on the dependent variable (post-SACCO income).

Figure 2.2: Conceptual Frame Work



CHAPTER III—MATERIALS AND METHODS

3.1. Description of the Study Area

The study was undertaken in southern part of the Tigray National Regional State, in Ofla woreda. Ofla woreda is selected for the study purposively because of the availability of more number of SACCOs, where the records are all well documented.

Ofla woreda lies in the southern part of the region and is bounded in the north by Enda-Mehoni woreda, in the East by the Raya-Azaebo woreda, in the south by the Alamata woreda and in the West side by Sokota (Amhara Region). The woreda head-quarters is at Korem, which is 160 kilometers away from the regional capital Mekelle and 619 kilometers away from national capital Addis Ababa in the main high way from Mekelle to Addis Ababa.

The total population of the woreda is estimated to be 175815, of which 90045 are female and 85770 are male. The total area of the woreda is 1297.50 square kilometers and the density of the population come to 135.5 persons per square kilometer as of (CSA, 2006). More than 83 percent of the people depend on agriculture for their livelihood. Land and water are important natural resources for agricultural activities. A large proportion of the land in Ofla woreda has been cultivated for many years. Most of the hills are bare; the forest resources of the woreda were cleared for arable land, fuel and construction wood. As a result, the land is severely degraded. Since the farms and hills of the area are mostly devoid of vegetation cover, rainfall results in erosion of the topsoil, and runoff. Therefore, in the absence of an appropriate land-use plan, the cultivation of steep slopes, deforestation and over-grazing have contributed greatly towards environmental degradation.

The main source of water for crop and livestock production is rainfall. The livestock population is as follows. Cows–28092, Oxen–23201, Bulls–14424, Sheeps–70691 and Goats–53929. Farming practice in the woreda is characterized by crop and livestock integration where crops play the dominant role in terms of contribution to farmer’s income. Rainfall distribution is uneven and more than half of annual rainfall falls in July and August. The maximum and minimum rainfall lies between 800 mm during summer and 180 mm during winter. There are rivers and perennial streams in the area, used both for the irrigation of farmland, and for the supply of drinking water for human and animals.

Barley, wheat, teff, bean, and linseed are the major crops cultivated on the rain fed farmlands. Wheat, onion, potato, pea, pepper, and tomatoes also cultivated under irrigation.

With in the woreda there are 16 multi–purpose cooperatives, one fishery cooperative, 20 SACCOS, 27 construction cooperatives, one mining cooperative, four handcraft cooperatives, nine irrigation cooperatives, one electricity cooperative, eight beekeeping and honey marketing cooperatives, eight sheep and goat fating cooperatives, and one youth entertainment cooperative.

Although, the RUSACCO members found in Ofla woreda undertake mixed farming, they may differ from each other by the degree of farming practice, potential for different agricultural activities, types of crops cultivated, access to market, and exposure to technologies.

3.2. Profile of the Study Area

The location of the study areas and the RUSACCO namely Endodo, Meseret, Lemelem Korem and Embeba Hashenge is presented in figure 3.1 and 3.2 respectively.

Figure 3.1: Map of Tigray Region

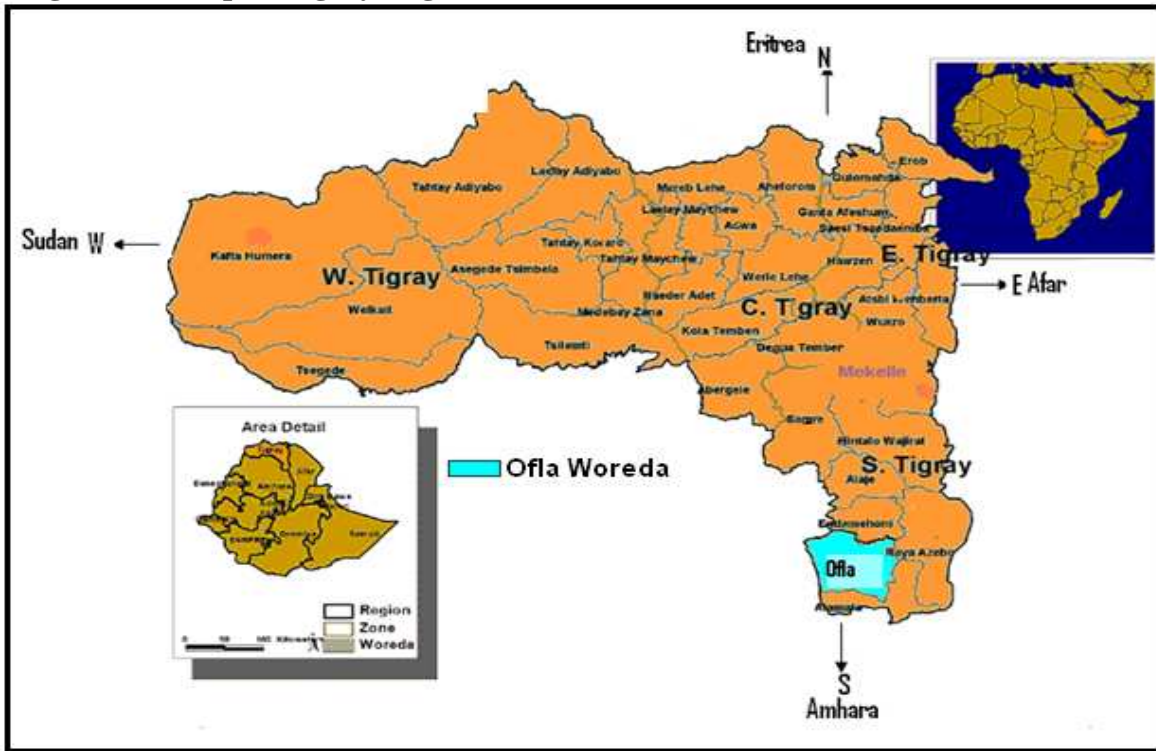
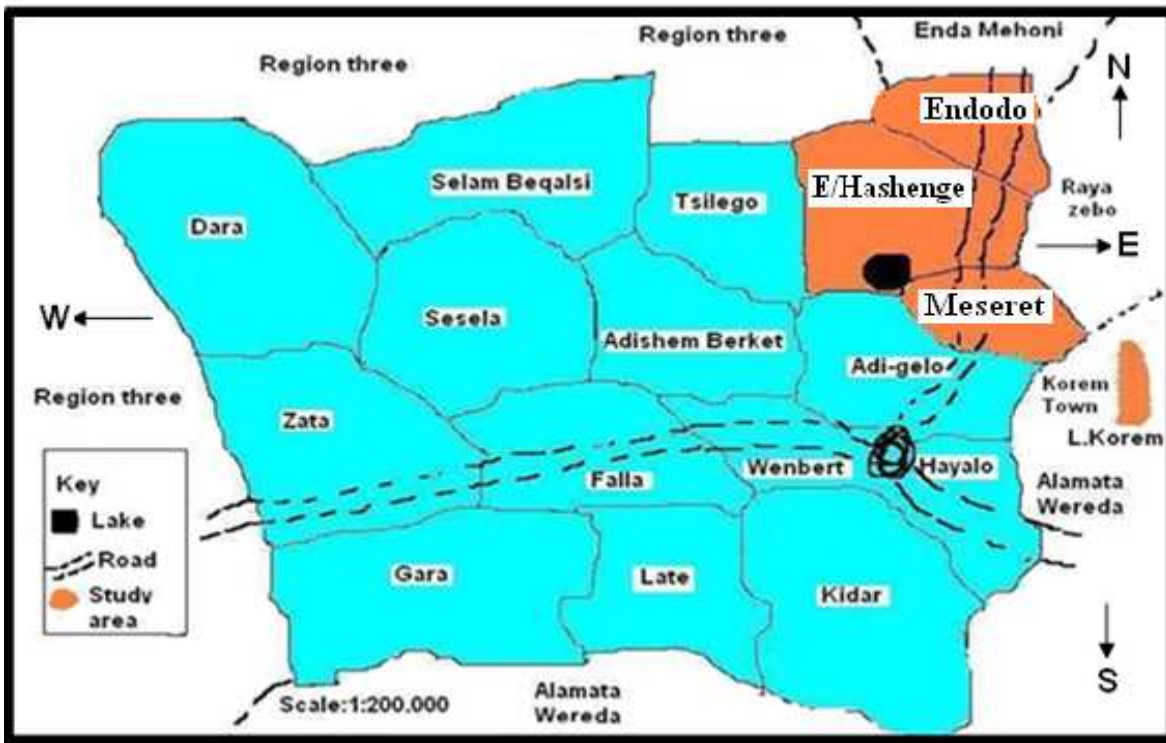


Figure 3.2: Study Area(Orange paint) in Tigray Region



3.3. Sampling Techniques

Simple random sampling method was used to select the RUSACCO. In Ofla woreda of Tigray there are 16 RUSACCOs.

Taking in to consideration time and budget for this particular study, only four RUSACCOs viz, Endodo, Meseret, Lemelem Korem, and Embeba Hashenge were randomly selected. All the four selected RUSACCO had three or more years of functioning and more than 50 members each.

The following (table 3.1) provide information on population and size of sample.

Table 3.1: Sampling Frame

Name of RUSACCO	Men	Women	Total	Sample size
Endodo	101	67	168	42
Meseret	117	29	146	37
Lemelem Korem	129	90	219	55
Embeba Hashenge	109	25	134	34
Total	456	211	667	168

Source: RUSACCOs membership profile sheet as of November 2006

From members of each of the four selected RUSACCO of the woreda, 25 percent of the members were selected at random from member's entry documents of the cooperative society. Thus, from the four RUSACCO a total sample size of 168 members has been selected for this study. The members from each RUSACCO were selected on the basis of Probability Proportionate to Size (PPS).

Another sample of 60 respondents has been selected from the non-members of RUSACCO who belong to the same woreda to ascertain why they have joined the SACCO. A multistage sampling procedure was followed to select the non- member respondents. Multistage sampling refers to a sampling procedure, which is carried out at several stages.

The non-member respondents were selected from the four different parts of the woreda, of which the researcher selected second stage units, thus 15 from the north, 15 from south, 15 from east and 15 from west of the woreda, thus making the sample size to 60.

3.4. Tools for Data Collection

The study employs both quantitative and qualitative data collected through primary and secondary sources. The primary data were collected from farmers who are members and non-members of RUSACCO by using structured interview schedule developed by the researcher, by including all relevant variables for the study. The interview schedule was developed only after a thorough review of literature, a pilot study and discussion with experts. The interview schedule was pretested and suitable modifications were made to revise ambiguous and complex statements. The member respondents and non-member respondents have been interviewed using different interview schedules for collecting primary data. In order to collect the primary data from the members and non-members, three enumerators were recruited. They were trained by the researcher in the techniques of interviewing and recording the data. The interviews with the management members were conducted by the researcher himself.

In addition to conducting individual interviews with members and non-members respondents, group discussion was conducted with the key communicators /opinion leaders of the village to have more information about the problems of the cooperative societies with respect to access to credit. The officials of the four cooperatives have been interviewed using a semi-structured interview schedule developed for this purpose.

This is needed since the management committee members may have a different or deviated opinion about the impact.

The total sample size of respondents from management members was 30. The interview schedules for members and non-member respondents were developed in English and later translated in to local language (Tigrign). Hence, the total sample size is:

- a. Member respondents:168
- b. Non-member respondents:60
- c. Management committee:30

3.5. Household Socio–economic & Savings and Credit Attributes

The variables were selected after a thorough review of literature and discussion with experts. Household variables such as socio–economic, demographic and savings and credit attributes have been designed in such a way that the required information can be extracted from them so as to reach at the envisaged output. Despite the versatility of measurement for some of the variables, a base line prototype measurement is shown in the table below. The table 3.2 specifies how variables in the model are coded (maneuvered) for analyses in latter chapters in such a way that the required output can be extracted. In fact only some the variables that require immediate attention are specified in the table 3.2.

Operational Definition of Variables

Dependent variable: is the post-SACCO income of the respondents. It is operationally defined as: the amount of annual income (in Birr) generated from economic activities after joining RUSACCO. These include petty trading, crop and livestock production, cloth, fruit and vegetable selling and others.

Independent variables

The independent variables selected for the study are:

Age of the respondent: is the period from the respondent's birth to the time of the interview.

Educational status: is the nature of formal education completed.

Occupation: is a skill or type of experience respondents engaged in either farm or non farm sector or in both sectors, depending up on the skills possessed and the resource available in the household.

Farm size: is the total farm size owned by the respondents.

Seniority: is the length of time respondents joined SACCO.

Livestock holding: is the number of livestock (oxen, cow, sheep, goat, donkey etc) owned by respondents after joining SACCO.

Training: is the type of training respondents have undergone after joining SACCO.

Crop cultivated: Refer to the major crops grown by the respondents after joining SACCO.

School age children: is the number of school aged children attending education in the household.

Number of times loan availed: is the number of times respondents avail loans after joining SACCO.

Expenditure: is the consumption expenditure per household after joining SACCO.

Employment: Refers to the number of persons employed in the farm and non-farm sectors after joining SACCO.

Savings: is the amount of money deposited by the respondents after joining SACCO.

Risk orientation: is the respondents' orientation to take risk in new venture.

Productive credit: is the amount of loan borrowed by the respondents out of its common funds after joining SACCO.

Repayment: is respondents' prepayment behavior on loan.

Money lending: is the amount of money respondents have lent to members and non- members after joining SACCO.

Empowerment: is the role of women in involving in activities of SACCO and decision making.

Table.3.2: Variables' Measurement Calibration

Variable name	Measurement unit description
Post-SACCO income of the respondents	Amount in Birr
Socio-economic and demographic variables	
Household head	1 if male , 2 if female
Age of household head	Number of years
Marital status	1 if married,2 if unmarried,3 if divorced, 4 if widowed,5 if separated
Household head education	Number of years of schooling
Family size	Number of household members
Occupation	1 if agriculture, 2 if trading, 3 if both 4 Civil servant,5 if retired
Farm size	In hectare
School age children	Number of School age children
Livestock holding	Number of livestock owned by household
Seniority	Number of years stay in the SACCO
Productive credit	1 up to 1000 Birr 2 >1000 to 3000 Birr 3> 3000 to 5000 Birr 4 above 5000 Birr
Number of times loan availed	First time Second time Third time More than three time
Repayment	2 if yes, 1 no
Savings	1 up to 1000 Birr 2 >1000 to 1500 Birr 3> 1500 to 2000 Birr 4 above 2000 Birr
Profit	Amount in Birr
Money lending	Amount in Birr
Perception on SACCO	
Risk orientation	3 if high,2 if medium, 1 if low
Training	2 if yes, 1 if no
Expenditure	Ranking of consumption expenditure
Employment	Number of days employed per annum
Empowerment	women's perception in decision making 2 if agree,1if disagree

3.6. Methods of Data Analysis & Interpretation

Based on the objectives of the study, correlation and regressions were used to analyze the data.

Tables and pie-chart were used to interpret the data.

Mean, minimum and maximum: Mean, minimum and the maximum were used to classify the respondents in to above the mean, below the mean, the minimum and the maximum.

Correlation analyses were used to understand the association between the explanatory variables and the dependent variable (post- income and profit).

Regression analysis was used to find out the relative importance of various factors, which were influencing the socio economic activity in the study area.

Scale: Three point scoring procedure was used to measure the interest rate SACCO charges to the respondents, risk orientation and participation related attributes and another scoring procedure using a two–point continuum was used to measure the perceptions of respondents towards the functions and activities of SACCO and for the respondents perception about the major problems that hinder expansion of RUSACCO.

CHAPTER IV—RESULTS AND DISCUSSIONS

4.1. Performance of RUSACCO in the Study Area

4.1.1. Introduction

Beginning in 2002, with the initiative of VOCA—Lemelem Korem and Endodo, RUSACCO was organized as pilot study in the woreda. Moreover, the rest of RUSACCO have been organized in collaboration with VOCA and woreda cooperative office in the middle of 2002. RUSACCO was organized to meet the broad range of financial services needs among poor and rural populations. A key initiative in the project was building the SACCO's capacity to mobilize savings. The major challenge to savings mobilization was ensuring the security of member savings.

All of the RUSACCO studied were actively engaged in savings mobilization and granting loans for productive purposes like commerce and agriculture. Table 4.1 provides a snapshot of the four RUSACCO members, as of November, 2006.

4.1.2. Progress of Membership

The progress of RUSACCO at the inception up to the current status member enrolled in the study areas is presented in table 4.1. RUSACCO was established in the study area in 2002.

Table 4.1: Growth in Membership of RUSACCO

Sl.No.	Name of RUSACCO	Members at the inception	Current status of members
1	Endodo	33	272
2	Lemelem Korem	25	230
3	Embeba Hashenge	20	170
4	Meseret	20	140
	Total	98	812

Source: RUSACCOs profile sheet

It is observed that at the inception period, members were less in four SACCOs due to lack of awareness and education about the importance of SACCO's, but gradually on observing the benefit from fellow members, new members also joined. It is found that the SACCO formed in Endodo has raised the membership by 239 members from 33 members in 2002 to 272 members in November 2007. The members enrolled in Lemlem Korem increased by 205 members from 25 members in 2002 to 230 members in November 2007. It is further observed that the number of members in Embeba Hashenge has increased by 150 from 20 members in 2002 to 170 members in November 2007. The members enrolled in Meseret increased by 120 members from 20 members in 2003 to 140 members in November 2007.

The highest membership growth is observed in Endodo SACCO. This may be due to the commitment of the management committee in awareness creation on the part of non-members.

4.1.3. Progress of Loan Disbursed

Table 4.2 shows the progress in loan disbursed starting from the initial period up to the current status. It is observed from table 4.2 that in Endodo SACCO, the maximum credit offered by the SACCO at the inception period was 500 Birr but currently the maximum amount of credit offered by the SACCO is increased up to the level of 5000 Birr. At the inception period the maximum amount of loan offered by Lemlem Korem SACCO was 800 Birr where as currently the SACCO offered up to the level of 6000 Birr to its members.

Table 4.2: Growth in Loan Disbursed

Sl.No.	Name of RUSACCO	Maximum loans offered per member (In Birr)	
		At the inception	Current status
1	Endodo	500	5000
2	Lemlem Korem	2000	6000
3	Embeba Hashenge	800	5000
4	Meseret	600	6000

Source: RUSACCO profile sheet

It further reveals that in Embeba Hashenge SACCO, at the inception period the maximum amount of loan has been offered was 800 Birr where as currently the SACCO is offer up to the level of 5000 Birr to its members. It was observed that Meseret SACCO, at the inception period the maximum amount of loan has been offered was 600 Birr where as today the SACCO offer up to the level of 6000 Birr to its members. Even though the growth reported seems to be commendable, the SACCO members expressed that the amount of loan is inadequate with our business proposal expectation. Members' loan demand increased from time to time because of members starting new business which require more capital and the increase of consumption of farm inputs liker fertilizer, chemicals and improved seeds etc.

4.1.4. Total Amount of Loan Disbursed

Table 4.3 shows the performance of sample RUSACCOs in the study areas on lending outreach over the past four years in terms of number of loan and amount disbursed.

Table 4.3: Total Number of Loan & Amount Disbursed

Sl.No.	Name of RUSACCO	Loan disbursed(in Birr)	Men	Women	Total
1	Endodo	109840	94(78.3)	26(21.7)	120
2	Lemelem Korem	54922	68(89.5)	8(10.5)	76
3	Embeba Hashenge	35960	41(80.4)	10(19.6)	51
4	Meseret	26700	32(97.0)	1(3.0)	33
	Total	227422	235	45	280

Source: RUSACCOs progress report as of November 2006

Note: Figures in parentheses indicate the percentages

As of November 2006 Endodo SACCO has disbursed 109840 Birr loan to its members, out of this men beneficiaries accounts 78.3 percent, where as women members account 21.7 percent of the total loan disbursed. It was observed that Lemlem Korem SACCO over the past four year's 54922 Birr loan was disbursed to its members.

Of which men respondents accounted for 89.5 percent of the total loan disbursed and 10.5 percent of the total loan amount availed by women. The Embeba Hashenge SACCO disbursed 35960 Birr loan to its members over the past four years, out of this disbursed loan, the percentage of men are 80.4 percent while women accounts 19.6 percent of the total disbursed loan. Further it was observed that, Meseret SACCO disbursed 26700 Birr loan over the past four years for its members. Almost all (97 percent) of the disbursed loan goes to men members. Only 3 percent women are loan beneficiary from the disbursed loan. The highest amount of loan to women was offered in Endodo SACCO. This may be due to the existence of number of women members are available in the SACCO.

4.1.5. RUSACCOs Balance Sheet

Even though the report does not show the progress of the RUSACCO starting from the inception period up to the current performance but one can understand the progress from the balance sheet that the RUSACCO capital performance and asset size. The revolving fund is considered as liability to the RUSACCO because the fund belong to the food security bureau but in order to facilitate the credit service the RUSACCO function as bridge between farmers and food security bureau(table 4.4).

Table 4.4: RUSACCO Balance Sheet

Sl. No.	Name of RUSACCO	Asset	Liability	Capital	Revolving fund
1	Endodo	128199.00	77469.00	37384.00	13346.00
2	Lemlem Korem	99289.10	72713.00	24373.10	2203.00
3	Embeba Hashenge	67806.41	46920.00	19486.41	1400.00
4	Meseret	97924.00	35215.00	61154.00	1555.00

Source: RUSACCOs progress report as of November 2006

4.1.6. RUSACCOs Income Statement

As per table 4.5, Endodo SACCO has recorded a higher profit level than the other three cooperatives over the past four year. The better performance as the researcher observed in the field may be due to the existence of committed management committee members by educated non-members about the importance of SACCO. The management committee is working as full time salaried employees in the cooperatives, which may be the reason for the higher number of members as compared with the other RUSACCO in the study area. The dividend payment has been declared two times, even though the cooperatives have not distributed dividend for the past two years due to the absence of auditors.

Table 4.5: RUSACCOs Income Statement (Figures in Birr)

Sl. No	Name of RUSACCO	Revenue	Expense	Profit
1	Endodo	18862.40	8219.98	10642.42
2	Lemlem Korem	6262.80	3510.41	2752.39
3	Embeba Hashenge	7519.89	3722.16	3797.73
4	Meseret	3911.04	2652.48	1258.56

Source: RUSACCOs progress report as of November 2006

It is further found that the performance at Lemelem Korem, Embeba Hashenge and Meseret in terms of profit was 2752.39, 3797.73 and 1258.56 Birr respectively.

4.2. Socio-economic Profile of the Respondents

4.2.1. Introduction

The socio-economic characteristics of the sample respondents selected for the study are: period of participation in SACCO, age, marital status, occupation, educational status, land holding and number of school age children. Hence, an attempt is made in this section to analyze the socio-economic back ground of the sample respondents.

4.2.2. Respondents Participation in SACCO

The period of participation as a member of a SACCO is vital factor from the point of the use of the services for sanctioning loan under the savings and credit cooperatives.

Table 4.6: Period of Participation

Sl.No.	Period of participation	Number of members	Percentage
1	Two years	74	44.0
2	Three years	53	31.5
3	More than three years	41	24.5
	Total	168	100.0

Source: Primary data collected through field survey

The respondents can access credit only after six months of inception of SACCO as well as active existence as they become eligible for credit rating. Long term membership enables the members to harness benefits of various training programs compared to a member, who have joined recently. Table 4.6 portrays the period of association of the respondents with SACCO. It is understood that 44 percent of the respondents are participating in SACCO for the period of two years, followed by 31.5 percent of the respondents, who were in SACCO for the period of three years. It is found that 24.5 percent of the respondents are seniors and, whose participation in SACCO is more than three years.

4.2.3. Age-wise Distribution of Respondents

The average age of sample respondents was about 37.91 years with the minimum and maximum ages of 19 and 72 years, respectively. Further, it is observed that the majority of the respondents (66.7 percent) are male and remaining (33.3 percent) are women headed households respectively.

The table 4.7 also reveals that the younger categories (18-40 years) constitute the majority (65.5 percent) of the respondents, who are keen to participate in the service of (RUSACCO), followed by the middle age category (41-50 years) constitute 26.8 percent.

Table 4.7:Age-wise Distribution

Sl.No.	Age of respondents	Men(66.7)	Women(33.3)	Total
1	18—30 years	29	21	50(29.8)
2	31—40 years	41	21	62(36.9)
3	41—50 years	33	12	45(26.8)
4	Above 51 years	9	2	11(6.5)
	Total	112	56	168(100.0)

Source: Primary data collected through field survey

Note: Figures in parentheses indicate the percentages

The old categories (Above 51 years) of the respondents constitute only 6.5 percent. It is obvious that the young and the middle aged are eager to join the RUSACCO and like to seize the opportunities, where as only a few respondents in the old age category, who are not active in income generation activities.

4.2.4. Marital Status

Table 4.8 indicates that 76.2 percent of the respondents are married, which comply with the existing practice of RUSACCO, as unmarried members are bound to migrate to other villages after getting married.

Table 4.8: Marital Status

Sl. No.	Marital status	Number	Percentage
1	Married	128	76.2
2	Unmarried	6	3.6
3	Divorced	18	10.7
4	Widow	16	9.5
	Total	168	100.0

Source: Primary data collected through field survey

Table 4.8 indicates that 10.7 and 9.5 percent of respondents are divorced and widows respectively, who are really suffering a lot due to their low economic status. For such marginalized respondents, membership in SACCO has proved to be a turning point in responding their economic status. Only a very meager 3.6 percent of respondents are unmarried.

4.2.5. Respondents' Economic Activities

Participation in economic activities also determines their economic status. As most of the RUSACCO members in the study area are owning land, their livelihood basically depends on agricultural activities like crop production and animal husbandry. Majority (50.6 percent) of the respondents in the study area are engaged in agricultural activities which are basically land based activities.

Table 4.9: Classification of Respondents on the Basis of their Occupation

Sl.No.	Occupation	Number	Percentage
1	Agriculture	85	50.6
2	Trade	33	19.6
3	Agriculture & trade	24	14.3
4	Civil servant	20	11.9
5	Retired	4	2.4
6	House wife	2	1.2
	Total	168	100.0

Source: Primary data collected through field survey

It is followed by the trading activities, which engage 19.6 percent of the respondents. Among the petty trading activities, most popular activities carried out by RUSACCO members in the study area are grain and cereal selling, Kiosk (Small shop), cloth selling, fruits selling and utensils trading. About 14.3 percent of the respondents depend on both trade and agriculture. Only 11.9 percent of the respondents are civil servant.

In Ethiopia's GDP (Gross Domestic Product), the service sector contributes now 33 percent (WB 2005) of the pie. In the study area also, the service sector is going to be a key driver of growth in the near term, which is evident from the opening up of many service sector units recently. For example, even in a small village like Hugumberda(25km from Korem), sherobet, pastry and tea, and hair cut have come up in the same street with in the last one year. Only 2.4 percent and 1.7 percent of the respondents are retired and house wife respectively.

4.2.6. Educational Status

Out of the total sample respondents, 1.8 percent are illiterate, 4.8 percent are literate, 48.2 percent are with elementary level of education, and 26.8 percent of the respondents completed junior education. Moreover 10.7 percent are with high school education, 2.4 percent and 5.4 percent are with preparatory and Diploma education respectively.

Table 4.10: Educational Status

Sl.No.	Educational	Number	Percentage
1	Illiterate	3	1.8
2	Read & write	8	4.8
3	Elementary(1-4)	81	48.2
4	Junior(5-8)	45	26.8
5	High school (9-10)	18	10.7
6	Preparatory(10^{+1} & 10^{+2})	4	2.4
7	Diploma(10^{+3} or 12^{+2})	9	5.4
	Total	168	100.0

Source: Primary data collected through field survey

4.2.7. Land Holding Size

Land is considered as the basis of livelihood for the majority of the rural population. Landholding will also lead to some demand for services from SACCO. In this background on analysis was also carried out regarding the landholding of the respondents.

The average land holding of the sample borrowers was 0.35 hectare. The minimum and maximum holding sizes were 0.25 and 1 hectares, respectively. The majority of the respondents (61.9 percent) are having land. Only 38.1 percent of the sampled beneficiaries don't have access to land. Land ownership serves as a good indicator of the initial endowment position of participating households in the savings and credit cooperatives since the household head may need to borrow loan for input purchasing like fertilizer, chemicals and improved seeds.

Table 4.11: Respondents Farm Size

Sl.No.	Area owned	Number	Percentage
1	Landless	64	38.1
2	Up to 0.25ha	15	8.9
3	>0.25 to 0.5ha	60	35.7
4	>0.5 to 1ha	29	17.3
	Total	168	100.0

Source: Primary data collected through field survey

For the land holding of the sample respondents, 8.9 percent of land holdings were under 0.25 ha and 35.7 percent were in between 0.25 and 0.5 ha in size. Only 17.3 percent of the respondents the land holding were in between 0.5 and 1 ha. Of the total sample respondents who owned land is less than or equal to 1 ha of land. Even though most of the respondents own lands, most of them own marginal and small holdings.

4.2.8. Family Structure of Respondents

The household size of a family indicates the level of dependency in the household, or the number of dependents in the household. The largest family size recorded is ten while the smallest is one. Accordingly, the average family size of the sample respondents was found to be 4.96 persons. This was the same with the national average of 5 persons (CSO, 1994).

The large number of dependents (family size) could exert pressure on household access for credit and meager for thrift, since this might lead to greater loan diversion. Loan may be diverted because household expenditures could be higher with larger family size.

Table 4.12: Family Size of the Respondents

Sl.No	Family size	Number	Percentage
1	1 to 3	40	23.8
2	4 to 6	85	50.6
3	7 to 9	37	22.0
4	10 and above	6	3.6
	Total	168	100.0

Source: Primary data collected through field survey

It is observed from table 4.12 that nearly one fourth (23.8 percent) of the respondents had the family size that ranges from 1 to 3. While majority (50.6) of respondents had 4 to 6 family size, 22 percent of the respondents had the family size that range from 7 to 9. Only 3.6 percent of the respondents had more than 10 family size.

4.2.9. Major Crops Cultivated by Respondents

The major crops grown in the study area by sample respondents were wheat, sorghum, teff, beans, barely, chickpea, maize and onion. The number and percentage of respondents growing different crops are depicted in table 4.13.

Table 4.13: Major Crops Cultivated by Respondents

Sl.No	Type of crops	Number	Percentage
1	Teff	58	35
2	Wheat	79	47
3	Barely	54	32
4	Maize	42	25
5	Sorghum	72	43
6	Chickpea	54	32
7	Beans	54	32
8	Onion	44	26

Source: Primary data collected through field survey

From the above table one can see that there is a possibility for a single respondent to grow more than one crop. Wheat and sorghum are the principal crop grown in the area, and has the dual function of being both a food and cash crop.

4.2.10. Livestock Ownership by the Respondents

Household head in the study area undertake both crop and livestock production activities. In the area livestock are kept for various economic and social reasons. The major economic reasons include supply of draught power, generation of cash income and food.

Table 4.14: Livestock Owned by Respondents

Sl.No.	Livestock type	Number	Percentage
1	Cattle	134	80
2	Donkeys	45	30
3	Horse	13	8
4	Goats	17	10
5	Sheep	67	40
6	Chickens	65	39

Source: Primary data collected through field survey

From the above (table 4.14) one can see that there is a possibility for a single respondent can be the owner of more than one livestock. It is also observed from table 4.14 that respondents in the area keep more cattle, sheep and chickens than other categories of livestock. Oxen are the most important source for cultivation of land in the area.

4.2.11. Number of School Age Children in the Household

The table 4.15 brings out the fact that 40.5 percent of the respondents have up to 3 school age children. Moreover 32.7 percent of the respondents are having in between 4 and 6 school age children. Only 8.3 percent of respondents have above 6 school age children.

Table 4.15: Number of School Age Children

Sl.No	School age children	Number	Percentage
1	None	31	18.5
2	1 to 3	68	40.5
3	4 to 6	55	32.7
4	Above 6	14	8.3
	Total	168	100.0

Source: Primary data collected through field survey

The table 4.15 brings out the fact that 18.5 percent of the household head does not have school age children. This may be due to the existence of some number of divorced and widow women respondents and it has been informed that during the field survey some household taken out their children from the school and sent them for employment in the near by towns(Korem).

The more the number of school age enrolment in household indicates the improvement in the awareness of the household members towards the importance of education; this was proven by 137 of the respondents. Further, the more the number of school age children in the household shows the less the burden of the children to work in income generates activity to support their families.

The researcher has observing that some household heads take their livestock in grazing only after sending their children to school. This is an indicator of the families which understand the importance of education and equally improved their living condition compared with before joining the SACCO.

At times in some poorest families, the households have taken out their children from the school and sent them for employment in the nearby towns, particularly in the construction company as daily laborers in the outskirts of the towns and in small hotels and houses as servants.

4.3. Functions and Activities of RUSACCO

4.3.1. Introduction

The most basic function of a SACCO is *financial intermediation*. That is bringing savers and borrowers together in a system that covers all of the costs of doing business and is profitable /useful to both parties.

4.3.2. Functions of RUSACCO as Perceived by Members

Respondents were asked to state whether SACCO provide multiple functions to its members. In response to these statements, all of respondents agreed that SACCO bringing savers and borrowers in a system as financial intermediation. SACCOs take members' savings in the appropriate amounts and times, and lend loan to the members for their business, and recover all the loans given as credit with interest. Moreover SACCO charge interest on loans and pay interest to saving. Further SACCO allow members to form a business by placing their capital at risk and to receive a return (profit) on that investment.

From the table 4.16, it is found that all the respondents agreed that SACCO as an investment function, selling shares to members in appropriate amount and times. 97.6 percent of the respondents agreed that SACCO retain some profit from interest earned on the lending operation. Finally, 94.6 percent of respondents agreed that SACCO pay dividend to the members on the basis of the shares owned.

Table 4.16: Functions of RUSACCO

Sl.No.	Functions of RUSACCO	Agree	Disagree	Total
1	Bringing savers and borrowers in a system	168(100.0)	—	168
2	To take members savings in the appropriate amounts and times	168(100.0)	—	168
3	Lend money to the members for use in the business	168(100.0)	—	168
4	Recover all the loans given as credit	168(100.0)	—	168
5	Charge interest	168(100.0)	—	168
6	Pay the interest on their savings	168(100.0)	—	168
7	To allow members to form a business	168(100.0)	—	168
8	Selling shares to member in appropriate amount and times	168(100.0)	—	168
9	Retaining some profit from interest earned on the lending operation	164(97.6)	4 (2.4)	168
10	Pay dividend to the members on the basis of the shares owned	159(94.6)	9(5.4)	168

Source: Primary data collected through field survey

Note: Figures in parentheses indicate the percentage

4.3.3. Activities/services of RU SACCO as Perceived by Members

Respondents were asked to state whether they agree or disagree with a series of statements describing whether the SACCO provide the financial services to its members, like open deposits, fixed deposits, internal transfer facilities, transfer facilities between the SACCO and the link Banks, convert cheques in to Birr, credit collection services to other institutions, installment collection on behalf of other institutions or premium collection on behalf of insurance institutions. In response to these statements, all of the respondents unanimously (100.0 percent) agreed that SACCOs currently offer open (demand) deposits and productive credit financial services to its members.

Table 4.17: Services Provided by RU SACCO

Sl.No	Service provided by RUSACCO	Agree	Disagree	Total
1	SACCOs offer open deposits to its members	168(100)	—	168
2	SACCOs offer fixed deposits to its members	—	168 (100)	168
3	SACCOs only offer savings accounts and productive credit	168(100)	—	168
4	SACCOs offer internal transfer facilities	—	168 (100)	168
5	SACCOs provide transfer facilities with Bank	—	168 (100)	168
6	SACCOs convert cheques in to Birr	—	168 (100)	168
7	SACCOs offer credit collection services to other institutions	—	168 (100)	168
8	SACCOs offer installment collection on behalf of other institutions	—	168 (100)	168
9	SACCOs offer premium collection on behalf of insurance companies	—	168 (100)	168

Source: Primary data collected through field survey

Note: Figures in parentheses indicate the percentage

All of the respondents disagreed that SACCO do not provide at all such services (like fixed deposits, internal transfer facilities, transfer facilities with Bank, convert cheques in to Birr, credit collection services, installment collection, and premium collection) to the members. Specifically, members commented that SACCO only provide compulsory saving and productive credit service to the members, but in the future, they are most likely to need to have time deposit in the service and product line of SACCO.

All of respondents disagreed that SACCOs do not offer internal transfer facilities between SACCO and transfer facilities with Bank. Critically, members expressed their opinion that they need this financial service to transfer money to that of son and daughter as they studied in private college at Mekelle since currently they transfer the money by commercial bank of Ethiopia.

In addition to these, all of the respondents disagreed that SACCO currently does not offer this

services such as (convert cheques in to Birr, credit collection services to other institutions, installment collection on behalf of other institutions and premium collection on behalf of insurance companies), but they think SACCO would offer in the future.

In general, respondents strongly agreed that SACCO currently offer only saving and productive credit financial services to its members.

In contrast, all of the respondents disagreed that SACCO does not offer entirely any of the following financial services to its members, namely fixed (time) deposits, internal transfer facilities, transfer facilities with bank, convert cheques in to Birr, credit collection services to other institutions, installment collection on behalf of other institutions and installment collection on behalf of other institutions.

4.3.4. Why Use RUSACCO Services?

When respondents were asked to explain why use SACCO service instead of other financial institution service (an open ended question), majority replied that RUSACCO offers an alternative and offers advantages.

1. Access to Loans

Access to loans is the first reason invoked for becoming a member of a SACCO (is respond by 66.7 percent of respondents). In many cases, there are no formal institutions providing access to credit for this segment of the population.

2. Security for Savings

Security for savings is a second important reason for becoming a member of SACCO. For the respondents, security means protection of against theft or other losses caused by fire or other natural causes.

Security also means avoiding unnecessary expenses when cash is kept at home. For some others, security means income protection in order to deal with unexpected expenses without disrupting the family budget.

For other respondents, security means avoiding discussions with those holding the money (parents, friends or merchants) on the amount to borrow.

All these elements indicate that fundamentally the SACCO service inspires confidence since it is associated directly with the benefit of security.

3. Proximity and Services

One of the frequently mentioned positive aspects is the proximity of the institution and the type of services offered. People particularly appreciate the access and proximity of the SACCO services.

Majority of the respondents (83 percent) reported that the SACCO is essential when it comes to borrowing money or to saving up any large amount of money. For 26 percent of respondents there are no other options available offering the same security and accessibility.

4.4. Factors Influencing Socio-economic Changes

4.4.1. Introduction

The regression analysis was applied for analyzing the factors influencing the economic change by SACCO among members and the Pearson test was used to determine correlations between income and profit and the continuous independent variables such as age, education, land size, seniority at the SACCO, savings, family size, credit amount, number of times loan availed, and number of days employed.

Prior to running the regression analysis all the quantifiable continuous variables were checked with multi-collinearity test and it is found that there is no multi-collinearity problem. Hence, no variable was removed and all the nine continuous independent variables have been used in the analysis. Likewise, the results of the computation of Pearson test correlation revealed that there was no serious problem of association among continuous variables. The summary statistics of the independent variables used in the analysis is depicted in table 4.18 and 4.19.

4.4.2. Pearson Correlation Test

The Pearson test (table 4.18) was used to determine correlations between income as well as profit and the independent variables.

These four variables deserve attention (seniority, saving, loan size, and number of times loan availed). Positive significant correlation have been observed between seniority, saving, size of loan, number of times loan availed and post income of the respondents ($P=.001$, $.001$, $.000$ and $.000$ respectively).

Similarly for profit, there is significant and positive correlation between seniority, the size of loan and number of times loan availed and profit from economic activities ($P=.000$, $.000$ and $.000$ respectively). While the variable saving had significant negative correlation with the profit ($P=.000$). It is therefore possible to explain change in post-income and profit is due to these variables. No other statistically significant correlation could be observed among the variables for income and profit.

Table 4.18: Measures of Correlation (Pearson Test)

Variable	Correlation test for the variable post-income of economic activity			Correlation test for the variable profit of economic activity		
	Correlation	P value	Result	Correlation	P value	Result
Age	.057	.461	NS	-.031	.869	NS
Education	-.034	.659	NS	.008	.916	NS
Land size	-.042	.593	NS	-.019	.809	NS
Seniority at the SACCO	.246	.001	SF	.269	.000	SF
Savings	.256	.001	SF	-.303	.000	SF
Family size	-.029	.711	NS	.041	.595	NS
Credit amount	.286	.000	SF	.305	.000	SF
No of times loan availed	.339	.000	SF	.440	.000	SF
Number of days employed	.055	.475	NS	-.135	.354	NS
NS: Not Significant at the 0.01(2-tailed)						
SF: Significant at the 0.01(2-tailed)						

Source: Result of primary data analysis

It can therefore be concluded from this analysis that there are some variables that represent highly significant correlation between income and profit. However, it may be surprising to observe that age, land size, education, family size and number of days employed have no significant correlation to profit and income.

4.4.3. Regression Analysis

Regression analysis (table 4.19) was used to identify the relative importance of various factors which influence the income of the respondents after joining in SACCO in the study area. As there

are several factors which contribute to the post-SACCO income of the respondents in varying measures, linear regression is considered to be the most appropriate statistical tool to assess the influence of independent variables on dependent variable.

In the linear regression model used in this study, post-SACCO income of the respondents is taken to be the dependent variable and quantifiable variables like education in number of years, age in years, number of family members of the respondents, number of school age children, amount of loans, number of times loan availed, savings and number of days employed per annum are taken to be the independent variables.

The joint effect of a group of the independent variables on the post-SACCO income of the respondents is studied by framing the multiple regression equation of the variable “Y” on the other independent variables. The following model with nine independent variables is used.

Justification for Selection of Variables

The nine variables selected as independent variables are generally bound to influence the income of the respondents. The justification for selecting these variables in this analysis is presented herein below.

Education(x_1)

It is assumed that education will help members to identify the economic opportunities better and they would deal with the changes in the business environment in a better way.

Age(x_2)

Age is an important factor in business promotion, as the young aged are more dynamic and take more risk; where as the middle aged are having a maturity to deal with difficult situations in the business.

Family size (x₃)

Number of children in the family is also to be taken in to consideration, as some of the jobs are performed by children in petty business, most of which are home based.

Credit(x₄)

In rural areas credit remains the largest funding sources for launching of petty business by SACCO members. Since the credit is easily accessible and available in time.

Savings(x₅)

Saving enables the SACCO members to have access for credit and to cope up with economic shocks in the business with out selling off the productive assets.

Number of times loan availed(x₆)

One shot SACCO loan will not help to the members, as the need of the business keep on growing, they require multiple doses of credit one after another so as to sustain the growth of their business.

Seniority at SACCO (x₇)

Seniority at the SACCO enables members to have more access to credit as a result the income of the member will be improved. Hence, this is an important variable, which have a bearing on the income of the respondents.

Land size(x₈)

Land size which is directly proportion to income, has a significant and positive impact on income performance. This is because those respondents with larger cultivated land earn more income be it from crop production or livestock rising.

Number of days employed per annum(x_9)

Number of day's employed is directly proportion to income. When the employment in terms of man-days increase, the income of the respondent also go up.

The following model with nine independent variables is used.

$$Y = a + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + b_5x_5 + b_6x_6 + b_7x_7 + b_8x_8 + b_9x_9$$

Where

Y= Post-SACCO income of the respondent

a= Intercept (Constant)

b_1 to b_9 = Regression coefficient

x_1 = Education (number of years)

x_2 = Age (in years)

x_3 = Family size(number of family)

x_4 = Credit amount (in Birr)

x_5 = Savings (in Birr)

x_6 = Loan availed (Number of times)

x_7 = Seniority at SACCO (in year)

x_8 = Land size (in hectare)

x_9 = Employment per annum (Number of days)

The values arrived using the Statistical Package for Social Sciences (SPSS, 2006), version 13.0, are presented in the table 4.19. It shows regression coefficient of the independent variable estimated through regression analysis along with their "t" values and co-efficient of multiple determination (R^2).

Table 4.19: Regression Model

Variable	Regression coefficient	Std. error	"t" Statistic	Sig
Intercept	4675.597	1645.159	2.842	.005
Education(x ₁)	-65.286*	37.581	-1.737	.084
Age(x ₂)	6.612	19.606	.337	.736
Family size(x ₃)	-7.579	93.393	-.081	.935
Credit amount (x ₄)	.086	.132	.650	.516
Savings(x ₅)	.762***	.228	.345	.001
Number of times(x ₆)	359.216**	159.815	2.248	.026
Seniority (x ₇)	-321.350*	189.928	-1.692	.093
Land(x ₈)	-773.949	540.532	-1.432	.154
Number of days employed(x ₉)	1.331	4.398	.303	.763
Notes: * Significant at 0.1 level **Significant at 0.05 level ***Significant at 0.01 level				
R².206 F value 3.983 df 10 P value = 0.000				

Source: Result of primary data analysis

Discussion on the Significant Explanatory Variables

Out of the nine variables hypothesized to influence the economic change by SACCO, four (education, savings, number of times loan availed, and seniority) were found to be statistically significant.

The table 4.19 shows that the co-efficient of determination (**R²**) is 0.206. It denotes that only 20.6 percent of the total variation of the dependent variable "**Y**" (post-SACCO income of the respondents) is explained by the independent variables included in the regression analysis. Therefore, one must look beyond the listed independent variables in order to find out factors influencing economic changes for the increases in post-SACCO income of the respondents, who have taken up economic activities. Hence, the actual reasons for the increase of post-SACCO

income of the respondents in the farm sector may be the different factors such as mixed cropping, crop rotation, switching to cash crop, proper supply of agricultural inputs like quality seeds, fertilizers, pesticides and technology, control of pest and diseases and flourishing dairy activities. The **F** ratio is also found significant. From the value of "**t**" statistic corresponding to the regression coefficient, it is found that the four variables x_1 (education), x_5 (savings) x_6 (number of times SACCO loan availed) and x_7 (seniority at SACCO) are found to be statistically significant, indicating the importance of these four variables which influence an increase in the post-SACCO income of the respondents.

The independent variables such as savings and number of times availed have significant positive relationship with the post-SACCO income, while the variables education and seniority have significant negative relationship with the post-SACCO income, contrary to what was expected. From table 4.19, it can be observed that one unit of increase in compulsory savings (share) *ceteris paribus* would increase the post-SACCO income by Birr 0.762.

This implies that when the members increase the share capital (monthly compulsory saving) this enables to absorb large amount of credit since in order to obtain credit the amount of share capital is the major determinant factor.

One unit of increased in loan availed times *ceteris paribus* would increase the post-SACCO income by Birr 359.

Number of times SACCO loan availed is found be a significant variable in increasing post-SACCO income. Their loan availed time should be increased in order to improve the

performance of the business as well as living condition of the family. When respondents' status in education and seniority increased *ceteris paribus* will bring down the post-SACCO income by Birr 65 and 321 respectively.

Interpretation to the Significant Variables

Education

Results of the regression model tell that this variable had a significant negative influence on the economic change in respondents, contrary to what was expected. The coefficient is statistically significant at 10 percent significance level. This might be because of the economic activities performed by the respondents such as farming and petty trade in the study area may not require good educational status.

Savings

The model estimates confirm that saving which is a proxy for post-income, has a significant and positive impact on the economic change in the study area. The coefficient is statistically significant at 1 percent level. This is because those respondents who increase their share capital will have more loan access than those members who have small share capital in SACCO.

Number of times loan availed

As indicated in the table 4.19 that the post-income "Y" is positively related to the number of times loans availed by the respondents indicating that the probability of improvement in post-income increases with the increase in loan.

The coefficient is statistically significant at 5 percent level. It implies that frequent borrowers showed higher improvement in post income than non frequent borrowers.

Seniority

The results of the regression model show that this variable influenced the economic change (post-income) negatively. This is consistent with the *a priori* expectation. This variable is statistically significant at 10 percent level.

This contradict with the higher the number of years associated with SACCO, higher will be exposure through more training and respondents who have these experiences and more knowledge to wards business and efficient utilization of their loans in the business also.

4.5. Impact on Business, Income, Family Living Conditions & Empowerment

4.5.1. Introduction

In this section, impact of the RUSACCO on the respondent is analyzed in terms of change in income, change in family living condition and empowerment over the pre-SACCO period. The change in business is measured in terms of profit generated from the income generating activities. The change in income is measured in terms of change in net income. The change in family condition is measured in terms of the amount of saving. Empowerment is measured in terms of the change in perception of the women on the socio economic aspect.

4.5.2. Impact on Business

Characteristics of the Population

Table 4.20 brings out the fact that the proportion of borrowers by gender and level of education in the study areas.

Out of 168 sample household respondents, 68.5 percent of the respondents availed loans from SACCO, while 31.5 percent didn't avail loans. Categories of borrowers using productive loans

were mostly men (68.7 percent) and only 31.3 percent are women. Hence, it can be concluded that there are significant differences between men and women in terms of availment of loans .This difference may be basically due to men dominated membership.

Table 4.20: Productive Credit Borrowers by Gender

Sl.No.	Gender	Yes(68.5)	No(31.5)	Total
1	Men	79(68.7)	33(62.3)	112
2	Women	36(31.3)	20(37.7)	56
	Total	115(100.0)	53(100.0)	168
1	Illiterate	2	1	3(1.8)
2	Read & write	7	1	8(4.8)
3	Elementary	49	32	81(48.2)
4	Junior	35	10	45(26.8)
5	High school	15	3	18(10.7)
6	Preparatory	3	1	4(2.4)
7	Diploma	4	5	9(5.4)
	Total	115(100)	53(100)	168(100.0)

Source: Primary data collected through field survey

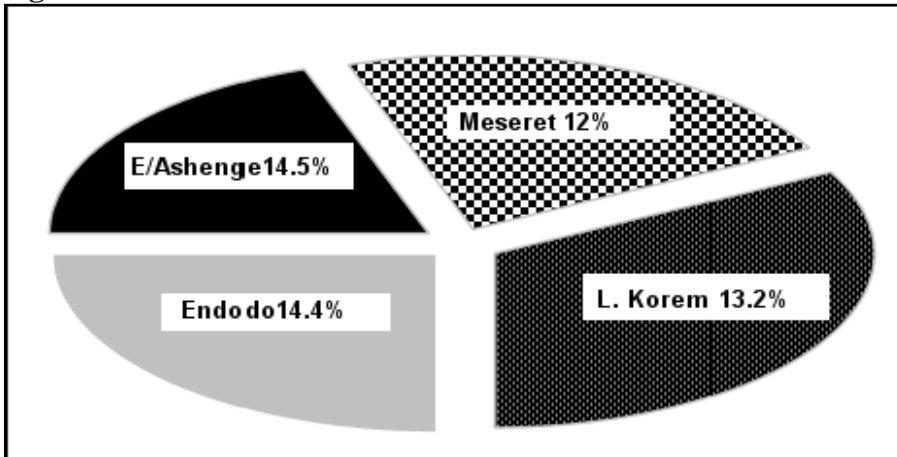
Note: Figures in parentheses indicate the percentage

Further, it can be noted that the main distinction among the borrowers is the level of education. There are significant differences between the levels of education among the borrowers. One can understand from table 4.20 is that those who have not borrowed were less literate and less educated as compared with the borrowed respondents.

Interest on Loan

Interest on savings currently is 2.5 percent per annum in four sample study area; and for loans, SACCOs charge between 12 percent and 14.5 percent per annum.

Figure 4.1: Interest on Loan



Source: Primary data collected through field survey

Interest on loans is calculated annually with the loan to be repaid within one year. The interest on savings is lower than the levels in the commercial banks and Debit Credit and Saving Institution which is 4 and 3 percent respectively, but the interest charged on loans is generally higher than the banks and DECSI.

Figure 4.1 shows that how SACCO charge interest on loan in the sample study areas, which is higher than bank rate (8.5 percent) and micro finance institutes (9-12 percent) but much lower than the rate charged by money lenders (20-100 percent). This rate has been decided by the general assembly before three years and seems to work for some years to come.

Reasons for Not Borrowing

Table 4.21: Reasons for Not Borrowing

Sl.No.	Reasons	Number	Percentage
1	Lack of guarantor	3	5.6
2	No business opportunity	16	30.2
3	Guarantor for other member	16	30.2
4	No need for a loan	18	34.0
	Total	53	100.0

Source: Primary data collected through field survey

Out of 168 sample respondents 31.5 percent of the respondents have not availed loan from SACCO. While analyzing the reason for not borrowing loan, 34 percent of the respondents reported that they did not face the need for credit, while the remaining were constrained by different factors including guarantor for other member, no business opportunity and lack of guarantor (Table 4.21).

Purpose for which Borrowed

The loan delivered to the respondents through the saving and credit cooperatives have been invested in variety of micro enterprise, in agriculture, trade and service activities.

Table 4.22: Purpose for which Borrowed

Sl.No.	Purpose	Number	Borrowed amount
1	None	53(31.5)	–
2	Agriculture	68 (40.5)	127100(59.4)
3	Trade	35(20.8)	68660(32.1)
4	Service	12(7.2)	18300(8.5)
	Total	168(100.0)	214060(100)

Source: Primary data collected through field survey

Note: Figures in parentheses indicate the percentage

As shown in table 4.22, 31.5 percent of the respondents are not availing any credit either for farm or nonfarm activities. Majority (40.5 percent) of the respondents in the study area have taken credit for agricultural activities like crop production, vegetable and fruit crops and animal husbandry. The reason being in remote rural areas their livelihood depends on agricultural activities. It is observed that 20.8 percent borrowed for trading activities like petty shop, cloth selling, vegetable and fruit selling, selling read-made garment and salt business. Only 7.2 percent of respondents have taken credit for service activities like tea/coffee shop; hair cut saloon, blacksmith work, selling of local drinks (tella and korefe) and sherobet.

Share of loans for agriculture is higher (59.4 percent) than the other economic activities. This may be attributed to the fact that the respondents borrowed for the purchase of agricultural inputs like fertilizer, chemicals and improved seeds. About 32.1 percent of the loan amount was for trading activities and only 8.5 percent of the loan amount for service sector.

Number of Times Loan Availed

The continued access to SACCO loans has many implications for both SACCO as well as to the members. Due to the continued access to loans, members can reduce dependence on out side borrowing for a high interest rate and as they get timely and usually a higher repeat loan; they can seize the emerging business opportunities in a better way.

Table 4.23 presents the number of times loan availed by the sample respondents. It is found that 31.5 percent of the respondents have not availed loan.

The percentage of respondents who availed loans for the first time represent 7.8 percent. 19.6 percent of of respondents have aviled loans for two times. Where as, the percentage of respondents who availed loans for three times (37.5 percent) are higher than the other category. Only 3.6 percent of the respondents availed loans for more than three times.

Table 4.23: Number of Times Loan Availed

Sl.No.	Number of times loan availed	Number	Loan amount
1	None	53(31.5)	–
2	One times	13(7.8)	8590(3.4)
3	Two times	33(19.6)	42550(16.7)
4	Three times	63(37.5)	175820(69.1)
5	More than three times	6(3.6)	27400(10.8)
	Total	168(100.0)	254360(100.0)

Source: Primary data collected through field survey

Note:Figures in parentheses indicate the percentage

By availing repeated loan, the SACCO members can make investment to start new business and expansion of the existing business, which will improve the performance of the business. Continued credit access by members creates a credit history in the SACCO, which will help to approve the future loans at a short time, and also can assess the inherent risk in a better way through the credit history of the members.

Single versus Multiple Activities

Generally, poor household in rural area engage themselves in a variety of small livelihood activities. For example—a poor household head may have a piece of land, wherein they raise food and vegetable crop, and also have one or two cows or have 3 to 4 goats or 5 to 10 poultry birds and also conduct commercial transaction in the near by market, like selling of merchandize in open market (like fruit and vegetable, cloth, petty shop, thread), may also involve in small service business (like hair cutting salon, repair and maintenance shop, sherobet, and tea / coffee shop) to diversify their income stream.

As money is fungible, the poor household head use the loan interchangeably for production and consumption purposes according to their needs, preferences, constraints and opportunities at the given point of time. It is found that when they invest the loan in the business, some of them spread it over multiple activities as a risk mitigation measure. For example, from a loan of Birr 1000, the member may purchase a cow for Birr700, a sheep for Birr 250 and five poultry for Birr 50. Some of the members, who have taken bigger loans, have made investment in distinct combination of activities such as tea shop and phone booth or petty shop and hair cut, livestock fattening and tea shop etc. Respondents were asked whether they invest loan in either single or multiple activities and the response obtained from them are presented in table 4.24.

Table 4.24: Single versus Multiple Activities

Sl.No.	Respondents engaged in	Number	Percentage
1	None	53	31.5
2	Single activities	35	20.8
3	Multiple activities	80	47.6
	Total	168	100.0

Source: Primary data collected through field survey

Majority (47.6 percent) of the respondents invested in multiple activities. Multiple business activities include crop production and livestock rearing, petty business, vegetable and fruit selling and tella or korefe selling and so on. This is due to the reason that most of the respondents are from rural areas and they are used to take up multiple activities to boost their household income. For example, in Hugumberda (Endodo SACCO) respondents conduct a petty business in open market in addition to their regular crop cultivation and animal husbandry activities. Only 20.8 percent of the respondents conduct single business activities.

From the result presented in table 4.24, it is found that 31.5 percent of the respondents are not taking any loan from the SACCO; neither invests their loan in single nor multiple activities. More specifically this group includes civil servants and pensioners.

Existing versus New Business

SACCO members invested the loans either in existing petty business, which are already managed by them/household members or invested in promoting new venture. The table 4.25 shows that the distribution of respondents according to their loan investments either in existing or new business.

Table 4.25: Existing versus New Business

Sl.No	Particulars	Number	Percentage
1	None	53	31.5
2	Existing business	94	56.0
3	New business	21	12.5
	Total	168	100.0

Source: Primary data collected through field survey

It is observed that 56 percent of the respondents invested their loans in existing business; where as 12.5 percent of the respondents invested their loans in new business, which seems to be good beginning. The new businesses started are tea and coffee shop, wood furniture and petty shop.

Respondent's Responses on Loan Diversion

Borrowed loans may also diverted for other purposes like house construction, education, purchasing of household appliances and food. These will affect the enterprise working capital as well as the profit generated from the venture.

Out of 115 respondents who availed credit for intended purpose, 58.3 percent of the respondents have invested the loan for which it was intended and 41.7 percent of the respondents diverted to other purposes. The different purposes for which loan diverted are presented in table 4.26.

Table 4.26: Respondents Response on Loan Diversion

Sl.No.	Loan divert to	Number	Percentage
1	House improvement	17	35.4
2	Food	15	31.3
3	Cloth	3	6.3
4	Health	2	4.2
5	Education	3	6.3
6	Celebrations	1	2.1
7	Transportation	3	6.3
8	Land tax	4	8.3
	Total	48	100.0

Source: Primary data collected through field survey

The researcher identified the cases of diversion: 35.4 percent and 31.3 percent of the respondents, diverted for meeting house improvements and food respectively. Then came in the following cases of diversion: land tax 8.3 percent, 6.3 percent (cloth, education and transportation), health 4.2 percent, and celebrations 2.1 percent. Even though these are basic and urgent needs, the SACCO managers should follow up the loan utilization purpose, otherwise it will take long time in preventing the diversion of the loan.

Assets Creation

The impact of participation in SACCO on household assets can be seen from the table 4.27. It is inferred that 68.5 percent of the sampled respondents could made additional assets. Most of these assets are shown to be in the form of construction of new houses, repairing old ones, livestock purchase like sheep, goat, cow, oxen, donkey, chicken and purchase of household equipment like tape recorders, radio, television, chairs, and tables.

The rest 31.5 percent of the respondents have not acquired any additional assets. It can also be observed that the asset creations are lower for women than men.

Majority (31.5 percent) of the borrowers had the asset worth more than 1000 Birr. It is further found that 17.9 percent and 19 percent of the borrowers had the asset worth up to 500 and between 500 and 1000 Birr respectively.

Table 4.27: Asset Created by Respondents

Sl.No.	Additional assets	Men	Women	Total
1	None	33	20	53(31.5)
2	Up to 500	19	11	30(17.9)
3	>500 to 1000	20	12	32(19.0)
4	>1000 to 1500	17	9	26(15.5)
5	>1500 to 2000	11	1	12(7.1)
6	>2000 to 2500	8	3	11(6.5)
7	Above 2500	4	—	4(2.4)
	Total	112	56	168(100.0)

Source: Primary data collected through field survey

Note: Figures in parentheses indicate the percentage

Access to property is one important aspect of empowerment for women. The lack of effective access to and control over important resources by the majority of women in rural areas is a major obstacle to women's socio-economic empowerment.

Property is a status symbol underscoring women's low social and economic status (World Bank 1999). For those women whose assets increased as a result of the loan, there is a tendency for complete or shared ownership of assets by women.

And since power is always related with ownership of assets particularly in rural areas these women are expected to experience a certain level of empowerment. But generally the impact of the SACCO participation on women's empowerment through extra asset creation is not significant as compared with men. Overall impact of the SACCO participation on additional household assets is significant

Employment

SACCO loans for members, when they properly utilized serve twin purposes.

They provide them with gainful employment opportunity not only to self, but also to others and yield a stream of income. Growth of business opens up a vista of opportunities for the underprivileged to raise them from under employed status to full employment status. As the skill base of the poor is low, they can find jobs easily in a business enterprise, which need low skilled persons.

Table 4.28: Employment Status in the Business

Sl.No.	Number of persons employed including the respondent	Pre-SACCO		Post-SACCO	
		Number	Percentage	Number	Percentage
1	1 person	134	79.7	118	70.2
2	2-4 persons	31	18.5	42	25.0
3	5 and above	3	1.8	8	4.8
	Total	168	100.0	168	100.0

Source: Primary data collected through field survey

It is inferred from table 4.28 that there is a small amount of change observed with respect to employment opportunity. About 79 percent of the units employed only one person on an average during the pre-SACCO period and this figure has moved up to 70.2 percent during the post-SACCO period.

It is observed that this category of business is either run by respondents themselves on a part time basis to adjust with their other roles in the household or in the entry level, which have a very few customers and a low level of turnover and can not afford to have another employee. It is found that 18.5 percent of the units were employing 2-4 persons in their business during the pre-SACCO period and this figure has moved up to 25 percent during the post-SACCO period.

It is further found that 1.8 percent of the petty businesses have employed more than 5 persons during the pre-SACCO period and this figure has moved up to 4.8 percent during the post-SACCO period.

This 5 and above person activities are seasonal and more commonly true in the agricultural activities like plowing and harvesting create employment opportunity for 5 and above persons. Thus, promotion of rural saving and credit cooperatives addresses the problem of unemployment among the poor and brings vibrancy to the rural economy

Training

SACCO training facilitates to run the units effectively. Training programs are offered by Non-government or other specialized agencies. Major trainings conducted by SACCO include awareness creation about cooperative philosophy, proper utilization of credit, improving saving habit and business diversification.

From the table 4.29, it is found that 60.7 percent of the respondents have undergone training in saving and credit area, where as 39.3 percent of the respondents' not undergone training. The respondents reported that during the formation through the contribution of woreda promotion office and Volunteers in Overseas Cooperative Assistance (VOCA) Ethiopia, they received training in the area of saving and credit cooperatives as well as business diversification.

Table 4.29: Respondents' Responses on Training

Sl.No.	Description	Number	Percentage
1	Trained	102	60.7
2	Not-trained	66	39.3
	Total	168	100.0

Source: Primary data collected through field survey

Majority of the training participants have confirmed that they have benefited greatly from the training. All know their roles and responsibilities, and the manager and board members in particular work together harmoniously.

Types of Training

Regarding the types of training, 37.3 percent of respondents have been trained in habit of thrift and 29.4 percent in proper utilization of credit. They were also trained in the following area: cooperative ethos and philosophy (28.4 percent) and business (4.9 percent).

Table 4.30: Types of Training

Sl.No.	Types of training	Number	Percentage
1	Proper use of credit	30	29.4
2	Increase habit of thrift	38	37.3
3	Cooperative philosophy	29	28.4
4	Business diversification	5	4.9
	Total	102	100.0

Source: Primary data collected through field survey

Do borrowers are late in Repayment of loan?

Table 4.31: Late in Repayment of Loan

1	Number of respondents loans availed	115
2	Number of respondents making late payments	15
3	Percentage of respondents making late payments	13%

Source: Primary data collected through field survey

Table 4.32: Reasons for Late in Payments

Sl.No.	Reasons for late in payments	Percentage
1	Negligence	6.7
2	Repayment periods too close	33.3
3	Unforeseen events	53.0
4	High family expenditure	7.0

Source: Primary data collected through field survey

As per the table 4.31, only 13 percent of the respondents stated there was delay in repayment of their loan. Reasons were unexpected expenses (53 percent), less period of repayment (33.3 percent), high family expenditure (7.0 percent) and negligence (6.7 percent).

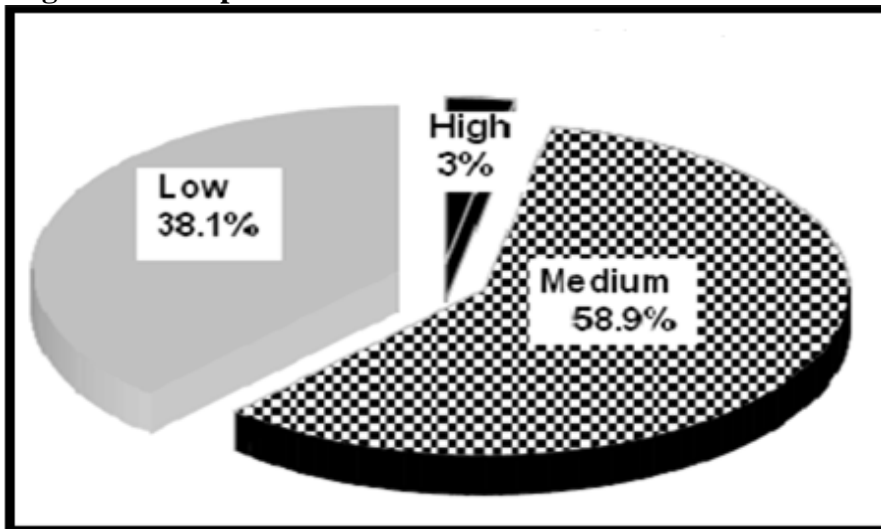
Risk Orientation

A special scale was constructed and used to measure risk orientation of members based on their awareness on the business, on a three point continuum (high, medium and low).

Members may face risk at various point of time as they are exposed to multi various perils both in the household and in their business, some of which are fully beyond their control. Figure 4.2 attempts to present the orientation of the respondents towards risk.

It is found (figure 4.2) that 58.9 percent of respondents have medium risk orientation towards their venture. The percentage of respondents who have low risk orientation accounts to 38.1. Only 3 percent of respondents had high risk orientation.

Figure 4.2: Respondents' Risk Orientation



Source: Primary data collected through field survey

Table 4.33 attempts to present the various coping strategies followed by respondents were: using the personal savings, borrowing from various sources usually at an exorbitant rate of interest (the rate of interest increase with the rate of urgency of taking the loan), interest free loans from friends and relatives, selling of their assets etc.

Table 4.33: Coping Strategy Followed By Respondents

Sl.No.	Coping strategy	Number	Percentage
1	Using personal savings	116	69.0
2	Sale of assets	24	14.3
3	Borrowing	28	16.7
	Total	168	100.0

Source: Primary data collected through field survey

69 percent of the respondents manage risk by using personal savings, 16.7 percent of them by borrowing from other sources, and 14.3 percent of the borrowed managing the risk by selling assets.

Money Lending

When the lucrative base of the venture generates profit, members lend money to friends and relatives on condition that they will pay it back after some time.

It is inferred that majority (69.6 percent) of the respondents didn't lend money to members and non-members in the study area.

Table 4.34: Respondent Response to Money Lending

Sl.No.	Loan amount	Number	Percentage
1	None	117	69.6
2	Up to 1000	47	27.9
3	>1000 to 2000	4	2.4
	Total	168	100.0

Source: Primary data collected through field survey

Of the 168 respondents in the study areas only 51 respondents have lended money to members and non-members. More than one fourth (27.9 percent) of the respondents lend money up to 1000 Birr for friends and relatives, while 2.4 percent of the respondents lend money on the range of 1000 and 2000 Birr.

The profit is due to the nature of diversification of activities carried out by the respondents in the trading activities after getting credit and some respondents stated that after taken credit they rent farm land on lease basis and produce and earn additional income.

4.5.3. Impact on Income and Family Living Conditions

One of the primary objectives of the SACCO program is to improve the income of the members through the provision of organized financial services. This is accomplished by engaging participants in income generating activities at the household and community level.

Among SACCO members, there is bound to be income inequality due to various reasons. This income inequality is further compounded by the phenomenon that various members use the loan for running their petty business and get incremental income, where as some respondents use the credit not for productive purpose and divert it for unproductive purpose, which will not add further income accruals.

It will be of interest to know whether the SACCO promotes the income inequality among the members or paves way for the creation of more growth with equity in the respondents. The respondents shift from one category in pre-SACCO to another category in post-SACCO period has been analyzed and results are presents in table 4.35.

Table 4.35: Shift in Income Category

Sl.No.	Respondent income category	Pre-SACCO		Post-SACCO	
		Number	Percentage	Number	Percentage
1	Up to 300	12	7.1	6	3.5
2	>300 to 600	141	84.0	124	73.9
3	>600 to 900	15	8.9	38	22.6
	Total	168	100.0	168	100.0

Source: Primary data collected through field survey

It is observed (table 4.35) that 7.1 percent of the respondents were in the 300 Birr income category during the pre-SACCO period and this category was reduced to 3.5 percent during the post-SACCO period. It is noted that majority (84 percent) of the respondents were in the 300 to 600 Birr income category during the pre-SACCO period and this category has reduced to 73.9 percent of the respondents during the post-SACCO period. It is further found that 8.9 percent of the respondents were in the 600 to 900 Birr income category during the pre-SACCO period and this category has increased to 22.6 percent of the respondents during the post-SACCO period. No respondents were above 900 Birr income category either in the pre-SACCO or post-SACCO period. Hence it can be concluded that the members who have joined the SACCO, when they were in lower level of income ladder and moved upwards during the post-SACCO period.

Amount of Profit Earned

From the table 4.36, it is inferred that more than two third (70.8 percent) of the respondents' business do not result in profit, while 25.6 percent of the respondents have produced profit in their businesses up to 1000 Birr/annum. Only 3.6 percent of the respondents had the profit between 1000 and 1500 Birr.

Table 4.36: Amount of Profit Earned By Respondents

Sl.No.	Amount transfer	Number	Percentage
1	None	119	70.8
2	Up to 1000	43	25.6
3	>1000 to 1500	6	3.6
	Total	168	100.0

Source: Primary data collected through field survey

The reason for this phenomenon may be attributed to the fact that the access to credit thereby increased in sales and profit. But, as there is low entry barrier and coping process (if one

economic activity is found profitable by the first entrepreneur, the other members and some non-members in the locality tend to start the same activity later, with out looking in to the demand for the products) in many microenterprises like petty shop, hair cut, fruit and vegetable selling and sherobet. Hence, the profitability of the unit comes down, once the market is crowded with many suppliers.

Utilization of Profit

From the result presented in table 4.37, it is found that more than two third (57.4 percent) of the respondents' business do not produce profit. This may be due to their venture have not resulted in profit since they divert the loan for household consumption like food, clothing and home improvement.

Table 4.37: Respondents' Utilization of Profit

Sl.No.	Purpose of transfer	Number	Percentage
1	None	66	57.4
2	House construction	14	12.2
3	Food	12	10.4
4	Cloth	6	5.2
5	Health	5	4.3
6	Education	3	2.6
7	Household appliance	5	4.3
8	Business expansion	4	3.5
	Total	115	100.0

Source: Primary data collected through field survey

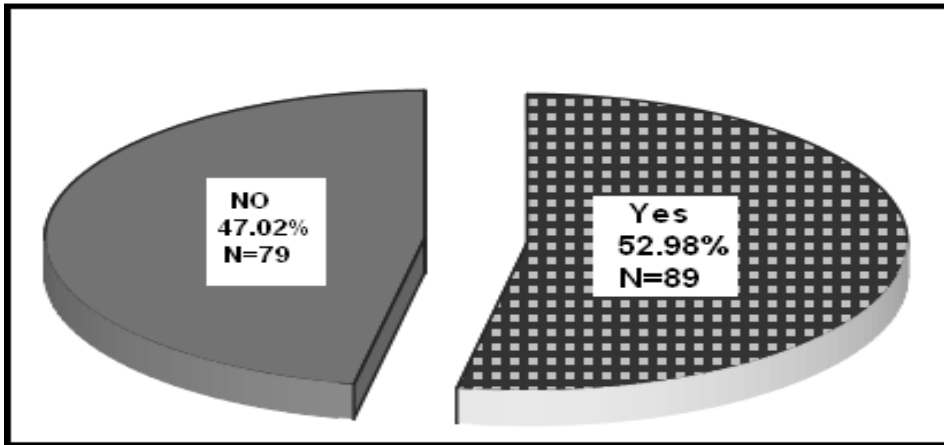
Majority of the respondents' profit earned during the period were withdrawn from the business and transferred for house construction (12.2 percent), food (10.4 percent), cloth (5.2 percent), (health and household appliance) 4.3 percent, and education (2.6 percent). As a result there was decapitalization of the businesses. Only 3.5 percent of the respondents retained the profit for business expansion purpose.

Consumption Expenditure

Participation in SACCO aims at triggering improved living conditions of the members. This is particularly seen in the level of consumption expenditure in the family as shown in the figure 4.3, below.

The consumption expenditure is seen to rise after joining SACCO. It is inferred that 52.98 percent of the respondents perceived increase after joining SACCO, while 47.02 percent of the respondents reported that their consumption expenditure did not increase even after joining the SACCO.

Figure 4.3: Household Consumption Spending



Source: Primary data collected through field survey

Hence, it is possible to conclude that more than half (52.98 percent) of respondents' income is spent on the improvement in living standards, like on nutrition, health and education.

Household Consumer Expenses

Table 4.38 shows the ranks of respondents for different household expenses.

Table 4.38: Household Consumer Expenses

Sl.No.	Expenses	Pre-SACCO	Post-SACCO
		Number	Number
1	Food	40	45
2	Health	26	35
3	Appliances	21	34
4	Clothing	16	25
5	Celebrations	11	14
6	Fuel	10	11
7	Transportation	9	12

Source: Primary data collected through field survey

It is observed (table 4.38) that expenses which have increased are for food, health and appliances. Expenses which grew the least are clothing, and celebrations. It seems that certain expenses cannot be reduced and their level is stable (fuel and transportation). This analysis confirms that growth is felt more for prime necessity goods than for other items.

Access to Education

An improvement in access to education of the borrowers and the borrowers' family in general is one important successful impact indicator of SACCO. Access to formal education for the respondents and his household is supposed to improve after the issue of loan. One reason is a rise in income could enable the member to send their children or/ and dependents to school or the capacity to pay for education builds up.

Table 4.39: Respondents' Response on Education

Sl.No.	Response	Number	Percentage
1	Yes	89	53
2	No	79	47
	Total	162	100

Source: Primary data collected through field survey

Majority (53 percent) of the respondents reported that expenses for education increased after joining SACCO; where as 47 percent of the respondents said that educational spending did not increase even after joining SACCO. From this it is inferred that SACCO has led to better access for education for the household, because lack of money for living cost is the major cause of non-enrollment and school dropouts in high school education.

Savings Behavior

All respondents must have share or deposit accounts in SACCO as part of a membership requirement. Also all respondents have compulsory saving accounts. Table 4.40 presents the percentage of sample households which use the savings services of SACCO.

Table 4.40: Saving Behavior of Respondents

Sl.No.	Saved amount in Birr	Men	Women	Total
1	Up to 1000	69(61.6)	42(75.0)	111(66.1)
2	>1000 to1500	43(38.4)	14(25.0)	57(33.9)
	Total	112(100.0)	56(100.0)	168(100.0)

Source: Primary data collected through field survey

Note: Figures in parentheses indicate the percentage

The average deposit size of respondent in the study area per member is Birr 1080 and the minimum and maximum deposit amount is Birr 700 and Birr 1500 respectively.

From the analysis it is observed that 66.1 percent of the respondents have up to 1000 Birr deposit and 33.9 percent have between1000 and1500 Birr deposit. Gender also plays an important role in deposit accounts. About 61.6 percent of men and 75 percent of women deposited up to 1000 Birr, while 38.4 percent of men and 25 percent of women respondents deposited between1000 and 1500 Birr.

Reasons for Savings

For the great majority of respondents encountered, the main reason for saving was to start new business (31.5 percent). Others: to buy livestock (27.4 percent), access for credit (22.6 percent) and for unwanted expenses (18.5 percent), specifically for drinking of *korefe* and *tella*. All the respondents save at first for the physical security of their money.

Table 4.41: Reasons for Saving

Sl.No.	Reason	Number	Percentage
1	Access for credit	38	22.6
2	Undertaking new business	53	31.5
3	To buy livestock	46	27.4
4	For unwanted expense	31	18.5
	Total	168	100.0

Source: Primary data collected through field survey

Scenario without SACCO

The survey also look at the hypothesis in which respondents did not have access to SACCO services (table 4.42). In this instance, 43.5 percent of the respondents stated that they would not have been able to conduct their economic activity (refers to agriculture, service and trade) without the help of SACCO.

Table 4.42: Scenario with out SACCO

Sl.No.	Responses	Number	Percentage
1	Not able to acquire goods	73	43.5
2	Would still acquired goods	29	17.3
3	Family and parents	25	14.9
4	Project & DECSI	18	10.7
5	Borrow from money lenders	23	13.7
	Total	168	100.0

Source: Primary data collected through field survey

About 17.3 percent of the respondents responded that they would conduct their economic activities without borrowing a loan from SACCO, 14.9 percent stated they would have borrowed the loan from family or friends, 10.7 percent of the respondents stated they would have borrowed the loan from project (food security and women's associations) and DECSI. Only 13.7 percent would have gone to private lenders.

When respondents were asked to explain why they were not able to do their economic activities without recourse to SACCO (an open question), most of respondents replied that they would not have the discipline to keep the money at home and that they would have made for unnecessary expenditure like drinking of *tella* and *korefe* (41 respondents). Similarly, 19 respondents replied that without SACCO, it would be impossible for them to save. Thirteen persons believed that it would have been impossible to find the money to make the economic activities like purchasing of agricultural inputs.

This data demonstrates that by using savings, members can acquire goods that they would not be able to acquire otherwise. The SACCO therefore has an interesting impact on its members through savings. The results also show that there are few alternatives for access to savings services. If it were not for the financial cooperative, the respondents would have had to rely to a large measure on their parents and friends.

Savings deposits procure security for members. This refers to physical security since the savings on deposit are safe from theft and from being used for household expenses. Savings also offer greater security for households by stabilizing income and a way to deal with unexpected expenses caused by climate, the economy or health concerns. Savings are also used for business proposals or to improve living conditions for the family.

In general, it can be concluded that savings improve family living conditions. Without savings, households are more likely to feel the effects of disturbances that could cause them to lose what they have acquired. Respondents (43.5 percent) stated that without savings, they could not have made the required purchases or investments.

4.5.4. Impact on Individuals

Empowerment is tricky concept difficult to measure and define properly. It could usually be identified only when it is experienced. Susy Cheston and Lisa Kuhn(2002) defined empowerment as “a process change by which individuals or groups with little or no power gain the power and ability to make choices that affect their lives” It is about change, choice and power.

Here the perception of empowerment of the respondents before and after joining the SACCO is measured in order to assess the progress.

In connection to this the women were asked various questions regarding decision making in the household with respect to resources and some other household issue. These are discussed in the following part.

Does Empowerment Grow?

Decision to Borrow

Women were asked various questions regarding decision making with respect to economic activity like decision to borrow, use of profit and type of economic activity they undertake, and decisions on land use. Table 4.43 shows that women do in fact feel associated with decisions affecting their economic activity as decision to borrow.

When the results of each dimension were studied, it was noted that the women respondents stated that the decision to borrow was some what more than before, 44.6 percent of them responded

they decided jointly husband and the wife on decision to borrow during the pre-SACCO period and this figure has increased to 58.9 percent during the post-SACCO period.

Table 4.43: Decision to Borrow

Sl.No.	Responses	Pre-SACCO		Post-SACCO	
		Number	Percentage	Number	Percentage
1	Husband	25	44.6	12	21.5
2	Wife	5	8.9	11	19.6
3	Both	26	46.5	33	58.9
	Total	56	100.0	56	100.0

Source: Primary data collected through field survey

Another 44.6 percent responded a husband's full control on the decision-making to borrow during the pre-SACCO period and this figure has reduced to 21.5 percent during the post-SACCO period. Further, it is found that 8.9 percent of them responded that wife has full autonomy over decision-making to borrow during the pre-SACCO period and this figure has increased to 19.6 percent during the post-SACCO period.

Decision Concerning the use of the Profit

Table 4.44 refers to the decision concerning the use of the profit obtained from the income generating activities, especially with respect to the farm and non farm sectors. In this respect, women were asked as to who decides concerning the use of the profit before and after joining SACCO. The following table shows their responses.

Table 4.44: Decision Concerning the use of the Profit

Sl.No.	Responses	Pre-SACCO		Post-SACCO	
		Number	Percentage	Number	Percentage
1	Husband	17	30.4	10	17.9
2	Wife	11	19.6	15	26.8
3	Both	28	50.0	31	55.3
	Total	56	100.0	56	100.0

Source: Primary data collected through field survey

As can be seen in table 4.44, there is a significant change observed with respect to decision concerning the use of the profit obtained from the venture. During the pre-SACCO period, 30.4 percent of them responded that husband decided on profit obtained from the income generating activities and this figure moved up to 17.9 percent during the post-SACCO period. It is found that 19.6 percent wife had a contribution on the decision related with profit obtained from the business during the pre-SACCO period and this figure moved up to 26.8 percent during the post-SACCO period. Further, it is found that 50 percent responded that they decide jointly on family related activities during the pre-SACCO period and this figure moved up to 55.3 percent during the post-SACCO period. Hence, it can be concluded that after joining SACCO women are now put at a relatively better decision-making power on decisions concerning the use of the profit than previously.

Decision Making in Family

With respect to the decisions made concerning the family, family economic activities, family budget, child education and purchases of food are included.

Table 4.45: Decision Making in Family

Sl.No.	Responses	Pre-SACCO		Post-SACCO	
		Number	Percentage	Number	Percentage
1	Husband	12	21.4	10	17.9
2	Wife	18	32.1	17	30.4
3	Both	26	46.5	29	51.7
	Total	56	100.0	56	100.0

Source: Primary data collected through field survey

Both before and after joining SACCO, 21.4 percent of husbands had full control on the decision making concerning the family related activities during the pre-SACCO period and this figure reduced to 17.9 percent during the post-SACCO period. Wife had control on the decision making

on family related activities accounting for 32.1 percent during the pre-SACCO period and this figure reduced to 30.4 percent during the post-SACCO period. It is further found that, 46.5 percent responded that they decided jointly on family related activities during the pre-SACCO period and this figure increased to 51.7 percent during the post-SACCO period. Hence, it is possible to conclude that joining the SACCO empowered women respondents with respect to the decisions made concerning the family.

Decisions on use the Land

No woman had full control on the decision making on the use of the land during the pre-SACCO period.

Table 4.46: Decisions on use the Land

Sl.No.	Responses	Pre-SACCO		Post-SACCO	
		Number	Percentage	Number	Percentage
1	Husband	15	26.8	12	21.4
2	Wife	–	–	4	7.1
3	Both	41	73.2	40	71.5
	Total	56	100.0	56	100.0

Source: Primary data collected through field survey

Only 7.1 percent of the wives had control on the decision making on the use of the land during the post-SACCO period as compared with no women participated in decision making on the use of the land during the pre-SACCO period. About 73.2 percent responded that they decided together with their husbands on the use of the land during the pre-SACCO period and this figure reduced to 71.5 percent during the post-SACCO period.

It is further found that, 26.8 percent of the respondents reported that the husbands solely decided on the use of the land during the pre-SACCO period and this figure reduced to 21.4 percent during the post-SACCO period. Thus, it is concluded that the SACCO has not empowered

women respondents on decision making on the use of the land.

Dynamics in Household Activities

RUSACCO are supposed to ease women’s domestic work burden both by changing people’s attitude, by diverting their time to other activities that are more rewarding. The results of their responses in accordance with the activities reveal that women take part pre-SACCO and post-SACCO period are shown in the table 4.47.

The number of women who take part in domestic household activities is very high both before and after the loan. During the pre-SACCO period, 13.2 percent, 16.6 percent, 15.9 percent and 17.2 percent of the women respondents are engaged in activities of child- care, cooking, grinding and cleaning respectively.

In addition, activities related to livestock, fuel wood collecting and farming are the predominant activities women are engaged respectively.

Table 4.47: Activities the women were Participating

Sl.No.	Household activities	Pre-SACCO		Post-SACCO	
		Number	Percentage	Number	Percentage
1	Child care	20	13.2	20	14.8
2	Cooking	25	16.6	21	15.6
3	Fuel wood collection	19	12.6	15	11.1
4	Grinding	24	15.9	21	15.6
5	Livestock related	21	13.9	17	12.6
6	Cleaning(homes & clothes)	26	17.2	25	18.5
7	Petty business	5	3.3	14	10.4
8	Farming	11	7.3	2	1.5

Source: Primary data collected through field survey

During the pre-SACCO period, only 3.3 percent of women respondents participated in small income generating activities like petty shop, selling fruit and vegetable from a room in her home and selling gum, detergents and soap at the open market and this figure

increased to 10.4 percent during the post-SACCO period. However, there is no comparable decrease in the share of women involved in the traditional activities. Thus, it can be concluded that the SACCO have not resulted in decrease in workload and responsibilities.

The Major Problems As Perceived By Respondents

Rigid Lending System

When asked "What types of problems have been there those hinder expansion of SACCO?". more than three-quarters (86.3 percent) of the respondents cited rigid lending system offered by SACCO as one of the major problems.

During the survey, it has been observed that members strongly commented that collateral requirements should be relaxed, for example if one member needed credit he/she must have guarantor from the members who will pledge his/her compulsory savings and shares to cover the loss to the SACCO in the event that borrower does not repay. Otherwise, the borrower would not get any loan. When a guarantor provides a guarantee, he/she can not borrow until the original borrower's obligation to the SACCO is fully repaid. In contrast to the above, only 13.7 percent of respondents appreciated their SACCO's lending system (see table 4.48).

High Interest Rates

The interest rates charged vary from one SACCO to another in the study area, but generally ranged from 12 percent to 14.5 percent per year in the case of lending and 2.5 percent per year in the case of saving deposit.

Respondents were asked "Does SACCO charge higher interest rates on loans than other financial institution. In response to these statements, 63.7 percent of respondents agreed that SACCOs

charge higher interest rates on loans than DECSI. Another 36.3 percent of respondents disagreed to this statement.

What painfully clear from the table 4.48 is that, 63.7 percent of the members simply do not know the reason behind the high interest rates on loans as compared with other financial institutions. If SACCOs charge higher interest rates than other finance institutions, it is to cover all of its costs, its potential losses and some margin for growth. Moreover, the members will receive the loan in the form of dividend when dividend is declared; in contrast the moderate interest rates charged by other financial institutions do not bring any monetary benefit for its clients at the end of the credit period.

Even though members perceived SACCO charges high interest rates, it is one indicator that members are not fully aware about reasons behind the high interest rates charged by SACCO. So it requires member education by informing member dividend received has been directly obtained from the interest rate charged from the borrowers.

Lack of Skilled Man Power

Respondents were asked to state whether they agree or disagree regarding the absence of skilled man power. In response to these statements, all the respondents (100.0 percent) opined that "SACCOs do not have professional skilled manpower that fully committed to achieves its goals for savings, lending, repayment, education and others. The existing management committee lack adequate knowledge about the functions and activities of SACCO.

Limited Training Opportunities

It is observed from the table 4.48 that almost all (97 percent) of the respondents agreed that there is limited training opportunity available in SACCO, so this is one of the problems that limit

members to grasp knowledge related with saving and credit services and to know the over all importance of cooperatives. Only a very meager number (3 percent) of respondents disagreed to the statement, in that training is not the major problem that hinders SACCO expansion.

Table 4.48: Major Problems of SACCO

Sl.No	Variable	Agree	Disagree	Total
1	SACCO have rigid lending system	145(86.3)	23(13.7)	168
2	SACCO charger higher interest rates on loans.	107(63.7)	61(36.3)	168
3	SACCO lacks skilled man power	168(100.0)	–	168
4	SACCO does not give training opportunities to its members	163(97.0)	5(3.0)	168
5	In SACCO members not actively participate in the management of the societies	144(85.7)	24(14.3)	168
6	SACCO board of directors have weak management capacity	149 (88.7)	19(11.3)	168
7	SACCO have inadequate representation of women members in management	90(53.6)	78(46.4)	168
8	SACCO have short loan repayment period	138(82.6)	29(17.4)	168
9	SACCO lend small amount of loans to its members	102(60.7)	66(39.3)	168
10	SACCO lacks good record keeping system	105(62.5)	3(37.5)	168
11	SACCO members have poor saving habits	3(1.8)	165(98.2)	168

Source: Primary data collected through field survey

Note: Figures in parentheses indicate the percentage

Not Actively Participating in the Management of the Societies

About 85.7 percent of the respondents agreed with not participating in the management of the societies. Only 14.3 percent of respondents disagreed with participating in the management of the societies.

Weak Management Capacity

A high proportion of respondents (88.7 percent) agreed that "SACCO board of directors have weak management capacity. In answering this question, it may be that respondents took into account the management committee's educational background and general knowledge about cooperatives. Only limited numbers of respondents (11.3 percent) believed that SACCOs management committee has good management capacity.

In order to expand saving and credit service, the researcher recognized the need for expertise and professionalism. How could this be achieved? This could be achieved in two ways: 1) increased the on-going education as fundamental for the management committee and 2) recruit train and knowledgeable professional work force in light of the financial conditions of the SACCO.

Inadequate Representation of Women

When asked, "Is there inadequate representation of women members in management of the SACCO, 53.6 percent of the respondents agreed in that the proportion of men to women in the management is an unequal distribution of seat. About 46.4 percent of respondents disagreed in that the proportion of men to women in the management of SACCO is equal in ratio.

Short Loan Repayment Period

When asked "Do you think loan repayment period is short?" 82.6 percent of respondents agreed with the statement. Specific suggestions included: 1) the repayment period should be two years

instead of one year, 2) loan amount should be considered in repayment, and 3) loan utilization purpose, special repayment terms may need to applied to farm loans since farmers receive the bulk of their income in lump sum payments at harvest time, rather than at regular monthly intervals. In contrast to this, only 17.4 percent of respondents disagreed in that the repayment period is not too short.

Loan Offered is Small

When asked “Do you think loans offered by SACCO is small in amount”, a high proportion of respondents (60.7 percent) agreed that SACCO offer only small amount of loan to its members. It has been ascertained in the field visit, that many of the members need large amount of loan in order to do business. Another 39.3 percent responded negatively that is, SACCO offer large amount of loan to its members.

Lacks Good Record Keeping System

It is found that 62.5 percent of respondents agreed that SACCO lack good record keeping about record showing asset, liabilities, and cash received and paid out. 37.5 percent of respondents disagreed that SACCO have good record keeping systems that reflect the transaction and financial position of the SACCO.

Poor Saving Habits of Members

All SACCO members are required to hold share accounts, and almost all (168 respondents) have demand deposit accounts. Almost all of respondents (98.2 percent) disagreed that SACCO members have high saving habit, but due to low income source, they are not able to increase their share amount. Only 1.8 percent of respondents agreed that SACCO members have poor saving habit.

4.6. Non-Members' Perceptions

Obviously, ensuring the ongoing viability and vitality of saving and credit cooperatives is of utmost importance. This part discusses the important issue of increasing saving and credit cooperatives membership as a means of maintaining this viability.

The general perception held by non-members is that SACCO is more people oriented and friendly than other financial institutions. They are seen as understanding of people's needs, financial situations and as being willing to help. Overall image held by non members seems to be a very positive one. Why, then, have these individuals not joined the saving and credit cooperatives?

Why Have Non Members Not Joined the SACCO?

Non-members' replies to this question provided diverse and very interesting (table 4.49) and an overview is provided of the opinions of these respondents.

Non-Members' Reasons for Not Joining the SACCO

Table 4.49: Reasons for Not Joining the SACCO

Sl.No.	Reasons	Number	Percentage
1	No money to save	22	36.7
2	No perceived benefit	10	16.7
3	Lack of information	8	13.3
4	Interest is too high on loan	8	13.3
5	SACCO is inconvenient	4	6.7
6	Satisfied with present financial institution	4	6.7
7	Miscellaneous opinion	4	6.7
	Total	60	100.0

Source: Primary data collected through field survey

No Money to Save

The table 4.49 shows more than 36.7 percent of non-members did not have money to save and therefore, they could see no reason to join the SACCO. Non-members viewed the SACCO as primarily providing a saving service only.

This may be true in many instances but for some it may be due to a lack of knowledge on the additional services that the SACCO provides.

No Perceived Benefit

In response to the question ‘why have you not joined the SACCO? 16.7 percent of respondents said that the SACCO had not given any benefit for them; hence, they could see no purpose in joining. This response although relatively innocuous at face value has many underlying dimensions. The reply perhaps reflects a basic misunderstanding of what the SACCO actually does and why and for whom the SACCO was established to serve. Basically the SACCO was established purely for people who needed loans and that these loans were particularly for people who are in financial difficulty.

This basic misunderstanding of SACCO and their purpose and function with in non-members can be solved through creating awareness by campaigns, seminars etc which would clearly explain the functions of the SACCO and for whom it was set-up.

Lack of Information

This lack of information is further emphasized by 13.3 percent of non-members directly stating that they had not joined the SACCO because they knew very little about it. They said that they might be encouraged to become a member if relevant information was made available.

Interest is too High on Loan

More than 13.3 of non-members who were interviewed stated that they had not joined because the SACCO charges high interest on loan than other financial institution. This is a very important point in terms of marketing SACCO services to non-members. Even though interest is too high on loan than other financial institutions, it is for the benefit of the members in the form of dividend at the end of the year. So it is important to inform the reason for high interest on loan in order to encourage future membership.

SACCO is Inconvenient

Nearly 7 percent of non-members stated that the Dedebit micro finance had more branches than SACCO, had longer opening hours and provided easier access to their finance. To encourage these non-members to join the SACCO would certainly involve increasing the working hours.

Satisfied with Present Financial Institution

Almost 7 percent of non-members said that they were satisfied with their present financial institution (DECSI) either in the form of credit / saving or a sense of loyalty to the institutions.

Miscellaneous Opinions

The remaining 6.7 percent expressed a diverse range of opinions regarding saving and credit cooperatives. These are some of the opinions:

- Difficulty to withdraw savings from SACCO, in comparison to DECSI—1.7 percent
- Dislike for the manner in which a member has to initially save some money before being entitled to benefit from the loan facility—1.7 percent
- Loans offered by the SACCO were too small—1.7 percent
- SACCO deposit account at Dedebit credit and saving institutions—1.7 percent

Problems of SACCO As Perceived By Non-Members

Non-members were asked to point out the factors that persuaded them not to join SACCCO. This question elicits the following problems (table 4.50).

Table 4.50: Major Problems as Perceived by Non- Members

Sl.No.	Problems	Number	Percentage
1	Rigid lending system	25	41.7
2	Short repayment period	17	28.3
3	Interest is too high on loan	9	15.0
4	Loans offered were too small	4	6.7
5	Money deposited at Dedebit	3	5.0
6	Monthly payment is high	2	3.3
	Total	60	100.0

Source: Primary data collected through field survey

Rigid Lending System

Almost 42 percent of non members stated that rigid lending system is one of the major problems currently SACCO confronts. They said that in order to borrow loan from SACCO it requires guarantor from members, getting guarantor is one of the difficult task since one member may be a guarantor for other member, in this case until the first person repay the full amount of debt the guarantor is not the right member to borrow money from SACCO.

Short Repayment Period

The percentage of non-members who bring out short repayment period as problem accounts 28.3 percent. They said that the repayment period is one year regardless of the borrowed amount, so this is one problem that forces non-members not to join in SACCO.

To encourage these non-members to join the SACCO it is better to extend the repayment period as compared with the other financial institutions.

Interest is too High on Loan

Exactly 15 percent of non-members cited the problems that interest rates are too high on loan. The replay perhaps reselects a basic misunderstanding of what the SACCO offer above-market interest on loan than the other, so it requires non-member education to justify the significant gap in interest rates charged on loans between the SACCO and other financial institutions.

Money Deposited at Dedebit

It is found that 5 percent of non-members who were interviewed stated that money deposited in Dedebit credit and saving institution as a problem. Furthermore, non-members stated that they lacked confidence when the SACCO money deposited in Dedebit since they consider microfinance as private financial institution. If any thing happens, they may plunder the SACCO loans.

Reduce the Monthly Payment

Only 3.3 percent of the non-members stated that the regular monthly payment is high that is 15 Birr for saving and 5 Birr for share. As non-members said if the regular monthly payment is reduced to 10 Birr they will join in to the SACCO. Otherwise, with the existing financial constraints they are not able to join.

Non-Members' Suggestions to Solve the Problems

The majority of non-members felt that the SACCO had been lacking in their efforts to educate the general public in the potential and benefit of SACCO. Furthermore, non-members generally felt that vast numbers of new members would join if they knew exactly what the SACCO services and philosophy are. Non- members further ensure that if SACCO relax its lending

system and extend the repayment period, they would join. This points out to the need of organizing seminars and campaigns to create awareness about SACCO. This is the needed role of Cooperative Extension and also emerging need of formation of more SACCO.

4.7. Results of the Study on Officials of Cooperative

Perception of Officials on Impact

Using the semi structured interview schedule from the interviews with officials, it was possible to learn that involvement in SACCO services would serve a useful purpose in narrowing the gender gap and in bridging the gap between the rich and the poor. In a general manner, savings and credit cooperatives generate tangible impact on the businesses and individuals and families.

Officials are unanimous in stating that the SACCO gave them access to exclusive financial services which to a large extent meet their needs.

Often these financial cooperatives are absolutely essential since equivalent services are non-existent. They have a possible significant effect of introducing banking into the community.

The financial cooperatives also had high impact on economic development. Many statements confirmed the growth of commerce and economic activity in general in the villages which enjoyed financial cooperative services. This economic development generated impact on individual wealth and reduction of poverty.

The officials were unanimous in feeling that the savings and credit cooperatives increased the members' saving behavior and proper credit utilization. In addition, the savings and credit cooperatives reportedly brought in standards of rigor, honesty and equity within the community which other organization may not be able to meet.

In terms of granting productive credit, it has been shown that financial savings and credit cooperatives help individuals undertake or at least consolidate economic activities which are for the most part the main income for the family.

Problems of SACCO As Perceived By Officials

The SACCOs in Ofla woreda have been relatively successful due to members' awareness of the principles and objectives of savings and credit cooperatives and strong commitment of the officials and management committee of the cooperatives. However, during the last five years of its life, the SACCO has been confronted with the following problems:

- ◆ Lack of timely external audit;
- ◆ Lack of the necessary operating office facilities;
- ◆ Limited knowledge of financial management, and hence un able to do the recording, posting and summarizing of accounts as per the standards;
- ◆ Lack of exposure and skill of board members to manage SACCO;
- ◆ Low educational level of board members;
- ◆ Lack of commercial orientation of board members;
- ◆ In adequate promotional activities by the organizing body; and
- ◆ Absence of information and technical assistance on local investment opportunities. The problems associated with this also included the un productive use of loans. Farmers do not always spend loans for income generating activities. They were often used for emergencies and home improvement purposes.

Suggestions of the Officials to Improve the Functioning Of SACCO

In light of the current problems of the SACCO, the following interventions that would mitigate them are recommended:

- Most of the currently assigned cooperative organizers /personnel/ are new to the sector, so that measures must be undertaken to improve their qualifications. The training has to be accompanied by career development schemes so as to increase their motivation. The staff should undergo practical on the job training in cooperatives so as to be acquainted with the day-to-day problems of cooperatives;
- Targeted management members' training so as to enhance their management capability, arrangement of experience sharing events;
- Provision of technical support in the areas of bookkeeping, (recording, posting, summarizing and reporting transactions);
- Provision of technical assistance on identification of small scale local investment opportunities;
- Conduct external auditing, so as to effect distribution of dividends timely and prevent frauds; and
- As the day-to-day management rests with elected committee members, this could pose a threat to its outreach and sustainability. It is therefore recommended that the SACCO consider hiring a manager in the future.

CHAPTER V—CONCLUSION AND RECOMMENDATIONS

5.1. Introduction

This chapter presents the findings of the study and conclusions drawn from the findings. It also presents the recommendations for policy changes to boost the momentum of RUSACCO so that the new solutions can be used to address the ever changing needs in the emerging SACCO.

The objectives of the study are 1)To study the functions and activities of RUSACCO in Ofla woreda, 2)To assess the factors influencing socio-economic changes by RUSACCO,3)To explore the impact of RUSACCO on socio-economic changes and 4)To suggest measures for improving the functions of RUSACCO in Ofla woreda, Tigray.

The study has adopted random sampling procedure for the selection of the member and a multistage sampling procedure was followed to select the non- member respondents.

5.2. Conclusion

Socio-economic Profile of the Respondents

Social Profile

It is understood that 44 percent of the respondents were participating in SACCO for the period of two years, followed by 31.5 percent of the respondents, who are in SACCO for the period of three years. Majority of the respondents (66.7 percent) are male and 33.3 percent are women headed households respectively. Younger categories (18-40 years) constitute the majority (65.5 percent) of the respondents, who were keen to participate in the service of SACCO.

It is observed that 76.2 percent of the respondents are married, which comply with the existing best practice of RUSACCO. It is observed that 48.2 percent of the respondents completed elementary level of education, 26.8 percent of the respondents completed junior education, 10.7 percent of them completed high school education, 5.4 percent of them completed Diploma education, 4.8 percent of the respondents have the ability to read & write and 2.4 percent of them completed preparatory education. Only 1.8 percent of the respondents are illiterate. This indicates that, lower is the percentage of respondents in each higher category. It is indicated that more than half (50.6 percent) of the respondents had the family size that ranges from 4–6, nearly one fourth (23.8 percent) of the respondents had the family size that ranges from 1–3, 22 percent of the respondents had the family size that range from 7–9 and only 3.6 percent of the respondents had more than 10 family size. Nearly half (40.5 percent) of the respondents have up to 3 school aged children. Moreover 32.7 percent of the respondents are having in between 4 and 6 school aged children. Only 8.3 percent of respondents have above 6 school age children.

Economic Profile

About 38.1 percent of the respondents are land less. The minimum and maximum holding sizes were 0.25 and 1 hectare respectively. The major crops grown in the study area were wheat, sorghum, teff, beans, barely, chickpea, maize, onion, cabbage. It is observed that respondents in the area maintain more cattle, sheep and chicken than other categories of livestock. Oxen are the most important source for cultivation of land in the area. Majority (50.6 percent) of the respondents in the study area are engaged in agricultural activities like crop production and animal husbandry. It is followed by the trading activities, which engage 19.6 percent of the respondents. Moreover 14.3 percent of the respondents depend on both trade and agriculture.

Being relatively risk free and traditional activity, agricultural activities are most sought by poor rural farmers and as trading activities require a very low skill level, a low start up capital and entry barriers are less, many respondents opted for this.

Functions & Activities of RUSACCO

Functions

All of respondents agreed that RUSACCO provides the following services: 1) bringing savers and borrowers in a system as financial intermediation, 2) take members' savings in the appropriate amounts and times, 3) lend loan to the members for use in their business, 4) recover all the loans given as credit with interest; 4) charge interest from loans and pay interest to saving, 5) allow members to form a business by placing their capital at risk and to receive a return(profit) on that investment, 6) selling shares to members in appropriate amount and appropriate times.

About 97.6 percent of the respondents agreed that SACCO retained some profit from interest earned on the lending operation, where as only 2.4 percent of respondents said that SACCO did not retain profit from interest earned on the lending operation. Finally,94.6 percent of respondents agreed that SACCO pay dividend to the members on the basis of the shares owned.

Financial Services

All of the respondents strongly agreed that SACCO currently offer only saving and productive credit financial services to its members.

All of the respondents disagreed that SACCO do not provide at all such services (like fixed deposits, internal transfer facilities, transfer facilities with Bank, convert cheques in to Birr, credit collection services, installment collection, and premium collection) to the members.

When respondents were asked to explain why use SACCO service instead of other financial institution service, majority replied that RUSACCO offers an alternative and offers advantages. Specifically: access to loans is the first reason invoked for becoming a member of a SACCO, security for savings is a second important reason, and proximity of the institution and the type of services offered.

Impact

Pearson Correlation Test

The Pearson test was used to determine correlations between income as well as profit and the independent variables. Only four variables deserve attention (seniority, saving, loan size, and number of times loan availed). Positive significant correlation have been observed between seniority, saving, size of loan, number of times loan availed and post income of the respondents ($P=.001$, $.001$, $.000$ and $.000$ respectively).

Similarly for profit, there is significant and positive correlation between seniority, the size of loan and number of times loan availed and profit from economic activities ($P=.000$, $.000$ and $.000$ respectively). While the variable saving had significant negative correlation with the profit ($P=.000$). It is therefore possible to explain change in post-income and profit is due to these variables. No other statistically significant correlation could be observed among the variables for income and profit.

Regression Analysis

The regression analysis was used to identify the relative importance of various factors which influence the income of the respondents after joining in SACCO in the study area. As there are several factors which contribute to the post-SACCO income of the respondents in varying

measures, linear regression is considered to be the most appropriate statistical tool to assess the influence of independent variables on dependent variable.

In the linear regression model used in this study, post-SACCO income of the respondents is taken to be the dependent variable and quantifiable variables like education in number of years, age in years, number of family members of the respondents, number of school age children, amount of loans, number of times loan availed, savings and number of days employed per annum are taken to be the independent variables. The findings from the regression analysis are as follows.

Out of the nine variables hypothesized to influence the economic change by SACCO, four (education, savings, number of times loan availed, and seniority) were found to be statistically significant.

Therefore, one must look beyond the listed independent variables in order to find out factors influencing economic changes for the increases in post-SACCO income of the respondents, who have taken up economic activities. Hence, the actual reasons for the increase of post-SACCO income of the respondents in the farm sector may be the different factors such as mixed cropping, crop rotation, switching to cash crop, proper supply of agricultural inputs like quality seeds, fertilizers, pesticides and technology, control of pest and diseases and flourishing dairy activities.

The independent variables such as savings and number of times availed have significant positive relationship with the post-SACCO income, while the variables education and seniority have significant negative relationship with the post-SACCO income, contrary to what was expected.

Out of 168 sample household respondent, 68.5 percent of the respondents availed loans from SACCO, while 31.5 percent of the respondents didn't avail loans. Categories of using productive

loans were mostly men (68.7 percent) and 31.3 percent were women. It is found that those who have not borrowed were less literate and less educated as compared with the borrowed respondents.

Interest Rate

The four RUSACCO in the study area charge interest on loans to its members as follows, 12 percent in Meseret, 14.5 percent in Embeba Hashenge, 14.4 percent in Endodo and 13.2 percent in Lemelem Korem, where as interest on saving is 2.5 percent per annum which is similar among the four RUSACCO. Interest on loans is calculated annually with the loan to be repaid within one year.

Reasons for Not Borrowing

Out of 168 sample respondents 31.5 percent of the respondents have not availed loan from SACCO. While analyzing the reason for not borrowing loan, 34 percent of the respondents reported that they did not face the need for credit, while the remaining were constrained by different factors including guarantor for other member, no business opportunity and lack of guarantor.

Repeat Loans

The percentage of respondents who availed loans for the first time represent 7.8 percent, 19.6 percent of the respondents availed loans for two times where as, the percentage of respondents who availed loans for three times (37.5 percent) are higher than the other category.

Investment

The respondents have invested in a variety of businesses, both in farm sector and non farm sector. The major activities that have been taken up by the respondents in the farm sector activities are

crop cultivation and livestock rearing.

The major activities that have been taken up by the respondents in the non-farm sector activities are tea/coffee shop, petty shop; hair cut saloon, blacksmith work, cloth selling, local drinks selling (*tella* and *korefe*) and sherobet.

Single Versus Multiple Investment

Majority (47.6 percent) of the respondents invested in multiple activities. Multiple business activities include crop production and livestock rearing, petty business, vegetable and fruit selling and *tella* or *korefe* selling and so on. Only 20.8 percent of the respondents conduct single business activities.

Existing Versus New Business

It is observed that 56 percent of the respondents invested their loans in existing business; where as 12.5 percent of the respondents invested their loans in new business, which seems to be good beginning. The new businesses started are tea and coffee shop, wood furniture and petty shop.

Credit Flow

Out of 115 respondents who availed credit for intended purpose, 58.3 percent of the respondents have invested the loan for which it was intended and 41.7 percent of the respondents diverted to other purposes. The different purposes for which loan diverted are: 1) house improvements, 2) food, 3) land tax, 4) cloth, 5) education, 6) transportation, 7) health and 8) and celebrations.

Asset Creation

It is inferred that 62.5 percent of the sampled respondents could made additional assets. Most of these assets are shown to be in the form of construction of new houses, repairing old ones,

livestock purchase like sheep, goat, cow, oxen, donkey, chicken and purchase of household equipment like tape recorders, radio, television, chairs, and tables.

The rest 31.5 percent of the respondents have not acquired any additional assets. It can also be observed that the asset creations are lower for women than men.

Majority (31.5 percent) of the borrowers had the asset worth more than 1000 Birr. It is further found that 17.9 percent and 19 percent of the borrowers had the asset worth up to 500 and between 500 and 1000 Birr respectively.

Employment

About 79.7 percent of the units employed only one person on an average during the pre-SACCO period and this figure has moved to 70.2 percent during the post-SACCO period. It is found that 18.5 percent of the units employed 2-4 persons in their business during the pre-SACCO period and this figure has moved to 25 percent during the post-SACCO period. It is further found that 1.8 percent of the petty businesses employed more than 5 persons during the pre-SACCO period and this figure has moved to 4.8 percent during the post-SACCO period. Hence, it can be concluded that respondents employed additional employees either in the form of part timer or full timer in their units when their business became strong.

Training

More than half (60.7 percent) of the respondents have undergone training in saving and credit related area, where as 39.3 percent of the respondents have not undergone training.

Regarding the types of training, 37.3 percent of respondents have been trained in habit of thrift and 29.4 percent in proper utilization of credit. They were also trained in the following areas: cooperative ethos and philosophy (28.4 percent) and business (4.9 percent).

Reasons For Late In Repayments

Only 13 percent of the respondents stated there was delay in repayment of their loan. Reasons were unexpected expenses (53 percent), less period of repayment (33.3 percent), high family expenditure (7.0 percent) and negligence (6.7 percent).

Risk Orientation

It was seen that 58.9 percent of respondents had medium risk orientation towards their venture. The percentage of respondents who have low risk orientation accounts to 38.1. Only 3 percent of respondents had high risk orientation. The various coping strategies followed by respondents were: using the personal savings, borrowing from various sources usually at an exorbitant rate of interest (the rate of interest increase with the rate of urgency of taking the loan), interest free loans from friends and relatives, selling of their assets etc.

Money Lending

More than two third (69.6 percent) of the respondents didn't lend money to members and non-members in the study area.

Of the 168 respondents in the study areas only 51 respondents have lended money to members and non-members. More than one fourth (27.9 percent) of the respondents lend money up to 1000 Birr for friends and relatives, while 2.4 percent of the respondents lend money on the range of 1000 and 2000 Birr.

Post-SACCO Income

About 7.1 percent of the respondents were in up to 300 Birr income category during the pre-SACCO period and this category was reduced to 3.5 percent of the respondents during the post-SACCO period. It is noted that 84 percent of the respondents were in the 300 to 600 Birr income

category during the pre-SACCO period and this category has reduced to 73.9 percent of the respondents during the post-SACCO period. It is further found that 8.9 percent of the respondents were in the category of above 600 to 900 Birr income group during the pre-SACCO period and this category has increased to 22.6 percent of the respondents during the post-SACCO period. No respondent was in the above 900 Birr income category either in the pre-SACCO or post-SACCO period. Hence it can be concluded that members have joined the SACCO, when they were in lower level of income ladder and moved upwards during the post-SACCO period.

Amount of Profit Earned

It is found that more than two third (70.8percent) of the respondents' business do not result in profit, while 25.6 percent of the respondents have produced profit in their businesses up to 1000 Birr/annum. Only 3.6 percent of the respondents have the profit between 1000 and 1500 Birr.

Utilization of Profit

It is found that more than two third (57.4 percent) of the respondents' business do not produce profit. This may be due to their venture have not resulted in profit since they divert the loan for household consumption like food, clothing and home improvement. Only 3.5 percent of the respondents retained the profit for business expansion purpose.

Expenditure

The consumption expenditure is seen to rise after joining SACCO. It is inferred that 52.98 percent of the respondents perceived increase after joining SACCO, while 47.02 percent of the respondents reported that their consumption expenditure did not increase even after joining the SACCO.

It is observed that expenses which have increased are for food, health and appliances. Expenses which grew the least are clothing, and celebrations. It seems that certain expenses cannot be reduced and their level is stable (fuel and transportation). This analysis confirms that growth is felt more for prime necessity goods than for other items.

Education

Majority (53 percent) of the respondents reported that expenses for education increased after joining SACCO; where as 47 percent of the respondents said that educational spending did not increase even after joining SACCO. From this it is inferred that SACCO has led to better access for education for the household, because lack of money for living cost is the major cause of non-enrollment and school dropouts in high school education.

Savings

All respondents must have share or deposit accounts in SACCO as part of a membership requirement. All respondents have compulsory saving accounts. The average deposit size of respondents in the study area per member is Birr 1080 and the minimum and maximum deposit amount is Birr700 and Birr 1500 respectively. Nearly two third (66.1 percent) of the respondents have up to 1000 Birr deposit in SACCO and 33.9 percent of the respondents deposited between 1000 and 1500 Birr.

For the great majority of respondents encountered, the main reason for saving was to start new business (31.5 percent). Others: to buy livestock (27.4 percent), access for credit (22.6 percent) and for unwanted expenses (18.5 percent), specifically for drinking of *korefe* and *tella*. All the respondents save at first for the physical security of their money.

Scenario With Out SACCO

Above one third (43.5 percent) of the respondents stated that they would not have been able to conduct their economic activity with out the help of SACCO, 17.3 percent of the participants responded that they would conduct their economic activities with out borrowing loan from SACCO, 14.9 percent stated they would have borrowed the loan from family or friends, 10.7 percent of the respondents stated they would have borrowed the loans from project (food security and women's associations) and DECSI .Only 13.7 percent would have gone to private money lenders.

Individuals

About 44.6 percent of the women respondents, husband and the wife jointly made the decision to borrow during the pre-SACCO period and this figure has increased to 58.9 percent during the post-SACCO period. Another 44.6 percent responded the husband's full control on the decision-making to borrow during the pre-SACCO period and this figure has reduced to 21.5 percent during the post-SACCO period. Further, it is found that 8.9 percent of them responded that wife has full autonomy over decision-making to borrow during the pre-SACCO period and this figure has increased to 19.6 percent during the post-SACCO period. Hence, it can be concluded that after joining rural saving and credit cooperatives, women have now a relatively better decision-making power on decisions concerning the use of the profit than previously.

Around 21.4 percent of husbands had full control on the decision making concerning the family related activities during the pre-SACCO period and this figure reduced to 17.9 percent during the post-SACCO period. Only 32.1 percent of the wives had control on the decision making on family related activities during the pre-SACCO period and this figure reduced to 30.4 percent

during the post-SACCO period. Further, it is found that 46.5 percent responded that they decided jointly on family related activities during the pre-SACCO period and this figure increased to 51.7 percent during the post-SACCO period. Hence, it is possible to conclude that the SACCO empowered women respondents in decisions made concerning the family.

Only 7.1 percent of the wives had control on the decision making on the use of the land during the post-SACCO period as compared with no women participated in decision making on the use of the land during the pre-SACCO period. About 73.2 percent responded that they decided together with their husbands on the use of the land during the pre-SACCO period and this figure reduced to 71.5 percent during the post-SACCO period. It is further found that, 26.8 percent of the respondents reported that the husband solely decided on the use of the land during the pre-SACCO period and this figure reduced to 21.4 percent during the post-SACCO period. Thus, it is concluded that the SACCO has not empowered women respondents on decision making on the use of the land

During the pre-SACCO period, 13.2 percent, 16.6 percent, 15.9 percent and 17.2 percent of the women respondents were engaged in activities of child care, cooking, grinding and cleaning respectively. In addition, activities related to livestock, fuel wood collecting and farming are the predominant activities women are engaged respectively. During the pre-SACCO period, only 7.4 percent of women respondents participated in small income generating activities like petty shop, selling fruit and vegetable from a room in her home and selling gum, detergents and soap at the open market and this figure increased to 10.4 percent during the post-SACCO period. However, there is no comparable decrease in the share of women involved in the traditional activities. Thus,

it can be concluded that the SACCO have not resulted in decrease in workload and responsibilities.

Major Problems

The following are the main problems those hinder the expansion of RUSACCO in the study area.

In reality, however, one or more of the following, would have hindered the expansion.

- Rigid lending system
- High interest rates
- Lack of skilled man power
- Limited training opportunities
- Not actively participated in the management of the societies
- Weak management capacity
- Inadequate representation of women in the management societies
- Short loan repayment period
- Loans offered by the SACCO are small
- Lacks good record keeping system
- Poor saving habits of members

Non-Members' Perception

1. Non-Members Reasons' For Not Joining the SACCO

- No money to save
- No perceived benefit
- Lack of information
- Interest is too high on loan

- No SACCO near by
- Satisfied with other financial institutions

2. Problems Of SACCO As Perceived By Non-Members

- Rigid lending system
- Short repayment period
- Interest is too high on loan
- Loans offered were too small
- Money deposited at Dede-bit
- Regular monthly payment is high

3. Suggestions of Non-Members

- More number of SACCO needed to facilitate all people in the woreda
- Relax its lending system and extend the repayment period
- Organize seminars and campaigns to create awareness about SACCO among the people
- Concerted efforts are needed in the field of Cooperative Extension

Officials' Perception

1. Problems Of SACCO As Perceived By Officials

- Lack of timely external audit;
- Lack of the necessary operating office facilities;
- Limited knowledge of financial management, and hence un able to do the recording, posting and summarizing of accounts as per the standards;
- Lack of exposure and skill of board members to manage SACCO;

- Low educational level of board members;
- Lack of commercial orientation of board members;
- In adequate promotional activities by the organizing body; and
- Absence of information and technical assistance on local investment opportunities. The problems associated with this also included the un productive use of loans. Farmers do not always spend loans for income generating activities. They were also used for emergencies and home improvement purposes.

2. Suggestions of the Officials to Improve the Functioning of SACCO

- Most of the currently assigned cooperative organizers /personnel/ are new to the sector, so that measures must be undertaken to improve their qualifications. The training has to be accompanied by career development schemes so as to increase their motivation. The staff should undergo practical on the job training in cooperatives so as to be acquainted with the day-to-day problems of cooperatives;
- Targeted management members' training so as to enhance their management capability, arrangement of experience sharing events;
- Provision of technical support in the areas of bookkeeping, (recording, posting, summarizing and reporting transactions);
- Provision of technical assistance on identification of small scale local investment opportunities;
- Conduct external auditing, so as to effect distribution of dividends timely and prevent frauds; and

- As the day-to-day management rests with elected committee members, this could pose a threat to its outreach and sustainability. It is therefore recommended that the SACCO consider hiring a manager in the future.

10.3. Recommendations

During the survey, the researcher came to know more about the challenges faced by the RUSACCO members in accessing the loans, in promoting an enterprise and managing or sustaining the growth of the enterprise. The problems of SACCO were also identified during the survey work. For these challenges, the recommendations have been evolved based on the insights and perspectives gained during the period of research study through interviews, observations and interactions with the different stakeholders namely SACCO members and SACCO management committee, non-members and woreda cooperative promotion staff.

Challenge

During the survey, it has been observed that members strongly commented that collateral requirements should be relaxed, for example if one member needed credit, he/she must have guarantor from the members who will pledge his/her compulsory savings and shares to cover the loss to the SACCO in the event that borrower does not repay. Otherwise, the borrower would not get any loan. When a guarantor provides a guarantee, he/she can not borrow until the original borrower's obligation to the SACCO is fully repaid, so this condition resulted in liquidity risk (too many funds are locked up)

Recommendation

It is desirable for the SACCO that the borrower always pledges collateral. While the borrower may not have collateral with immediate cash value, he/she may pledge some objects of great personal value that they would rather not lose under any circumstance. The fear of losing such objects will compel the borrower to repay .So SACCO should accept collateral such as house and the salary of civil servant, this lending system should be included in the by-laws of the society.

Such diversified lending policies allow members to absorb large credit which in turn increase their business development.

In general, SACCO should diversify its lending system in addition to guarantor compulsory saving and share, it is better also to give credit by accepting a wide range of collateral from the members such as house and salary if the member is civil servant.

Challenge

SACCOs do not have professional skilled manpower that is fully committed to achieve its goals for savings, lending, repayment, education and others. The existing management committee lack adequate knowledge about the functions and activities of SACCO.

Recommendation

As the day-to-day management rests with elected management committee members, this could pose a threat to its outreach and sustainability. It is therefore recommended that SACCO consider hiring a manager in the future.

Challenge

Limited training opportunity in the area of savings and credit.

Recommendation

Members should get basic training on proper utilization of credit, habit of saving and market development through government and non-government organizations. The management committee of the SACCO is to be trained first (via a Training of Trainers program) who will, in turn train the members.

Challenge

About 85.7 percent of the respondents in the study area agreed with not participating in the management of the societies.

Recommendation

The management committee should call meeting as per the by laws of the society.

Challenge

SACCO board of directors has weak management capacity.

Recommendation

Most of the currently assigned cooperative management committee are new to the sector, so that measures must be undertaken to improve their qualifications. The training has to be accompanied by career development schemes so as to increase their motivation. The staff should undergo practical on the job training in cooperatives so as to be acquainted with the day-to-day problems of cooperatives

Challenge

Inadequate representation of women members in management of the SACCO.

Recommendation

Promoting women in the management committee enables them to have access to information, education, business training, balancing family and business responsibilities and at large empowering them.

Challenge

The repayment period is too short.

Recommendation

SACCO shall extend the repayment period (at least two years) by considering the investments made by the members. For example, investment in agricultural sector like animal husbandry and crop cultivation requires longer gestation period in order to produce income.

Challenge

A high proportion of respondents (60.7 percent) agreed that SACCO offer small amount of loan.

Recommendation

Economic transformation through economic diversification is one of the economic policies of the government. Therefore, SACCO should advise and encourage their members to start new ventures (new activities) besides the traditional economic activities. More loans should be allocated for micro and small enterprises development, agricultural product processing, and new technologies promotion such as water pumps, etc.

Challenge

It is found that 62.5 percent of respondents agreed that SACCO lack good record keeping.

Recommendation

Provision of technical support in the areas of bookkeeping, (recording, posting, summarizing and reporting transactions);

Challenge

About 40.5 percent of the respondents in the study area have taken credit for agricultural activities like crop production, vegetable and fruit crops and animal husbandry.

Recommendation

Savings and credit cooperatives must diversify their loan portfolios (and hence their memberships) to include not only farmers, but also traders, processors, civil servants, etc. Using this strategy, there will be greater stability in the credit (and the savings) portfolio.

Challenge

Nearly 41.7 percent of the respondents diverted the loan to other purposes.

Recommendation

SACCO should take up credit need study and include loan provisions for product like housing and durable consumer goods loan

Implication for Further Research

The study was conducted only in Tigray region. An in-depth study is to be conducted on the functioning of Rural Saving and Credit Cooperatives of other regions of Ethiopia. Case studies of some declining SACCO on other regions of Ethiopia are worth conducting.

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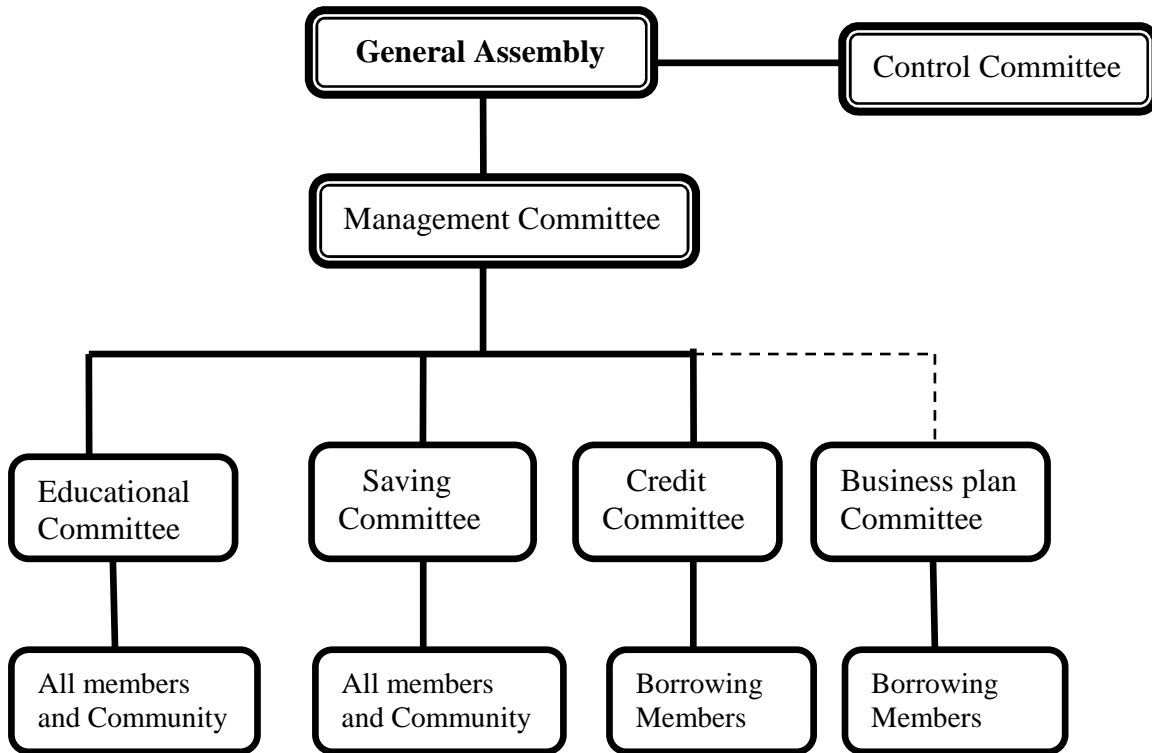
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Appendix—I

ORGANIZATIONAL STRUCTURE OF SACCO



Source: Richard John Pelrin, 2001

Appendix—II

INTERVIEW SCHEDULE FOR MEMBERS

Geographic Information	Date:
Zone: Southern	Month:
Woreda Ofla	Year:
Tabia:	Code:

Background Information					
1) Name of the respondent:					
2) Your family size is _____ in number (Please list the member of your family including you)					
3) Family member starting from household head	Sex (1=M, 2=F)	Age (Years)	Marital status ¹	Occupation ² (Rank)	Educational status ³
Code: 1	2	3			
1=Married 2=Unmarried 3=Divorced 4= Widowed 5=Separated	1=Agriculture 2=Trade 3=Both 4=Civil Servant 5=Pension	1= Illiterate 2= Read & write 3= Elementary school 4= Junior school 5= High school 6= College preparatory 7=Diploma 8=Religion education			
4) How many years have you been member? <input style="width: 50px; height: 20px;" type="text"/>					
5) How did you become member? a) Self interest b) Government enforcement c) Members Persuasion d) Others (specify) _____					
6) If answer Q5 is self interest, from where did you get the importance of cooperation? _____					

7) Why did you become a member?	
Reason for membership	Put a check (✓) against the statement
Access for credit	
Savings	
Increase bargaining power	
Reduce marketing risks	
Other(specify)	

Landholding	
8) Do you own land? Yes <input type="checkbox"/>	No <input type="checkbox"/>
9) Owned by the household _____ Thimdi(_____ha)	
10) Since joining SACCO, did you increase farm holding? Yes <input type="checkbox"/> No <input type="checkbox"/>	

School Age Children			
11) Do you have school aged children who are attending school? Yes <input type="checkbox"/> No <input type="checkbox"/>			
12) If yesQ11, how many children? (Please fill the table against age and sex of children)			
Name of School age children	Age	Sex	
		1= Male	2=Female

Crop cultivated & livestock holding					
13) The types of crop cultivated and livestock holding before and after joining the SACCO					
Crop cultivated	Before	After	Livestock holding	Before	After
Teff			Oxen		
Wheat			Bulls		
Millet			Cows		
Barely			Donkey		
Maize			Horse		
Sorghum			Mules		
Beans			Sheep		
Lentil			Goats		
Chick pea			Poultry		

Productive credit	
14) Since joining saving and credit cooperatives, did you borrow loan Yes <input type="checkbox"/> No <input type="checkbox"/>	
15) If yesQ14 , how much you have borrowed per year	
Amount of loan borrowed	(Put a check (✓) against the amount)
Up to 1000 Birr	
>1000 to 3000	
>3000 to 5000	
Above 5000	
Number of times loan availed	
16) Since joining saving and credit cooperatives, how many times borrowed.	
Number of times respondents availed loans	Amount in Birr
First times	
Second times	
Third times	
Fourth times	
More than fourth times	
17) For what purpose you borrowed the loan.	
Reason for use of loans	Rank according to loan utilization purpose
Trade	
Processing	
Service	
Agriculture	
Consumption	
Other (specify)	
18) Have you utilized the loan for the purpose you borrowed? Yes <input type="checkbox"/> No <input type="checkbox"/>	
19) If yesQ18, for what purpose utilized the loan?	
Reasons	Loan utilization purpose
Consumption	
Transportation	
Home improvement	
Celebrations	
Land tax	
Diversification)	
Other (specify)	

20) Did you borrow loans for consumption purpose? Yes No

21) If yesQ20, how much you have borrowed so far?

22) How much is the interest rate SACCO charge for the loan you borrow?
_____%/ year

23) Did the credit bring significant change in your living standard?
Yes No

24) If yesQ23, mention some of the observed changes in your living standard

a) _____

b) _____

c) _____

d) _____

Repayment

25) Are you late in repayments of credit? Yes No

26) If yesQ25, what are the reasons behind late in repayment?

Reasons for late repayment	Put a check (✓) against the statement
Negligence	
Payment period too short	
Un foreseen events	
Un expected expenses	
Low income	
Un profitable venture	
High family expenditure	
Other reason, specify	

27) Major economic activities, being carried out joining SACCO

Single activity Multiple activity

28) SACCO loan invested in which activities

Existing business New business

Savings	
29) Do you have saving account in saving and credit cooperatives? Yes <input type="checkbox"/> No <input type="checkbox"/>	
30) If yesQ29, what type of saving account do you have? Voluntary saving <input type="checkbox"/> Compulsory saving <input type="checkbox"/>	
31) If yesQ29, what is the main reason for saving?	
Reason for saving	Put a check(✓) against the statement
To avoid unwanted expenses	
To have access to credit	
Purchase of animals	
Undertaking anew business	
Excess income	
Other, specify	
32) How much you have saved so far in SACCO?	
Saving category	Put a check(✓) against the category
Up to Birr 1000	
>1000 to 15000	
>15000 to 2000	
>2000 to 25000	
Above 25000	
33) Have you withdraw money from your saving account so far? Yes <input type="checkbox"/> No <input type="checkbox"/>	
34) If yesQ33, how much you have withdrawn in your saving account?	
Amount of withdrawal	Put a check(✓) against the category
Up to Birr 1000	
>1000 to 15000	
>15000 to 2000	
>2000 to 25000	
Above 25000	

35) If yesQ33, for what purpose money was withdrawn from your saving account?	
Reasons for withdrawals	Rank according to the reason
Home improvement	
Business expansion	
Food	
Clothing	
Health needs	
Education	
Household appliance	
Celebrations	
Transportation	
Other, Specify	
36) If you did not have access service from the cooperatives, how do you equip yourself to meet the changing needs?	
Scenario with out SACCOs	Put a check(✓) against the statement
Not able to acquire goods	
Would still purchase	
Borrow from families/friends	
Borrow from money lenders	
DECSI	
Conventional banks	
Revenue	
37) Does your income increase after joining the SACCO? Yes <input type="checkbox"/> No <input type="checkbox"/>	
38) Annual income before and after intervention.	
Amount in Birr	Pre-SACCO
	Post-SACCO
39) Do you get any profit from income generating activity after joining the SACCO? Yes <input type="checkbox"/> No <input type="checkbox"/>	
40) If yesQ39, what would you like to see done with the profit funds in your business? a) Invest it back to SACCO b) Modernization of operations c) Financing of new services d) Household consumption e) Business expansion	

41) If yes Q39, how much money from the profit earned during the period was withdrawn and transferred to the family purpose?

Profit transferred to the family	Put a check(✓) against the category
Up to 1000Birr	
>1000to3000	
>3000 to 5000	
>5000 to 70000	
Above 7000	

42) For what purpose the profit transferred to the family was used?

Purpose of profit transferred to the family	Rank according to the purpose
Home improvement	
Food	
Clothing	
Health	
Education	
Household appliance	
Celebrations	
Ceremonies	
Transportation	

43) Did you retain money from the profit earned during the period for business expansion purpose? Yes No

44) If yesQ43, how much money from the profit earned during the period were withdrawn from the income generating activity and retained for business explanation purpose?

Amount transfer	Put a check(✓) against the category
Up to 1000Birr	
>1000to3000	
>3000 to 5000	
>5000 to 70000	
Above 7000	

45) Mention some of the changes/improvements that you have seen in your family after you became a member

- a) _____
- b) _____
- c) _____
- d) _____
- e) _____

Expenditure			
46) Average monthly household expenditure before and after joining the SACCO.			
Household Expenditure	Increased	Decreased	Unchanged
Food			
Clothing			
Health			
Appliances			
Fuel			
Education			
Celebrations			
Transportation			
Other			

Risk orientation	
47) Do you think your venture faced financial risk? Yes <input type="checkbox"/> No <input type="checkbox"/>	
48) If yesQ47, what is your orientation to take risk in new venture?	
Orientation to take risk	Put a check(✓) mark
High	
Medium	
Low	
49) How do you manage the financial crisis while loss is occurred?	
Loss Recovery Techniques	Put a check(✓) against the technique
Using personal saving	
By disposing of assets	
By borrowing	
Purchasing insurance policy	
Other, specify	
Training	
50) Have you received training after becoming a member? Yes <input type="checkbox"/> No <input type="checkbox"/>	
51) If yesQ50, what type of training have you received so far?	
Nature of training	Put a check(✓) against the statement
Auditing	
Record keeping system	
Risk and investment management	
Personnel management	
Proper use of credit	
Habit of saving	
Cooperative ethos and philosophy	
Legal cases	

52) If yes Q50, who organized the training? a) Cooperative b) Government c) NGOs d) Universities e) Others, specify _____
53) If yes Q50, what advantages do you get from the training? a) _____ b) _____ c) _____ d) _____

Money lending	
54) Have you lent money to some one (members, or non-members) after joining SACCO? Yes <input type="checkbox"/> No <input type="checkbox"/>	
55) If yes Q54, how much you have lented?	
Amount of money	Put a check(✓) against the category
Up to 1000Birr	
>1000to5000	
>5000 to 10000	
Above 10000	

Employment			
56) The number of days employed per annum before and after joining the SACCO			
57) Number of days employed per annum		Pre- SACCOs period	Post- SACCOs period
The number of person employed per annum before and after joining the SACCO			
58) Number of persons employed		Member	Family member
Pre- SACCOs	Regular		
	Part-timer		
Post- SACCOs	Regular		
	Part-timer		

Decision-Making	Decision making	Pre-SACCO	Post-SACCO
59) Who has more responsibility to make decision to borrow	Husband		
	Wife		
	Both		
60) Who decides on the use of the borrowed funds?	Husband		
	Wife		
	Both		
61) Who decides concerning use of the profit generated from income generating activities?	Husband		
	Wife		
	Both		
62) Who decides on selling own produce?	Husband		
	Wife		
	Both		
63) Who decides on the use of the land	Husband		
	Wife		
	Both		
64) Who decides concerning the family include family economic activity, family budget, child education and purchase of food?	Husband		
	Wife		
	Both		
65) Who decides the purchase of input and the quantity?	Husband		
	Wife		
	Both		

66) Do you think your household burden decrease after joining the SACCO

Yes No

67) If yes Q66, put a check(✓) against the statement give in the following table

Household Activities	Activities the women were participating	
	Pre-SACCO	Post-SACCO
Child care		
Cooking		
Fuel wood collecting		
Grinding		
Livestock herding		
Cleaning(homes and clothes)		
Petty business		
Farming		

Participation
68) How do you perceive your participation in attendance of training after joining the SACCO? Decreased <input type="checkbox"/> Unchanged <input type="checkbox"/> Increased <input type="checkbox"/>
69) How do you perceive your level of involvement in meetings after joining the SACCO? Decreased <input type="checkbox"/> Unchanged <input type="checkbox"/> Increased <input type="checkbox"/>
70) How do you perceive your participation in social related activities after joining the SACCO? Decreased <input type="checkbox"/> Unchanged <input type="checkbox"/> Increased <input type="checkbox"/>
71) How do you perceive your participation in income generating activities after joining the SACCO? Decreased <input type="checkbox"/> Unchanged <input type="checkbox"/> Increased <input type="checkbox"/>

Perception of the functions and activities of SACCO. Put a check(✓) against the statement		
Functions	Agree	Disagree
72) Bringing savers and borrowers in a system		
73) To take members savings in the appropriate amounts and times		
74) Lend money to the members for use in the business		
75) Recover all the loans given as credit		
76) Charge interest		
77) Pay the interest on their savings		
78) To allow members to form a business		
79) Selling shares to members in appropriate amount and times		
80) Retaining some profit from interest earned on the lending operation		
81) Pay dividend to the members on the basis of the shares owned		
Activities		
82) Shares		
83) Open deposit Fixed deposit		

84) Internal transfer facilities		
85) Transfer facilities between SACCO and Bank		
86) Deposit of cash cheques and cheques made out of a members		
87) Credit collection services to other institutions		
88) Installment collection on behalf of other institutions		
89) Premium collection on behalf of insurance institutions		

90) List all value of additional assets purchase it after joining the SACCO?

a) _____

b) _____

c) _____

Problems of members		
So far, what types of problems have been there those hinder expansion of saving and credit cooperatives?		
Problem	Agree	Disagree
91) Lack of finance of the SACCOs		
92) Lack of knowledge in the line of income generating activities		
93) Lack of information in the line of income generating activities		
94) Limited training opportunities available to SACCO members		
95) Members' not actively participate in the management of their societies		
96) Weak management capacity		

97) Unsatisfactory or inadequate representation of women members in management bodies of the cooperatives			
98) Members' weak business management capacity and lack of business diversification opportunities			
99) Short loan repayment period			
100) Small account size of loans offered by RUSACCOs;			
101) Lack of record keeping system			
102) Poor saving habits of members			
103) What are your general suggestions to improve the functioning of SACCO			
a)			
b)			
c)			
d)			
e)			
f)			

Appendix—III

INTERVIEW SCHEDULE FOR NON-MEMBERS

Background Information	
1)	Respondent Name:
2)	Age:
3)	Sex:
4)	Occupation: a) Crop production b) Livestock rearing c) Both crop & livestock d) Trading/merchant e) Manual Worker f) Housewife g) Civil Servant
5)	Marital status: a) Married b) Unmarried c) Divorced d) Widowed e) Separated
6)	Educational status: a) Illiterate b) Literate c) Elementary school d) Junior school e) High school f) College preparatory g) College/University h) Religion education

Membership	
1)	Have you ever thought of joining the SACCO Yes <input type="checkbox"/> No <input type="checkbox"/>
2)	Could you tell me why you have not joined SACCO in your locality?
	a)
	b)
	c)
	d)
e)	
3)	Do you perceive that SACCO are helpful to members Yes <input type="checkbox"/> No <input type="checkbox"/>
4)	What are the major problems/challenges that the cooperative faced?
	a)
	b)
	c)
	d)
e)	
5)	What suggestions you have to make more people members of SACCO?
	a)
	b)
	c)
	d)
e)	

