

Addressing Socio-Economic Development Challenges among Community Members through Savings and Credit Cooperative Societies in Chemba District, Dodoma Region, Tanzania

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Abstract

Savings and Credit Co-operative Societies (SACCOS) are member-owned financial institutions established to provide affordable credit, promote savings, and support socio-economic development, especially among underserved communities. This study examined how SACCOS can be effectively utilized to address financial challenges and promote socio-economic development among community members. Specifically, it explored the role of SACCOS in improving access to financial services, assessed their contribution to income-generating activities, and identified the challenges hindering their effectiveness in promoting community welfare. The study was conducted in Chemba District, Dodoma Region, Tanzania, adopting a cross-sectional research design within a mixed-methods approach. Data were collected from 357 members drawn from four SACCOS using questionnaires, interviews, and focus group discussions. Both qualitative and quantitative analyses were applied, with descriptive statistics used to summarize the data and content analysis used for qualitative data. Findings revealed that members generally possess low awareness of SACCOS operations, educational programs, and registration procedures, limiting participation and efficiency. Members reported improved access to affordable credit, better income levels, asset accumulation, enhanced savings habits, and participation in profit and dividend sharing. Additionally, increased financial inclusion and business development were observed. Social benefits such as trust, solidarity, and mutual support were also noted, though at modest levels, indicating the need for stronger social protection measures. The study recommends to the Government through Tanzania Cooperative Development Commission-(TCDC) to target interventions to strengthen member education,

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leadership accountability, product innovation, digital adoption, and financial literacy. Addressing these challenges will enhance SACCOS' capacity to promote financial empowerment, resilience, and inclusive socio-economic development within communities.

Keywords

community SACCOS, socio-economic development, community members, Tanzania

Introduction

A Savings and Credit Co-operative Society (SACCOS) refer to a financial institution owned and controlled by its members, who are usually individuals sharing a common bond such as being workers, farmers, teachers, traders, or belonging to the same community. These members pool their savings and extend loans to one another at affordable interest rates (ILO, 2023; UNCDF, 2023). The major characteristics of SACCOS include collective ownership, where each member purchases shares and thereby becomes a co-owner, and democratic governance, in which members elect a management committee based on one member–one vote. Another key aspect is regular savings mobilization, where members make consistent deposits.

SACCOS provides easier access to credit since members can borrow at interest rates lower than those charged by commercial banks, and they are community-focused as any surplus is either distributed back to members as dividends or reinvested to expand the cooperative (IFAD, 2024; UNCDF, 2023). The overarching objectives of SACCOS are to cultivate a saving culture among members, offer affordable credit for personal, agricultural, and business needs, enhance financial inclusion particularly in rural or marginalized areas, and reduce reliance on money lenders or costly bank loans (ILO, 2023; Mwakajumilo, 2023; World Bank, 2023).

Globally, Savings and Credit Cooperative Societies (SACCOS) face challenges such as inadequate capital, poor governance, weak regulatory frameworks, and limited technological adoption, which hinder their growth and sustainability. In many regions, especially in developing countries, SACCOS struggle with low financial literacy among members, poor record keeping, and high loan default rates. Regionally, within Africa, SACCOS often experience limited access to modern banking systems and insufficient support from governments and financial institutions. In Tanzania, challenges include weak management capacity, inadequate supervision, and lack of transparency and accountability. Additionally, most SACCOS depend heavily on members' contributions, making it difficult to expand their loan portfolios and effectively meet the financial needs of low-income communities.

Savings and Credit Cooperative Societies (SACCOS) in Africa, particularly in Tanzania, have been studied for their role in enhancing financial inclusion and rural development. Empirical studies (see e.g., Kihwelo, 2016; Maghimbi, 2010; URT, 2018) show that SACCOS improves access to credit for low-income households and small enterprises, thereby promoting entrepreneurship and poverty reduction. However, research also highlights persistent challenges

including weak governance, limited capital base, loan default risks, and inadequate financial literacy among members. In Tanzania, SACCOS performance varies significantly across regions, with better outcomes in urban areas than rural settings. Overall, evidence suggests mixed effectiveness in achieving sustainable socio-economic impact.

Available literature on Savings and Credit Cooperative Societies (SACCOS) in Tanzania provides varied findings concerning their performance and the extent to which they achieve their intended goals. On the positive side, SACCOS have been instrumental in expanding access to credit, fostering a culture of saving, supporting micro and small enterprises, and improving the livelihoods and economic well-being of low-income members (Kihwelo, 2016; Maghimbi, 2010; URT, 2018). Conversely, their effectiveness is hindered by ongoing challenges such as weak governance systems, inadequate financial management practices, insufficient capital resources, and elevated levels of loan default (Mwakajumilo, 2011; URT, 2018). As a result, whereas some SACCOS remain sustainable and generate meaningful socio-economic benefits, many others fail to fully realize their establishment goals. This disparity underscores the necessity for stronger institutional arrangements, enhanced oversight mechanisms, and focused capacity development to improve their effectiveness and long-term sustainability in Tanzania (Kihwelo, 2016; Maghimbi, 2010; Mwakajumilo, 2011).

Access to affordable credit is essential for reducing poverty. SACCOS extend loans at lower interest rates and with more flexible repayment terms than commercial banks. This enables members to finance agricultural activities, education, healthcare, and small enterprises, while reducing dependence on informal moneylenders (ILO, 2014; WCCU, 2023). Additionally, the lack of savings often leaves households vulnerable to economic shocks. By promoting regular savings, SACCOS strengthens household resilience and provides a financial safety net for emergencies and future investments (UNCDF, 2023).

Existing studies have demonstrated that Savings and Credit Cooperative Societies (SACCOS) contribute to financial inclusion, poverty reduction, and improved livelihoods in Tanzania. However, most research has concentrated on access to credit, savings mobilization, and institutional performance, with limited attention to how SACCOS address broader socio-economic development challenges at the community level. Moreover, few studies have focused on rural districts such as Chemba in the Dodoma Region, where socio-economic conditions and development needs differ from urban settings. Consequently, there is limited context-specific evidence on the contribution of SACCOS to improving community members' socio-economic development in Chemba District. This study addresses that gap.

The main objective for this study was to analyze how Savings and Credit Co-operative Societies can be effectively utilized to address financial challenges and enhance socio-economic development among community members." Specifically, the study determined the role of SACCOS in improving access to financial services among community members, evaluated the

contribution of SACCOS in supporting income-generating activities among the community members, and finally, identify the challenges faced by SACCOS in enhancing socio-economic development of its members.

To address the above objectives, three research questions were answered as follows: What is the role of SACCOS in improving access to financial services among community members in Chemba District? To what extent does SACCOS contribute to supporting income-generating activities among community members in Chemba District? And what challenges do SACCOS face in enhancing the socio-economic development of their members in Chemba District?

This study is fundamentally important for enhancing the performance of SACCOS and improving the socio-economic well-being of community members. Specifically, its findings are expected to enrich existing literature, providing valuable insights for researchers, academicians, planners, and the broader community. Additionally, the results will be crucial for policymakers in addressing challenges and formulating sector reforms related to cooperatives and financial inclusion. Moreover, the research is anticipated to contribute significantly to poverty reduction, aligning with the United Nations Sustainable Development Goal 1 (“No poverty”), as well as Tanzania’s Vision 2050, which seeks to accelerate national efforts toward improved socio-economic conditions in both rural and urban areas. By promoting sustainable and inclusive socio-economic activities, the study aims to raise average household income and enhance the quality of life for Tanzanians. Furthermore, the findings are expected to support the development of practical solutions to challenges faced by community members in accessing financial services essential for sustaining their livelihoods.

This study addresses a clear knowledge gap in the existing literature on Savings and Credit Cooperative Societies (SACCOS) in Tanzania. Although previous studies have examined the role of SACCOS in improving access to credit and livelihoods, limited empirical evidence exists on how their performance translates into socio-economic development outcomes at the district level, particularly in Chemba District. Most studies are either national in scope or rely on quantitative data only, overlooking contextual and member-level experiences. Furthermore, there is insufficient understanding of why districts with many SACCOS still exhibit low economic development despite their presence. Thus, this study fills with a gap in literature.

Literature Review

Theoretical Literature Review

This study is anchored on two theories namely Financial Intermediation (Main theory) and Social Capital (Supporting theory). Theory of Financial Intermediation. The Theory of Financial Intermediation explains the role of financial institutions in bridging the gap between surplus units (savers) and deficit units (borrowers) in an economy. It is commonly associated with

early contributions by Gurley and Shaw (1960), who emphasized the importance of financial intermediaries in mobilizing savings and allocating credit efficiently. Later, the theory was further developed by scholars such as Diamond (1984), who highlighted the role of intermediaries in reducing information asymmetry, monitoring borrowers, and lowering transaction costs.

At its core, the theory argues that intermediaries exist because direct lending between savers and borrowers is inefficient due to risks, high costs, and imperfect information. Financial intermediaries therefore improve resource allocation, enhance liquidity, and promote economic growth. Strengths of the theory include its strong explanation of why institutions like banks and SACCOS exist, its emphasis on reducing transaction and information costs, and its relevance to financial inclusion and development. However, weaknesses include its limited consideration of informal financial systems, regulatory constraints, and behavioral factors influencing financial decisions.

In the context of SACCOS and socio-economic development, the theory is highly applicable. SACCOS act as local financial intermediaries by mobilizing member savings and providing affordable credit to households and small enterprises. This supports income generation, entrepreneurship, and poverty reduction, thereby directly addressing socio-economic challenges in communities such as Chemba District.

The Social Capital theory was adopted to supplement the Financial Intermediation theory due to its limited to include consideration of informal financial systems, regulatory constraints. The concept was first introduced by Hanifan (1916), an American educator, who highlighted the significance of community engagement in schools. However, the theory was formally developed and expanded by Bourdieu, Coleman, and Putnam from the 1980s onward. Social Capital Theory is a sociological framework that examines how social networks, relationships, norms, and trust among individuals and groups generate value and facilitate cooperative action. Essentially, it proposes that people's connections with others can serve as a resource, like physical or financial capital, to achieve personal, social, and economic objectives.

According to Bourdieu (1986), communities or organizations with strong social ties and mutual trust are more capable of collaborating, sharing knowledge, addressing challenges, and achieving developmental outcomes. Social capital is commonly categorized into three types:

Bonding social capital – close relationships within homogeneous groups (e.g., family, close friends, or local community members) that provide emotional and social support.

Bridging social capital – connections across diverse groups that offer access to new information, resources, and opportunities.

Linking social capital – relationships between individuals or groups and institutions with authority or power (e.g., government, NGOs), which allow access to external resources and influence.

The strength of Social Capital Theory lies in its ability to link trust and relationships with social, economic, and political outcomes, making it an effective framework for understanding community development and institutional performance (Coleman, 1988). Despite its usefulness in explaining the value of social connections, the theory faces challenges related to conceptual clarity, measurement, inclusivity, and sometimes overlooks the negative or unequal effects of social networks.

Social Capital Theory has wide-ranging applications in fields such as community development, education, health, economics, organizational studies, microfinance services, and SACCOS (Portes, 1998). For example, in financial cooperatives or SACCOS, strong social capital fosters trust, lowers default risks, and encourages collective responsibility among members. Consequently, Social Capital Theory helps explain why SACCOS prosper in communities characterized by high levels of trust, cooperation, and robust networks. It demonstrates how social relationships function as a form of “capital” that supports savings, credit access, and collective development.

Empirical Literature Review

Empirical evidence from across Africa demonstrates that Savings and Credit Cooperative Societies (SACCOS) play a significant role in promoting financial inclusion, poverty reduction, and socio-economic development, particularly among rural and low-income populations. According to the International Labour Organization (ILO, 2023), cooperative financial institutions have expanded access to affordable financial services for millions of people excluded from the formal banking sector. Similarly, the World Council of Credit Unions (WCCU, 2023) reports that credit cooperatives have enhanced savings mobilization, increased access to credit, and strengthened the resilience of households and small enterprises across African countries.

Studies conducted in Kenya, Uganda, Rwanda, and Ethiopia indicate that SACCOS contribute to increased household income, business expansion, agricultural productivity, and women's economic empowerment through accessible loans and financial literacy programmes (IFAD, 2024; World Bank, 2023). Nevertheless, these studies also reveal persistent challenges including weak governance, inadequate capitalization, poor loan recovery, limited technological adoption, and insufficient managerial skills, all of which reduce the effectiveness and sustainability of SACCOS (UNCDF, 2023; WCCU, 2023).

In Tanzania, empirical studies consistently show that SACCOS have improved financial inclusion by extending affordable credit and promoting savings among farmers, traders, and low-income households. Maghimbi (2010) found that SACCOS have significantly improved members' access to finance and contributed to poverty reduction through investment in agriculture and microenterprises. Likewise, Kihwelo (2016) established that participation in SACCOS increased

household income, asset ownership, and employment opportunities, particularly in rural communities.

Recent government reports further indicate that SACCOS continue to support Tanzania's financial inclusion agenda by mobilizing domestic savings and financing small and medium enterprises (TCDC, 2024a; 2024b). However, Mwakajumilo (2023) observed that many SACCOS continue to experience governance weaknesses, inadequate member education, poor financial management, and high loan default rates, limiting their contribution to sustainable socio-economic development. Similar findings by the World Bank (2023) emphasize that strengthening institutional capacity, improving digital financial services, and enhancing financial literacy are essential for improving cooperative performance.

Despite the growing body of literature, most Tanzanian studies focus primarily on financial performance, credit accessibility, and institutional sustainability while giving limited attention to broader socio-economic development outcomes at the community level. Furthermore, empirical evidence from rural districts such as Chemba remains scarce. Consequently, there is inadequate understanding of how SACCOS contribute to improving livelihoods, social welfare, and community resilience within rural contexts. This study therefore fills this empirical gap by examining how SACCOS addresses socio-economic development challenges among community members in Chemba District, Dodoma Region.

Conceptual Framework

Regarding this study the independent variables were the role of SACCOS with indicators such as financial services and access, economic empowerment, social and community development and institutional effectiveness. Other indicators were the contribution of SACCOS with indicators namely loan access, business growth, income increase, job creation and assets accumulation. Furthermore, there was a variable on the challenge faced by SACCOS with indicators such as financial performance, governance, member engagement, and external environment indicators.

With respect to the dependent variable there was socio-economic improvement with indicators namely increased income, improved savings and investment, poverty reduction, assets ownership, improved access to credits, improved (health, nutrition and housing) among the community members. The intervening/moderating variable in this case government financial regulatory policies. Diagrammatically, the relationships between independent, dependent and intervening variables can be shown as follows, (Figure 1).

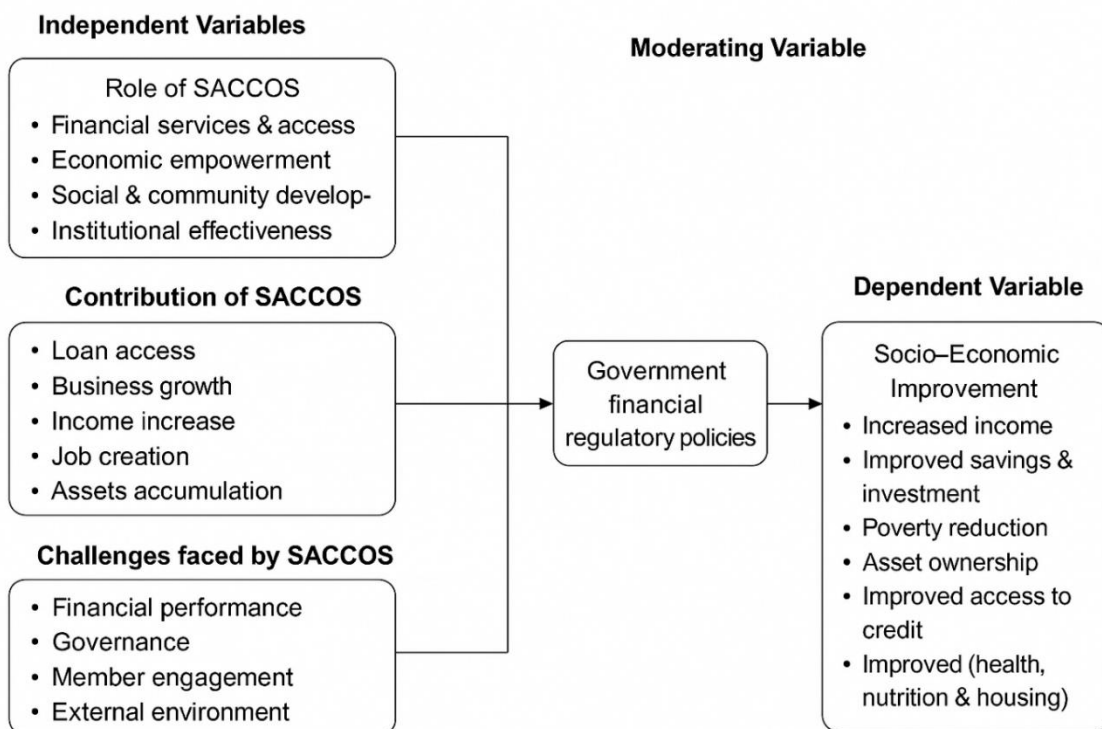


Figure 1. A conceptual framework on SACCOS and socio-economic development among the community members

Source: Researcher's Own Construction (2025)

Research Methodology

Research Design

A cross-sectional design is an observational research approach in which data is collected at a single point in time from a selected sample or population to examine relationships between variables or to describe the characteristics of that population. This design is widely used in social science and health-related studies to assess prevalence, patterns, and associations among variables of interest. However, it does not allow the researcher to establish cause-and-effect relationships because it captures information only once rather than following subjects over time. Key features of the cross-sectional method include one-time data collection, efficiency in terms of time and resources, suitability for identifying relationships between variables, and relatively low research cost. It is therefore useful for providing a snapshot of a situation within a specific period (Creswell & Creswell, 2018).

Study area and Justification for its Selection

Chemba District lies within the Dodoma Region in central Tanzania. It is one of the region's administrative districts and is positioned to the north-east of Dodoma City, the regional and national capital. The district shares its borders with Kondoa District to the north, Kongwa District to the south, Chamwino District to the west, and Kilindi District in Tanga Region to the east. The area consists of semi-arid plains and low-lying hills, which shape its agricultural practices and settlement distribution. Being in central Tanzania, Chemba District experiences a dry savanna climate, making it favorable for both livestock farming and rain-fed crop cultivation.

Generally, Chemba District contains more SACCOS compared to other districts in the region, but the socio-economic wellbeing of the majority is still dwindling (TCDC, 2024a; 2024b). The development of SACCOS in Chemba District plays a crucial role in fostering economic development, improving financial literacy, and empowering community members, particularly women, to achieve greater financial independence and contribute to the district's overall prosperity. As of 2023, Chemba District in the Dodoma Region of Tanzania had fifty-seven (57) Savings and Credit Cooperative Society (SACCOS) operating within its jurisdiction, the number which is lower than other districts (Chemba District Council, 2024; TCDC, 2024a; 2024b).

Study Population

In analyzing the potentialities of SACCOS on community members socio-economic development in Chemba District, Dodoma Region-Tanzania, four (4) SACCOS (Jangalo SACCOS Ltd, Mondo SACCOS Ltd, Paranga Vijana SACCOS Ltd and Ching SACCOS Ltd) with 3,276 members were involved in this study to get the in-depth information (Chemba District Council, 2024). The study focused on community members who are the beneficiaries of SACCOS. Furthermore, this population was given priority to get empirical evidence about SACCOS and associated benefits and at the same time these members had a lot of experience to share with the research team. The unity of inquiry in this case were the SACCOS members, and the unit of observation was SACCOS.

Sample Size

A sample size is the number of individual observations or participants selected from a population to participate in a study or survey. It is a subset of the population that is meant to represent the whole group. The population of the SACCOS members was 3276 according to TCDC (2024a; 2024b). The sample size was determined using Slovin's formula (1960) for known population:

$$n = \frac{N}{1 + Ne^2}$$

Where:

n = sample size

N = population size (3,276)

e = margin of error (commonly 5% or 0.05)

Based on the formula, the sample size was computed from a population of 3,276 members (823 + 704 + 669 + 1,083) from four (4) Saccos using proportional sampling technique, giving out a sample size of 357 respondents, (Table 1).

Table 1. Sample Size Distribution Table

S/N	SACCOS Name	Number of Members (N_i)	Proportion ($N_i/3,279$)	Sample Size ($N_i/3,279 \times 357$)	Allocated Respondents
1	Jangalo SACCOS Ltd	823	0.2510	89.62	90
2	Mondo SACCOS Ltd	704	0.2147	76.65	77
3	Paranga Vijana SACCOS Ltd	669	0.2040	72.83	73
4	Ching SACCOS Ltd	1,083	0.3303	117.90	117
Total		3,279	1.0000	357.00	357

Where:

n_i = sample size allocated to each SACCOS

N_i = number of members in each SACCOS

N = total population (3,279 members)

n = total sample size (357 respondents)

The sample was proportionally distributed according to the membership size of each SACCOS. Ching SACCOS Ltd received the largest sample (117 respondents) because it had the highest membership, while Paranga Vijana SACCOS Ltd received the smallest sample (73 respondents) due to its relatively lower membership. This approach ensured that each SACCOS was represented according to its contribution to the total study population. In Jangalo Saccos Ltd 90 members were picked and in Mondo Saccos Ltd 77 members were picked.

Sampling Procedures

After obtaining the proportional sample size for each SACCOS, simple random sampling was used to select individual respondents from the respective membership lists. First, the researcher obtained updated membership registers from the four selected SACCOS, namely Jangalo SACCOS Ltd, Mondo SACCOS Ltd, Paranga Vijana SACCOS Ltd, and Ching SACCOS Ltd. Each member was assigned a unique identification number according to the membership register. The required number of respondents from each SACCOS was then selected using a random selection procedure, where all members had an equal and independent chance of being included in the study. The selection was conducted through a computer-generated random

number method to identify members corresponding to the required sample size. Where digital facilities were unavailable, a lottery method was applied by writing member identification numbers on pieces of paper, mixing them thoroughly, and randomly picking the required number of participants. The selected members were then contacted and invited to participate in completing the questionnaire. This procedure minimized selection bias, enhanced the representativeness of the sample, and ensured that the collected data reflected the views and experiences of SACCOS members across the study area.

Source of Data

Information for this research was obtained from both primary and secondary sources. Primary data were collected through survey questionnaires, focus group discussions, and interviews with key informants. Secondary data were drawn from various relevant sources, including books, scholarly articles, government documents, and annual reports of SACCOS within the study area. The combination of primary and secondary data sources enhanced the credibility and accuracy of the findings.

Data Collection Methods

The study utilized a self-administered survey questionnaire to gather quantitative information from respondents. In this approach, participants independently complete the questionnaire without assistance from an interviewer. In addition, the study applied key informant interviews-KIIs to supplement the information obtained through questionnaires on cooperative and socio-economic development. An interview guide was prepared and administered professionally to capture meaningful insights and perspectives from individuals with in-depth knowledge of the socio-economic contributions of SACCOS. The KIIs was purposively for the SACCOS managers, aiming to get deeper information about operationalization, benefits and challenges. Furthermore, focus group discussions-FGDs were conducted with about seven to twelve participants under the guidance of a facilitator-one in every SACCOS. The focus group discussion ensured gender, education, marital status, and age differences among the members. During these sessions, participants engaged in open and interactive conversations on specific issues. This method was particularly effective in examining ideas, concepts, and perceptions related to circumstances as recommended by Creswell (2014).

Data Analysis

Generally, in this study both qualitative and quantitative methods were applied in analyzing primary and secondary data. Quantitative data analysis using descriptive methods was done using descriptive statistics by the aid of IBM-SPSS version 25 which facilitated efficient data processing and interpretation. Under quantitative data analysis method, the findings were

summarized and tabulated. A statistical table was prepared using Statistical Package for Social Science-SPSS computer software. After data collection, it followed data coding and data cleaning before embarking on data analysis which ultimately enabled production of tables and figures with frequencies and percentages. Qualitative data analyzed using content analysis by systematically interpreting and quantifying patterns, themes and concepts within textual, visual or auditory data. So, after data collection, the analysis enabled the researcher to identify patterns, themes and concepts and thereafter interpretation was made to get the meaning of the findings in a qualitative manner as recommended by Polit (2007).

Validity and Reliability

To ensure validity in the sample survey, the research instrument underwent validation, including a pilot study. A pilot test with potential participants assessed the questionnaire's validity by identifying and removing ambiguous, confusing, or potentially offensive questions. Both the survey questionnaire and interview guide underwent content validity tests to ensure adequate item representation for accurate measurement, with expert input refining poorly phrased questions. According to Polit (2007) Content Validity Index (CVI) above 0.5 is recommended and this study achieved a CVI of 0.76, indicating satisfactory validity. Internal validity was ensured by controlling extraneous factors, thereby supporting reliable generalizations and enhancing external validity. The study's validation process incorporated both qualitative and quantitative approaches, with the CVI calculated by dividing the number of valid questions (22) by the total questions (26).

Reliability of Data reliability was assessed to ensure consistency of the research tools and to identify and correct errors, as suggested by Yamane (1967). Internal consistency was measured using the Cronbach's alpha coefficient. A pilot study with 12 participants, following Creswell's (2014) recommendation that the sample size should exceed the number of questionnaire items, was conducted. The Cronbach's Alpha coefficient for the questionnaire was calculated to be 0.81, indicating strong internal consistency, as values above 0.7 are considered acceptable.

Ethical Consideration

Throughout the research process, ethical norms and standards were strictly adhered to. The research guidelines were followed. Prior to data collection, a research permit for data collection was obtained from the relevant authorities. The entire exercise of data collection observed ethical principles such as informed consent, confidentiality, privacy, honesty, sensitivity and participant anonymity. A researcher sought for the informed consent from the participants before data collection exercise started.

Results and Discussion

Level of Awareness About the Importance of Saccos Among the Community Members

The results presented in Table 2 evaluated the extent of awareness among the community members concerning Savings and Credit Cooperative Societies (SACCOS).

Table 2. Respondents' Awareness of SACCOS

S/No	Statement	Mean	Interpretation	S.D.
1	I am aware of the benefits of SACCOS	3.01	Neutral	1.28
2	I am aware of the existence of SACCOS	2.84	Neutral	1.52
3	I understand the process of becoming a SACCOS member	2.66	Neutral	0.80
4	I am aware of SACCOS educational forums	1.37	Strongly Disagree	1.31
5	I understand all the registration requirements of SACCOS	1.30	Strongly Disagree	1.87
	Average	2.33	Neutral	1.35

Source: Field Data (2025)

Respondents were requested to indicate their level of awareness using a 5-point scale, where 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, and 5 = Strongly Agree. The responses were analyzed using a mean index, with interpretations as follows: a mean score of 1.00–1.49 indicates strong disagreement, 1.50–2.49 indicates disagreement, 2.50–3.49 indicates a neutral stance, 3.50–4.49 indicates agreement, and 4.50–5.00 indicates strong agreement.

The results shown in Table 2 indicate the level of awareness among respondents. The first three items had mean scores between 2.50 and 3.49, indicating that respondents were generally neutral. This suggests that their understanding of ACS benefits, existence, and procedures fell below the agreement level, highlighting a knowledge gap that needs to be addressed. Conversely, the last two items recorded mean scores from 1.00 to 1.49, reflecting strong disagreement. This shows that respondents largely disagreed with statements related to awareness of ACS educational programs and registration requirements. In summary, the findings reveal that respondents possess a low level of awareness regarding Agricultural Marketing Societies.

The findings also indicate a significant lack of knowledge and understanding of SACCOS, which has led to low participation and inefficiencies. This highlights the need for targeted awareness campaigns and educational programs to enhance community members' understanding and engagement. Additionally, the results point to deficiencies in information

dissemination, emphasizing the importance of improving communication strategies to effectively reach community members. Cooperatives should strengthen outreach activities, foster trust, and clearly communicate their benefits to encourage greater membership. Capacity-building initiatives are essential to address both operational and administrative challenges, thereby improving cooperative effectiveness. These results are consistent with Kimaro and Towo (2015) as well as Ndereyimana and Kimaro (2025), who noted that many community members are not well informed of the benefits which can be accrued from Savings and Credit Cooperatives Societies which ultimately leading to their limited participation. The above findings were concurred to the findings obtained from a key informant interview in Jangalo SACCOS that:

... it is obvious that a good number of community members in Chemba District are not aware of the importance of SACCOS to their daily socio-economic wellbeing and that's why our district is lagging behind other district national-wise. To ameliorate this situation, there is a need to have a district-wise SACCOS sensitization program so that at the end of the day we can have a holistic development through SACCOS ... (KII 01, Jangalo SACCOS Ltd, April 2025)

Socio-economic development benefits enjoyed by the SACCOS members

Based on recent studies and data, below is a Table 2 illustrating the socio-economic benefits that community members gain from being part of Savings and Credit Cooperative Societies (SACCOS) in Tanzania, (Table 3).

Table 3. Socio-economic development benefits enjoyed by the SACCOS members

S/No	Item description	Frequency (n=357)	Percentage
5	Improves basic needs (health, nutrition and housing)	300	84
6	Improves Access to credits	253	71
1	Increased Income	206	58
4	Increases assets ownership	196	55
2	Improve savings and investment	178	50
3	Reduces poverty	147	41
8	Encourages savings culture	125	35
7	Increased social capital	76	21

Source: Field Data (2025)

The results displayed in Table 3 emphasize the socio-economic advantages enjoyed by members of Savings and Credit Cooperative Societies (SACCOS). From the 357 respondents surveyed, the largest proportion reported considerable improvement in fulfilling their basic

needs, with 84% noting better access to healthcare, nutrition, and housing. This indicates that participation in SACCOS is vital in addressing essential human requirements, which supports the broader objectives of poverty alleviation and enhancing livelihoods. The capacity of members to meet these fundamental needs highlights both the direct and indirect benefits of collective financial empowerment and credit access.

A large share of respondents (71%) confirmed that SACCOS enhanced their access to credit. This underlines the essential role of SACCOS in narrowing the financing gap for individuals often excluded from conventional banking systems. Affordable credit allows members to engage in productive economic ventures, respond to emergencies, and improve household welfare. This financial advantage helps explain why more than half of the participants reported higher income levels (58%) and increased ownership of assets (55%). Another social economic benefit enjoyed by members is increasing social capital (21). Although Social Capital Theory emphasizes that strong bonding, bridging, and linking social capital enhances cooperation, trust, collective action, and socio-economic development, the study found that social capital improved by only 21% among SACCOS members. This relatively low level contradicts the theory's expectation that cooperative membership naturally strengthens social relationships and community cohesion. The finding suggests that while SACCOS have successfully promoted financial benefits such as savings and access to credit, they have been less effective in fostering trust, active member participation, mutual support, and institutional networks. This discrepancy highlights the need for SACCOS to strengthen member education, social interactions, leadership accountability, and partnerships with external institutions to realize the full benefits of Social Capital Theory.

By providing credit, SACCOS lay the groundwork for entrepreneurship, investment, and the accumulation of wealth over time. Credit provision in SACCOS is possible because of the cooperation and collaboration among members in the entire process of saving as reported by Bourdieu, (1986) in Social Capital Theory. During the focus group discussion in Paranga SACCOS Ltd, community members pointed out as follow:

. . . Among the major benefits we are getting from SACCOS is access to credit. Access to credit has freed us from financial constraints which we used to encounter before becoming members of SACCS. In other way round, we can strongly comment that our socio-economic achievements largely emanate from the credits which we are getting from the SACCOS . . . sincerely speaking, we are far ahead those who are not members . . . (Discussants, Mondo SACCOS, 12 April 2025).

The findings can be interpreted through Financial Intermediation Theory and Social Capital Theory, which together explain both the economic and relational outcomes of SACCOS

membership. From the perspective of Financial Intermediation Theory, SACCOS play a key role in mobilizing savings and transforming them into productive investments and credit. The finding that membership strengthens savings and investment practices demonstrates that SACCOS successfully promotes financial discipline and improves members' ability to accumulate capital.

This aligns with the theory's view that financial intermediaries enhance resource allocation by encouraging savings and channeling them into productive use. In the same way, the promotion of a savings culture further supports the intermediation function by ensuring a steady flow of funds necessary for lending and investment activities. Additionally, the reported contribution of SACCOS to poverty reduction reflects the effectiveness of financial intermediation in improving income opportunities, expanding access to credit, and enabling households to invest in income-generating activities that reduce economic vulnerability.

On the other hand, Social Capital Theory explains the role of trust, cooperation, and networks in strengthening cooperative performance. The finding that SACCOS promotes social capital, although at a relatively lower level, indicates that members develop trust-based relationships and social networks that facilitate collective action. According to Bourdieu (1986), social capital is derived from durable networks of relationships that provide individuals with access to resources and support. In this context, even a modest increase in social capital suggests that SACCOS contribute to strengthening bonding among members, encouraging cooperation, and enhancing mutual support systems. These social relationships are essential for sustaining financial participation, repayment discipline, and group solidarity.

Overall, while Financial Intermediation Theory explains how SACCOS improve savings mobilization, credit access, and poverty reduction, Social Capital Theory explains how trust, cooperation, and networks enhance member participation and institutional sustainability. Together, the two theories show that the effectiveness of SACCOS depends not only on financial mechanisms but also on the strength of social relationships within the cooperative structure.

It was also noted during KII interview that:

... in our community, not only economic benefits we are accruing for being members of SACCOS, it is more than that because just by being a members you are linked to the network of other community members and in case of any problem, the rest of the SACCOS members will be with you and provide the necessary support until the problem is accomplished. This benefit cannot be enjoyed by a non-member household ... (KII 02, Paranga SACCOS, 6 April 2025).

In nutshell, the findings reveal that SACCOS membership greatly enhances members' well-being by meeting basic needs, expanding credit opportunities, boosting income, and encouraging prudent financial habits. While the economic benefits are more dominant, social

contributions such as fostering solidarity and trust are also evident, though to a lesser extent. These outcomes underscore the importance of SACCOS in driving both economic empowerment and community progress.

Financial Advantages of Participating in SACCOS among the Community Members

Respondents were asked about the benefits of participating in Savings and Credit Cooperative Societies (SACCOS). The information summarized in Table 4 highlights the tangible financial and socio-economic advantages gained by members. These benefits reflect the important role of SACCOS in improving access to financial services, promoting income generation, encouraging savings behavior, and strengthening economic stability. Overall, the findings demonstrate how participation in SACCOS contributes to improved livelihoods and enhanced welfare among community members through various financial empowerment opportunities.

Table 4. Financial Advantages of Participating in SACCOS among the Community Members

S/No	Item description	Frequency (n=357)	Percentage
1	Asset Accumulation	176	49
2	Improved Access to Financial Services	285	80
3	Profit/Dividend Sharing	311	87
4	Business and Income Growth	256	72
5	Access to Affordable Credit	245	68
6	Encouragement of Savings Culture	210	59
7	Financial Security	118	33
8	Lower Transaction Costs	90	25
9	Emergency Support	72	20

Source: Field Data, (2025)

The findings presented in Table 3 demonstrate that participation in Savings and Credit Cooperative Societies (SACCOS) offers diverse socio-economic benefits that contribute to improving the livelihoods of community members. Asset accumulation (49%) was identified as one of the benefits, indicating that SACCOS facilitates opportunities for members to build wealth through investments in productive assets such as land, housing, livestock, and business-related resources. This contributes to long-term economic stability and improved household welfare.

Improved access to financial services (80%) emerged as a significant advantage, showing that SACCOS play an important role in enhancing financial inclusion by enabling members, particularly those from low-income groups, to access essential financial services that are often limited in formal banking systems. Profit and dividend sharing (87%) was also highly recognized, reflecting the cooperative principle of equitable distribution of surplus earnings among members. This benefit enhances members' income and strengthens their trust and participation in cooperative activities.

Business and income growth (72%) was another key outcome, as SACCOS provide financial support that enables members to invest in income-generating activities, expand small businesses, and improve their overall economic performance. Access to affordable credit (68%) was highlighted as an important benefit, demonstrating that SACCOS offer relatively low-cost loans that reduce reliance on informal and often expensive lending sources, thereby improving financial accessibility.

Encouragement of a savings culture (59%) was also noted, indicating that SACCOS promotes financial discipline and regular saving habits, which help members prepare for future investments and manage financial uncertainties. Financial security (33%) was identified as a benefit, suggesting that SACCOS contribute to members' economic resilience by providing financial support mechanisms that help cushion them against unexpected financial shocks.

Lower transaction costs (25%) were reported as an advantage, although to a lesser extent, indicating that SACCOS offer relatively affordable financial services compared to other financial service providers. Emergency support (20%) was the least reported benefit, but it still reflects the role of SACCOS in providing timely assistance to members during periods of financial distress or unforeseen emergencies.

Overall, the findings indicate that SACCOS significantly contributes to socio-economic development through improved financial access, income generation, savings mobilization, asset accumulation, and financial protection. However, benefits such as financial security, emergency support, and reduced transaction costs remain comparatively less pronounced, suggesting areas for further strengthening of cooperative services.

Challenges Faced by Faced by SACCOS in Enhancing Socio-economic Development of its Members.

Savings and Credit Cooperative Societies (SACCOS) are widely acknowledged as vital institutions for promoting financial inclusion, reducing poverty, and empowering communities. They provide affordable credit and encourage savings among members, thus fostering socio-economic development. However, despite their growing role, SACCOS face several challenges that limit their effectiveness in uplifting the welfare of members. These challenges can be grouped into financial, managerial, structural, and external factors, (Table 5).

Table 5. Challenges Faced by SACCOS in Enhancing Socio-Economic Development

S/No	Item Description	Frequency (n=357)	Percentage
1	Limited product diversification	334	94
2	Limited capital base	321	90
3	Fraud and misappropriation of funds	301	84
4	Inadequate technological usage	298	83
5	Weak management and governance	271	76
6	Low savings culture	258	72
7	External and economic instability	216	61
8	Limited financial literacy	201	56
9	Loan default and delinquency	197	55
10	Low membership growth and retention	152	43
11	Regulatory and compliance issues	137	38

Source: Research Data, (2025)

The results outlined in Table 4 point to the major challenges encountered by Savings and Credit Cooperative Societies (SACCOS) in their efforts to promote the socio-economic well-being of members. These difficulties stem from both internal shortcomings within the institutions and external pressures linked to economic and regulatory conditions. A key concern is the limited product diversification, which was highlighted by 94% of participants. In most developing nations, SACCOS focus largely on providing loans and savings facilities while giving limited attention to innovative financial services such as insurance, investment opportunities, or digital banking. The same findings were also obtained by Mwakajumilo (2011) and Ofei (2001). And that narrow scope reduces members' access to diversified financial options that could meet their changing needs, thereby making SACCOS less appealing and competitive. Institutions that fail to broaden their services often struggle to adequately respond to the diverse socio-economic demands of their members. During a focus group discussion at Ching SACCOS Ltd it was narrated that:

Community members without adequate education and sensitization are very difficult to change their mode living. It is true that diversification is important for

coping with socio-economic dynamics in the production, distribution, marketing and advisory services . . . but what was noted during focus group discussion in Chemba District is that SACCOS members are not ready to change . . . they are comfortable with their current socio-economic activities regardless of different challenges emanating from their daily life activities . . . (Discussants, Ching SACCOS Ltd, 15 April 2025).

The findings can be effectively interpreted using Financial Intermediation Theory and Social Capital Theory, which together explain both the financial inefficiencies and relational dynamics influencing SACCOS performance in Chemba District. From the perspective of Financial Intermediation Theory, SACCOS are expected to mobilize savings and efficiently convert them into credit for productive use. However, the study reveals a limited capital base (90%) and weak savings culture (72%), which significantly constrain the availability of loanable funds. This undermines the core intermediation function of SACCOS, as insufficient capital limits their ability to finance businesses, expand lending services, and maintain affordable interest rates. Consequently, members may turn to alternative financial institutions, weakening the financial sustainability of SACCOS. In addition, loan delinquency and defaults (55%) further disrupt the smooth circulation of funds, reducing liquidity and affecting overall operational efficiency.

Fraud and misappropriation of funds (84%) also directly contradict the principles of Financial Intermediation Theory, which emphasizes trust, efficiency, and proper risk management in financial transactions. Weak governance and poor financial controls reduce transparency and increase operational risks, thereby undermining members' confidence and the credibility of SACCOS as reliable financial intermediaries.

On the other hand, Social Capital Theory provides a useful lens for understanding how trust, relationships, and social networks influence SACCOS performance. SACCOS are built on collective trust, cooperation, and mutual responsibility among members. However, fraud and mismanagement (84%) weaken trust and damage social cohesion, which are essential elements of social capital. When trust declines, members become less willing to save, borrow, or actively participate, thereby weakening collective action within the cooperative.

Similarly, low savings culture (72%) and slow membership growth (43%) reflect weakened bonding social capital among members. Strong social capital normally encourages solidarity, shared responsibility, and active participation in cooperative activities. However, where trust and cooperation are weak, member engagement declines, limiting the pool of shared resources necessary for SACCOS sustainability.

Limited technological usage (83%) can also be interpreted through Social Capital Theory, as it reduces communication efficiency, transparency, and interaction among members, thereby weakening both bonding and bridging social capital. Likewise, weak governance (76%)

undermines collective decision-making and accountability, which are central to maintaining strong cooperative relationships. External challenges such as economic instability (61%) and regulatory pressures (38%) further affect social capital by increasing uncertainty and reducing members' confidence in collective financial arrangements. In such conditions, cooperation tends to weaken as individuals prioritize personal financial survival over group participation.

Overall, the integration of Financial Intermediation Theory and Social Capital Theory shows that SACCOS challenges are both financial and relational. While Financial Intermediation Theory explains limitations in capital mobilization, credit delivery, and financial efficiency, Social Capital Theory highlights how declining trust, weak networks, and reduced cooperation undermine collective action. Strengthening both financial systems and social relationships is therefore essential for improving the performance and sustainability of SACCOS in promoting socio-economic development.

Conclusion and Recommendations

Conclusion

The study generates new knowledge by demonstrating that the effectiveness of SACCOS in promoting socio-economic development depends not only on access to financial services but also on members' awareness, institutional capacity, and social engagement. The findings reveal that limited awareness of SACCOS operations, educational programmes, and registration procedures represents a critical barrier that restricts meaningful participation and reduces the ability of members to maximize cooperative benefits. This suggests that financial inclusion through SACCOS requires knowledge empowerment alongside credit provision.

Furthermore, the study contributes new evidence that SACCOS function as multidimensional development institutions by simultaneously improving financial conditions, supporting income-generating activities, promoting savings behaviour, and facilitating asset accumulation. However, the relatively low level of social benefits indicates that financial achievements have not fully translated into stronger social cohesion, trust, and collective action. This highlights the need to integrate social capital-building strategies into SACCOS operations.

The study also reveals that SACCOS sustainability is influenced by the interaction between internal institutional weaknesses and external economic pressures. Challenges such as weak governance, inadequate capital, limited product innovation, low technological adoption, fraud, and loan delinquency demonstrate that expanding financial services alone is insufficient for achieving sustainable community development. Effective governance reforms, digital transformation, financial literacy programmes, and diversified financial products are therefore essential.

Overall, the study extends existing knowledge by showing that SACCOS effectiveness in rural Tanzania is determined by the combination of financial accessibility, informed member participation, institutional resilience, and social connectedness. Strengthening these

interconnected dimensions can transform SACCOS from credit providers into comprehensive platforms for inclusive socio-economic development and community empowerment.

Recommendations

Based on the above findings and conclusions the following are recommended for the improvement not only of SACCOS but also the members' socio-economic development as follows:

Improve Member Awareness and Training. The Tanzania Cooperative Development Commission (TCDC) and cooperative leaders should design comprehensive sensitization programs and training sessions to raise members' knowledge about SACCOS operations, benefits, and registration processes. This will help close knowledge gaps and increase active involvement.

Reinforce Leadership and Transparency. SACCOS should establish stronger leadership structures, adopt professional management approaches, and enforce effective oversight mechanisms to curb mismanagement, promote accountability, and strengthen members' confidence.

Broaden Service Offerings. In order to meet diverse member needs and remain relevant, SACCOS should extend their services beyond loans and savings by introducing options such as micro-insurance, investment products, and digital financial services.

TCDC and SACCOS should encourage Digital Innovation and Build Financial Skills. The adoption of digital tools including mobile applications, computerized management systems, and online platforms should be prioritized to enhance service delivery and efficiency. At the same time, members should be equipped with financial management skills to minimize loan defaults and nurture a culture of saving.

Strengthen Social Support and Build Resilience SACCOS should establish more robust welfare and emergency support mechanisms while developing strategies to withstand external risks such as inflation and economic fluctuations. This will ensure members' welfare is safeguarded and cooperative sustainability is secured.

Study Limitations

Despite the contribution of this study, several limitations should be acknowledged. First, the study employed a cross-sectional research design, which involved collecting data at a single point in time. Therefore, the findings reflect the situation of SACCOS members during the study period and may not fully capture long-term changes in socio-economic outcomes resulting from SACCOS participation. A longitudinal study would provide deeper insights into the sustained impact of SACCOS on members' livelihoods.

Second, the study was conducted in only four selected SACCOS in Chemba District, Dodoma Region. Although these SACCOS provided valuable information, the findings may not be fully generalizable to all SACCOS in Tanzania due to differences in institutional capacity, membership characteristics, economic conditions, and operational environments across regions.

Third, the study relied partly on self-reported information collected through questionnaires, interviews, and focus group discussions. Respondents' perceptions and experiences may have been influenced by personal expectations, recall limitations, or social desirability bias. However, the use of multiple data collection methods helped to improve the reliability and credibility of the findings.

Fourth, the study mainly focused on members' experiences and perceptions, with limited consideration of perspectives from other stakeholders such as government regulators, cooperative officers, financial institutions, and community members who are not SACCOS members. Their inclusion could have provided a broader understanding of institutional and external factors influencing SACCOS' performance.

Finally, the study focused on selected socio-economic outcomes, including access to credit, savings, income generation, and asset accumulation. Other potential impacts, such as gender empowerment, household decision-making, and long-term poverty reduction, were not examined in depth. Future studies should consider these dimensions to provide a more comprehensive assessment of the contribution of SACCOS to community development.

Areas for Further Study

Future studies should examine the long-term socio-economic impacts of SACCOS using longitudinal research designs. Further research should also explore the role of digital financial services, gender empowerment, social capital development, and governance reforms in improving SACCOS sustainability. Comparative studies across different regions of Tanzania and Africa are recommended to provide broader insights into factors influencing cooperative effectiveness and community development outcomes.

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