

**THE EFFECTS OF SAVINGS AND CREDIT CO-OPERATIVES
(SACCOs) ON MEMBERS' SAVING CULTURE**

Case study: Ntungamo District

BY

Fred Ahimbisibwe

Senior Cooperatives Officer

**COOPERATIVES DEVELOPMENT DEPARTMENT
MINISTRY OF TOURISM, TRADE AND INDUSTRY**

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ABSTRACT

The study set out to investigate whether SACCOs have an effect on members' saving culture. Saving is a key component in any development endeavour as it is believed to be the surest way of increasing income and boosting productivity in an attempt to break through the vicious cycle of poverty. The study had the three objectives: assess the effects of SACCOs on members' saving culture, examine strategies used by SACCOs to mobilise savings to enhance the saving culture and propose policy recommendations for savings mobilisation in the context of SACCOs. To achieve the set objectives, the study used a sample of 57 members, 3 board members and 3 management staff randomly selected from the three counties made up of fifteen sub counties which make up Ntungamo District. Data collected by use of questionnaire instrument and interviews, observation and focus group discussions were computed and analysed using Pearson Chi-square tests and linear regression model in SPSS to test relationship and impact of the variables on saving culture.

The findings established that SACCOs positively influence saving culture.

As a contribution towards improvement of domestic savings in the country and need to provide knowledge on SACCOs' effects on members' saving culture in Uganda, this study investigated three variables: 1. SACCOs' activities i.e. financial services, training and education, safety and security, proximity, interest, ownership and convenience,

2. Saving culture as dependent variable and

3. Intervening variables (Dummy variables) i.e. education level, family size, number of school going children and income level. The results were found to be statistically significant for all the four dummy variables although with negative relationship for education, income level and family size. Based on the findings, it was therefore concluded that SACCOs positively affect members' saving culture. The following major recommendations were made: SACCOs should develop varied products that meet various categories of membership needs. Reward of best and regular savers by management should be taken seriously in SACCOs and so is payment of interest on savings deposits and the government should strengthen supervision and licensing and facilitate SACCOs to acquire bank codes to handle salaries for the professional members so as to attract new professionals and retain old ones in SACCOs.

ACRONYMS

ACEs	Area Cooperative Enterprises
AMFIU	Association of Micro finance Institutions in Uganda.
BoU	Bank of Uganda
BRI	Bank of Rakyat-Indonesia
CECFIS	Community Empowerment through Cooperative Financial Services
CRFSU	Cooperative Rural Financial Services Unit
CUDWU	Credit Union Development in Western Uganda
FETAS	Farmer Empowerment through Agricultural Services
GDP	Gross Domestic Product
GDS	Gross Domestic Savings
GoU	Government of Uganda
HID	Human Integrated Development
IFAPI	Integrated Finance and Agricultural Production Initiative
MFPED	Ministry of Finance Planning and Economic Development.
MOP	Micro-Finance Outreach Plan
MTTI	Ministry of Tourism, Trade and Industry
NGO	Non –Governmental Organisation
PACE	Promoting Area Cooperative Enterprises
PEAP	Poverty Eradication Action Plan

RURAL SPEED Rural Savings Promotion and Enhancement of Enterprises Development

SACCOs Savings and Credit Cooperatives

SPSS Statistical Package for Social Scientists

UBOS Uganda Bureau of Statistics

UCA Uganda Cooperative Alliance Ltd

UCSCU Uganda Cooperative Savings and Credit Union

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CHAPTER ONE

INTRODUCTION

Background to the study

According to neoclassical growth theory by Harrod-Dommar and Robert Solow's Savings are not an end in them selves however, they play an important role in sustaining growth and development. Through savings there will be capital accumulation leading to investments hence economic growth and ultimately development.

Coupled with the above, a high saving economy accumulates assets faster, and thus grows faster, than does a low saving economy (Lipsey and Chrystal, 1995:634).

However, in developing countries like Uganda, there are low levels of saving culture owing to poor underdeveloped stock markets, dominance of urban based commercial banks, Micro Deposit Taking Institutions (MDIs) and non regulated Micro finance institutions in the financial markets as vehicles for savings. Hence Savings and Credit Cooperatives (SACCOs) are intended to offer an alternative to improve the above un- desirable situation in low income countries.

Savings and Credit Co-operatives (SACCOs) are community membership-based financial institutions that are formed and owned by their members in promotion of their economic interests. These institutions mobilise and intermediate savings exclusively with in their membership under the co-operative statute 1991.

Furthermore, they are one of the several types of cooperatives that are unique micro finance institutions categorised under tier four in the financial market and therefore not regulated by Bank of Uganda.

They are being promoted and developed by Uganda Co-operative Alliance Ltd (UCA) in an effort to alleviate poverty within the framework of Poverty Eradication Action Plan (PEAP),

through donor funded projects like Credit Union Development in Western Uganda (CUDIWU), Community Empowerment through Co-operative Financial Services (CECFIS), Promoting Area Co-operative Enterprises (PACE), Farmer Empowerment Through Agriculture Services (FETAS) and Integrated Finance and Agricultural Production Initiative (IFAPI) although presently, the government of Uganda is also fully supportive of SACCOs' establishment, development under its rural financial services strategy.

Therefore, Savings and Credit Co-Operatives (SACCOs), one of the several types of co-operatives are unique, legal, member-based Micro-Finance Institutions (MFIs) and unlike many other Micro-Finance Institutions, SACCO owners are also the users of the service that the SACCOs offer.

The SACCOs have gained popularity as accelerators of development in rural areas that, the cabinet of Uganda in August 2005 passed the 'SACCO PLAN' aimed at developing a financial infrastructure of Savings and Credit Co-Operatives for effective implementation of Rural Financial Service Programmes (RFSP). Consequently, an agreement was signed between Uganda Co-operative Alliance Limited (UCA) and Government of Uganda (GOU) (Agency and GOU Agreement, 2006).

Being socio-economic institutions, if well managed and organised, the SACCOs can contribute favourably to bringing about Human Integrated Development (HID), a fact stated by Syed (1991). He further noted that the SACCOs are a tested instrument for promoting integrated development through a self help scheme that makes man a total human being (Syed, 1991: 139).

Historical perspective of cooperatives in Uganda

The formation of the Savings and Credit Cooperatives in Uganda had three main influences according to Lubwama (1995):

These were Campbell, the Church and the Government.

Campbell influence.

Mr. Campbell drafted Uganda's cooperative ordinance 1946, together with the rules and bye laws. He had been a registrar of cooperatives in Srilanka, his experience in that country influenced the formation of SACCOs in Uganda. He initiated a departure from general impression by the colonial government and other opinion leaders that debt didn't constitute a serious problem in Uganda. It should be pointed out that, the title THRIFT and LOAN rather than Savings and Credit was originally used until the late 1960s (Kabuga and Batarinyebwa 1995:230)

Lastly the Campbell influence led to the formation of first Savings and Credit Cooperative. This was the African Civil Servants Co-operatives Thrift and Loan Society Limited of Kampala.

The Church influence

The growth and rapid expansion of SACCOs was by the efforts of church clergy especially the Catholics who got involved in encouraging their followers to actually participate in the Programme. The idea was to help people establish lasting socio-economic structure and to encourage self- help, self -reliance and initiative (Kabuga and Batarinyebwa, 1995:232)

The Government influence.

When the department for cooperative development launched the Agricultural cooperative credit scheme in 1961, consideration was given to the introduction of the rural savings scheme. This was based on the rationale that credit without savings is of little value. It is like putting a cart before the horse (Kabuga and Batarinyebwa, 1995:232.). Their observation

contradicts with that of renown microfinance noble prize winner, Dr Muhamad Yunus, the founder of the Grameen Bank, Bangladesh's "bank for the poor", who believes that, 'If we are looking for one single action which will enable the poor to overcome their poverty, would focus on credit'. (GRAMEEN BANK, 2001)

The credit scheme having got off to a good start and recognising the important role SACCOs play in the mobilisation of saving, government came up with a policy statement in 1962 like it has done in 2006 about establishment of SACCOs especially at sub countries as channel for prosperity for all funds.

The policy statement dealt with the promotion and development of the Thrift and Loan Society. It was then that a saving and credit section was created in the department for the purpose of concentrating on the promotion guidance and development of the savings and credit scheme.

As if that was not enough, in 1970, new model bye- laws for SACCOs were framed and adopted to suit the circumstances.

However, presently SACCOs are regulated by the 1991 cooperative societies' statute and 1992 Cooperatives Societies Regulations and Bye Laws suiting each SACCO (appendices xiii, xiv, xv and xvi)

Organisation of SACCOs

SACCOs are organised and operated according to seven basic co-operative principles:

The seven basic principles of SACCOs:

- i. Open membership to interested people from designated area of operation,
- ii. Democratic member control; one member one vote in all matters of decision making,

- iii. Member economic patronage,
- iv. Autonomy and independence,
- v. Promotion of members' education and awareness through constant education ,training and information,
- vi. Cooperation among cooperatives, lastly,
- vii. Concern for community development i.e. corporate social responsibility.

From the above, it can be seen that a SACCO or any other type of cooperative has four basic characteristics namely,

- Member owned ,
- Member used,
- Member controlled and
- Benefits member (UCA-Accounting and operational manual for SACCOs, 2002:3-4)

There are no external shareholders, and the members are the users and owners of the institutions, with which each member having the right to one vote in the organisation.

Membership is usually the result of some common bond among members often through employment or membership in the same community usually a sub-county (Kabuga and Batarinyebwa, 1995).

The policy making leadership is drawn from the members themselves and members are democratically elected for these positions.

SACCOs are not regulated by Bank of Uganda (BOU) as they fall under tier 4 as earlier pointed out; instead they are operated under Co-operative Societies statue 1991 and Co-operative Societies Regulations 1992. They fall under the supervision of Ministry of Tourism, Trade and

Industry (MTTI) and apex bodies such as UCA and UCSCU, and this makes them well-functioning co-operative systems (appendices xiii, xiv xv).

Characteristics of SACCOs

According to UCA\Cooperative Rural Financial Services Unit (2003), Co-operatives all over the world have common characteristics such as:

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

- Services are almost exclusively financial in nature.
- They provide Self generated capital, typically without any dependence on outside funding to cover operating costs which are generally kept low. This is because they are always started on self-help philosophy.
- Members are united through at least one common interest.
- Members pursue the goal of improving their economic and social situation through joint actions.
- Members use jointly owned and operated unit which provides them with services or goods regardless of its physical size and activities, the units purpose is to use joint resources of the members to produce or obtain goods or services for members(Kabuga and Batarinyebwa,1995)
- Have common bond as a result of single employer, community based bond, professional bond for example teachers.
- Mutual self help group - where members have joint action which is geared towards the attainment of the group's objectives through mutual self help.

It is common for individual SACCO often to choose to affiliate with a national league to ensure belonging, survival and protection. The national leagues include-UCA, AMFIU or UCSCU .These apex bodies serve the following purposes (appendix iii and iv)

- They represent, lobby and advocate for SACCOs at the national and international levels.
- Provide training and technical assistance in form of capacity building to SACCOs and in some cases, they channel resources from external donors to them through specific projects.

Contacts with foreign partners are typically handled by an apex institution.

Affiliation involves purchasing share capital and paying annual dues to the national apex. Membership provides the right to vote on national leadership and policies and to participate in nationally sponsored services and programs.

Use and operation of SACCOs

Saving services are a key feature for raising capital and are often tied to receiving a loan. Credit is generally delivered under the ‘minimalist’ approach. Co-operative lending requires little collateral. It is based on character references and co-signing for loans between members; although nowadays they also require substantial collateral security. If these conditions are not met, a co-operative becomes unstable; the management cannot be monitored, and a structure conflict arises between borrowers (who prefer low interest rates and little pressure for repayment) and net depositors (who prefer high interest and a very cautious application of their deposits).

However, experience has shown that, many systems do not function as well as their basic philosophy would lead one to expect largely because of poor governance among other things. At

the same time, they are very difficult partners for foreign institutions. The reason for both of these difficulties is in their structure and mechanism, which in principle should make them work.

On the positive side, the advantage is that, the group that constitutes the organisation is some times small enough so that members know each other well. Other times the members change their roles regularly from net depositors to net borrowers and vice-versa.

The Statement of the Problem

Saving is a key component in any development endeavour as it is believed to be the surest way of increasing income and boosting productivity in an attempt to break through the vicious cycle of poverty.

Without saving people are likely to face severe problem of survival when they are no longer able to work (RogerLeRoyMiller, 1978:89). It is also argued that, when poor households' desire and need to save meets, a safe, easily accessible opportunity to do so, their capacity to save, commitment to saving, and the amounts they manage to save are remarkable. High incomes lead to alleviation of poverty in households, ultimately resulting into improved quality of life of people in rural communities.

Notably the Government of Uganda has established 'prosperity for all' the English version of 'Bona Baggawale' (BB) in Luganda; where funds are to be extended to communities by Post Bank Uganda through SACCOs. In response to this, many which did not have sub counties in Uganda which did not have SACCOs have rushed to forming SACCOs while those which had formed them earlier are positioning them selves in an attempt to benefit from 'prosperity for all' programme.

Currently, almost every sub county in Ntungamo District has at least one SACCO. The question is what effects do SACCOs have on members' saving culture? This is because improved levels of savings would lead to capital accumulation, investment, hence employment and poverty alleviation.

There fore, the study is intended to assess whether SACCOs have had any effect on members' saving culture in Ntungamo District.

Objectives of the Research

Broad objective of the study:

To establish whether SACCOs have effects on members' saving culture in Ntungamo District.

The Specific Objectives

The study tries to:

1. Assess the effects of SACCOs on members' saving culture
2. Examine strategies used by SACCOs to mobilise savings to enhance the saving culture
3. Propose policy recommendations for savings mobilisation in the context of SACCOs

Hypothesis:

It is hypothesised that,

Members' saving culture is independent of SACCOs' membership

The Conceptual Frame Work

The conceptual framework interlinks independent, dependent and intervening variables as depicted below.

Independent variables:

This demonstrates the opportunities and services SACCOs offer that have bearing on members saving culture (dependent variable). The highlighted ones in the model include: financial services in form of savings products, loan products, Insurance products, investment opportunities in form of shares, proximity, member education and training, safety/security, liquidity, positive returns, sense of ownership and belonging, convenience and solidarity.

Dependent variables:

These attempts to depict the likely effects on members saving behaviour as result of the activities of the SACCOs highlighted above (independent variables). It is expected that the availability of SACCOs and its associated activities mentioned above as independent variables, members will save regularly and frequently, as evidenced by a number of deposits transactions on the ledger cards and as such reasonable account balances will be envisaged, members assets ownership will increase.

Intervening variables:

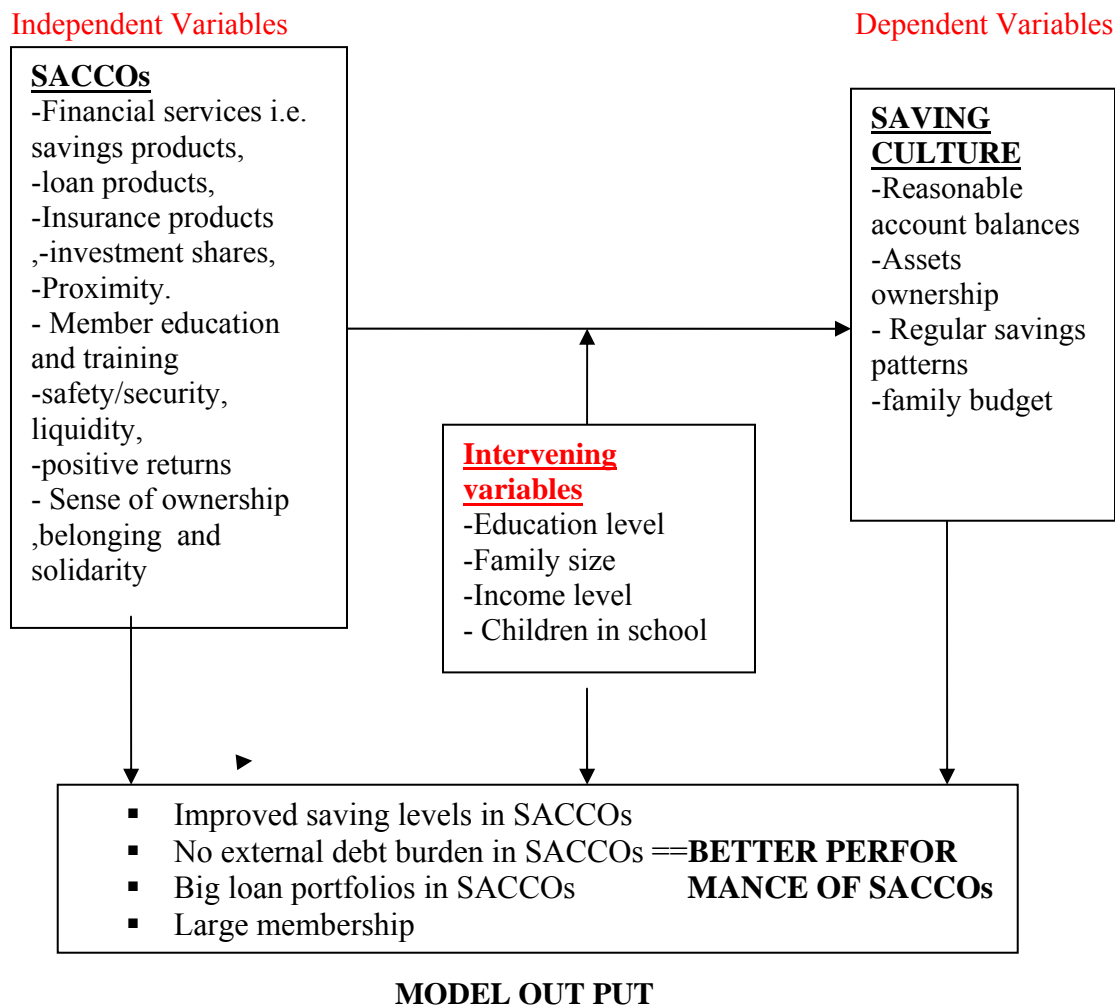
These variables in the model attempt to portray that, where as SACCOs' activities mentioned above and termed as independent variables, are expected to induce increased saving culture, they may not be the end in themselves. Other factors such as education levels of members, family size, income levels, accessibility, politics and generally government policies, may as well have an effect on saving culture.

Hence a provision for socio-economic factors would be vital to form a comprehensive study that is multidimensional in nature. This no wonder has been provided for in this research.

In addition to the above, The SACCO is a self help development scheme guided by 'self help' philosophy and aims fundamentally at increasing members' prosperity to save first prior to borrowing. This is apparently reflected in their name saving and credit. Therefore conceptually

they are expected to have an effect on members saving culture although other intervening factors do come into play as illustrated in Figure 1.

Figure 1: CONCEPTUAL MODEL



Independent variables

The above model clearly identifies the three types of variables that are being focused on in the study. These include:

- Independent variables (SACCOs’ activities and opportunities);
- Dependent variable (saving culture) and;

- Dummy variables (intervening variables), which can also have an effect on the dependent variable as elucidated above.

In the same endeavour suffice to note that, SACCOs as self-help schemes with integrated activities whose aim is to improve its members' welfare and the living conditions there in. However, the above will be achieved only when members patronise the SACCOs by effectively saving with, and borrowing from them.

It should be noted however that, SACCOs' provision of financial services aims at improving savings which would lead to capital accumulation leading to increased investment hence employment and high incomes, which would ultimately break the vicious cycle of poverty and hence improved quality of life of SACCOs' membership.

Reasons for saving

There are a number of factors why poor households save and (UCA-Micro Finance Unit Training manual 2005) highlights how they save for varied purposes namely;

- 1) Means of insurance; Savings play the role of insurance against income losses, emergencies, bad weather and health.
- 2) Smoothens the household cash flow; saving safeguards poor households against the uneven income stream due to seasonal fluctuations especially in the rural areas. Savings will compensate for this uneven stream of cash flow by keeping then excess income (cash) and using it during the time of shortage.
- 3) Accumulation of wealth; through saving the poor households are able to accumulate wealth to finance long-term goals.
- 4) Save for future investment and consumption; as indicated above, one of the reasons why poor households save is smoothing of household cash flows [consumption]. During the times of excess cash flow the household need to be able to access their savings.

Others according to Rutherford (1999:102), there are three basic categories of savings needs:

1. Life cycle needs-money is needed for management of birth, education, home making, widowhood, old age and death.
2. Emergencies-impersonal emergencies like theft, fines, and physical illness and,
3. Opportunities-for instance starting a business or buying life enhancement durables as well as needs.

Nevertheless, according to the great economist Keynes (1936), as households' income increases, at any time, it consumes and saves more. To that effect he advanced 9 reasons why people save some of them have been actualised in this study. The reasons include inter alia:

1. Precautionary motives-to build up a reserve against unforeseen contingences.
2. Life cycle motive –to provide for the unanticipated future relationship between income and needs of an individual.
3. Inter temporal motive i.e. to enjoy interest and appreciation.
4. Improvement motive i.e. to enjoy gradually increasing expenditure.
5. Independence motive –to enjoy a sense of independence and power to do things through with out a clear idea or definite intention.
6. Enterprise motive –to carry out speculative business projects.
7. Bequest motive –to bequest a future.
8. Advance motive i.e. to satisfy pure miserliness.
9. Down payment motive i.e. to accumulate deposits to buy cars and other durables.

On the other hand, it is also vital to know why people don't save and in the same vein Rutherford (1996), asserts that, people don't save because of the reasons centred around two main points i.e. access and psychological factors.

Accessibility

- While considering the point of access, the following are critical:
- Proximity of the institution,
- Terms and conditions governing an institution i.e. opening and minimum balance,
- Opening hours of the institution,
- Queues and how long it takes to make transactions and
- The forms that must be filled.

Psychological factors

- How staff treat potential and actual customers who come at the premises,
- Appearance of the institution plus the lay out of the entire bank and atmosphere and
- Ease of complexity of paper work and process or services.

Having examined the above factors it is pertinent that one makes an overview of Uganda's savings status.

Uganda's status on savings

According to the ministry of finance ,planning and economic development report,-medium term competitive strategy for the private sector (2000-2005),it is stated that despite the sound macro-economic reforms in the past decades, poverty in Uganda remains pervasive, domestic savings rates are among the lowest in the world. It has declined overtime to the extent that, it was about 8% of disposable income in 1989. And has now declined further to lower than 4.5% which is below the required Sub Saharan

average .as a result of this decline, growth in private investment is also low-which is only 13% of the GDP and this leaves a compelling need to raise it to sub-Saharan average of 20%. One of the strategies could be promotion of SACCOs so that they can inculcate a saving culture among their membership, a subject matter of this study.

However, it should be mentioned that without saving services as those provided by SACCOs and other MFIs households often save traditionally by:

- Keeping cash in the house like under the mattress, in pots and tins under big trees in banana plantations or gardens.
- Investing in hard assets like land, livestock or grains.

Nevertheless, the above traditional saving methods have the following demerits namely:

- Head of the households may demand the excess cash to be spent.
- Family members may demand to share the excess income or be lent the money (and they usually do not pay it back).
- Cash is often destroyed by fire, washed away by floods or stolen.
- Saving in hard assets does not provide the safety, for example livestock may die.
- Liquidation of hard assets may not be easy since the market assets may not exist at the time of need.
- Hard assets pose divisibility problems-household cannot sell off part of the hard assets for example half a goat in order to meet their obligations.
- There is always additional cost incurred to maintain the hard assets.

The above demerits justify the formation and establishment of SACCOs which safeguards members' savings. SACCOs ought to accelerate saving culture amongst their membership in communities according to the whole philosophy behind SACCOs' establishment.

Therefore, this study is intended to assess whether SACCOs have had any effect on members saving culture in Ntungamo District.

The scope of the study

The study falls in the area of banking and micro finance industry with some implications on investment, economic growth and development.

The study was conducted in SACCOs, in Ntungamo District which have been in operation for more than two years. The study was carried out for three months and during this period, administered two sets of questionnaires. One set was administered to the board and management staff while another set was administered to the general membership of SACCOs randomly selected from the three counties of Ntungamo District. The interview rotated around why members save, to what extent have SACCOs influenced their saving behaviour, examination of strategies used by the SACCOs to mobilise savings to enhance the saving culture and, proposition of policy recommendations for savings mobilisation in the context of SACCOs was done based on the results, following testing of the hypothesis. The study was conducted in Ntungamo district SACCOs due to the following reasons:

- This district has registered a greatest number of SACCOs to the extent almost every sub county has at least a SACCO.
- Membership in these SACCOs is relatively big.
- There has been no evaluation or study in this area on SACCOs effect especially as regards to saving culture.
- It has been used as a pilot district in business culture development initiative under Micro Finance Outreach Plan (MOP) in Ministry Of Finance Planning And Economic Development.

Ntungamo district profile

Ntungamo District is located in south western Uganda. It was declared a district in 1993 and covers an area of about 2055.5 sq kms. with the total population of 379987, (2002 population census). It borders with Kabale District in the south, Rukungiri district in the west, Bushenyi and Mbarara districts in the north; partly Mbarara district again in the east and the republics of Tanzania and Rwanda in the south east. Ntungamo district is made up of 15 sub-counties namely; Ihunga, Bwongera, Kibatsi, Nyabihoko, Ruhaama, Nyakyera, Rukoni, Rwikiniro, Ntungamo town council, Ngoma, Rugarama, Kayonza, Itojo and Rubaare. Each sub-county has got at least a SACCO unlike other south western districts, which is interesting the researcher to use it as a case study.

The vast majority of the population (99%) is rural. They are involved in subsistence farming. Petty trading, live stock raising and Agriculture production of coffee, banana plantations, sweet potatoes, beans, cassava and ground nuts are the principle economic activities in the area. Less than half of the population of over ten years of age is literate, with female population being substantially less literate (38%) than the male population (57%) (Ntungamo District NGO Forum Directory, 2004).

The district has got physical and material resources which include land, diary and animal farm production. The Agricultural cash economy also provides for potential strong rapid economic development.

The SACCOs have been embraced by every sub-county in Ntungamo District as pointed out earlier. However, being accelerators of development in rural areas and given that, saving is a fundamental factor in inducing development, one would ask, thus; what effect have SACCOs had on members saving culture?

Therefore, the researcher intends to establish the effect of SACCOs on members' saving culture in Ntungamo District; the results of which will be used by policy makers to understand the contribution of SACCOs towards improvement of domestic savings rates in the country.

Significance of the study

The study is especially significant because it will add onto scanty information about saving culture in the country. As no such study has previously focused on the effect of SACCOs on members' saving culture, although some effort has been put into understanding of Uganda's urban and peri-urban saving culture (Rich and Kabatalya ,September 2005 :3) .Other studies that will be supplemented by this study include, the USAID funded Rural Savings Promotion And Enhancement Of Enterprises Development (Rural SPEED) which undertook a study of rural savings needs, habits and priorities in order to facilitate the development of savings products and strategies that meet the needs of financial institutions' clients resident in the rural areas of Uganda. Equally important is the study by Musinguzi and Smith (2000), saving and borrowing in rural Uganda.

The study is also particularly significant at this time because there is a strong push by the government through Rural Financial Services Programme (RFSP) to deliver financial services through community based and locally owned organisations A key objective is to support communities to establish a nation wide infrastructure of SACCOs to enable communities to access financial services, like savings, credit, money transfers and so forth. Hence this study will guide policy makers in particular and the government in general to spearhead the formation, restructuring, strengthening and development of SACCOs from an informed view point.

It will also inspire other scholars to undertake a study on saving culture on other financial institutions such as commercial banks and MDIs.

Definition of key concepts

- Saving culture: A way of life that treasures in saving for development and future consumption. (High marginal propensity to save).
- Saving: Sacrificing today's consumption for future.
- SACCOs: Financial services provision forms of co-operative institutions.
- Effect: The activities SACCOs employ to improve on members saving culture.
- Members: Share holders and those who have completed membership fees payment into the SACCOs.
- Minimalist approach: Offering of only financial intermediation by SACCOs.

Outline of the study

This chapter has given a general introduction of research. The introduction includes, but is not limited to the following: background, statement of the problem, research objectives, hypothesis scope of the study, significance of the study and justification and; key concepts used in research and conceptual framework. In chapter two, the study presents literature review, chapter three elucidates on the methodology used in the study, which include data collection tools, and analysis techniques, area of the study (SACCOs), strategy used and criteria for interpretation of results.

Data were collected, analysed and presented in chapter four, while the research conclusions, discussions and recommendations were presented in chapter five.

CHAPTER TWO

LITERATURE REVIEW

Introduction

In this chapter the overview of SACCOs, roles, objectives, saving culture, vicious cycle of poverty, suggested ways of improving saving culture, why Ugandans do save and how, determinants of savings, savings mobilization strategies, merits and demerits of preferred traditional forms of savings, the effects of SACCOs, socio economic status and its effect on saving culture and motivators for saving in cash and non cash forms are presented. The chapter also examines what economists think are reasons why people save and in what forms and also literature review.

Meaning of a Savings and Credit Cooperative (SACCO)

A SACCO is one form of a cooperative society whose business is to provide financial services to its members. SACCOs are legal institutions registered under the cooperative laws (1991 cooperatives Act and 1992 cooperative Regulations). SACCOs are owned by their members through payment of share capital and membership fees to the institution.

In addition to the above, as per SACCOL (1998), “a savings and credit cooperative (SACCO) is a democratic, unique member driven, self-help, not for profit financial cooperative. It is owned and governed by members who have the same common bond. A SACCO’s membership is open to all that belong to a group, regardless of race, religion, colour, creed, and gender or job status. These members agree to save their money together in the SACCO and to make loans to one another at reasonable rates of interest. Interest is charged to cover the interest

cost on saving and the cost of administration .There is no profit paid to any one .The members are the owners and the members decide how their money will be used for the benefit of one another (Bailey, 2001:4).However, it should be noted that, in Uganda unlike South Africa where the Bailey hails, SACCOs often pay dividends to the members depending on the number of shares one has.

Saving and credit cooperatives (SACCOs) which are known as the credit unions in some other countries are defined as cooperatives which furnish their members with convenient and secure means of saving money and obtaining credit at reasonable rates of interest (Kabuga and Batarinyebwa 1995:229) an observation that is in agreement with (Bailey,2001).

The saving and credit cooperatives are usually organised within a group which is already knit together by a bond of common interests such as workers in same factory or members of the same community who are fairly well acquainted with one another (Kabuga and Batarinyebwa 1995).

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

Role of SACCOs

The following are the roles played by SACCOs:

- SACCOs play a significant role in the provision of financial services to the poor (target groups). They provide savings and credit and investment opportunities to individuals, institutions and group members. This is emphasised by Magill (1994: 140) thus;

They perform an active financial intermediation function, particularly mediating from urban and semi-urban to rural areas, and between net savers and net borrowers while ensuring that loan resources remain in the communities from which the savings were mobilised.

- Also SACCOs help teach people how to earn money profitably, how to spend it intelligently for the benefit of members and their community.
- SACCOs provide institutional development which is a major factor in financial development.
- SACCOs bring institutional financial services to rural areas which are not offered generally by the formal financial sector.
- They also strengthen family ties thus promoting peace; this is true for the main factor of family instability is the financial problem, often caused by mismanagement of the family income. In SACCOs people are shown how to avoid the pitfalls of money mismanagement; this no wonder strengthens love and family ties.(Syed , 1991)

However, SACCOs' capacity to increase outreach in quest for greater impact creation in the communities has been derailed, simply because, there are insufficient loanable funds due to low levels of savings as borrowers require well over and above of what they save.

SACCOs are intermediaries as observed by Magill (1994), between surplus and deficit spending membership (units). Hence, they link those with surplus investable funds with those in need of funds (the borrowers). It is common practice that some clients' applications are rejected on the basis of failure to meet minimum savings requirements as required of them under their lending policies and procedures even though some will have presented reasonable business plans.

Objectives of a Savings and Credit Cooperative

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

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

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

- Members are encouraged to save since SACCOs are readily accessible.
- Interest rates on saving and lending is better than else where a fact that sounds idealistic.

- Members are taught how to handle their finances in a responsible manner this could be true only when they effectively economically patronise their SACCO.
- Loans are insured, so if a member dies, the outstanding balance is settled. However, it's not the practice across board .Besides; other MFIs also do insure loans for their clients.
- Savings are mobilised .This is done in some SACCOs not in others as others only mind share capital accumulation.
- Regular social interaction between members.

SACCOs offer the following products to their members according to Bailey

(2001):

- Shares: This is one form of investment where returns depending on the number of shares one holds are paid in form of dividends.
- Savings: This is done through various savings products offered in the SACCO, namely, the liquid which permits unlimited number of withdrawals. The semi –liquid with a restricted number of withdrawals per month, and the fixed deposits.
- Emergency loans: These are normally extended to business men and women. They are normally short lived with relatively higher interest rates.
- Loans: These are extended to members with viable business plans and reasonable shares (at least two shares) plus savings balances as per loans officers on site appraisal findings.

- Life and loan insurance: These are normally offered when one dies of accident.
- Fixed deposits: This is normally offered for target savers who keep money for sometime until openings arise.
- Christmas saving: These are offered to merry makers especially during festive seasons.
- Educational savings: These are offered to members with school going children to them pay school bills with out much ado.
- Housing loans: These are intended to help members improve their shelter and sanitation.
- Funeral insurance: under this scheme members are offered assistance to enable them a decent send off to their-loved ones.

The above products offered in other countries are similar to what the situation is in Uganda and particularly Ntungamo District where this study was undertaken.

Saving culture

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

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

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

The importance that poor people attach to savings is demonstrated by many ingenious but often costly ways they find to save in addition to keeping small amounts of cash secreted at home. These include investing in assets that can be sold in case of emergency (for example corrugated iron sheets ,livestock or jewelry), participating in local initiatives such as Revolving Savings and Credit Associations (ROSCAs) or funeral funds ,or by lending between family and friends (Wright, September, 1999). This assertion calls for one to question whether SACCOs in Ntungamo district truly offer safe, accessible opportunity to elicit and instill a saving culture amongst their members or the contrast holds?

It is one of the objectives of SACCOs to promote a saving culture amongst their members since savings have a close relationship with wealth. Higher rates of saving to day, lead to faster accumulation of wealth and, the wealthier a nation is, the higher its standard of living (S.O.L) in the future (Frank Bernanke, 2001 p.251). This is supported by Richard Pelrine (2005) thus:

The power of saving and compounding interest is incredible when done consistently for long period of time. You should always be saving some percentage of your income no matter how small or large. Getting started is the hardest but you can do it.

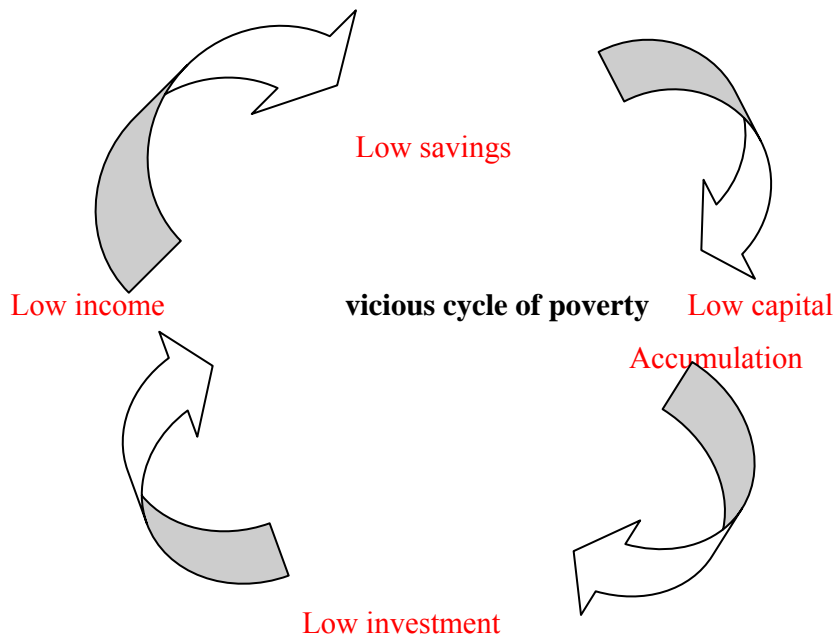
Saving constitutes the key elements on which the development of the community depends. Local savings provide the asset for the community's investment in future. Without it,

the community and the economy at large cannot grow and, get out of poverty, unless the alternative sources of investment such as foreign capital from donors are injected in the community (UCA-*Micro finance Unit training Manual 2005*). This is further supported by Lipsey and Chrystal (1995:634) as illustrated in the Figure 2 .

It is desirable that SACCOs’ membership embraces a saving culture so as to increase their low incomes, leading to improved quality of life. Further still, development is induced by saving in that, high levels of saving leads to capital accumulation, later on investment leading to high income levels, ultimately breaking through the vicious cycle of poverty, hence, development in the long run.

This can be illustrated in figure 2.

Figure 2: Vicious cycle of poverty



Source: (Lipsey and Chrystal, 1995:634).

Figure 2, demonstrates how low savings can perpetuate vicious cycle of poverty and under development which is the reverse of desired impact of SACCOs. It is vital to note that, poverty is a state, and being a state, no country or individual that is in that state, would like to remain in that state. Hence it is a worst state and there fore, should be avoided. It is believed that one way to go would be the use of SACCOs.

Further still, saving and maintaining that culture, is an important aspect of life. This is just because if one saves in a bank, then there is security for life which serves as a common denominator, for great variety of people's life styles at both their homes and work places. This explains why among the operations by banks, are savings accounts to enable people to save funds to be put to use in times of crisis (Mutebi,2002).

The culture of saving in Uganda in the recent past and currently has not gained any popularity although some institutions have emphasised it. Apparently, of the nearly sixty thousand savings accounts opened, only a quarter are operated as typical savings accounts (Mutebi, 2002).

Coupled with the above, Uganda's domestic savings rates are among the lowest in the world .It has declined over time to the extent that, it was about 8% of disposable income in 1989 and has now declined further to lower than 4.5% which is below the required sub-Saharan average. As result of this decline, growth in private investment is also low-which is only 13% of the GDP and this leaves a compelling need to raise it to the sub-Saharan average of 20% (Ministry of Finance ,Planning &Economic Development Report, 2000-2005).

The essence of saving is refraining from spending part of one's income and putting it on one side. One can put it in a jug, buy land, store it in various precious metals or more sensibly keep it in a bank because in case of an eventuality like closure of banks the central bank can

compensate the savers. The length of time before the savings are likely to be needed determines the most suitable place for them (Cox, 1996:84)

Suggested ways of improving the saving culture.

To improve the savings culture in Uganda, which at present is described as the worst in sub-Saharan Africa, the country's Capital Market Authority (CMA) took the fight to schools, the youth and house holds. The ministry of finance and bankers all agree that the saving culture in Uganda is underdeveloped and something needs to be done. It is believed that, students can save and indeed they are never too young to start.

Says, Colin McCormack (2005) in support of CMA's strategy, stated that, teaching people how to save is a step- by- step process. The first step should be giving a child a reason to save.

Coupled with the above observation, Ann Kyohairwe (2005) said that the organisation's target was the youth and children, since the older generation had generally negative perceptions about saving given their past experience with commercial banks and insurance companies. It is expected that with current approach of encouraging the youth to start saving, in a period of five to ten years, the ratio of savings to GDP will have gone up. And in the process, it will reduce the heavy dependency on foreign savings for investments.

At present, Uganda whose per capita income is estimated to be about \$340, has domestic savings ratio below 5 % (The East Africa journal on CMA, April, 2005)

According to Mr. McCormack, parents play a central role in getting their children into the saving habit. As a result, of poor savings culture in Uganda, savings from outside the country are responsible for most of the investments. Currently, Uganda's budget is supported by foreign funds by up to 48%, a situation that has persisted for the past decade.

Richard Byarugaba (2005) said that, the government has not come up with policies to encourage savings over the years.

He further added that, most of the older generation in Uganda has been discouraged from saving after losing billions of shillings to either insurance companies or through the 1987 money devaluation carried out by the government to fight inflation, an observation that was in agreement with Ann Kyohairwe's (2005) views.

The improvement of the saving amongst SACCOs is dependant on; Successful Micro finance programs that start with a clear objective to set up permanent institutions or systems designed to provide financial services on a long-term sustainable basis. This objective implies several key things – good quality financial products or services, delivered by an appropriate institution on a profitable basis to satisfied clients who continue to value and use those services (Wright, 2000: 134).

In countries like Uganda, where the financial markets are both shallow – they are small in relation to GDP – and poorly developed, being dominated by commercial banks. Commercial bank lending to the private sector plays a key role in supporting the growth of the private sector are non-bank financial institutions (NBFIs), such as leasing companies and a housing finance company, and the Stock Exchange, but the NBFIs are small relative to commercial banks (PEAP, 2004:45).

Therefore, the most effective strategy for promoting more rapid growth in the saving culture in Community is to encourage financial deepening in order to enhance financial intermediation. Given the fact that financial institutions' coverage of the urban areas is relatively sufficient, outreach to the rural areas specifically by formal institutions is limited. There is need

for ensuring that as much as, efforts are underway to encourage rural outreach by the formal banks, there is a great need for the socio-economic and set-ups in the rural areas to be reflected in the financial services. According to the Poverty Eradication Action Plan (2004), to this extent the Microfinance Institutions law that was enacted by the Ugandan Parliament in April 2003 should allow soundly managed and well capitalised Micro Finance Institutions (MFIs) to Intermediate resources in the rural areas. This defined legal status of these MFIs now put them into a position that should help them forge links with the formal banking system.

More than just financial organisations, through SACCOs there can be the offering of tools for social change. During the 1980s and 1990 the credit union systems in Guatemala, El Salvador and Nicaragua continued to operate democratic, community-based institutions during periods of civil unrest and war. When these conflicts finally ended, WOCCU was there to help these credit Unions restart economic activity in rural areas (Uganda Institute of Bankers, 2006; 19).

Development projects carried out by the World Council of Credit Unions, Inc and funded by its current donor organisations including the United States Agency for International Development, the Inter – American Development Bank and the Consultative Group for the Alleviation of Poverty – are helping credit unions to provide their members with opportunities to not only establish a credit relationship, but also to increase wealth through savings access working capital finance business expansion and meeting housing finance needs. The World Council’s strategy focuses on helping credit union members climb the ladder of modest but increasing asset and income security growth.

At the heart of this strategy are the goals of financially strengthening credit unions to enable them to provide high quality micro finance services on the following premises:

- People are best served by giving them the opportunity to grow and not constraining their ability to improve.
- People need access to a variety of different financial services throughout their lives.
- By offering services to everyone, credit unions can offer services to more of the poor than by limiting services to only the poor.
- Internally generated savings provide an independent and sustainable supply of funds, which can be invested in rural production, housing, micro enterprise and small business loans.
- Credit union loan products are defined by the financing needs of their members and other opportunities for growth.

By mobilising members' savings to fund members' loans, credit unions are proving to be sustainable financial institutions serving a diverse, economically active membership. Nearly US\$10.6 billion in member savings of developing country credit Unions are invested in a loan portfolio exceeding US\$9.7 billion. Much of the Credit Unions' lending portfolios, as high as 70% in some developing nations, go towards micro enterprise sector.

SACCOs ready to start mobilising voluntary savings from the public need to do research based promotions to attract savers. Market research on savings may help in identifying what clients want and what their priorities or concerns are to deposit their money with a SACCO. Some may value security for their money than the interest rate on savings, others may value liquidity etc. the marketing strategy should be pegged to clients concerns (Uganda institute of Bankers-Micro finance competence centre, 2006:23).

For instance, Banco Sol of Bolivia when it realised that the clients concern is security for their money, it produced expensive colour brochures that gave the impression of stability. To reach out into the community it sponsored festive community lotteries with prizes and

testimonies from satisfied customers; individuals to advertise the new savings products among peers and neighbours hosted public tea parties. Banco Sol also finally designed a passbook that looked like a chequebook and had significant prestige value.

Garson (1996) asserts that, capacity building should aim to strengthen these organisations and to develop complementary among them, keeping in mind the long term global approach of the local financial infrastructure. All capacity building efforts should also develop the comparative advantages of institutions at the local level.

SACCO members are expected to develop a saving culture to sustain their SACCOs financially and to fight dependency on external borrowing which is rather expensive and thus deprive them of the would- have been dividends.

Nevertheless, it is vital to note that, though saving increases wealth it is not the only factor that determines wealth.

Wealth can also change because of changes in value of the real or financial assets one owns.

However, Robert Frank & Ben Bernanke (2001) contradicts himself when he states that ,the changes in a person's wealth during any period, equals the saving done during any period plus capital gains or minus capital losses during that period.

This can be expressed as.

$$\text{Changes in wealth} = \text{saving} + \text{capital gain} - \text{capital losses}.$$

Having said that, it is important to note that, the Japanese save about 20% of their income while Ugandans same as low as 5% (Frank and Bernanke, 2001:251)

It is stipulated that without saving people could face severe problems of survival when they are no longer able to work (Roger le Roy miller ,1978:89) .SACCOS are accessible to the people with in the communities unlike urban based commercial banks and other commercial micro

finance institutions, especially MDIs. Hence it is expected that people would save with them frequently and regularly leading to enhanced saving culture.

Equally important, the World Bank world wide inventory of MFIs where SACCOs fall, found that, many of the largest and most sustainable institutions in micro finance industry rely heavily on saving mobilisation (World Bank survey, 1995). The survey further revealed that, the ability to effectively mobilise deposit depends greatly on the macro economic and legal environments. There has been remarkable macro-economic stability and favourable legal framework in the country where SACCOs operate. So in effect, it is expected that members should have exploited the opportunity and massively saved with the SACCOs in the country generally and in Ntugamo district in particular hence forth enhancing their saving culture.

As pointed out earlier ,saving rate in Uganda is low approximately 5% (minister of finance speech at UCA's AGM 29th September, 2005) .But Arthur Lewis (1995) points out that ,small savings can be increased in low income countries by developing a whole range of saving institutions, creating saving habits and providing adequate financial incentives for savings. This is in agreement with the World Bank Development report (1991) thus:

The experience of countries like India china and Kenya clearly demonstrate that low income house holds are capable of saving a much larger proportion of their income than developed countries.

The report points out that three important factors influence the saving behavior of house holds, namely ability to save, propensity or willingness to save and opportunity to save. The ability to save obviously depends on disposable income and household expenditure which in turn is influenced by several other factors, the most important of which is the family size or number of dependents.

Willingness or propensity to save is on the other hand, influenced by social cultural and economic factors. Family obligations such as education of children, marriage, funeral rites, old age govern the willingness of house holds to save. At the same time the return on saving is also important economic consideration that greatly influences the savings behavior of house holds. This view however contradicts RURAL SPEED nationwide survey (2005) findings:

Access to credit and positive interest rates were not priorities for rural savers, instead, accessibility to saving and security for saving were very high priorities for rural savers.

According to Kajumba (2004), theory has it that, interest rates and savings have a positive relationship where as other researchers have found a negative relationship (Mungyereza, 1997) and others say, it is negligible (Obwona and Ssentamu, 1998).

Kajumba (2004) further stated that, since tax revenue has a significant positive relationship with savings there is need to emphasise revenue tax collection to increase savings at business, house hold and public as a whole so as to improve the level of saving culture in Uganda.

In order to ensure real return on savings, it is essential to have macro economic stability and a positive rate of interest .Macro-economic stability creates confidence, promotes positive real return and therefore, fosters private savings.

Note worthy also is that ,the opportunity to save i.e. access to financial institutions, the type of saving instruments ,ultimately determine the decision on the form in which savings can be held, be it intangible assets ,cash bank deposits, shares ,government saving bonds to mention a few.

Saving behavior

According to Shetty (1996: 34) saving behavior is fundamental aspect of human survival particularly in rural areas where incomes are unsecured.

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

Recent World Bank household country studies in sub-Saharan Africa showed that, rural house holds in Africa have higher average and marginal propensity to save.

Long term financial security starts with a regular savings plan for emergencies, un expected bills, replacement of needed home items and the purchase of special goods and services ,such as a boat ,a vacation home or college education. Once a saving component has been established, additional money saved may be used for investments that offer greater potential returns. In the same endeavor, one scholar observes that, a certain amount of savings must be readily available to meet individual or family needs (Kapoor et al, 1988:21)

Why Ugandans save

Several authors suggest that there are many reasons why Ugandans save. For example money world, Bank of Uganda publication (May, 2007) suggested that, Ugandans save for the following reasons:

- Basic household needs, such as food, clothing (82%)
- Emergency (burial, medical) (70%)
- Education (35%)
- To expand business (19%)
- leave something for my children12%(Money World ,Bank of Uganda, May 2007)

How Ugandans save

The good news is that 71% of Ugandans say they save or have saved! of these people, the biggest group, 53%, says they save with a friend, relative or in a secret place. 21% save with an institution that is regulated by the bank of Uganda, and another 21% save with an informal group. Finally, 3% save with SACCOs and 2% save with micro finance institutions (MFIs). About 29% of Ugandans do not save at all! (Money World, BoU publication, May, 2007).

Suffice to note that, Uganda has one of the lowest domestic savings rates (savings as percentage of gross domestic product) in the World for the years 2001, 2002 and 2003 the domestic savings rate in Uganda were 5.2% 4.4% and 5.9% respectively (Bank of Uganda research department September, 2005) This is troubling because development relies on investment which investment emanates from savings. High rates of investments are usually built on high rates of saving (Pelrine and Kabatalya, 2005)

This is in agreement with Keynesian theory of unemployment which states that with out savings no capital accumulation and investment and therefore no income will be realised leading to unemployment and hence the viscous cycle of poverty will prevail (figure 1).

Determinants of savings

According to a study by Obwona and Ssentamu (1998), three factors were found to be determinants of the saving behavior of house holds in Uganda.

First among these was ability to save which in turn depends on a house holds disposable income and expenditure. The second is the propensity or willingness to save as influenced by socio-cultural and economic factors like the family obligation to educate children.

Last but not least, is the opportunity to save and returns on savings.

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

Further still, while most efforts to save are voluntary there are some which are compulsory. An example here is the case of social security fund contributions.

In the banking industry while the holding of a saving account is voluntary in some cases the holding of saving account is compulsory especially for those who must access the loans.

Savings mobilisation strategies

According to Mauri (1983), governments in many African countries neglected personal savings in the 1960s. In the wake of the “vicious circle” model (Nurkse, 1953), aid programs were considered the only tool for fighting underdevelopment for more than three decades (Adams, Graham and Von Pischke, 1984), while the mobilisation of savings was “the forgotten half” of development finance programs (Vogel 6, 1984). The awareness that poor people are potential savers, resulting from studies of micro finance activities, is leading to a new paradigm in development issues (Adams, Vogel, 1997). The mobilisation of domestic savings for economic development is the next century’s challenge for Africa. Indeed, “no country is too poor to save if the available potential is effectively used” (Adera, 1995). SACCOs could be a vehicle for this task because they are currently the only formal financial institutions able to provide financial services to remote areas of Africa.

The role of financial markets in mobilising savings and in channeling funds into productive investments is central to a successful strategy for economic and human development (Musinguzi, 2000). In the rural areas of many developing countries the lack of access to effective formal financial markets may be seen as a severe constraint that prevents low-income households from improving their lot and leads to the persistent poverty.

To mobilise savings and enhance their operation in the market Rural Financial Institutions (RFIs) including SACCOs, have undertaken various measures. These include the following (RURAL SPEED, 2005:54)

(a) Micro-finance institutions and SACCOs have sought financial support from organizations such as the Uganda Cooperative Alliance, Micro Finance Support Center (MSCL) and Uganda government.

These organisations lend money to SACCOs which extend loans services to their respective members. This motivates members to save since they will be assured of the loans.

(b) SACCOs have engaged in recruitment drives aimed at expanding their client base. Among the SACCOs, members have been encouraged to purchase shares giving an automatic increase in savings with the growth of membership.

(c) The institutions have also introduced a minimum balance deposited by any client opening an account. Some groups save money when ever they have group meetings which have basically helped to improve savings in the community. 'There is a fee deposited when ever one is opening an account that is not supposed to be withdrawn' (SACCO Mbarara).

(d) Conditions on loan application have been put in place such that every borrower has to have at least an equivalent of 10% of principle loan amount as savings before they

qualify for a loan. 'For one to borrow should first maintain at least 10% savings for the loan to be borrowed' (SACCO-Nebbi)

e) The staff and field officer have sensitised the rural population on the benefits of saving money with RFIs and discouraged cash savings in the home. 'Discourage the culture of keeping money at home' (Umubuga majjambere , Kisoro)

f) Incentives which include items like T-shirts and calendars have been distributed to clients as well as services such as good customer care. 'Confidence building through good customer service' (Uganda Finance Trust -Masaka)

g) Give material gifts to members who save regularly and relatively more than others in the SACCOs. other motivators could be awarding the best savers with certificates.

h) The SACCOs organise free training for members which encompasses business management ,saving, health ,HIV and education. This creates more value to members hence motivation to save.

i) Payment of relatively attractive interest rates act as good mobilisation strategy for savings mobilization as it will provide for the opportunity cost and time value of the amount saved. And the reverse is true as (Fischer, 1989) observes: 'It is mainly due to high inflation rates and artificially low kept nominal interest rates that the willingness to hold savings in financial assets is hardened'.

The key for successful approaches to promote domestic savings for development purposes lies in a reversal of the financial and monetary policies hitherto pursued in most of the developing countries (Fischer et al, 1989). He further notes that, excessive administrative interventions into domestic financial markets like low interest rate policies, high reserve

requirements and selective credit policies have not only hindered domestic savings mobilisation but, also impeded an effective allocation of scarce capital.

There is good reason to suppose that the potential of savings institutions to stimulate financial savings has not yet been exhausted. Moreover there is no indication that, the propensity to save is significantly lower for rural than for urban households (Fischer, 1989: 118).

However, it is noted that, in LDCs a standstill in structural changes and easy access to development aid tend to discourage private savings mobilisation. This is again true for low income countries in particular, where growth of development aid as the only major source of external savings helped recipient countries to neglect internal economic determinants of savings formation.

Private savings especially in the form of financial assets are generally far less restricted by low income than has been assumed before, both by economists and policy makers. On the contrary there is strong empirical evidence that, the saving behaviour of all private house holds is highly sensitive towards attractive incentives to save (Fischer, 1989:119). He further observes that, higher interest rates can stimulate financial savings substantially.

Nevertheless, this is contradicting with Richard Pelrine (2005) which revealed that, access to credit and positive interest rates were not priorities for rural savers.

An important condition to raise savings in rural areas is to initiate price policies for agricultural products which offer incentives for production and opportunities to invest. According to studies by Thillairajah (1994), banks should provide open and full access to their savings when ever required. This would reduce the volume of savings kept at home/ place of work purposely for liquidity reasons to the levels they require for meeting an expected expenditure.

He further observes that, link banks should however reciprocate by not only giving them open and full access to their savings but also good return on them.

Having said that however, it's important to recognise the findings revealed by Rural speed study, on saving habits, needs and priorities in rural financial institutions (RFIs) to mobilise savings (Pelrine ,September,2005).

Forms of savings products offered by SACCOs

The SACCOs' savings products can be broadly grouped into three categories:

a) Liquid Accounts Demand deposits.

These are deposits that allow funds to be deposited and withdrawn any time.

-usually no interest rate is paid

-require substantial bookkeeping

-they are no stable source of funds. Only a limited portion can be used to provide loans.

b) Semi-liquid accounts:

These are deposits that allow some liquidity and some returns

The member can withdraw funds for a limited number of times and deposit at any given time.

A nominal rate of interest is paid based on the minimum balance in the account over a given period (monthly, yearly).This encourages a member to hold a certain amount of money in the account.

c) Fixed term deposit.

The savings accounts are locked in for specific amount of time.

They provide lowest liquidity to the member but highest return in form of interest.

They are stable sources of funding for the SACCO which pays the highest rate of return to the several months /years.

Term deposits range from one month to several years.

They make liquidity management easy.

d) The Old Age savings insurance scheme. This is a product which was developed by UCA newly introduced in SACCOs. It involves locking in savings for a period of not less than ten years. The savings are entrusted by Liberty insurers (East African Underwriters) who invest it and are able to pay interest rate well over and above inflation rate plus life cover of 150,000 UGSHS for every 100,000= saved in instalments of Ug .Shs .5000 every time one saves.(UCA Training manual,2005:4-7)

However ever, potential clients are encouraged and satisfied by the quality of products rendered. This in turn increases the scale of operation leading to higher income for a SACCO.

Ways of providing quality product to the clients among others include:

- Provision of appropriate loan products with the right size, term and benefit.
- Provision of saving services,
- Put in place responsive procedures, that is, client should be allowed to repay earlier than planned.
- Put in place appropriate procedures to entertain repeat loans earlier and,
- Attempt to introduce innovative products that will address the needs of clients, like insurance and livestock.

Saving products are constructed in three ways. Products are designed to offer various trade-offs between convenience (liquidity) and rate of return (compensation), depending on demand. Products are tailored to respond to the demand of particular market niches: farmers who

save in large sums typically once a year, after a harvest and withdraw savings gradually through the year; or children and students who save small amounts due to their limited incomes. Alternatively, products are tailored to the purposes for which members save: to pay education fees for their children or to purchase large expense items such as appliances or homes. As products built to meet member demand, the defining characteristics are liquidity or access to savings, term, minimum balance, rate of return, interest rate structure and transaction costs.

When looking and discussing a good financial product, one has to look at it from the clients and members point of view. A SACCO must therefore make sure that the products satisfy the needs and wants of the clients by focusing on the good feature of the products. These product features must address: Convenience; Low-cost transaction; ready availability over time; fit to clients' needs; reasonable price and return; safety and security (Micro Finance Banker, 2006:7). This is in agreement with Wright (2000) thus, the products were developed on the basis of research on savings motives and preferences of rural people that demonstrated that a savings facility should combine:

- *Safety/security,*
- *Convenience,*
- *Liquidity, and*
- *Positive return (GTZ, 1997b).*

Furthermore, according to Hirsch land (2003), the characteristics of good financial products from savers point of view includes, in order of priority: Accessibility; Safety; Security and Returns.

From a members' perspective, it is essential to balance convenience, Risk and Returns. There are six key factors that are sought by the rural poor when they are considering where to entrust their

savings. These are: Safety. Will their savings be held safely by the Bank or other deposit takers; Ease to withdraw. Can savings be accessed when needed; proximity to home or workplace. Are there any nearby locations for making deposits and withdrawals? Prizes or bonuses for good savers. Can there be interest earned for diligent savers; high interest rates; and Quality of services. Are small deposits treated with respect and appropriate assistance? (Uganda Institute Of Bankers-Micro finance Competence Centre, 2006, 12-13).

Accessibility and convenience of the financial services are the primary characteristics that determine where poor people choose to use them. Clearly the most convenient and accessible forms of savings is to save at home, in cash or possibly in kind. But in kind savings such as grain or animals can easily deteriorate when they are not looked after properly. They are also indivisible – you cannot sell a leg of a cow to meet some minor expenses. When assets are held as insurance, they generally have to be sold at a loss as a consequence of the quick sale at the moment when the crisis occurs. Savings in cash at home are exposed to risks of theft or could get lost in case of fire or floods.

Merits and demerits of the preferred traditional forms of savings held

Thus poor people look for some form of system or other to provide the security and accessibility necessary to save. The security is only relative, but the accessibility of a regular opportunity to save is what makes deposit collectors and ROSCAs so popular worldwide. Access is markedly different from liquidity, and is often considered more importantly by poor people who have little time to make their transactions. Security of savings is in the ideal world, key criteria, but in reality often comes lesser in importance to the poor since they rarely have secure options. Even when they have physical and psychological access to banks, these are often seen as

unreliable and high risk. Thus poor people are forced to take risk of saving with deposit collectors or ROSCAs even though they know these systems are risky.

The effect of SACCOs

Having looked at savings mobilisation strategies and forms of savings products above, one needs to establish the benefits accruing to a member/ clients of a SACCO.

A study by Rural Speed (2005) identifies the following benefits which confirm earlier revelations by Bailey's (2001) study.

Saving is the key benefit that a RFI member gets from the organisation .A member of saving scheme is also eligible for a loan. The loans are intertwined with saving. A member will borrow from an organisation, invest to get enough money to cater for their needs and boost their savings potential

Free sensitisation, education and training on saving: RFIs, SACCOs inclusive have initiated programmes through which they sensitise, educate and train members of the rural communities on a range of issues ,ranging from saving products and services to business practices, health and HIV among other social issues.

Most members become share holders in the respective organisations that they save with. Hence SACCOs offer opportunity for investment.

Exchange visits with more developed SACCOs or MFIs, such visits are used as fora and case studies through which members are educated on the importance and benefits of saving organisations.

Incentives for loan payers, clients and borrowers who service their loans faithfully
There are also added services: such as, money transfer .As the institutions grow so does their capacity and ability to offer a wide range of services. This is the case with some of the more

developed MFIs and SACCOs that are now agents of the global network of western union and money gram money transfer services.

Projects: some of the saving groups /schemes have income generating project that members benefit from.

Some of the RFI's will stimulate the sense of ownership through electing some of their members into leadership position not exempting a position on the management board.

Socio-economic status and its effect on saving culture

Both Thillarajah (1994) and Gulli (1998) assert that, low income earners and generally the poor do save contrary to the previous perceptions amongst many that they are "too poor to save" and also prefer to consume than to save (Robinson, 1994: 28).

In a study carried out by Ouma and Hans (2003) on Small and Medium Enterprises (SMEs) in urban and rural areas it was observed that, only about 8% of urban SMEs members do not save due to their small, irregular incomes and large family sizes. Thus savings is a valuable financial service that low income earners like urban SMEs properties and by extension, the poor need.

This observation is reinforced by Adam Smith (1776), views of hundred of years ago that, 'the principle which promotes us to save comes with us from the womb and never leaves us till we go to the grave'

Never the less, the overriding factor to saving is the level of income. I.e. the higher the income the higher the savings and the reverse is true. This theory is supported by the findings of Obwona and Ssentamu (1998) that, people don't save because of the low income that they receive (49.7%) of the respondents. The low income factor was again confirmed by Musinguzi

and Peter (1997) with 85.4% of the respondents revealing low incomes as a reason for not saving.

In that same study, the dual scholars (Obwona and Ssentamu, 1998) also revealed that, high cost of living and social responsibility (20%) of rural respondents and 25% urban households was responsible for not saving. In the same research they also found out that family size affects saving in a negative form i.e. people with large families do rarely save compared to those with small families.

Furthermore it was also found out that social habits play significant role in influencing saving culture.

Equally important factor revealed by the study was low bank interest rates.

As a result of low returns on savings with banks, over a half (60.7%) of the respondents would prefer to invest their money in real estates or in other forms of business ventures rather than keep would-be extra income in banks (19.1%). Because they view bank interest on savings as too low (Ssentamu and Obwona, 1998).

Those who opt to put their extra incomes in banks, do so for as long as they are still seeking advice on what ventures to undertake.

In addition, about (60.3%) of the respondent save in cash while the rest do not save in cash form at all. However, the majority of those who save, the study found out, the level of their saving is quite low.

In summary under this section one can justifiably say that, the major constraints to savings as per the literature revelations and as earlier mentioned are: the low incomes, high cost of living and social responsibilities.

Motivators of saving

Saving is common to all human societies, even if savings practices differ from one to another. Motivations also vary, but caution, social pressures and ambitions for future consumption are the key drivers encouraging people to save (Keynes, 1936; Friedman, 1957). Yet, the experience of industrialized countries in the early stages of development showed that people of lower income levels were precluded from depositing their savings at commercial banks. The focus of commercial banks on industry, trade and the wealthier classes led to a division in society between those who had access to financial services and those who had not (Vittas 1994; Wysocki et al, 1996).

However motivators for saving are two fold; motivators for saving in cash form and non cash form.

Motivators for saving in cash forms

According to a study by Ddumba and Obwona (1998:3-13) people who save in cash do so mainly for paying school fees (Investment in human resources). This also can be looked at as saving for old age. One expects that when their children grow they will contribute to their up keep in old age. It is vital to note however, that non cash forms of saving are more popular especially among rural communities because of;

- Cultural tendency.
- The returns are much higher than the interests one would earn from deposits.
- Such savings can be readily converted to cash any time whereas access to bank savings has time limitations and inherent problems (Ddumba and Obwona, 1998).

Nevertheless, returning to the issue of motivation for saving in cash, Ddumba and Obwona (1998:3) still identified the following additional factors:

- Salary or wage paid through the banks.

- Lack of other saving facilities.
- Stay near banks.
- Advice through radio programmer
- For safe custody.
- To earn interest.
- To acquire a loan
- Good client bank relations
- Others.

Motivators for saving in non cash forms

- No cash savings facilities around.
- No faith or confidence financial institutions.
- Minimum requirement too high.
- Bank interest rate too low.
- Difficult to secure bank loans
- Poor customer service at the banks.
- Banking hours are too restrictive
- Others (Ddumba and Obwona, 1998:13).

In summary, the above scholars established in their research that, over a half (60.7%) of the respondents would prefer to invest their money in real estates or in other forms of business ventures rather than keep the- would- be extra income in banks (19.1%) because they view banks' interest as too low. Those who opt to put their extra incomes in banks do so for as long as they are still seeking advice on what to venture to undertake.

About (60.3%) of the respondents save while the rest don't save in cash form at all. However the majority of those who save feel that the level of their saving is quite low.

As pointed out earlier, it's still vital to note that, the major constraints to saving are

- The low incomes.
- high cost of living
- social responsibilities

The above findings are in agreement with Mugisha in his article the Ugandan banker (vol.5, no.3, Dec. 1997:32) thus: 'The capacity to save in Uganda like everywhere else is related to the levels of incomes. Higher levels of income tend to lead to increased savings *ceteris paribus*'.

The economic processes by which more investments leads to more growth can be described in the following macro-economic terms:

Every economy must save not consume a certain proportion of its national income (NY) if only to replace worn out or impaired capital goods (buildings, equipment, materials) However ,in order to grow, new investment representing net additions to the capital stock is necessary(Todaro,1982)

Finally it is important to note that, the economic processes by which more investments leads to more growth can be described in the following macro-economic terms:

Every economy must save not consume a certain proportion of its national income (NY) if only to replace worn out or impaired capital goods (buildings, equipment, materials) However ,in order to grow, new investment which is generated from savings representing net additions to the capital stock is necessary (Todaro,1982)

This chapter has explored saving culture, the philosophy behind SACCO formation (appendix xvi) and strategies for mobilisation of savings, forms of savings products effects of SACCOs, socio-economic factors and how they affect saving culture, motivators of saving and theoretical frame work with reference to Harrod-Domar and Solow theories of economic growth which guided this study, exploring the fundamental importance of saving to the entire economy in totality.

Cultivation of the saving culture may be made successfully after realisation of the fact that, people –whether in rural or urban areas, high or low income communities can save when they are guided and encouraged through groups (SACCOs) and given reasons why it may be necessary for them to save; as confirmed by Wright (1999): ‘When poor house holds desire and need to save meets a safe easily accessible opportunity to do so, their capacity to save, their commitment to saving and the amounts they save are remarkable.’

CHAPTER THREE

METHODOLOGY

Introduction

This chapter presents research methodology, data collection techniques, data analysis techniques and criteria for interpretation of results.

Research strategy

This research was carried out on the effects of SACCOs on members' saving culture in Uganda using a case study of Ntungamo District in South Western Uganda (appendices x and xii) .

In the context of this research, the following were the reasons for using a case study methodology:

Data collection was readily done because of easy access to SACCOs records and membership. The results and findings were more representative because Ntungamo has the biggest share of SACCOs and it was less expensive in terms of finances to use a case study in this research and less time consuming.

The purpose of this study was to establish whether SACCOs have an effect on members' saving culture.

The data was not collected in a laboratory but in the real world, where living working examples exist. This approach allowed generalisability.

By analysing the saving culture of sampled SACCOs' membership and how it has been influenced by SACCOs in Ntungamo District, it will be feasible to apply the findings to the rest of SACCOs' membership in Ntungamo district.

Locality

The study was conducted and limited to Ntungamo District's three counties- namely, Kajara, Rushenyi and Ruhaama (appendices v, vi and vii). Out of the three counties random selection was done to select three sub counties from whom, three SACCOs that were used in this study were randomly drawn.

Population

Ntungamo district has population of 379,987 (2002, population census) of those who belong to SACCOs and those who are non members. However, for purposes of this study, the population was stratified into two strata and; the strata that belonged to SACCOs were selected to inform the study there by leaving out those who are not SACCO members. The choice of the area was dictated by the limited time, prevalence of SACCOs, economic and budgetary constraints.

Secondly Ntungamo District is used as a pilot district for business culture initiative in Uganda which is currently being implemented in the district through 'Prosperity for All' (Boona Baggawale) government scheme. In brief, prosperity for all is a scheme of government that aims at addressing structural constraints to poverty alleviation. Structural constraints relate to productivity, value addition, market access and access to suitable financial services. The scheme addresses all these constraints together (Business Culture Fund, May, 2007).

Business culture initiatives emphasises membership to SACCOs, producer organisations and marketing organisations as a way of employing integrated approach to

eradicate poverty. This integrated approach is vital because, for community members to prosper, extension education and training geared towards productivity enhancement and collective marketing must be interlinked with rural financial services offered by SACCOs to realise a meaningful approach to poverty eradication. Hence improved quality of life of the people in the rural communities.

Sample selection

Stratified sampling was employed first to identify the sub counties in the three counties in the District. There after, random sampling was conducted to select three sub counties where the study took place .Following selection of the sub counties, sampling frame of SACCOs with in each Sub county was obtained from the District Commercial Officer and a random sampling was employed to select one SACCO in each sub county where the study was undertaken. In the same vein, from the SACCOs randomly selected, a sampling frame from membership registers was used to select 57 respondents in the numbers limited to 19 from each SACCO i.e. Nyakyera Farmers’ Savings and Credit Cooperative Society (19),Kyabukuju Twimukye Savings and Credit Cooperative Society (19) and lastly Kajara Peoples Savings and Credit Cooperative Society (19) from Ruhaama,Rushenyi and Kajara counties respectively(see appendices v,vi,vii ,viii,ix and ,x for the respondents characteristics).

Secondly, through use of purposive sampling, three board chairpersons, one per SACCO were selected together with their 3 respective managers to participate in the study so that it can be comprehensive. There fore, in total 63 respondents were sampled from the three SACCOs highlighted above. The (19) respondents from each SACCO

consisted of ten (10) which is 53% males and nine (9) which is 47% females respectively to provide for gender concerns. Males' percentage is slightly higher because until recently, cooperatives have been a domain of males.

A sample of 19 respondents was chosen because of the following reasons:

A sample of nineteen provides an acceptable level of error.

Samples larger than nineteen have practically the same practical precision as nineteen (19). Besides samples larger than 19, do not result in better information, and they cost more (Valadez et al, 2003:27).

In totality fifty seven (57) members (respondents) were selected using random sampling techniques while 6 respondents i.e. Board members (3) and management staff (3) were purposively selected. On the whole 63 (sixty three) respondents were used in the study largely because of time and economic reasons.

Data collection techniques

Data was collected from sixty three (63) respondents i.e. 57 members, 3 managers and 3 chairpersons of the board of the selected SACCOs used in the study.

Questionnaire method was mainly employed in primary data collection although interviews, observation and focus group discussion methods were also used. The questionnaire method helped the study to find out what the respondents do, think or feel. The tool helped the researcher to present questionnaires to the respondents in the streets, gardens, homes, office and any other convenient places for the interviewees. This helped the researcher to obtain in depth answers. The questionnaire helped this research to register a response rate of 95% and comprehensive data was collected. The tool also

helped the researcher to ask and collect data on sensitive and complex questions (appendices i and ii)

Observation method: This provided the means of verifying information answered in the questionnaires and a detailed understanding of values, motives and practices of the respondents. With the aid of this method, this research was able to draw comparisons among respondents from the three SACCOs that were used in the study.

Focus group discussions, these helped the researcher to gather data relating to feelings and opinions of the group of the respondents sampled from the SACCOs. Listening to other group members' views encouraged respondents to voice their own opinions readily and this helped inform the study the more. This methodology provided rich data and insights that would have been less accessible with out the interaction found in a group.

Interviews: selected respondents were asked questions in order to find out what they do feel or think about SACCOs effects on their saving culture and this made it easier to compare answers further helping to inform the study. This tool also permitted the researcher to ask more complex and follow up questions which was not possible in the questionnaires. The interviews helped the researcher to take account of non verbal communications for instance attitude and behaviour of interviewees. All the above discussed tools were used in all the three sub counties in three sub counties namely; Nyakyerera ,Rubaare and Nyabihoko respectively .Also to note is that, the above tools were used on both categories of the respondents i.e. general membership of the SACCOs and management staff and leadership of the SACCOs used in this study.

This study also reviewed SACCOs operational manuals, supervision manuals, lending policy manuals monthly reports, ledger cards, account controls, general ledgers and other related literature to obtain secondary data which helped the researcher to effectively interpret the primary data collected and analysed (appendix xiv).

Data from each SACCO was collected in two months however, the researcher managed to collect only 59 questionnaires out of 63 as the 4 respondents did not return back the questionnaires in time and could not be easily located. Two sets of structured questionnaires were administered to the respondents. One special set for managers and chairpersons and other set for General SACCO membership.

As noted above, a special questionnaire was designed to collect information on the SACCO savings mobilisation strategies employed by the SACCO management under the study. This was administered to the staff and board chairpersons that accounted for 12% of the total respondents.

Data analysis technique

The study employed both positivistic and phenomenological estimation techniques. Data collected was cross tabulated to show the frequency and percentages of different variables involved in the study.

The entry and analysis of data were done using SPSS (Statistical Package for the Social Scientists) where linear function and log it model were formulated to help assess the impact of the extraneous variables on the dependent variable ,while the influence of the independent variables on the dependent variable was assessed using Pearson Chi-square tests.

This generated frequency tables for socio- economic and demographic data taking into account the relationship between independent and dependent variables and extraneous variables under the study. Both qualitative and quantitative data were collected transcribed and grouped. Double data entry and checking were used to minimise errors.

Ethical dimensions: Under ethical considerations, verbal consent to participate in the study out of one's volition was obtained from all the respondents.

Furthermore, the researcher received approval from the local authorities, particularly District Commercial Officer, Uganda Martyrs University , LC111 chairpersons, and SACCO chairpersons to carry out the research (appendix xi).

For quantitative data chi- square test and linear regression model were run using the Statistical Package for Social Scientists (SPSS) to establish the level of significance of SACCOs' effects on members' saving culture to either reject or accept the hypothesis

Criteria for the interpretation of the results

The criteria of interpretation of the results were done by calculating chi-square and beta coefficients and established probability values. The results of those tests were subjected to independent variables, dependent variables and dummy variables this enabled the researcher to determine the degree of significance or insignificance and nature of the relationship among the variables under investigation on the dependent variable.

Other criteria were used based on the frequencies and various percentage levels and bar graphs to decide on the opinions.

Limitations of the study

The following limitations were encountered in the study:

Some respondents (four in number) are traders and as such are mobile and were not easily found implying that their responses, opinions and attitudes were not obtained. However, the findings under this study are assumed not to be biased because the respondents were scientifically selected.

The collection of data coincided with harvesting of coffee and as such winning attention and time of the respondents was challenging.

This study being a case study was supposed to be carried out on the entire district but because of limited resources and time, the study covered only three SACCOs. although only three SACCOs were used out of all the SACCOs in the district they were scientifically selected to minimize the errors and as such the results derived from the SACCOs, will be reliable. Besides, SACCOs used in this study had existed for along time, been stable, have reasonable capital base. Hence the findings from the study are assumed to be representative of the whole situation in the country.

Poor road network made some villages where respondents were based difficult to access using road transport and the researcher some times had to bear walking a distance of 7 Kms involving climbing hills in order to get to them.

CHAPTER FOUR.

DATA PRESENTATION ANALYSIS AND DISCUSSION OF RESULTS

Introduction:

This chapter focuses on the presentation analysis discussion of results in the study. These findings are grouped under four headings like: leadership and management staff, services offered by the SACCOs, budgeting and its relevance to savings and major economic activities carried out by SACCO' membership.

The task of this study was to determine whether SACCOS have positively influenced members' saving culture.

The researcher after administering two sets of questionnaires, that is, on leadership and management and General SACCOs' membership. The responses from both categories of respondents were subjected to statistical analysis.

A linear regression model was developed to test the level of effect on the savings culture by the dummy variables and Pearson chi-square tests were computed based on Statistical Package for Social Scientists (SPSS).

Leadership and management

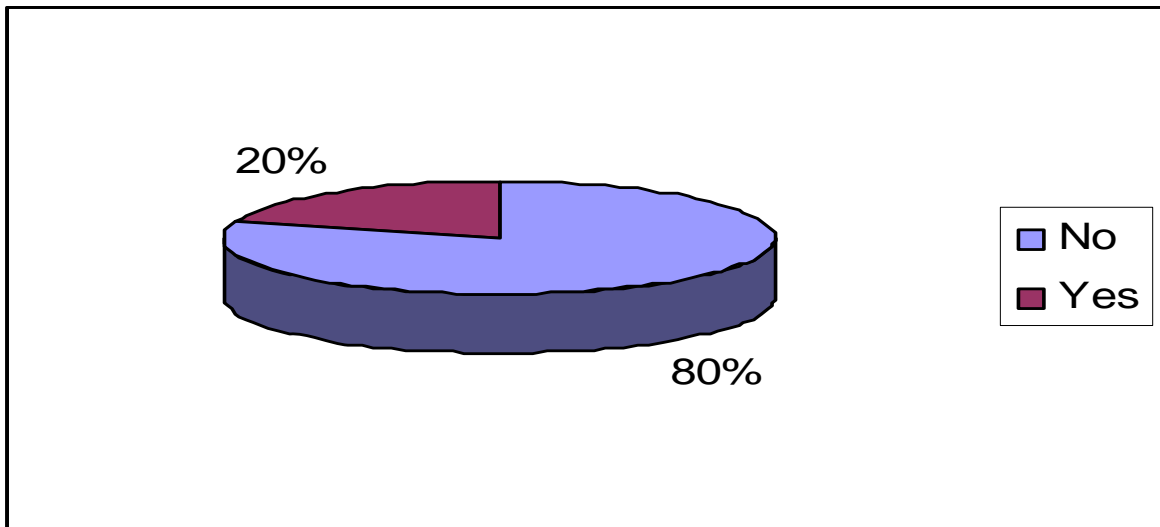
According to the cooperative statute 1991 and cooperative regulations 1992 and what is the situation on the ground, SACCOs are governed by the General Assembly composed of the entire membership of a SACCO. The General Assembly in turn, elects the board which recruits the management staff, to carry out day to day activities of a SACCO. So the questionnaire were administered to both board and management to find

out whether the respondents are satisfied with level of savings in SACCOs, strategies that are and can be employed to improve current saving culture in SACCOs, reasons for low saving levels in SACCOs, comparison of saving growth, loans and share capital and lastly how leadership and management motivate members to save. It is important to note that all the respondents had spent at least three years in the respective SACCOs and as such, were well conversant with management and operations of the SACCOs.

The level of satisfaction of savings in SACCOs

The level of satisfaction was 20% but majority were not satisfied with saving levels in their SACCOs (Figure 3).

Figure 3: The level of satisfaction of saving in SACCOs



Those who were satisfied were from Kajara Peoples' SACCO which started earlier than Nyakyeru Farmers' and Kyabukuju Twimukye SACCOs. This is because most members from Kajara Peoples' SACCO have been exposed to numerous trainings on savings

importance and economic patronisation of their SACCO, hence are able to save regularly and reasonable amounts. However, the above situation calls for strategies that can be used to improve the current savings culture in the SACCOs as discussed below:

Strategies to improve current saving culture in SACCOs as advanced by respondents

On what strategies the leadership and management of SACCOs were considering important to improve current saving culture, 80% of the respondents proposed training on importance of savings 60% mentioned giving of prizes to best savers and so is , mobilisation of more members and ;40% suggested starting of income generating projects to act as sources of savings.20% gave varied reasons namely: enforcement of compulsory savings ,Savings for Old Age Insurance(OASIS),payment of interest rate that is above inflation rate and development of new ways to attract more savings (Table 1).

The above strategies advanced by the respondents are valid strategies because savers need to know why they have to save and at same time, they must be acknowledged .This can only be done by giving prizes, training on the benefits of saving and being given skills on how to start income generating projects so as to enable them generate income to save.

Table 1:Percentage responses on strategies to improve current saving culture in SACCOs

Strategies To Improve Saving Culture	Percentage of cases (n=5 respondents) (%)
Training on importance of savings	80
Prize give away to the best savers	60

Compulsory saving	20
Saving for Old Age Insurance	20
Payment of interest that is above Inflation rate	20
Mobilisation of more members	60
New ways to attract more savings	20
Start Income Generating Projects	40

In an attempt to establish why the level of savings in SACCOs is not satisfactory to the management and leadership, the following were the reasons mentioned to explain why the situation is the way it is.

Reasons for low saving levels in SACCOs:

Relating to reasons for low saving levels in SACCOs; subsistence production was ranked high at 100% followed by low interest rates, investment in real estates, lack of income generating activities and lack of knowledge on savings importance at 40%. Other reasons came last at 20 % (Table 2). Hence the proposed strategy by the leadership and management for continuous trainings on importance of saving to the members is a valid strategy.

Reasons for low savings	Percentage of cases (%)n=5 Respondents
Subsistence production	100
Lack of entrepreneurship	20
Poor markets	20

Low interest rates	40
Investment in real estates	40
Lack of income generating projects	40
Biasness against SACCOs	20
Lack of knowledge	40

The research also attempted to compare savings growth loans and share capital as they are the major variables that can give strength, viability and soundness to the SACCOs and the findings are discussed here under.

Savings, loans and share capital compared

The study established that, share capital and loans in SACCOs were growing faster and far out-matched savings levels. This finding was revealed by the respondents when the researcher inquired on strategies to equalize the savings loans and share capital in SACCOs. Some of the responses given are shown in Table 3.

Table 1: Percentage responses on strategies to improve current saving culture in SACCOs..... 63

Suggestions	Percentage of cases (%)
Training/sensitisation	60
Award certificates to best /regular savers	60
Rise loan to savings ratio	40
Develop more savings products	40

Introduce compulsory savings	40
Avail loans to small scale businesses	40
Biasness against SACCOs	20

The data in Table 3 show that the majority of the respondents (60%) said that equalisation of savings, loans and share capital can be achieved through training and sensitisation, and awarding of certificates to regular savers. Further investigation revealed that people did not have information and certificates are perceived as a sign of achievement.

The researcher also attempted to investigate methods used by leadership and management to motivate members for saving to satisfactory levels, and the following were mentioned in the degree of importance.

Methods used by management and leadership of SACCOs to motivate members to saving.

Generally all the respondents (100%) suggested that, SACCOs' membership has been motivated to save because of giving of loans to members. They believe that through multiplier effect, loans can be invested to generate incomes to save, ultimately getting motivated to save. Besides, the loans are always tied to savings balances and who ever have bigger balances in the account will qualify for a bigger loan.

However this contradicts the classical economists' belief that, for any income to be generated for investments, saving must be done first.

Nevertheless, other multiple responses in relation to how the leadership and management have been motivating members to save with SACCOs were explored in

addition to loans. These include mobilisation and training (66.7%) and others like confidence building, paying interest on savings and thanking/ appreciating good savers (33.3%) as depicted in the Table 4 respectively.

Motivators for Saving in SACCOs	Percentage of responses % (n=5)
Mobilisation and Training	66.7
Confidence building	33.3
Credit extension	100.0
Acknowledging good savers	33.3
Paying interest on savings	33.3

Having got the above findings from management and leadership of SACCOs the researcher also embarked on the general membership in order to carry out comprehensive study. And the following areas were investigated: years members joined SACCOs, savings products offered by SACCOs, effects of SACCOs on savings culture, the extent of SACCOs on savings culture, training on savings ,reasons for saving, shelter versus savings source of information related to savings as discussed here under.

SACCOs` effects on members saving culture:

It was observed that most of the people joined SACCOs in 2001/2006 and 2007 as reflected by 14.8 %in 2001 and 2007 and to a greater extent in 2006 at 25.9%

respectively. This could have been largely because of the of government’s scheme of Bona Baggawale (prosperity for all); which emphasises financial services access through community based SACCOs in addition to SACCO plan which was popularised in 2006 .The above observations are reflected in Figure 4 below:

Figure 4: Years members joined SACCOs

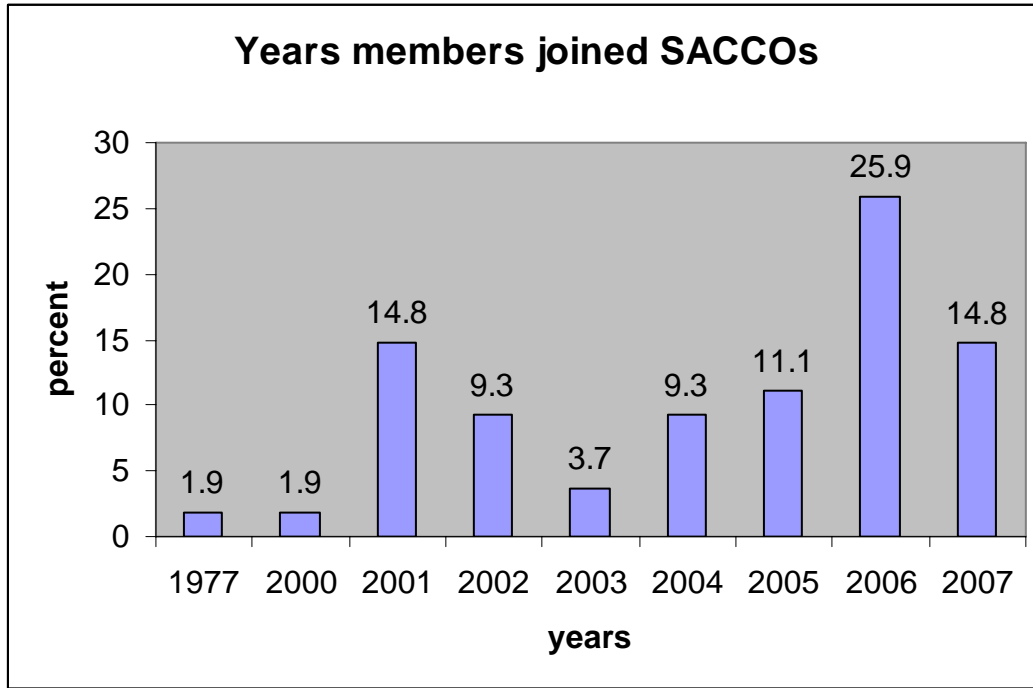
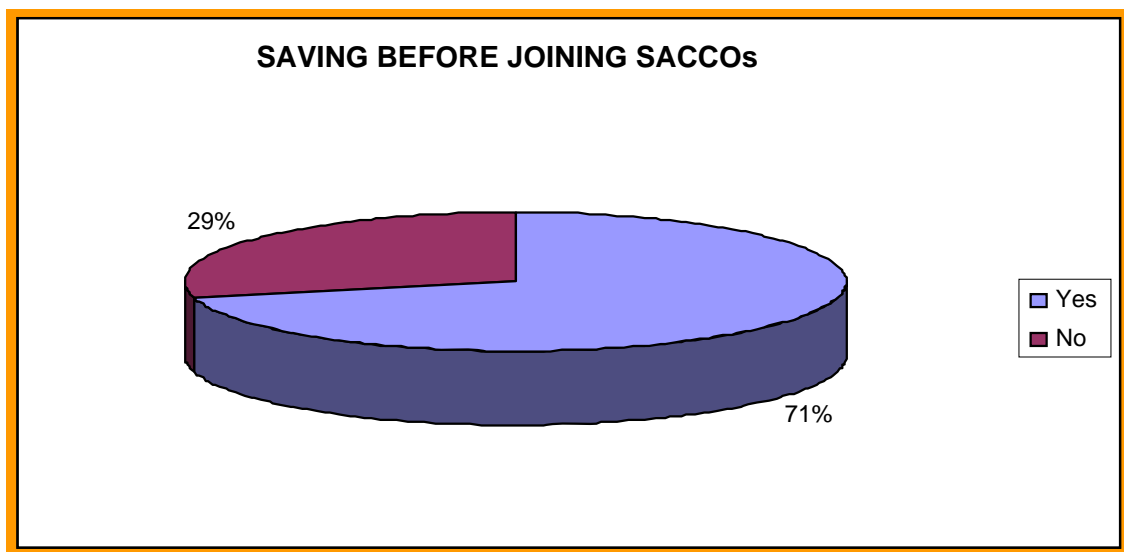


Figure 4:Level of saving before joining SACCOs



Furthermore, the researcher observed that prior to joining SACCOS' members were indeed saving (71%) while 29 % were not saving (Figure 5). However it was revealed that much as members used to save, they would save most in secret places (26.8%) with institutions regulated by Bank of Uganda 31.7% (Banks), informal groups and friends carried 12.2% respectively and 17.1% were saving in other MFIs^s as depicted in the Table 5.

Table 2 :Where members were saving

<i>How members were saving</i>	<i>Frequency</i>	<i>Percent</i>
With friends, relatives	5	12.2
Secret place	11	26.8
With institutions regulated by Bank of Uganda	13	31.7
Informal groups	5	12.2

MFI's	7	17.1
Total		100

Furthermore, it was also found out that other forms of saving which members do hold are: domestic animals 54.5%, land carried 54.5% and cash at home/bank was found to be 63.6%.

The above findings are reflected in the table 6.

Table 3 Forms of savings

<i>Forms of savings</i>	<i>Count</i>	<i>Percentage of Cases</i>
Domestic Animals	12	54.5
Land	12	54.5
Cash at Bank/Home	14	63.6

Reasons for members saving

It was established that most people/members save largely for future investment (62.3%), accumulation of wealth ranked second at, 45.3% and education ranked third at 43.4% while expansion of business came fourth at 34.0% and leaving something for the children was ranked fifth at 20.8%. This is depicted in Table 7 .This clearly manifests that SACCOs' membership understands importance of saving. What is needed is constant training in entrepreneurship and innovation so that people can start various trades for more income generation and have more to save. In addition; SACCOs should invest in

savings products development so that those who improve their incomes do not run away to commercial banks because SACCOs fail to meet their needs.

Table 4: Reasons for saving in SACCOs

<i>Reasons for saving</i>	<i>Count (n=54)</i>	<i>Percentage of cases</i>
Accumulation of wealth	24	45.3
Save for future investment	33	62.3
Education	23	43.4
Expand business	18	34
Leave something for my children	11	20.8
Others	18	34

Training on saving in SACCOs

Under this component the researcher found out that, out of the 54 respondents 72 % had ever received training on importance of saving compared to only 28% who have not (Figure 6).

The trainings were largely organised by SACCOs themselves (78.4%) followed by UCA (48.6%) and government of Uganda through AAMP and BB programme (45%) while UNFA comes fourth (29.7 %). this calls for other development agencies especially AMFIU and UCSCU and many others to focus their trainings on SACCOs to enable the country improve its domestic savings which are said to be the worst in the world.

Figure 5: Participants' knowledge of importance of SACCOs

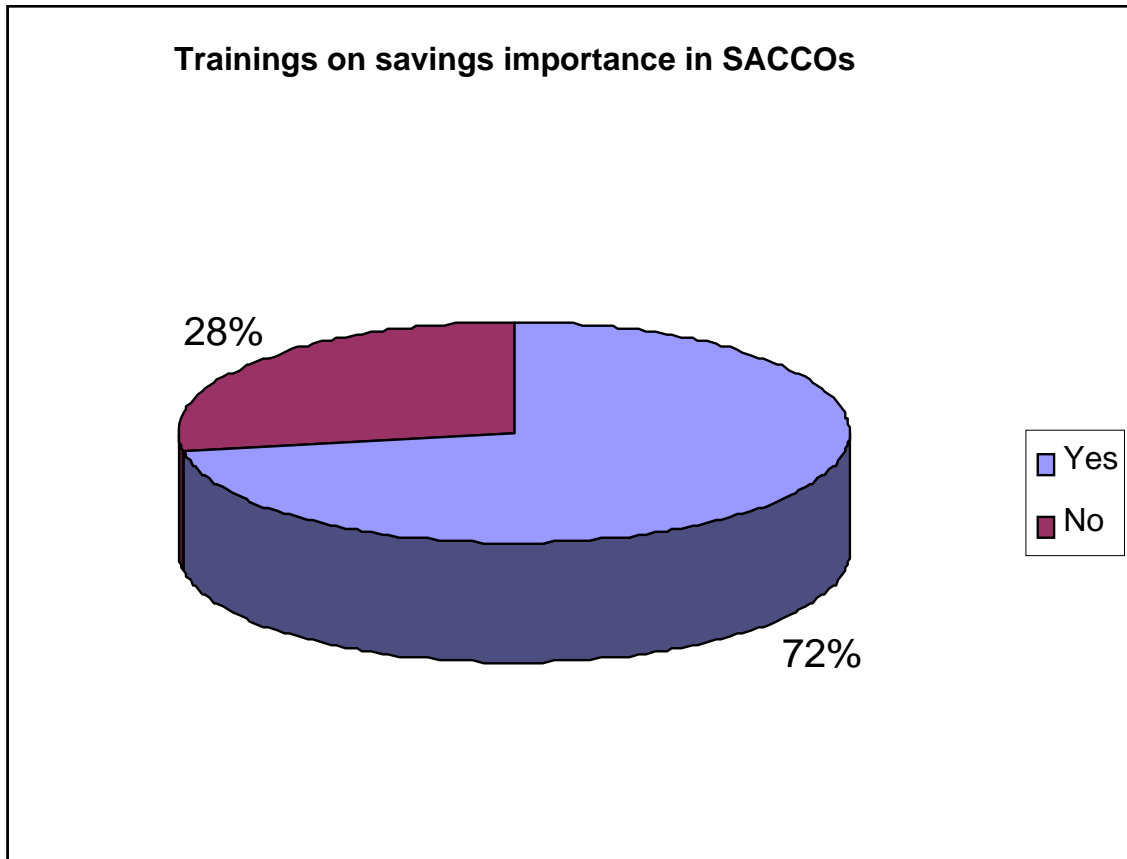


Table 5 Contribution made by training on saving in SACCOs

<i>Contribution</i>	<i>Percentage of responses (%) (n=53)</i>
Learnt how to save	56.3
Used to solve problems	6.3
Risky to keep money at home	6.3
Save with SACCO to get credit	3.1
Life insurance scheme	3.1
Save however little amount	9.4
Saving means sacrificing Consumption	12.5
Enable one to achieve big	3.1
Saves transport(Proximity)	3.1
Save in a convenient way	3.1
Increase in production	15.6
Credit usage to increase saving capacity	6.3
Planning	9.4
Budgeting	3.1

The contribution of those trainings was that they taught members of the SACCOs how to save as reflected by 56.3.6%, followed by increasing production at 15.6% (Table 8).

Table 6 Why respondents save with SACCOs

<i>Reasons</i>	<i>Percentage of responses (%) (n=53)</i>
Prize giving	13.2
Promotions	7.5
Reasonable interest payment	41.5
Good saving products	13.2
Safety	81.1
Easy accessibility	79.2
All the above	7.5

It was also established that, the reasons why people save with SACCOs is that they ensure safety 81.1% reasonable interests at 41.5% and easy accessibility at 79.2% respectively (Table 9). This re affirms observation by Wright (2002:72) that, savings products for rural people, should combine:

- Safety/security
- Convenience,
- Liquidity, and
- Positive return

Savings products offered by SACCOs

The researcher found out that SACCOs do offer varied range of products to meet the needs of their members; ranked as follows: fixed saving at 84.1% followed by Ordinary savings accounts 40.9%; school fees saving at 11.4% respectively (Table 10).

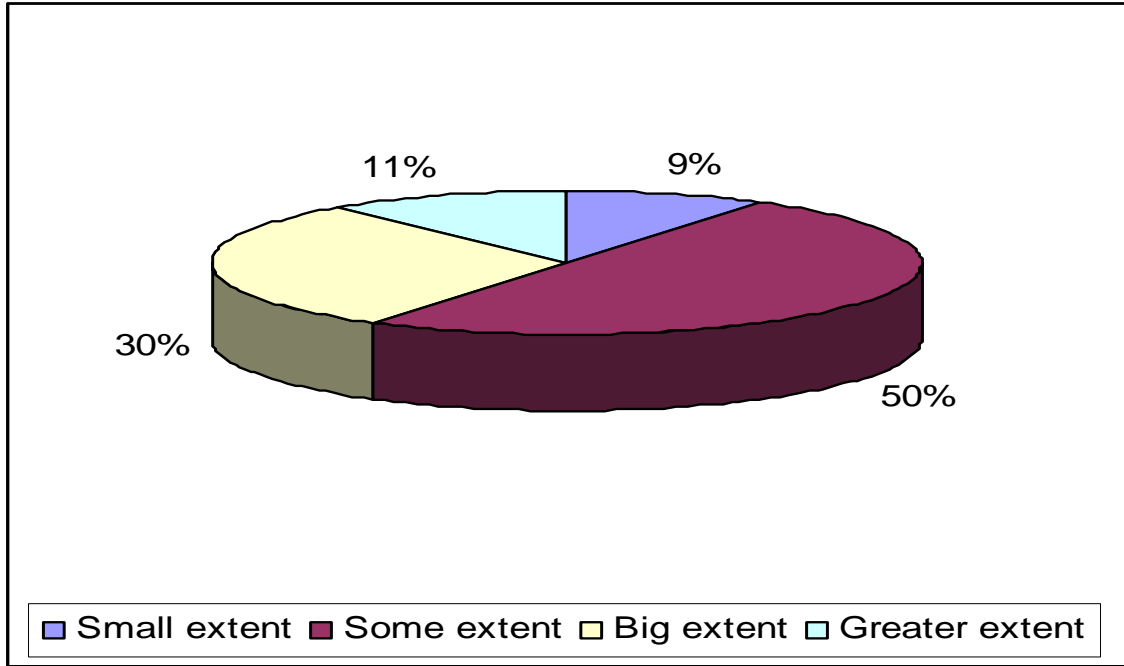
Table 7 Savings products offered by SACCOs

<i>Savings products</i>	<i>Frequency</i>	<i>Percent</i>
Ordinary savings	18	40.9
Fixed savings	37	84.1
Current savings	6	13.6
School fees savings	5	11.4
Others	1	2.3

The extent of SACCOs' effects on members' saving culture

The study found out that SACCOs have influenced saving culture to some extent at 50 %, bigger extent at 30% and greater extent at 11% while small extent is 9%. Hence according to SACCOs' membership opinions SACCOs have an effect on saving culture (Figure7).However, SACCOs must be well managed with sound practices to ensure, safety, convenience, liquidity and positive returns on the deposits which are desirable best practices in the micro finance industry world over.

Figure 6 Effects of SACCOs on saving culture



However, to determine the extent of the influence of the independent variable (SACCOs) on the dependent variable (saving culture) Pearson Chi square test was run and the results came out that SACCOs have a significant influence on members' saving culture at 1% level of significance. Hence the null hypothesis was rejected in favour of the alternative (Table 11).

Table 11 Extent of SACCOs' effect on members' saving culture

Chi-Square Tests results on the relationship between SACCOs and saving culture

	value	df	Asymptotic significance (2-sided)
Pearson Chi-Square	22.05	6	0.001
n=54			

Ho: SACCOs have no influence on members' saving culture.

Ha: is rejected if the asymptotic significance level is less than 0.1

Educational achievements of the membership composition in SACCOs

Table 8 Savings in relation to education levels

<i>Education Level</i>	<i>UGSHS<50,000</i>	<i>UGSHS.50000-100000</i>	<i>UGSHS >100,000</i>
Below P.7 (%)	38	0	63
P.7 (%)	50	30	20
U.C.E (%)	63	13	25
A-LEVEL (%)	64	64	9
Tertiary (%)	50	21	29
University (%)	0	50	50

The Table12 clearly manifests that members with education below P7 are the best savers (63 %) contrary to the belief that the educated have high propensity to save as a result of high levels of income. This is further re affirmed by the log it model results. However, most of SACCOs' members save below Ugshs 50'000/=per month (50.9%) as a nalysed in the table above largely because of low levels of income and since most of the SACCOs' membership are involved in Agriculture whose income flow is seasonal.

Having looked and tested the extent of SACCOs effects on members' saving culture ,it was important to test extraneous variables as indicated in the conceptual frame work so as to under take a comprehensive results of the study. Hence a log it regression model was run under the following assumptions:

- Error term was assumed to cover all the variables that are not incorporated in the linear regression model (OLS) but are likely to impact on the dependent variable.

- It was also assumed that error term is normally distributed with zero mean and a constant variance (δ^2u)
- Beta coefficients as constants to measure the impact of the six variables specified in the linear function and linear regression model below on the dependent variable.

$$Y_t = f(INCOME, PRIM, SEC, TERT, NOCHLD, GOSCH)$$

In terms of linear regression form, the above functional form can be expressed as follows:

$$Y_t = \beta_0 + \beta_1 INCOME + \beta_2 NOCHLD + \beta_3 GOSCH + \beta_4 PRIM + \beta_5 SEC + \beta_6 TERT + \varepsilon_t$$

Where:

PRIM	=	A dummy for primary level of education
SEC	=	A dummy for secondary level of education
TERT	=	A dummy for tertiary level of education
INCOME	=	A dummy for income
NOCHILD	=	A dummy for number of children in a family
GOSCH	=	A dummy for number of school going children
Y_t	=	Saving culture.

ϵ_t = Error term which caters for all un captured variables that could be having an Influence on saving culture

Also $\beta_0, \beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ and β_6 = coefficients to measure the impact of the dummy variables on the dependent variable.

A dependent variable is the member's savings culture.

Table 9 Linear regression model results

	Coefficient	Std. Error	t-statistic	Significance
	s			
Constant	2.556	0.299	8.542	0.000
INCOME	-1.548E-07	0.000	-4.274	0.005
SEC	-0.072	0.072	-2.251	0.053
TERT	-0.038	0.008	-2.116	0.038
NOCHLD	-0.128	0.063	-2.021	0.049
GOSCH	0.181	0.082	2.217	0.031

Levels of significance for respective variables (Table 13) are:

On the whole all dummy variables (extraneous) indicated in the conceptual framework and run in the linear regression model above to study the extent of their impact on the dependent variable(saving culture) have been found statistically significant as shown by the results in the (Table 13) although at varied levels of significance as follows:

Variables significant at 1% are:

Income

Variables significant at 5% are:

Tertiary level of education

Number of children

Children who go to school

Variables significant at 10% are:

Secondary level of education

Hence one can justifiably say that income level strongly affects saving culture in SACCOs although in a negative relationship at 1% level of significance as highlighted above, followed by tertiary level of education, number of children in a household (family size) school going children at 5% level of significance while secondary level of education attainment was found significant at 10% level of significance. Hence SACCOs should develop products that meet needs of the categories in the model to avert negative coefficients.

Primary level of education was taken as an intercept and in here; people with primary level of education have 2.556 (Table 13) chances of saving with SACCOs i.e. They are so much inclined to saving in SACCOs as compared to secondary and tertiary education level holders. Individuals with tertiary level of education also tend to have lesser chances (-0.038) of saving in SACCOs and so are individuals with secondary level education (-0.72) compared to those with primary level of education. The interpretation could be that people with secondary and tertiary levels of education are aware of commercial banks' superior services for example, Automated Teller Machine (ATM)

services. Besides, most of the salaried people who dominate tertiary and secondary levels of education category in the model, access their monthly salary payments in commercial banks. Hence prefer saving with commercial banks to SACCOs.

As people produce more children, the chances of saving in SACCOs also reduce by (-0.128). This could be due to the fact that as people produce more children, they tend to divert all their incomes on domestic consumption as children will demand this and that and hence little will be left for saving.

As members of SACCOs experience increase in number of school going children in their respective house holds, they tend to save more so that they can perhaps be able to mobilise funds for school fees (0.181 positive coefficient). This contradicts the theory that family size negatively affects saving culture.

It is envisaged that as peoples levels of income increase chances of saving in SACCOs reduces by (-1.548E-07). This could be attributed to the fact that, people opt for commercial banks which are stable ,insure deposits up to 3Million and are regulated and supervised by the bank of Uganda compared to SACCOs. Besides, commercial banks can higher loan advances thresholds and overdrafts unlike SACCOs.

Shelter type and its effect on members saving culture

Most of the SACCOs' members were found to live in semi-permanent houses 51.9% and mud and wattle came second at 31.5% while only 14.8% live in permanent shelter. This clearly indicates that saving could have played a great role in helping them graduate from mud and wattle shelter to current statuses. Most of the houses are roofed

with corrugated iron sheets 98.1%.the research revealed. Nevertheless, shelter and its effect on saving culture was found to be to be statistically insignificant at 61.7% level as depicted in the Tables 14. This could be that most of those with semi permanent shelter were retirees in rural areas and are no longer regularly save because their source of income is meager and fluctuates according to interviews. Besides, for those who get pension obtain it through commercial banks hence failure to save with SACCOs.

Table 10 Shelter and saving culture

Chi-Square Tests results of the relationship between shelter and saving culture.

	<i>value</i>	<i>df</i>	<i>Asymptotic significance</i> (2-sided)
Pearson Chi-Square	4.439	6	0.617
n=54			

Domestic animals in relation to saving culture

Furthermore, the researcher also endeavored to establish in which other forms of saving do members keep .A great number 79.6% were found to keep domestic animals especially cattle 57.5% and goats 64.3%. nevertheless the effect of domestic animals on saving culture was found to have a significant effect on members’ saving culture at 10% level of significance (Table 15)owing to the fact incomes from animals especially diary products is gives capacity to the member to save.

See Table15.

Table 11 Domestic animals in relation to saving culture

Chi-Square Tests results of relationship between domestic animals and saving culture

	<i>value</i>	<i>df</i>	<i>Asymptotic significance</i>
			(2-sided)
Pearson Chi-Square	10.884	6	0.92
n=40			

Main source of savings information

It was found out that, a great number of people read Orumuri local daily as their source of information regarding saving (80%) followed by the New vision at 20% and lastly The Daily monitor (15.6%) implying that if there is any educational material in relation to saving culture or micro-finance in general, promotion they should be placed in Orumuri. Besides given that SACCOs are mainly dominated by people with low levels of education, it follows that vernacular dailies can be popular with them (Table16).

Table 12 Source of savings information

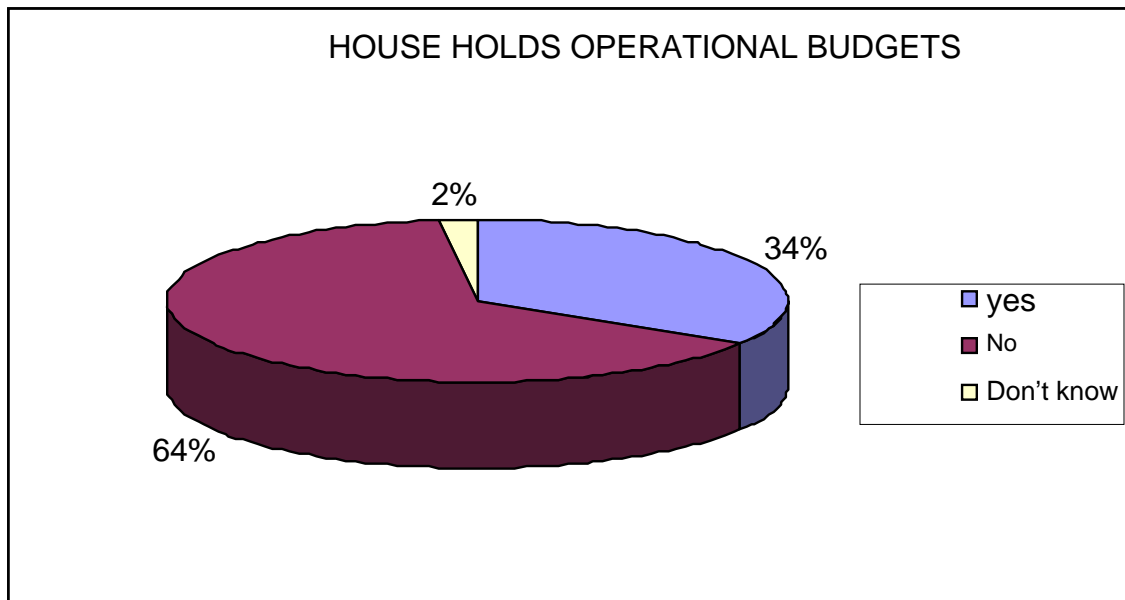
<i>Sources</i>	<i>Frequency (n=54)</i>	<i>Percent</i>
Orumuri	36	80
The New vision daily	9	20
Entatsi	5	11
Weekly observer	3	7
Red pepper	3	7
The Daily monitor	7	16

Furthermore, another source of information was found to be radios at 69.8% and some few 11.3% have access to Television. This could be because of lack of electricity in rural areas and also poor TV signals.

Budgeting

In order to establish whether members had budgets, which are good indicators of financial discipline which discipline induces saving culture, the researcher investigated this question. This was important to the study because operating on budgets lead to wise spending by matching of expenditure and income a prima for saving culture. However, the revelation is that most members 64.2% do not make budgets compared to 34.0% who do operate on budgets in their homes (Figure 8).

Figure 7 House holds operational budgets



Further still, the researcher saw it worthwhile to establish how often households in question do make budgets for those who operate on budgets any way; and it was established that majority of members make household operational budgets quarterly (29.4%) , yearly (29.4) and monthly (23.4%) respectively as reflected in Table 17.

Table 13 House holds operational budget making periods

<i>Period</i>	<i>Frequency</i>	<i>Percent</i>
Yearly	5	29.4
Monthly	4	23.4
Quarterly	5	29.5
others	3	17.7

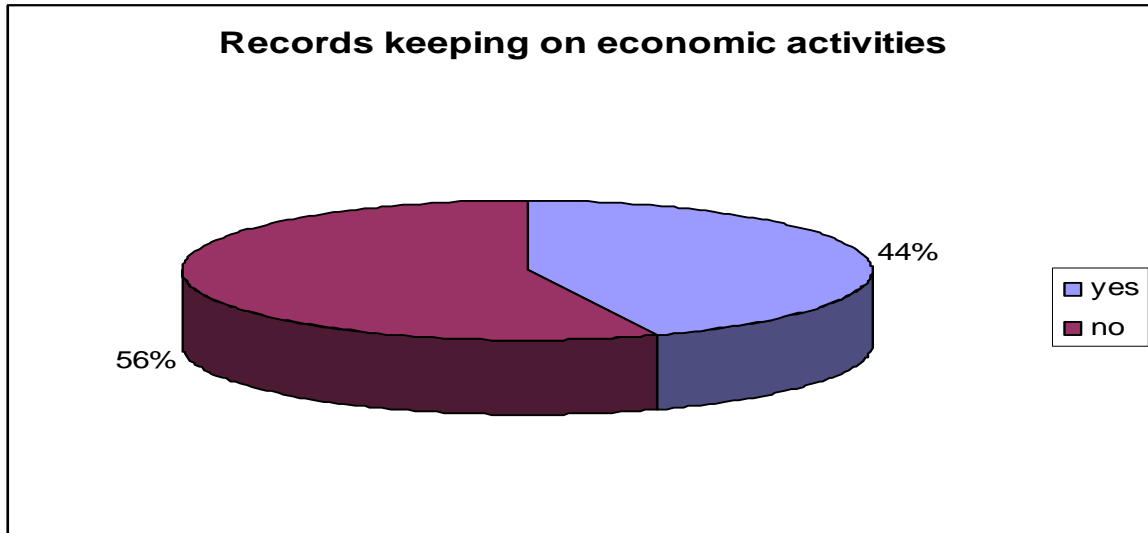
This could be that for those who make monthly budgets are mostly earners of monthly incomes and, quarterly and yearly are those mainly involved in agriculture that is seasonal.

Records keeping in relation to economic activities

Most members were found not keeping records on their economic activities and as such, can not tell whether they are running viable enterprises all not. This there for explains why the majority of the respondents do not make operational budgets because of lack of records (Figure 9).

For instance, only 44 % were found to keep records compared to 56 % who do not as shown in Figure 9

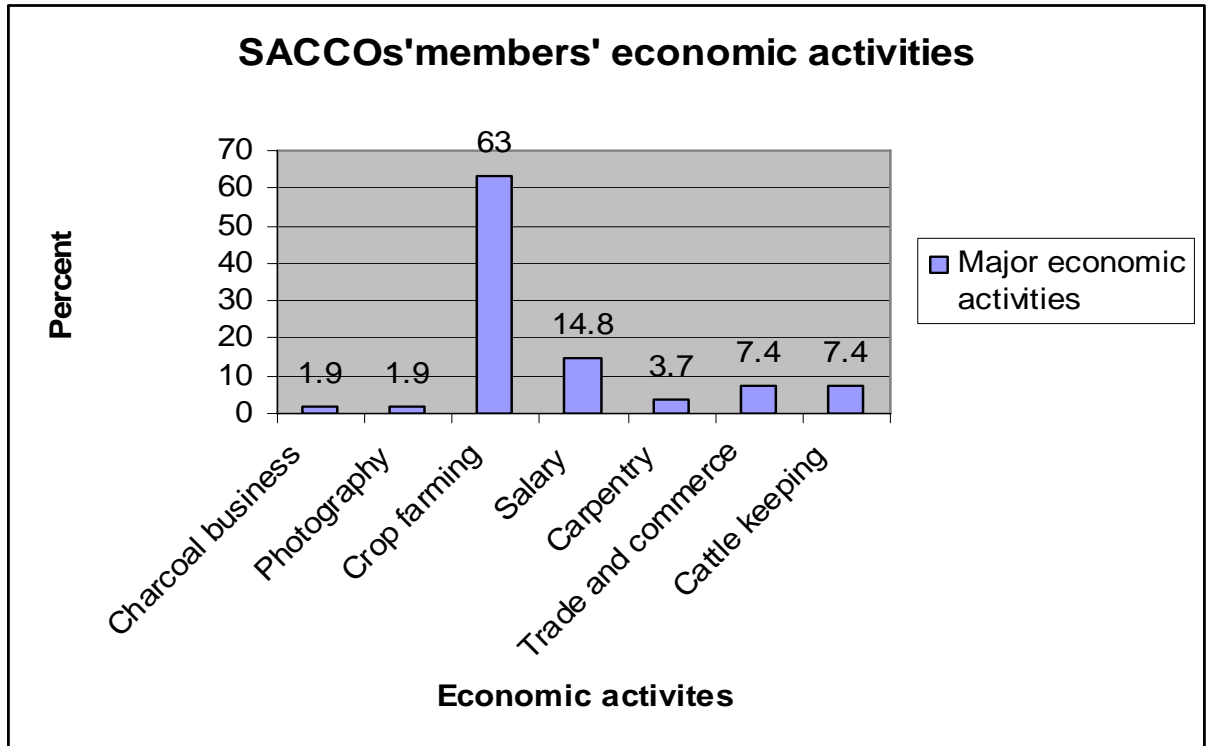
Figure 8 Extent of record keeping on economic activities



Major economic activities done by SACCOS' members

In here, it was established that most of the SACCO membership is involved in agriculture 70.4% and some few others are salaried doing mainly teaching 14.8% while the rest are doing business/trade mainly photography, charcoal business and carpentry (Figure 10).

Figure 9 Major economic activities done by SACCOS' members



Equally vital for this study, is the question of earning potential, it was established that most members in the SACCOS earn on average Ugshs.200,030 and are able to save Ugshs. 67,591/= which is (33.8%) of their earnings which is far greater than the national average rate of 10% a clear manifestation that SACCOs have indeed done a great job in affecting saving culture of their membership(Table 18). Hence the government should actively support them and help expand and have them established in every sub county.

Table 14 Average incomes

Income earned and saved per month (Ug Shs)

<i>Category</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Mean</i>

Earned(n=54)	10,000	1,400,000	200,030
Saved	5,000	300,000	67,591

It can be concluded that that generally SACCOs have a significant effect on members' saving culture at 1% level of significance. Since the probability value is significant (0.001) at 1% level (Table 11), the null hypothesis can be rejected and conclude that SACCOs positively influence saving culture. However, the extraneous variables indicated in the conceptual frame work have an effect on SACCOs 'members saving culture although in a negative relation ship with exception of primary levels of education (2.556) and school going children (0.181) which have appositive effect on saving culture with respect to SACCOs (Table 13).

CHAPTER FIVE

SUMMARY OF FINDINGS CONCLUSIONS AND RECOMMENDATIONS

Introduction:

This chapter sets out to discuss the summary of findings, draw conclusions and make recommendations to all those concerned with Micro-Finance industry.

Summary of findings

Hypothesis:

The hypothesis stated that, members' saving culture is independent of SACCO membership. Data related to this hypothesis were collected from SACCOs' general membership, management staff and leadership respectively and was analysed using Pearson Chi-square and Linear regression model .A relationship between SACCOs and members' saving culture was found to be statistically significant at 1% level of significance and this led to rejection of null hypothesis in favour of the alternative.

However, other factors (income level, educational attainment, family size and school going children in a house hold) apart from SACCOs' were found to have a significant impact on members' saving culture at varying levels of significance as shown below:

Variables significant at 1% are:

Income level

Variables significant at 5% are:

Tertiary level of education

Number of children

Children who go to school

Variables significant at 10% are:

Secondary level of education

Conclusion from the study;

The study was able to achieve its objectives and the researcher can ably conclude as follows:

SACCOs' effects on member's saving culture:

The study concluded that the SACCOs have a significant positive effect at 1% level of statistical significance on members' saving culture and so the null hypothesis was rejected and the alternative hypothesis accepted. Therefore, SACCOs positively influence members' saving culture.

Extraneous variables' effect on saving culture: The research also found out that family size, children in schools income level education level have strong significant effect on SACCOs members' saving culture which findings are in agreement with Ddumba and Obwona (1998) study. However, it is important to note that, family size ,education level and income level much as they have significant effect on members saving culture it is in a negative direction un like house holds with school going children which has positive coefficient(Table 13) but this is only in the context of SACCOs else where the situation could be different.

The educated and the higher income level holders tend to under look SACCOs and look up to commercial banks which are superior to SACCOs in terms of services and products offered. So SACCOs should be helped to diversify their services and enabled to acquire opportunity to pay salaries for those salaried members. This will stop them from going to commercial banks.

Strategies used to improve saving culture

The research findings concluded that trainings on saving in totality are a vital strategy to improve saving culture in SACCOs. Equally important was acknowledgment of regular and best savers in form of certificates and other rewards ,development of new savings products ,compulsory savings and raising of saving to loan ratio .Others are targeting of small scale business proprietors with business loans.

Cultivation of the saving culture may be made successfully, after realisation of the fact that people whether in rural or urban areas, high or low income communities can save when they are guided and encouraged through groups and given reasons why it may be necessary for them to save as revealed in the study that training has a high multiplier effect on members' saving culture.

Overall recommendations:

Educate the public about how to use savings services and the benefits as well as the costs that accrue from them.

The government should educate people to learn to spend only when they must and particularly the rural communities to learn to avoid some luxuries and wastefulness and more so extravagancy and uphold financial discipline as the only way of promoting saving culture.

The government should help SACCOs access bank codes to administer payment of government and private agencies employees' salaries so that the educated and high income earners can be attracted and retained and motivated to transact business with the SACCOs.

The SACCOs should mobilise adequate capital to meet all the financial needs of all the members' especially high income earners. So that, they can stay in SACCOs. This can be achieved through having varied investment portfolio –treasury bills, securities as opposed to the current and limited ones of only extending credit.

The should be regular and constant award of either certificates, prizes ,acknowledgements and any other forms of reward to the best and regular savers to motivate others to save. Hence promoted saving culture.

Payment of reasonable interest rate on all savings products so that the savers can compensate for the opportunity cost of their deposits.

There is need to educate communities to develop a pending culture that is budget based at household level i.e. all spending should be preceded by a budget.

The government should strengthen support to agricultural extension services departments so that rural communities can be taught to learn to practice intensive agriculture, commercial farming and be able to generate income to save and invest for better quality of life as opposed to subsistence farming that is prevalent.

The government should help develop agricultural marketing information dissemination infrastructure and net works and provide access to markets by the rural farmers so that what ever is produced is sold and income is earned and hence saving is carried out. Since saving has appositive relationship with the level of income.

General recommendations

In the same vein, government and donor agencies and other stakeholders should help SACCOs carryout member education about SACCOs operations, loans, shares and more importantly savings ;a subject of this study to ensure increased out reach of SACCOs. This also would help SACCOs achieve their fundamental principle number five of cooperatives worldwide.

Further more, there is an un-tapped potential for savings mobilisation in the rural areas. The SACCOs can use this opportunity to diversify their funding source of the loan portfolio by mobilising substantial rural savings. In addition to forced savings, there are other schemes that appeal to the active rural poor. These include schemes for school fees and burials. These provide an increased incentive for saving especially for those whose incomes are seasonal. Insurance schemes would also be appealing, given the fact that, the rural poor live in risky environments. These products that are meant for low-income earners will go along way to compliment the traditional strategies like, '*Bataka kweziika*'', *munno mukabi*'

The government and other development partners should support cooperatives involved in marketing of agricultural related products (Area Cooperative Enterprises ACEs) and are members of SACCOs to ensure that middle men do not exploit farmers in order to get value for their farm produce. As this will ensure good premiums on farm produce hence increased savings in SACCOs and generally farmer beneficiaries in ACEs will economically patronise their SACCOs. And; through the multiplier effect, will make SACCOs strong viable and sound.

Effective (but not restrictive) regulatory and supervisory systems and depositor protection arrangements should be in place to provide security for introduction of large-scale savings mobilisation schemes .With such safeguards in place, SACCOs and MFIs generally ,that believe in serving the poor and, in generating indigenous capital funds, should move a head with the development of voluntary, open access, saving facilities. For open access to hard-earned savings is not just a human right, it also makes business sense. As one villager commented, 'My investment opportunities are not the same

throughout the year. I need a place to store money safely while I look for the right openings' (Robinson, 1994).

The government should embrace the Old Age Savings Insurance Scheme ("OASIS") which was initiated and is being promoted by UCA among its member organisations. This scheme would meet the special needs of co-operative members it serves as a high interest long-term Old Age Savings Scheme with added Life Assurance and, it also helps to meet day to day trading needs. Since its membership certificate gives collateral security for business loans.

The government should educate people to avoid exposure to dangers as these tend to drain their financial resources which would otherwise be saved.

The government should stop 15% of withholding tax it charges on savers' interest earned as it is a disincentive to saving especially fixed deposits. Since it is levied at source (SACCOs) .Many members complain about it thinking that, it is also another SACCOs' charge.

Further still, the government and those involved in SACCOs and other MFIs' promoters should educate people to learn to borrow only when it is extremely necessary. This is because borrowing for the sake of it, may lead to misuse of funds leading to draining of the -would -have been saved resource.

The government should educate people in communities generally, about the basic principles of controlling expenditure namely:

- Be quick to receive money but pay as late as possible. This principle will help one to control the way he/she spends.
- People should set priority of what to spend on.

- People should always make budgets to operate from.
- Match expenditure with what they income.

SACCOs should adopt a dynamic and aggressive policy to encourage savings by enhancing public confidence in the micro-finance industry, providing cost-effective schemes for small depositors and more importantly, they must be seen by the public to be concerned not only with balancing their books but also, with promoting members' welfare and prosperity.

Further more, an institution, using deposits for on lending like a SACCO, has to meet the demand of both borrowers and savers. Larger savers tend to qualify for and want larger loans. Borrowers who are forced out by the SACCOs' loan limits before they can qualify for loans from commercial banks find themselves in difficulty. In contrast, SACCOs that help long-term borrowers to obtain larger loans and recommend them to other banks when they qualify will continue to have the member's goodwill, and at least some of their savings.

Some of the factors that affect savings mobilisation are outside the control of the SACCOs. For instance, lower government spending on health and education has tended to 'squeeze' household savings because these constitute a large proportion of their expenditure. This implies that, house holds and individuals will have little to save since most of their income is spent on such essential requirements.

Development agencies should train people to be as mean as possible as this limits their generosity which goes with unplanned spending of their meager incomes thereby leaving little if not nothing for saving.

Development agencies should fund savings mobilisation oriented activities. Savings may be mandatory or voluntary. Savings are important for any economy as earlier pointed out. The provision of savings services apart from credit to the poor helps them in developing good saving culture, saving in more efficient ways instead of investing in assets, which are costly to maintain and stand the risk of losing the value or being lost. Savings by the poor people who are the majority of the population represent an untapped resource which if properly exploited would stimulate economic growth and improve the worst domestic savings rate of Uganda (5%) below the Sub Saharan Africa average of 20%.

They should also help promote consumer education and promotional programmes in SACCOs so that members can become more aware of their rights and obligations.

Development agencies should also help fund Research and Development (R&D) in SACCOs so that, SACCOs can offer valuable products tailored to meeting not only wants of the members but also their needs.

Suggestions for further research

There is largely significant increase in default rate in SACCOs in Uganda. Therefore it would be important to research on determinants of loan default in SACCOs in Uganda.

There is also need to research on the influence of governance on SACCOs' performance and development.

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APPENDIX

APPENDIX 1

Dear respondent,

I am investigating the effect that SACCOs have on their members' saving culture, with Ntungamo District as my case study. Therefore, I wish to request you kindly to spare some time and answer the questions below as honestly as possible by ticking or filling in the spaces provided. The information given will be purely for Institutional development purposes and will be treated confidentially. Ultimately, the findings of the study will enhance the development and management of SACCOs and inform all stakeholders on the way forward for effective savings mobilization particularly in rural areas.

Thank you for your cooperation.

**Questionnaire for the effect of SACCOs on members' saving culture: case study
Ntungamo District**

(For Leadership and management staff)

Leadership and management staff questionnaire

Position in the SACCOs.....

How long have you been in the organization?.....

- 1. Less than a year
- 2. one year
- 3. two years

- 4. three years
- 5. four years
- 6. Others specify.....

Do you hold management /BOAD meetings?.....yes No If yes how often?

- 1. weekly
- 2. effort night
- 3. monthly
- 4. quarterly
- 5. Others specify.....

Are you satisfied with the levels of savings in SACCO?

Yes No

If yes, state the strategies you have used to mobilize savings in your SACCO?

.....

.....

.....

.....

.....

.....

If no suggest possible strategies which you intend to use to improve the current saving culture in your SACCO?

.....

.....

.....

.....

.....

.....

There is a generally low level of savings compared to loan portfolio in all the SACCOs in the district .With specific reference to your SACCO what could be the reasons for low savings levels in SACCO?

.....

.....

.....

.....

.....

.....

.....

.....

Suggest what needs to be done to equalize savings at least with the loans and share capital?

.....

.....

.....
.....
.....
.....
.....
.....

Have you been motivating members to save with the SACCOs regularly?

Yes No

If yes, how have you been motivating members to save?

.....
.....
.....
.....
.....
.....
.....

If no, suggest how you can motivate members to save regularly with the SACCOs?

.....
.....
.....
.....

.....

.....

.....

Check to make sure there is an answer recorded for every question

Thank you for your valuable time

APPENDIX 2

Dear respondent,

I am investigating the effect that SACCOs have on their members' saving culture, with Ntungamo district as my case study. Therefore wish to request you kindly to spare some time and answer the questions below as honestly as possible by ticking or filling in the spaces provided. The information given will be purely for institutional development purposes and will be treated confidentially. Ultimately, the findings of the study will enhance the development and management of SACCOs and inform all stake holders on the way forward for effective savings mobilization particularly in rural areas.

Thank you for your cooperation.

**Questionnaire for the effect of SACCOs on members' saving culture: case study:
Ntungamo District**

(For members of the SACCOs)

Tick or write answers in full where applicable.

A) Background

Sex: male

female

Marital status:

single,

married

widowed

Physical address

.....
.....
Age.....

When did you join the SACCO?.....

Were you saving before you joined the SACCO?-Yes No

If yes,

How were you saving?

1. with friends, relatives
2. Secret place
3. Save with an institution that is regulated by bank of Uganda.
4. Save with informal groups
5. Mfi
6. Others (specify).....

If not, why?.....

In which forms did you save?

- Real estates;
- Domestic animals
- Land,
- Cash at bank, or at home.

When did you use to save?

.....
.....
.....
.....

Why were you saving?

- 1, Means of insurance (emergency-burial, medical)
- 2. Smoothens cash flow
- 3. Accumulation of wealth
- 4. Save for future investment and consumption
- 5. Meet social and religious obligations
- 6. Education
- 7. Expand business
- 8. Leave something for my children
- 9. Others (specify).....

Do you have a budget on which your family operates?

- Yes
- No
- Don't know

If yes, how often do you make a budget.....?

Do you keep any records of your economic activities?

Yes

No

Have you ever received any training on saving?

Yes No

If yes who organized /conducted the training?.....

1. Sacco

2. UCA

3. UNFA

4. Ministry of finance

5. Local government under AAMP

6 .Any other (specify).....

What changes (if any) did the training course make on improving your saving habits?

.....
.....
.....
.....
.....

Would you require any /more training from your SACCO?

Yes

No

If yes, in what fields

1. Business management

2. Strategic planning

3. Savings benefits, importance and its meaning.

- 4. Marketing
- 5. HIV/AIDS training
- 6. Entrepreneurship
- 7. All the above

8. Others (specially).....

How does your SACCO help you to save?

.....
.....
.....

What do you save for?

.....
.....
.....
.....
.....
.....
.....

What made you save?

.....
.....
.....
.....
.....

Where do you save from?

.....
.....
.....

How often do you save?

1. Daily 2. Weekly 3. Effort night 4. Monthly 5. Yearly

When do you save ?

1. When profits are made
2. Transfer earnings
3. Compulsory
4. When you need a loan
5. When required by the society
6. Others (specify).....

Why do you save?

1. Meet social obligations
2. Meet emergencies
3. Pay school fees in future
4. Accumulate capital
5. Others specify.....

What do you do to increase your savings?

- 3. Reasonable Interest
- 4. Good savings products
- 5. Safety.
- 6. Easy accessibility
- 7. All the above
- Others (specify).....

C) Effect of SACCOs

What SACCO activities encourage you to save?

- 1. Training on importance of saving
- 2. Mandatory minimum balance maintenance on account.
- 3. Compulsory regular savings.
- 4. Exchange visits
- 5. Others specify... ..

Which major factor has influenced you to save?

.....

To what extent has your SACCO helped you to change your saving culture?

- 1. Small extent
- 2. Some extent
- 3. Big extent
- 4 .greater extent

What kind of savings products does your SACCO offer?

.....

If yes state the number.....

How many are in school?.....

Do they contribute to your well being?.....

What type of shelter do you live in?

Permanent

Semi-permanent

Mud and wattle

Hut

Others specify.....

How much arable land (land under use) does your family possess?

1. 50-100 acres (very big)

2. 25-51 acres (big)

3. 25-10 acres (reasonably big)

4. 10-15 acres (small)

5. Others (specify)

Do you keep domestic animals and birds; tick the relevant numbers where applicable

Animals/birds(domestic)	100-50	50-25	25-10	Less than 10
cows				
goats				
sheep				

pigs				
rabbits				
turkeys				
chicken				
ducks				
Others(specify)				

Do you read news paper in your home?

1. Orumuri
2. New vision
3. Entatsi
4. Weekly observer
5. Red pepper
6. The daily monitor
7. Others specify.....

What is your house roofed with?

1. Tiles
2. Corrugated iron sheets
3. Thatch (grass)
4. Others (specify).....

What source of information and entertainment do you have at home?

- 1. Video
- 2. Television
- 3. Radio cassette
- 4. Radio
- 5. Others (specify)

Does your family have the following?

- 1. Family car
- 2. Motorcycle
- 3. Bicycle
- 4. Telephone
- 5. Refrigerator
- 6. Others (specify).....

Do you use the following for lighting?

- 1. Electricity
- 2. Gas
- 3. Solar
- 4. Paraffin
- 5. Hearth fire
- 6. Others (specify).....

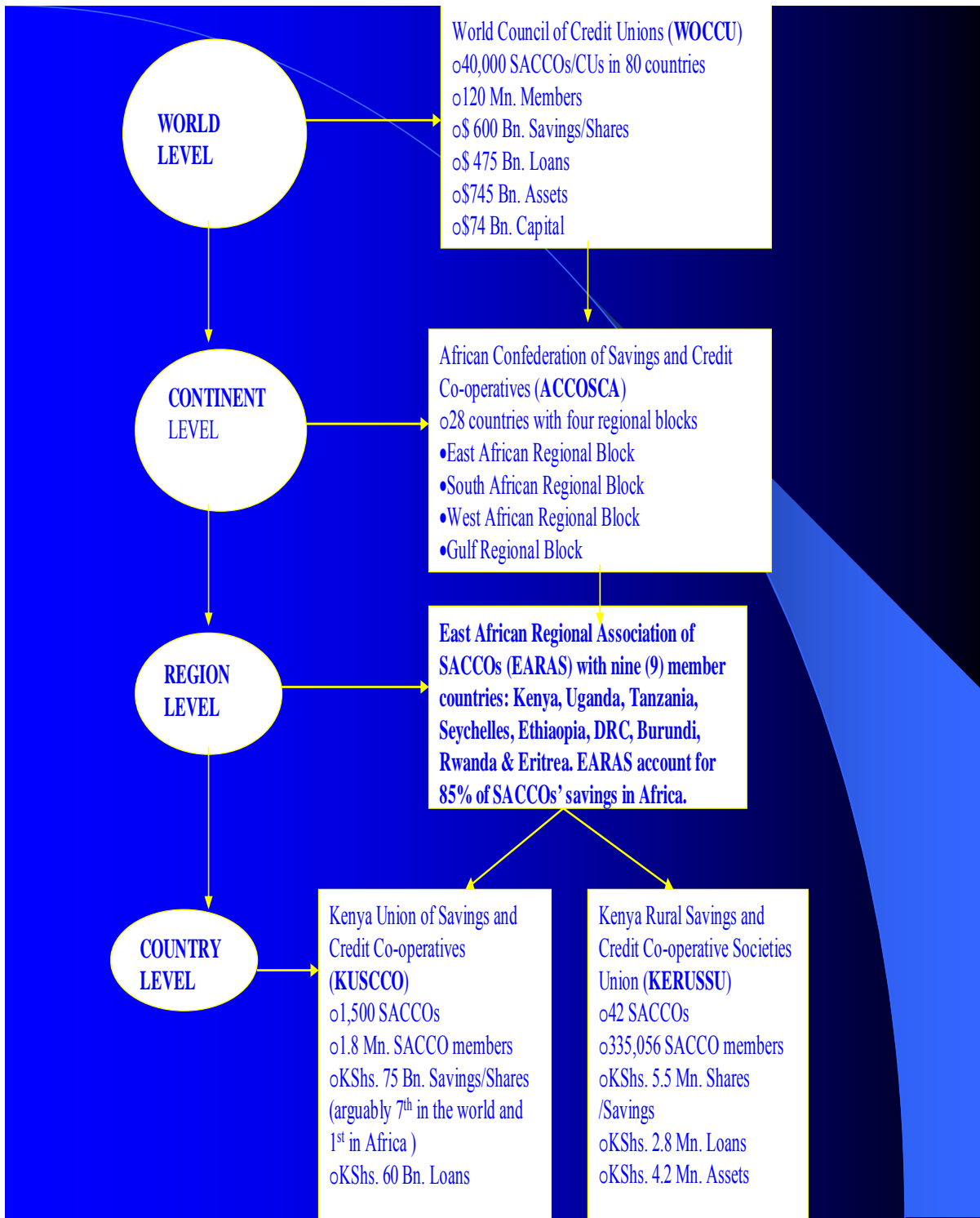
Do you keep servants at home?

- 1. House keeper
- 2. Cook
- 3. Samba boy

- 4. Ayah (to look after children)
- 5. Launderer (to iron and wash clothes)
- 6. Others (specify)

Check to make sure there is an answer recorded for every question

Thank you for your valuable time.



APPENDIX 4

STATUS OF SACCOS IN SOME FEW AFRICAN COUNTRIES.

Fin. Co-op Devpt Indicators (2002)

Country /Indicator	SACCOs' National Union Body		No. of SACCOs		Membersh ip	Penet ration * Rate	Share s/Dep osits (Mn US\$)	Loans Outstan ding (Mn US\$)	Assets (Mn US\$)
	Name	Start year	Affiliate s	Total					
Kenya	KUSCCO	1973	1,500	2,960	1.8 Mn.	8.5	967	759.5	1,000
Uganda	UCSCU	1991	532	1,200	400,000	0.7	-	-	-
Tanzania	SCCULT	1992	571	1,459	91,591	0.7	1.25	1.8	0.29
Seychelles	SCU	1970	1	1	10,200	19	9.8	9	10.6
Ethiopia	ARSCCU	1998	1,088	1,088	170,772	-	-	-	50.3
Malawi	MUSCCO	1980	68	68	6,000	1.09	5	4	-

* Defined by WOCCU as the ratio of the total number of reported SACCO members to the economically active population

Source: 3rd East African Regional Association of SACCOs (EARAS) Conference held in Nairobi in June 2004

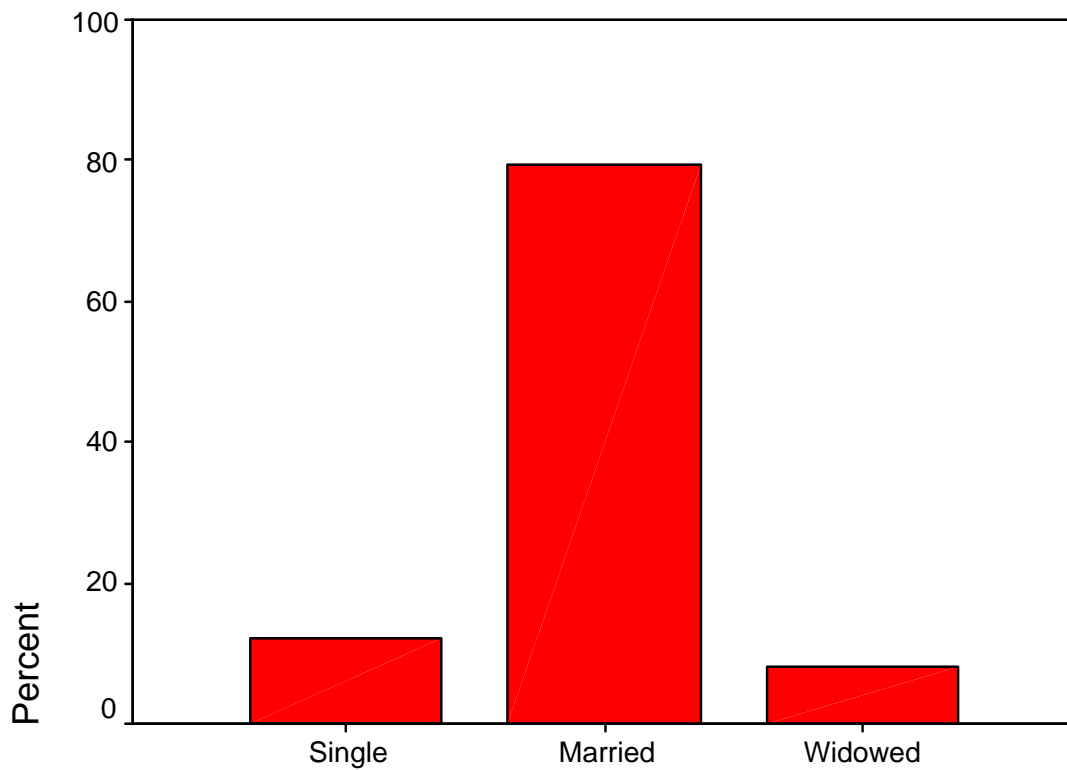
APPENDIX 5

GENDER CHARACTERISTICS OF THE RESPONDENTS.

Sex

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	31	57.4	63.3	63.3
	Female	18	33.3	36.7	100.0
	Total	49	90.7	100.0	
Missing	System	5	9.3		
Total		54	100.0		

Marital status



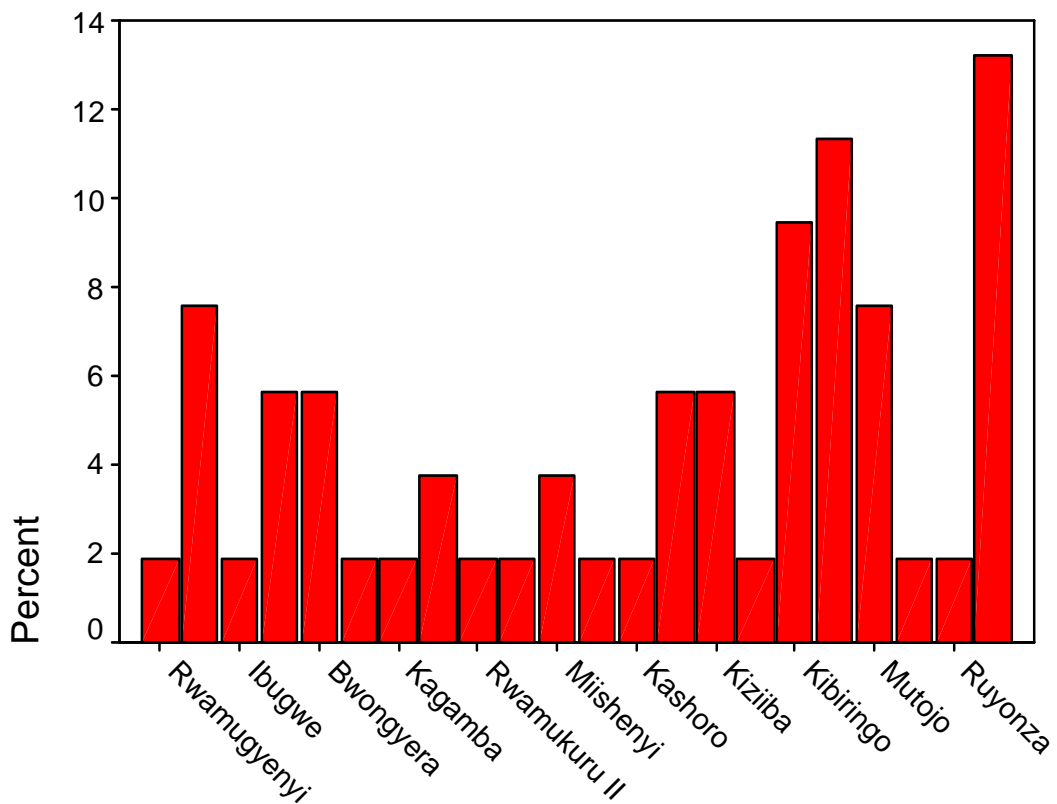
Marital status

LOCATION OF THE RESPONDENTS

Subcounty

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Nyakyera Subcount	18	33.3	33.3	33.3
Nyabihoko Subcou	16	29.6	29.6	63.0
Rubaare Subcount	20	37.0	37.0	100.0
Total	54	100.0	100.0	

Physical address



Physical address

APPENDIX 7

Age characteristics of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	21-30	12	22.2	23.5	23.5
	31-40	17	31.5	33.3	56.9
	41-50	13	24.1	25.5	82.4
	51-60	5	9.3	9.8	92.2
	60+	4	7.4	7.8	100.0
	Total	51	94.4	100.0	
Missing	System	3	5.6		
Total		54	100.0		

APPENDIX 8

EXPERIENCE OF MANAGEMENT AND BOARD MEMBERS.

How long have you been in the organization?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1	1	20.0	20.0	20.0
2	1	20.0	20.0	40.0
5	1	20.0	20.0	60.0
6	1	20.0	20.0	80.0
8	1	20.0	20.0	100.0
Total	1	100.0	100.0	

APPENDIX 9

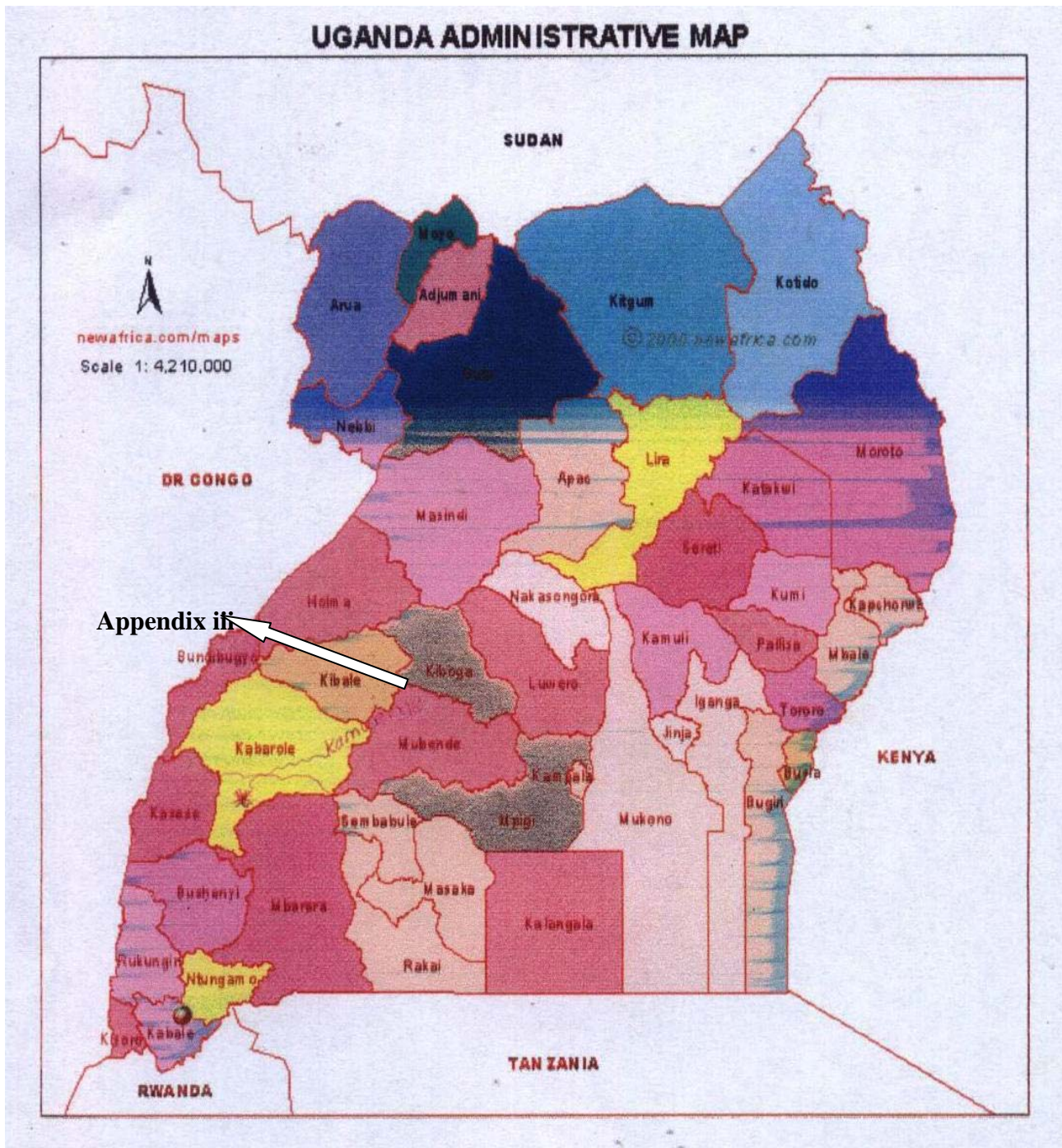
MANAGEMENT AND BOARD MEETINGS.

Do you hold management/board meetings?

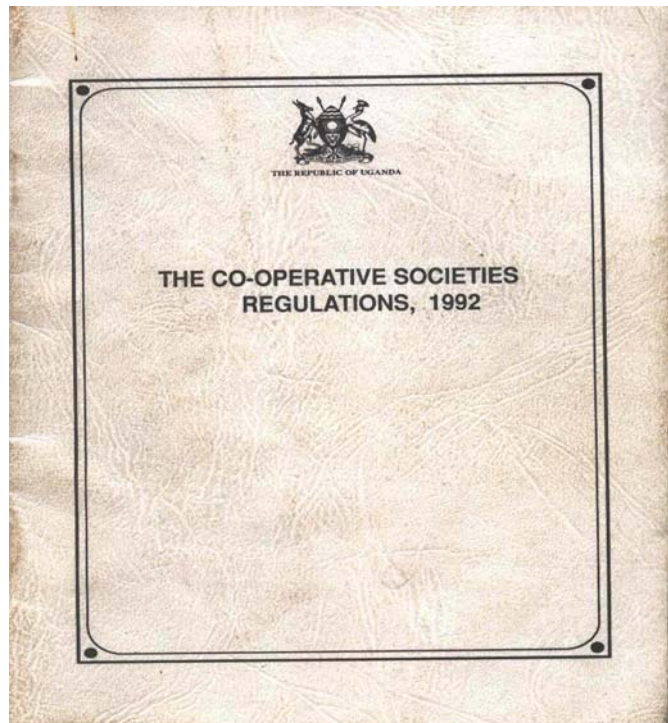
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	5	100.0	100.0	100.0

**APPENDIX 10
LIST OF SACCOS FROM DISTRICT COMMERCIAL OFFICER'S OFFICE
NTUNGAMO DISTRICT.**

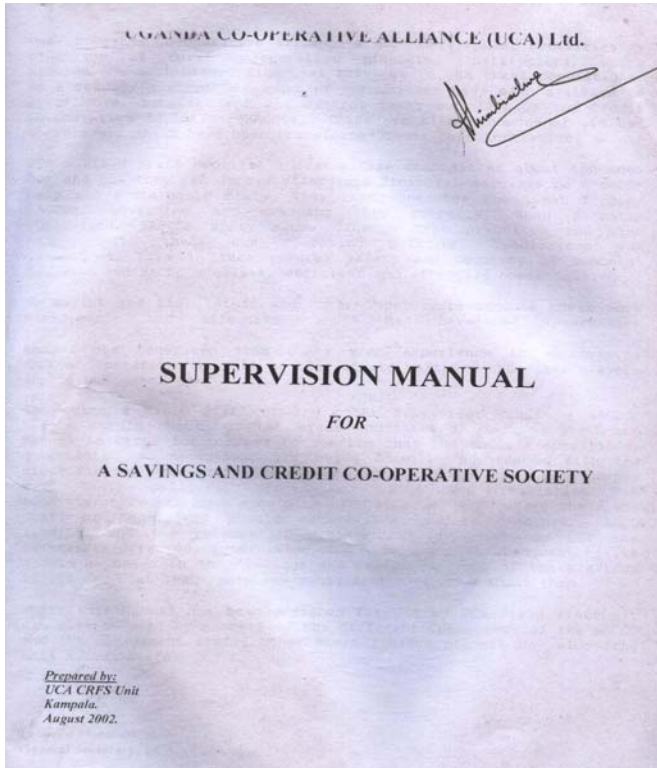
LOCATION OF NTUNGAMO DISTRICT ON



APPENDIX 11



APPENDIX 12



APPENDIX 13

