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## Financial Cooperatives in Tanzania: What Brings the Uniqueness and Satisfaction of Services Offered?

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### Abstract

Financial cooperatives have garnered significant attention from scholars and stakeholders due to their pivotal role in promoting financial inclusion. By offering affordable, accessible, and community-focused financial services, these institutions significantly help to bridge the gap in financial access, especially among marginalised and low-income groups. The study examined the services provided by financial cooperatives, their uniqueness compared to other financial institutions in promoting financial inclusion, and determined factors leading to the satisfaction of services offered to their members. The study utilised secondary data from the Tanzania Cooperative Development Commission (TCDC), which involved 884 licensed SACCOS, while primary data were collected from selected key informants. Descriptive, inferential (multiple linear regression), and content analysis were carried out in this study. The results show that the role of financial cooperatives in promoting financial inclusion includes providing investment opportunities through buying shares, accessing loans, saving money, and making deposits. Additionally, the study found that financial cooperatives are distinct in their role of promoting financial inclusion compared to other financial institutions in that they are closer to where people live, practising open and democratic member control, facilitating relationship lending procedures, fostering a savings culture, offering education and training, providing easy access to loans, and generating investment income to members in form of dividends. It was also found that SACCOS members are satisfied with the services offered. The factors influencing satisfaction include consideration of the economic status of SACCOS members, the

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capacity of SACCOS to provide services, the knowledge and trustworthiness of SACCOS employees, the knowledge and trustworthiness of SACCOS board members, and timely and affordable access to SACCOS services. The study recommends that SACCOS continue to maintain and improve service provision, thereby attracting more members of communities to join. Additionally, TCDC should continue to sensitise unlicensed SACCOS to address their challenges in the licensing process, so that they can get licensed. Non-governmental organisations should invest in training programs and infrastructure to help SACCOS adopt mobile and appropriate technology, thereby stimulating savings and easing the provision of mobile services.

**Keys words:** Cooperatives, Financial Cooperatives, Financial Inclusion and Member Satisfaction

## 1. Introduction

Financial cooperatives are important players in the world's financial sector, acting as a safe haven for deposits and are major sources of credit for households and small- and medium-sized firms (McKillop et al., 2020). According to NCBA (2022) globally, there are over 75,000 financial cooperatives in 109 countries with 260 million members. These financial cooperatives play a significant role in the financial sector of many countries. Financial cooperatives are one of the formal organisations working towards financial inclusion in communities, especially in rural areas where other financial institutions have not targeted their services (Ruete, 2014). Also, financial cooperatives remain important drivers of financial inclusion through providing financial services to poor and middle-income people in the community, which cannot be done by traditional banking (Zikalala, 2016; Wagura & Shavulimo, 2017; World Bank, 2018; Ndegwa, 2020; Pasara et al., 2021).

Financial cooperatives enhance the financial inclusion of both urban and rural populations who are poor. Scholars and policymakers have increasingly suggested that financial inclusion is a crucial facilitator in reducing poverty and fostering prosperity among individuals. It has been recognised as an essential tool in achieving seven of the 17 Sustainable Development Goals (World Bank, 2022). It encompasses individuals and businesses gaining access to valuable, affordable financial products and services that meet their needs, such as payments, transactions, savings, credit, and insurance.

Access to financial services differs between developed and developing countries, as well as between urban and rural areas. In developing nations, limited financial inclusion often perpetuates poverty (Cicchello et al., 2021). Financial services provided to members by financial cooperatives ensure financial inclusion, which is a fundamental pillar of development policy in most developing countries worldwide. This stems from the realisation that an inclusive financial system is essential for reducing extreme poverty, addressing gender inequality, and supporting the achievement of the Sustainable Development Goals and the Africa we want (Eton & Fabian, 2020; Isukul & Tantua, 2021; African Union, 2022). Governments and development stakeholders globally have made efforts toward financial inclusion, with 1.2 billion adults worldwide gaining access to an account between 2011 and 2017. By 2017, 69% of the world's adults had bank accounts (World Bank, 2022). These reports indicate that access to financial services remains unequal, leaving some, particularly the most vulnerable, without bank accounts. In recent years, the World Bank, scholars, and other development stakeholders have recognised the importance of adults opening bank accounts (World Bank, 2022). The ongoing question is what can be saved in these accounts and what role they can play in helping people living in rural areas gain access to credit for meeting their daily needs and sustainably investing their money.

Tanzania is among the developing countries where financial cooperatives have made notable progress in expanding access to formal financial services. Financial cooperatives referred to in this

study are Savings and Credit Cooperative Societies (SACCOS). These are financial organisations that are owned and benefit their members and are important players in the world banking system, which reach the poorest people and have a substantial economic transformation of both rural and urban communities (United Nations Development Programme, 2015). According to the Fin-Scope Survey 2023 results, the proportion of the population with access to and using formal financial services increased to 89% and 76%, respectively, in 2023, up from 86% and 65% in 2017. However, despite this progress, the level of exclusion remains high among population groups such as rural residents, smallholder farmers, youth, and women (Bank of Tanzania, 2025). These groups constitute the majority of Tanzania's population. The 2022 Population and Housing Census reports that 70.4% of Tanzanians live in rural areas, and 53.3% of the total workforce are engaged in agriculture or informal economic activities, including Micro, Small, and Medium Enterprises (MSMEs). These groups often encounter limited access to finance and face challenges in effectively utilising financial services (Mori & Richard, 2012; National Council for Financial Inclusion, 2017; Isaga, 2018; Gideon, 2019). This highlights the urgent need for a sustainable financial model that can address financial exclusion, particularly among underserved rural and informal sector populations. The question is how SACCOS address this need.

This study is guided by rational choice theory, founded by the Philosopher Adam Smith in 1776. The theory posits that individuals are in control of their decisions; they do not make choices solely because of unconscious drives, tradition, or environmental influences. They use rational considerations to weigh consequences and potential benefits (Suzumura, 2016). Becker (1976) has described the rational choice theory as “a unified framework for understanding all human behaviour”, Hirshleifer (1985) describes the theory as “universal grammar of social science”. Rogowski (1997) also asserts the theory as the “most rigorous and the most general theory of social action that has been advanced in this century”. According to Ogu (2013), there are five assumptions of rational choice theory: individualism, optimality, structures, self-regarding interest and rationality. The theory guided the study by framing how decisions related to loan uptake, savings behaviour, or participation in cooperative governance are shaped by perceived utility.

Different authors have documented various aspects of SACCOS regarding their contribution to financial inclusion and members' satisfaction. Otieno (2019) and Maosa (2020) acknowledged that SACCOS have created the capacity to fight poverty among members, promote equity, mobilise savings and investment through access to affordable loans, reduce financial exclusion, create employment opportunities, and meet other social and economic needs. Harelimana (2021) found that SACCOS have increased access to financial services by raising the number of account holders, loans, and deposits. Zikalala (2016) states that SACCOS play a significant role in the financial systems of many countries; they are key sources of savings and credit for MSMEs, thereby maximising benefits for members. Mauerman and Randall (2018) highlight that SACCOS provide financial education to their members and offer avenues for members to save regularly, deposit, and obtain credit for social and economic reasons. Additionally, Anania et al. (2015) and Were et al. (2021) note that financial cooperatives help lift the poor out of poverty through financial inclusion, encouraging the widespread adoption of policies, programmes, and reform measures aimed at improving access to financial services. Regarding members' satisfaction, Iruguthu (2014) found that members were generally satisfied with the services provided by SACCOS, based on factors such as staff professionalism, courtesy, information and communication technology (ICT), and responsiveness. Sapkota et al (2023) added that the level of service, savings products, and non-financial products/services influence SACCOS members' satisfaction.

The studies reviewed have shown that SACCOS have promoted financial inclusion by offering various financial services, which ultimately enhance the living standards of members. Additionally, these

services are provided by commercial banks and other informal financial institutions such as VICOPA. The question is how these services differ from those offered by commercial banks and other financial institutions, which is addressed in this study. Moreover, the reviewed studies have indicated that members are satisfied with the services provided by SACCOS, although many studies have been conducted over a long period and no recent research has been undertaken in Tanzania, especially considering the recent changes in the country's financial sector driven by digitalisation and policy reforms, notably the Microfinance Act of 2018. In this context, the study aims to fill this gap by firstly examining the services provided by SACCOS in Tanzania, secondly assessing satisfaction levels, and thirdly analysing the uniqueness of SACCOS compared to other financial service providers in the country regarding financial inclusion.

This study contributes by providing valuable insights for policymakers seeking to evaluate and enhance the effectiveness of financial cooperatives, particularly SACCOS, in promoting an entrepreneurial savings culture within communities. By identifying key factors influencing member satisfaction with SACCOS' services, the findings enable policymakers to design targeted, evidence-based interventions that strengthen cooperative frameworks and foster inclusive financial participation. Furthermore, the study equips SACCOS' leadership with actionable knowledge to improve service delivery and member engagement, thereby attracting and retaining a broader membership base. Regulators can also utilise these insights to develop tailored promotional programmes that increase community awareness and participation in SACCOS.

### 3. Methodology

The study mainly used secondary data obtained from TCDC, which was collected in 2023. TCDC collected data from 884 licensed SACCOS in mainland Tanzania, per the Microfinance Act of 2018. Additionally, the study collected primary data from selected key informants, including five SACCOS' managers and the Assistant Registrar of cooperatives, to triangulate the secondary data.

Data analysis was done based on the nature of the data to ensure that appropriate methods are used for each type. For the quantitative data, descriptive statistics were initially employed to effectively summarise the data. This involved using IBM SPSS Statistics to calculate frequencies and percentages, providing a clear overview of respondents' characteristics and their responses related to the study variables. To further investigate the relationships and identify factors influencing members' satisfaction with services provided by SACCOS, inferential statistics were utilised. Multiple linear regression analysis was used to assess the significance and strength of various predictors, helping to understand how different factors collectively impact satisfaction levels among SACCO members. In linear form, the multiple regression equation is expressed as follows:-

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \epsilon \dots \dots \dots (1)$$

Where  $Y$  = *Dependent variable (SACCOS Members satisfaction)*

$\alpha$  = Constant

$\beta_2$  = Coefficient of the variables

$X_1$  = Institutional capacity of the SACCOS to offer the services,

$X_2$  = Consideration of economic status,

$X_3$  = Knowledge and trustworthy of SACCOS employees,

$X_4$  = Timely and cheaply access to SACCOS services,

$X_5$  = Knowledge and trustworthy of SACCOS board members,

$X_6$  = Office location close to SACCOS members

$X_7$  = Integrity during SACCOS operations

$\epsilon$  = Error term

For qualitative data, content analysis was employed systematically to examine the textual information obtained from interviews with key informants. This method involved categorising the data to identify emerging themes and patterns relevant to the study objectives. Direct quotations from respondents were carefully selected and integrated into the analysis to provide vivid examples of key insights and enrich the findings. This qualitative approach complemented the quantitative results by offering deeper context and understanding of the experiences and perceptions of SACCOS members and stakeholders. Therefore, the integration of both quantitative and qualitative analyses ensured a comprehensive and well-rounded examination of the research questions.

## 4. Findings

### 4.1 Financial Services Provided by SACCOS

According to the TCDC, in 2023, there were 884 licensed SACCOS in Tanzania. These SACCOS have been strengthening their members economically by providing access to financial services, including savings, deposits, loans, and investments such as buying shares **Table 1**.

*Table 1: Financial Services from 2021 to 2023*

Service	Year 2021	Year 2022	Year 2023
<b>Saving and Deposits (TZS)</b>	678.8 Billion	871.30 Billion	966.94 Billion
<b>Loans (TZS)</b>	798.4 Billion	1.045 Trillion	1.113 trillion
<b>Investments (TZS)</b>	79.5 Billion	94.2 Billion	95.6 Billion

*Source: TCDC (2023)*

The trend in savings and deposits over the three years shows consistent growth, highlighting increased member participation and confidence in SACCOS' services. In 2021, the total value of savings and deposits was TZS 678.8 billion, rising to TZS 871.3 billion in 2022, and further increasing to TZS 966.94 billion in 2023. This indicates an overall growth of approximately 42.4% over the three years. The rising figures suggest that more members are turning to SACCOS as a preferred avenue for saving, likely due to the trust-based structure, their accessibility, and member-focused approach. The trend may also reflect SACCOS' efforts to promote a savings culture, improve service delivery, and adopt digital financial tools.

In terms of loans, SACCOS have significantly expanded their lending activities. The loan portfolio increased from TZS 798.4 billion in 2021 to over TZS 1.045 trillion in 2022, and then to TZS 1.113 trillion in 2023. This reflects a total growth of approximately 39.4% over the period. The sharp rise in loan disbursements indicates higher demand for credit, especially among farmers, micro and small entrepreneurs, and salaried members who rely on SACCOS for accessible and affordable financing. It also suggests that SACCOS have strengthened their capacity to issue and manage credit, possibly through more robust financial foundations, improved risk management practices, and better regulatory support.

The investment portfolios of SACCOS, although smaller in absolute terms compared to savings and loans, also exhibited positive growth. Investments increased from TZS 79.5 billion in 2021 to TZS 94.2 billion in 2022 and TZS 95.6 billion in 2023. Although the growth rate in investments is modest, about 20.3% over three years, it reflects a cautious yet deliberate effort by SACCOS to diversify their income sources and enhance long-term sustainability. This growth may stem from prudent

investment strategies in low-risk assets, as well as higher surplus funds generated from expanded operations. Overall, these figures indicate that SACCOS in Tanzania are not only growing in scale but also becoming more mature and strategic in their financial management.

## 4.2 SACCOS Members' Satisfaction with Financial Services

The study found that SACCOS' members were satisfied with the services provided. The study went further, examining the factors that influence members' satisfaction. The predictors of satisfaction of the services were mentioned to be the institutional capacity of SACCOS to offer the services, economic status, knowledge and trustworthiness of SACCOS employees, timely and cheap access to SACCOS services, expertise and trustworthiness of SACCOS board members, integrity during SACCOS operations and office location close to SACCOS members. The extent to which each factor predicts the satisfaction of SACCOS' members was indicated through multiple linear regression analysis.

The extent to which the predictors explain the variance in the dependent variable, satisfaction, is indicated in Table 2. In the model summary, the  $R^2$  value of 0.774 indicates that the measurement item explains 77.4% of the variance in SACCOS' members' satisfaction.

The statistical test indicates that the model achieves a statistically significant value of 0.000 (See Table 4).

**Table 2: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.880 <sup>a</sup>	.774	.774	.69296

a. Predictors: (Constant), Office location close to SACCOS members, Institutional capacity of the SACCOS to offer the services, Consideration of economic status, Knowledge and trustworthiness of SACCOS employees, Timely and cheap access to SACCOS services, Knowledge and trustworthiness of SACCOS board members, Integrity during SACCOS operations.

**Table 3: ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.972	7	3.567	96.543	.000 <sup>b</sup>
	Residual	24.721	669	0.037		
	Total	49.693	676			

a. Dependent Variable: Influence of satisfaction on the services offered by SACCOS

b. Predictors: (Constant), Office location close to SACCOS members, Institutional capacity of the SACCOS to offer the services, Consideration of economic status, Knowledge and trustworthiness of SACCOS employees, timely and cheap access to SACCOS services, Knowledge and trustworthiness of SACCOS board members, Integrity during SACCOS operations

In evaluating the regression model, the factor for satisfaction was considered statistically significant if its p-value was less than 0.05. The analysis results indicate the level of significant as follows: economic status ( $B = 0.367$ ,  $p < .001$ ), institution capacity of the SACCOS to offer the services ( $B = 0.096$ ,  $p = .001$ ), knowledge and trustworthiness of SACCOS employees ( $\beta = 0.219$ ,  $p < .001$ ), knowledge and trustworthiness of SACCOS board members ( $B = 0.171$ ,  $p < .001$ ,  $p = .000$ ) and timely and cheap access to SACCOS services ( $B = 0.079$ ,  $p = .033$ ) were found to be statistically significant

predictors of member satisfaction, while Integrity during SACCOS' operations and office location close to SACCOS members were insignificant variables to the satisfaction (See Table 4).

**Table 4: Coefficients**

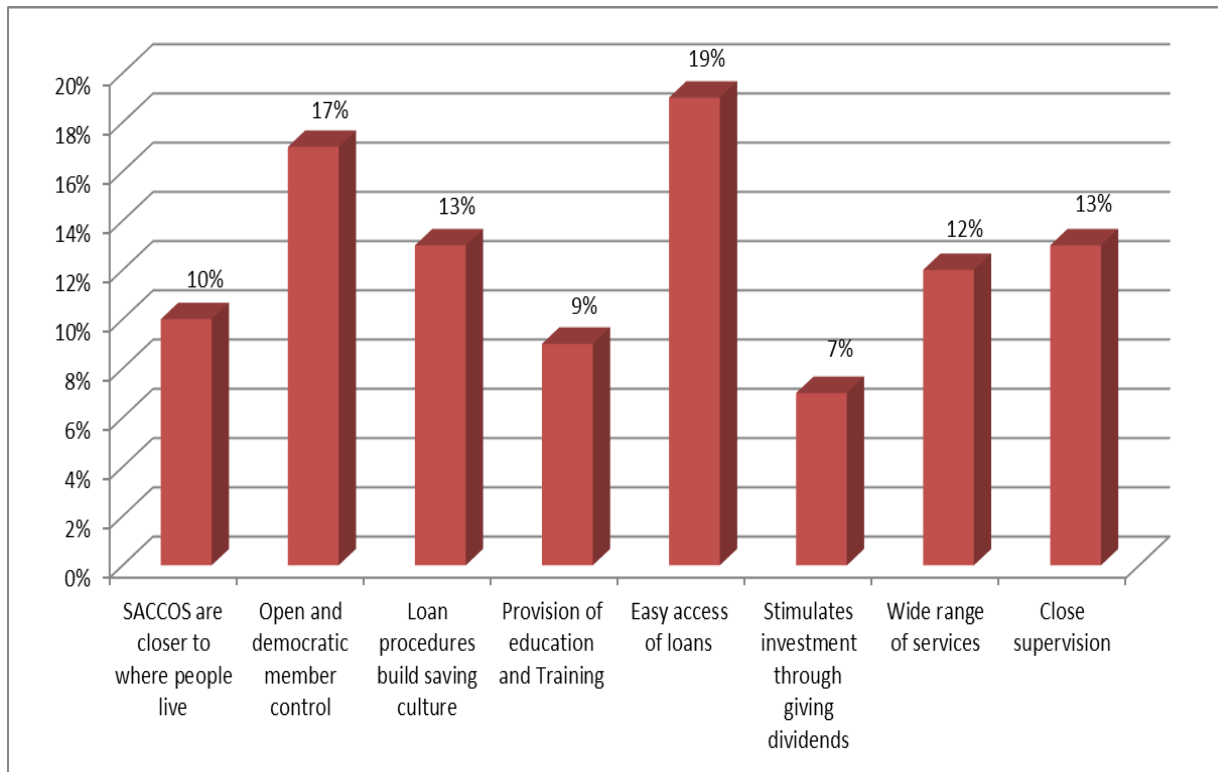
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
<b>1 (Constant)</b>	0.032	0.051		0.626	0.531
<b>Consideration of economic status</b>	0.367	0.04	0.344	9.1	.000***
<b>Institutional capacity of the SACCOS to offer the services</b>	0.096	0.028	0.105	3.398	.001***
<b>Knowledge and trustworthiness of SACCOS employees</b>	0.219	0.049	0.172	4.478	.000***
<b>Knowledge and trustworthiness of SACCOS board members</b>	0.171	0.046	0.155	3.702	.000***
<b>Integrity during SACCOS operations</b>	0.063	0.044	0.062	1.443	0.149
<b>Timely and cheap access to SACCOS services</b>	0.079	0.037	0.074	2.142	.033**
<b>Office location close to SACCOS members</b>	-0.014	0.039	-0.011	-0.362	0.718
<b>a. Dependent Variable: Influences of satisfaction on services offered by SACCOS</b>					

\*\*\* =  $p < .001$  (highly significant), \* =  $p < .05$  (significant)

### 4.3 Uniqueness of SACCOS against other Financial Institutions

For the case of uniqueness, the study identified the uniqueness that differentiates SACCOS from deposit-taking microfinance service institutions, individual money lenders, and community microfinance groups. The study found the following uniqueness of SACCOS against other institutions in the role of financial inclusion (**Figure 1**):-





**Figure 1:** Uniqueness of SACCOS against other institutions in the role of financial inclusion

SACCOS are closer to where people live, whereas banks are usually found in urban centres, especially at the District level. This means that the majority of people in rural areas need to travel to urban areas, which is difficult for most. Accessing services in their local area enables community members to be sure of obtaining loans to meet their needs, as well as making savings. Additionally, open and democratic member control is prevalent in SACCOS, where financial cooperatives are accessible to all individuals willing to join and can reasonably utilise their services, accepting the responsibilities of membership, regardless of gender, religion, race, or economic background, as long as they share the SACCOS' common bond. Also, cooperatives are democratic organisations controlled by their members, who participate in making decisions and formulating policies. Leaders of SACCOS are elected by members who are willing to become leaders; members have equal voting rights (one member, one vote). Open and democratic member control provides opportunities to all persons who are willing to invest by saving their money and accessing loans.

Additionally, loan procedures among SACCOS foster a savings culture. Unlike commercial banks, savings in financial cooperatives are one of the requirements for members to acquire loans from SACCOS; usually, a member should not exceed three times their savings. This has enabled members to develop a culture of saving in their SACCOS; such an opportunity is not typically found in banks. Likewise, in SACCOS, education and training are provided as one of the principal guiding operations of SACCOS. Principles guide financial cooperatives, one of which is the provision of education and training to members. In every financial year of the cooperatives, a budget should be allocated for providing education and training to members on cooperative matters, including cooperative concepts, cooperative management, business development, and other relevant topics. Financial education provided to members transforms their mindset from poor to good planning and effectively utilising financial resources and opportunities. This opportunity is not found in any other financial institution.



SACCOS are characterised by easy access to loans, while accessing loans from banks often requires collateral, which has prevented many Tanzanians from obtaining bank loans. SACCOS offer various loan options; some require collateral, whereas others do not. Many loans, however, are granted using collateral substitutes such as deposited savings and individual guarantors, enabling even the poor to access loans. Additionally, SACCOS promote investment by paying dividends. The study found that SACCOS provide dividends to members who save, borrow, and deposit money in their SACCOS, benefits not offered by other financial institutions. These dividends encourage members to actively utilise their SACCOS services.

SACCOS have a wide range of services, they provide a wide range of services that can be accessed from financial institutions. These services include receiving money from members by way of deposits, accepting savings and providing loans, transfer and payment services, including digital microfinance services, providing financial education, and other related services as may be prescribed in the bylaws. Likewise, the study found SACCOS are unique since it has more supervision than other informal financial institutions. The study shows that SACCOS are closely supervised compared with microfinance institutions. The supervision is done by members, leaders, and management at different levels. Likewise, the Tanzania Cooperative Development Commission has been given a mandate to regulate cooperatives including ensuring compliance with existing laws in the country. This mode of supervision has made SACCOS to be different from other microfinance institutions in the country like village community banks and rotating savings and credit associations.

The qualitative results support the findings reported in Figure 1, which show that the feelings of members are similar to those of SACCOS leaders. The key informants' interviews revealed the same uniqueness mentioned above, and they insisted as follows:-

*In the SACCOS, any person has the opportunity to join provided they have fulfilled the terms and conditions specified by the particular SACCOS bylaw. Members hold the final authority in decision-making regarding their SACCOS, provided that their decisions comply with national laws (Key informant 5).*

*In our SACCOS, we allocate 10% of the budget for education and training purposes. This budget is used to finance education for leaders, management, and members. Topics covered include those related to the cooperative concept, leadership, cooperative management, business management, entrepreneurship, and others (Key informant 2).*

*In our SACCOS, we offer loans to members, and one of the requirements is to have savings equal to the amount requested. We do not demand our members to provide collateral when they apply for loans ranging from Tshs 1,000,000 to Tshs 4,000,000 (Key informant 1)*

*In our SACCOS, one of the services is compulsory savings, which helps members develop a savings habit and can be used as collateral for securing loans. Other benefits of savings include earning annual interest, enabling a member to access a community development loan that is three (3) times the compulsory savings, and allowing members to save whenever they receive money (through salary, direct deposits to the SACCOS account, or bank standing order agreement (Key informant 4).*

*"In our SACCOS, we have deposit products that enable our members to save their money to meet various needs at any time. The importance of this product is the ability of a member to withdraw money from this account at any time and there is no operating cost, our members get seven percent (7%) per annum at the rate of five hundred thousand shillings (Tshs 500,000) available in his account (Key informant 3)"*

## 5. Discussions

The role played by financial cooperatives in enabling members' access to financial services has demonstrated how they contribute to financial inclusion, particularly for low-income individuals who lack access to financial services from commercial banks. All services provided by SACCOS are provided by commercial banks, but the difference has been the terms and conditions attached to these services. Financial cooperatives' conditions are friendly and consider the needs and living conditions of members, which are not found in commercial banks. This shows the contributions of financial cooperatives in enabling low-income people who are members of SACCOS to have access to financial services. Financial services provided to members such as savings, loans as well as investments done implies a great role of SACCOS.

The substantial increase of approximately 42% in savings and deposits within Tanzanian SACCOS reflects growing confidence in SACCOS service delivery. These findings align closely with studies highlighting the role of digital tools in strengthening financial inclusion. For instance, a study done by Rwechungura (2025) observed that the adoption of fintech tools like mobile banking and USSD-based services significantly boosts user engagement and facilitates saving growth among SACCOS in Dar es Salaam. Additionally, mobile money and digital financial services have consistently been shown to reduce barriers to saving, especially for underserved rural and low-income populations (Demirgüç-Kunt et al., 2018; Centellegher et al., 2018). Responding to demand for accessible, secure, and low-cost saving channels, SACCOS in Tanzania have increasingly adopted these innovations leading to the observed 42% growth in deposits.

The remarkable rise in SACCOS loan portfolios, with a 39.4% increase, demonstrates a growing demand for loans, particularly among members. Ngowi (2023) confirms this trend, finding that SACCOS loans significantly contribute to the expansion of small enterprises in Moshi District, thereby enhancing SACCOS' role in local economic development (Ngowi, 2023). This growth is also associated with improved supervision by TCDC and management, along with better risk control within SACCOS. Kadaga (2020) highlights that institutional capacity and effective loan management are vital for SACCOS' development, while Marwa (2015) observes that SACCOS with robust lending procedures, strong governance, and diverse income streams tend to be more sustainable. These insights suggest that SACCOS in Tanzania have bolstered their core capacity through streamlined operations, enhanced loan risk management, and strategic resource allocation. However, some studies caution against the risks tied to the rapid expansion of loan portfolios. Mrisho (2015) and Danga & Yusuph (2019) warn that poor recovery practices and rising non-performing loans can undermine SACCOS' liquidity unless addressed through staff training on loan management and strict lending policies. Similarly, research in Nigeria and Uganda shows that strict loan repayment procedures directly improve portfolio quality (Enoch et al., 2021; Rwechungura, 2025). Therefore, while the growth in lending indicates progress and broader outreach, ongoing improvements depend on effective loan management, strong governance, and policy compliance. Loans extended to members have helped meet their daily needs, enhancing living standards, reducing poverty, and contributing to the realisation of sustainable development goals. This is supported by Okunlola and Okafor (2022), who note that in Africa, SACCOS are regarded as tools to combat poverty. Likewise, SACCOS serve as instruments of economic stability for members, surrounding communities, and the nation as a whole.

Although SACCO investment portfolios remain smaller than savings and loans, their steady growth of approximately 20.3% reflects a strategic shift. This gradual increase suggests that SACCOS are carefully reinvesting their increased surpluses and diversifying into low-risk assets to enhance financial stability. This trend aligns with findings by Marwa and Aziakpono (2015), who observed

that financially sustainable SACCOS in Tanzania tend to diversify income through disciplined reinvestment practices and strategic asset allocation. Their study showed that SACCOS with multiple income sources exhibited stronger operational viability. These findings align with those of the study conducted by Sife & Mhando (2022), which revealed that the members in URA SACCOS are satisfied with the quality of service products and experience with employees since the services are easily accessible and its front office service activity products enjoyed significantly higher returns on assets, underscoring the benefits of regulated and sometimes strategic investment decisions. Similarly, Ogum and Jagongo (2023) report that SACCOS investment in member lending boosts profitability, although money-market instruments showed mixed results, highlighting the need for balanced portfolio choices. Together, these studies suggest that the modest yet consistent growth in investments among Tanzanian SACCOS reflects a mature approach to financial management. By strategically directing funds into diverse, low-risk assets, especially those closely related to their primary core services, such as providing loans to members, they enhance their earnings while maintaining stability.

The study's findings identified several statistically significant predictors of SACCOS member satisfaction, consistent with existing research. Economic status has the strongest influence, aligning with Iruguthu (2014) in Kenya, who reported that affordable loan products and customised savings options greatly enhance member satisfaction, providing members with limited incomes access to SACCOS services. Institutional capacity is also vital, supported by findings from Sife and Mhando (2022) in Kilimanjaro, who observed that members highly value responsiveness, competence, and ethical behaviour among SACCOS staff. Additionally, timely and affordable access to SACCOS services resonates with broader themes in SACCOS performance research. Iruguthu (2014) highlighted that low-cost services and convenience, and rapid access strongly correlate with member satisfaction. Similarly, in Nakuru city, Kenya, service responsiveness from SACCOS significantly influences customer satisfaction (Senelwa et al., 2023). Conversely, variables such as office proximity and operational integrity were not significant in this study, suggesting that although perceived honesty and location are relevant, they may play secondary roles compared to economic linkage, trust, and operational efficiency.

The uniqueness of financial cooperatives in promoting financial inclusion has proven to be a key difference between commercial banks and financial cooperatives, which was the central question of the paper. The uniqueness of financial cooperatives demonstrates that SACCOS is the best model for low-income earners to access financial services and meet their needs for household and national development. The distinctiveness of financial cooperatives found in Tanzania is also experienced in other countries, based on the fact that all adhere to cooperative identity, values, and principles. Similarly, findings are supported by Obadia (2014), Victor (2019), and McKillop et al. (2020), who state that they act as the only formal organisation capable of enabling the poorest people to access financial services equally and for an extended period, serving as main sources of credit for members to meet their social and economic needs.

The open membership and democratic member control in SACCOS also significantly contribute to member satisfaction and inclusion. As community-based organisations, SACCOS grant equal voting rights (“one member, one vote”) and openly admit members who meet minimal criteria, regardless of gender, religion, or socio-economic background. This aligns with findings from Msuya et al. (2023), who highlight that democratic governance fosters the elements of member commitment, trust, and transparency critical to SACCO effectiveness in rural Mwanza and Tabora. Likewise, SACCOS also promote a strong savings culture through loan-savings linkage policies. Members are typically required to maintain savings balances before obtaining loans, with borrowing often capped at three times personal savings. This integration encourages consistent saving habits, which is in Tanzania’s

legal framework, which encourages savings-first loan disbursement to enhance financial discipline. Similar saving-to-loan ratios create sustainable financial practices among rural households. Moreover, SACCOS routinely offer education and training services, another core cooperative principle which equips members with better money management skills and financial literacy. A study by Msuya and Mataba (2023) demonstrated that educational programmes significantly enhanced members' decision-making and utilisation of SACCOS services.

Savings and Credit Cooperative Societies are potential financial institutions organisations contributing to financial inclusion and economic stability of members, non-members, and the nation at large, which proves that SACCOS, when strengthened and used effectively in all spheres of life, contribute to the achievement of Sustainable Development Goals (SDGs). The study found that rational choice theory is relevant to the study as it was found that SACCOS members make rational choices when deciding whether to apply for a loan or not from the SACCOS, is done by considering benefits against costs. Benefits noted included investing in their income-generating activities, improving their housing, paying school fees for their children, paying for health services, and other social and economic needs, and costs considered included interest rates and repayment terms. Likewise, rational theory was found useful among SACCOS members when paying back the loan. Respondents revealed that they assess the effects of defaulting, like paying a penalty, losing reputation, not being considered when they will apply for loans in future, and other negative consequences as a result, they decide to pay loans on time to build trust. In addition, the rational choice theory was found relevant especially when members decide on saving or depositing their money based on their future needs, emergencies, qualification for more loans, safety, profits based on the amount deposited, and flexibility in case they want to withdraw.

## **6. Conclusion and recommendations**

Financial cooperatives play a significant role in financial inclusion in Tanzania. Members of financial cooperatives have access to financial services, including loans, share ownership, savings, and deposits, and are more likely to make strides in poverty reduction than those who have no access. Financial institutions, especially commercial banks, often exclude the majority of people, particularly farmers and owners of micro, small, and medium-sized enterprises, who are often financially disadvantaged. Savings and Credit Cooperative Societies have proven to be a good model for these groups to save and meet their economic and business needs, thereby contributing to the attainment of sustainable development goals and the Agenda 2063, the Africa We Want. SACCOS' members are found to be satisfied with the services offered when they consider the capacity of the SACCOS to offer the services, knowledge and trustworthiness of employees and board members, and timely and cheap access to services. This therefore implies that the more the SACCOS observe the factors for member satisfaction, the more sustainable they will be. Besides these achievements and satisfaction with the services offered, the study found that 83% of registered SACCOS have not applied for a licence to run their business to comply with the country's laws.

Therefore, the study recommends that SACCOS continue to maintain and improve service provision, thereby attracting more communities to join. Additionally, TCDC should continue to sensitise unlicensed SACCOS to address their challenges in the licensing process, so that they can obtain a license. Likewise, collaborate with financial technology companies and organisations to enable SACCOS to adopt USSD platforms, mobile banking, and digital payments, allowing members to access financial services such as savings and loans via their mobile phones. Non-governmental organisations should invest in training programs and infrastructure to help SACCOS adopt mobile and important technology, thereby stimulating savings and easing the provision of services.

## Authors Biography

**Dr. Edmund Zakayo** is a researcher and a consultant with a keen interest in rural and urban development, community development, cooperatives, financial inclusion, and local governance. He is affiliated with the Institute of Rural Development Planning (IRDP) in Tanzania, where he has contributed to research and capacity-building initiatives focused on promoting community development. Dr. Zakayo has recently co-authored several publications on community development, financial inclusion, cooperatives, health, women, parenting, and special groups.

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