



Mekelle University

The School of Graduate Studies



Faculty of Dry Land Agriculture and Natural Resources

**DEVELOPMENT OF SAVING AND CREDIT COOPERATIVES IN MEKELLE
ZONE: PERFORMANCE, CHALLENGES AND PROPOSED INTERVENTION**

By

Yared Gebremichael

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Advisor

Dr. Kelemework Taffere

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TABLE OF CONTENTS

PAGE

Abstract.....	vi
Acknowledgement.....	vii
Acronyms	viii
List of Tables.....	x
List of Figures	xvi
I. INTRODUCTION	
1.1 Background of the Study	1
1.2 Statement of the Problem.....	3
1.3 Purpose of the Study	4
1.4 Hypothesis of the Study	4
1.5 Objective of the Study	5
1.6 Scope of the Study	5
1.7 Limitation of the Study.....	6
II LITERATURE REVIEW	
2.1 Meaning of cooperatives.....	7
2.2 Background of the Cooperative Movement.....	7
2.3 Saving and Credit Cooperatives (SACCOs).....	9
2.4 Historical Development of SACCOs	9
2.5 The Importance of SACCOS	10
2.6 Products and Services a SACCO Can Offer	11

2.7 A Review on Cooperatives Development in Ethiopia	13
2.8 Development of SACCOs in Ethiopia	16
2.9 Status of SACCOs in Tigray.....	18
III. MATERIALS AND METHODS	
3.1 Description of the Study Area.....	19
3.2 Sampling Technique	21
3.3 Data Collection and Procedure	21
3.4 Data Analysis	23
IV DISCUSSION AND ANALYSIS	
4.1 Respondents' Profile.....	24
4.2 Development and Status of SACCOs in Mekelle Zone.....	27
4.3 Performance of SACCOs.....	Error! Bookmark not defined.
4.3.1 General Profile of the SACCOs.....	29
4.3.2 Growth in Membership.....	30
4.3.3 SACCOs' Governance.....	32
4.4 Service delivery of the SACCOs	46
4.4.1 Saving Product.....	46
4.4.2 Loan Product.....	49
4.4.3 Members' Opinion on Service Quality of the SACCOs.....	53
4.5 Financial Performance	55Error! Bookmark not defined.
4.5.1 Protection.....	57
4.5.2 Effective Financial Structure	57
4.5.3 Asset Quality.....	59

4.5.4 Rate of Returns and Costs.....	59
4.5.5 Liquidity.....	60
4.5.6 Signs of Growth.....	61
4.6 Institutional Capacity	Error! Bookmark not defined.
4.6.1 Human Resource Capacity.....	61
4.6.2 Education and Training.....	63
4.6.3 Physical Resource Capacity.....	63
4.7 Challenges Facing the SACCOS	64
V. CONCLUSION AND RECOMMENDATION	
5.1 Conclusion	69
5.2	
Recommendation.....	71
References	
Appendix I	
Appendix II	

Abstract

This study is about the development of Savings and Credit Cooperatives in Mekelle Zone. The fundamental objective of this study is to assess and document the evolution, performance and challenges of SACCOs in Mekelle Zone.

A randomly selected seven sample SACCOs were taken to investigate the status, and their outreach performance based on the commonly accepted growth dimensions: governance, service delivery, financial performance and institutional capacity. A review of relevant documents and interview schedule were prepared and administered with randomly selected members and various committee members.

Employee based SACCOs have laid the foundation in the development of SACCOs in Mekelle. SACCOs have shown a noticeable increase in number size diversity of membership post the overthrow of the command economy. They have increased from 8 prior the end of the command economy to 24 at present. The average membership per SACCO was 127 at the end of June 2006/7. Women share of membership was 33.3 percent. They have expanded in their type of membership base to include some community based members such as: small traders and women traders working in the zone.

Regarding governance of the SACCOs, they have a well-developed by law that portrays the hierarchical relationship of various committees giving the ultimate ruling power to the general

assembly. However absenteeism and inactive and inactive participation is commonly observed in the SACCOs. Besides, women have been under represented in committees and general assembly meetings are not usually conducted on schedule.

The SACCOs offer limited financial service. The types of the saving products offered by all SACCOs under the present survey are limited to shares, compulsory deposits and voluntary deposits. They have exhibited substantial growth in the amount of saving they mobilize and deposit per member.

The SACCOs offer loans to their members mainly for construction of dwellings, purchase of house furniture, educational fees, medical and hospitalization expenses with repayment period ranging between 2 and 3 years. The Interest rate the SACCOs charge is not adequate to cover fund cost, operating expenses, acceptable range of profit margin and inflation. The SACCOs have exhibited substantial growth in the amount of loan they disburse. They have achieved good repayment performance

As far as financial performance is concerned, the saving amount in relation to the total assets for the SACCOs was found to be with in the range of standard of excellence set by WOCCU. On the other hand, the members share to total assets was less than the standard of excellence in majority of the SACCOs. In terms of institutional capital to total asset, they have not maintained the standard of excellence. The SACCOs data under study reveals no delinquency so far. Majority of the SACCOs, have maintained the standard of excellence set on operating expense to total asset

ratio; on the other hand, the net income to assets was compared unfavorably to the standard of excellence 10 percent. This is due to the lowest service price they charge to members.

Even though the SACCOs are endowed with well educated members, they lack training and education opportunities. They gave little emphasis on training committee members. They also are constrained lack of office, office equipment and facilities.

The factors that that limit the SACCOs' growth identified in the study were: inadequate support and weak regulation and supervision, limited expansion in size and type of membership, inadequate efforts to enhance self governance, limited saving and loan products offered by SACCOs, absence of non financial services, inadequate service charges, poor financial performance, absence of training and educational opportunities, lack of office, office furniture and equipment, and poor record handling and inappropriate information system.

Finally the study has proposed various interventions to be undertaken by stakeholders such as: training intervention, enabling the SACCOs be self reliant, active regulatory measures, diversified membership, diversified products, regularly revised service price, and developing appropriate information system.

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Acronyms

AMFIs	Association of Microfinance institutions
CB	Commercial Bank
CSA	Central Statistics Agency
ICA	International Cooperative Alliance
NBE	National Bank of Ethiopia
NGO	Non Governmental Organization
RUSACCO	Rural Saving and Credit Cooperatives
SACCO	Saving and Credit Cooperative
WOCCU	World Council of Credit Unions

List of Tables

Table No.	Title	Page No.
Table 1	Proportion of Member Respondents	21
Table 2	Composition of Respondents	24
Table 3	Current Occupation of respondents	26
Table 4	Growth in number of SACCOs	18
Table 5	Types of SACCOs in Mekelle Zone	29
Table 6	Trend in Growth of the SACCOs	30
Table 7	Growth in SACCOs' Membership	31
Table 8	SACCOs' promotional effort according to members' Judgment	32
Table 9	Size and Composition of committees	35
Table 10	Schedule in General assembly meetings	36
Table 11	Delays in General Assembly meetings	37
Table 12	Members' awareness about constitution of the general body	38
Table 13	Members awareness on agendas discussed in the general body	38
Table 14	Members awareness about the duties and responsibilities	

	of committees	39
Table 15	Opinion if members agree that people representing a particular group always occupy leadership	39
Table 16	Opinion if members agree that women are never encouraged being leaders	40
Table 17	Members opinion if they agree that elected representatives are less accessible	41
Table 18	Members opinion if they agree that elected representatives of the SACCOs maintain political neutrality	41
Table 19	Members opinion if they agree that elected representatives never encourage discussion and deliberation	42
Table 20	Members opinion if they agree that there is lack of harmony among board members	43
Table 21	Members opinion if they agree that span of control is not maintained effectively in their SACCO	43
Table 22	Members' opinion if elected representatives never keep ethical values and code of conducts	44
Table 23	Members who had participated at least in one general assembly meeting	45
Table 24	Active Participation in general assembly	45
Table 25	Savings mobilized by the SACCOs, (July 2007)	48
Table 26	Loan outreach by SACCOs	52

Table 27	Members' opinion if they agree that services offered by their SACCO are not available on time	53
Table 28	Members' opinion if they agree that services offered are not adequately available	53
Table 29	Members opinion if services offered by the SACCOs' do not excel services offered by other institutions	54
Table30	Financial performance of SACCOs	55
Table 31	Financial structure of SACCOs	58
Table 32	Effective financial structure indicator ratios of the SACCOs and standard of excellence	60
Table 33	Ownership of SACCOs' office	63

List of Figures

Figure No.	Title	Page No.
Figure1	Administrative Boundaries of Mekelle	19
Figure 2	Mekelle City Map	20
Figure 3	Educational Level of Respondents	25
Figure 4	Number of Years of Membership	26
Figure 5	Types of SACCOs	28
Figure 6	Trend In Growth Of Membership	30
Figure 7	Share of SACCOs' Saving Mobilized (July 2007)	48
Figure 8:	Trend in growth of saving	49
Figure 9	Amount of Loan Outstanding (July 2007)	52
Figure 10	Share of Total Asset of SACCOs	56

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Appendix I

Structured Interview Schedule for Members

1- SACCO's Address			
1. Name			
2. Address	Woreda	Kebele	Telephone: P O Box:
2- Respondent			
1. Age:			
2. Sex:	Male <input type="checkbox"/>	Female <input type="checkbox"/>	
3. Highest Educational Level Attained:			
4. Total number of years of Membership			
5. Current Occupation			
6. Address	Telephone:	Fax:	P O Box:
3- Governance of SACCOs			
• Trend in leadership			
1. Do you agree that			
a) People representing a particular group/class always hold ¹ leadership	SA <input type="checkbox"/>	A <input type="checkbox"/>	NA <input type="checkbox"/> D <input type="checkbox"/> SD <input type="checkbox"/> DN <input type="checkbox"/>
b) Female members are never encouraged to be a leader	SA <input type="checkbox"/>	A <input type="checkbox"/>	NA <input type="checkbox"/> D <input type="checkbox"/> SD <input type="checkbox"/> DN <input type="checkbox"/>
c) Elected representatives of the SACCO are less accessible ²	SA <input type="checkbox"/>	A <input type="checkbox"/>	NA <input type="checkbox"/> D <input type="checkbox"/> SD <input type="checkbox"/> DN <input type="checkbox"/>
d) Elected representatives of the SACCO are never maintain political neutrality	SA <input type="checkbox"/>	A <input type="checkbox"/>	NA <input type="checkbox"/> D <input type="checkbox"/> SD <input type="checkbox"/> DN <input type="checkbox"/>
e) Elected representatives of the SACCO never encourage discussion & deliberations	SA <input type="checkbox"/>	A <input type="checkbox"/>	NA <input type="checkbox"/> D <input type="checkbox"/> SD <input type="checkbox"/> DN <input type="checkbox"/>
f) Span of control is not maintained effectively	SA <input type="checkbox"/>	A <input type="checkbox"/>	NA <input type="checkbox"/> D <input type="checkbox"/> SD <input type="checkbox"/> DN <input type="checkbox"/>
g) There is Lack of harmony among board members	SA <input type="checkbox"/>	A <input type="checkbox"/>	NA <input type="checkbox"/> D <input type="checkbox"/> SD <input type="checkbox"/> DN <input type="checkbox"/>
h) Board of management of the SACCO never keep up ethical values and code of conduct	SA <input type="checkbox"/>	A <input type="checkbox"/>	NA <input type="checkbox"/> D <input type="checkbox"/> SD <input type="checkbox"/> DN <input type="checkbox"/>
Other problems			
i)			
ii)			
2. Do you know about the following cooperative management issues?			
a) Constitution of the general body	Yes <input type="checkbox"/>		No <input type="checkbox"/>

¹ SA: Strongly agree, A: agree, NA: Neither agree nor disagree, D: Disagree: SD Strongly disagree, DN: I don't know

² SA: Strongly agree, A: agree, NA: Neither agree nor disagree, D: Disagree: SD Strongly disagree, DN: I don't know

b) The agenda to be discussed in the general body	Yes <input type="checkbox"/>	No <input type="checkbox"/>
3. Have you attended any general meeting of your SACCO?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
4. Have you participated in the discussions in the general body meeting?	Yes <input type="checkbox"/>	No <input type="checkbox"/>

4- Promotional Activities

1. Are you aware of the cooperative at all?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
2. Do you know the cooperative values and principle	Yes <input type="checkbox"/>	No <input type="checkbox"/>
3. Have government / cooperative officials/ leaders contacted you to explain about cooperatives?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
4. Had any one of the following approached you to become a member of this SACCO?		
a) Government/ cooperative agents	Yes <input type="checkbox"/>	No <input type="checkbox"/>
b) The SACCO Management member/s	Yes <input type="checkbox"/>	No <input type="checkbox"/>
c) The SACCO's member	Yes <input type="checkbox"/>	No <input type="checkbox"/>
d) Other acquaintance/s	Yes <input type="checkbox"/>	No <input type="checkbox"/>
5. What do you think are the main reasons for more new members not joining the Cooperative?		
a. DO not believe in the cooperative principles	Yes <input type="checkbox"/>	No <input type="checkbox"/>
b. Do not need cooperative services	Yes <input type="checkbox"/>	No <input type="checkbox"/>
c. Defaulters	Yes <input type="checkbox"/>	No <input type="checkbox"/>
d. Poor quality of service	Yes <input type="checkbox"/>	No <input type="checkbox"/>
e. Better service from others	Yes <input type="checkbox"/>	No <input type="checkbox"/>
f. Others/ specify		
I)		
II)		
III)		
6. How do you evaluate educational and promotional activities of the SACCO to increase membership?		
I) Sufficient & Effective		
II) Sufficient but ineffective		
III) Insufficient but effective		
IV) Insufficient but effective		

5- Products and Services Offered

1. What other financial products or services do you suggest your SACCO offer to its members?
--

Saving Products		Loan Products					
1.		1.					
2.		2.					
3.		3.					
4.		4.					
5.		5.					
2. What other non-financial product or service do you suggest your SACCO offer to its members?							
a)							
b)							
c)							
d)							
e)							
Do you agree that the service offered by the SACCO							
a) Are not available on time	SA	A	NA	D	SD	DN	
b) Are not adequately available	SA	A	NA	D	SD	DN	
c) Are not better than services offered by other financial institutions	SA	A	NA	D	SD	DN	•
6- SWOT Perceived by SACCO's Members							
Strength				Weakness			
1.				1.			
2.				2.			
3.				3.			
4.				4.			
5.				5.			
6.				6.			
7.				7.			
Opportunities				Threats			
1.				1.			
2.				2.			
3.				3.			
4.				4.			
5.				5.			
6.				6.			
7.				7.			

14- Major Problems Perceived by SACCO's Members

1.
2.
3.
4.
5.
6.
7.
8.
9.
10.

15- Interventions Proposed by SACCO's Members	
<i>Training Intervention</i>	<i>Interventions Other than Training</i>
1.	1.
2.	2.
3.	3.
4.	4.
5.	5.
6.	6.
7.	7.
8.	8.
9.	9.
10.	10.

Appendix II
Structured Interview Schedule for SACCO
Management

1- SACCO's Address			
3. Name			
4. Address	Woreda	Kebele	Telephone: P O Box:
- Respondent			
7. Age:			
8. Sex:	Male <input type="checkbox"/>	Female <input type="checkbox"/>	
9. Highest Educational Level Attained:			
10. Total number of years of Membership			
11. Current Occupation			
12. Address	Telephone:	Fax:	P O Box:
3- Governance			
1. Are there any problems on the management of the SACCO? If "yes" Please describe			
a)			
b)			
c)			
d)			
e)			
2. Number and Composition of Committees	Male	Female	Total
a) Management Committee members			
b) Control Committee members			
c) Loan Committee members			
d) Education Committee members			
e) Membership of other Committees (if any)			
3. Number of Meeting conducted last year:			
G. Assembly Meeting	Management Committee	Control Committee	Loan Committee Education Committee
4. Attendance at the last General Meeting:	Number of members attended the meeting		Number of members absent from the meeting

5- Promotional Activities	
Current Membership	
No. of potential members ³	
1. What do you think are the main reasons for more new members not joining the Cooperative?	
a)	

³ Those who are in the common bond but not yet joined the SACCO.

b)				
c)				
d)				
e)				
2. Are there any educational and promotional activities to increase membership?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
3. If the answer to question No. 4 above is "Yes" who is carrying out the promotional activities?				
<input type="checkbox"/> The Cooperative	<input type="checkbox"/> Cooperative Promotion Bureau	<input type="checkbox"/> NGOs	<input type="checkbox"/> Other (specify):	
4. If the answer to question No. 5 above is "No" what are the reasons?				
a)				
b)				

Training Activities

Training Conducted during the year	Duration (Days)	Trainee Insert Code	Male	Female	Total
1. Management Committee members					
2. Control Committee Members					
3. Loan Committee Members					
4. Education Committee Members					
5. Members					

- Products and Services Offered

Saving Products		Loan Products	
6.		6.	
7.		7.	
8.		8.	
9.		9.	
10.		10.	
11.		11.	
12.		12.	

8-Saving Data

	Saving Product #1	Saving Product #2	Saving Product #3	Saving Product #4	Saving Product #5	Saving Product #6
1. Minimum Saving Amount, Birr						
2. Maximum Saving Amount, Birr						
3. Total Number of Savers						
4. Number of Women Savers						

5. Amount of Saving, Birr						
6. Interest Rate Range (Percent)						

9-Borrowings

Source of Loan	Type of Interest 1= Flat 2= Declining	Interest Rate (%)	Service Fee (% or amount)	Insurance (% or amount)
1. Development Bank of Eth./RUFIP				
2. Commercial Banks				
3. MFIs				
4. Primary Cooperative Societies				
5. Union Cooperative Societies				
6. Others				

10- Portfolio Data

	Loan Product #1	Loan Product #2	Loan Product #3	Loan Product #4	Loan Product #5	Loan Product #6
1. Maximum Loan Amount						
2. Repayment Period						
3. Interest Rate Range						
4. Total principal balance outstanding, end of last year						
5. Number of active loans (clients) at end of last year						
6. Total Number Borrowers						
7. Average principal balance outstanding at end of last year						
8. Loan losses written off over the period						
9. Increase in loan loss reserve from previous year						
10. Total outstanding balance associated with loans that are:						
Late (at least 1 payment) 1 - 30 days						
Late " 31 - 60 days						
Late " 61 - 90 days						
Late " 91 - 180 days						
Late " 181 - 360 days						
Late " a year or more						
11. Major Problems for loan default						
a)						
b)						
c)						
d)						

11- Loan Cycle

Number of Loan Cycles	Number of Clients			Amount of Loan		
	Male	Female	Total	Male	Female	Total
1. First Loan						

2. Second Loan						
3. Third Loan						
4. Fourth Loan						
5. Fifth Loan						
6. Above 5						

12-Audit Status

Latest Fiscal Year for which the Cooperative was audited:	Fiscal Year	<input type="text"/>
Date Audited	Day	<input type="text"/>
	Month	<input type="text"/>
	Year	<input type="text"/>

13- SWOT Perceived by Management/Board Members

<i>Strength</i>	<i>Weakness</i>
1.	1.
2.	2.
3.	3.
4.	4.
5.	5.
6.	6.
7.	7.
8.	8.
<i>Opportunities</i>	<i>Threats</i>
1.	1.
2.	2.
3.	3.
4.	4.
5.	5.
6.	6.
7.	7.

14- Major Problems Perceived by Management/Board Members

1.
2.
3.
4.
5.
6.

7.	
8.	
9.	
10.	
15- Interventions Proposed by Management/Board Members	
<i>Training Intervention</i>	<i>Interventions Other than Training</i>
1.	1.
2.	2.
3.	3.
4.	4.
5.	5.
6.	6.
7.	7.
8.	8.
9.	9.
10.	10.

Attachments

1. SACCO Bylaws
2. Organizational Structure
3. Income Statement
4. Balance Sheet
5. Cash flow Statement
6. Cash and Non-Cash Grants
7. List of Manuals and Guidelines Available including the language they are written in.