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“The role of RUSACCOs on the improvement of member’s saving behavior in Ganta Afeshum wereda, Tigray, Ethiopia

By;

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DECLARATION

This is to certify this thesis entitled “the role of RUSACCOs on the improvement of member’s savings behavior in Ganta Afeshum Woreda, Tigray, 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. Berhane Hagos ID.No CDANR/PR0015/01 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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BIOGRAPHY

The author was born in December 24, 1967 in Gemad tabia, Kilde Aulaelo Woreda, Tigray Regional State. He started his education at Negash elementary school and completed Junior Secondary and high School education at Wukro town senior Secondary School. After he completed his high school he worked in Wukro electric committee office. After that, he joined to Mekelle business College in September 1996 and graduated with Advance diploma in management in June 1999 and graduated B.A. degree in Nail College with business management. Upon completion of college education he was employed as a civil servant in Tigray National Regional State eastern zone Municipality office and worked in Tigray regional cooperatives office Mekelle and then he joined the school of graduate studies of Mekelle University in September 2008 to specialize in Cooperative Marketing.

Abbreviations and Acronyms

ACCOSCA	-----	African Confederation of Cooperative Saving and Credit Association
ACE	-----	Agricultural Cooperative in Ethiopia
AGM	-----	Annual General Meeting
B _o ARD	-----	Bureau of Agriculture & Rural Development
BOFED	-----	Bureau of Finance and Economic Development
CBE	-----	Commercial Bank of Ethiopia
CSA	-----	Central Statistics Authority
Coops	-----	Cooperatives
DECSI	-----	Dedebit Credit & Saving Institution
FAO	-----	Food and agriculture organization
GDP	-----	Gross Domestic Production
Ha	-----	Hectare
IFAD	-----	International food and agriculture development
ICA	-----	International cooperative Alliance
ILO	-----	International labor organization
Km	-----	Kilo meter
MFI	-----	Micro Finance Institution
NGO	-----	Non Governmental Organization
RUFIP	-----	Rural Financial Intermediary Programs
RFSP	-----	Rural Financial Service Program
RUSACCOs	-----	Rural Saving and Credit Cooperatives
ROSCAs	-----	Rotations of saving and credit Associations
SPSS	-----	Statistical Package for Social Science
SMEs	-----	Small and Micro Enterprise
SACCOs	-----	Saving and Credit Cooperatives
TCPO	-----	Tigray Cooperative Promotion Office
VOCA	-----	Volunteers in over seas Cooperative Assistance
WoARD	-----	Wereda of Agriculture & Rural Development
AEMFI	-----	Association of Ethiopia Micro Finance Institution

ABSTRACT

The study investigates the role of RUSACCOS on the improvement of members' saving behavior in the study area. Saving is a key component in any development and it is believed to be the surest way of increasing income and enables members to reduce poverty. The study had the three Specific objectives, To analyze the existing RUSACCOS performance, to assess factors influencing role of RUSACCOS on members' savings behavior improvement, to suggest recommendations to improve member's savings behavior and effectiveness of RUSACCOS.

To achieve the objectives, the study was undertaken in the Tigray National Regional State in the Eastern part of the region in one purposively selected woreda, namely Ganta Afeshum Woreda and used sample of 124 members, 6 promotion officials and cooperative experts and 6 from stakeholders, board and committee members were randomly selected. Both primary and secondary data were collected and used. Based on the objectives of the study, appropriate tools and techniques of analysis such as descriptive statistics, frequency, mean, minimum, maximum and percentage were employed. The variables that influence improvement of members' saving behavior are seventeen: Annual savings, credit beneficiaries, savings interest, safety/security, convenience, liquidity, positive returns, amount of loan borrowed, access to training, distance to RUSACCOS office; accountability, transparency, education level, employment, seniority, annual income and family size. Based on the findings the study concluded that majority of members have poor saving habit, lack of training, less awareness about RUSACCOS are appropriate options for the rural households, which are providing services to improve members' saving in sustainable manner. Major recommendations were made, RUSACCOS should develop varied products that meet various membership needs, Reward for regular savers by payment of interest on savings deposits, government and non Government organizations should create on saving mobilization, provide skill and knowledge though problem based trainings to improve members' saving behavior and effectiveness of RUSACCOS.

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CHAPTER – I

1 INTRODUCTION

1.1 General

The Ethiopian agricultural sector is the basis of the economy and which forms the basis of livelihood for 85% of the population living in the rural areas. It accounts for about 50% of the GDP. The performance of agricultural sector is inadequate to feed the growing population. Due to repeated drought, civil war, land degradation, limited uses of modern input, low level of investment as a result of insignificant domestic savings and ill-advised policies have crippled the development of the economy, (Amaha, 2000).

Governments have drafted and implemented different strategies and programs 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 assumed as important. The production and productivity can be improved through expansion of cooperative sector as a base line for development.

A system of financial intermediation is necessary to channel the flow of funds from suppliers to users. An effective and smoothly functioning financial system will increase the mobilization of savings, lower transaction costs, disperse risks and direct the allocation of resources to the most productive use (FAO, 2001).

The delivery of financial products and services through micro-finance institutions in Ethiopia is one of the policy instruments used to enable rural and urban households to increase their output and productivity, induce technology adoption, increase input supply, increase income thereby helping them reduce their poverty and attain food security (Wolday, 2002). Micro finance is one

part of the larger finance sector. The goal of meeting the needs of the disadvantaged part of the population, who in many cases do not have access to formal financial service, as well as the small amount involved in both savings and credit transactions are characteristic features of micro finance. These features require specific expertise to meet the demand due to the high cost of each transaction. There are various types of banking, and they differ in the services they offer to clients. In Ethiopia, there was no modern and well-organized Financial Co-operative until January 1964 when the workers of Ethiopian Airlines established the first SACCOs. Gradually, the concept of Co-operative becomes realized by many employees of private and government undertakings. During the regime of Haileselassie, the cooperative legislation No 241/1966 was proclaimed and about 154 different types of cooperatives were organized. During the Drug regime, cooperatives that were organized earlier were considered as unnecessary and discarded. The newly organized cooperatives under the regime have purposefully made instruments of political power. Their organizational procedures were not based on internationally accepted cooperative principles.

The recent proclamation No. 147/98 created conducive environment for the development of cooperatives. And currently there are 26,128 primary cooperatives with a total capital of birr 1,003,470,660.00 and total membership of 5,270,208, out of this 4,470,081 are male and 800,127 are female. From these, 6,413 are saving and credit cooperatives which have 508,817 members (280,869 male & 227,948 female) with a total capital of birr 324,835,045.00. In addition to these, 143 secondary cooperatives (unions) which have 2,955 primary cooperatives with a capital of 143,631,225.00 are registered. From these 23 unions are RUSACCOs, Federal cooperative agency (FCA, 2009).

In Tigray region there are 1,410 primary cooperatives with a total amount of birr 42,334,481.00. Out of these 371 are saving and credit cooperatives which have 25,797 members (8,472 men & 3,897 female) & a total amount of birr 21,860,696.00. Tigray Regional cooperative promotion office, (June, 2009) Annual report.

In Ganta Afeshum Woreda there are 19 rural saving and credit cooperatives with a total membership of 2,014, out of which 580 are female members and 1,434 are male, and having a total amount of birr 564,461.75. Ganta Afeshum woreda cooperative desks, (field survey Feb, 2009).

The study focuses on the role of RUSACCOs of members savings behavior and the level of savings in the study area specifically Ganta Afeshum Woreda.

1.2 Statement of the problem

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. 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).

Cooperatives must begin and continue with an economically and politically active membership. Inactive members are threats to cooperatives because their inactivity demonstrates their lack of commitment to cooperative values and principles and this creates conflicts between active and inactive members.

Saving is a key component in any development endeavor as it is believed to be the surest way of increasing income and boosting productivity in an attempt to break through the vicious cycle of poverty. Without saving, people are likely to face severe problem of survival when they are no longer able to work. It is also argued that, when poor households' desire and need to save meets, a safe, easily accessible opportunity to do so, their capacity to save, commitment to saving, and the amounts they manage to save are remarkable. High incomes lead to alleviation of poverty in households, ultimately resulting into improved quality of life of people in rural communities.

Ethiopian SACCOs lending policies and procedures are rudimentary and not encouraging the potential borrowers. Though there is incidence of no repayment which leads to overdue/bad debts. The problems of SACCOs could be listed; Lack of infrastructure like office buildings and equipments, Lack of awareness about SACCOs and its benefits among the' potential members', Lack of saving habit among the people, Lack of trained manpower, Lack of external funding for the SACCOs, Limited audit facilities, Small size of membership, Lack of members' participation, Limited support by the government, and Poor account keeping. Regional RUFIP Coordination Office report (June, 2008).

In Tigray regional State, the existing non-banking financial intermediaries are few in number and cover only small number of household as compared to the total demand for the services in the region. Due to various reasons including legal ones, formation of rural savings and credit cooperatives in the region has started lately and it is a new phenomenon. Every financial intermediary needs injections of capital or funds, which may be owner's money or a loan. When a loan is used, it is someone else who has done the savings. Saving services are a key feature for raising capital and are often tied to receiving a loan.

In the rural areas of many developing countries the lack of access to effective formal financial markets may be seen as a severe constraint that prevents low-income house holds from improving their lot and leads to the persistent poverty. The main objective of this study is to find out how members are mobilizing cash savings and use of their savings though the institution that is owned and managed by them and the role of RUSACCOs in improvement on members saving behavior in Ganta Afeshum wereda is not yet studied.

Therefore, the research has assessed the role of RUSACCOs improvement on members' saving behavior, factors influencing role of RUSACCOs on members' savings behavior improvement and suggest recommendations to improve member's savings behavior and effectiveness of RUSACCOs in the study area.

1.3 Purpose of the study

The purpose of the study is to assess the role of RUSACCOs on member's savings behavior improvement, to identify the factors influencing the role and suggest recommendations to improve the role of RUSACCOs in the study area.

1.4 Objectives of the Study

1.4.1 General objective;

The General objective of the study is to assess the role of RUSACCOs on the improvement member's savings behavior in Ganta Afeshum Wereda, Tigray, Ethiopia.

1.4.2 Specific objectives;

1. To analyze the existing RUSACCO performance in the study area.

2. To assess factors influencing role of RUSACCOs on the improvement of members' savings behavior in the study area.
3. To suggest recommendations to improve members' savings behavior and effectiveness of RUSACCOs.

1.5 Research questions.

This study will find out the answers to the following research questions, such as;

1. What is the existing performance of RUSACCOs in the study area?
2. What factors influence the role of RUSACCOs on members' savings behavior improvement?
3. What strategies can possibly improve savings behavior?

1.6 Hypotheses of the Study

There is no direct relationship between member's savings behavior and effectiveness of RUSACCO.

1.7 Significance of the Study

Promotion of rural savings benefits both rural households and the financial institutions. The availability of savings opportunity discourages unproductive household consumption for the poor while savings increase their capital and resource base and consequently their bargaining power. For the financial institutions, savings increase the funds available for loaning. Based on the above general truth, in addition to other attention points, the study pointed out, how RUSACCOS members' savings behavior are associated with savings and credit cooperatives' working

environment. The study identified factors influencing households' savings culture in the rural community with available financial intermediaries. The study will be made available to the responsible organizations for the promotion and regulation of rural savings and credit cooperatives, to cooperatives themselves, to cooperative members and other beneficiaries. Since this area is not investigated in depth before, the study results might also initiate other researchers to conduct different research works from different perspectives, which will again contribute for strengthening of Rural Savings and credit Cooperatives and members' savings behavior.

The study is also particularly significant at this time, because there is a strong push by the Government through Rural Financial Services Program (RFSP) to deliver financial services through community based and locally owned organizations with the key objective of supporting communities to establish a nation wide infrastructure of SACCOs to enable communities to access financial services, like savings, credit, money transfers and soon.

This study focuses on examining the Role of RUSACCO in enhancing members' saving behavior and examining the influencing factors that hinder the effectiveness of the RUSACCOs role in member's saving behavior improvement in the study area. Therefore, this study has significant role in designing possible strategies that could improve the role and effectiveness of RUSACCOs in improvement member's saving behavior in the study area.

1.8 Scope and Limitations of the Study

This study is limited on examining the role of RUSACCOs in Ganta Afeshum Woreda and also limited due to scarcity of resources such as: time, finance, distance between RUSACCOs and other related resources.

Therefore, the study doesn't argue to provide conclusive findings on the RUSACCOs in the entire Regional state. The study conducted in the above Woreda can not be generalized to other

parts of Tigray Regional state in particular and Ethiopia in general. Despite the limitations of the study mentioned above, the findings of this research can be of much use in finding the opportunities for RUSACCOs development and designing possible intervention strategies specifically to the study areas.

1.9. Organization of the Thesis

The thesis is organized into five main chapters. The first chapter focuses mainly on the background, statement of the problem, objectives, significance and scope of the study. Relevant literatures related to the study are reviewed in chapter two. Chapter three deals with materials and methods, description of study areas, with sampling design, methods of data collection and analytical techniques. And chapter four deals the results obtained from the descriptive statistics and discussion. Finally, chapter five presents the, conclusion and recommendations parts of the study

CHAPTER - II

2 LITERATURE REVIEW

2.1 Definition of Rural Savings and Credit Cooperative (RUSACCOs)

A RUSACCO is one form of a cooperative society whose business is to provide financial services to its member's .SACCOs are legal institutions registered under the cooperative laws. SACCOs are owned by their members through payment of share capital and membership fees to the institution. In addition to the above, a savings and credit cooperative (SACCO) is a democratic, unique member driven, self-help, not for profit financial cooperative. It is owned and governed by members who have the same common bond. A SACCO's membership is open to all that belong to a group, regardless of race, religion, color, creed, and gender or job status. These members agree to save their money together in the SACCO and to make loans to one another at reasonable rates of interest. Interest is charged to cover the interest cost on saving and the cost of administration .There is no profit paid to any one .The members are the owners and the members decide how their money will be used for the benefit of one another (Bailey, 2001).

Saving and credit cooperatives (SACCOs) which are known as the credit unions in some other countries are defined as cooperatives which furnish their members with convenient and secure means of saving money and obtaining credit at reasonable rates of interest The saving and credit cooperatives are usually organized within a group which is already join together by a bond of common interests such as workers in same factory or members of the same community who are fairly well acquainted with one another. Further more, the savings and credit cooperatives are

cooperative organizations which are guided by the practices, philosophy and principles of the cooperative movement. They differ from the rest of other cooperatives, because they are financial cooperative organizations with a social context (Kabuga and Batarinyebwa, 1995).

2.2 Concepts of saving and credit cooperatives.

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

The concept of SACCOs has got a great prominence globally in general and in developing countries in particular. They are considered as the instrument for economic development particularly in the financial sector, and a means to social improvement. Formerly, there was misconception of the role of SACCOs to the economic development and improvement of the well being of the society, rather they were seen as co-operatives organized only for short term and self help purposes. They were thought as instruments of the state to achieve its mission. On the contrary, SACCOs are member owned financial institutions, which contribute to development of human attitude to work, initiative leadership, self-development, motivation, self-reliance, self-help, self-control and solidarity. Still there are some people who could not differentiate between micro financing (MFI) and SACCOs. It should not be a misleading concept that MFI and SACCOs are by far different institutions organized for different objectives and the main difference lies on ownership right. SACCOs are owned and controlled by the members themselves. The definition of SACCOs varies from person to person and from time to time. The Organization and Administration of SACCOs, which is prepared by ACCOSCA; SACCOs is defined as "a free association of people with common-bond who save and lend money to one

another at low interest rates for productive and visionary purposes.(Abate Mitiku, Abebe Alemu, 1998).

2.4 History of Savings and Credit Cooperatives in Ethiopia

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

Since cooperatives societies' proclamation Act No. 241/66 was passed in 1966, the existing cooperatives were registered under this proclamation by the Ministry of Community Development and Social Affairs. In order to promote savings and credit cooperative in the country, in 1970 a national savings and credit cooperatives promotion committee, known as the Ethiopian Thrift and Credit Cooperatives Development Committee was organized. This committee was able to host the ninth African Conference on the mobilization of local savings and facilitated Ethiopia's affiliation with ACCOSCA. It contributed to the increase in the number of savings and credit cooperatives in Ethiopia, and it was able to secure assistance from a number of international donor agencies towards the development of SACCOs.

However, this committee was not granted legal status. That was one reason why it was succeeded by the Ethiopian National Thrift and Credit Society in 1973. This society was established by the already existing credit unions under the 1966 Cooperative Societies Proclamation Act No. 241. It was administered by a board of directors elected by the general assembly of the representatives of each affiliated society. This national society was able to contribute to the further development

of savings and credit unions in Ethiopia until its liquidation with the passage of the 1976 Monetary and Banking Proclamation No. 99 and the 1978 Cooperative Societies Proclamation No. 138. By 1978, there were 60 savings and credit cooperatives in the country comprising 13,020 members with savings amounting to Birr 4 million. The annual rate of growth of membership over the 1974-78 period averaged 12 percent and the average savings per member over the same period was Birr 268. The average annual rate of growth in the number of SACCOs was slightly higher than 14.7 percent (Dejene, 1993).

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

Until 1998 the cooperatives proclamation No. 147/98 was passed, the SACCOs movement in Ethiopia was not only urban based but also the technical and regulatory services were offered only from one center- Addis Ababa, where the office was located. This new proclamation is full fledged with internationally accepted cooperatives principles and also it institutionalizes the technical support and regulatory activities for different types of cooperatives by establishing a governmental institution with branches up to woreda level. Although there was difference in attention and the establishment of the responsible organization, at present there are independent

institutions which are responsible for promotional, capacity building and regulatory activities of different types of cooperatives through out the country in each Administrative region and city councils including the federal cooperative Agency. In line with this, there are more than 21 different types of cooperative Unions, 19147 primary cooperatives with 4.62 million members and 1475.25 million Birr capital and there are 9 different types of 124 secondary level cooperatives (unions) with 149.42 million Birr capital and 2495 affiliated primary cooperatives in the country (FCA, 2006).

Based on the national cooperative proclamation No.147/98, the Tigray National Regional State established an institution, initially called Cooperatives Promotion office and currently Cooperatives Promotion Department, which is responsible for cooperatives promotion, capacity building, and regulatory activities. When the office was established it had zonal level cooperatives promotion department and wereda level promotion office. Following the restructuring of the government sector offices in 2003, the zonal level Cooperative Promotion Departments were abandoned and wereda cooperatives promotion office was scaled-down to a desk/team level.

2.3.1. The impact of cooperatives in development

Cooperatives, organized as business enterprises for the benefit of their members, offer a model of enterprise that is particularly relevant in difficult economic times and instances of market failures. As a self-help group, a cooperative organization is widely accessible, especially for the impoverished, offer a model of enterprise that is particularly relevant in difficult economic times and instances of market failures.. Where private enterprise or government is weak, particularly in remote rural areas, cooperatives enable local people to organize and improve their conditions. Cooperatives promote and support entrepreneurial development, creating productive

employment, raising incomes and helping to reduce poverty while enhancing social inclusion, social protection and community-building. Thus, while they directly benefit their members, they also offer positive externalities for the rest of society and have a transformational impact on the economy the International Cooperative Alliance (ICA, 2008).

The cooperatives also provide opportunities for social inclusion. In the informal economy, workers have formed shared service cooperatives and associations to assist in their self-employment. In rural areas, savings and credit cooperatives provide access to banking services which are lacking in many communities. Credit cooperatives in financing the formation of small and micro businesses, promotes inclusive finance that the United Nations envisages reaching the poor in a sustainable way. In many countries, cooperatives and mutual benefit societies are substantial providers of social protection, especially health coverage, and they operate as voluntary community-based schemes. World bank(Washington, D.C., 2007).

Cooperatives have also been instrumental in peace building and creating bridges of communication in areas of conflict or ethnic division.. The success of cooperatives is a function of capable management and governance and the ability to adapt to prevailing business conditions. Cooperatives have also been viewed as State instrumentalities or prostate's, and as being less concerned about the genuine needs of their members. Some also view the cooperative principles and structures as limiting the ability to quickly respond to market changes. Cooperative charters also often include restrictions on their ability to raise capital. A challenge with the cooperative structure, based on the conflict of interest between members and management is its vulnerability to management opportunism. This arises when the cooperative membership base is very large so that individual ember interest is diffused relative to management's interests and incentives (ILO, 2007)

2.3.2. Financial cooperatives in development

Financial cooperatives enable members to meet their needs for financial services, such as savings and credit, at low-cost and with easy access through the pooling of limited capital. The members' mandatory purchase of ownership shares in the cooperative and their deposit/savings accounts serve as the funding base to enable the cooperative to extend credit to members.

Financial cooperatives are often known as credit unions, savings and credit cooperatives or cooperative banks. Membership is typically based on a common bond that helps to establish trust between net savers and borrowers. Financial cooperatives operate with a different set of values and objectives than investor owned banks and are based on a model driven not only by profit motives but also by social objectives that focus on service and responsiveness to members' needs.

Financial cooperatives generally operate at the retail level and are smaller than large investor-controlled banks and thus have a limited need to raise capital in wholesale markets. Their credit underwriting generally requires that a member's deposit account is well established before credit is extended, instilling thrift among members.

2.3.3. Savings products

Savings is money put aside by an individual or household for use in the future. A key to good money management, savings help individuals and households manage risk, deal with emergencies, smooth income, build assets, and meet financial goals. People save by putting money aside when it comes in and by spending less when it goes out.

For the rural population, their savings are perhaps the most precious asset. The safety of these assets is their primary concern. Many people would not entrust their savings to the financial institutions unless they are assured that they are safe there (Azhar, 1995). Since RUSACCOS members are owners' of the institutions, they have saved regular savings, to some extent irregular savings and have purchased shares. Rural SACCOS are active in promoting savings, since members' deposits are the principal sources of loan able funds. Rural SACCOS have two classes of clients: members and customers. Customers' have access to only limited financial products (irregular savings for adults and minor or children savings)-saving accounts-and are excluded from loan products.

Share: every potential member must purchase the specified minimum share(s) as determined by the RUSACCO making each member as owner of the cooperative. Purchasing shares is carried out not only by new members but the existing members are also expected to purchase additional shares from the RUSACCOs in proportion to their savings that would enable to maintain at least 3:5 to 1 and 4:1 savings/share leverage ratio.

Regular savings (compulsory savings): It is the main part of savings in RUSACCOS. This type of savings is the predetermined amount of savings, which is saved regularly every month without interruption by RUSACCOS-members. The amount of monthly regular savings is decided by the saver him/herself within the saving range decided by the cooperative general assembly. Members can not withdraw this type of savings from the cooperatives unless they decide to terminate their membership. Every six months, members receive interest for the saved amount of cash. Regular savings are required as a precondition of membership and are used as collateral of loan when members request and get loan. Although regular savings in RUSACCOS are preconditions for receiving loans, unlike savings made in other types of microfinance, they are not targeted only

for loan receiving. It is a continuous financial product, which would improve savings culture and built financial and physical capital for the savers. By insisting on regular savings, RUSACCOS could screen out some potential defaulters, increase funds available for lending, and develop among members a degree of identification with the financial health of the institution.

Irregular savings (voluntary savings): This type of savings is allowed not only for members but also for non-members. As far as they are interested, non-members can use this product. Irregular savings products can attract idle resources from some clients (both members and nonmembers) and channel them to others (members and cooperatives, which are established under the same proclamation) in the form of loans for investment in productive activities. Unlike regular savings, savers are not obliged to save every month and its amount is not predetermined. Moreover, this savings bear interest and the saver can withdraw his/her savings at any time on demand. From such type of savings savers do benefit only from interest payment (Teka, 2008).

2.3.4. Credit products

Credit is defined as the power or ability to obtain goods and services in exchange for a promise to pay for them later. Credit is an exchange of goods or services for a promise of future payment. In RUSACCO, in addition to other objectives and incentives members are encouraged to save towards loans. Loans are ratio based on member's savings and shares (at present 3:1 or 3 folds of a member's share and savings balance is offered - which is the ceiling level). The loan products offered by RUSACCO are categorized into production, provident and consumption loans. When members face bad situation, consumption loans are also allowed in the RUSACCO loan policy. Until this study has been conducted no any RUSACCO offered consumption loans to the beneficiaries. The major loan products which are practiced in a flexible way are production and provident loans. Rural SACCOs made loans to members only in cash (Kefle, 2008).

Every RUSACCO has an approved loan guideline which enables the RUSACCO to offer the loan product to members in a proper and smooth manner. When RUSACCO members request loan they are expected to present the type of activity they are going to do (practice to develop a type of business plan). Based on members' loan request, after loan committee critical evaluation usually loans are disbursed to members every two weeks. The loan duration vary from six months to two years. The repayment modality of the loan depends on the type of the activity the loans are allocated. The loan disbursed for petty trading (grain trade, livestock trade, local drink and food preparation, etc.), creditors are expected to repay the loan every month to the RUSACCO (equal installment) on the saving day along with their monthly regular savings. The loan disbursed for livestock development (fattening, sheep/goat rearing, bee keeping, etc.), after six months grace period creditor are expected to repay the loan every month to the RUSACCO (equal installment) on the saving day along with their monthly regular savings. The loan disbursed for annual agricultural production inputs, creditors are expected to repay the loan to RUSACCO at the time of harvesting (lump sum on due date).

During the period of field survey, the disbursed minimum loan amount per member was Birr 300 and the maximum loan amount per member was Birr 9500. The loan repayment rate for the last three consecutives years was 100 percent.

2.4. The Function of RUSACCOs

RUSACCOs have 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. 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 the handling of money; how to keep track of finances; how to budget and how keep away from hire purchases and how to be profitable.

2.4.1 Saving culture

Through out time, all around the world, house holds have saved: as insurance against emergencies, for social and religious obligations for investments and for future consumption (Rutherford, 1999).

Saving ought to have started before the birth of Jesus Christ in the Roman Empire. Its adventure is very much linked with the origin of money where merchants used to keep (save) their precious metals with the gold smiths who would give them back their gold when they are back after their businesses (Cox, 1996:84).

Because such precious metals were used as a medium of exchange that time, and were mainly kept with the gold smiths, the merchants would fore go consumption; it is from this adage that, the culture of saving evolved. Also it should be noted that, from this, formal banking and saving in general and intermediation between surplus and deficit money holders evolved (Cox, 1996:84). However, can poor people save? Do the poor people know the importance of saving?

The answer would be yes as elucidated below:

The importance that poor people attach to savings is demonstrated by many ingenious but often costly ways they find to save in addition to keeping small amounts of cash secreted at home.

Saving constitutes the key elements on which the development of the community depends. Local savings provide the asset for the community's investment in future. Without it, the community and the economy at large cannot grow. It is desirable that SACCOs' membership embraces a saving culture so as to increase their low incomes, leading to improved quality of life. Further still, development is induced by saving in that, high levels of saving leads to capital accumulation, later on investment leading to high income levels, ultimately breaking through the vicious cycle of poverty, hence, development in the long run.

Further still, saving and maintaining that culture, is an important aspect of life. This is just because if one saves in a bank, then there is security for life which serves as a common denominator, for great variety of people's life styles at both their homes and work places. This explains why among the operations by banks, are savings accounts to enable people to save funds to be put to use in times of crisis.

2.4.2. Saving behavior

Saving behavior is fundamental aspect of human survival particularly in rural areas where incomes are unsecured.

He further noted that, agricultural production is seasonal because the period of income flows and expenditure are different. In here, the intervals between income and expenditure and funds available to carry over from one period to the next, provides good potential for mobilization of saving in rural areas.

Recent World Bank household country studies in sub-Saharan Africa showed that, rural households in Africa have higher average and marginal propensity to save. Long term financial security starts with a regular savings plan for emergencies, un expected bills, replacement of needed home items and the purchase of special goods and services ,such as a boat ,a vacation

home or college education. Once a saving component has been established, additional money saved may be used for investments that offer greater potential returns. In the same endeavor, one scholar observes that, a certain amount of savings must be readily available to meet individual or family needs (Kapoor et al, 1988:21)

2.4.3. Ways to Save

You can choose to save through formal, semi-formal or informal institutions, and in the form of cash or non-cash.

Non-cash forms of saving are assets, such as jewelry, consumer durables, or livestock that can quickly and easily be converted to cash and generally retain their value. Land is also an asset in which you can invest and hold your savings; it retains its value but is less liquid than livestock.

Informal savings include saving cash at home, which keeps your cash very accessible and allows you to avoid the transaction costs associated with saving at formal savings institutions. This form of informal savings has two significant disadvantages: the temptation to spend the money and the risk of theft. You need strong discipline to both avoid spending these savings yourself and deny the pleas of other family members. Furthermore, money saved at home does not earn any interest, and thus may lose value over time. Saving in-kind (gold, livestock or land) is another form of informal savings.

Semi-Formal savings encompass deposit collectors and group savings mechanisms, including rotating credit and savings associations (ROSCAs), village banks, solidarity groups and self-help groups. Familiar and simple, the group mechanism encourages discipline, scrutiny and support among members.

The advantage of ROSCAs is that each member receives a lump sum of money at one time, with no loan or interest payments. However, a corresponding limitation is that members typically do

not earn interest on money they have saved. Members of self-help groups borrow from their collective savings with the obligation to repay with interest, but they also receive periodic dividends.

Limitations of group savings include instability of the groups, disagreements among members, and limited access to funds.

Formal savings involve financial institutions, including banks, credit unions, cooperatives, post offices or microfinance institutions, and offer another widely used option for saving cash. Savings in these financial institutions are generally safe and earn interest. They offer a range of savings accounts tailored to different financial needs. However, the requirements for opening and maintaining an account such as minimum deposits, user fees, and withdrawal requirements can be costly. These requirements are challenging if you make small, frequent deposits or withdrawals. Limited bank hours may make it difficult for you to access your money quickly in the case of emergency. Finally, where banks have failed, people tend to lack confidence in them (Rutherford, 2000).

2.4.4 Characteristics of RUSACCOs

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

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

- Services are almost exclusively financial in nature.
- They provide Self generated capital, typically without any dependence on outside funding to cover operating costs which are generally kept low. This is because they are always started on self-help philosophy.
- Members are united through at least one common interest.

- Members pursue the goal of improving their economic and social situation through joint actions.
- Members use jointly owned and operated unit which provides them with services or goods regardless of its physical size and activities, the units purpose is to use joint resources of the members to obtain goods or services for members (Kabuga and Batarinyebwa,1995).

2.4.5. Objectives of a Savings and Credit Cooperative

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

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

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

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

Members are encouraged to save since SACCOs are readily accessible.

Interest rates on saving and lending is better than elsewhere a fact that sounds idealistic.

Members are taught how to handle their finances in a responsible manner this could be true only when they effectively economically patronize their SACCO.

Loans are insured, so if a member dies, the outstanding balance is settled. However, it's not the practice across board. Besides; other MFIs also do insure loans for their clients (Fred, 2007).

2.5. The Role of Rural Savings and Credit Cooperatives

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 (Padmanabhan, 1987).

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

Savings and credit cooperatives are 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 savings and credit cooperatives operate as farmers' grassroots organizations, aimed usually at meeting the seasonal financial needs of their members, which other financial institutions do not satisfy (FAO, 2001).

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

Cooperatives have the feeling of the local areas, reflecting the rural ethos and culture. Farmers feel at ease with loan agents of cooperatives, unlike in the case of commercial banks. Despite the potential advantages of the system, effective cooperatives for financial services delivery have been facing difficulties in many countries. The major problems of cooperatives specifically in Africa are: absence of experienced management, uneconomic base level units, lack of supporting infrastructure like extension, training, etc., poor member participation due to hasty launching of cooperatives, insufficient supervision and auditing of cooperatives, and too much political disturbance (Padmanabhan, 1987).

2.6. The Nature and Need for Finance Intermediaries

Financial services include loans, savings and insurance services and other related service. These institutions, which provide financial services, regarded as financial institutions. Financial institutions are either private or governmental organizations, which carry out the vital function of facilitating the flows of savings from those businesses and households with surplus funds to

businesses and households with insufficient funds to meet immediate needs or carry out a central role in the supply of money and credit. Savers are providing with financial assets and borrowers with the type of financing assistances needed to purchase goods and services. Financial institutions sometimes called financial intermediaries, which are primarily engaged in bringing together ultimate providers and ultimate users of finance. Financial institution can be put either formal or informal according to the licensing, regulations and supervision of the national monetary and financial laws (FAO, 2002).

Finance is one of the most crucial inputs for economic activity, growth and development. If finance through own accumulates resources or equity is neither available, nor sufficient either external debt will assumed a major significance or productive investment will severally restricted. Financial institutions play an important role in this regard by channeling funds from surplus sector (savers) to deficit sectors (investors). However, these institutions do not show much interest to put their resources in rural and background areas for the benefit of poor people, as these are commercial organization and are interested in profitability and sustainability for two reasons: a)/ incentive for functioning b) for safeguarding the interest of stakeholders (Rajarm, 2001).

2.6.1. ROSCAs (Rotating savings and credit associations) in Africa

Rotating savings and credit associations (ROSCAs) are also an important source of credit in most African countries. These are found in both rural and urban areas as either registered welfare groups or unregistered groups. They mainly provide credit to those who would likely be ineligible to borrow from other sources. ROSCAs have developed mostly in response to the lack of access to credit by SMEs (small and micro enterprise), forcing them to rely on their own savings and informal credit sources for their financing. It has been found that rural firms use

ROSCAs more than urban ones. They mostly integrate savings into their credit schemes, thus mobilizing savings from their members.

However, even for members of ROSCAs, not all their credit needs can be satisfied within the associations. This implies that there is some proportion of borrowing and lending that is not catered for by either formal institutions or such associations. This is catered for by personal savings as well as borrowing between entrepreneurs and other forms of informal transactions. Rural firms rely more on ROSCAs since they present easier access. *SACCOs* also provide both savings and credit facilities to their members. The amount of credit provided depends on the amount of the individual members' savings, but the use of money is not restricted. In a rotating savings and credit association, a group of participants puts contributions into a pot that is given to a single member. This is repeated over time until each member has had a turn, with order determined by list, lottery, or auction. Most microfinance contracts build on the use of groups but mobilize capital from outside the area (Rosemary Atieno, 2001)

2.7. Rural Savings Mobilization

Savings is a mechanism by which economic agents make deliberate choice to allocate a portion of their current income for the purpose of making investment and their increasing their future earning capacity. Theory suggests that household total savings depend on the rate of return on savings, on uncertainty of future incomes, on risk aversion of household, on lifetime or permanent income or wealth, on family characteristics (FAO, 2001).

The mobilization of domestic savings for economic development is the next century's challenge for Africa. Indeed, "no country is too poor to save if the available potential is effectively used" (Adera, 1995).

SACCOs could be a vehicle for this task because they are currently the only formal financial institutions able to provide financial services to remote areas of Africa. The role of financial markets in mobilizing savings and in channeling funds into productive investments is central to a successful strategy for economic and human development (Musing Uzi, 2000).

The key for successful approaches to promote domestic savings for development purposes lies in a reversal of the financial and monetary policies to pursue in most of the developing countries (Fischer et al, 1989). He further notes that, excessive administrative interventions into domestic financial markets like low interest rate policies, high reserve requirements and selective credit policies have not only hindered domestic savings mobilization but, also impeded an effective allocation of scarce capital.

There is good reason to suppose that the potential of savings institutions to stimulate financial savings has not yet been exhausted. Moreover there is no indication that, the propensity to save is significantly lower for rural than for urban households (Fischer, 1989: 118). This is again true for low income countries in particular, where growth of development aid as the only major source of external savings helped recipient countries to neglect internal economic determinants of savings formation. Private savings especially in the form of financial assets are generally far less restricted by low income than has been assumed before, both by economists and policy makers. On the contrary there is strong empirical evidence that, the saving behavior of all private households is highly sensitive towards attractive incentives to save (Fischer, 1989:119).

He further observes that, higher interest rates can stimulate financial savings substantially. An important condition to raise savings in rural areas is to initiate price policies for agricultural products which offer incentives for production and opportunities to invest. Banks should provide open and full access to their savings when ever required. This would reduce the volume of

savings kept at home/ place of work purposely for liquidity reasons to the levels they require for meeting an expected expenditure. He further observes that, link banks should however reciprocate by not only giving them open and full access to their savings, but also good return on them. however, it's important to recognize the findings revealed by Rural speed study, on saving habits, needs and priorities in Rural financial institutions (RFIs) to mobilize saving (Pelrine, 2005).

In households and business sector savings represents the difference between income and consumption. Income includes earnings from all sources during a year and is net of all costs incurred in producing that income. Consumption is the total amount of goods and services consumed by the rural household during a year and include expenditure on food, clothing, housing, travel, health care, social ceremonies, etc. Savings may be made in kind such as jewelry, livestock, grain, or some other commodities or may be in the form of currency notes deposited in a bank (or most often hoarded) (Azhar, 1995).

A common feature of economic growth theories is the premise that capital accumulation is a prerequisite of economic growth, and that the savings of individual and households are an essential part of the process of capital accumulation. Savings determine, to a large extent, the rate at which productive capacity and income grow. An effective smoothly functioning financial system will increase the mobilization of savings, lower transaction costs, disperse risks and direct the allocation of resources to the most productive uses (FAO, 2001).

2.8. Empirical Studies on Determinants of Savings

The services provided by government, such as social security, the availability and the quality of financial services can affect saving rate. There are two sides of mobilization of rural savings. The supply side- the circumstances under which rural clientele are most likely to entrust their savings to financial institutions- and the demand side- the effort and range of services of financial intermediaries to institutionalize surplus funds. Confidence is the basis of any financial transaction. Safety, continuity, and secrecy are some of the factors that further confidence. Some government intervention may help in creating a sense of safety and confidence. When deposits are covered by insurance, it increases savers' confidence (FAO, 2001).

Rural people are rational in their approach to financial matters and they do take advantage of attractive interest incomes on deposits. Accessibility to the financial institutions is an important factor in the promotion of savings. When financial institutions/banks are opened near market centers and operate at convenient hours, rural people to institutionalize their surpluses. When they are confident as in its liquidity, they would prefer to earn something on the surplus other than keeping it idle. Provision of financial services like money transfer from one center to another can encourage depositors. Similarly, no financial services like payment for purchase of crops, payment of bills, etc, can increase deposits. Payment for crops presents an opportunity for intermediation because the buyer could establish an account payable in favor of the farmer. When there is a linkage between savings and lending, rural households will be prompted to hold deposits with a view to availing a loan when needed (Padmanabhan, 1987). Indicated that methods of savings are categorized as savings in cash, saving in bond holding, saving in agricultural products and saving in livestock. It has dual impact on the household economy, firstly, as a source of extra income and, secondly, by acting as cash which is always available at

home. Factors that influence the form and extent of saving are divided into four categories. These are: economical, psychological, socio-cultural, and institutional factors Azhar (1995).

According to FAO studies (2001), indicated that on average; rapidly growing countries have higher savings rates than slower-growing countries. These rates are influenced by many factors: the level of income per capita, the rate of income growth, the age composition of the population and attitude toward thrift. Similarly, models studies revealed that income uncertainty has positive impact on household savings. The result of the study conducted by Degu Addis (2007) indicated that socio economic variables such as age, family size, dependency ratio, resource ownership and expenditure pattern affects the decision of household savings significantly.

2.8.1 Challenges face on rural savings and credit cooperatives

First among these was ability to save which in turn depends on a house holds disposable income and expenditure. The second is the propensity or willingness to save as influenced by socio cultural and economic factors like the family obligation to educate children. Last but not least, is the opportunity to save and returns on savings.

This contradicts Rural SPEED (2005) study which points out that, access and security are the most important priorities for rural savers as pointed out earlier. However, Rural Speed report hastens to add that, increasingly, people consider returns to their savings. In addition, access to financial institutions and the type of savings were found to determine the decision on the form of savings held, this is in agreement with Rural Speed study (2005) which points out that, access and security are the most important priorities for rural savers.

The most critical challenges and constraints rural credit and saving cooperative societies face to expand their outreach and sustainability include, among other, weak capacity of SACCOs, low

outreach to rural areas, insufficient loan able fund, inadequate support structure at all levels. The main causes for these are outlined below.

A) Weak capacity of management

The institutional capacity of RUSACCOs is weak because of: limited training opportunities available to RUSACCO management bodies and members; complete dependence of RUSACCOs on elected members for their day-to-day management and some members' reluctance to actively participate in the management of their societies; weak management capacity; unsatisfactory or inadequate representation of women members in management bodies of the cooperatives; lack of offices and necessary office furniture and equipment, and lack of appropriate working systems (AEMFI, 2006)

B) Limited Loan able Fund

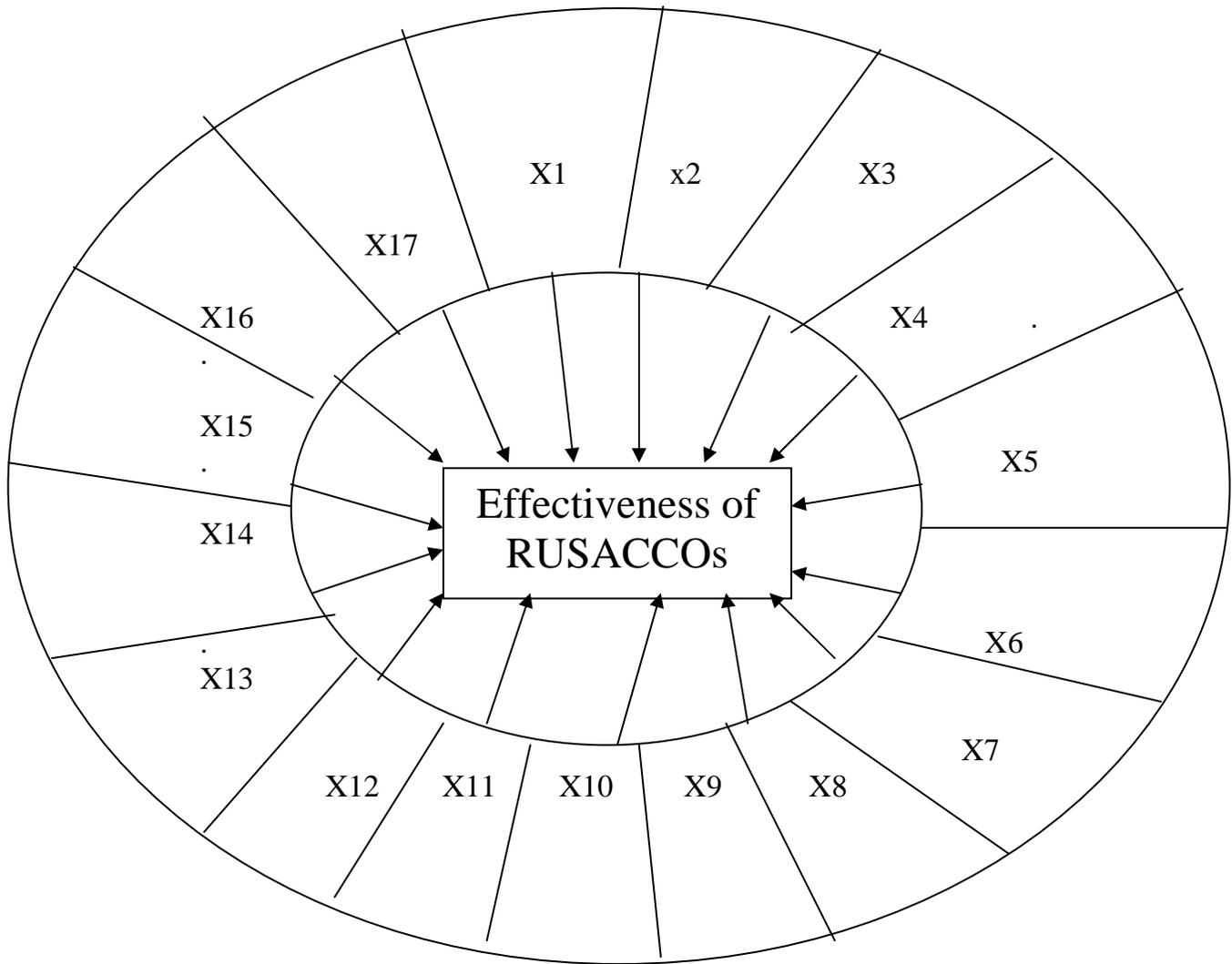
The loan outreach of SACCOs, particularly, RUSACCOs is likely to be constraints by the shortage of loan able fund. Loan able fund may be in short supply for the following main reasons: small size of saving accounts of RUSACCOs due to the incidence of high rural poverty; poor saving habits of members; small membership size of RUSACCOs, lack of vertical and horizontal linkages among cooperatives and as a result, RUSACCOs are not in a position to mobilize surplus funds, particularly in rural SACCOs and channel to deficit areas; Poor linkages with banking and other financial Institutions (Insurance, pension, etc.); negligible external revolving fund to RUSACCOs; rural and agricultural credit (food security revolving fund) are directed and managed by multi-purpose cooperatives; Low net surplus generated and retained within the RUSACCOs due to small-scale operations. In addition they are marked by poor administrative and financial procedures: outstanding loan amounts and numbers are for example not always well recorded and portfolio at risk not well known. A recent study noted high levels

of illiteracy especially in RUSACCOs even among the leaders of these organizations. This puts a challenge to any training program. Also most RUSACCOs were lacking any basic physical facilities. (IFAD, 2001)

C) Inadequate support and weak regulation and supervision

Savings and credit cooperative systems in Ethiopia have a history of instability. Competent external regulation and supervision can identify, avoid, and resolve many common problems. Because the capacity of the federal cooperative agency and regional cooperative promotion bureaus to effectively promote, regulate and supervise SACCOs is severely constrained for the following main reasons: lack of trained manpower in cooperatives in general and in saving and credit cooperatives promotion, supervision and regulation high staff turn-over institutional instability or frequent restructuring of the cooperatives promotion, limited local training institutions limited mobility of staff due to shortage of vehicles and motor cycles and operating costs; and poor working systems(AEMFI,January 2006).

Fig.1 Conceptual frame work



Yi= Effectiveness of RUSACCOs

- | | | |
|--------------------------------|-----------------------------|-------------------------|
| X1 = Annual Savings | X2 = Credit beneficiaries | X3 = Savings Interest |
| X4= Safety/security | X5= Convenience | X6 = Liquidity |
| X7=Positive returns | X8= Amount of loan borrowed | X9 = Access to training |
| X10=Distance to RUSACCO office | X11=Accountability | |
| X12= Transparency | X13 = Education | X14= Employment |
| X15=Seniority | X16=Annual income | X17=Family size |

CHAPTER- III

3. MATERIALS AND METHODS

3.1 Description of the study area.

3.1.1 Location

Tigray National Regional State is the northern part of Ethiopia, bordering Sudan & Eritrea, Amhara & Afar region in west, north, south & east respectively has a cultivated area of about 800,000 hectare (BOARD, 2004). Tigray is located in-between the geographical coordinates of 36027' - 39059' east and 12015' - 14057' north i.e. from western to eastern and from southern to the northern parts of the region respectively.

The capital town of the region is known as Mekelle. There are six zones of which the sixth one is Mekelle town administration. Excluding Mekelle there are 34 wereda and 11 wereda level towns. It is identified that the mapped number of the Tibias is 608 currently; Tigray has an area of 54572.6 square kilometers.

3.1.2. Population of the Region

Total population of the region is estimated to be 4.3million as of (July, 2006). The study will be conducted in the Ganta Afeshum Wereda, Eastern zone, Tigray, Ethiopia. And it is located at about 120k.ms North from Mekelle.

3.1.3. Ganta Afeshum woreda

Ganta Afeshum is one of the 36 woredas in the Tigray Region of Ethiopia. Part of the Eastern zone. Ganta Afeshum is bordered on the south part by Hawzien, on the west by the Ahferom Woreda, on the north by Gulomahda, and on the east by Saesie Tsaedamba woreda. The administrative center of this woreda is Adigrat.

High points in this woreda include Mount Alequa (3290 meters) and Mount Undale, peaks in the Harat Mountains.

3.1.4. Demographics;

Based on figures published by the Central Statistical Agency in 2005, this woreda has an estimated total population of 178,835, of whom 92,112 are men and 86,723 are women; 68,965 or 38.56% of its population are urban dwellers, which is greater than the Zone average of 19.6%. With an estimated area of 525.93 square kilometers, Ganta Afeshum has an estimated population density of 340 people per square kilometer, which is greater than the Zone average of 141.59.

Total population; The 1994 national census reported a total population for this woreda of 122,827 of whom 58,398 were men and 64,429 were women; 39,561 or 32.21% of its population were urban dwellers. The largest ethnic group reported in Ganta Afeshum was the Tigrayan (98.07%), and Tigrinya was spoken as a first language by 98.56%. The majority of the inhabitants practiced Ethiopian Orthodox Christianity, with 97.28% reporting that as their religion, while 1.66% was Muslim. Concerning education, 29.77% of the population were considered literate, which is greater than the Zone average of 9.01%; 47.64% of children aged 7-12 were in primary school; 8.41% of the children aged 13-14 were in junior secondary school; and 10.59% of the inhabitants aged 15-18 were in senior secondary school. Concerning sanitary

conditions, about 83% of the urban houses and 37% of all houses had access to safe drinking water at the time of the census; about 22% of the urban and about 9% of the total had toilet facilities.

Altitude and temperature are inversely related. As altitude increases temperature decreases. Majority of the wereda lies on the middle altitude land. (2501-3500).

The annual rainfall of the Woreda varies from 350-650 mm and the rain fall pattern is erratic and unpredictable, from the annual rain fall greater than 50% falls between July and August.

3.1.5 Agriculture

A sample enumeration performed by the CSA in 2001 interviewed 20,704 farmers in this woreda, who held an average of 0.37 hectares of land. Of the 7,710 hectares of private land surveyed, 83.38% was under cultivation, 2.67% pasture, 5.15% fallow, 1.95% in woodland, and 6.86% was devoted to other uses. For the land under cultivation in this woreda, 64% was planted in cereals, 8.9% in pulses, 0.61% in oilseeds, and 13 hectares in vegetables. The total area planted in fruit trees was 646 hectares, while 78 were planted in gesho. 72.00% of the farmers both raised crops and livestock, while 25.63% only grew crops and 2.37% only raised livestock. Land tenure in this woreda is distributed amongst 94.88% owning their land, 3.39% renting, and 1.74% holding their land under other forms of tenure. (Central Statistical Agency in 2005)

3.1.6. RUSACCOs in Ganta Afeshum woreda

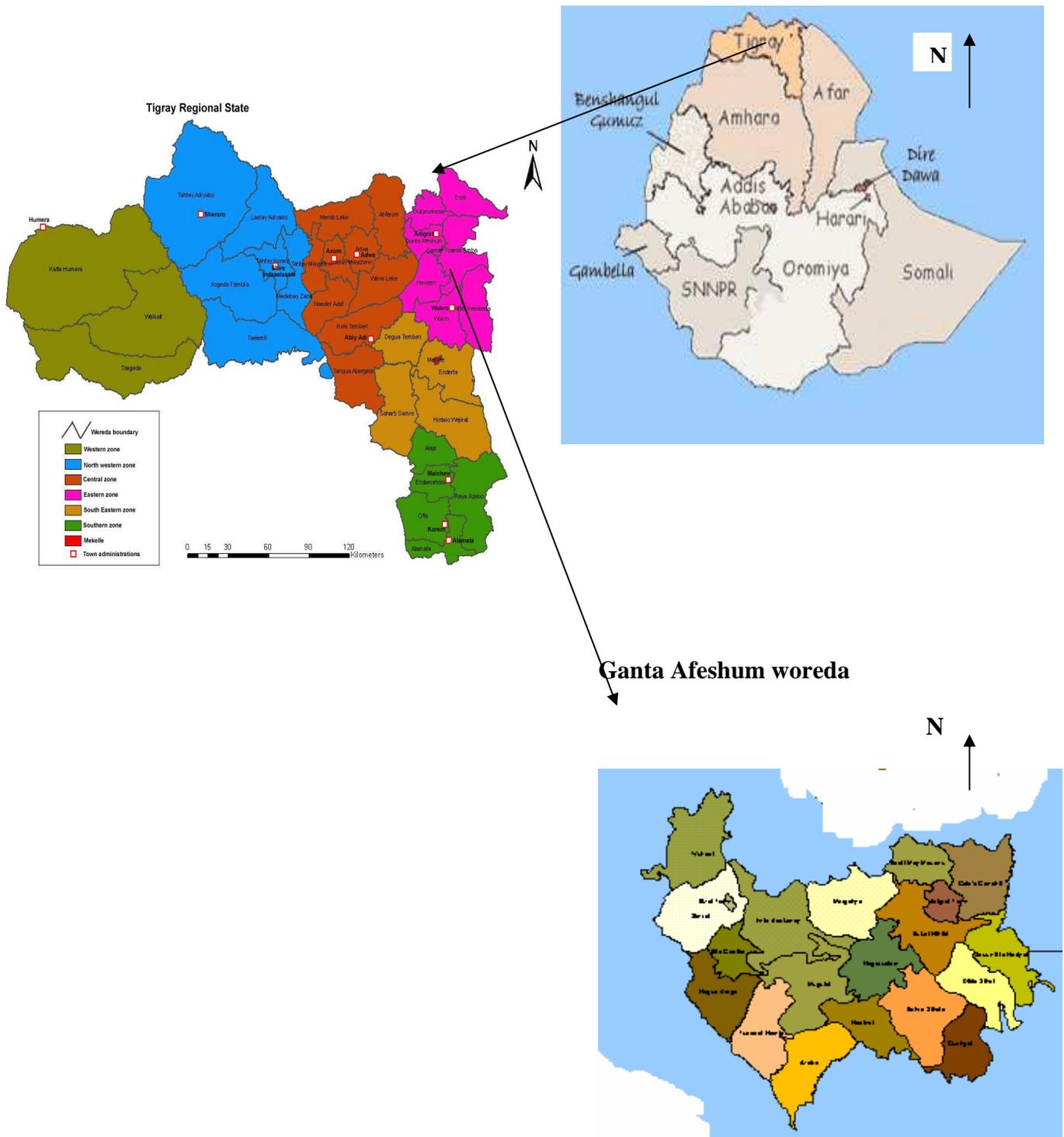
In Ganta Afeshum Wereda there are 15 RUSACCOs with a total member ship of 1,691, out of which, 464 are female members and 1,227 are male members having amount of capital Birr,5,098,993.26 as, (Tigray Regional office RUFIP Coordination Annul report Jun, 2009).).

Table. 1. Total member of RUSACCOs of the wereda & their total savings.

No.	Name RUSACCOs	Total number of members (savers)			Total Saving (Assets)
		M	F	T	
1	Sasun	250	120	370	1,555,683.27
2	Shewit	115	54	169	606,648.00
3	Lemlem	227	124	351	807,895.00
4	Tsigereda	67	10	77	88,673.00
5	Embeba	62	15	77	340,386.00
6	Hibret	82	24	106	364,674.24
7	Meseret	14	14	28	10,705.00
8	Millennium	43	24	67	34,213.00
9	Awet	49	8	57	365,171.25
10	A/Tsehay	58	5	63	192,251.00
11	Hiwet	71	22	93	183,290.00
12	Hawelty	68	16	84	23,599.50
13	Weini	35	10	45	175,360.00
14	Sgem	41	10	51	173,070.00
15	A/Imat	45	8	53	177,374.00
	Total	1227	464	1691	5,098,993.26

Source; Tigray Region saving & credit coordinator office (2009)

Fig.2. Location of Ganta Afeshum in Tigray, Ethiopia



Source; Bureau of Finance & Economic Development of Tigray Region

3.2. Sampling technique

3.2.1. Selection of RUSACCOs and individual respondents

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

In the first stage, Ganta Afeshum wereda was selected purposively because it is the 1st wereda supported by World Bank revolving fund to the RUSACCOs, because of having more financial service transaction in saving and credit activities and it has an experience in providing loan for the society. There are 15 RUSACCOS in the rural parts of the wereda.

In the second stage, to select the target respondents from the 15 RUSACCOs, by using simple random sampling method, 4 RUSACCOs was selected.

In the third stage, using probability proportionate to size of the population (SPPS) from total 620 members, a total sample of 124 members were selected at random as respondent for the study.

In addition, 6 promotion officials and Cooperative experts and 6 from Stakeholders, Board and Committee member's thus total 12 were considered for focus group discussion.

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

No.	RUSACCO	Total n members (savers)			Sample Coops	Respondents (size)124			
		M	F	T		M	F	T	20%
1	Sasun	250	120	370	*	50	24	74	59.67
4	Tsigereda	67	10	77	*	13	2	15	12.10
6	Hibret	82	24	106	*	16	5	21	17.00
8	Millenium	43	24	67	*	9	5	14	11.23
	Total	1227	464	1691	4	88	36	124	100%

3.3. Data source and methods of data collection

3.3.1 Secondary data

The studies used secondary data sources from compiled statistical statements and reports which complement the primary data with additional information. Secondary data were gathered from annual reports, semiannual & quarterly reports of the wereda & regional Cooperative agency, SACCO related web sites, published and unpublished documents, and Research documents from relevant organizations.

3.3.2 Primary data

The researcher was collected primary data from the members of the RUSACCOs members by using interview schedule. During the collection of primary data, the sources of information were personal interview of the respondents. Since it was not be possible to contact all interviewees by the researcher alone, three enumerators who have the knowledge of the local culture, custom, belief & language of the local people were hired. They were given appropriate training about the objectives of the study, the content of the interview schedule and how to deal with the respondents when they conduct interviews. Pre testing of the interview schedule were carried out & depending on the result; some adjustments were made to the final version of the interview schedule. The researcher would also guided & worked with the numerators through out the data collection process. The interview schedules were developed in English then later it was translated in to local language Tigrygna.

3.4 Techniques of data Analysis

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

3.4.1 Descriptive Analysis

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

3.5 Operational Definitions of variables

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

A. Dependant

1. Effectiveness of RUSACCO, (Y_i). The dependent variable of this study is Effectiveness of RUSACCO in improving member's saving behavior and measured by the amount of total savings saved annually in RUSACCO.

B. Independent –.

1. Annual Savings ;(X_1)
2. Credit beneficiaries(X_2).
3. Savings Interest ;(X_3)

4. Safety/security(X4) -
5. Convenience: (X5)
6. Liquidity(X6)
7. Positive returns(X7)
8. Amount of loan borrowed ;(X8)
9. Access to training (X9).
10. Distance to RUSACCO office; (X10)
11. Accountability ;(X11)
12. Transparency (X12).
13. Education level ;(X13)
14. Employment (X14).
15. Seniority(X15)
16. Annual income(X16)
17. Family size(X17)

1. Annual Savings ;(X1).

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

2. Credit beneficiaries(X2).

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

3. Savings Interest ;(X3)

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

4. Safety/security(X4) -

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

5. Convenience: (X5)

Convenience is a key factor in savings mobilization. Convenience is mostly related with cost of transaction (transport, service charges, other expenses), Risk associated (transport Risk), time and distance of making deposits or withdrawal in the SACCO (financial institution). If the transaction cost of making deposits or withdrawal is high, time need and distance is long for the savers, then savers will be less likely to maintain their savings in that SACCO (financial institution). Therefore, the SACCO (financial institution) should open field office or low cost branches with restricted service hours to serve and attract more savers and borrowers from the community. Time consuming procedures will increase the cost of savings for savers; the SACCO (financial institution) must formalize clear, standardized and streamlined procedures for administration of savings accounts to limit the time necessary for savers to open account, make deposits and take out withdrawals.

6. Liquidity(X6)

A SACCO Society's (any financial institution) ability to capture savings depends on the confidence of members and the local community (potential members) for the access of their savings at any time. If the SACCO (financial institution) does not have funds to pay out savings withdrawals at time of need, the savers will automatically start to withdraw their savings and quit their membership totally.

Therefore, the SACCO Society should maintain a minimum of 20% of savings portfolio in cash liquidity reserves to ensure response for withdrawal demands.

7. Positive returns(X7)

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

8. Amount of loan borrowed ;(X8)

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

9. Access to training (X9).

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

10. Distance to RUSACCO office; (X10)

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

11. Accountability ;(X11)

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

12. Transparency (X12).

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

13. Education level ;(X13)

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

14. Type of employment (X14).

This refers the type of employment in different sectors with the help of RUSACCOs, this make members motivate to save.

15. Seniority(X15)

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

16. Annual income (X16);

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

17. Family size(X17);

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

CHAPTER- IV

4.1. RESULTS AND DISCUSSIONS

This part presents the findings of descriptive statistics in line with effectiveness of RUSACCOs on improvement members' savings behavior in rural savings and credit cooperatives. Descriptive statistical techniques were employed to analyze the collected Primary data. The results of the analysis are presented in two categories. First, descriptive statistical methods were employed to assess the demographic and socio-economic characteristics of the respondents to discover the most important variables which enabled to identify factors that influence the role of RUSACCOs on improvement of member's savings of savings of members of RUSACCOS.

4.1.1. Existing performance of RUSACCOs

In this section the secondary data and the researcher's observation on rural saving and credit cooperatives' existing performance on the amount of deposits, progress of membership, the amount of loan dispersed were assessed.

4.1.2. Growth of Members and RUSACCOS (2002-2009)

The savings behavior of the rural people can be improved through increasing the memberships of SACCOS and strengthen the saving habit of the societies.

RUSACCOS established in the study area from the 2002-2009 and the numbers of total members' were 16; 50; 130,345, 883,1089,1294,1691 in the year 2002, 2003; 2004; 2005; 2006,

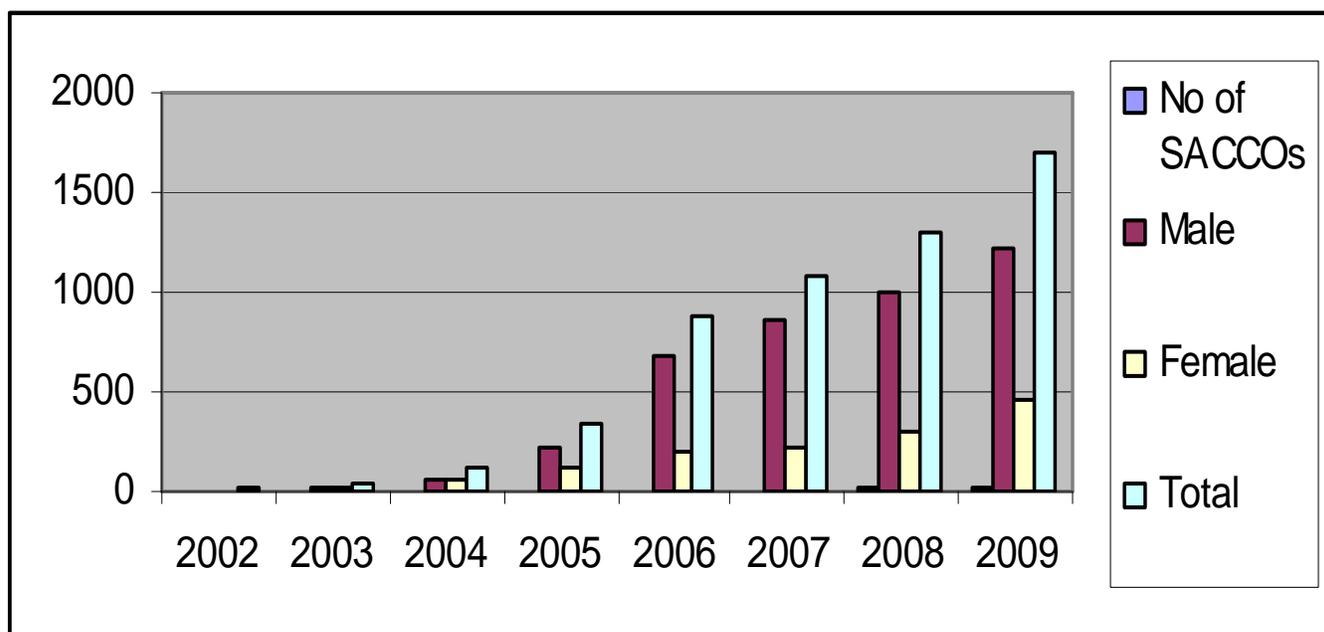
2007, 2008 and 2009 respectively. The member's growth of the rural savings and credit cooperative societies in the study area were reported as follow.

Table. 3. Growth of Members and RUSACCOS (2002-2009)

Year	No of RUSACCO	No of members			% growth	
		Male	Female	Total	RUSACCOs	members
2002	1	10	6	16	-	-
2003	1	30	20	50	200%	233%
2004	1	70	60	130	133%	200%
2005	3	224	121	345	220%	102%
2006	5	680	203	883	204%	68%
2007	9	864	225	1089	27%	11%
2008	12	1002	292	1294	16%	30%
2009	15	1227	464	1691	22%	59%
					103%	88%

Source: Computed from the field survey of woreda annual reports (2009).

Fig.3. Growth of Members and RUSACCOS (2002-2009)



4.1.3. Growth of Savings and Share of RUSACCOs (2002-2009)

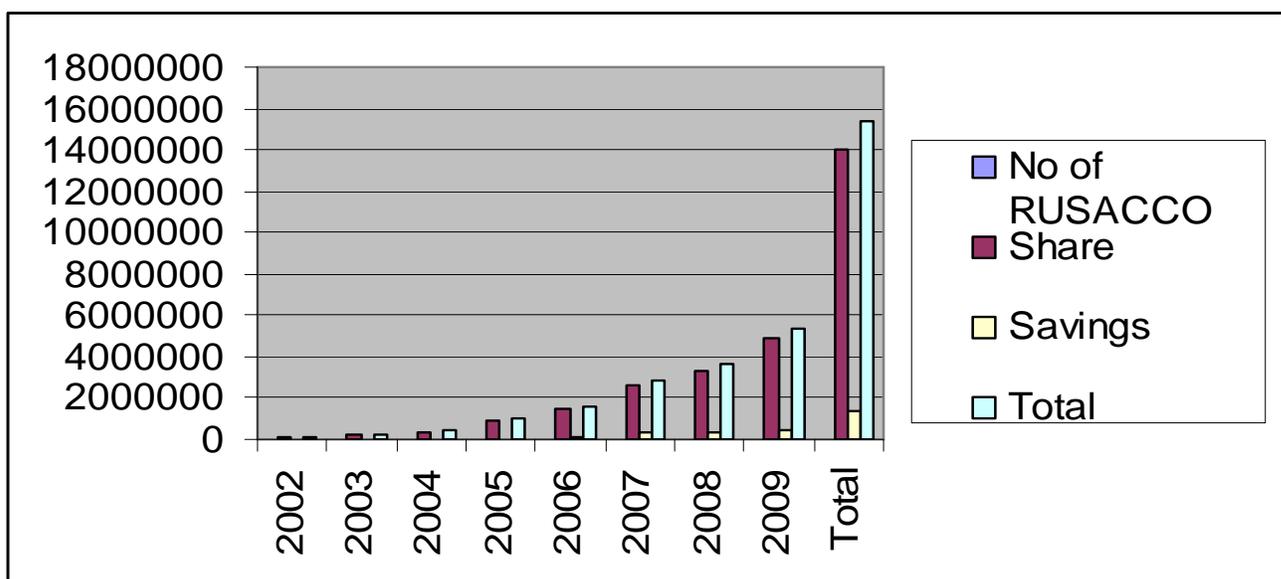
Saving mobilization is crucial factor of any growth and the growth of total assets is dependent on the growth of savings. The savings behavior of the rural people can be improved through increasing the memberships of SACCOS and strengthen the financial structure of the societies.

Table. 4. Growth of Savings and Share of RUSACCOs (2002-2009)

Year	No of RUSACCO	Total Asset in Birr			% growth	
		Share	Savings	Total	Share	Savings
2002	1	139,048.00	19,345.00	158,393.00	-	-
2003	1	240,130.00	19,875.00	260,005.00	73%	3%
2004	1	390,874.00	36,210.00	427,084.00	63%	82%
2005	3	960,250.00	50,420.00	1,010,670.00	146%	39%
2006	5	1,526,140.00	113,495.00	1,639,635.00	59%	125%
2007	9	2,576,454.00	286,920.00	2,863,374.00	69%	153%
2008	12	3,270,450.00	360,490.00	3,630,940.00	27%	26%
2009	15	4,907,364.00	426,499.00	5,333,863.00	50%	18%
Total		14,010,710	1,313,254	15,323,964	69%	64%

Source: Computed from the field survey annual reports (2009).

Fig.4. Growth of Savings and Share of RUSACCOs (2002-2009)



4.1.4. Total Amount of Loan Disbursed, repaid, borrowers and defaulted (2002-2009)

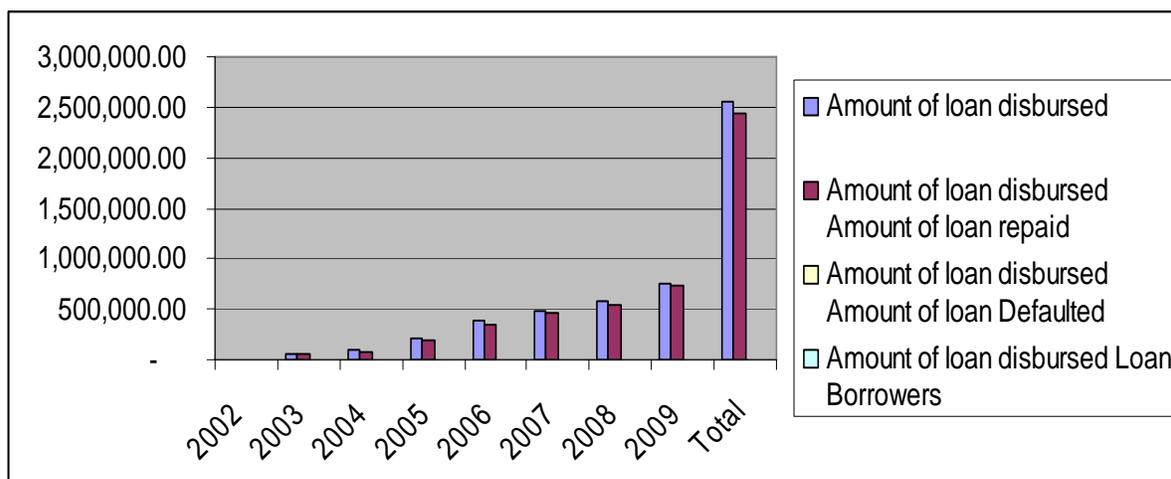
The performance of RUSACCOs in the study areas on lending outreach from the past up to (2009) years in terms of number of loan borrowers, growths and amount of loan disbursed.

Table.5.Total Amount of Loan Disbursed, repaid, borrowers and defaulted (2002-2009)

Year	Amount of loan disbursed	% growth				
		Amount of loan repaid	loan Defaulted	Loan Borrowers	loan disbursed	Loan Borrowers
2002	-					-
2003	60,250.00	54,230.00		26	0%	0%
2004	89,889.00	80,460.00	-	34	49%	31%
2005	210,182.00	198,240.00	-	40	134%	18%
2006	378,288.00	354,270.00	-	48	80%	20%
2007	489,850.00	460,245.00	-	52	29%	8%
2008	582,130.00	549,260.00	-	68	19%	31%
2009	749,510.00	740,680.00	-	71	29%	4%
Total	2,560,099.00	2,437,385	0	339.00	49%	16%

Source: field survey of woreda annual reports (2009).

Fig.5. Total Amount of Loan Disbursed, repaid, borrowers and defaulted (2002-2009)



Source: Computed from the field survey of Woreda annual reports (2009).

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.6. RUSACCOs Balance Sheet

Si.No	Nameof RUSACCOs	Asset	Liability	Capital	Revolving fund
1	Sasun	1,555,683.27	\$ 1,399,283.34	\$ 154,729.93	\$ 1,670.00
2	Tsgereda	109,704.80	\$ 79,907.00	\$ 28,558.80	\$ 1,239.00
3	Hibret	364,673.00	\$ 354,499.00	\$ 10,174.00	\$ -
4	Millinium	34,213.75	\$ 25,225.00	\$ 8,988.75	\$ -

Source: Computed from the field survey of woreda annual reports (2009).

4.2. Result on group discussion.

4.2.1. Discussion on RUSACCOs' services provided to members

The discussion group discussed about service provided by RUSACCOs and it play an important role on providing services to their members. Compulsory savings is a saving that a member is forced to save on regular basis; it is a membership savings i.e. must be saved on weekly, monthly, seasonally basis depending on the income of the member. It is collected to on lend to members. If members did not save on time they will get penalized based on the savings policy of the society.

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

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

Therefore, loan must be examined and treated carefully and honestly in the SACCO society. The SACCO society should assign members as a loan committee. All the sample savings and credit cooperatives ask savings of the members for guaranty as collateral for the loan.

4.2.2. Discussion on Loan Policy of RUSACCOs

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

1) Saving regularly, 2) Being a member for required period, 3) Fulfilling his duties and responsibilities: - having minimum share and compulsory savings, active in promoting new

members, 4) Personal integrity of the business owner(s) and family, 5) Honest and trustworthy, honorability to agreements with the SACCO Society 6) Ability of the business to repay the loan, the profitability and viability of the business for which the borrower applied.

All loan applications must have one or more forms of guarantee attached to them, in order to be approved. The first and best form of guarantee is savings, either for the client individually or from a guarantor, however, savings will never be sufficient to cover the full value of the loan. The savings, is as guarantee, must be locked away (made unavailable to a member) during the full term of the loan. Other forms of collateral can then be used to guarantee the remaining portion of the loan.

4.2.3. Discussion on duties and responsibilities of the Sample RUSACCOs.

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

The SACCO Society needs a key position to be held in between the members and hired management, which represents the members as user and owner of the SACCO Services. The Boards of directories have the power and duties of managing and controlling the affairs of the SACCOS in transparent way. The primary responsibilities of the directors are to hire the manager, other employees, establish operating environment and direct the SACCOS to wards its overall objectives.

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

The group discussion committee replied that, every sample societies have control committee, savings committee, loan committee and education, information and training committee. Based on the organizational structure each society has specific roles and responsibilities in the over all operation of the SACCO Society.

4.2.4. Discussion on Problems of RUSACCOs

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

Lack of the necessary operating office facilities;

Limited knowledge of financial management, and unable to do the recording, posting and summarizing of accounts as per the standards,

Lack of capital or budget for work,

In adequate promotional activities by the organizing body; and Absence of information and technical assistance on local investment opportunities.

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

Farmers do not always spend loans for income generating activities.

They were often used for emergencies and home improvement purposes.

4.2.5 Discussion on role of cooperative desk (office) and RUSACCOs.

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

In order to strengthen the material and non material base of RUSACCOs. As the government set up of cooperative promotion bodies, the district Cooperative Promotion Desks are responsible to organize, prepare to registration, promote, and provide auditing and inspection services and properly regulated and supervised primary and secondary cooperatives at district level. The desk has mobilized and aware people who are living in the same area and they have similar economic problems. The desk has organized volunteers above 15 RUSACCOs and the desk have believed that cooperatives are improving saving and play a vital role in poverty alleviation.

4.2.6. Suggestions of the discussion group to improve saving activities

Most of the currently assigned cooperative organizers /personnel/ is 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;

Provision of technical support in the areas of bookkeeping, (recording, posting, summarizing and reporting transactions); Provision of technical assistance on identification of small scale local investment opportunities;. It is therefore recommended that the SACCO consider hiring a manager in the future. Create awareness to members to save more because financial cooperatives had high impact on economic development. Create awareness to members and non members to be a member of RUSACCOs and to save more.

4.2.7. Starting and current status of sample RUSACCOs

From the total sample RUSACCOS 1, which is Sasun, were established during 2002. Beginning from RUSACCOS establishment in the study area, Tsgereda established, 2006, Hibret, 2007 and Millennium, 2007, established. Sasun Rural saving and credit cooperative have revolving fund amount Birr, 970,800.00 received from World bank these amount distributes for purchasing specially animals to members and non members with interest rate of 9.0 percent and the interest rate is for service to official. This cooperative has access credit from other cooperatives. And Adigrat Catholic Church offices play an important role in the growth and rapid expansion of RUSACCOs in the study area. It provides fund above 1million Birr to help people establish permanent socio-economic structure and to encourage self -reliance and to reduce poverty for all rural saving and credit cooperatives in the woredas.

The numbers of total sample cooperative members' were 16; 36; 30; and 37 in the year and now 37, 77, 106, 67, respectively growth. The member's growth of the sample savings and credit cooperative societies in the study area were discussed by the groups.

Table. 7. Starting and current status of sample RUSACCOs

Si.No	RUSACCO establishment	Name of RUSACCOs	Members at the starting	Current status of members	Total asset
1	2002	Sasun	16	370	1,555,683.27
2	2006	Tsgereda	36	77	88673.00
3	2007	Hibret	30	106	364678.24
4	2007	Millennium	37	67	34213.75

Source: Primary data collected through field survey (2009)

4.3 Demographic, Socio-Economic and Characteristics of members of RUSACCOs

In this section, results obtained by using statistical tools such as mean, percentage, standard deviation and frequency distributions are presented and discussed to assess the role RUSACCOs on improvement of members saving behavior savings behavior of members in rural savings and credit cooperatives societies in the study areas.

4.3.1. Sex of the household head respondents

It is observed that the majority of the respondents (71.00 percent) are male and remaining (29.00 percent) are women headed households respectively.

Table.8. Sex of the household head (N=124)

Si,No	Descriptions	Number	Percentage
1	Male	88	71.0
2	Female	36	29.0
Total		124	100.0

Source: Primary data collected through field survey (2009)

4.3.2. Age of the Respondents

The average age of sample respondents was about 39.19 years with the minimum and maximum ages of 22 and 60 years, respectively. And (39.6 percent) was the middle aged from 31-45 ages are greater opportunities to join the RUSACCO, (33.60 percent) are up to 30 age and only

(26.60percent)were respondents in the old age category, which are not active in savings generation activities.

Table. 9. Age of the house holds Respondents (N=124)

Si,No	Age group in year	Number	Percentage	
1	up to 30 age	42	33.60	Mean=39.19
2	31-45	49	39.60	Minimum=22
3	46-60	33	26.60	Maximum=60
Total		124	100.0	

Source: Primary data collected through field survey (2009)

4.3.3. Marital Status of the respondents

Table indicates that 4.8 percent and 7.3 percent of respondents are divorced and widows respectively, who are really suffering a lot due to their low economic status. For such respondents, membership in RUSACCO has proved to be a turning point in responding their economic status. Only 75% percent are married and 3.6 percent of respondents are unmarried.

Table. 10. Marital Status of respondents (N=124)

Si,No	Marital status	Number	Percentage
1	single	16	12.9
2	married	93	75.0
3	divorced	6	4.8
4	widowed	9	7.3
Total		124	100.0

Source: Primary data collected through field survey (2009)

4.3.4. Educational status of sample respondents

Sample members' education status helps them to understand how to save money and profitably handle cash in financial institutions, which are found in nearby areas. The survey results indicates that 27 (21.8 percent) of the sample members were illiterate while 54(43.5 percent) were 1-up to 6th grade, 7th grade-10th grade 25(20.2 percent) and 18(14.5 percent) 11th grade and above.

Table.11. Distribution of sample respondents by their educational status (N=124)

Si,No	Educational level	Number	Percentage
1	Illiterate	27	21.8
2	1-up to 6th grade	54	43.5
3	7 to 10th grade	25	20.2
4	11th grade and above	18	14.5
Total		124	100.0

Source: Computed from the field survey data (2009)

4.3.5. Distribution of family Size of the Respondents

It is observed from table 4.12 that nearly (23.4) percent of the respondents had the family size that ranges from 1 to 3. While majority (39.6) of respondents had 4 to 6 family size, (33.8) percent of the respondents had the family size that range from 7 to 9. Only (3.2 percent) of the respondents 10 and above family sizes.

Table.12. Distribution of family Size of the Respondents (N=124)

Si,No	Family Size	Number	Percentage
1	1-3	29	23.4
2	4-6	49	39.6
3	7-9	42	33.8
4	10 and above	4	3.2
Total		124	100.0

Source: Primary data collected through field survey

4.3.6. Amount of Loan borrowed and loan interest rate

The major formal sources of credit in the study areas are RUSACCOS, Results of the survey revealed that about 71 members of RUSACCOS (57.0 percent) were loan beneficiaries from RUSACCOS and the interest rate charged by RUSACCOS to the loan 9.0 percent and 12.0 percent the loan distributed minimum Birr 1000.00, maximum 10000.00 and total 105000.00 amount of loan was dispersed.

Table. 13. Loan beneficiaries, loan interest rate and RUSACCO membership (N =124)

Si,No	Lender RUSACCOS	Number	Percent	minimum	maximum	Interest rate	Amount of loan
1	borrowers	71	57.0	1000	10000	9%-12%	105,000
2	Not borrowed	53	43.0	-	-	-	-
Total		214	100.0	-	-	-	105,000

Source: field survey data (2009)

4.3.7. Security for Savings respondent's response

Security means protection of against theft or other losses caused by fire or other natural causes.

Security means income protection in order to deal with unexpected expenses with out disrupting the family budget..

Majority (67.7 percent) of the respondents said that there is security in RUSACCOs and members have confidence on their savings and (32.2 percent) of the respondents said that there is no secured. So to be members increase saving habit and confidence deposits should safeguard.

Table. 14. Security for Savings respondent's response (N=124)

Si,No	Security	Number	Percentage
1	Yes	84	67.7
2	No	40	32.3
Total		124	100.0

Source: field survey data (2009)

4.3.8. Employment status of respondents

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 under privileged to raise them from under employed status to full employment status.

There is a small amount of change observed with respect to employment opportunity. About 15.3 percent are employed in government offices only 20 persons which 16.1 percent private workers, Self employment also (58.1) percent and 10.5 percent is non business 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.

There fore, promotion of rural saving and credit cooperatives addresses the problem of unemployment among the poor and brings to the rural economy to improve members saving habit

Table.15. Employment Status of the respondents (N=124)

Si,No	Name of sectors	Number	Percentage
1	Government	19	15.3
2	Private	20	16.1
3	Self employment	72	58.1
4	Non business	13	10.5
Total		124	100.0

Source: Primary data collected through field survey (2009).

4.3.9. Access to Training

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

From the table **15**. it is found that from the total 124 respondents (33.10 percent)of the respondents have received training in saving and credit area, where as (66.94 percent) of the respondents' not received training. Cooperatives should provide education, training and

information to their members, elected leaders, employees and to the potential members as well to improve savings.

Table.16. Sample members’ response about training (N=124)

Si,No	Description	Number	Percentage
1	Trained	41	33.1
2	Not trained	83	66.9
Total		124	100.0

Source: Computed from the field survey data (2009).

4.3.10. Accountability

Accountability is the capacity to call officials and members of cooperative to account for their actions. Effective accountability has two elements via, answerability and consequences without accountability is only a time consuming formality. In addition, both internal and external accountability is needed. The table indicates 115(92.7 percent) respondents said that RUSACCO leaders and members they were accountable for their actions.

Table. 17. Response on accountability (N=124)

Si,No	Accountability	Number	Percentage
1	Yes	115	92.7
2	No	9	7.3
Total		124	100.0

Source: Computed from the field survey data (2009).

4.3.11. Transparency

. Reliable and timely economic and financial information is a must for the public. It is essential not only that information be provided but also that is transparent, relevant and understandable. Both the public and members and other external authorities should know the economic and financial information. Field respondents 108(87.10 percent) said that rural saving and credit cooperatives activities were transparent and respondents 16(12.9 percent) said were no transparent leaders and activities. There fore, rural saving and credit cooperatives activities should transparent to members and non members to improve savings.

Table.18. Response on transparency (N=124)

Si,No	Transparency	Number	Percentage
1	Yes	108	87.10
2	No	16	12.9
Total		124	100.0

Source: Computed from the field survey data (2009).

4.3.12. Convenience

Convenience is a key factor in savings mobilization. Convenience is mostly related with cost of transaction (transport, service charges, and other expenses) and risk associated. If the transaction cost of making deposits or withdrawal is high, time need and distance is long for the savers, then savers will be less likely to maintain their savings in that RUSACCO. The table indicates that

respondents 88(71.0 percent) said that there was convenience in terms of distance, dividend, risk, time consuming and respondents 36(29.0 percent).

Therefore, RUSACCO should open convenient field office or low cost branches with restricted service hours to serve and attract more savers and borrowers from the community.

Table. 19. Respondent’s response on Convenience (N=124)

Si,No	Convenience	Number	Percentage
1	Yes	88	71.0
2	No	36	29.0
Total		124	100

Source: Computed from the field survey data (2009).

4.3.13. Liquidity

Any financial institution’s ability to capture savings depends on the confidence of members and potential members for the access of their savings at any time. If the RUSACCOs do not have funds to pay out savings withdrawals at time of need, the savers will automatically start to withdraw their savings and quit their membership totally.

The table indicates that 110(88.7 percent) respondents can withdraw savings at any time and 14(11.3 percent) respondents were said that due to shortage of cash, can not withdraw savings at any time. Therefore, to improve members’ saving habit, RUSACCO Society should maintain a minimum of 20% of savings portfolio in cash liquidity reserves to ensure response for withdrawal demands.

Table 20 Respondent's response on liquidity (N=124)

Si,No	Liquidity	Number	Percentage
1	Yes	110	88.7
2	No	14	11.3
Total		124	100.0

Source: Computed from the field survey data (2009).

4.3.14. Positive return

Members will have an incentive to save if the interest rate for savings is better than in other financial institutions. Offering attractive interest rate for Savings is a fast and efficient way to stimulate savings growth, because Savers expect real positive return on their savings from saving interest, and dividend as well as easy accessible loan opportunity. Respondents 110 (88.7 percent) said that RUSACCOs provides dividends to members and respondents 14(11.3 percent) were not get positive return. There fore attractive interest rate and dividend to members were used members to save more.

Table. 21. Respondent's response on positive return (N=124)

Si,No	Positive return	Number	Percentage
1	Yes	110	88.7
2	No	14	11.3
Total		124	100.0

Source: Computed from the field survey data (2009).

4.3.15. Credit beneficiaries

Since one of the major objectives of RUSACCOs is to provide credit to the members, those who have credit use experiences are expected to be pioneer in the RUSACCO movement and directly related to join RUSACCOs to increase savings. The table indicates that respondents 111 (89.5 percent) were credit users and 13(10.5 percent) were not credit beneficiaries.

Table.22. Respondents response on credit beneficiaries (N=124)

Si,No	credit beneficiaries	Number	Percentage
1	Yes	111	89.5
2	No	13	10.5
Total		124	100.0

Source: Computed from the field survey data (2009).

4.3.16. Saving's interest

The saving of interest rate charged by the saving and credit cooperatives societies in the study area were 105 respondents (84.7 percent and) and 19 respondents were (15.3 percent) said that 3.0 percent and 4.0 percent. The interest rates that individuals received from their deposits were lower than commercial bank and DECSI. The table indicates majority 92(74.2 percent) of the respondents said saving interest rate of RUSACCO was not fear. There fore, to motivate for members and non members on improvement of saving the interest rate of saving should increase.

Table. 23. Response on saving interest rate of RUSACCOs (N=124)

Si,No	Interest rate of saving	Number	Percentage
1	Fear	32	25.8
2	Not fear	92	74.2
Total		124	100.0

Source: From the field survey data (2009).

4.3.17. Annual saving's

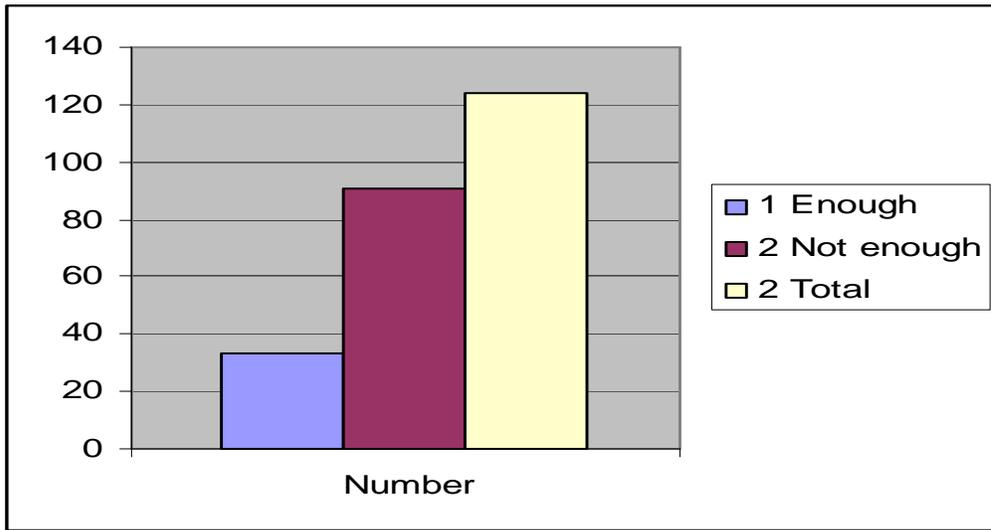
Savings mobilization is becoming a crucial factor of many micro finance institutions. Savings is important for an institution that offers financial services. It provides a source of funds and income. The members of RUSACCOS can receive a market interest rate on savings and dividend from profit of the SACCOS. The study presents the mean annual savings of the respondents were save Birr 519.03, minimum Birr, 100.00 maximum Birr, 2,400.00 and the amount of annual saving is Birr 64,630.00. Respondents 91(73.4 percent) agreed that the amount of annual saving wasn't enough. This indicates poor saving habit of members and members should increase the amount of savings. Also reasons for saving the data shows to purchase animal and increase income (54.0 Percent) and to avoid unwanted expense (29.0 percent).

Table.24. Amount of annual saving respondent's distribution (N=124)

Si,No	Annual saving	Number	Percentage	Mean= 519.03
1	Enough	33	26.6	Minimum=100.00
2	Not enough	91	73.4	Maximum= 2,400.00
Total		124	100.0	Sum= 64,360.00

Source: From the field survey data (2009).

Fig.6 Annual saving



4.3.18. Annual income

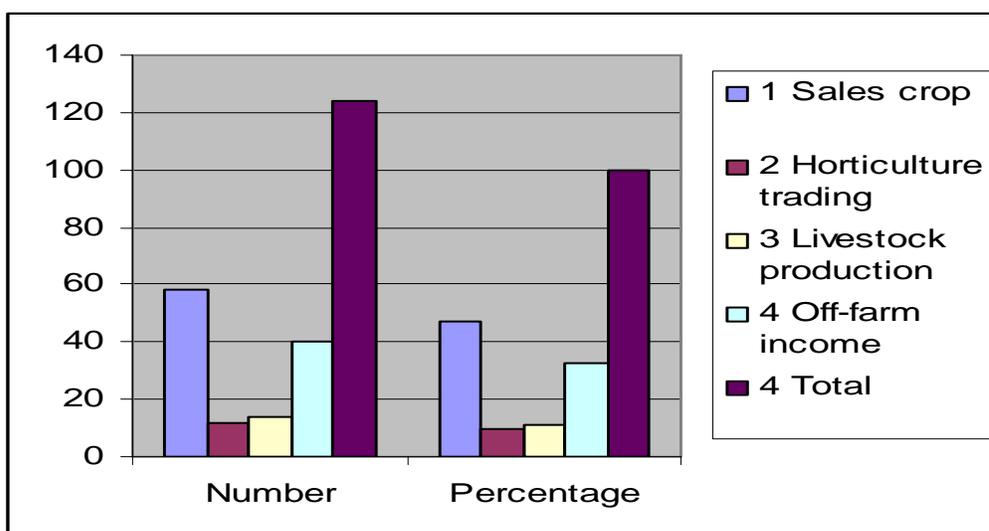
Annual income is the other crucial factor in determining the well being of improving the members saving behavior and better in loan repayment performance of the respondents. The minimum and maximum amount is 3,120.00 and 16,200.00 Birr respectively. The average annual income of the respondents was 7,649.48 Birr. Table 10 below showed that (46.8 percent) of the respondents obtain an annual income Sales crop, (9.7 Percent) from horticulture trading,(11.3 percent)of the annual income from livestock production and (32.3 percent)were from Off-farm income. Sales crops and off-farm activities are important income sources for the sample respondents.

Table.25. Respondent's annual income (N=124)

Si,No	Sources of income	Number	Percentage	Mean= 7649.48
1	Sales crop	58	46.8	Minimum=3120.00
2	Horticulture trading	12	9.7	Maximum= 16,200.00
3	Livestock production	14	11.3	Sum= 948,536.00
4	Off-farm income	40	32.3	Std.Deviation=2,720.00
	Total	124	100.0	

Source: From the field survey data (2009).

Fig.7 Major sources of annual income



4.3.19. Distance to RUSACCO office

The distance (in km) that the beneficiaries have to travel to get financial services from home, the survey results indicated that the average distances traveled by the respondents to reach RUSACCOs offices were about 1.0 km minimum and maximum 8.0 km respectively. Distance influences the improvement of savings behavior of members of RUSACCOs. There fore, the

nearness of financial institutions to the beneficiaries would save resources, time and labor which otherwise would have been spent to access different financial products and service

Table. 26. Distribution of Distance in Km (N=124)

Si,No	Distance to office	Number	Percentage	Mean= 2.98
1	Fear	85	68.5	Minimum=1.00
2	Not	39	31.5	Maximum= 8.00
Total		124	100.0	

Source: From the field survey data (2009)

4.3.20. Seniority

Seniority at RUSACCO enables members to have more credit as the result the income of the member will be improve. From the field data majority of respondents (88.7 percent) were believe seniority helps members to get more credit and increase income of the respondents.

Table. 27. Response on seniority (N=124)

Si,No	seniority	Number	Percentage
1	Yes	110	88.7
2	No	14	11.3
Total		124	100.0

Source: Computed from the field survey data (2009).

4.4. The problems that have been faced in RUSACCOs on the improvement of members saving behavior.

Table.26. Response on problems of RUSACCOs.

Problems	Agree		Disagree		Total
	Number	Percent	Number	Percent	
1. Lack of Skilled Man Power	110	88.7	14	11.3	124
2. Limited training opportunities available to members	118	95.2	6	4.8	124
3. Weak management capacity	110	88.7	14	11.3	124
4. Members, board' weak management and business opportunity capacity	108	87.10	16	12.90	124
5. Short loan repayment period	104	83.9	20	16.1	124
6. Small account size of loans offered by RUSACCOs;	110	88.7	14	11.3	124
7. Lack of record keeping system	100	80.6	24	19.4	124
8. Poor saving habits of members	92	74.20	32	25.8	124
9. Loan collateral problems	118	95.2	6	4.8	124

Source: From the field survey data (2009).

4.4.1. Lack of Skilled Man Power

Respondents were asked to state whether they agree or disagree regarding the absence of skilled man power. In response to these statements, all the respondents (88.7 percent) agreed that "RUSACCOs 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 RUSACCOs.

4.4.2. Limited Training Opportunities to members

It is observed from the table 4.48 that almost all (95.2 percent) of the respondents agreed that there is limited training opportunity available in RUSACCO, so this is one of the problems that limited knowledge related with saving and credit services and to know the over all importance of cooperatives. Only (4.8 percent) of respondents disagreed to the statement, in that training is not the major problem in improvement of members savings behavior

4.4.3. Weak Management Capacity

A high proportion of respondents (88.7 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 RUSACCOs 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 RUSACCO.

4.4.4. Members, board' weak management and business opportunity

The respondents (87.10 percent) agree that Members and board directors have capacity of managing

4.4.5. Short Repayment Period

Respondents (83.9 percent) agree and said that the repayment period is one year regardless of the borrowed amount; so this is one problem that forces non-members not to join in RUSACCO. To encourage to save more and non-members to join to the SACCO it is better to extend the repayment periods compared with the other financial institutions.

4.4.6. Small account size of Loan Offered

When asked "Do you think loans offered by SACCO is small in amount", a high proportion of Respondents (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.

4.4.7. Lacks Good Record Keeping System

It is found that (80.6 percent) of respondents agreed that SACCO lack good record keeping about record showing asset, liabilities, and cash received and paid out. (19.4 percent) of respondents disagreed that RUSACCO have good record keeping systems that reflect the transaction and financial position of the SACCO.

4.4.8. Poor Saving Habits of Members

All SACCO members are required to hold share accounts from the sample respondents (74.2 percent) agreed that SACCO members have poor saving habit, due to low income source; they

are not able to increase their share amount. Only (25.8 percent) of respondents disagreed that SACCO members have good saving habit.

4.4.9. Loan collateral problems

The respondents cited (95.2 percent) inflexible lending system offered by RUSACCOs 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 RUSACCO 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 RUSACCO is fully repaid.

4.5. Suggestions/recommendations/for improving the members’ savings behavior of RUSACCO.

Table.29. Response on Suggestions of RUSACCOs.

Si. No	Recommendations	Very important		Important		Total= 124
		Number	Percent	Number	Percent	
1	Promote awareness creation on savings mobilization	100	80.60	24	19.40	124
2	Provide problem based training for members	84	67.70	40	3.20	124
3	Strengthen the governance of SACCOS	97	78.20	27	21.80	124
4	Build autonomous and independence of SACCO	100	80.60	24	19.40	124
5	Increase members participation	98	79.00	26	21.00	124
6	Provide qualified promoters to assist the RUSACCO society	87	70.20	37	29.8	124

The table indicates that respondents response on Promote awareness creation on savings mobilization 100(80.6 percent) very important, on provide problem based training for members (67.7 percent) very important, on strengthen the governance of RUSACCOS 97(78.2 percent) very important, on build autonomous and independence of RUSACCO 100 (80.6 percent) very important, on increase members participation 98(79.0 percent)very important and on provide qualified promoters to assist the RUSACCO society 87(70.2 percent)were very important and the other percentage also shows important suggestions for improving the members’ savings behavior of RUSACCO.

CHAPTER-V

CONCLUSION AND RECOMMENDATIONS

5.1. Conclusion

The Ethiopian agricultural sector is the basis of the economy and which forms the basis of livelihood for 85% of the population living in the rural areas. Production and productivity is unsatisfactory. The basic objective of agriculture is reducing rural poverty, increasing agricultural production and productivity.

In Ethiopia, there are two types of non banking financial intermediaries: share company microfinance institutions, and savings and credit cooperatives. However, as compared to the demand for the service, their coverage is very small.

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

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

This study was undertaken in one purposively selected woreda, namely Ganta Afeshum woreda. From four randomly selected sample cooperatives, 124 member respondents were randomly selected and 12 management committee cooperatives expert's members were chosen for focus groups discussion. Both primary and secondary data were collected and used. Based on the objectives of the study, appropriate tools and techniques of analysis such as descriptive statistics,

frequency, mean, minimum, maximum and percentage statistical models procedure were employed. The researcher observed that the difference between loan interest and the savings interest rate in the study area was very high. In Ganta Afeshum woreda the loan interest rate ranges from 9.0 percent to 12.0 percent and the savings interests were 3.0 percent and 4.0 percent respectively. This difference influences the actual and potential members not to participate in increasing share, savings and it will not encourage non members to membership.

Poor Saving Habits of Members, all RUSACCO members are required to hold share accounts from the sample respondents (74.2 percent) agreed that SACCO members have poor saving habit, due to low income source; they are not able to increase their share amount. Only (25.8 percent) of respondents disagreed that SACCO members have good saving habit. Poor saving should be improved through awareness creation to members.

Small account size of Loan Offered, a high proportion of Respondents (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.

The major source of income for the sample farmers was from on-farm and off-farm activities.

About 46.8 and 32.3 percent income of the respondents was from on-farm (sales crop) and off-farm activities respectively. Members of rural savings and credit cooperatives have regularly deposited their monthly regular savings. The amount of members' monthly regular savings differ from individual to individual due to their awareness level, savings habit, consumption habit, sources of earning, capacity to save, and accessibility to the facilities.

The major sources of credit for the respondents are RUSACCOS. From 124 members, (89.0 percent) of the respondents were credit beneficiaries. The maximum and minimum loan

distributed in the study area was 10,000 Birr and 1,000 Birr respectively. To identify factors that influence on improvement of savings of members of RUSACCOs, descriptive statistics was used. Seventeen variables influence the members' savings behavior and effectiveness of RUSACCO. 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)

5.2. Recommendation

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

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

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

to the potential members and the demand for the services is very minimal. Therefore, knowledge gained through training might give a chance to the beneficiaries to be part of the solution. The other possible reason is that RUSACCOS' financial institutions owned by the members are providing financial services, products and net benefits obtained from the operation to the members themselves. Therefore, problem oriented and target focused training programs and relevant modules should be prepared. The concerned stakeholders government, religious leaders and non government organizations should take a measure to minimize the expenditure on social and religious ceremonies in order to increase the savings of the house holds. Therefore,

- Minimize the gap between the loan and savings interest rate based on the existed market interest rate. To improve saving habit of members, the membership is to be increased and the poor should participate in RUSACCOS and save their income based on the leverage ratio.
- RUSACCOS 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.
- RUSACCOS should have professional skilled manpower that is fully committed to achieve its goals for savings, lending, repayment, education and others by hiring skilled a manager in the future.
- Focus on deposit mobilization first. Savings and credit cooperatives with this focus tend to be stronger and more durable because savers have the biggest incentive to keep their cooperatives financially sound. Support with technical assistance to improve savings products and information systems.

- Support savings and credit cooperatives that want to learn new techniques to reach poorer customers. Donors can provide technical assistance to help savings and credit cooperatives better understand member needs, and develop and manage credit, savings, payment, and money transfer services appropriate for poorer and more remote clients.
- Keep financial standards at the core of internal management and external supervision. To fulfill their mission of providing members with high-quality services, savings and credit cooperatives need to run a sound financial business.
- Most of the currently assigned cooperative management committee is 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
- Provide competent supervision of savings and credit cooperatives. Savings and credit cooperatives are often supervised by the same government agency that is responsible for all kinds of non-financial cooperatives, including agricultural and marketing.
- Concentrate resources on savings and credit cooperatives that are willing to implement sound policies and standards. The government and non government organizations may encourage savings and credit cooperatives. Because savings and credit cooperatives societies are the surest ways of increasing savings and lowering the cost of living, mobilize rural finance and create investment in the rural areas.

5.3. Implication for Future Research

Since no work on the role of RUSACCOS on the improvement of member's savings behavior has been undertaken in this study area, the study result might also initiate other researchers to conduct different research works from different perspectives, which may contribute for strengthening of financial intermediaries and rural household savings behavior. The study was conducted in Ganta Afeshum Woreda only. Similar studies may be conducted in other zones of Tigray region.

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Appendixes

Appendix - I

INTERVIEW SCHEDULE; FOR MEMBERS

The role of RUSACCOs on the improvement of member's savings behavior in Ganta Afeshum Wereda, Eastern Zone, Tigray, Ethiopia

1. General information

. Respondents Name -----

. Enumerator's Name _____ Supervisor's Name _____

Location:

Region-----

Zone -----

Woreda -----

PA -----

Village -----

. Date of data collected _____ Date of supervision _____

1.1. Sex of the household head _____ male =1 female =2

1.2. Age of the household head _____ Years

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

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

1.5. Do you have any responsibility in non-RUSACCO cooperatives?

1= Yes 2= No

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

2. Total family size (including the household head)

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

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

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

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

3. Credit beneficiaries

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

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

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

1 = crop failure due to natural hazard

2 = Miss used of the loan

3 = due to low market price of products produced

4 = the loan was beyond the capacity of the household

5 = other (specify) -----

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

4. Safety / security

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

8. If your answer to question to No. q, 10, is yes, how much is your savings secure from any risk?

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

5. Conveniences

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

1 =RUSACCO

2 = commercial bank branch

3 = Microfinance/DCSI/

4 = Multipurpose cooperative office

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

1=Takes shortest time to travel,

2= low Transportation cost,

3 = short time of service delivery,

4 = there is low travel associated risk

5 = All the above

6. Liquidity

11. As a member, is it possible to withdraw your savings at any time? 1 = Yes

2= No

12. If yes, Q, 14, for what purpose money was withdrawn from your saving account?

Reasons for withdrawals Rank according to the reason;

- 1 = Home improvement
- 2 = Food
- 5 = Health needs
- 7. Household appliance
- 9= Transportation
- 3 = Business expansion
- 4 = Clothing
- 6 = Education
- 8= Celebrations
- 10= Other, Specify

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

- 1 = Financial shortage
- 2 = The RUSACCOs doesn't has cash reserve in bank
- 3 = Poor management of the Board
- 4 =Others, Specify -----

7. Positive returns

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

- 1= Yes
- 2= No

15. If yes, Q, no, 17, what would you like to see done with the profit funds in your business?

- 1 = Invest it back to SACCO
- 2 = Modernization of operations
- 3 = Financing of new services
- 4 = Household consumption
- 5 = Business expansion
- 6= others specify-----

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

17. If Yes, Q, no, 19, how much do you receive? _____

18. What types of benefit have you received from your cooperatives? Select one or above.

- 1. able to save cash for tomorrow and easily access to credit services
- 2. Understand prudent cash handling and creation of money
- 3. Received interest rate for savings and annual patronage dividend payments
- 4. Increased know how about alternative businesses and business plan development
- 5. Other (specify) -----
- 8. Distance to the RUSACCOs office in relation to others.

19. How long is the RUSACCOs office far from your home? Distance to the nearest RUSACCO_____Km

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

9. Amount of loan borrowed

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

1 = Yes 2 = No

22. If yes Q, no, 25, how much you have borrowed per year? -----

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

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

4= Fourth times 5= More than fourth times

24. If you did not have access service from the cooperatives, how do you equip yourself to meet the changing needs?

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

3 = DECSI 4 = Commercial banks of Ethiopia

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

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

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

27. If yes, Q, no, 31, what are the reasons behind late in loan repayment? Reasons for late repayment;

1= Negligence 3 = Payment period too short

2 = UN foreseen events 4 = UN expected expenses

5 = UN profitable venture

6 = other reason, specify-----

10. Annual savings

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

1 = Voluntary saving. 2= Compulsory saving. 3= Both.

29. What is the main reason for your savings?

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

3 = To Purchase of animals 4 = to undertaking anew business

5 = to Excess income
specify_____

6 = other,

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

-

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

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

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

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

34. If the answer is no, Q, no, 39, what is the main reasons not to increase your annual cash savings?

1 = income is low

2 = High social commitments

3 = Family expenditure commitment

4 = high cost of living

5 = debt commitment

6= Lack of confidence on financial institutions

7 = other (specify) -----

11. Training

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

1 = Yes

2 = No

36. If yes, Q, no, 40, what type of training have you received? Nature of training,

1 = Auditing and accounting

2 = Record keeping system

3 = Risk and investment management

4 = Business plan

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

6 = others (specify) -----

37. Who organized the training?

1 = Cooperative

2 = Government

3 = NGOs

4 = Universities

5 = others, specify-----

12. Savings Interest;

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

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

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

13. Accountability;

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

1 = Yes 2 = No

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

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

1 = Yes 2 = No

14. Transparency;

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

1 = Yes 2 = No

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

2 = No

15. Seniority

46. How many years have you been as a member in RUSACCOs? -----

47. Do you believe seniority at the RUSACCO enables members to have more access to credit?

1 = Yes 2 = No

16. Employment

48. How are you employed? Sectors,

S/NO,	sectors,	Rank
1	Government	
2	Private	
3	NGO	
4	Self employment	
5	Non business	

17. Education level

49. What is your formal education received?

S/NO,	Level of education	Remark
1	Up to 3 rd grade	
2	4 th to 7 th grade	
3	8 to 10 th grade	
4	11 grade and above	

18. Annual income

50. What is the total annual in come of the house holds? -----

51. What is your major means of annual income generation?

1 = sales crop 2 = horticulture trading 3 = Livestock production

4= Off-farm income

5 = others (specify) -----

51.1 Cash income from crop production last year (2001E.C.).

/N	Types of crops	Amount in Quintal	income from crop Birr per Q.	Total in come in year birr

51.2 Income from livestock production last year (2001EC)

/N	Types of livestock	Amount in Number	income from livestock birr	Total in come in year birr

51.3 Income from off-farm activities last year (2001EC)

/N	Income from off-farm	Total working days	Income received in birr daily	Total in come in year birr

51.4 Horticulture and vegetables production last year (2001E.C.).

/N	Types of crops	Amount Quintal	in income from crop Birr per Q.	Total in come in year birr

Problems of members

52 What types of problems that have been faced in RUSACCOs in the improvement of members saving behavior?

Problems	2= Agree	1= Disagree
Lack of finance of the RUSACCOs		
Limited training opportunities available to members		
Weak management capacity		
Members' weak business management capacity and lack of business diversification opportunities		
Short loan repayment period		
Small account size of loans offered by RUSACCOs;		
Lack of record keeping system		
Poor saving habits of members		
Others ; <ul style="list-style-type: none"> • • • • • 		

20. Suggestions/recommendations/

53. What are your suggestions/recommendations/for improving the members' savings behavior of RUSACCS?

S. No	Recommendations	Very important 3=	Important 2=	Less important 1=
1	Promote awareness creation on savings mobilization			
2	Provide problem based training for members			
3	Strengthen the governance of SACCOS			
4	Build autonomous and independence of SACCO			
5	Increase members participation			
6	Provide qualified promoters to assist the RUSACCO society			
Other7				
8				
9				
10				
11				
12				
13				

APPENDIX – II

FOCUS GRUPE DISCUSSION (CHECKLIST)

1. What is the existing performance of /Status /of the RUSACCOs From establishment up to the current year?

2. Discuss the role of rural saving and credit cooperatives on improvement of members saving behavior?

3. How RUSACCO leaders and experts motivate to members and nonmembers to save more?

4. What are the loan policies of RUSACCOs?

5. What types of problems that have been influence in the improvement of members' savings behavior in rural saving and credit cooperatives?

6. What are the suggestions/recommendations/for improving the members savings behavior of RUSACCOs?