

ASSESSING THE EFFECTIVENESS OF SACCOs TOWARDS IMPROVING FOOD AND LIVELIHOOD SECURITY AT HOUSEHOLD LEVEL;

**THE CASE OF DODOTA DISTRICT, ARSI ZONE,
OROMIA REGIONAL STATE, ETHIOPIA**

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DECLARATION

I, hereby declare that the Dissertation entitled **ASSESSING THE EFFECTIVENESS OF SACCOs TOWARDS IMPROVING FOOD AND LIVELIHOOD SECURITY AT HOUSEHOLD LEVEL; THE CASE OF DODOTA DISTRICT, ARSI ZONE, OROMIA REGIONAL STATE, ETHIOPIA** submitted by me for the partial fulfillment of the M.A in Rural Development to Indira Gandhi National Open University, (IGNOU) New Delhi, is my own original work and has not been submitted earlier either to IGNOU or to any other institution for the fulfillment of the requirement for any course of study. I also declare that no chapter of this manuscript in whole or in part is lifted and incorporated in this report from any earlier work done by me or others.

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ABBREVIATIONS AND ACRONYMS

FCA	Federal Cooperative Agency
FGD	Focus Group Discussion
IGA	Income Generating Activities
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
masl	meter above sea level
MDG	Millennium Development Goal
MFI	Microfinance Institutions
MoFED	Ministry of Finance and Economic Development
NBE	National Bank of Ethiopia
NGO	Non-Governmental Organizations
PA	Peasant Administration
SACCO	Saving And Credit Cooperative
SHDI	Self Help Development International
UN	United Nations
WB	World Bank

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

In developing countries like Ethiopia, there are low levels of saving culture owing to poor underdeveloped stock markets, dominance of urban based commercial banks, and non regulated MIFs in the financial markets as vehicles for savings. Hence SACCOs are intended to offer an alternative to improve the above un-desirable situation in low income countries.

SACCOs are community membership-based financial institutions that are formed and owned by their members in promotion of their economic interests. These institutions mobilize and intermediate savings exclusively within their membership under the co-operative statute 1991.

Furthermore, they are one of the several types of cooperatives that are unique MFIs being promoted and developed by The FCA in an effort to alleviate poverty within the framework of poverty reduction policies and strategies of the Ethiopian government.

Therefore, SACCOs, one of the several types of co-operatives are unique, legal, member-based MFIs and unlike many others, SACCO's owners are also the users of the service that the SACCOs offer.

1.1.1 Country context: Overview of the MFIs / SACCOs in Ethiopia

Micro finance service particularly that of SACCOs is indeed a new development in the country with little or no recognition until very recently (1996) when the proclamation (No. 40/1996) for the establishment and regulation of MFIs was issued. Earlier there was urban – based SACCOs movement under the direct supervision of the NBE.

Rural – based savings and credit activities were initially introduced and supported by some NGOs like VOCA/Ethiopia and the then SHDI as part of their integrated rural development efforts (Tesfaye, 2005).

The most comprehensive legal framework for the cooperative development was issued in 1998 (Proclamation No. 147/98) in which promotion of SACCOs has been treated along with all other types of agricultural cooperatives.

Due attention has now been given to alternative IGAs through SACCOs to overcome the constant failure of small holders subsistence agriculture.

The government policy instruments are generally favorable to support and promote alternative micro finance service providers in rural areas, including MFIs and SACCOs.

Currently, SACCOs have an extensive network throughout the country. In 1991/1992, SACCOs, which were only 495 (with membership of 119,799), reached 10,270 in the year 2012, currently constituting the first most common type of coops in the country in terms of both number and membership. As coops, SACCOs are expected to play their share in bringing about broad based development and poverty alleviation. SACCOs are permitted to take deposit from the members and grant loan under the cooperative proclamation No. 147/1998. These proclamation, failed to recognize that SACCOs are financial institutions despite the fact that they accept deposits and grant loans. They are not subjected to the regulation and supervision that other formal financial intermediaries are subjected to (Sibehatu.K, 2012). Although SACCOs are not regulated or supervised by the NBE, they play a vital role for the development of small and microcredit, particularly in the rural parts of the country.

The status of SACCOs in Ethiopia in terms of number, membership, savings and loan dispersed in 2012 is given below in Table 1.

Table 1 Status of SACCOs in terms of number, membership, saving and loan dispersed.

Types of SACCO	No of SACCOs	Members size	Saving (Br)	Loan dispersed (Br)
Urban	3573	381212	994,960.16	73,185,994
Rural	6134	529063	211,358,991	179,509,934
Total	10270	910275	1206319160	252695928

Source: FCA (2012).

As can be seen from Table 1, the present number of SACCOs, urban and rural, in the country has reached 10270 SACCOs with a total membership size of 910275. These SACCOs have managed to mobilize savings amounting 1,206,319,160 billion Br and have dispersed a loan to their members amounting 252,695,928 Br to the end of 2012 (FCA 2012).

1.1.2 Overview of SACCOs in Dodota District

The first SACCO in Dodota District was established in May 2000 with 51 groups with 1204 members. At that time the total saving was 74,715 Br and the share capital was only 1204 Br. The revolving fund granted by the then SHDI was reached 465,639 Br and the cumulative credit disbursement was 718,500 Br.

The 51 groups, with an average of 24 members (10 – 40), organized under one SACCO which proved to be difficult for efficient and effective management. Hence the then SHDI management had given due consideration for the restructuring of the groups in to different primary SACCOs to a manageable size and later amalgamated in to Keleta union at District level. The 3 SACCOs selected under this study, namely, Kenenisa, Hunde Chala and Leta were among the 7 primary SACCOs restructured under Keleta union.

Currently, there are a total of 25 (14 rural and 11 urban), registered primary SACCOs with a total membership size of nearly 3000 members and having a total savings amounting 3.9 million Br. All are members of Keleta SACCO union.

Table 2 Sampled SACCOS year of establishment, membership size, saving, share and capital

Name of SACCO	Establishment year	Members size			Saving	Share	Capital
		Male	Female	Total			
H/Chala	2007	5	847	852	773953.3	83827.2	648499.64
Kenenisa	2004	40	161	201	154793.1	15550.77	454305.86
Leta	2008	62	152	214	218262.3	16448.28	81710.64

Source: District Cooperative Office

The major IGAs being implemented by SACCOS include: Animal fattening and small ruminants rearing, grain marketing, petty trading, small shop, local bar and restaurant, embroidery and other activities.

The then SHDI had made a significant progress in the expansion and development of SACCOS in Dodota District as part of its area based integrated rural development project. With a direct support of the organization, at the initial stage, 10 SACCOS have been established to combat the looming problem of food and livelihood security in rural areas in particular and rural poverty in general (Tesfaye, 2005). The SACCOS have been expanded and promoted almost at each Kebeles as pointed out earlier. However, being accelerators of development in rural areas and assuming that, SACCOS are a fundamental factor in inducing development, one would ask, thus; what effect have SACCOS had on members food and livelihood security at household level?

As clearly stated in the statement of the problem, the researcher intended to establish the effect of SACCOS on members' food and livelihood security; the results of which will be used by policy makers to understand the contribution of SACCOS towards improvement of food and livelihood security at household level in the country.

1.2 Statement of the Problem

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

Lack of financial resources is one of the major problems facing poor households. Formal financial institutions are inefficient and inaccessible in providing credit facilities to the poor (Asefa et al., 2005). Thus, developing an alternative mechanism for providing financial services to the poor households became critical. In realizing this, the Ethiopian government has created the legal and regulatory framework for the establishment of MFIs and SACCOS (Wolday, 2003).

The need for the establishment and strengthening of SACCOS as effective instrument for tackling rural poverty in Ethiopia needs no mention (Tesfaye, 2005). Consistent with the Ethiopian government policies and strategies, SACCOS are found to be an effective and efficient instrument to combat the looming problem of food and livelihood security in rural areas in particular and rural poverty in general.

For attaining this, interventions through a rural financial intermediation are believed to be an effective instrument. The strategic intervention include , establishing and strengthening of urban and rural SACCOs, micro enterprises, provision of matching revolving funds for IGAs and capacity building.

Hence, this study would try to examine how SACCOs achieve their goals in sustainable way to make change in the livelihood of the poor and attempts will be made to understand the impact of SACCOs intervention towards food and livelihood security of rural poor at household level with particular emphasis at Dodota District of Arsi Zone in Oromia Regional State.

1.3 Research objectives

1.3.1 General objective

The general objective of this study is to assess the effectiveness of SACCOs towards improving food and livelihood security of rural poor at household level.

1.3.2 Specific objectives

The study has the following specific objectives.

1. To assess whether the selected SACCOs have met their set objectives or not.
2. To examine the nature and change of income and livelihood as a result of the delivery of financial services.

3. To assess members perception on SACCOs' financial and non-financial services.

1.4 Hypothesis

In order to address the main objective of the study, this particular study has the following hypotheses:

- (i) SACCOs have had a significant positive impact on household food and livelihood security,
- (ii) SACCOs have improved the income of the beneficiaries, and
- (ii) Participation in SACCOs significantly reduces household vulnerability to poverty.

1.5 Significance of the study

SACCOs intervention is lately emerging phenomenon which had not been given due attention in earlier development paradigm, particularly in Ethiopia. Due to this reason, very limited studies have been undertaken in this area. Research documents worked on MFIs /SACCOs revealed that Ethiopian microfinance institutions are facing a number of challenges.

Among these, lack of research to understand members' needs is a vital problem. This research has attempted to address the lacuna of research on the effects of SACCOs at household levels particularly towards food and livelihood security and its role in combating poverty, in general.

The study is particularly significant at this time because there is a strong push by the government through MFI / SACCOs to deliver financial services through community based and locally owned organizations.

A key objective is to support communities to establish a nationwide infrastructure of SACCOs to enable communities to access financial services, like savings, credit, entrepreneurship programs, trainings, etc.

Hence this study will guide policy makers in particular and the government in general to spearhead the formation, restructuring, strengthening and development of SACCOs from an informed view point.

1.6 Limitation of the study

This study being a case study was supposed to be carried out on the entire district but because of limited resources and time, it only focuses on 3 SACCOs and very limited sample size. Although only three SACCOs were used out of all the SACCOs in the District they were scientifically selected to minimize the errors and as such the results derived from the SACCOs, will be reliable.

Besides, SACCOs used in this study had existed for a long time (above 5 years), been stable, have reasonable capital base. Hence the findings from the study are assumed to be representative of the whole situation in the District.

Due to absence of a baseline survey before the implementation of the program, respondents may not recall the situations before taking loans properly.

Despite the above limitations, the samples selected are considered representative enough. It is believed that, the random samples helps to make reasonable analysis and conclusion on assessing the effectiveness of SACCOs activities towards improving food and livelihood security at household level in rural areas.

1.7 Organization of the study

This study is organized in to 5 chapters.

The first chapter focuses on the introduction to the problem background of the study and presents the framework to give readers a basic idea of this research. Besides research objective, research question and limitations of the study, definitions and key concepts are also discussed.

The second chapter is the core part of this study and its prime purpose is to provide the reader's insight about the theories involved in the study.

This chapter provides the general definitions of SACCO and its methodology. Then it provides idea about roles and objectives of SACCO, savings mobilizations strategies, effects of SACCO and human development.

It also represents the reflection about theories related as a working model of the study based on the research question.

The principal purpose of the third chapter is to present the theoretical and practical research methods, which also represents the choices made by the researcher in order to make the right option for the study.

Moreover, explanations are given on scientific ideal, scientific approach and research methods in this section. This chapter will later discuss the choice between conducting a quantitative and qualitative research. This chapter also gives the idea about the questionnaire design and sample selection. It is concluded with the information about the secondary sources.

In the fourth chapter, the statistical methodology applied is discussed. The chapter gives the overview about the type of statistical ideas that were undertaken to analyze and get information from the respondents. This chapter also presents the views of the people through the empirical findings on the effectiveness of SACCOS on their lives and their reflection, through tables and diagrams. This chapter provides reflections on the view of the people about the factors like, access to education, health facilities and their perception regarding financial and non- financial service provisions of SACCOS.

The first phase of the fifth chapter discusses about the previous literature as empirical evidences to go deep into and support the analysis of the study. After that, the conclusions are drawn based on the results presented in the empirical study and analysis. Finally, it also includes the scope and recommendations about further studies on the assigned topic.

The appendixes include the interview questionnaire and the extended bibliography.

CHAPTER TWO

REVIEW OF LITERATURE

2.1 Concepts and definitions

Before assessing the effectiveness of SACCOs towards food and livelihood security, it is important to understand the concept food and livelihood security.

2.1.1 Food security:

Food security refers broadly to the ability of individuals to obtain sufficient food on a day-to-day basis. Food insecurity is both a primary result and one of the principal manifestations of poverty. Over the years, food insecurity has been defined in a variety of ways. Maxwell and Smith (1992), for example, have documented more than 30 definitions of food security in published writings. To create clarity around the meaning of food security, this conceptual framework adopts the definition proposed by USAID (1992): “When all people, at all times, have physical and economic access to sufficient, safe, and nutritious food to meet their dietary needs and food preferences for an active and healthy life.” People who do not satisfy the conditions in this definition are considered food insecure.

Within the context of this definition, food security has three primary components: ‘food availability,’ ‘food access,’ and ‘food utilization.’ Food access is determined in part by availability, while utilization is determined in part by access. ‘Food stability’ is a fourth component of food security that cuts across the other three components.

Two commonly used definitions of food security come from the UN's Food and Agriculture Organization (FAO) and the United States Department of Agriculture (USDA):

- Food security exists when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life.
- Food security for a household means access by all members at all times to enough food for an active, healthy life. Food security includes at a minimum (1) the ready availability of nutritionally adequate and safe foods, and (2) an assured ability to acquire acceptable foods in socially acceptable ways (that is, without resorting to emergency food supplies, scavenging, stealing, or other coping strategies). (USDA)

The stages of food insecurity range from food secure situations to full-scale famine. "Famine and hunger are both rooted in food insecurity. Food insecurity can be categorized as either chronic or transitory. Chronic food insecurity translates into a high degree of vulnerability to famine and hunger; ensuring food security presupposes elimination of that vulnerability. [Chronic] hunger is not famine. It is similar to undernourishment and is related to poverty, existing mainly in poor countries.

2.1.2 Livelihood:

The term livelihood is often used interchangeably with economic strengthening and refers generally to economic production, employment, and household income. A

more holistic understanding of livelihood, however, incorporates this general definition within a broader context of economic development, reduced vulnerability, and environmental sustainability. The conceptual framework adopts this expanded definition, often referred to as the **sustainable livelihood approach**, which is defined as follows:

“A Livelihood comprises the capabilities, assets (stores, resources, claims, and access) and activities required for a means of living: a livelihood is sustainable which can cope with and recover from stress and shocks, maintain or enhance its capabilities and assets, and provide sustainable livelihood opportunities for the next generation; and which contributes net benefits to other livelihoods at the local and global levels in the short and long term” (Chambers and Conway, 1991, p.6).

2.1.3 Micro-credit:

It is a component of microfinance and is the extension of small loans to entrepreneurs, who are too poor to qualify for traditional bank loans. Especially in developing countries, micro-credit enables very poor people to engage in self-employment projects that generate income, thus allowing them to improve the standard of living for themselves and their families.

2.1.4 Microfinance:

Microfinance is an economic development approach that involves providing financial services, through institutions, to low-income clients, where the market fails to provide

appropriate services. The services provided by the Microfinance Institutions (MFIs) include credit saving and insurance services. Many microfinance institutions also provide social intermediation services such as training and education, organizational support, health and skills in line with their development objectives.

2.1.5 Micro finance Institutions:

A microfinance institution is an organization, engaged in extending micro credit loans and other financial services to poor borrowers for income generating and self employment activities. An MFI is usually not a part of the formal banking industry or government. It is usually referred to as a NGO.

2.1.6 Savings and Credit Cooperative (SACCO)

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

In addition to the above, a SACCO is a democratic, unique member driven, self-help, not for profit financial cooperative. It is owned and governed by members who have the same common bond. A SACCO's membership is open to all that belong to a group, regardless of race, religion, color, creed, and gender or job status. These members agree to save their money together in the SACCO and to make loans to

one another at reasonable rates of interest. Interest is charged to cover the interest cost on saving and the cost of administration.

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

Saving and credit cooperatives (SACCOS) which are known as the credit unions in some other countries are defined as cooperatives which furnish their members with convenient and secure means of saving money and obtaining credit at reasonable rates of interest.

The saving and credit cooperatives are usually organized within a group which is already knit together by a bond of common interests such as women in same village or members of the same community who are fairly well acquainted with one another.

Furthermore, the savings and credit cooperatives are cooperative organizations which are guided by the practices, philosophy and principles of the cooperative movement.

2.2 Measures of food and livelihood security

Food security indicators and measures have evolved over time from derived measures, which explores country level household income and expenditure surveys

to estimate per capita caloric availability towards fundamental measures, which capture the subjective nature of inadequate access. In general the objective of food security indicators and measures is to capture some or all of the main components of food security in terms of food availability, access and utilization or adequacy. While availability (production and supply) and utilization/adequacy (nutritional status/anthropometric measures) seemed much easier to estimate, thus more popular, access (ability to acquire sufficient quantity and quality) remain largely elusive. The factors influencing household food access are often context specific, thus the financially and technically demand to collect and analyze data on all aspects of household's subjective experience of food access and the development of valid and easy-to-use measures remain a huge challenge. Nevertheless there has been the development of several measures aimed at capturing the access component of food security with some notable examples developed by the USAID-funded Food and Nutrition Technical Assistance (FANTA) project, collaborating with Cornell and Tufts University and Africare and World Vision.

These include:

- The Household Food Insecurity Access Scale (HFIAS)- a continuous measure of the degree of food insecurity (access) in the household in the previous month
- The Household Dietary Diversity Scale (HDDS)-a measure of the number of different food groups consumed over a specific reference period (24hrs/48hrs/7days).

- The Household Hunger Scale (HHS) - a measure of experience of household food deprivation based on a set of predictable reactions, captured through a survey and summarized in a scale.

Another tool is the Coping Strategies Index (CSI), which assesses household behaviors and rates them based on a set of varied established behaviors on how households cope with food shortages.

2.3 Conceptual framework

Impact assessment can be used to improve services, improving effectiveness towards food and livelihood security at household level and SACCOs efficiency, to promote the delivery of good member's services and accountability.

According to Yaron (1997), there are two major schools of thought that are prominent in impact assessment of microfinance.

The first one focuses purely on changes in the organization and its operations. In this approach, generally, two key variables of institutional outreach and institutional sustainability are focused on.

The second approach, which is currently gaining prominence and is applied for this study, is the one, which focuses on members needs rather than on the organizations delivering the financial services. It should answer the questions, such as who are users of the services? How SACCO members are using the services? And how does the intervention affect the life of SACCO members at household level?

Therefore, this study applies the second approach which focuses on members' needs to assess the effectiveness of SACCOS towards food and livelihood security at household level

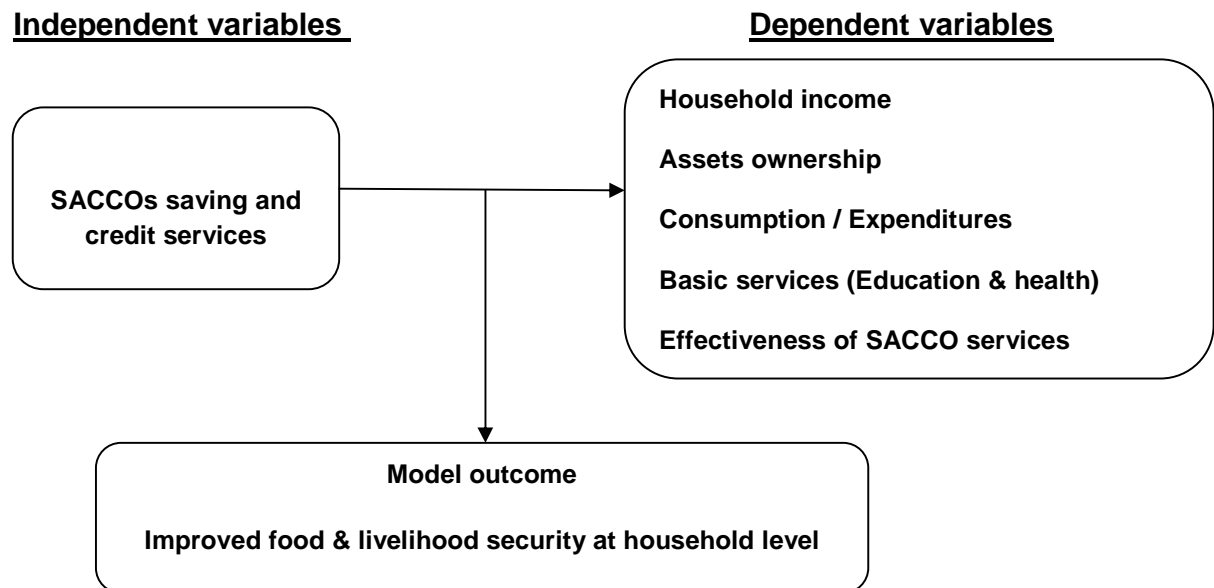
The rationale for using household as unit for this study is that at the household level, impact may be measured by net increase in household income, assets ownership, expenditure/ consumption and access to basic services and the overall end result is fully measurable only in direct relationship to the lives of human beings.

Human beings are part of the household, the society or the community in which they live. These elements would, in one way or the other, influence the actions or activities of the clients. In other words, the impact of the credit may occur as a result of the composition of the household, the quality of the decision making within the household to any economic activity of the household (Tsehay and Mengistu, 2002).

The study attempts to measure the impact that occurs at household level use it as a conceptual framework. The impact can be assessed by specific indicators such as increase in household income, assets ownership, expenditure (consumption), improvement of employment and production, and access to basic services (Education and health).

The research has both independent and dependent variables. Independent variables are services that are provided by SACCO for members. On the other hand dependent variables are improvements in the livelihood of the members. Therefore, the finding depends on the relationship and outputs of the independent and dependent variables.

Fig. 1 The relationship between independent and dependent variables



2.4 SACCOS as socio – economic organizations

SACCOS are organized and operated according to seven basic co-operative principles: The seven basic principles of SACCOS:

- i. Open membership to interested people from designated area of operation,
- ii. Democratic member control; one member one vote in all matters of decision making,
- iii. Member economic patronage,
- iv. Autonomy and independence,
- v. Promotion of members' education and awareness through constant education, training and information,
- vi. Cooperation among cooperatives, and,

vii. Concern for community development i.e. corporate social responsibility.

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

- i. Member owned,
- ii. Member used,
- iii. Member controlled and
- iv. Benefits member.

There are no external shareholders, and the members are the users and owners of the institutions, with which each member having the right to one vote in the organization. The policy making leadership is drawn from the members themselves and members are democratically elected for these positions.

2.5 Features of SACCOs

Cooperatives, including SACCOs as one type of cooperatives, have common characteristics such as:

- Clients tend to come from low income and lower middle – income groups.
- Services are almost exclusively financial in nature.
- They provide self generated capital, typically without any dependence on outside funding to cover operating costs which are generally kept low. This is because they are always started on self-help philosophy.
- Members are united through at least one common interest.

- Members pursue the goal of improving their economic and social situation through joint actions.
- Mutual self help group - where members have joint action which is geared towards the attainment of the group's objectives through mutual self help.

It is common for a primary SACCOs often to organize in to unions to ensure belonging, survival and protection. The unions serve the following purposes.

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

2.6 Operations of SACCOs

Saving and credit services are a key feature for raising capital and are often tied to receiving a loan. SACCO lending requires little collateral. It is based on character references and co-signing for loans between members; although nowadays they also require substantial collateral security. If these conditions are not met, a SACCO becomes unstable; the management cannot be monitored, and a structure conflict arises between members.

On the positive side, the advantage is that, the group that constitutes the organization is sometimes small enough so that members know each other well.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 SAMPLING

A case study design is used in the study. Case study design helps to examine the detail features of the respondents. The study has used two groups of samples namely, experimental group and control group.

Control group, which is a sample of people similar in every respect but who have not received a loan, compared with samples that have (Johnson and Rogaly, 1997), was used to avoid the problem of intervening variables (variables that are affecting the output of the research other than independent variables).

This methodology used Wilcoxon Matched Pairs Non-Parametric (Fiddler and Webster, 1996) test to assess the effects of SACCO activities on beneficiaries based on the situations of members before and after the loan. Specifically the analysis has employed descriptive statistics to assess the effects on income, access to education and medical facilities, savings, employment generation, food security, etc, before and after loan.

This control group is randomly selected from the list of people, which will be members of the SACCO in the near future. Experimental groups will be randomly selected from the list of SACCO active members and defaulters. The sample frame of the study is the entire members found in the list of SACCO registration book.

Two stage sample design procedures were undertaken for this study.

The first stage is the selection of sample primary SACCOS. All SACCOS have almost similar characteristics. Therefore, each SACCO has equal chance to be selected.

In the first stage 3 SACCOS have been selected at random namely: Hunde Chala, Kenenisa and Leta.

The second stage is selection of sample respondents from the selected SACCOS. The study is focused on selecting samples from each area equally. To manage the research within the given time and limited budget, a total of 60 samples has been selected using random sampling. From the total sample size, 30 samples were used as experimental group and 30 were used as control group.

In order to find out the opinion of SACCO staff 2 staff from each of selected SACCOS and 3 staff from Keleta SACCO Union (A Manager and 2 Employees) were interviewed. Three staff of the District Cooperative Promotion Office have been interviewed in this study.

Totally, 72 persons has been interviewed, which includes 30 active SACCO members, 30 incoming members, 9 SACCO staff and 3 concerned government office staff.

Table 3 Sampling design

Sampling areas	Experiment group	Control group	SACCO staff		Cooperati ve staff	Total
			Manager	Employees		
Hunde Chala	10	10	-	2	-	22
Kenenisa	10	10	-	2	-	22
Leta	10	10	-	2	-	22
Keleta Union	-	-	1	2	-	3
Cooperative staff	-	-	-	-	3	3
Total	30	30	1	8	3	72

3.2 The study area

The study is conducted at Dodota District of Oromia Regional State.

Dodota is located at 125 km away from Addis Ababa South East wards, bordered with Adama District of East Shoa Zone to the North, Hetosa District of Arsi Zone to the South, Sire District of Arsi Zone to the East and Bora District of East Shoa Zone to the West.

Its altitude ranges from 1,360–1700 masl with an average daily temperature ranging from 18 – 30 C° and an annual rainfall of 500 – 900 mm.

The District is located in the Ethiopian rift valley which is characterized by lowland agro-ecology.

Administratively, the District is divided into 15 Kebeles of which 12 are PAs located in rural areas and the remaining three kebelles are small towns.

The District has an estimated area of 34560 ha, out of which 11846 is cultivated land, 6300 forest and bush land, 1,229 ha grazing land, 2718 sugarcane plantation, 2500 ha park, 2020 swampy area and the remaining 7947 ha categorized as village, irrigation and investment area.

Based on the 2007 CSA census result, the Districts' population is projected to be 58116 in the year 2012 with sex composition of 31862 male (54.8%) and 26254 female (45.2%).

Agriculture is the mainstay of the economy of the District. It is the source of employment and subsistence for the vast majority of the population.

People are involved in subsistence farming. Petty trading, live stock rearing and agriculture production of tef, maize, sorghum and beans are the principal economic activities in the area. The District has got physical and material resources which include land and livestock suitable for agricultural production. The Agricultural cash economy also provides for potential strong rapid economic development.

Dodota is one of the most food insecure and drought prone Districts in the region. Factors contributing include among others, rapid population growth, land degradation, diminishing of land holding size & land fragmentation, use of traditional cultural practices, limited use of appropriate agricultural technologies, lack of effective

rural credit schemes, limited household assets, lack of employment opportunities and others.

3.3 DATA COLLECTION: TOOLS AND PROCEDURES

This study focused on members who have been engaged in SACCO activities for at least 5 years and live in. This is mainly because members with a long experience in SACCO activities will be found well informed and know much about the pros and cons about SACCO objectives and activities, so they can reflect better to the questionnaire.

For the purpose of the study both qualitative and quantitative data have been collected through primary and secondary sources. The primary sources of data were obtained from direct observation, structured and unstructured questionnaires, FGD and interviewing the concerned parties such as Dodota District Cooperative Office and management staff, employees of SACCO at the Keleta SACCO Union Office and at the three selected primary SACCO Offices.

Direct observation was made at the households of randomly selected respondents. This method helped the researcher to observe the real impact of SACCO's intervention on poor members of SACCOs.

The interviews were administered on randomly to be responded by both the experiment and control groups regarding the base line situation before they received

the loan and their current situation to assess the impact of SACCOs with respect to food and livelihood security.

The questionnaire were prepared in English language and then translated to Oromiffa and Amharic for the better understanding of the respondents about the research questions in the language, which they can understand.

This has enabled the enumerators and respondents to easily understand the questions, express their ideas comfortably and reduce communication barriers. In addition to this, the researcher has got the opportunity to capture and ascertain both subjective and objective facts.

Questionnaire was fully structured with numerical and non – numerical questions to get most of the impact of SACCOs on the society that consists of background questions about gender, age, education, number of family members and living standards, and questions related to the research objectives.

The same context of questions was given to all interviewees and they received exactly the same interview stimulus. Questions were very specific with a fixed range of answers. The structured questionnaire were multiple-choice questions in which the researcher provided a choice of answers and respondents were asked to select one or more of the alternatives, and dichotomous questions that will have only two response alternatives, yes or no.

One supervisor and 3 enumerators were trained to collect relevant data from sample households and SACCO Offices. A training manual was prepared to train the supervisor and enumerators.

Both the supervisor and the enumerators were given a one-day training on the training manual, which focused on the objectives of the study on how to approach a respondent, how to record the responses, and on detailed contents of the questionnaire.

Conducting FGD was important to assess the perception of SACCO members with respect to financial and non – financial service provision and disclose their problems, comments and provide some recommendations. This also strengthened the reliability of the finding.

A total of five FGD were conducted to collect qualitative information, of which, three in selected 3 primary SACCOS, one in the Union Office and the other at the District Cooperative Promotion Office with key informants such as manager & employees of SACCOS and Subject Matter Specialists of Cooperative Promotion Office.

3.4 DATA PROCESSING

Data collection was undertaken by 2 master – code sheets; one for the data used to collect from respondents of the study and the other for the data that was used to collect from SACCO and concerned Cooperative Office staff. The code sheets include the comparison of baseline and current situation of income & expenditure,

asset ownership, living condition, nutrition, health and education, in comparison with the experiment and control group.

Percentages and central tendency measurements were used to analyze the data.

In this study, some effects can be shown in one hand only in numerical figures like, savings, income, asset ownership while on the other hand other effects can be expressed only in descriptive ways, like, access to education, health, perceptions on SACCOs service provision, etc.

Hence, this study was also focused on the numerical data and performed the statistical tests. Thus, the result of this study depended on numerical and non-numerical analysis, using both quantitative and qualitative methods.

Although the result of the research is highly dependent on the primary sources that were gathered from the structured interview, but it also required some secondary sources to understand the concepts, definitions, theories and empirical results. The researcher has referred several books, research literatures, articles, journals and study, as secondary sources for this study. Internet sources were also used as a secondary source for the study.

However, it is not always easy to find out the appropriate research materials for the study. Many studies have been conducted on MFIs and SACCOs in Ethiopia over the last few years. Nevertheless, from them the researcher has selected the most appropriate literature for his study. For this reason, the researcher has gone through

numerous references related to this topic, to find the suitable materials. These materials were searched and collected from the Addis Ababa University library and using available search tool.

3.5 DATA ANALYSIS

The collected data was then summarized, tabulated and analyzed with descriptive statistical tools such as the percentage in order to examine the quantitative effects of the SACCO interventions on the well being of its members. In addition to quantitative analysis, qualitative analyses were also employed to examine the effects on the beneficiaries' quality of life and to explain some of the organizational and management issues related to SACCO's operation.

Besides, basic demographic characteristics of the respondents such as, family size, age, educational level and household's occupations were analyzed.

The descriptive statistics also includes comparison of income, asset ownership, housing condition, nutrition, access to health & education, business growth and employment opportunities between experiment and control groups.

Percentages and central tendency measurements were also used to analyze the data.

CHAPTER FOUR

RESEARCH FINDINGS

4.1 Profile of respondents

Table 4 provides the detail profiles of the respondents in the study. The sample is composed of experiment and control groups. The gender composition of the experiment group is highly dominated by female members i.e. 93.3% female and 6.67% male respectively. This has resulted due to the then SHDI gender sensitivity policy and proven track record of women in all project areas, the initial focus of SACCO program of the organization was on women (Tesfaye, 2005)

70% of the experiment and 60% of the control group are male-headed households. Active members (73.33%) and incoming members (56.67%) are followers of orthodox, followed by 20% and 23.33 % Muslims, respectively. 70% and 80% of active members and incoming members are Oromo followed by 20 % and 23.33 % Amhara.

Table 4 Profile of respondents

Particulars		Experiment group (n=30) %	Control group (n=30) %
Gender	Male	2 (6.67)	6 (20)
	Female	28 (93.3)	24 (80)
Household head	Male	12 (40)	18 (60)
	Female	17 (56.67)	9 (30)
	No answer	2 (6.67)	3 (10)
Religion	Orthodox	22 (73.33)	17 (56.67)
	Muslim	6 (20)	7 (23.33)
	Protestant	2 (6.67)	6 (20)
Ethnicity	Oromo	21 (70)	24 (80)

Amhara	6 (20)	4 (13.33)
Others	3 (10)	2 (6.67)

Most of the sampled respondents are adults who found within the reproductive age limits (15-49 years). Accordingly, 23.33 % and 43.33% are in the age group of 20 to 29 years for the experiment and control group, respectively.

36.66 % and 26.66% of the experiment and control groups are categorized between the ages 30 and 39 years, and 30% and 26.66 % are between the ages of 40 and 49 years for the experiment and control group, respectively.

The remaining 6.67% of the experiment group and 3.33% of the control group are in the age group of 50 to 59.

The average household size of experimental groups is more or less similar (5 and 4.9) before and after joining SACCO while the average household size of control group is slightly greater (5.4) than the experimental groups category.

Table 5 reveals that most of the respondents are adults who could actively participate in SACCO activities to improve their standard of life.

Table 5 Demographic characteristics of respondents

Particulars	Experiment group (n=30) Average	Control group (n=30) Average
Age		
20 – 29	7	13
30 – 39	11	8
40 – 49	10	8
50 – 59	2	1

Children (No)		4	4.2
House hold size	Before joining SACCO	5.1	5.4
	After joining SACCO	4.9	-

Table 6 shows the distribution of respondents by marital status, educational background and occupation of experimental and control groups.

It indicates that the majority of respondents i.e. 83.33 % of the experiment group and 90% of the control group are married.

Most of the respondents in all sample categories are literate. About 60 % of the experiment group and 56.67% of the control group are in the 1st cycle school and 10% and 26.67 % of the respondents are from high school for the experiment and control group, respectively. From the total respondents, 23.33% of the experiment group and 3.33% of the control group are illiterate.

Most of the respondents are engaged in farming, which accounts for 76.67% of the experiment and 53.33 % of the control group. 13.33 % of the experiment and 20% of the control group are categorized as daily laborer where as 10% of the experiment and 26.67% of the control group are engaged in small businesses.

Table 6 Marital status, education and occupation of respondents

Particulars		Experiment group (n=30) Average	Control group (n=30) Average
Marital status	Married	25 (83.33)	27(90)
	Single	2 (6.67)	1 (3.33)

	Divorced	1 (3.33)	1 (3.33)
	Widowed	2 (6.67)	1 (3.33)
Education level	Illiterate	7 (23.33)	1 (3.33)
	1 st cycle	18 (60)	17 (56.67)
	2 nd cycle	3 (10)	8 (26.67)
	≥ High School	2 (6.67)	4 (14.33)
Occupation	Farmer	23 (76.67)	16 (53.33)
	Daily laborer	4 (13.33)	6 (20)
	Small business	3 (10)	8 (26.67)

4.2 Loan provision and saving history of SACCO members

Loan provision is one of the major variables in SACCO participation. The loan amount also has a positive relationship with the SACCO efficiency and effectiveness. The trend of loan provision and its average first and last size has been presented in Table 7, which clearly shows the loan history of experimental groups for their years of participation, the number and the amount of the loan they received.

As shown in the table, all members have participated in SACCO for ≥ 5 years. 60% of the respondents have received loan 8 times where as 40% were able to get loan 7 times from their SACCO. The average first loan was Birr 536.00 Br and the average last loan was nearly eight fold, which is 4250.00 Br compared to the average first loan.

Table 7 Loan history of respondents

Description	Experiment group (n=30)	
Members participation ≥ 5 year	30 (100)	
Number of loans	7	12 (40)
	8	18 (60)
Average first loan	536.00 Br	
Average last loan	4250.00 Br	

Table 8 shows that all sampled respondents received loans using group-lending methodology and all are organized in a group having 5 or more members.

All group members knew each other before forming a group and they monitor the performance of each loan during their regular meetings using well organized formats and records as a control mechanism.

Table 8 Lending methodology and controlling mechanism

Description	Indicators	Experiment group (n=30) %
Method of receiving the loan	In group	30 (100)
Member size in group	≥ 5	30 (1000)
Group members know each other before joining SACCO	Yes	30 (100)
Group members monitor each other	Yes	30(100)
Controlling in written form by agreement	Yes	30 (100)

4.3 Loan usage

Members received loans for different purposes such as agriculture and agriculture related activities, farming / irrigation, grain marketing, small animals rearing petty trading and use it as a working capital for small businesses and other related purposes.

These IGAs enable members to generate net income to support their families and pay back their loans.

In table 9 all of sampled respondents reported that they used the loan for the intended purposes and the loan received was invested in income generating activities.

From this most of it was invested in farming / irrigation activities (66.67%) followed by grain marketing (16.67%). Relatively smaller proportion of loan is used for small animals rearing (10%) and petty trading (6.67%).

Table 9 Member's loan usage

Description	Responses	Experiment group (n=30) %
Use of loan for intended purpose	Yes	30 (100)
Spending loan on IGAs	Yes	30 (100)
Activities for which the loan was spent	Farming / Irrigation	20 (66.67)
	Grain marketing	5 (16.67)
	Small animals rearing	3 (10)
	Petty trading	2 (6.67)

4.4 Trends of loan repayment

Loan repayment may have a positive or negative impact on the organizational performance of SACCO. The assumption is that if members used the loan for the intended purpose to generate additional income, they can pay back their loan.

Table 10 indicates that about 93.33% of the respondents repaid their loan early and in accordance with the schedule of the loan period. Few respondents (6.67%) were unable to pay their loan according to the schedule. The loan repayment rate of the 3 sampled SACCOs ranged from 95 to 100%.

According to the results of the sample survey, all the borrowers in the sample believe that loan should be repaid. This enables members to get additional loan as well as enables the institution to expand its outreach and loan size.

All respondents have reported that the loan was issued timely.

Table 10 Status of loan repayment

Description	Indicators	Experiment group (n=30)%
Loan repayment	Early	28 (93.33)
	Lately	2 (6.67)
Do you believe the loan must be repaid	Yes	30(100)

Table 11 reveals that all respondents have no access to loan other than SACCO.

Most of the respondents reported that the interest rate on lending is moderate (76.67%). However, 23.33% of respondents complained that the lending interest rate of SACCO is high.

The data revealed that the majority (93.33%) have paid their loans and received the next cycle of loans every year. All have a term loan for one year. About 86.67 % of the respondents have accepted the loan period as satisfactory. On the other hand, 13.33 % of respondents reported that the loan period is short.

Table 11 Access to loan, interest rate and repayment period

Description	Responses	Experiment group (n=30) %
Access to loan to other financial institutions	No	30 (100)
Interest rate on lending	High	7 (23.33)
	Moderate	23 (86.67)
	Low	-
Term of loan	Annually	30 (100)
Repayment period	Short	4 (13.33)
	Satisfactory	26 (86.67)
	Long	-

4.5 Impact at household level

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

Lack of financial resources is one of the major problems facing poor households. Thus, developing an alternative mechanism for providing financial services to the poor households became critical.

Consistent with the Ethiopian government policies and strategies, SACCOs are found to be an effective and efficient instrument to combat the looming problem of food and livelihood security in rural areas in particular and rural poverty in general.

Hence, this study would try to examine how SACCOs achieve their goals in sustainable way to make change in the livelihood of the poor and attempts will be made to understand the impact of SACCOs intervention towards food and livelihood security of rural poor at household level.

The rationale for using household as unit for this study is that at the household level, impact may be measured by net increase in household income, assets ownership, expenditure/ consumption, household diet and access to basic services and the overall end result is fully measurable only in direct relationship to the lives of human beings.

4.5.1 Household income

One of the major objectives of the SACCO intervention is to improve the income of its members through the provision of organized financial services that accomplished by engaging participants in income generating activities at the household and community level.

This study has put an effort to understand that the household is expected to benefit from the loans in terms of improving income and diversify the source of income.

The respondents shift from one category in pre- joining SACCO to another category in post – joining SACCO period has been analyzed and results are presents in table 12.

60% of the respondents had source of income before joining SACCO, while the remaining 40 % hadn't any source of income.

As reported by the respondents, most of the households had, on the average, less than 612.00 Br per month before taking the loan. However, the majority of households reported that their average monthly income rose to above 1082.00 Br after they received the loan.

Moreover, 96.67 % of the households confirmed that there is an increase in the overall household income after they received the loan. On the other hand, 3.33% of the respondents reported no change in the overall income of the household after receiving the loan.

The respondents replied the reason for the change in their income, 48.8 percent of households indicated that their income increased because, most of them (80%) expanded the existing business, few of them (10 %) started new business and the remaining (10%) a family member managed to get a job.

All respondents have saving account in SACCO. Only few (6.67 %) of the respondents have only compulsory saving while 93.33% of the respondents have both compulsory and voluntary savings.

Almost all of the respondents reported that their main source of saving is business profit. The large majority of the respondents (96.67 %) have increased their overall savings and the capacity to save.

The findings of the survey revealed that households' income has increased and diversified as well as their savings increased due to the loans provided by SACCO.

Table 12 Change of household income and saving before and after joining SACCO

Description	Responses	Experiment group (n=30) %
Have source of income before joining SACCO	Yes	18 (60)
	No	12 (40)
Reasons for income growth	Business expansion	24 (80)
	Start new business	3 (10)
	Get a job	3 (10)

Average income	Before joining SACCO	612.00 Br
	After joining SACCO	1082.00 Br.
Monthly savings	Only Compulsory	2 (6.67)
	Compulsory + Voluntary	28(93.33)
Overall saving status	Increased	29 (96.67)
	Decreased	=
	No change	1 (3.33)

4.5.2 House ownership and improvements

Ownership of houses and improvements in it increases households' living standard as housing is an important or basic asset for households. The assumption is that households may have better housing ownership and improve their houses after joining SACCO.

The impact of participation in SACCO on member's assets can be seen from the table 13; most of the respondents (56.67%) had their own houses before the loan. However, the remaining 43.33% became owner of a new house after they received the loan. Similarly, 80 % of the respondents live in medium and good houses, while 20 % live in poor houses after joining SACCO.

The majority of the respondents (70%) brought improvements on their houses, which cost more than 1000.00 Br. However, 30 % of them did not bring improvements on their houses that cost more than 1000.00 Br. Improvements are mostly made on repairs of houses.

Based on the response from the respondents, it is possible to say that SACCO has a tremendous impact on housing improvements of its members.

Table 13 House ownership and housing improvements

Description	Responses	Experiment group (n=30) %
Have you own house	Yes	17 (56.67)
	No	13 (43.33)
Quality of the house	Good	12 (40)
	Medium	12 (40)
	Poor	6 (20)
Improvement more than 1000,00 Br	Yes	21 (70)
	No	9 (30)

4.5.3 Household asset ownership

Asset ownership is one the indicator of the well being of households. The study had tried to assess the current assets owned by the respondents. Many respondents in the study area reported that they have had different household assets. As we observed and also they reported, most of them owned some of these assets after they became member of SACCO where as few acquired them before.

Table 14 shows some household assets ownership by comparing before and after SACCO intervention. The data in the table reveals that few respondents had modest value household assets such as chair, table, bed, and radio before taking loans.

Few households (less than 30%) had owned some assets such as tape recorder, television, shelf and sofa before taking loans.

Bed, radio and tape recorder are the most common (Above 86%) household assets followed by table, chair and television ownership.

The results of the survey show that, ownership of household assets has increased after respondents joined SACCO program. Thus, SACCO interventions have a positive impact on increasing household assets ownership.

Table 14 Household asset ownership before and after joining SACCO

Type of assets	Before (%)	After (%)
Chair	33.34	73.34
Table	40	90
Shelf	26.67	56.67
Bed	46.67	86.67
Radio	76.67	100
Tape	30	100
Television	20	73.34
Sofa	13.33	80

4.5.4 Household expenditure / consumption

It is assumed that participation in SACCO aims at triggering improved living conditions of the members. Table 15 shows that 73.34 % of experiment group spent not more than Birr 200 per month before taking loans. 86.68 % of control group spent a maximum of Birr 200 per month. After taking the loans from SACCO, the

percentage of experiment group whose average monthly expenditure was less than Birr 100 and between Birr 101 and Birr 200 reduced from 26.67 % to 6.67 % and increased from 46.67 % to 70% respectively. As indicated in the table, the level of average monthly expenditure of experiment group shifts from the lower expenditure category to the next higher expenditure category after taking loans.

In comparison to the control groups more than 63.34 % of experiment group had an average monthly expenditure of above Birr 200 after taking loans, while only 13.34 % of control group had an average monthly expenditure of above Birr 200. From the results, it is clear to conclude that loans make a difference in increasing household expenditure.

About 73.34% percent of experiment group and 46.67% of control group responded that most of the expenditure was generated by the households. However, after taking loans, the contribution of other family members increased in bearing expenditure. This is an implication of provision of credit increases the income generating capacity of the households.

Table 15 Household expenditure of experiment and control group

Expenditure	Categories	Experiment group (n=30) %		Control group (n=30) %
		Before	After	
Average expenditure	≤ 100	8 (26.67)	2 (6.67)	7 (23.34)
	101 – 200	14 (46.67)	9 (70)	19 (63.34)
	201 - 300	6 (20)	14 (46.67)	4 (13.34)

	301 – 400	2 (6.67)	5 (16.67)	-
Bearer of expenditure	Myself	9 (30)	22 (73.34)	14 (46.67)

4.5.5 Household diet

Food is a basic need for life. Household diet and nutrition used in the household as an indicator of the household's well being. The assumption is that participants in the SACCO program will have improved household diet and are less vulnerable to food shortage and shocks than the non-participants of SACCO program.

The study results of experimental and control groups about their diet condition are indicated in table 16.

The large majority of respondents both in experimental and control groups reported that their household had eaten meals at a minimum of three times in a day.

10 % the respondents reported that their families take meals less than three times a day. Large proportion of the respondents reported that the frequency of taking meals in a day increased after they received the loan from SACCO.

Respondents were asked why their household diet was improved. Accordingly, 86.67 % of households said that the diet improvement came from the provision of loans by SACCO, while the minority (13.33 %) responded that SACCO program did not improve their overall household diet. The general trend in household diet condition is improved after SACCO program.

Moreover, 90 % of experiment group have secured themselves from food shortage, while 60% of control group secured themselves from food shortage in the last 12 months. From the results, it is possible to conclude that SACCO program have a positive impact on households' diet condition.

Respondents were asked why their household diet was improved.

93.34 % of households said that the diet improvement came from the provision of loans by SACCO, while the minority (6.67 %) responded that SACCO program did not improve their overall household diet. The general trend in household diet condition is improved after SACCO program.

Moreover, 90 % of experiment group have secured themselves from food shortage, while 60% of control group secured themselves from food shortage in the last 12 months. From the results, it is possible to conclude that SACCO program have a positive impact on households' diet condition.

Table 16 Households' diet situation

Description	Indicators	Experiment group (n=30)		Control group (n=30)
		Before	After	
Meals in a day	Once	7 (23.34)	1 (3.34)	5 (16.67)
	Twice	17 (56.67)	2 (6.67)	21 (70)
	Three times	6 (20)	22 (73.34)	4 (13.34)
	More than 3 times	-	5 (16.67)	-
Food shortage during the past 12 months	Yes	-	3 (10)	12 (40)
	No	-	27 (90)	18 (60)
Diet improvement due to SACCO	Yes	-	28 (93.34)	-
	No	-	2 (6.67)	-

4.5.6 Education access

This study assumed that SACCO's services may improve the possibility of increasing expenditures on education and increases the opportunity of households' access to education.

Table 17 shows that experiment group have more school age children than control group, which is 86.67% and 70 %, respectively.

The results of the study reveals that school attendance is better after joining SACCO than before in experiment group and the average annual educational expenditure increased after experiment group received the loan.

Furthermore, the overall school attendance has shown a significant change after receiving loans as reported by 100 % of experiment group like of 86.67 % reported by control groups during the last 12 months.

The large majority of the respondents reported that SACCO program has a positive impact on household's educational access.

Table 17 Households' educational access

Description	Indicators	Experiment group (n=30)	Control group (n=30)
Presence of school aged children	Yes	26 (86.67)	21 (70)
	No	4 (13.34)	9 (30)
Educational expenditure	Average Br / year	427.00	165.00
School attendance	Decreased	-	4 (13.34)
	Increased	30 (100)	26 (86.67)

4.5.7 Household health and access to medical facilities

The provision of SACCO services to poor may improve access to medical facilities and improve the health conditions of the poor at household level.

In order to test this hypothesis, respondents were asked on the status of their health conditions, medical treatments and the overall medical access in the last 12 months. Table 18 shows that about 76.67 % and 63.34 % of experiment and control groups, respectively, didn't have sickness or injury incidences in their household in the last 12 months. However, incidence of sickness or injury incidence was higher (36.67 %) in control than experiment group (23.34 %).

The majority of the respondents had medical treatment. This implies that they had the capacity to pay medical expenses.

All medical expenses were covered from business profits in the case of experiment group whereas in control groups, only 45.46% of expenses were covered from business profits. About 90% of experiment and 80% of control group reported that there were significant changes in their overall access to medical facilities in the last 12 months. The findings of the study reveal that SACCO's intervention has contributed towards improving access to medical treatment and overall health conditions of SACCO members.

Table 18 Households' health access

Description	Responses	Experiment group (n=30)	Control group (n=30)
Any sickness during the last 12 months	Yes	7 (23.34)	11 (36.67)
	No	23 (76.67)	19 (63.34)
Did you get medical treatment	Yes	7	11
	No	-	-
Source of money for medical treatment	Business profit	7 (100)	5 (45.46)
	From friends	-	-
	Others	-	6 (54.55)
Over all medical access	Decreased	-	-
	Increased	27	24
	No change	3	6

4.6 Non-financial services

4.6.1 Training

Training is one of the non-financial services provided by SACCO. Table 19 indicates the trainings offered to the respondents this study. All respondents had received training. The trainings were given on loan utilization, income generating activities marketing and income management. All of the sampled respondents were trained not less than three times. During interview and FGD, most of the participants reported that the training delivered by SACCO was satisfactory and task oriented.

Table 19 Responses on SACCO trainings

Description	Responses	%
Attending trainings	Yes	30 (100)
	No	-
Training topics	Loan utilization	30 (100)
	Income generating activities	30 (100)

	Marketing	30 (100)
	Income management	30 (100)
Number of trainings	Once	-
	Twice	-
	Three times	19 (63.34)
	More than 3 times	11 (36.67)

4.6.2 Monitoring and supervision

Monitoring is an important activity in tracking the effectiveness and efficiency of SACCO intervention.

In table 20 respondents reported that SACCO and cooperative promotion staff regularly supervised them to check and control the use of loans, whether they used their loan for the intended purpose or not and ensuring the repayment of loans in accordance with the loan back payment period. About 73.34 % of the respondents were supervised more than two times in one loan cycle.

Moreover, about 26.66 % were supervised conditionally i.e. when supervision was necessary. Most of the clients (86.67 %) accept the supervision of SACCO as satisfactory.

Furthermore, many of the participants of the interview and FGD were replied that the monitoring and supervision process that has been undertaken by concerned bodies was very helpful to attain the objectives of SACCO.

Most of them suggested that more improvement is needed in monitoring and supervision, which will encourage SACCO members to improve the achievement and success of SACCO performance towards achieving set objectives and goals.

Table 20 Responses on monitoring and supervision

Description	Responses	%
Regular supervision	Yes	22 (73.34)
	No	8 (26.67)
Supervision quality	Satisfactory	26 (86.67)
	Not satisfactory	4 (13.34)
Supervision per cycle	Once	8 (26.67)
	Twice	18 (60)
	Three times	4 (13.34)

4.7 Perceptions on financial and non – financial services of SACCOS

The primary sources of data were obtained from direct observation, structured and unstructured questionnaires, FGD and interviewing the concerned parties such as employees of sampled SACCOS, Keleta SACCO Union and Dodota District Cooperative Promotion staff.

Direct observation was made at the households of randomly selected respondents. This method has helped the researcher to observe the real impact of SACCOS intervention on poor members of SACCOS.

Conducting FGD was important to assess the perception of SACCO members with respect to financial and non – financial service provision and disclose their problems, comments and provide some recommendations. This also strengthened the reliability of the finding.

A total of five FGDs were conducted to collect qualitative information, of which, three in selected 3 primary SACCOS, one in the Union Office and the other at the District Cooperative Promotion Office with key informants such as manager & employees of SACCOS and Subject Matter Specialists of Cooperative Promotion Office.

4.7.1 Control group

According to the results of the study, all of the respondents of the control group have revealed that they are currently ready to join the SACCO program. This decision may be the result of the training or orientation provided by SACCO to increase the size of its membership and to address the problems of incoming members.

4.7.2 Experiment group

73.34% of the experiment group reported that they received enough amount of loan to meet their demand, as per the amount they request. However, 26.66 % of the respondents complained about the amount of loan provided by SACCO i.e. not enough to fulfill their purpose.

60% of the respondents replied that they received the loan as soon as they apply for it. All respondents of the experiment group received training or orientation before they received the loan.

Open-ended questions and FGD were prepared to capture the opinion of the experiment group on the service delivery of SACCO.

The service delivery of SACCO is appreciated among members. Most of the participants in the interview (93.34 %) and FGD (95%) stated that, the situation of their food and livelihood security has been improved as a result of SACCO financial and non – financial services.

All respondents and 95 % of focus group participants agreed that SACCO's financial and non – financial services have contributed a lot to improve the saving culture of SACCO members.

During the interview and FGD sessions the large majority of the respondents and participants have appreciated on the training and advices offered, declination of the exploitation by illegal money lenders, paying reasonable interest on deposit, staff management and adequate monitoring and supervision of SACCO.

On the other hand 26.66% of the sample respondents, all SACCOs and the District Cooperatives staff suggested that SACCOs should increase the loan size due to the current inflation and an alarming rate of prices it is found to be difficult to meet members needs.

Respondents of the interview and participants of the FGD have also made some recommendations to improve SACCO services.

One of the suggestions is the need to increase the loan period. All recommended that the period should be flexible in accordance with the type of the business they run and the type of income generating activities.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

Micro finance service particularly that of SACCOs is indeed a new development in the country with little or no recognition until very recently (1996) when the proclamation (No. 40/1996) for the establishment and regulation of MFIs was issued. Earlier there was urban – based SACCOs movement under the direct supervision of the NBE.

The most comprehensive legal framework for the cooperative development was issued in 1998 (Proclamation No. 147/98) in which promotion of SACCOs has been treated along with all other types of agricultural cooperatives.

Due attention has now been given to alternative IGAs through SACCOs to overcome the constant failure of small holders subsistence agriculture.

The government policy instruments are generally favorable to support and promote alternative micro finance service providers in rural areas, including MFIs and SACCOs.

The need for the establishment and strengthening of SACCOs as effective instrument for tackling rural poverty in Ethiopia needs no mention (Tesfaye, 2005). Consistent with the Ethiopian government policies and strategies, SACCOs are found to be an

effective and efficient instrument to combat the looming problem of food and livelihood security in rural areas in particular and rural poverty in general.

This study has put an effort to examine how SACCOs achieve their goals in sustainable way to make change in the livelihood of the poor and attempts were made to understand the impact of SACCOs intervention towards food and livelihood security of rural poor at household level.

The results of the study are summarized as follows below.

Sampled SACCOs have shown an encouraging growth in its operation and outreach. Membership size, loan disbursement, share, capital and average loan size of SACCOs have had increased in a remarkable way from year 2007 to 2004 and has an impressive loan repayment (> 90 %).

The study found out that SACCO intervention has contributed a lot towards food and livelihood security. The findings revealed that the average monthly income of most households rose after joining SACCO.

In addition almost all of households confirmed that the overall household income increased as a result of SACCO financial and non – financial services.

Furthermore, households made significant improvements in asset ownership and their housing conditions after they joined SACCO.

SACCOs services enabled their members to generate additional income that could be spent on improved facilities and improve the living condition of households. The average monthly expenditure of member households shifted from the lower category to the next higher category after joining SACCO services. The average monthly expenditure of experiment group was by far is higher than the control group.

Almost all respondents of the experiment group indicated that their diet condition have improved due to SACCO interventions.

Besides, SACCO's intervention has shown a positive impact on improving access to education and medical facilities.

SACCO services have also a positive impact on enterprise expansion, increasing job opportunities of the household members and the community, increase in production and net profit after they have received loans from SACCO.

Most of respondents indicated that their overall saving has been increased and they brought about change towards saving culture.

All of the findings of this study are consistent with the hypotheses developed in the study. Thus, SACCOs financial and non – financial services have positive impact towards improving food and livelihood security at household level in particular and poverty reduction in general

5.2 RECOMMENDATIONS

The gender composition of the experiment group is highly dominated by female members i.e. 93.3% female and 6.67% male respectively. Low male membership size and participation in SACCOS shows inconsistency with its objectives. More attention should be paid to take corrective measures for the increment of male membership size.

The size of the loan provided by SACCOS for their members cannot match with the current market situations. Hence more attention should be given for loan size improvements to meet the needs of SACCO members.

Saving and credit services are a key feature for raising capital and are often tied to receiving a loan and for the sustainability of the services provided by SACCOS. Accordingly, great attention should be given to encourage and improve saving mechanisms like voluntary savings.

The provision of financial service alone won't ensure the effectiveness of SACCO towards food and livelihood security in particular and poverty reduction in general. SACCO as a socio – economic organization, can serve as a means by which members are equipped with knowledge, values and psychosocial competences to enable them manage the challenges of everyday life.

Hence SACCO's and other potential partners should plan and work together to address on social bottlenecks like gender, health (HIV / AIDS, family planning, nutrition, etc) and environment to bring about change in attitude and practice.

Great attention should be given to develop and set a well – organized and structured monitoring and evaluation system to investigate the performance level of SACCOs.

Appropriate collection, processing and analysis of data should be in place in order to set a base line situation of incoming members and to measure the impacts realized by active members.

This would enables to conduct in – built process monitoring in line with measuring effects and changes achieved as s result of SACCO services at household, community and enterprise level.

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ANNEX 1

ASSESSING THE EFFECTIVENESS OF SACCOS TOWARDS IMPROVING FOOD AND LIVELIHOOD SECURITY AT HOUSEHOLD LEVEL; THE CASE OF DODOTA DISTRICT, ARSI ZONE, OROMIA REGIONAL STATE, ETHIOPIA

INTRODUCTION

My name is Mesay Kassaye, studying Masters program at IGNOU Post Graduate Programs and currently I'm working a research entitled ***“the effectiveness of SACCOs towards improving food and livelihood security at household level, the case of Dodota District, Ethiopia”***.

I've designed the attached questionnaire that intended to collect the situation of members of Hunde Chala, Kenenisa and Sharbe SACCOs that have been selected at random in order to assess their effectiveness towards food and livelihood security.

The purpose of the study is to generate information necessary for the planning of appropriate interventions and its outputs will be used to fill the information gap and inform decision makers, planners, researchers and practitioners about the effects of SACCO intervention on increasing the welfare of the individual, household, enterprises as well as the community.

The sample respondents are expected to reply for each question without any influence. Writing the name of the respondents is not necessary. The correct

responses that each respondent provides are very crucial for the reliability of this study.

Your answers are completely confidential. Your name will not be written on this form, and will never be used in connection with any of the information you tell for the researcher. This survey will take a maximum of 30 minutes to ask the questions. Therefore your honest and genuine participation by responding to the questions is highly appreciated.

I expect your kind cooperation in this respect.

Many thanks

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ANNEX 2

Questionnaire for assessing the effectiveness of SACCOs towards improving food and livelihood security at household level: the case of Dodota District, Arsi Zone, Oromia Region, Ethiopia

PART I

Back ground

1. Respondents address: Urban ----- Rural -----
2. Region -----
3. District -----
4. Place of survey -----
5. Respondents ID number-----

PART II

Basic information about respondents (Please indicate by X mark when required)

1. Sex of the respondent Male ----- Female -----
2. Relationship to the head of the household: Head --- Wife ----- Husband ----- Other (Specify) -----
3. Age -----
4. Education level: 1st cycle ---- 2nd cycle ---- High school ----TVET/ College ---- University -----
5. Marital status ---- Married -----Single ----- Divorced ----- Widowed
6. Household size
 - Household size before you joined the SACCO? Male ----- Female ----- Total -----
 - Household size after you joined the SACCO? Male ----- Female ----- Total -----
 - Number of dependants before you joined the SACCO? Male --- Female ---- Total ---
 - Number of dependants before you joined the SACCO? Male --- Female ---- Total ---

7. What is your religion? Orthodox ----- Catholic ----- Protestant ----- Muslim ----- Traditional ----- Other (Specify) -----

8. What is your ethnicity? Oromo ----- Amhara ----- Tigray ----- Gurage ----- Other (Specify) -----

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

10. What is your occupation? Farmer -- Daily laborer -- Artisan -- Other (Specify) -----

PART III

Loan use information

1. When did you receive your last loan? Year -----

2. How did you get the loan? In group ----- Individually ----- Others (Specify) -----

3. If in group, how many members are there in the group? M --- F --- Total -----

4. Do you know all your group members before forming the group? Yes ---- No -----

5. Do you monitor your group members for the intended purpose Utilization of the loan? Yes ---- No ----

6. Did you get the amount of loan you requested? Yes ---- No ----

If the answer is no please specify the reason-----

7. Did you get training before you received the loan? Yes ---- No -----

8. Was the loan issued timely? Yes ---- No -----

9. Did you invest the loans you took from the SACCO in income generating activities? Yes ---- No ---

10. What were the activities you are engaged after taking the loans?

Petty trading ----- Local restaurant ----- Fattening ----- Small animals rearing -----
Farming ----- Grain marketing ----- Other (Specify) -----

11. Did you use any portion of your last loan for unintended purpose?

Yes --- No ---

If yes, for what purpose did you use? Please specify -----

12. What is the status of your loan repayment? Fully repaid according to schedule ----

Not repaid according to schedule -----

If did not pay according to schedule, what are the reasons for not paying according to schedule? The loan activity was not profitable ----- Profitable but spent for other expenditures ---- Profitable but the outputs are sold in credit ----- Loss of assets ---- Unfavorable weather condition ----- Other (Specify) -----

13. Do you have access to credit from other sources other than your SACCO?

Yes ---- No ----

If yes, from what? Banks ---- Relatives ---- Friends ---- Money lenders

Other (Specify) -----

If yes why did you borrow from other sources? Need of more amount ---- Interest rate is low ---- Easier to get -----Others (Specify)_____

14. For what purpose did you need the loan? For business activity ---- For food consumption ---- For clothing ---- To buy fixed assets ----- For medical service ----- Other (Specify) -----

15. What do you think about the lending interest rate of the SACCO? High --- Moderate --- Low -----

16. What is your term of receiving loan? Quarterly --- Every six months --- Annually --

17. What is the repayment period of the loan? -----

18. What do you think about the repayment period of the loan? Short ---- Satisfactory ----- Long ----

PART IV

Saving information

1. Do you have regular saving in the SACCO? Yes ---- No -----

If yes, specify the average monthly saving amount in birr Compulsory -----

Voluntary----- Total -----

2. How many times you receive the loan? Number of rounds -----

3. How much was your loan in each round in Birr? 1st round ----- 2nd round ----- 3rd round ----- 4th round ----- 5th round -----

4. How much was your current loan in Birr? -----

5. What is your current total amount of saving? Specify in birr-----

6. What is your source of money for saving? Business profit ---- From other sources of income ---- From friends ---- From friends ----- Income from employment ---- Others

(Please specify) -----

7. Have you faced any difficulties for compulsory savings? Yes ---- No -----

If yes, how do you manage the difficulties? Sold household assets ---- Borrowed from relatives ---- Borrowed from friends ---- Borrowed at cost ---- Stopped paying back ---- Others (Please specify) -----

8. During the last two years have your savings Decreased ---- Stayed the same ---- Increased ----

9. For what purpose do you save? For loan repayment ---- For safety of cash ---- For consumption ---- For interest ---- Bought household assets ---- Made improvement to the house ----- For emergency ---- Others (Please specify) -----

10. What are the attractive features of SACCO? Good interest rate ---- Safe for savings ---- Convenient and nearby to withdraw ----- Other (Please specify) -----

11. What do you think about the interest rate of your SACCO paid on saving?

Less than the market rate ----- Greater than the market rate ----- No information about other rates -----

PART V

Source and level of the household income

1. Did you have a source of income for your household before you joined the SACCO? Yes ---- No ----

If yes, specify the average monthly income in Birr -----

2. What is your average monthly income after you joined the SACCO?

Specify in Birr-----

3. During the last two years has your over all income, Decreased greatly ---- Decreased ----- Stayed the same ---- Increased ---- Increased greatly -----

If decreased, what is the main reason? Personal case (sickness, death, etc) ---- Poor sales ----- Poor production ----- Other (Specify) -----

If increased, what is the main reason? Diversified source of income ----- High production / productivity ----- Other (Specify) -----

PART VI

Household asset ownership

1. Did you have a house before you joined the SACCO? Yes ---- No -----

If No, did you have a house after joined the SACCO? Yes ---- No -----

If you have a house what is the condition of the house? Poor quality ----- Medium quality ----- Good quality -----

If you have a house what is its market value before you joined the SACCO?

Specify in Birr-----

2. After joining SACCO, is there any improvements made to your home? Yes ---- No -

If yes, which one have you done? (You can choose more than one answer)

House repair (roof, floor, wall) ---- House expansion ----- Improved water or sanitation system ----- Lighting/electricity ----- Others specify-----

Asset ownership before and after you joined the SACCO (Indicate by \checkmark mark)

Item	Ownership	
	Before	After
Chair		
Table		
Sofa		
Shelf		
Bed		
Refrigerator		
Radio		
Tape recorder		
TV		
Others specify		

PART VII

Household expenditures

1. What was the average monthly expenditure of your household before you joined the SACCO in Birr?

Below 500 ---- 500 - 1000 ----- 1000 - 1500 ---- 1500 - 2000 ---- Above 2000 ---

2. Who was the bearer (source) of expenditure in your household before the loan?

Yourself ----- Other family member ----- You and other family members -----
 Relatives ----- Others (Please specify) _____

3. How many times does your household eat meals in a day? Once ---- Twice -----
 Three times ---- More than three times -----

4. What is the average monthly expenditure of your household after you joined the SACCO?

Below 500 ---- 500 - 1000 ----- 1000 - 1500 ---- 1500 - 2000 ---- Above 2000 ---

5. Who is the bearer (source) of expenditure in your household after you joined the SACCO? Yourself ----- Other family member ----- You and other family members --
 ----- Relatives ----- Others (Please specify) -----

PART VIII

Access to education facilities

1. Do you have children and other school aged household members? Yes ---- No -----

If yes, how many of them have attended to school?

Before you joined the SACCO_____ After you joined the SACCO_____

2. What is the average educational expenditure per year?

Before you joined the SACCO_____ After you joined the SACCO_____

3. Is the number of your household member attending school? Decrease ---- Stayed the same ---- Increased -----

If increased, what is the main reason? New school building in your locality -----
Income improvement ----- Increase the awareness of the household towards
education ---- Others (Please specify) -----

If decreased, what is the main reason? Lack of income ---- Lack of access to school
in the locality ---- High price of educational facilities ---- Lack of interest to attend
school ----- Needed for help to the household ----- Others (Please specify) -----

Do you think that your household gets access to educational facilities? Yes ---- No ---

PART IX

Access to medical facilities and health condition of the household

1. Is there any household member sick or injured during the last two years? Yes -- No

If yes, did they get medical treatment? Yes ---- No -----

If yes, where did you get the money you paid for medical treatment?

Business profit ---- Voluntary saving ---- Borrowed from relatives ---- From friends ---
-- From other sources ----- Others (Please specify) -----

2. If they didn't get medical treatment, what is the main reason?

Lack of medical facilities --- High price medical facilities ---- Low level of income ----
Others (please specify) -----

3. Is your access to get medical facilities? Decreased ---- Stayed the same ----
Increased -----

If increased, what is the main reason? New health facilities in your locality -----
Income improvement ----- Increase the awareness of the household towards health care -----
Others (Please specify) -----

PART X

Employment and production

1. What was the major type of activity you engaged before you joined the SACCO?

2. Do you think your business activities improved after you joined the SACCO?

Yes ---- No -----

3. Do you think your business activity increases job opportunity? Yes ---- No -----

4. Did you use hired labor in your business activity? Yes ---- No -----

If yes, how many? Male ---- Female ----- Total -----

5. Do you think your production after you joined the SACCO, Decreased ----- Stayed the same ---- Increased -----

6. Do you think your business profit after you joined the SACCO, Decreased ----- Stayed the same ---- Increased -----

PART XI

Supervision and encouragement

1. Have you got any training from SACCO? Yes ---- No -----

If yes, what type of training did you get?

Loan utilization ----- Income generation activities ----- Health and family planning -----
Income management ----- Others (Specify) -----

2. How many times did you get the training? Once ---- twice ---- three times -----
more than 3 times -----

3. Was there any supervision on loan utilization and loan repayment? Yes ---- No -----

If yes, is it Satisfactory --- Not satisfactory ----

PART XII

Other information about SACCO

1. List about three things you like about SACCO?

2. Write (tell) about three things you dislike about SACCO

3. Tell your comments or recommendations about SACCO

PART XIII

Questionnaire for incoming members

What are the reasons for not to be a member of SACCO till now?

- a) No need for credit Yes ---- No-----
- b) Unable to form a group Yes ---- No -----
- c) Unable to meet compulsory saving requirement Yes --- No ----
- d) Taking group responsibility unacceptable Yes----- No -----
- e) Group requires members to pledge personal assets as collateral Yes--- No ---
- f) I dislike group meeting Yes ----- No -----
- g) SACCO loan is too small to meet my credit needs Yes---- No -----
- h) Lack of entrepreneurship Yes----- No -----
- i) No information about the credit provision Yes ---- No -----
- j) I have a need to get loan, but I cannot get the opportunity Yes ---- No -----
- k) Easier to get loans from other sources Yes----- No -----
- l) Due to high interest rate Yes ----- No -----
- m) Fear of indebtedness Yes ----- No -----

n) Disagreement with families Yes ----- No -----

Other reasons please specify _____

Did you take the loan if the credit is provided individually instead of in group Yes ----- No
Are you ready to be a member of a SACCO now? Yes----- No ----

If yes, specify the reasons -----

ANNEX 3

Questions for group discussions

- 1) What is your idea about loan amounts provided by SACCO?
- 2) What is your idea about interest rate provided by SACCO? Both loan and saving interest rate
- 3) What do you think about the loan repayment periods of SACCO?
- 4) What do you comment on saving amounts, types and periods?
- 5) What is your comment on saving withdrawal?
- 6) Do you like the services provided by SACCO?
What is liked? What is disliked? What is your recommendation?
- 7) Do you like the supervision and encouragement of the SACCO?
- 8) What is your idea about the whole SACCO services?
- 9) What changes do you observe in your life due to SACCO services?

ANNEX 4

Checklist for key informant interview for Cooperative Promotion Office Experts

1. What is your opinion about the SACCO development?
2. What are the roles of SACCOS in improving food and livelihood security at household level?
3. What are the opportunities for the development of SACCOS in Ethiopia?
4. What are the challenges for the development of SACCOS in Ethiopia?
5. Is there any legal or policy gap in SACCOS development in Ethiopia?

Checklist for key informant interview for SACCO employees

1. How was the history and background of SACCOS?
2. What are the main services provided by SACCOS?
3. Did you offer trainings for members before and after loan provision?
4. How was your term of loan and term of repayment?
5. What was your mechanism used as collateral in loan provision?
6. If a member may fail to pay his loan, how can you manage the arrears?
7. Is there insurance service for members?
8. Is there any controlling mechanism for members whether they use their loan for the intended purpose?
9. Is there any feedback mechanism from members to assess their needs?
10. What are the main reasons for member's dropouts?
11. What are the main problems claimed by members?
12. What are members' opinion in your service provision and the amount in both loan and saving interest rates?
13. Did you provide the necessary services for members in satisfactory way?

14. What is the main source of income for the institution?
15. How do you suggest the role of the institution in food and livelihood security at household level?
16. What are the main challenges (problems) for the SACCO?
17. Is there any legal or policy gap in the SACCO's function?
18. What are the main weaknesses of the SACCO, which need corrections?

PROFORMA FOR SUBMISSION OF M.A. (RD) PROPOSAL FOR APPROVAL

Signature

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**ASSESSING THE EFFECTIVENESS OF SACCOs
TOWARDS IMPROVING FOOD AND LIVELIHOOD
SECURITY AT HOUSEHOLD LEVEL; THE CASE
OF DODOTA DISTRICT, ARSI ZONE, OROMIA
REGIONAL STATE, ETHIOPIA**

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ABBREVIATIONS AND ACRONYMS

IGA	Income Generating Activities
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
masl	meter above sea level
MDG	Millennium Development Goal
MFI	Microfinance Institutions
MoFED	Ministry of Finance and Economic Development
NBE	National Bank of Ethiopia
NGO	Non-Governmental Organizations
PA	Peasant Administration
SACCO	Saving And Credit Cooperative
SHDI	Self Help Development International
UN	United Nations
WB	World Bank

INTRODUCTION

Background to the study

In developing countries like Ethiopia, there are low levels of saving culture owing to poor underdeveloped stock markets, dominance of urban based commercial banks, and non regulated MIFs in the financial markets as vehicles for savings. Hence SACCOs are intended to offer an alternative to improve the above un-desirable situation in low income countries.

SACCOs are community membership-based financial institutions that are formed and owned by their members in promotion of their economic interests. These institutions mobilize and intermediate savings exclusively within their membership under the cooperative statute 1991.

Furthermore, they are one of the several types of cooperatives that are unique MFIs being promoted and developed by The Federal Cooperatives Promotion Agency in an effort to alleviate poverty within the framework of poverty reduction policies and strategies of the Ethiopian government.

Therefore, SACCOs, one of the several types of co-operatives are unique, legal, member-based MFIs and unlike many others, SACCO's owners are also the users of the service that the SACCOs offer.

Country context: Overview of the MFIs / SACCOs in Ethiopia

Micro finance service particularly that of SACCOs is indeed a new development in the country with little or no recognition until very recently (1996) when the proclamation (No. 40/1996) for the establishment and regulation of MFIs was issued. Earlier there was urban – based SACCOs movement under the direct supervision of the NBE.

Rural – based savings and credit activities were initially introduced and supported by some NGOs like VOCA/Ethiopia and the then SHDI as part of their integrated rural development efforts (Tesfaye, 2005).

The most comprehensive legal framework for the cooperative development was issued in 1998 (Proclamation No. 147/98) in which promotion of SACCOs has been treated along with all other types of agricultural cooperatives.

Due attention has now been given to alternative IGAs through SACCOs to overcome the constant failure of small holders subsistence agriculture.

The government policy instruments are generally favorable to support and promote alternative micro finance service providers in rural areas, including MFIs and SACCOs.

SACCOS as socio – economic organizations

SACCOS are organized and operated according to seven basic co-operative principles: The seven basic principles of SACCOS:

- viii. Open membership to interested people from designated area of operation,
- ix. Democratic member control; one member one vote in all matters of decision making,
- x. Member economic patronage,
- xi. Autonomy and independence,
- xii. Promotion of members' education and awareness through constant education, training and information,
- xiii. Cooperation among cooperatives, and,
- xiv. Concern for community development i.e. corporate social responsibility.

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

- v. Member owned,
- vi. Member used,
- vii. Member controlled and
- viii. Benefits member.

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

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

Features of SACCOs

Cooperatives, including SACCOs as one type of cooperatives, have common characteristics such as:

- Clients tend to come from low income and lower middle – income groups.
- Services are almost exclusively financial in nature.
- They provide self generated capital, typically without any dependence on outside funding to cover operating costs which are generally kept low. This is because they are always started on self-help philosophy.
- Members are united through at least one common interest.
- Members pursue the goal of improving their economic and social situation through joint actions.
- Mutual self help group - where members have joint action which is geared towards the attainment of the group's objectives through mutual self help.

It is common for a primary SACCOs often to organize in to unions to ensure belonging, survival and protection. The unions serve the following purposes.

- They represent, lobby and advocate for SACCOs at all levels.

- Provide training and technical assistance in form of capacity building to SACCOs and in some cases, they channel resources from external donors to them through specific projects.

Operations of SACCOs

Saving and credit services are a key feature for raising capital and are often tied to receiving a loan. SACCO lending requires little collateral. It is based on character references and co-signing for loans between members; although nowadays they also require substantial collateral security. If these conditions are not met, a SACCO becomes unstable; the management cannot be monitored, and a structure conflict arises between members.

On the positive side, the advantage is that, the group that constitutes the organization is sometimes small enough so that members know each other well.

The Statement of the Problem

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

Lack of financial resources is one of the major problems facing poor households. Formal financial institutions are inefficient and inaccessible in providing credit facilities to the poor (Asefa et al., 2005). Thus, developing an alternative mechanism for providing financial services to the poor households became critical. In realizing

this, the Ethiopian government has created the legal and regulatory framework for the establishment of MFIs and SACCOs (Wolday, 2003).

The need for the establishment and strengthening of SACCOs as effective instrument for tackling rural poverty in Ethiopia needs no mention (Tesfaye, 2005). Consistent with the Ethiopian government policies and strategies, SACCOs are found to be an effective and efficient instrument to combat the looming problem of food and livelihood security in rural areas in particular and rural poverty in general.

For attaining this, interventions through a rural financial intermediation are believed to be an effective instrument. The strategic intervention include , establishing and strengthening of urban and rural SACCOs, micro enterprises, provision of matching revolving funds for IGAs and capacity building.

Hence, this study would try to examine how SACCOs achieve their goals in sustainable way to make change in the livelihood of the poor and attempts will be made to understand the impact of SACCOs intervention towards food and livelihood security of rural poor at household level with particular emphasis at Dodota District of Arsi Zone in Oromia Regional State.

DEFINITION OF CONCEPTS

Food security:

Food security refers broadly to the ability of individuals to obtain sufficient food on a day-to-day basis. Food insecurity is both a primary result and one of the principal

manifestations of poverty. Over the years, food insecurity has been defined in a variety of ways. Maxwell and Smith (1992), for example, have documented more than 30 definitions of food security in published writings. To create clarity around the meaning of food security, this conceptual framework adopts the definition proposed by USAID (1992): “When all people, at all times, have physical and economic access to sufficient, safe, and nutritious food to meet their dietary needs and food preferences for an active and healthy life.” People who do not satisfy the conditions in this definition are considered food insecure.

Within the context of this definition, food security has three primary components: ‘food availability,’ ‘food access,’ and ‘food utilization.’ Food access is determined in part by availability, while utilization is determined in part by access. ‘Food stability’ is a fourth component of food security that cuts across the other three components.

Livelihood:

The term livelihood is often used interchangeably with economic strengthening and refers generally to economic production, employment, and household income. A more holistic understanding of livelihood, however, incorporates this general definition within a broader context of economic development, reduced vulnerability, and environmental sustainability. The conceptual framework adopts this expanded definition, often referred to as the **sustainable livelihood approach**, which is defined as follows:

“A Livelihood comprises the capabilities, assets (stores, resources, claims, and access) and activities required for a means of living: a livelihood is sustainable which can cope with and recover from stress and shocks, maintain or enhance its capabilities and assets, and provide sustainable livelihood opportunities for the next generation; and which contributes net benefits to other livelihoods at the local and global levels in the short and long term” (Chambers and Conway, 1991, p.6).

Micro-credit:

It is a component of microfinance and is the extension of small loans to entrepreneurs, who are too poor to qualify for traditional bank loans. Especially in developing countries, micro-credit enables very poor people to engage in self-employment projects that generate income, thus allowing them to improve the standard of living for themselves and their families.

Microfinance:

Microfinance is an economic development approach that involves providing financial services, through institutions, to low-income clients, where the market fails to provide appropriate services. The services provided by the Microfinance Institutions (MFIs) include credit saving and insurance services. Many microfinance institutions also provide social intermediation services such as training and education, organizational support, health and skills in line with their development objectives.

Micro finance Institutions:

A microfinance institution is an organization, engaged in extending micro credit loans and other financial services to poor borrowers for income generating and self employment activities. An MFI is usually not a part of the formal banking industry or government. It is usually referred to as a NGO.

Savings and Credit Cooperative (SACCO)

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

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

There is no profit paid to anyone .The members are the owners and the members decide how their money will be used for the benefit of one another (Bailey,

2001). However, it should be noted that, in Ethiopia unlike South Africa where the Bailey hails, SACCOs often pay dividends to the members depending on the number of shares one has.

Saving and credit cooperatives (SACCOs) which are known as the credit unions in some other countries are defined as cooperatives which furnish their members with convenient and secure means of saving money and obtaining credit at reasonable rates of interest.

The saving and credit cooperatives are usually organized within a group which is already knit together by a bond of common interests such as women in same village or members of the same community who are fairly well acquainted with one another.

Furthermore, the savings and credit cooperatives are cooperative organizations which are guided by the practices, philosophy and principles of the cooperative movement.

OBJECTIVES OF THE PRESENT STUDY

The general objective of this study is to assess the effectiveness of SACCOs towards improving food and livelihood security of rural poor at household level.

The study has the following specific objectives.

1. To assess whether the selected SACCOs have met their set objectives or not.

2. To examine the nature and change of income and livelihood as a result of the delivery of financial services.

3. To assess members perception on SACCOs' financial and non-financial services.

HYPOTHESIS

In order to address the main objective of the study, this particular study has the following hypotheses:

(iii) SACCOs have had a significant positive impact on household food and livelihood security,

(iv) SACCOs have improved the income of the beneficiaries, and

(ii) Participation in SACCOs significantly reduces household vulnerability to poverty.

COVERAGE (UNIVERSE)

The study shall be conducted at Dodota District of Oromia Regional State.

Dodota is located at 125 km away from Addis Ababa South East wards, bordered with Adama District of East Shoa Zone to the North, Hetosa District of Arsi Zone to the South, Sire District of Arsi Zone to the East and Bora District of East Shoa Zone to the West.

Its altitude ranges from 1,360–1700 masl with an average daily temperature ranging from 18 – 30 C° and an annual rainfall of 500 – 900 mm.

The District is located in the Ethiopian rift valley which is characterized by lowland agro-ecology.

Administratively, the District is divided in to 15 Kebeles of which 12 are PAs located in rural areas and the remaining three kebelles are small towns.

The District has an estimated area of 34560 ha, out of which 11846 is cultivated land, 6300 forest and bush land, 1,229 ha grazing land, 2718 sugarcane plantation, 2500 ha park, 2020 swampy area and the remaining 7947 ha categorized as village, irrigation and investment area.

Based on the 2007 CSA census result, the Districts' population is projected to be 58116 in the year 2012 with sex composition of 31862 male (54.8%) and 26254 female (45.2%).

Agriculture is the mainstay of the economy of the District. It is the source of employment and subsistence for the vast majority of the population.

People are involved in subsistence farming. Petty trading, live stock rearing and agriculture production of tef, maize, sorghum and beans are the principal economic activities in the area. The District has got physical and material resources which include land and livestock suitable for agricultural production. The Agricultural cash economy also provides for potential strong rapid economic development.

Dodota is one of the most food insecure and drought prone Districts in the region. Factors contributing include among others, rapid population growth, land

degradation, diminishing of land holding size & land fragmentation, use of traditional cultural practices, limited use of appropriate agricultural technologies, lack of effective rural credit schemes, limited household assets, lack of employment opportunities and others.

Currently, there are a total of 25 (14 rural and 11 urban), registered primary SACCOs with a total membership size of nearly 3000 members and having a total savings amounting 3.9 million Eth. Birr. All are members of Keleta SACCO union.

The major IGAs being implemented by SACCOs include: Animal fattening and small ruminants rearing, grain marketing, petty trading, small shop, local bar and restaurant, embroidery and other activities.

The then SHDI had made a significant progress in the expansion and development of SACCOs in Dodota District as part of its area based integrated rural development project. With a direct support of SHDI, 10 SACCOs have been established to combat the looming problem of food and livelihood security in rural areas in particular and rural poverty in general (Tesfaye, 2005). The SACCOs have been expanded and promoted almost at each Kebeles as pointed out earlier. However, being accelerators of development in rural areas and assuming that, SACCOs are a fundamental factor in inducing development, one would ask, thus; what effect have SACCOs had on members food and livelihood security at household level?

Therefore, the researcher intends to establish the effect of SACCOs on members' food and livelihood security; the results of which will be used by policy makers to

understand the contribution of SACCOS towards improvement of food and livelihood security at household level in the country.

SAMPLING

A case study design shall be used in the study. Case study design will help to examine the detail features of the respondents. The study will include two groups of samples namely, experimental group and control group. Control group will be used to avoid the problem of intervening variables (variables that are affecting the output of the research other than independent variables). This control group will be randomly selected from the list of people, which will be members of the SACCO in the near future. Experimental groups will be randomly selected from the list of SACCO active members and defaulters. The sample frame of the study is the entire members found in the list of SACCO registration book.

Two stage sample design procedures will be undertaken for this study.

The first stage is the selection of sample primary SACCOS. All SACCOS have almost similar characteristics. Therefore, each SACCO has equal chance to be selected.

In the first stage 3 SACCOS have been selected at random namely: Hunde Chala, Kenenisa and Leta.

The second stage is selection of sample respondents from the selected SACCOS. The study shall be focused on selecting samples from each area equally. To manage the research within the given time and limited budget, a total of 60 samples will be

selected using random sampling. From the total sample size, 30 samples will be used as experimental group and 30 will be used as control group.

In order to find out the opinion of SACCO staff 2 staff from each of selected SACCOs and 3 staff from Keleta SACCO Union (A Manager and 2 Employees) will be interviewed. Three staff of the District Cooperative Promotion Office will be interviewed in this study.

Totally, 72 persons will be interviewed, which includes 30 active SACCO members, 30 incoming members, 9 SACCO staff and 3 concerned government office staff.

Table 1 Sampling design

Sampling areas	Experiment group	Control group	SACCO staff		Cooperative staff	Total
			Manager	Employees		
Hunde Chala	10	10	-	2	-	22
Kenenisa	10	10	-	2	-	22
Leta	10	10	-	2	-	22
Keleta Union	-	-	1	2	-	3
Cooperative staff	-	-	-	-	3	3
Total	30	30	1	8	3	72

DATA COLLECTION: TOOLS AND PROCEDURES

The population for our study will focus on members who have been engaged in SACCO activities for at least 5 years and live in. This is mainly because members with a long experience in SACCO activities will be found well informed and know much about the pros and cons about SACCO objectives and activities, so they can reflect better to the questionnaire.

The study will use both primary and secondary sources of data. The primary sources of data will be obtained from direct observation, structured and unstructured questionnaires, focus group discussions and interviewing the concerned parties such as Dodota District Cooperative Promotion Office and management staff, employees of SACCO at the Keleta SACCO Union Office and at the three selected primary SACCO Offices.

Direct observation will be made at the households of randomly selected respondents. This method will help the researcher to observe the real impact of SACCOs intervention on poor members of SACCOs.

The interviews will be administered on randomly to be responded by both the experiment and control groups regarding the base line situation before they received the loan and their current situation to assess the impact of SACCOs with respect to food and livelihood security.

The questionnaire will be prepared in English language and then translated to Oromiffa and Amharic for the better understanding of the respondents about the research questions in the language, which they can understand.

This will enable the enumerators and respondents to easily understand the questions, express their ideas comfortably and reduce communication barriers. In addition to this, the researcher will get the opportunity to capture and ascertain both subjective and objective facts.

Questionnaire will be fully structured with numerical and non – numerical questions to get most of the impact of SACCOS on the society. It will consist of background questions about gender, age, education, number of family members and living standards, and questions related to the research objectives.

The same context of questions will be given to all interviewees and they received exactly the same interview stimulus. Questions will be very specific with a fixed range of answers. The structured questionnaire will have multiple-choice questions in which the researcher provided a choice of answers and respondents will be asked to select one or more of the alternatives, and dichotomous questions that will have only two response alternatives, yes or no.

One supervisor and 3 enumerators will be trained to collect relevant data from sample households and SACCO Offices. A training manual shall be prepared to train the supervisor and enumerators.

Both the supervisor and the enumerators will be given a one-day training on the training manual, which focused on the objectives of the study on how to approach a respondent, how to record the responses, and on detailed contents of the questionnaire.

Conducting focus group discussions will be important to assess the perception of SACCO members with respect to financial and non – financial service provision and disclose their problems, comments and provide some recommendations. This also strengthened the reliability of the finding.

A total of five focus group discussions will be conducted to collect qualitative information, of which, three in selected 3 primary SACCOS, one in the Union Office and the other at the District Cooperative Promotion Office with key informants such as manager & employees of SACCOS and Subject Matter Specialists of Cooperative Promotion Office.

DATA PROCESSING

Data collection will be undertaken by 2 master – code sheets; one for the data that will be collected from respondents of the study and the other for the data that will be collected from SACCO and concerned Cooperative Promotion Office staff. The code sheets include the comparison of baseline and current situation of income & expenditure, asset ownership, living condition, nutrition, health and education, in comparison with the experiment and control group. Percentages and central tendency measurements will be used to analyze the data.

In this study, some impacts can be shown in one hand only in numerical figures like, savings, income, asset ownership while on the other hand other impacts can be expressed only in descriptive ways, like, access to education, health, perceptions on SACCOs service provision, etc.

Hence, this study will also focus on the numerical data and perform the statistical tests. Thus, the result of this study depends on numerical and non-numerical analysis, using both quantitative and qualitative methods.

Although the result of the research is highly dependent on the primary sources that will be gathered from the structured interview, but it also required some secondary sources to understand the concepts, definitions, theories and empirical results. The researcher will refer several books, research literatures, articles, journals and thesis, as secondary sources for this study. Internet sources will also be used as a secondary source for the thesis.

However, it is not always easy to find out the appropriate research materials for the thesis. Many studies have been conducted on MFIs and SACCOs in Ethiopia over the last few years. Nevertheless, from them the researcher will select the most appropriate literature for his thesis. For this reason, the researcher will go through numerous references related to this topic, to find the suitable materials. These materials will be searched and collected from the Addis Ababa University library and using available search tool.

CHAPTERIZATION

This thesis is organized in to 5 chapters.

Chapter One: Introduction

The first chapter shall be an introduction to the problem background of the study and presents the framework to give readers a basic idea of this research. Besides research objective, research question and limitations of the study, definitions and key concepts will also be discussed.

Chapter Two: Review of literature

This will be the core part of this thesis and the prime purpose of this chapter is to provide the reader's insight about the theories involved in the thesis.

This chapter shall provide the general definitions of SACCO and its methodology. Then it provides idea about roles and objectives of SACCO, savings mobilizations strategies, effects of SACCO and human development.

It will also represent the reflection about theories related as a working model of the thesis based on the research question.

Chapter Three: Methodology

The principal purpose of this chapter will be to present the theoretical and practical research methods, which will also represent the choices made by the researcher in order to make the right option for the thesis.

Moreover, explanations will be given on scientific ideal, scientific approach and research methods in this section. This chapter will later discuss the choice between conducting a quantitative and qualitative research. This chapter will also give the idea about the questionnaire design and sample selection. It shall be concluded with the information about the secondary sources.

Chapter Four: Data presentation, analysis and discussion of results

In this chapter, the statistical methodology applied will be discussed. The chapter will give the overview about the type of statistical ideas that will be undertaken to analyze and get information from the respondents. This chapter will also present the views of the people through the empirical findings on the effectiveness of SACCOs on their lives and their reflection, through tables and diagrams. This chapter will provide reflections on the view of the people about the factors like, access to education, health facilities and their perception regarding financial and non- financial service provisions of SACCOs.

Chapter Five: Summary of findings, conclusions and recommendations

The first phase of this chapter will discuss about the previous literature as empirical evidences to go deep into and support the analysis of the thesis. After that, the conclusions will be drawn based on the results presented in the empirical study and analysis. Finally, it will also include the scope and recommendations about further studies on the assigned topic.

The appendixes shall include the interview questionnaire and the extended bibliography.

Work plan

a) Chronogram

Table 2 The duration of the thesis will be for 3 months and the activities that will be performed in the time frame presents as follows

Year 2013													
Activities description	Months												
	December				January				February				
	1	2	3	4	1	2	3	4	1	2	3	4	
Prepare literature review	X	X	X	X									
Arrange interviews and focus group					X	X							
Conduct training for enumerators and supervisor						X							
Develop survey questionnaire				X	X								
Distributing questionnaire						X							
Conduct interviewers							X	X					
Collecting results								X					
Check response validity										X			
Fill any gaps										X			
Analyze results											X	X	
First report submission draft												X	
Edit report												X	
Final report submission													X

B) Budget plan

Table 3 The total budget that is required to carry out the thesis is given below.

No	Material/Item	Unit	Quantity	Unit cost	Total cost
	Stationary costs:				846.00
	1.1. A ₄ size duplication paper	Desta	3	110.00	330.00
1	1.2. Printing	Birr/Page	-	-	225.00
	1.3. Pens	No	15.00	5.00	75.00
	1.4. Writing pad	No	12	18.00	216.00
	Personnel cost				7600.00
	2.1. Typist/Computer Written	Birr/page	100	4.00	400.00
2	2.2. Per diem for trainers	No	4	200.00	800.00
	2.3. Mobile phone card	No	4	100.00	400.00
	2.4 wage for data collectors	No	4 x 10 days	150.00/day	6000.00
	Other Costs				6200.00
3	3.1. Transportation	Trip	8	625.00	5000.00
	3.2. Entertainment	Different	-	-	1200.00
TOTAL					14646.00

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