

**ASSESSING THE EFFECT OF SAVINGS AND CREDIT COOPERATIVE
ORGANIZATION (SACCO) ON ECONOMIC EMPOWERMENT OF THE PEOPLE**

Case study: Obia SACCO, Zeu Sub-county Zombo District

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DEDICATION

In this piece of dissertation I would love with grater joy in my life dedicate it to my beloved uncle Fr. Alexander Inke without him I would not have made it to this level in my life. I would like to say thank you Fr. Alexander Inke for the support rendered to me amidst the challenges you were going through may the almighty god provide for all your requests. To my beloved parents thank you for the support and moral guidance and making sure I am health Annewun Emilliana and Mr. Thochaka Santo. To my most beloved grants parents Jaja Pierina Piker and Muzei Ocul Stanislaus am strong because you did not leave out as your own child, may god bless you and you live to enjoy the fruit of my labor. To all my friends relatives especially uncle Felix, aunty Kisa, Min Pimer and everyone who supported me all along this struggle to make life better may you live long and may the almighty god bless you all.

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"gwok jugamo kamabor, i pacu mukende ree edwogi viyu man egwoku pacu" simple translation *"a dog is got from a different family and place but it barks and protect the home it has been brought up"*. I promised to be with you in all my life time.

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ABSTRACT

A savings and credit co-operative organization (SACCO) is a democratic, unique member driven, self-help cooperative. It is owned, governed and managed by its members who have the same common bond: working for the same employer, belonging to the same church, labor union, social fraternity or living/working in the same community. A savings and credit cooperative's membership is open to all who belong to the 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 each other at reasonable rates of interest. Interest is charged on loans, to cover the interest cost on savings and the cost of administration. There is no payment or profit to outside interest or internal owners. The members are the owners and the members decide how their money will be used for the benefit of each other.

Economic empowerment is the capacity of all individuals in the society or community to participate in, contribute to and benefit from growth processes in ways that recognize the value of their contributions, respect their dignity and make it possible to negotiate a fairer distribution of the benefits of growth.

This study assesses the effects of saving and credit cooperative organizations on the economic empowerment of the people with greater focus on establishing the roles of the SACCO in economic empowerment, find out the challenges facing the SACCO in the economic empowerment process and suggest the possible strategies to minimize the challenges facing the SACCO in empowering the people economically.

Study employed questionnaire and interview as data collection methods and consequently questionnaire and interview guide as instruments. The researcher used purposive sampling technique to get the respondents and collect data from them, later these data collected were analyzed through categorization method by creating themes or topics and grouping of similar responses this was for qualitative data while quantitative data were entered into the computer and analyzed using excel program.

Following the objectives, the study found out that Obia SACCO has the role to empower the people economically. This was being done through provision of services like loans to the members, providing the saving facilities to the members, training and education and providing financial management skills for the members to empower them economically. Hence all those led to the increments in the members income level, increased profit, improved livelihood and gaining of new skills in the management of their business.

CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

The study aimed at assessing the effects of rural saving and credit cooperative organizations on the economic empowerment of the people with a particular focus on the Obia savings and credit cooperatives in Zeu sub-county, Zombo district.

Most SACCO such as mer ber group, Dikiri ent etogo had been formed in order to improve clients income levels, mobilize financial resources from the members as self generated capital, provision of financial services accessibility and improving economic and social situation through joint action. Microfinance institutions helps to assisting small enterprises, the poor and households who have no access to the more institutionalized financial system to mobilizing savings and obtaining access to financial services (Asia Development Bank, 2000)

This study was to examine the roles of SACCO in the sub-county, to analyze the major challenges facing the activities of the SACCOs in trying to empower the people economically, and to suggest the possible strategies of minimizing the challenges faced by the SACCOs empowerment processes. This chapter therefore, looked at the general background of the study, problem statement, the study area, general objectives, specific objectives, and the research question that will be used to guide the study, the scope of the study, justification and the significance of the study and the conceptual frame work.

1.1 Definition of key terms

Saccos: saving and credit cooperative organizations.

Empowerment: empowerment is the process of increasing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes. Central to this process are actions which both build individual and collective assets, and improve the efficiency and fairness of the organizational and institutional context which govern the use of these assets.

Economic empowerment: this is the capacity of women and men to participate in, contribute to and benefit from growth processes in ways that recognize the value of their contributions, respect their dignity and make it possible to negotiate a fairer distribution of the benefits of growth.

Saving is income not spent, or postponed consumption. Methods of saving include putting money aside in, for example, a deposit account, a pension account, an investment fund, or as cash. Saving also involves reducing expenditures, such as recurring costs.

Rural: a rural area or countryside is a geographic area that is located outside towns and cities.

Cooperative: this is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise (international cooperative alliance (ICA, 2011). "A cooperative is a user-owned, user controlled business that distributes benefits on the basis of use." This definition captures what are generally considered the three primary cooperative principles such as user ownership, user control and proportional distribution of benefits (Chambo, 2009).

Credit: is the trust which allows one party to provide money or resources to another party where that second party does not refund the first party immediately.

AMFIU: Association of Microfinance Institutions of Uganda.

Rural finance: refers to the financial transactions related to both agricultural and non-agricultural activities that take place among households and institutions in rural areas.

1.2 Background to the study

Ledgerwood (2011) defines savings and credit schemes as institutions that are formed to provide financial support to the members; the institution accepts deposits from members and grants them loans at reasonable rates of interest in times of need. Village service co-operatives and urban cooperative banks are examples of savings and credit schemes. Ledgerwood(2011) goes on to define financial accessibility as the provision of financial services (deposits, loans, payment services, money transfers, insurance), and accepting a wider variety of assets as collateral to urban and rural poor and low-income households and their micro enterprises. It also encompasses the use of collateral to compensate for lack of fixed assets (land, buildings) among its target clients.

Characteristics of SACCOs in developing countries, according to Credit Co-Operative Movement (CCM, 2006) co-operatives in all of developing world have the following characteristics;

- i. Clients tend to come from low income and lower middle - income groups. This means that majority of the clients of SACCO are lower and middle income earners. They may come from employment (employment based-members) or from community (community-based members).

- ii. Services are almost exclusively financial in nature. - The aimed services are the mobilization of financial resources from members.
- iii. 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.
- iv. Members are united through at least one common interest - members normally have common ties which they share. For example, employment based SACCOs are united through their employment contract. Besides employment they are pushed by self-help motive to be members of the SACCOs.
- v. Members pursue the goal of improving their economic and social situation through joint actions. - through mobilization of resources members are able to establish self-generated capital as well as creating the social network that will be beneficial to their economic (income generating) activities.
- vi. Resources mobilization gives members opportunities to use owned and operated unit which provides them with financial services of its physical size and activities, the units purpose is to make the best use joint resources of the members to produce or obtain goods or services for members
- vii. Mutual self-help group - where members have joint action toward financial resources which focus on the attainment of the group's objectives or mutual self-help.

Rural finance is referred to as the provision of appropriate financial services such as deposits, seasonal and short term loans, money transfers, warehouse receipts, etc to the rural population. Although many times the term microfinance is used

interchangeably with rural finance, the two are quite different. Microfinance services have a significant positive impact on the depth (severity) of poverty and on specific social-economic variables such as children's schooling, household nutrition status, an improved quality of life and women's empowerment (IFAD 2010).

According to Guifold (2007), saving and cooperative organization (SACCO) have been developed to meet the fundamental human need to find a way of saving and borrowing methods without taking risks and without handing over too much power to a moneylender. They were introduced in south Germany in 1846, by two community business leaders: Freidrich W. Reifeisen and Herman schultze- Delitsche. They were considered as the founding fathers of the saving and credit cooperatives.

According to Coleman (2006) stated that in Italy, Luigi Luzzatti established saving and credit cooperatives which combined the principles established by his two German predecessors. Both forms spread rapidly all over Europe, northern America, Latin America, and Asia from 1900 to 1930 and to Ghana by one catholic bishop. Today SACCO societies have significant role in empowering their members' socio-economic status all over the world. For example, in Western Europe there are around 11,000 local and regional saving and credit cooperatives banks, with over 56,000 outlets, a 33 million strong membership and a staff of more than 400,000. Their market share is 17 percent of savings, ranking third after the commercial and savings banks (Coleman, 2006).

In the United State of America, the country is having very large cooperative banks which account for about a quarter of the credit needs of us agriculture. Credit unions are also well established; there are over 18,000 credit unions, serving 70 million members and with more than \$300 billion in assets.

They have 13 percent of the consumer credit market and eight percent of consumer savings, (Hans, 2005).

According to food and agriculture organization FAO (2006), the French SACCO or credit union Agricole is the largest bank in the world outside of Japan with 55%; the German people's banks have over 28 percent of the savings market share, Rabobank Netherlands 25 percent. Ireland has a strong SACCOs or credit unions movement, with 1.6 million people (44 percent of the population) in membership. Canada has one of the highest concentrations of SACCOs.

In the French-speaking Quebec region, there are 1300 SACCOs, with five million members and more outlets than the banks. They have more than a third of the region's savings on deposit, and make a third of all consumer loans. In English speaking Canada they have not such a large market share, but in Saskatchewan 57 percent of the population belong to SACCOs or credit unions (FAO, 2006).

In African countries' the poor people represent the largest share of the population and microfinance institutions are the important part of their economy. Most of the poor population in sub-Saharan Africa has very limited access to deposit and credit facilities and other financial services provided by formal financial institutions. For example, in Ghana and Tanzania, only about 5-6 percent of the poor population has access to the banking sector (IFAD, 2010).

To meet unsatisfied demand for financial services, a variety of microfinance institutions has emerged over time in Africa. Some of these institutions concentrate only on providing credit, others are engaged in providing both deposit and credit facilities and some are involved only in deposit collection. Microfinance institutions helps to assisting small enterprises, the poor and households who have no access to the

more institutionalized financial system to mobilizing savings and obtaining access to financial services (Muhumuza, 2012).

According to Tumwine et al, (2015), in order to address the weaknesses in the economy and financial sector, the government of Uganda embarked upon an economic recovery program to put in place conditions to improve the incentive structure and business climate so as to promote saving mobilization and investment.

According to the Uganda microfinance assessment study that was carried out by association of microfinance institutions in Uganda (AMFIU) in 2008, microfinance is not entirely a new phenomenon in Uganda. The industry has existed in the country for some time now, but it gained prominence in the 1980s championed primarily by foreign non-governmental organizations (NGOS). Over the last two decades, the government of Uganda has initiated, implemented and supported various micro credit schemes aimed at fighting poverty in the country. The main focus of these programmes has been the provision of revolving funds for micro credit to households at the grass root level. Notable examples include the Poverty Alleviation Program(PAP), Entandikwa credit scheme (ECS), the Masindi-Hoima- Kibaale district integrated project, the district development services project, the European union (EU) and Government of Uganda micro projects programmes (AMFIU, 2008). Currently the government of Uganda has narrowed down its support to what became to be known as the rural financial services programme (RFSP). When the rural development strategy started it mainly focused on; supporting formation of savings and credit cooperative organizations (SACCOS) in sub counties where they did not exist, strengthening existing SACCOS, instituting effective SACCO supervision and regulation, and enhancing access to wholesale funds for on lending to active and productive entities. In 2006 sub county based SACCOS were

formed, these SACCOs are being guided by several institutions and agencies including the two Ugandan apex institutions: Uganda cooperative alliance (UCA) and the Uganda co-operative savings and credit union (UCSCU), (Coleman, 2015).

Obia SACCO began in 2006 and was registered by AMFIU in 2010 when the rural financial services programme came in 2006. Obia SACCO has benefited from the governments' funds which have been given to it through microfinance support center and UGANDA cooperative alliance (AMFIU, 2010). Apart from giving out loans to its members, Obia SACCO has other services which it offers and these include; business literacy skills and financial management skills among the rural community in Zeu sub-county. Though the SACCO doing the mentioned activities, few people in Zeu sub-county seems to have benefited from the programs. This study therefore will concern assessing the effects of rural saving and credit cooperative organization has empower the people economically in Zeu sub-county.

1.3 Problem statement

In 2006 the government initiated a new rural financial services strategy with the ultimate objective of ensuring that financial services reach the population in every sub-county in order to encourage savings mobilization and use of these savings deposits as a source of investment capital to rural enterprises in form of loans. Government adopted the savings and credit cooperatives (SACCO) as vehicles through which rural communities would access financial services. Adopting the SACCO model was based on the fact that they (SACCOs) operate on attested institutional and business model of being democratic/community driven, autonomous, self financing, and savings driven, mobilizing the much needed internal resources.

Obia SACCO was opened in 2010 as one of the program to fulfill the commitment made by the government in 2006. The SACCO provides the community with loans to its members, trainings in business literacy skills and financial management skills among the rural community in Zeu sub-county. However, though Obia SACCO is offering such services to the people of Zeu sub-county, few people seems to have benefited from the services. Therefore, there is a need for the researcher to assess the effect of saving and credit cooperative organization (SACCO) on the economic empowerment of the people of Zeu sub-county.

1.4 Objectives of the study

1.4.1 General objective

To assess the effects of saving and credit cooperative organization (SACCO) on the economic empowerment of the people of Zeu Sub-county

1.4.2 Specific objectives

- i. To establish the activities of saving and credit cooperative organization in economic empowerment of the people of Zeu sub-county.
- ii. To find out the challenges facing the SACCO activities in the process of economic empowerment of the people of Zeu sub-county.
- iii. To suggest strategies to the challenges facing SACCO in their activity of economic empowerment of the people of Zeu sub-county.

1.5 Research questions

- i. What are the activities of saving and credit cooperative organization in the economic empowerment of the people of Zeu sub-county?

ii. What are the challenges facing saving and credit cooperative organization in the process of economic empowerment of the people of Zeu sub-county?

iii. What are strategies to minimize the challenges facing SACCO in their activity of economic empowerment of people of Zeu sub-county?

1.6 Scope of the study

1.6.1 Conceptual scope

The research was focused on assessing the effects of saving and credit cooperative organization on the economic empowerment of the people. The researcher had more focus on the Obia saving and credit cooperative group with the main focus on services offered as independent variable and economic empowerment indicators as dependant variable.

1.6.2 Geographical scope

The study was carried out in Zeu sub-county Zombo district among the Obia savings and credit cooperative in Obia village, Zeu Lorr central parish. Zeu sub-county is located 1025 kilometers from Nebbi to Paidha and 240 kilometers north-west of Arua and 50 kilometers from democratic republic of Congo. Geographically Zeu sub-county is located in the west part of Zombo district 15 miles from the headquarter.

1.6.3 Time scope

The study considered the period 2006-2015 as the period within which the cooperative have been in full operational time in the area and essential enough to provide a time frame for the assessment of their effects.

1.7 Significance of the study

The study is of greater importance to the people who live in rural areas or the society at large. It enabled them to understand the usefulness and the part played by the micro credit scheme particularly SACCOs.

The study may benefit decision markers especially in SACCOs to understand the strength, weakness, opportunity and threat toward the development of SACCOs and its importance to the community.

The study broadens of the literature on SACCOs and their roles in social-economic development of the country Uganda.

The study is useful to different stakeholders including the government of Uganda, non-governmental organizations (NGOS), external agencies, the private sector, the rural finance service programme (RFSP) and all those with mission and vision of improving and generating income of rural areas. They can widen more their windows of perception on the whole issue of economic crisis in rural area.

1.8 Justification of the study

Africa is considered to be the poorest continent in the world followed by Asia and Latin America. World statistics indicated that three of every four people in the developing countries live in rural areas, most of them found in sub-Sahara Africa whose livelihood depends on agriculture economy, (Karamagi, 2011). Within Africa, the sub-Saharan region is the poorest region where poverty is unique in the sense that majority particularly rural people are extremely poor. The idea that savings help out in a tough economy isn't an earth-shaking revelation. This has led to a number of non-governmental organizations (NGOS) and also the governments of various countries extending their support to the rural saving groups. A lot of data or literatures have been written on rural

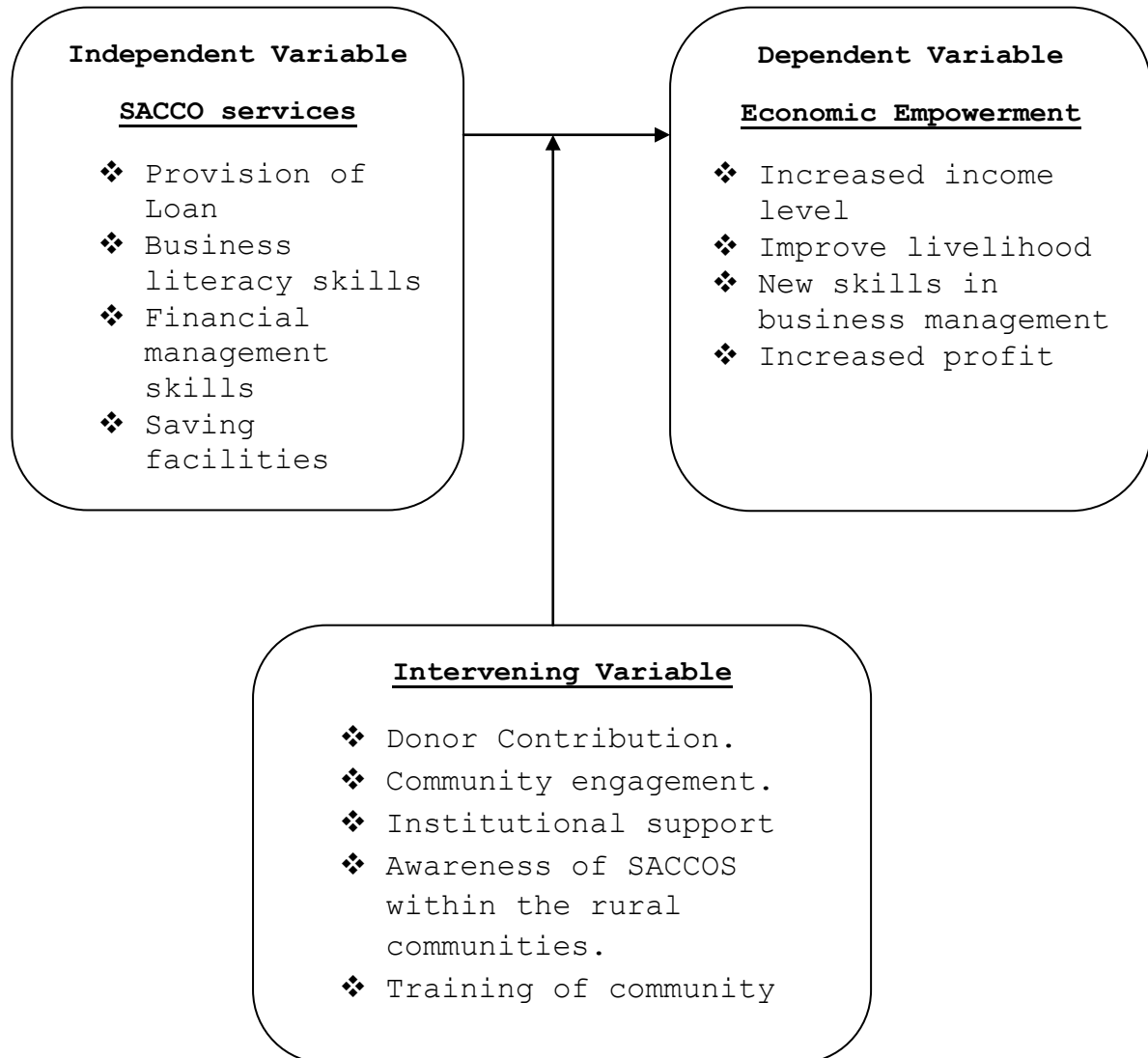
savings and saving as a whole and its contribution to the economic empowerment. However, in the area of study little or hardly anything has been done to show the effects of rural saving to the economic empowerment of the area. Therefore, it's from this angle that the researcher will try to assess the effects of rural savings and credit cooperative organizations on the economic empowerment of the people.

The study was also the requirement as partial fulfillment of the award for a bachelor's degree of Uganda Martyrs University.

The study was necessary in pointing out the SACCO activities such loan acquisition, and refund which could affect the clients in case of too much interest hence affecting the clients economic growth, training activities (education) which has not been witnessed so much economically among the members or the clients.

1.9 Conceptual framework

The conceptual frame will presents the three elements of rural saving as independent variables, economic empowerment as dependent variable and the ideal situation or environment required to make the relationship between rural saving and economic empowerment work or succeed.



CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents the views of different authors on the issues on the roles of saving and credit cooperative organization (SACCO), find out the challenges facing the SACCO and to suggest the possible strategies of resolving the challenges and finally give the conclusion of the chapter.

2.1 The roles saving and credit cooperative organizations

Muhwezi (2010) states that credit facilities enable impoverished persons to start businesses, rebuild after natural disasters like floods and hurricanes, and to receive both short- and long-term loans to meet their financial needs and improve their overall quality of life. The impact of micro lending is changing the economic landscape of the areas where it is most prevalent. He further, states that savings act as collateral security for the savers to acquire more and bigger loans. He confirms that such practices promote saving culture. The extent to which savers benefit from the savings remain unclear as the credit providers attach very low interest to it.

Ndora (2013) recommends that participants in microfinance institutions should be encouraged to save in every training session in a bid to promote clients' saving. According to him, business education and saving culture should be encouraged in every training session in a bid to promote clients' saving culture. The author further argued that MFI clients who attend business education and other co curricular activities provided by savings and credit schemes save on sustainable basis compared to those who do not attend.

Mulira (2010) contends that what micro finance institutions do by establishing clients' interests and feeling through education is essential. He clarifies that education enhances learners' self motivation by developing inquiring mind; they gain proficiency in speaking, reading, and writing and can communicate effectively as individuals or as groups. He adds that business education develops attitudes for group work, social justice, cooperation, friendship and respect for humanity. In support, Ledgerwood et al. (2002) describes the need for education for developing participants' skills for transfer in the new and changing situations. It develops the creativity and potential for communication. He explains that the participants apply a range of skills and techniques to develop a variety of ideas in the creation of new and modified products.

The need to invest in young people, in Africa, as elsewhere, if young people can become economically productive and generate an income, by setting up a business or getting a job, they can then begin to look after themselves and their families. Having a livelihood can also give young people a sense of achievement, self-confidence and help them feel that they have a place in their community and society. Investment in young people which enables them to be productive members of society is an investment in the future of the country. Sacco like other sectors like educating young people is an investment in human capital, laying crucial foundations for economic growth such as an educated workforce (Africa Commission, 2009).

Economic roles and impact, economic impact is not just about an increase in personal income, but also about improved access to finance, as well as improved knowledge and skills on managing economic activities. Sacco members received income either through sharing profits from the business activities of

the co-operative or selling their own products through the co-operative (Bibby and Shaw, 2013)

Secondly, incomes also increased when people are able improve their own enterprises which they ran outside of the co-operative. This suggests they are able to transfer knowledge gained through the co-operative to their other activities. They reported that increases in income did not often come from sharing profits but was often as a result of other benefits they obtained via the co-operative such as better access to finance, knowledge and skills or a market; all these enabled them to increase their individual enterprises. This is a vital benefit given the lack of opportunities and local markets for businesses in both rural and urban areas.

Many co-operatives are also involved to some degree in savings and credit activities. Sometimes this is their core business and they are aiming to make income from the interest on savings or interest made on loans. For others, it is a 'add on' activity for the co-operative and is more about offering a service to members to save and then receive loans. Members reported that access to financial services, especially access to credit, was very important. Both the knowledge that they have access to finance when they need it - the security of this - and the actual ability to get loans were crucial for members. They reported that it was easier to borrow from their co-operatives for a number of reasons: less collateral is needed; co-operatives are physically nearer to them resulting in lesser transport costs; and they preferred to deal with people they knew. Loans were often used for school or college fees, investment in other businesses and also for basic needs like uniform and food (Africa Commission, 2009).

Membership and lending of SACCO's institutions are generally broadly diversified. Services to the poor and are blended with service to a broader spectrum of the local population. Through

serving the poor, these unions achieve sustainability by spreading their costs across loans of larger and medium sizes as well. In this manner these credit facilities can reach a large number of the poor on a sustainable basis. Through this they manage to reach significant scale and thus attain financial sufficiency. Sacco's unions are mixed outreach of financial institutions. It is scale, not exclusive focus that determines whether significant outreach to the poor will occur (Craig and porter, 2010).

Savings and credit cooperative unions encourage savings mobilization especially for the rural poor population. It is known that savings are key to investment, without them, investments are very hard to be realized (Karamagi, 2011). Had this to say; the demand for liquidity is far more important to most rural citizens than the demand for credit. Savings mobilization is just as important as credit in meeting the financial needs of the rural population.

The above is confirmed by Craig and porter (2010), that savings and credit cooperative institutions play a great role in the provision of loan products. Members financing needs determine their credit union loan products. The borrowers usually access these loans for such purposes like housing construction, housing improvement, home purchase, small manufacturing, transportation business, debt financing, emergency needs, education, agriculture, cattle and chicken raising, fish-harvesting, personal expenses, and electric appliance purchases.

Sacco's play an important role in lower income groups through increasing their assets via establishing a credit relationship, establishing an enterprise, accessing working capital, increasing income through business expansion, meeting housing credit needs and increasing wealth through savings (Branch & Cora 2009).

However, targeting the use of credit is not justified in terms of sustainability, administering and monitoring loan use is time consuming and difficult. In most cases the loan use and eligibility criteria don't meet the credit needs of poor women and men who may need to utilize their loans for a variety of purpose (Tranovich, 2005).

Among many advantages, there are four primary strengths of SACCO's institutions i.e. savings mobilization, services for lifetime asset growth, mixed outreach, and full services array of loan products. What distinguishes cooperatives from other non-bank financial entities involved in SACCO's is the ability of mass number mobilization of small, voluntary, savings account. These deposits can then be invested in rural production, housing, small scale enterprises and small business loans (Branch & Cora, 2009).

Training and education given by SACCO's plays a very important role in the improvement the women's incomes. Many gain knowledge in management of their businesses and saving skills plus capital, and can use it to start businesses and others to expand what they already have. The above can be a result of the training given before issuing out the loan. Thus those who don't join SACCO's may lose out on such benefits (Branch & Cora, 2009).

2.2 The challenges facing the saving and credit cooperative organizations (SACCO)

According to Africa commission (2009), SACCOs demonstrates incomplete information or imperfect contract enforcement which generates the possibility of loan default and eventually problems of credit rationing. The result is loan supply and implicit credit demand functions, both of which are simultaneously determined. The role of risk in allocation of credit through its effect on transaction costs, therefore,

becomes important in incomplete credit markets. Accordingly, where default risk exists, with an upward sloping supply curve, lenders offer borrowers only a choice of points on the supply curve, and borrowers are restricted to these points. It is impossible to identify the loan demand schedule using the observed loan amounts since these only reflect the existing supply. The credit demand function can only be interpreted from the borrower's participation decision, that is., the decision to borrow or not, and from which sector to borrow. Such a decision will depend on, among other things, the borrower's economic endowment and opportunities. The credit demand schedule identification problem therefore implies the existence of credit rationing.

Inadequate support by the commercial banks, commercial banks and other formal institutions fail to cater for the credit needs of smallholders, however, mainly due to their lending terms and conditions. It is generally the rules and regulations of the formal financial institutions that have created the myth that the poor are not bankable, and since they can't afford the required collateral, they are considered unaccredited worthy. Hence despite efforts to overcome the widespread lack of financial services, especially among smallholders in developing countries, and the expansion of credit in the rural areas of these countries, the majority still have only limited access to bank services to support their private initiatives (Africa Commission, 2009).

Measures of financial accessibility, according to Guifold (2007) interest rates charged by a credit institution are seen as having a dual role of sorting potential borrowers (leading to adverse selection), and affecting the actions of borrowers (leading to the incentive effect). Interest rates thus affect the nature of the transaction and do not necessarily clear the

market. Both effects are seen as a result of the imperfect information inherent in credit markets.

Guifold, (2007) argued that adverse selection occurs because lenders would like to identify the borrowers most likely to repay their loans since the banks' expected returns depend on the probability of repayment. In an attempt to identify borrowers with high probability of repayment, banks are likely to use the interest rates that an individual is willing to pay as a screening device. However, borrowers willing to pay high interest rates may on average be worse risks; thus as the interest rate increases, the riskiness of those who borrow also increases, reducing the bank's profitability. The incentive effect occurs because as the interest rate and other terms of the contract change, the behavior of borrowers is likely to change since it affects the returns on their projects. Stiglitz and Weiss further show that higher interest rates induce firms to undertake projects with lower probability of success but higher payoffs when they succeed.

Other reasons for the failure or challenges of these credit programmes were top-down deficiencies such as bureaucracies, questionable integrity of loan officers, poor disbursement policy (in-kind), high transaction costs, lack of security for the loans and political interference (Muhumuza, 2007).

According to Gamba and Komo (2011), political interference in the SACCO management, in real sense co-operatives are user owned, user controlled and user benefited organizations. They could be agricultural, nonagricultural, unions or savings and credit co-operatives (SACCOs). They operate in different sectors of the economy including agricultural, handcraft, jua kali, transport, housing development, building and construction, consumer services, banking and insurance. The direct intervention by the government in management of

cooperatives compromised the principles of member owned and run organizations.

Government involvement hindered the emergency of member controlled co-operatives since members relied on government to safeguard their interest. As a result, equality, equity, solidarity, democratic principles, self responsibility and self help that are important pillar of successful producer organizations were thus hindered. This caused the co-operatives to be run as if they were government owned instead of privately owned member organizations.

Multiple lending is becoming a problem. Some clients seek multiple loans which exceed their repayment capacity, or move to new institutions to escape bad credit histories. Efforts to identify bad borrowers systematically have been thwarted by the lack of a national system of identification cards. Borrowers can simply change the names they use. Microfinance institutions have attempted to get hold of regular defaulters by circulating photographs or attending each other's meetings, without too much success, though. However, multiple lending seems to have had little effect on delinquency indicators yet, but providers are aware that it could endanger the health of their institution in the future.

The following are some of the ways in which the government interferes with co-operative societies (Gamba, 2011),

- i. Recruitments whereby the government imposes individuals to the top leadership of the cooperative societies. The allegiance of such appointees is to the appointing authority and not the interest of the co-operative society is which he has been appointed.
- ii. Formation of factious entities by politically connected individuals in co-operatives for provision of services at

inflated prices that will benefit the said individuals (conflict of interest).

iii. Illegal contributions of member funds to political activities or parties.

General constraints against the development of SACCO; according to Mbeiyererwa (2000) like any others developing countries, the following are the constraints that are facing SACCO;

- i. Most SACCO lack appropriate and adequate managerial skills and knowledge with the good strategic, business, succession plans and, adequate organizational set-up and transparent operational system.
- ii. Many founders and managers of SACCO in developing countries use the inefficient equipment as a result of lower level productivity delivery and substandard product quality.
- iii. Lack of initiative and administrative framework or linkage to support and sustainability of SACCO development which to a large extent is a reflection of poor technological capacity or intellectual resource. Sometimes there is also wide spread corruption, nepotism and harassment of SACCO by some officers especially in rural areas.
- iv. SACCO also lack access to funding/credits, which can be traceable due to the reluctance of banks to extend credit to them owing among others to poor and in adequate documentation of business proposals. Lack of appropriate and adequate collateral, high cost of administration and management of small loans as well as high interest rates. Commercial banks tend to SACCOs

to have high risk of lending to especially start-ups.

- v. Bureaucratic bottlenecks and inefficiency in the administration of incentives and support facilities provided by the government discourage innovations which may lead to new products or services, as most of these SACCOS cannot afford to establish the research and development.
- vi. Due to the nature and environment in which SACCOS operate, there are inefficient and non-functional infrastructural facilities tend increase the costs of operation as SACCOS are forced to resort to private.
- vii. Lack of education and skills among staff and clients. Members of SACCOS cannot tell what are their rights, obligation, roles and responsibilities.
- viii. The growth and expansion increase the outreach into rural areas, has significantly increased the volume of transactions and which require appropriate technology to handle an increasingly diversity set of customers as well as managing strategies to achieve and operational and financial sustenance.

2.3 Strategies to overcome the challenges facing the SACCO

Provision of necessary knowledge and skills to leaders and staff to modernize their activities is crucial for SACCO's performance (Hanning, 2005). According to Islam (2010) the study revealed that there is need of training to SACCOS workers in order to improve its performance. This is supported by Hanning (2005) that this will help microfinance and encourage management to use better loan appraisal and follow-up methods.

Mbeiyererwa (2000) finding suggested that SACCO management and administration should be reshuffled in case little skills in order to ensure its effective performance that will contribute to improvement of the SACCO. He further added that, lack of operational skills may also lead to poor identification of profitable lines.

Ledgerwood, (2010) argued that to reduce poverty, SACCOs have engaged in micro credit or small lending arrangements through schemes locally available schemes to reach out to the rural population and that they should have access to savings and credit which is reasonable against economic fluctuations. The groups formed should be allowed to provide joint collateral.

Regulation under an enabling legislative environment instills discipline and confidence in the credit union movement. Any regulated organisation wins confidence and trust of the stakeholders.

Concerning no proper regulator, lack of statistics from the government department coupled with inadequate of administrative structures i.e. head of the body, national co-operative fund, low technology and ad hoc fictitious co-operatives (any business outfit can call itself a co-operative) are a big challenge to the struggling movement. Solution, members must participate and lobby. (Neven and David, 2008)

They further continue by pointing out that inadequate controls and implementation of good governance practices could lead to fraud and mismanagement; member apathy due to lack of commitment by the SACCO boards; competition from other financial institutions. These challenges can be overcome by: putting in place effective internal controls intensifying education; coming up with competitive products- portfolio

expansion; government intervention in auditing, guidance and advisory services (Neven and David, 2008).

According to Islam (2010) there is need for the co-operative sector to come up with a continental strategy ranging between 5-10 years, properly articulated. Entrenched lobbying by national apex bodies, individual societies and all stakeholders- private sector, risk management professionals etc, has to be part of the annual calendar. The continental body/ institutions must gear towards engaging executive staff on renewable contractual terms to follow up on lobbying and a continental fund to follow up on the strategy. Regional offices can be created to help implement and follow up on the progress of the same.

Individuals who believe in a financial revolution need to be involved in charting the way forward. University professors should be engaged to oversee the establishment of departments and schools of co-operative finance and co-operative learning to help in bringing technical and expertise solutions. Need for policy makers, researchers and academia to rally up ideas and resources and come up with possible solutions.

According to Craig and porter (2001), poor governance and management solutions should include appointing qualified and competent board members, board, management and staff training, strengthening supervisory committees, develop internal audit function (big SACCOs), recruitment of qualified staff commensurate with size of SACCO operations, succession plan, developing and updating policies, innovation, compliance and enforcement -incorporating technical board directors -member education.

They further suggested that changing the SACCO model could do better. Adjustment of the administrative structure where the board restricts themselves to policy issues and review of interest on loans (1%) becomes necessary. Other collateral alongside guarantors must be effectively, though carefully, introduced.

Leadership, co-operatives will require assistance in hiring qualified and experienced employees, who could meet the new challenge of competition with other businesses. In addition, assistance will be required in training such staff, particularly on the job training. Poor governance has also stemmed from uninformed co-operative members who are manipulated by a few individuals in electing co-operative officials. Assistance is therefore required in investing in training programs that creates awareness to the co-operative members on their rights. These would in turn make them demand for good governance, i.e. transparency and accountability, (Neven and David. 2008).

Gamba and Komo, 2011) suggested that financial management to overcome the problem of poor and inefficient management systems could work for SACCO challenges. The co-operative movement requires to be assisted to invest in developing sound management and accounting models for adoption by co-operatives in a more liberalized economy. This would enhance accountability through strengthening of watch dog systems such as improvement in accounting, budgeting, internal and external accounting. Penalties for fraud and misappropriation of funds could also be made harsh within the legal framework.

There is urgent need to liberalize co-operative societies so that they can operate as private owned organizations so that members can maximize benefits of the free market enterprise. The direct intervention of government in management of co-operatives compromises the principles of member-owned and run

organizations. Government involvement hinders the emergence of member controlled co-operatives since members rely on government to safe guard their interest. As a result equality, equity, solidarity, democratic principles and self responsibility that are important pillars of successful co-operatives are thus hindered. These causes the co-operatives to be run as if they are government owned instead of privately owned member organization (Gamba and Komo, 2011).

If truly microfinance is to succeed in providing financial assistances to the poor on a large scale, further contributions are desperately needed. This is not only an issue of financing. Regulators and governments, in particular, need to develop legal and regulatory frameworks for microfinance, consumer protection, and financial infrastructure. Also prudential supervisors can contribute to the growth of microfinance by defining clear criteria for microfinance institutions. This pertains in particular to institutions that wish to take deposits from the public or expand their services (wellink, 2007).

Nazirwan (2006) reiterated that the microfinance sector has changed radically and will continue to develop over the next several years as there are millions of poor people especially women demand the financial services for livelihoods to ensure the success of microfinance, the micro finance industry must move form credit oriented to variety of products and services such as deposits, investment, money transfer and foreign exchange transactions.

Broad market perspective: to provide a range of financial service to eligible unbanked members of the country and ultimately even attract clients away from banks by offering better and more efficient service include self-employed micro entrepreneurs and salaries workers in the various sectors (Nazirwan 2006). He further continued to argue that providing

financial service enables the poor to increase and diversity incomers, build human social and economic assets and improve their lives in ways that reflect the multidimensional aspects of poverty.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter focuses on the description of methodology of the research the researcher will use. This comprises of the research design, the area of the study, the study population, sample size and the sampling techniques, the data collection methods and the instruments, quality control methods, data analysis techniques, ethical considerations and limitations of the study. All these institutes the general procedures for conducting the study.

3.1 Research design

Research design according to Burns and Grove (2001), guides the researcher in planning and implementing the study with aim of solving the research problem. According to Amin (2005), research design is a significant step/element in quantitative research process. It is the step where all the research is designed, options considered, decisions are made and details of the research laid down for execution.

According to Kothari (2004), case study places more emphasis on the full analysis of the limited number of events or conditions their interrelations. It deals with the processes that take place and their interrelationship. Thus case study was essentially an intensive investigation of the particular unit under consideration. The discussion of the case of study was to have an in depth discussion among the saving groups in relations to the roles of rural SACCO to economic empowerment, challenges facing the SACCO and suggestion of possible strategies. The main approach that was used was the qualitative; this permitted the researcher to go beyond

statistical results. The quantitative approach was used to show the statistical data from the field.

3.2 Area of study

The study was conducted in Zeu sub-county, Zombo district in the West-Nile sub-region of the country (Uganda). The area has an area of 350,000 km with seven sub-counties. However, Zeu sub-county were the was specifically conducted is having a population of 165,000 people and area of km with seven parishes of Lorr central parish, Abanga, Lendu, Papoga, omoyo, Jupamatho, Ara and 120 villages. The researcher had chosen this area because it is on major place where the saving culture has been taken and being been done at a good pace. Compared to any other parts of the sub-county, Obia is having the most numbers of groups involved in the rural saving activities. Zeu Sub-County is endowed with roughly two SACCO groups per parish comprising of both men and women as the clients.

3.3 Population of the study

According to Amin (2005), population is the aggregate or totality of objects or individuals, having one or more characteristics in common that are of interest to the researcher and where inferences are to be made.

In this study, the study population is the different categories mainly the Obia SACCO working (management) staffs and client as the respondents.

3.4 Sample size and sampling techniques

3.4.1 Sample size

The sample size of the population was 55 from the study and was consider 05 management, 50 clients (men 25 and women).

Because they are the most people involved in the SACCO activities.

3.4.2 Sampling Techniques

The clients and the management were selected using purposive sampling because the researcher believe all the members/ respondents from the SACCO is well informed of the activities and the running of the organization and will provide the necessary information for the study. Therefore, the researcher interacted with the clients who were identified and sent the questionnaires among the management identified as respondents.

S / n	Study / population	Sample size	Sampling technique	Data collection method	Data collection instruments	
1	Management/ staffs	05	Purposive sampling	Questionnaire	Questionnaire guide	
2	Clients /member	Men		25	Interview	Interview guide
		Women		25		
	Total	55				

3.5 Data Collection methods and Instruments

Both primary and secondary data collection methods were employed in carrying out the study. Secondary data were obtained from the existing literatures such as text books journals if any and official records relating to the study. This enabled the researcher discuss the gap in the study and the literature available. While primary data collection was done through various ways, the researcher in carrying out this study used interview, questionnaire as data collection methods.

3.5.1 Interview

An interview is a conversation, an interaction process with specific purpose, which focuses on the planned contents (Wangusa, 2007). Fowler (2013), further states that an interview schedule is the guide an interviewer uses when conducting structured interview. The interview involved structured questions which included exchange of ideas, face to face with the respondents. This was effective in clarifying the unclear questions, translating them into the local language for the respondents who are not familiar with English. The researcher used this while dealing with all the members (clients) who are not so familiar with English that is male and female respectively. This helps the researcher studies' realities as he knows that the respondents are can provide valuable information on the roles, challenges facing the Obia SACCO and possible strategies to minimize the challenges. Further, the researcher used the interview guide in conducting the interviews because it has got a flexible structure and minimal restrictions.

3.5.2 Questionnaire

This is carefully designed method used for data collection in accordance with the specification of the research questions. It consisted of a set of questions to which the subjects responds in writing (Wangusa, 2007). According to Odiya (2009) wrote that a questionnaire is a set of questions or items in written form that is self-administered. The researcher therefore, used questionnaires guides which were mainly sent to the officials in trying to gather data. This was self administered by the respondents and it was structured both closed ended and open ended questions in obtain data from respondents. This was done to allow the respondents answer the question at their convenient and appropriate time without any influences.

3.6 Quality control methods

In trying to ensure quality in the study, the researcher designed the various instrument of interview guides, and a well structured questionnaire guide related to the study. Reliability can be defined as the dependability of the study instruments to be used. The reliability of these instruments was determined through pretesting to see if the results got are consistent. Upon trial if these tools generated a consistent feedback then they can be used for the study to ensure reliable results.

3.6.1 Validity

This is the degree at which an instrument measure what is supposed to measure and it has got three important aspects of; content, criterion-referenced, and construct validity. (Polite et al., 2001). Content related validity is the extent at which the methods of measurements include all the elements relevant to concepts being measured. (Burns and grove, 2001).in this study the content validity of the instruments and the content validity of the index were computed to assess the relevancy of the items.

3.6.2 Reliability

Polite et al (2001) describe reliability as the consistency with which the instruments measures the attribute. An instrument is said to reliable if it its measure accurately reflects the true scores of the attribute under investigation. Reliability is the process the researcher shows how relevant information is if event using the same method to obtain the same information studied early while validity refers to the extent to which the results are accurately interpreted to measure the information got (Cose and Onen 2008). To reinforce and assess the reliability of the instrument, the researcher tested and retested the focus group discussion in order to

carryout effective study. This was by personally interacting with the respondents in order to ensure that data that were collected and presented reflects the actual facts, responses.

3.7 Data management and analysis

The research was predominantly qualitative. The qualitative data were analyzed through creating themes or topics or major subject that came up from the discussion and grouping similar responses into various classes. The quantitative data collected were entered into computer and analyzed using excel program. After the analysis, findings were presented according to the study objectives starting with the general characteristics of the respondents that is the categories of saving groups, staffs and non-saving group.

3.8 Ethical considerations

The researcher made sure that privacy and confidentiality was upheld. These were done in a way that the responses provided by the participants especially those that are personal or sensitive were kept confidential and with anonymity so that the readers may not be able to discover the identity of the respondents. The researcher further made sure that the information about participants' personal life, attitudes, and feelings were kept private and protected. The researcher also ensured voluntary participation.

The researcher further tried to meet his obligation in the research situation. The researcher was faithful to his promises, send summaries of the results to the participants. The researcher assured that all agreements and contacts signed with the respondents were followed. While obtaining consent of the respondent, the researcher assured the respondents that no payment was to be made for any information accorded for the purpose of the study.

The researcher intended not to do anything that would cause physical or emotional harm to the subjects. The researcher was careful with the selection of the words to be used during interviews. Objectivity was another important consideration. The researcher intended to be sure that his own personal biases and opinions do not get in the way of in research and that he intended to give both sides fair consideration. When reporting results, the researcher ensured that he accurately represent what he observed or was said. The researcher did not take interview responses out of context and did not discuss small parts of observations without putting them into the appropriate context.

CHAPTER FOUR

DATA PRESENTATION AND DISCUSSION

4.0 Introduction

This chapter mainly presents the findings of the study that the researcher undertook. It also presents analysis and the discussion of findings. This chapter has been organized logically and following the characteristics of the respondent and research objectives. The study aimed at assessing the effects of rural saving and credit organization in empowering people economically with a case study of Obia SACCO in Zeu sub-county, Zombo district.

The study was guided by the following objectives; the role of SACCO in empowering the people economically in Zeu sub-county, the challenges facing the SACCO and the possible strategies for challenges facing the SACCO in empowering the people economically. However, first we have to look at the respondents characteristics.

4.1 Description of the characteristics of respondents

4.1.1 Demographic characteristics

The study was conducted in Zeu sub-county Zombo district with the case Obia SACCO. The organization was started in 2006 with 150 registered members of Obia SACCO in Zeu sub-county Zombo district. The respondents which were involved in the studies were the staffs of the Obia SACCO, the clients of the SACCO both men and women, study also considered the age of the respondents, educational level, period spent in the organization. The data was therefore obtained about each of them together with their relevancies to the study as presented below.

4.1.2 Response rate

The results obtained as response rates are as shown in table below

Table 4.1: Response rate

Respondents		Target	Actual	<u>Response rate</u> x 100% Actual	Actual average
Management		05	04	80%	
Clients	Men	25	15	60%	
	Women	25	20	80%	
				100%	
Total		55	44	80%	73.3%

Source: primary data

The response in the table 4.1 above illustrates that 80% of the targeted respondents were able to respond to the study. From the illustration the high level of management or staffs and women were overwhelming with 80% and lastly low response rate was registered among the male (men) respondents with 60%. This came to researcher's knowledge because most men involved in the organization are business men and it was a market day which was far from research area. However, this was not only registered among men only but they were the majority absentee hence lowering the target of the respondents (actual) to an average of 73.3%.

4.1.3 Period/time spent in the organization (years)

Table 4.2: Period/years spent in the organization

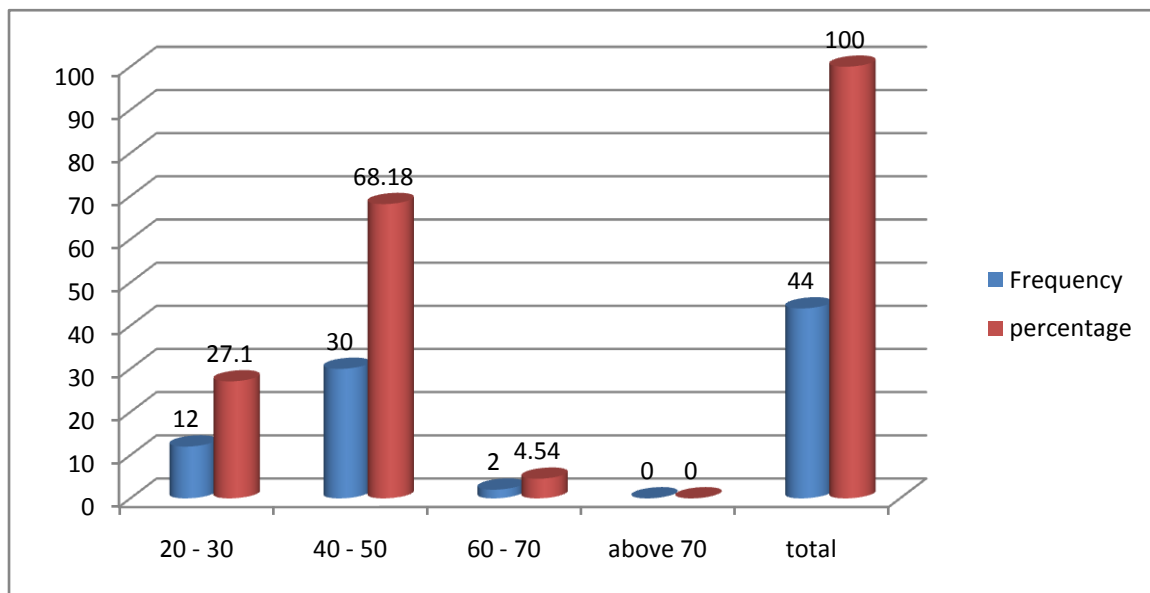
Category	Frequency	Percentage
1 - 2	01	2.2%
3 - 4	25	56.8%
5 - 6	18	41%
Total	44	100

Source: primary data

Table 4.2 informed the researcher that most of the respondents had stayed in the organization more than three years and above with the percentage of 56.8% with a number of 25, followed by 18 respondents who accounts for 41% of the total respondent and the least number of one respondents which accounts for 2.2% of the total number of respondents. This shows that the organization is stable in terms of numbers and no more have been included in the last 1-2 years apart from only one person. This confirms the statement that few people have benefited apart from the former organization's members. This has made the organization's visibility in empowering the people of Zeu sub-county economically unclear to the people.

4.1.4 Age bracket of the respondents

Figure 4.1: Age bracket of the respondents



Source: primary data

The illustration above informed the researcher that active participants in the SACCO depending on the age group (group) involve mainly members of age bracket ranging from 40-50 which accounts for 30 respondents with 68.18 percent out of the total 44 followed by age bracket of 20-30 which showed a number of 12 respondents accounting for 27.1 percent of the respondents. The same study further showed that few people in the age bracket of 60-70 are involved in the SACCO activities which accounts for 2 and 4.54 percent respectively and lastly no respondent was registered to be above the age bracket of above 70. This therefore showed that the age bracket of 40 - 50 are more involve in the programs and activities of the SACCO followed by the age bracket of 20-30 years. This therefore confirms the factor or indicator of saving especially the of the age factor, hence young people are involve more in the process of economic empowerment by the organization compared to the old age group.

4.2 Data presentation basing on the objectives

4.2.1 Establish the activities of SACCO in economic empowerment of the people in Zeu sub-county

According to the respondents who were clients and management, Obia SACCO is meant to provide those (members) with financial needs. This therefore, informed the researcher that the SACCO is meant to empower the people financially. Following the tools used to collect data for the study, data collected enormously pointed out the following services being provide by Obia SACCO in trying to empower the people of Zeu sub-county economically;

Provision of loan to its members, following the respondent view this was the most outstanding role respondents mentioned right from the clients to the top or the staff. This was further confirmed by the researcher when the question of how many have ever received any services from the organization, majority of the management in the questionnaire and clients during an interview pointed it and still asked which services loan lending was outspoken role among the respondent. This therefore confirmed the argument from Craig and Porter (2010), that savings and credit cooperative institutions play a great role in the provision of loan products. Members financing needs determine their credit union loan products and ledger wood (2011) which defines savings and credit schemes as institutions that are formed to provide financial support to the members; the institution accepts deposits from members and grants them loans at reasonable rates of interest in times of need.

Providing saving facilities access to the local communities, the findings further reviled that Obia SACCO has provided easy access to saving facilities services to the people of Zeu sub-county. This was brought to the researcher's knowledge from

the questionnaire sent to the clients of Obia SACCO who pointed enormously that Obia SACCO does not only have a role to lend loan to its members but also to provide them access to saving facilities/services.

This then convinced the researcher that the issue pointed by Murithi, (2013) in which he stated that SACCOs have a role to ensure that the population has access to financial services at affordable interest rates and saving facilities to increase their income level was right.

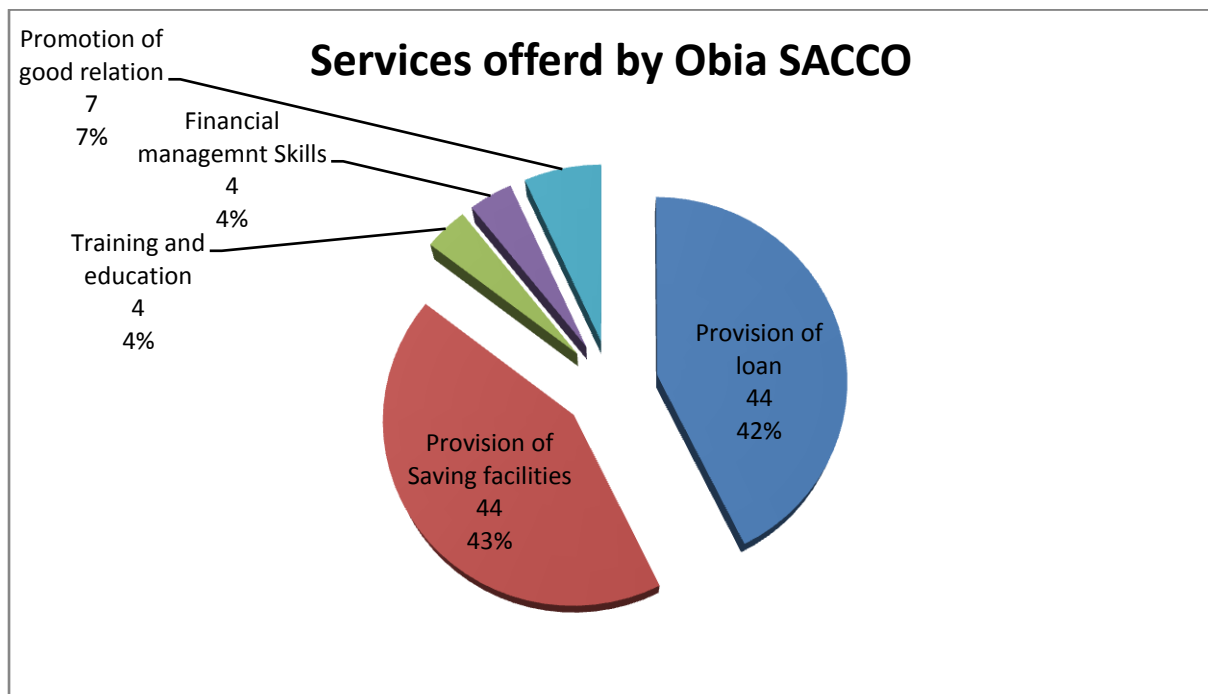
The researcher was also informed by the four members' management that they also provide financial management training and education services to members of the SACCO. This was confirmed by the overwhelming number of respondents especially from the management in the questionnaires sent by the researcher who pointed that the SACCO provided some training and education to the members. This confirms that support for training pointed by Mulira (2010) who contends that what micro finance institutions do by establishing clients' interests and feeling through training and education is essential. He clarifies that training enhances learners' self motivation by developing inquiring mind; they gain proficiency in speaking, reading, and writing and can communicate effectively as individuals or as groups and more importantly managing their finances.

Provision of financial management skills was also pointed in the questionnaires sent to the management as on services being offered by Obia saving and credit cooperative organization (SACCO). The management pointed out that this service is at every loan lending process which is given to all the applicants for the loan before finally attaining the loan. However, for the last two services is it was unclear whether the clients usually receive this service of training and education since it was only mentioned by the staffs.

Promotion of good relationship between the members and communities of the SACCO was realized as one major service or activity Obia SACCO is carrying out. This was noted during the interview with the clients where seven (7) members pointed it out.

We normally try as much as possible to promote our relation between us the members of this SACCO by helping our members during the time of death were we contribute some money to that person and we normally give some contribution to our community programs. Said Mr. Susu Wilfred a member of the SACCO

Figure 4.2: Summary of the services quantitatively



Source: field data

The above chart summaries the presentation on the services offered by Obia SACCO to its members. These are explained below;

According to the findings provision of loans to the members and provision of saving facilities to the members accounted for all 44 members who responded leading to 46% each and 92% of the services being provided. This means they are the main services members are aware about being offered by the organization. This was followed by promotion of good relationship among members and the communities and lastly provision of training and education and financial management skills to the members which was presented by 4 (four) respondents especially during the lending of loan to the members. This therefore, showed that the SACO is mainly providing the service of providing loan and saving facilities to its members with 100% members' response, followed by provision of training and education and financial management skills.

The researcher was informed by the responses from the respondents in an interview with them that there has increase in their levels of education, access to health services improved food access and above all increase in the saving and income levels. This was confirmed to the researcher when the clients were asked if they are empowered by the services from Obia SACCO 35 respondents said they have been empowered by the services through increased income in their family business, access to better schools for their children better feeding and health.

Since i joined the SACCO in 2014, i should say in this 1 (one) and a half year i have really benefited and i really feel more energized in my life because my business has increased and my family is stable in all livelihood area of health education and food. Said Mrs. Suzan a client

According to CCM (2006) clients tend to come from low income and to at least lower middle - income groups. However, 09 respondents said they have not been empowered by the SACCO services so much at the study and they attributed the failure to failure of the business ventures, high interest rate poor performance of the agricultural activities or the plants performance.

I have stayed in this SACCO for one year now and i have only got the loan once and i have not seen any much of improvement in my life yet may me in two years time. All the activities i borrowed the loan for did not perform well and our planting season this time was not all that good. Said Stephen a client

The above findings therefore, show that higher number of the respondents have been empowered by the services being provided by the Obia SACCO with 35 respondents saying yes to the question about the empowerment and only 09 respondent saying no, that they have not been empowered by the services yet.

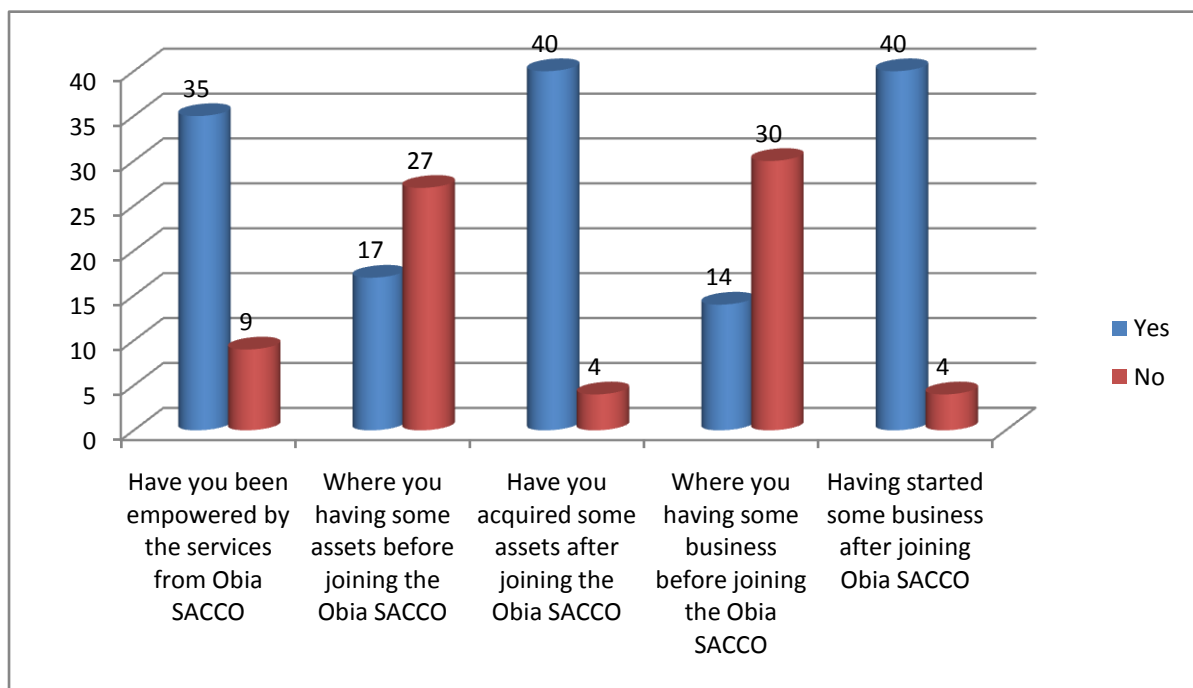
The researcher further went ahead to find out if the respondents were having some assets before joining the SACCO and before. The researcher was the informed by 27 respondents that they were not having any asset before joining the SACCO and 17 respondents said they were having some assets.

When I joined the Obia SACCO I was having some little assets such as land motorcycle and a semi-permanent house but now it has really increased me and my family is having one other motorcycle and we have laid a foundation for our new permanent house. Said Mrs. Emily a client in an interview

The respondents also brought to the awareness of the researcher that most of them were not having businesses before joining the SACCO which was attributed to inadequate and no

capital for them to start any economic activities or any financial and lack of ideas for profitable activities. This was shown by 30 respondents who were involved in the data collection process that is both clients and the management and only 14 out of the total respondents were confirmed to have some little businesses before joining the SACCO. However, after joining the SACCO 40 respondents have confirmed having businesses which they have started using the loan borrowed from the SACCO.

Figure 4.3: Summary of the respondents' status before and after joining the SACCO



Source: field data

4.2.2 To find out challenges facing SACCO in the process of economic empowerment of the people in Zeu sub-county

Concerning the challenges facing the SACCO the researcher realized that the measures of accessibility of the loan

especially of interest over the loans to the borrowers were highly pointed out as key challenge facing the organization. Following the questionnaire given to the staffs, one highly emphasized that loan interest have greatly the performance of the SACCO. When asked of the interest rate the staffs pointed out 10% which he clients looked at as being too high. In the group discussion and the interview process when asked on the challenges the clients responded highly with the interest rate as major problem.

Reduced market segment for the activities undertaken by the clients after borrowing the loan was the most outstanding response from the interview conducted by the researcher among the clients. The researcher was informed that many times after borrowing the money the demand for what one intends to use the loan for tends to slow down causing the problem of loan default among the clients if not critically tackled by the borrower.

Sometimes after borrowing the loan the demand for the business venture gets down or else many business people joins the same business activity causing completion especially for business men and women and also agricultural activities borrowers, hence causing failure sometimes to pay back the loan. Said a client

Changes in climate were also identified as major challenge facing the SACCO among the clients. This came to the researchers knowledge in an interview with the clients normally borrow the loan specifically for agricultural purposes. Because doing business with soil is quiet a tricky one sometime they failed to pay the loan in time and this really affect their social life and not considering the unexpected weather condition and soil formation and production.

Bureaucracy in the processes of acquiring services from the SACCO was further pointed highly especially by the clients' responses during the interview conducted by the researcher. This was confirmed when the researcher probed a question of the challenges facing them in accessing services from the SACCO. This was mainly found during the process of borrowing loan from the SACCO which involve local chairperson's signature, viewing of collaterals by staffs, approval by the loan officer which looks very hectic for the borrowers or the clients. This was confirmed by the questionnaire sent to the staffs who also added that they also face the challenge of complains from the client about the level of bureaucracy in their activities. This confirms the argument that one challenge of these credit programmes is top-down deficiencies such as bureaucracies, high transaction costs, lack of security for the loans (Muhumuza, 2007).

Poor contract or imperfect contracts enforcement by the management leading to loan default also came to the researcher's attention as member of the SACCO during the interview pointed that loan default has become the order of the season for them to auction borrowers collateral for failure to pay in time and failure of the management to enforce the contracts in time. The default in loan was further pointed by the staffs to which they attributed it the performance in the activities undertaken by the clients or the borrowers and also the complaining concerning the interest rate by the clients.

Management inadequate skills were revealed during the study especially in the questionnaires sent to the clients during the study. The clients mainly pointed the inadequacy in terms of customer care among the staffs. This was also emphasized during the selection of the borrowers were they cannot easily identify who is capable of paying the amount of the loan being

given. This was also confirmed by the researcher from the staffs' responses on the challenges were they all pointed that they face a problem of adverse selection during the loan lending.

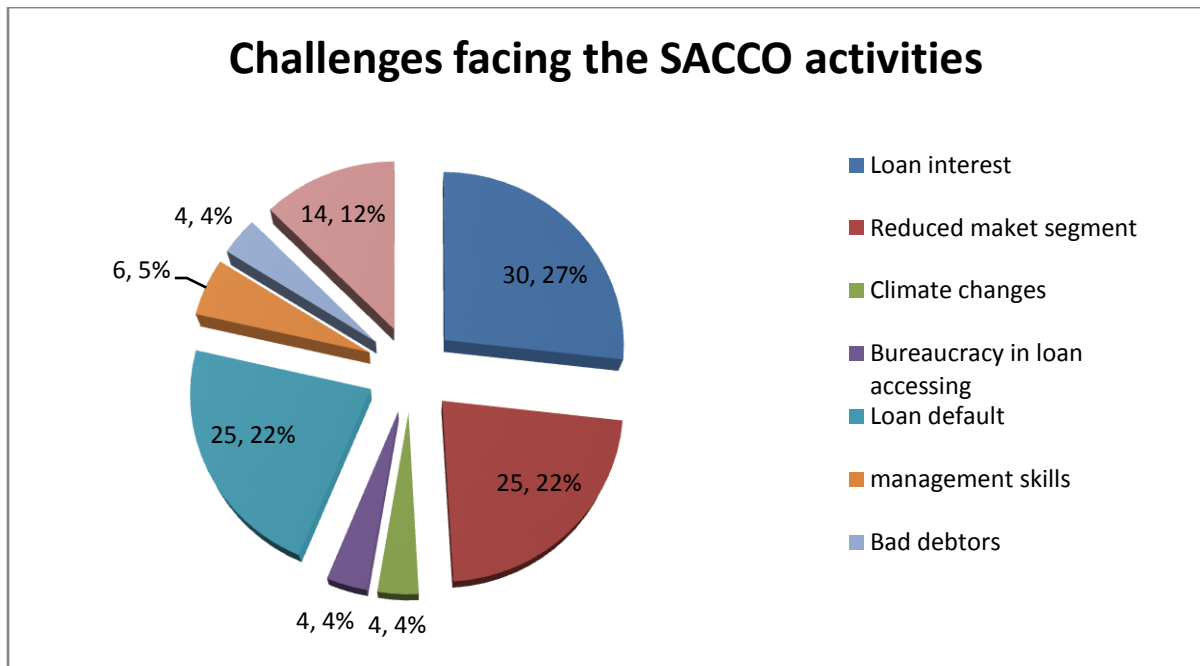
The researcher found that there is little awareness of the Obia SACCO among the local community. This was noted from one respondent who noted in the questionnaire that the services of the SACCO has been restricted to the members of the SACCO alone leaving the non members unaware of the program hence joining the organization by other members has been unclear and unusual

Bad debtors among the clients during the interview were also pointed out by a member.

Many times we fail to the loan not because we have eaten the money or misused it, but because people we normally give credit to don't pay us in time. This has given us much hard time than any other problems facing us especially for us who borrow the money for the businesses. Said the client

The researcher also found out that there is inadequate capital in the Obia saving and credit cooperative organization in trying to meet the demand of the clients especially during the loan lending. This was revealed to the researcher by both the management and the clients during the interview and the in the questionnaires sent to the management which. All the four (4) management who happens to respond pointed out the idea and 10 clients mentioned it during the interview.

Figure 4.4: Summary of the challenges quantitatively



Sources: field data

The above findings presented shows that the main challenges facing the SACCO are loan interest rate with 30 percent of the respondents pointing affirming the issue, followed by reduced market segment and loan default both accounting for 27% each and management skills was also pointed as shown above with 6% of the respondents claiming poor management among the management and lastly climate changes and bureaucracy and both accounting for 4% each. Therefore, the main challenges facing the SACCO in empowering the people are loan interest, loan default and reduced market for the clients' business activities.

4.2.3 Strategies to the challenges facing the SACCO in economically empowering the people of Zeu sub-county

When the responses concerning the strategies were classified, the following were the outstanding strategies obtained from the questionnaires and interviews conducted among the clients and staffs respectively;

Reducing the interest rate during the loan lending to the clients was the most outstanding strategy from the respondents. Interest in the organization was confirmed by the researcher to be at 10% though this was not in the presumed test for strategies.

As members we consider reducing the interest rate of 10% to at least & 7% especially for large sums for the SACCO to empower us and help us development. Argued by Mrs. Lillian a client

For me, we need to be looking at the seasons to charge borrowers the 10% interest which mean it should be reduced during some period example during dry seasons, low demand for business seasons. Said Mr. Susu a client

According to the interview conducted among the clients of Obia SACCO they highly suggested for training among members to help them attain new skills in management of their businesses and the loans acquired with 30clients arguing for the training.

we need to increase in the levels of training so as to have clear financial management skills especially in our business and loans may be it will also reduced on the levels of loan default which is the failure to pay in time the money borrowed by our members". Suggested by a client in an interview

Institutional support is one key factor we normally advocate for argued staffs in a questionnaire. This involve mainly financial and government institutions such as Uganda cooperative saving and credit union (UCSCU) and established financial bank to help them in adverse selection which made them to chose who can pay and eliminate who cannot pay. This has been mainly because of inadequate financial base or capital to meet the number in need of the loan and other services from the SACCO.

Governance; whereby best practices are to be enhanced in the management of SACCO through diligent management and eradication of conflicts of interests between the management, and the members; credit management where best credit practices are to be enhanced to reduce the exposure of the members savings to bad debts and defaults; risk management; the risk environment of SACCO is diverse i.e. default risk, legal and political risk, having a robust risk management system can enable the SACCOs perform better in the presence of risks.

Management of information systems as one key to challenges, this includes integration of information technology in the operations of SACCOs thus reduce the cost of information processing thereby streamlining the operations of the SACCOs; marketing and product development; this will enable the SACCO to deviate from the traditional financial and investment products to new robust and high return products that will ensure members get a favorable return on the amount saved/shares acquired in the SACCOs and human resources management, this will include hiring of competent staff in the management and operations of the SACCOs so as to ensure they can match up to the other intermediaries. According to Shaw (2006), the cooperative sector as a whole remains poorly understood and its specific challenges as yet largely unexplored.

Support from various levels this was made known to the researcher by the responses from the management who stated that to be effective and successful, this the organization requires a conducive macroeconomic environment. He further stated that there is also need for total involvement of all players: central government, local governments, community based organizations, and the concerned population to participate and support the programs of the SACCO to realize

greater economic empowerment of the local people or the members.

The government needs to create conducive environment that will promote the growth of cooperatives, which are autonomous, self financing and self reliant. Create good legal framework, good public policy on cooperatives, register cooperatives and provide support for capacity building.

Management staff should be composed of professional people hired by committee, translate the mission and objectives into action, and prepare business plan and budgets, implementing policies of the cooperative, maintaining books, records and accurate accounts

Government commitment besides ensuring macroeconomic stability, the government of Uganda has been committed to private sector development. While the government's approach to microfinance was initially less beneficial (supporting bad practice and politicized credit programs), the government is acknowledging that its role in microfinance is mainly limited to the provision of an appropriate legal and policy environment. The Government of Uganda has also become more accessible to the needs of the microfinance industry and is now actively encouraging stakeholder coordination.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the summary, conclusions and recommendations on assessing the effects of saving and credit cooperative organization on economic empowerment of the people of Zeu sub-county, Zombo district.

5.1 Summary of the findings

In this section, the attempt is made to examine the implications of the study findings while highlighting any consistency or contrast that they have with the existing literature. The section is therefore arranged and organized according to the objectives.

5.1.1 To establish the roles of SACCO on the economic empowerment of the people

The first objective of the study was focused on examining the role of SACCO in the economic empowerment of the people in Zeu sub-county. As far as this objective was concerned, results indicated Obia saving and credit cooperative have contributed a lot in the economic empowerment of the people of Zeu sub-county. This comes in line with Africa commission, (2009) argument that many co-operatives are also involved to some degree in savings and credit activities and that sometimes this is their core business and they are aiming to make income from the interest on savings or interest made on loans. This also confirmed by the overwhelming number of respondents who affirm their gratitude towards roles being played by the organization such as provision of loan and saving facilities, training and education among others, which were the most out activities carried out by the SACCO and quiet well known by all the respondents followed by training and education and

financial management skills which were added from the management questionnaires. This therefore, confirms Mulira (2010) who contends that micro finance institutions do by establishing clients' interests and feeling through saving and loan and also education which is essential. He clarifies that education enhances learners' self motivation by developing inquiring mind; they gain proficiency in speaking, reading, and writing and can communicate effectively as individuals or as groups. He adds that business education develops attitudes for group work, social justice, cooperation, friendship and respect for humanity. This was further confirmed by argument that SACCO like other sectors educate young people as an investment in human capital, laying crucial foundations for economic growth such as an educated workforce (Africa commission, 2009).

Obia SACCO respondents also affirmed to the researcher, to have promoted the income levels of the clients, improved their livelihood, led to increased profit due to opening up of the size of the clients' businesses, increased levels of income, and providing new business management skills to its members. There is no doubt that Obia SACCO has empowered the people of Zeu sub-county economically, it has done its best to the members. This come in support that, the role of economic impact is not just about an increase in personal income, but also about improved access to finance, as well as improved knowledge and skills on managing economic activities. Sacco members received income either through sharing profits from the business activities of the co-operative or selling their own products through the co-operative (Bibby and Shaw, 2013)

Generally, study findings indicated that the role of the SACCO was to empower the clients by improving their income level, mobilizing financial resources from members through an increase in personal income, but also improved access to

finance, as well as improved knowledge and skills on managing economic activities through provision of saving facilities, providing financial services through lending out loan to the clients and improving economic social situation of the members or the clients.

5.1.2 To find out the challenges facing the SACCO in process of economic empowerment

According to the data collected the following challenges were brought to the researchers' information; the loan interest rate among the clients which seems to have affected their involvement especially in borrowing the loan. This therefore also hinders the organization in empowering the people economically.

Reduced market segments especially for the business related activities after borrowing the loan is one major problem or challenge study produced affecting the empowerment activities of the SACCO. Since many clients borrow money or loans for their various production and business ventures, failure to have enough market for the goods may also leads to failure to pay the loan in time by the clients which further affects their profitability. This confirms the argument by Guifold (2007) that interest rates affect the nature of the transaction and do not necessarily clear the market and that effects are seen as a result of the imperfect information inherent in credit markets.

Loan default was not exceptional among the challenges in the data collected among the respondents. Loan default is the failure to pay back the loan obtained from the SACCO in time by the borrowers. This has been attributed to the reduced market segment and the high interest rate in the organization among the clients.

The study further revealed climate changes, inadequate management skills. This comes affirmation of the argument by Mbeiyererwa (2000) that most SACCO lack appropriate and adequate managerial skills and knowledge with the good strategic, business, succession plans and, adequate organizational set-up and transparent operational system .

Bureaucracy was not left unmentioned during the interview with the clients this therefore confirms the argument that other reasons for the failure or challenges of these credit programmes were top-down deficiencies such as bureaucracies, questionable integrity of loan officers, poor disbursement policy (in-kind), high transaction costs, lack of security for the loans and political interference by (Muhumuza ,2007). These three responses though score little percentage among the respondents they mean a lot in the performance of the client especially the climate change for those who borrow the loan for agricultural activities hence failure of the crop and other activities to perform well the client stands a failure of paying the loan. Bureaucracies normally affect in the faster process of service attainment among any organization especially financial institutions.

5.1.3 To suggest strategies to minimize the challenges facing SACCO in their activities

The clients of Obia SACCO they highly suggested for training among members to help them attain new skills in management of their businesses and the loans acquired with 30clients arguing for the training. This confirms the argument that provision of necessary knowledge and skills to leaders and staff to modernize their activities is crucial for SACCO's performance (Hanning, 2005). According to Islam (2010) the study revealed that there is need of training to SACCOs workers in order to improve its performance. This is supported by Hanning (2005)

that this will help microfinance and encourage management to use better loan appraisal and follow-up methods.

The findings also suggested more support needed from various intuitions for the genuine and more economic empowerment from the SACO services. According to (Wellink, 2007) he said if truly microfinance is to succeed in providing financial assistances to the poor on a large scale, further contributions are desperately needed. This is not only an issue of financing. Regulators and governments, in particular, need to develop legal and regulatory frameworks for microfinance, consumer protection, and financial infrastructure. Also prudential supervisors can contribute to the growth of microfinance by defining clear criteria for microfinance institutions. This pertains in particular to institutions that wish to take deposits from the public or expand their services.

The study also found that there is need to reduce the interest among the SACCO lending services on the loans. However, this was not pointed as suggestion the literature but as challenges were the author argued that the measures of financial accessibility, according to Guifold (2007) interest rates charged by a credit institution are seen as having a dual role of sorting potential borrowers (leading to adverse selection), and affecting the actions of borrowers (leading to the incentive effect). Interest rates thus affect the nature of the transaction and do not necessarily clear the market. Both effects are seen as a result of the imperfect information inherent in credit markets.

5.2 Conclusion of the study

5.2.1 To establish the role of SACCO in economic empowerment of the people

Regarding the this first objective concerning the roles of SACCO on the economic empowerment of the people the study confirms that the main role of the SACCO is to empower the people economically and this was confirmed by the provision of the following services being undertaken by the organization; provision of loan to the clients, provisions of saving facilities, training and education.

The study further shows that there has been great improvement in the clients performance and improvement after they joined the saving and credit cooperative organization which was confirmed by response to the improved clients income level, increased financial mobilization of financial resources from members in terms of interest and profits, and economic social situation of the members such as attaining better education to the children, access to health services, improved level of feeding or adequate level of food access.

5.2.2 To find out the challenges facing the SACCO on the economic empowerment of the people

Following the findings on this second objective, the results obtained in response showed that though the clients able to attain the above services and continuers improvement in their live, there are numerous challenges which need to be worked upon. These challenges findings shown as high interest rate for the clients borrowing the money (loan), bureaucracy especially during the process of processing the loan from the SACCO were one is supposed to get signatures from the lower local council one (LC I) meeting the collateral needs, which has affected the fast growth and management of the organization and hence the inadequate skills in managing the

SACCO which has really led to poor performance of the organization. These therefore, need to be worked upon to achieve great economic empowerment of the people.

5.2.3 To suggest strategies to the challenges

The responses from study from both the clients and the management found the following strategies for the third objectives to help the SACCO empower the people economically and in long run could help change the situation to a better one compared to the situation now such as reducing the interest rate, training and education level increment among the clients to guide them especially on how to invest their loans, provision of conducive environment by the government to allow the operation of the SACCO activities run smoothly and also increasing institutional support to the SACCO to allow them expand and meet the daily growing demand for financial services among the client and rural community at large. If clearly worked upon there is high expectation that the SACCO will have greater impact on the economic empowerment of the people.

5.3 Recommendation of the study

The study was to assess the effects of SACCO on the economic empowerment of the people. The findings of this study are hoped to lead to greater and deeper exploration of this matter concerned among the stakeholders in future studies. Based on the findings of the study, there is crucial need to address these challenges as identified by the interviewees as major causes of non performance of co-operative societies.

1. Increasing the capacity of the SACCO not only to include main services identified as provision of loan and provision of saving facilities to the members. This should include the expansion support from other institutions and also market for the members'

agricultural products and other business related activities among the members to help them avoid the level of economic down fall in terms of loan default among other.

2. Reduced interest as was among the main challenge facing clients or the members should be worked upon by the management so as to attract more borrowers of the loan and attraction of higher levels of capital increments which will further contributes to a larger number of borrowers receiving the services or the loan and saving facilities.
3. There should further be special considerations for the borrowers doing their business with soil that is clients borrowing for agricultural purposes as it is quite hard to determine the outcome from the investment due to the changes say in climate and the materials used. Hence this will try to help reduce the loan default and attract more clients to indulge in agricultural activities especially if the first suggestion is considered.
4. Leadership co-operatives will require assistance in hiring qualified and experienced employees, who could meet the new challenge of competition with other businesses. In addition, assistance will be required in training such staff, particularly on the job training. Poor governance has also stemmed from uninformed co-operative members who are manipulated by a few individuals in electing co-operative officials. Assistance is therefore required in investing in training programs that creates awareness to the co-operative members on their rights. These would in turn make them demand for good governance, that is transparency and accountability.

5. Financial management, to overcome the problem of poor and inefficient management systems, the co-operative movement requires to be assisted to invest in developing sound management and accounting models for adoption by co-operatives in a more liberalized economy. This would enhance accountability through strengthening of watch dog systems such as improvement in accounting, budgeting, internal and external accounting. Penalties for fraud and misappropriation of funds could also be made harsh within the legal framework.

5.4 Suggestions for further studies

- i. Loan default and performance of saving and credit cooperative organization growth.
- ii. Examining the leadership and microfinance institution performance or an organization.
- iii. Establishing the interest rate and clients' motivation on the microfinance loan services.
- iv. Assessing the financial management and the development of microfinance.

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Appendices

Appendix I: Questionnaire guide

Questionnaire to be filled by management of Obia SACCO

Dear sir/madam,

Dear respondent, am Ofoymungu Vivian a student of Uganda Martyrs University. I am conducting a research study on assessing the effects of rural saving and cooperative organization on the economic empowerment of people of Zeu sub-county in your organization, Obia SACCO. The questionnaire items are about the study and you are kindly requested to participate in responding to the questions below. The information given will be treated as confidential and the results of the study will be used for academic research purposes only.

Section a: background of the respondent

Please tick your personal information in the gaps below

Position in the SACCO

1. a) Bio-data

Gender Male Female

b) Age 20-30 31 -40 31-50
 51-60 above 61

c) Marital status

Single Divorced Married Widow

d) Level of education, how many people finished; (researcher to probe)

a) Primary b) Certificate c) Diploma

d) Bachelors e) Master

f) Others specified.....

Section B: SACCO roles

1) When was Obia SACCO started?

2) How many people are registered members of the SACCO?
.....

2) What is the role of Obia SACCO?
.....
.....

3) What are the services being offered by the SACCO?
.....
.....

4) Do all members receive the services from the SACCO as required?

Yes

No

If no, why?
.....
.....

Is there any improvement in the clients' performance after the services?

Yes

No

If yes, how?

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

If no, why?

.....
.....

5) What do you think could be the challenges being faced by the SACCO?

.....
.....

6) What then are the strategies as management putting in place to solve them?

.....
.....

End

Thank you for the time

May God bless you

Appendix II: Interview guide

Obia SACCO visit interview guide to Clients

Dear sir/madam,

Dear respondent, am Ofoymungu Vivian a student of Uganda Martyrs University. I am conducting a research study on assessing the effects of rural saving and cooperative organization on the economic empowerment of people of Zeu sub-county in your organization, Obia SACO. The question items below are about the study and you are kindly requested to participate in responding to the questions in this interview. The information given will be treated as confidential and the results of the study will be used for academic research purposes on

i) When was Obia SACCO started?

ii) When did you join the SACCO?

iii) What is/are the role of the SACCO?
.....

iv) What services do you get from the Obia SACCO?
.....
.....
.....

v) Have you been empowered by the services from the SACCO?

Yes No

If yes, how?
.....
.....

If no, why?

.....
.....

vi) Were you having some assets before?

Yes

No

If yes, name some?

.....
.....

If no, why?

.....
.....

vii) Where you having some business before the SACCO?

Yes

No

If yes how was it performing?

.....
.....

If no, why?

.....
.....

viii. How has Obia SACCO services benefited you economically?

.....
.....

ix. How do you use the financial services from Obia to improve your lives

.....
.....

x. What are some of the challenges facing the SACCO in empowering the people?

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

xi. How do you then think these challenges can be overcome?

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

Thank you very much for the time rendered

God bless you.