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CONTRIBUTION OF SACCOS IN THE GROWTH OF SMALL ENTERPRISES: EVIDENCE FROM TUJIKOMBOE SACCOS IN MOSHI DISTRICT, KILIMANJARO TANZANIA

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ABSTRACT

SACCOS (Savings and Credit Cooperatives Societies) have become well-known and increasingly popular in both developed and developing countries due to their significant contribution to small businesses by providing loans at below-market rates, thereby contributing to the growth of income poverty among members and the nation at large. The researchers investigated the extent to which SACCOS have contributed to the growth of small businesses in Tanzania, particularly in Mbokomu Ward, a case paper of Tujikomboe SACCOS in Moshi district. Specifically, the paper will identify the nature of small enterprises within the SACCOS and examine the significant role of loans given to small enterprises within SACCOS. Respondents from small businesses were purposefully chosen. The research adopted a cross-section research design because it helped examine the phenomena using different methods. Both quantitative and qualitative data were collected using questionnaires, interviews, document review and focus group discussion. Paired-t-test analysis revealed a significant effect of loans ($p=.000$). The paper findings further revealed an adequate number of loans from Tujikomboe SACCOS. The paper, therefore, conclude that SACCOS had made significant contributions to the growth of small enterprises through the provision of small loans. The paper recommends that the government, through its cooperative officers, expertise, and stakeholders should provide sensitization, education, and training on leadership and governance of cooperatives, strengthening the performance of SACCOS to save more small enterprises.

Keywords: Small enterprises, SACCOS, Contribution, growth, Tujikomboe SACCOS

1.0 INTRODUCTION

The Savings and Credit Cooperative Society's role in enabling small businesses was recognized more than a century ago. Savings and Credit Cooperatives Societies (SACCOS) are voluntary associations in which members invest their savings regularly and only borrow money for various purposes. Churk(2015) argues that SACCOS are the only structured financial entity open to rural and urban communities. Generally, SACCOS aim to encourage savings and make credit accessible to members (Bwana & Mwakujonga, 2013). SACCOS offer various services to its members, especially small enterprises. These services include financial services such as deposits, loans, insurance, and non-financial services such as business planning, lobbying and advocacy, consultancy, and education and training (Owen, 2007).

Small enterprise is a subsector that can contribute to job creation, savings generation, and the Development of products and services that meet the poor's basic needs. On the other hand, Savings and Credit Cooperative Societies have gradually closed the gap by providing loans. These loans assist small



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businesses in amassing money and engaging in investment and employment-generating practices (Beck et al., 2015).

The industry is facing financial difficulties due to a shortage of structured processes to obtain small grants to help them run their businesses. Commercial banks do not want to lend to small businesses, according to (Ogawa & Suzuki, 2000), since the loans required are too small, and lending to small businesses is more costly. As a result of this need, the government agreed to create numerous funding structures to assist various small earners in obtaining loans as required. Savings and Credit Cooperative Societies (SACCOs), the National Entrepreneurship Development Fund (NEDF), the Youth Development Fund (YDF), the Women Development Fund (WDF), the Small Enterprise Loan Facility (SELF), the National Income Generating Program (NIGP), and the Presidential Trust Fund are some of the funding mechanisms available (United Republic of Tanzania, 2002). subsequently, this paper investigated to how extent SACCOs contributed to the growth of small enterprise in Tanzania, specifically the study examined the nature of small enterprises within the SACCOs and then examined the significant role of loans given to small enterprises.

This paper is grounded by Welfarist theory which is developed by Backhouse et al. (2021). He thought that: "Every human being is continually exerting himself to find out the most advantageous employment for whatever capital he can command. The analysis of his advantage, on the other hand, inevitably, or rather, unavoidably, leads him to choose the employment that is most beneficial to society." The theory suggested that what is valid for investment is true for economic activity in general. "Every individual necessarily labours to access necessities in life. As a result, both government and non-government organisations are under pressure to implement policies and tools, such as lending institutions, to strengthen the well-being of the vulnerable.

According to the Welfarist theory, microfinance, such as SACCOs, is one of the most important methods for reducing hunger and achieving a sustainable existence. The argument advocates the concept of subsidising microcredit schemes to reduce the expense of running microfinance organisations, lowering loan interest rates in turn (Setia, 2016). Moreover, the theory argues that credit is provided to poor borrowers at below-market interest rates to reach the extremely poor to help overcome poverty and empower them. Credit is emphasized as a tool for poverty reduction in the welfare theory. Therefore, SACCOs function as a link between individual borrowers, particularly small enterprises and formal financial institutions.

The findings of this paper are essential since SACCOs continue to bring value to their members to survive in today's dynamic economy. Savings and credit cooperatives would be able to do this as they choose to provide low-interest loans. Members will be willing to control their returns, which will help the SACCOs grow and better their members' lives. In addition, these findings would also provide other microfinance stakeholders with the necessary knowledge to assist small businesses. The findings of this paper will support SACCOs and other microfinance organisations rewrite and reform their roles in supporting members' livelihoods by assisting members in being conscious of potential developing possibilities in their community. The paper would also be important since it will serve as a foundation for future studies and policymakers while developing and amending new microfinance policies.



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2.0 RESEARCH METHODOLOGY

During data collection, this paper used a cross-sectional research design. This survey framework is helpful since it enables the researcher to gather data from various types of respondents. This design was chosen to assist researchers in evaluating several variables of concern that share unique factors such as social status, background, and ethnicity (Setia, 2016). The paper examined the role of SACCOs and the growth of small businesses in rural livelihoods. The analysis targeted 816 representatives of Tujikomboe SACCOs in Moshi District. Purposive sampling was used to identify the 50 respondents who had received small business loans from SACCOs.

Face-to-face interviews were often included during the data collection phase. The interviews were conducted to grasp the participants' perspectives, and the discussions centred on the nature of small businesses, other services provided to cooperative members, and the income generated from obtaining a loan. There were both structured and unstructured questions posed. In addition, paper analysis and focus group discussions with participants who own small businesses were conducted to gather knowledge relevant to the paper's goal.

Moreover, quantitative analysis, specifically, descriptive statistical analysis of background information (age, sex, education, gender and marital status, and level of income after taking the loan from the SACCOS were analysed from which percentages, frequencies, and average were shown (see table 4.1,2 and 3). Further, paired sample t-test was used to establish the significant differences of small enterprises after taking the loan from the SACCOs.

3.0 FINDINGS AND DISCUSSIONS

3.1 Socioeconomic status of respondents

Findings reveal that this ward's most important economic activities are farming and livestock keeping, coffee, banana, and vegetable production. Others engage themselves in retail shops, handcraft activities, and Minibus transport and motorcycle business services. In this paper, 28% of respondents were under the age of 30, 22% were between the ages of 41 and 50, 14% were 51 and older, and 44% were between the ages of 31 and 40. This shows that there is youth engagement in cooperatives, especially the SACCOS. This paper backs up the study by Nkilijiwa (2018), who found that youth prefer to join cooperatives over other age groups because cooperatives provide services of their prevalence such as low-interest credit and education services during the production process.

Furthermore, the findings have revealed that 30 of the 50 sample were married, accounting for 60% of the respondents, indicating the participation of married and unmarried participants. Married members see that joining SACCOs enhances the effectiveness of their business operations in terms of growth and sustainability through financing. This is because married members consider themselves responsible for taking care of their families, meeting daily home expenditures and paying bills. As a result, they direct their efforts toward the expansion and growth of their business activities.

Furthermore, around 54% of members completed primary education, 30% received secondary education, 14% got non-formal education from society, which implies they were educated through informal modes of learning to deal with the environment. Only 2% received advanced level education, according to the



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findings. This demonstrates that many individuals who do not have access to conventional schooling will find ways out, such as forming cooperatives like SACCO. As a result, cooperatives are effective instruments for assisting the majority, especially disadvantaged and lack formal education. Gender was also identified as a critical issue to the growth of every society. In this paper, 48% of the respondents were male, while the other 52% were female. Thus more women at Tujikombo SACCOS becoming small business owners. This serves to demonstrate that women value SACCOS focus on economic growth.

3.2 Identifying the nature of small enterprises within the SACCOS

The first objective identified the nature of small enterprises within SACCOS. The nature of small enterprises was measured in terms of the types of activities they conducted: trade, production, transport, and handcrafts. The findings show that that out of 50 respondents selected, 34% were engaged in trade (buying and selling crops and livestock), 48% in production (coffee, banana and vegetables) and 18% in other service provision such as transport services (minibus and motorcycles). Most of the small enterprises within this SACCO are likely to capture businesses that are available in their environment, like coffee, bananas and vegetables (Table 1)

Table 1: Small Enterprises within the SACCOS

Nature of small enterprise	Activities	Frequency	Percent
Trade	Buying and selling crops	10	20
	Buying and selling livestock	7	14
	Coffee	8	16
Production	Bananas	10	26
	Vegetables	3	6
	Minibus (Daladala)		
Transport Service	Motorcycle	8	18
	Motor cycle (Bodaboda)	2	4
Handcraft	Carpentry	1	2
	Sewing	1	2
Total		50	100

The findings showed that many members engage themselves as sole proprietors than the partnership model, whereby sole proprietorship accounts for 82% while partnership accounts for 18%. This implies that members prefer sole proprietorship due to some advantages over partnerships. Partnerships may cause some misunderstandings when it comes to profit sharing after investment. Besides that, they also consider that a partnership may not persist longer than a sole proprietor because there may come a time when a partnership needs to be terminated. These findings concur with the findings by Permwanichagun *et al.* (2014). They explained that most people prefer sole proprietorship over partnership because it is effortless to form, and the owners enjoy the sole control of the business profit compared to the partnership business. In this regard, it reduces misunderstanding.



4.2 The Significant Role of Loans Given to Small enterprises within SACCOS

The second objective explored the critical role of small business loans within SACCOS. Loans played a major role as measured by the disparity between income earned before and after receiving a loan over a year of business operations. According to the findings in Table 2, the small enterprises had low level of income prior to taking the loan, but this level increased significantly after one year of service. For example, some members lacked funding, meaning that they obtained a start-up loan. Four of the candidates had a level of income of 241–240 Tshs . Following the loan, ten members raised their profits by that number.

The findings indicated an increase in the income of small businesses. This findings may be explained by a rise in their business resources, which will clarify their buying power and sales value. In addition, the loan can be supplemented by entrepreneurship expertise, insurance coverage, and deposit community, all of which are typically offered by Tujikomboe SACOSS. The findings corroborated another by (Wanyama & Pollet, 2010), which concluded that small loans made to small businesses that lack the collateral and other qualifications required by banks are critical to their welfare, especially in terms of alleviating income poverty

Table 2: Level of income of respondents

Levels of Income				
Before taking the loan		After taking the loan		Percent (%)
Level of income (Tshs)	Frequency	Level of income	Frequency	
41,000 - 140,000	25	41,000 - 140,000	2	46
141,000 - 240,000	16	141,000 - 240,000	14	4
241,000 - 340,000	4	241,000 - 340,000	14	20
341,000 - 440,000	4	341,000 - 440,000	8	8
441,000 - 540,000	0	441,000 - 540,000	5	10
541,000 - 640,000	0	541,000 - 640,000	3	6
641,000 - 740,000	1	641,000 - 740,000	1	0
741,000 - 840,000	0	741,000 - 840,000	2	4
Total	50		50	100

The findings of the paired t-test in Table 3 indicate that on average, small businesses that received a loan from SACCOS increased their revenue (M= 36200.000, SE= 20660.521) compared to those that did not receive a loan from SACCOS (M= 231200, SE= 19771.429). This difference, -130800.00, CI BCA 95% was significant $t(49) = -12.597, p = 0.000$; however it did not represent a large-sized effect, $d = 0.87$ (see also table 4.3). This finding implies that small enterprises took the loan from Tujikomboe SACCOS their income had found to increase and such increment had found to be at significant effects scale compared to the time they had not taken the loan from the SACCOS. Such findings might have explained by different factors, such that the loan given to them had increased their purchasing power and increased their sales



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volume. Other reasons are from the services provided by Tujikomboe SACCOS, such as the provision of business skills, insurance services, deposit and saving culture.

The findings from past studies confer to the current findings. For instance, Kwai and Urassa(2015) reported that the amount of loan given to small enterprises though minimal helps raise their income level through their sales; despite the small loan, other services such as deposit, insurance, entrepreneurial education help them to stay longer in SACCOS.

Table 3. Outputs from paired Sample t-test before and after taking the loan

Pair 1	Income before	Income after	Mean differences	Std. Error Mean	T	D	Sig 2-tailed
	231200.00	362000.000	- 130800	10383.1818	-12.597	49	.000

5.0 CONCLUSION AND RECOMMENDATIONS

Based on the findings in this paper, it is shown that SACCOS had played a significant role in the growth of small enterprises. One of the Fundamental objectives of forming a cooperative organisation such as SACCOS is to help smallholder populations who have excluded from the mainstream to get loans to generate their income activities. Therefore this paper concludes that SACCOS is amongst the powerful instrument to the growth of small enterprises. Moreover, the loans given to small enterprises have found to be significant provided that their income increased at large sized-effect. Therefore it is concluded that SACCOS have effects on the growth of small enterprises. Furthermore, that SACCOS offer education and training on managing small loans to its customers, the deposit and insurance service, and helps members be aware of the business that surrounds their environment as many enterprises within Tujikomboe SACCO own businesses that surrounds them.

It is recommended that; sensitisation of members to join the SACCOS should always be a priority since many villages are not aware of cooperative ideology regarding saving and credit because some of them still perceive it as theft to manipulate their money. So much encouragement should be done to villagers through seminars to give them awareness about what so unique in SACCOS, how it helps people to form and develop their business activities and finally this will help the SACCOS to have more members and more funds to operate and offer more credits than usual to its members. The author recommends for more study to be done on SACCOS performance and business environment to small enterprises.

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