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THE ROLE OF SAVINGS AND CREDIT COOPERATIVES (SACCOS) ON FINANCIAL INCLUSION IN ZIMBABWE

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Abstract

This paper investigated the role of Savings and Credit Cooperatives (SACCOs) in Zimbabwe using a national baseline survey. Several economic challenges over the past two decades left ordinary citizens unbanked and financially excluded. SACCOs are viewed as a viable option towards financial inclusion. Classical and modern theoretical literature as well as experiences from other African countries were discussed. Data was collected using a triangulation method of questionnaires, interviews and focus group discussions (FGDs) across 147 SACCOs. It was observed that there are around 6,028 cooperatives with only 4.8% (289) being SACCOs and majority of members cannot distinguish between cooperatives and SACCOs. More than 90% cited that economic and political conditions eroded their savings value thereby reducing confidence in thrift models. 77 SACCOs (52.8%) do not own assets, and only 6.2% have over 1,000 members. Discrepancies emanate from inconsistent subscriptions, unfavorable and outdated government by-laws. SACCOs are classified as high-risk borrowers due to inconsistent subscriptions and poorly audited financial statements resulting in high interest rates and adverse selection. The study recommends additional training to increase administrative capacity and the scope of SACCOs, increased coordination of operations to reduce systematic risk through consistent by-laws and economic policies that stimulate stability and restore confidence in the financial sector.

Keywords: Savings and Credit Cooperatives, Financial Inclusion, Economic Sectors, Baseline Study, Zimbabwe, Microfinance

1. Introduction

The Zimbabwean economy has been rocked by several economic and political factors over the past two decades, which have left the economy a little less than grounded. These challenges include inconsistent economic policies, such as the indigenization policy which required every foreign owned firm to cede 51% of its ownership, unrelenting and harsh global conditions such as the financial crisis of 2008 (Zvavahera *et al.* 2018). This was coupled with a record-breaking hyperinflation levels emanating from seigniorage from the central bank resulting in the collapse of both the banking sector and the money market, depleted foreign and gold reserves among others. Politically, the country has been characterized by human rights violations, pre- and post-election violence and sustained economic sanctions (Gutmann *et al.* 2018). All these factors drove both local and foreign investors away thereby decapitating the financial services sector. Although some of the challenges subsided between 2009 and 2012 when the economy dollarized and entered into a government of national unity (GNU), they have remerged and continue to persist. At present, the central bank is doing nothing more than a regulatory role since the local currency is virtually unusable and it cannot fully apply the monetary instruments of manipulating money supply and interest rates. The majority of domestic transactions are pegged either in foreign currency or at an equivalent rate.

These persistent economic challenges have left the majority of the Zimbabwean people unbanked and in the process of becoming financially excluded. Among several other microfinance alternatives, studies in other developing countries indicate that Savings and Credit Cooperatives (SACCOs) can be an effective tool to attain financial inclusion in an economy where the majority of the people are poor (Kamau and Guyo, 2017; Marwa and Aziakpono, 2016). According to Kamau and Guyo (2017), SACCOs are basically cooperative financial institutions owned and usually controlled by members who would have voluntarily joined together. These members will be driven by a motive to stimulate pool savings on one hand and provide credit at a relatively affordable interest rate on the other hand. These loan facilities are usually extended to members only (Marwa and Aziakpono, 2016). According to Kaningu *et al*. (2017), SACCOs are based on the values of self-dependence whilst at the same time promoting equality and equity which will ultimately improve the standard of living standards for its members.

The broad argument by international institutions such as the International Cooperative Alliance (ICA), the United Nations (UN), the International Labor Organisation (ILO) is that cooperatives are effective tools to identify opportunities for the poor and empower the historically disadvantaged by transforming individual into collective risk (ILO/ICA, 2003). As such, they are increasingly becoming a necessary prelude for poverty eradication and financial inclusion (Njenga and Jagongo, 2019). The study attempts to answer the question of whether or not SACCOs are a viable tool for financial inclusion in Zimbabwe. What is the capital and asset structure of SACCOs in Zimbabwe? What are the key challenges and opportunities being faced by SACCOs? The study attempts to answer these questions and contributes to existing literature by conducting a baseline study on SACCOs since there is no information from either the relevant ministries or economic literature on SACCOs in Zimbabwe. Due to their nature of flexibility, less regulation and accessibility by both low and middle-income earners, SACCOs can be an effective tool of promoting financial inclusion and eradicating poverty in developing economies such as Zimbabwe.

The paper is structured as follows: Section 2 provides a general overview of the structure of SACCOs in Zimbabwe, whereas Section 3 discusses the theoretical and empirical literature followed by the research methodology. Research findings are then highlighted in Section 4 and finally, conclusion and recommendations are presented in Section 5.

2. Structure of SACCOs in Zimbabwe

Structurally, cooperatives take two forms: the primary and secondary level. The former are co-operative societies with individual people as members, while the latter are co-operative unions also referred to as SACCOs (Zikalala, 2016). The latter can be sector-specific or geographic specific but the core purpose is to mobilize capital to invest in larger projects which would otherwise have been feasible with a single society (Puri *et al.* 2018). From a livelihood perspective, these SACCOs mediate access of the members to assets, which they can utilize to earn a living. For instance, SACCOs can facilitate members to access financial capital, which will ultimately improve living standards for their members thereby pulling them out of poverty. Simply put, SACCOs help individual societies to leverage from communitarian systems.

In Zimbabwe, the majority of SACCOs fall into either of the following categories: community-based, employee-based and sector-based. Community-based are either urban or rural but the majority are situated in the latter. A sizeable number of SACCOs in Zimbabwe are found in this category. Employee-based SACCOs are predominantly located in the urban areas (and are sometimes provincial) and members are generally drawn from one employer who is usually a big firm or organization with sometimes thousands of employees. Employee-based loans usually extend loans based on salaries and the employer becomes the guarantor. The sectoral-based SACCOs are primarily small-scale groups of individuals working in a given sector such as housing, agricultural, health and social, craftsmen, transport, fishing among others. Loans in sectoral SACCOs are extended for varying reasons, which include launching a new project or expanding an existing one. They also have a wider clientele base including women solidarity groups, individuals running small businesses or individuals on salaries. The majority of SACCOs in Zimbabwe are found in this category. The Zimbabwean model follows a structure where we have the apex organization at the top. Several national and provincial cooperatives will then affiliate to the relevant apex board where their concerns will be represented by board members to various stakeholders who include the relevant ministry and other NGOs. Table 1 provides a summary of the SACCO profiles in Zimbabwe.

Table 1. SACCO profiles in Zimbabwe

Name of SACCO/Co-operative	Individual Members	Year registered	Loan portfolio (USD)	Books last audited
Zimbabwe National Association of Housing Cooperatives (ZINAHCO)	> 10,000	June 2001	-	2018
Organization of Collective Cooperatives in Zimbabwe (OCCZIM)	> 25,000	1983	-	2017
National Association of the Mining Cooperative Union (NAMCU)	> 3,000	1985	-	2017
Central Association of Cooperatives Unions in Zimbabwe (CACU)	465,000	April 1974	253,601	March 2017

Source: Authors' compilations

Other organizations include the Fishing Cooperative Union (FCU), which has 18 registered fishing cooperatives with a membership base of more than 450 individuals who are mainly located in the Harare metropolitan region. The National Association of Savings and Credit Cooperatives Union in Zimbabwe (NASCCUS) is another apex board which, according the interviewed board members, is currently dormant and needs revamping.

3. Literature review

3.1. Theoretical literature review

The financial performance and management of SACCOs can be linked to various classical theories such as the pecking order theory, Modigliani and Miller (M&M) theory, the modern portfolio theory and the contingency theory. These theories strongly indicate the linkage between financial management decisions and financial performance. Postulated by Myers and Mailuf (1984), the pecking order theory posits that firms prefer to finance investment projects from retained earnings, followed by debts and lastly other hybrid forms such as loans. By issuing equity through membership fees and deposits, the motive will be to minimize costs incurred as a result of information asymmetry, agency costs and bankruptcy costs (Smith *et al.* 1981). SACCOs, which usually face liquidity constraints when demand for loans exceed deposits, can then borrow externally at rates agreed at the annual general meeting.

The working capital management theories such as the contingency theory by Vroom and Yetton (1973) argue from a behavioral perspective and posit that there are no universal formulae to manage firms (SACCOs in this instance) and each organization chooses its optimal point depending on existing or anticipated internal and external constraints. These constraints vary from operational, managerial or resource constraints. The Modigliani and Miller (1958) theory then emphasized on the need for a contingency plan to help in cash flow by managing assets and liabilities and existing interrelationships between the two. SACCOs usually ensure liquidity available to meet members demand and settlement of liabilities by selecting such investments, which are skewed on the easiness to quickly realize funds from such investments.

The modern portfolio theory (MPT) by Markowitz (1952) approaches investment by analyzing the entire economy. MPT emphasizes on the correlation between investments and assumes investors are risk averse. Thus, given two portfolios with equal returns, an investor will select the one with minimal risk and any additional risk has to be associated with additional rewards. Although SACCOs attempt to minimize risky projects by employing strategies such as diversification, they are not protected from systematic risk such as decreases in the aggregate economy which in turn lowers all investment (Smith *et al.* 1981). Systematic risk has been among the major challenges for Zimbabwean SACCOs since the economy has been characterized by high inflation rates, liquidity constraints, economic sanctions from the international community, inconsistent economic policies among other factors (Feather and Meme, 2019; Pasara and Dunga, 2019).

There are various recent theories as well which can be used to describe SACCOs. These models focused largely on aspects of moral hazard and contracts. In the model by Buera *et al.* (2012) allowed the probability of borrowers reneging on their debt while at the same time keeping a portion of their capital. The potential punishment to be faced is when assets deposited in financial intermediaries are foregone. However, these models imply that similar interests are faced by borrowers. In practice, borrowers do not face the same interests for the simple reason that they do not have the same risk profiles thereby leading to adverse selection. As shall be indicated in the results, commercial banks and building societies in Zimbabwe preferred extending loans to private companies over SACCOs. In the few cases when they did offer loans to SACCOs, their interest rates were significantly higher which in turn increased the chances of default should the SACCO take the offer. However, the model by Buera *et al.* (2017) focused on *ex post* repayment constraints and raised issues relevant even for SACCOs. Other earlier models of moral hazard by authors such as Paulson *et al.* (2006) and Karaivanov and Townsend (2014) included equilibrium default. The weakness of such models is that default is absent in equilibrium.

In a model developed by Besley *et al.* (2012), the *ex-ante* moral hazard leads to defaults in disequilibrium, of which the likelihood is depended on the level of collateral capacity put up by the borrower. Quite obviously, Zimbabwean SACCOs do not have much in terms of collateral compared to other potential borrowers such as land developers in the private sector. This leads to heterogeneity in default probabilities (Besley *et al*. 2012; Duguma and Han, 2020) and consequently in the interest rates among borrowers who have idiosyncrasies in terms of productivity and wealth. Their calibrated model also allowed them to explore aggregated implications of access to markets and market imperfections. The framework had credit market access and contracting frictions coupled with conditions on access treated as distinct phenomena. It showed that although the design of optimal credit contracts is not affected by second-best contracting frictions, welfare and productivity losses are significantly smaller due to limited access to markets. This suggestion derivable thereof is that policies should prioritize extending credit market reach such as SACCOs as opposed to dealing with more second-order losses emanating from imperfections in the credit market. The empirical literature from World Bank (2014)[1] and Burgess and Pande (2005) confirms this theoretical assertion. Consequently, there is a direct bearing on how interventions in the credit market are likely to have the most effect. These include

[1] World Bank (2014) regards increased financial inclusion as one of the principal challenges with approximately 50% of the global population not having access to formal banking services.

credit bureaus, microcredit and property tilting which facilitates collateralization of assets, mobile banking and expansion of bank branches. Directly linked to this economic cost of exclusion if the lack of entrepreneurial finance required to either start or upscale existing operations of the business. A similar narrative can be said with regards to SACCOs.

Other literature analyzes the theoretical mechanism on quantifying the benefits of financial inclusion, distributional effects across two dimensions of heterogeneity, that is, wealth and entrepreneurial talent. This theory postulates that as financial inclusion increases, entrepreneurial talent will have more influence on inequality compared to wealth ownership (Lloyd-Ellis and Bernhardt, 2000; Ghatak *et al.* 2007; Buera *et al.* 2012). This methodology permits researchers to reconnoitre environmental idiosyncrasies within contracts influences outcomes. The latter of wealth ownership is ease with which banks can foreclose on collateral, and while the former of entrepreneurship is increasing competition between lenders. This rationale gives a chance of survival to SACCOs in developing economies whose members are usually entrepreneurial although they do not have much wealth or substantial asset portfolios. Other models such as Caselli (2005) emphasized on the differences in total factor productivity (TFP) as a fundamental element. Literature on financial inclusion and how it relates to SACCOs cannot be exhausted in this paper, the discussed theories and models are only meant to be indicative.

3.2. Empirical literature review

Due to their capital structure, which is largely depended on registration fees, value of contributed share capital and external borrowing, SACCOs usually face liquidity challenges due to their inability to mobilize sufficient savings, inefficiency problems, loans delinquency among others. In some studies, liquidity is argued to be an estimator or indicator of timely loan advances to members. SACCOs fundamentally serve the function of making investments by pooling savers and borrowers together. In some cases, SACCOs are permitted to invest excess liquidity in other trading instruments such as bills, unit trusts and treasury bills where the exposure to risk is low. Thus, performance of SACCOs is influenced not only by the portfolio investments themselves but also the factors which influence changes on these portfolios. These range from micro factors such as managerial and administrative capacity within the SACCOs themselves to macro factors such as the general systematic risk in economic environment, as highlighted earlier. However, Said *et al*. (2019) asserted that the solid influencing factors to the success of SACCOs were prudential financial management and members' loyalty.

McKillop and Ferguson (1998) posit that credit unions are fundamentally motivated to provide financial services to members. The main modal would be savings deposits and consumer credit access. However, the authors highlighted that below optimal balance could be achieved when treating borrowers and savers due to several reasons. For instance, there is a trade-off between maintaining low interest rates for borrowers and higher dividends for savers, which usually result in some conflict between net borrowers and net savers. These arguments were later complemented by Khafagy (2019), Giovanni *et al*. (2014), Cuevas and Fischer (2006). Other constraints were legal in nature (Münker, 1986), behavior of borrowers and lenders which led to challenges of moral hazard and adverse selection (Duguma and Han, 2020), involved challenges with regards to regulation and supervision (Poyo, 2000; Cuevas and Fischer 2006) or were issues related to governance (Cuevas and Fischer, 2006; Feather and Meme, 2019).

One of the pioneering comprehensive studies by Birchall (2004) acknowledged that cooperatives could play a significant developmental role in Africa if they are run on business principles, restructured and disentangled from the state. Globally, SACCOs are guided by principles and values adopted by the International Co-operative Alliance in 1995. However, the roots of cooperatives can be traced back to the principles of first modern cooperative, which was founded in Rochdale, England in 1844. The seven principles are open and voluntary membership; control based on democratic principles and values; participation of members in economic matters, independence and autonomous; information, training and education; collaboration among cooperatives and care for the society. SACCOs have their presence in many developing countries both across the globe and in Africa as well.

Alio *et al*. (2017) highlighted that many economies which achieved economic development were characterized by dynamic and vibrant cooperative sector which contributed significantly to economic growth. However, recent statistics indicate that the preceding statement does not hold for most Asian economies since their organizations reflected decreasing after tax profits (Roberts *et al*. 2014) but was consistent with African countries especially in Kenya, Tanzania and Uganda (Mwarwa and Aziakpono, 2015; Kule *et al*. 2020; Kiaritha, 2021). This is probably because some Asian economies are becoming transitional economies while African economies are still developing and SACCOs are among the leading sources of rural finance. SACCOs are an effective mechanism to increase financial inclusion and reduce poverty. Poverty is a multi-faceted phenomenon, which can be insinuated as simply the lack of money (Ross, 2005). In general, poverty implies the deprivation of basic necessities of life which results in the exclusion of individuals from the societies and their ability to exercise the freedom of choice (Feather and Meme, 2018). Thus, poverty manifests in both limited access to finances and also deprived human, physical, natural and social capital. The livelihood framework, therefore, indicates that how people access these basic assets is a matter of organization, which plays a mediating role of accessing assets among household agents. This kind of framework provides utility in the sense that it gives us an insight into the role and contribution of SACCOs, which will act as mediating agencies in reducing poverty in Africa in general and Zimbabwe in specific.

Cooperatives create employment in three ways. First, by offering direct wage employment to workers in both primary and secondary cooperatives and in support institutions such as government ministries and cooperative colleges. Second, they offer self-employment to their members. Thirdly, they employ indirectly through spillover effects to other sectors whose activities are interconnected with their cooperative ventures (Alio *et al.* 2017). The authors also argued that cooperatives are significant in that they do not only generate income through employment but also create marketing opportunities by negotiating better prices, which in turn increase income margins for the members. Although the spillover effects on employment creation and income generation are difficult to estimate since they are so diffused, some credible indications exists. In Kenya, over 5 million people derive their income from SACCOs through various transmission mechanisms such as supply of stationary and packaging materials, marketing, supply of processing machinery especially agricultural produce such as coffee, dairy products, butter, yoghurt, fish among others (Anguche and Mumanyi, 2014; Njeru *et al*. 2015; Waitherero *et al.* 2021).

In countries where SACCOs have been successfully implemented, they have proved to be an effective means of lifting people out of poverty, improved financial inclusion of the previously unbanked people and positively contributed towards employment (Kinyuira, 2017; Mathuva and Kiweu, 2016; Karumuna and Akyoo, 2011). Statistics indicate that Rwanda Umrenge SACCOs attracted more than 1.6 million people in just three years reflecting an increase from only 21% to 52% of people who were previously bankable and financially included (AFI, 2014). This change was stimulated by the government, which launched the National Savings and Mobilization Strategy which aimed at creating SACCOs which would service previously unbanked people at low transaction costs. Six main keys were identified under the national strategy, which include low minimum balance, security, public education and capacity building, tailored products which would satisfy the needs of clients, liquidity and government support. These efforts were complemented by the support of the National Bank of Rwanda (NBR) under the Alliance for Financial Inclusion (AFI) Maya Declaration. They adopted a model, which started with subsidies and those SACCOs which broke-even would then be excluded from the program. As of December 2013, 85% (representing 355 SACCOs) were breaking even compared to 73% (304) a year earlier.

The narrative is even better in Kenya where the SACCO Societies Regulatory Authority (SASRA) indicates that SACCOs in Kenya are the largest in Africa with over 4000 SACCOs, individual membership of over 3.8 million, a loan portfolio of USD 2.5 billion complemented by savings of USD 2.7 billion (Kamau and Guyo, 2017). The Co-operative Bank of Kenya is now the fourth largest commercial bank out of a total of 44 bank and has a substantial savings portfolio which accounts for 31% of the Gross National Savings (Kinyuira, 2017). The economic blueprint of Kenya's Vision 2030 aims at making Kenya a middle economy by 2030 and the SACCO subsectors will be a key pillar in realizing the vision. Thus, the Government is promoting the registration of SACCOs in the diaspora to facilitate remittances in a structured manner. There were 17 diaspora SACCOs as of June 2018, which is a significant increase from only two (2) registered SACCOs in 2013, one in USA and another in Great Britain (Njenga and Jagongo, 2019). Similar arguments could be raised in promoting SACCOs in Zimbabwe. These organizations present huge potential for financial inclusion and taking people out of poverty if properly promoted and supported.

SACCOs are anchored on two fundamental functions namely financial intermediation and investment (Marwa and Aziakpono, 2016). Alio *et al*. (2017) highlighted that SACCOs not only provide microfinance outreach to clients and areas that are unattractive to banks but also provide loans and financial services unlike the majority of microcredit non-governmental organizations (NGOs). These societies make finance more accessible for members who are usually underprivileged and do not qualify through the normal banking channels. In other words, SACCOs limit the incidence of financial exclusion in developing economies by developing linkages between rural people and urban banks leading to broader financial flows into the society (Njeru *et al*. 2015; Wanyama, 2013). At a macro level, SACCOs are generally good to the economic performance of an economy because they stimulate a thrift culture (Nawai and Shariff, 2010; Mumanyi, 2014) and help bring awareness to the ordinary people of how to create assets which can help them as a guarantee in securing loans in future (Moti *et al.* 2012). These institutions are usually started locally with very little to no significant external support both financially and in terms of organizational support. However, if well run, they have the advantage that they usually have lower fixed and administrative costs, which gives them a leverage to provide loans at a lower interest (Said *et al*. 2019).

4. Methodology

4.1. Research design

This study was conducted in a baseline framework to derive as much primary information as possible on the nature and financial status of SACCOs in Zimbabwe. The questionnaires, interviews and focus-group discussions (FGDs) would inform the researchers on the financial position of the SACCOs, their level of training and managerial capacity among other factors. This was aimed at filling a literature and statistical gap since no similar study had been conducted in the country.

4.2. Study area and sample

The survey covered all the ten provinces of the country and the sample size was provided by the Zimbabwe National Cooperative Federation (ZNCF). Data and information was collected from members and management of SACCOs belonging to the following nine (9) apex organizations:

- Zimbabwe National Association of Housing Cooperatives (ZINAHCO)
- Central Association of Cooperatives Unions in Zimbabwe (CACU)
- National Association of Savings and Credit Cooperatives Union in Zimbabwe (NASCCUZ)
- Organization of Collective Cooperatives in Zimbabwe (OCCZIM)
- National Association of the Mining Cooperative Union (NAMCU)
- Manufacturing Cooperative Union (MCU)
- Fishing Cooperative Union (FCU)
- Transport Cooperative Union (TCU)
- Art and Craft Cooperative Union (ACCU).

The list of SACCOs, which was provided to the research team by the Zimbabwe National Cooperation Federation (ZNCF), field visits were done in areas in and around the following towns and cities: Harare, Bulawayo, Gweru, Masvingo, and Mutare.

4.3. Data collection, procedure and method

The study employed a combination of structured questionnaires and focus group discussions (FGDs). Two sets of questionnaires were designed, for ordinary members and management. Questions for ordinary members included name of their organization, when they joined, their level and frequency of contributions, capacity-building level in terms of level of education and technical skills and their understanding on SACCOs. Management questionnaires included more details such as year established, number of current members, composition and size of asset and loan portfolio, frequency and last date of audit, annual general meetings and whether or not both members and management received any kind of training on SACCOs. In addition, questions were also asked on the challenges being faced by SACCOs in terms of policies and legislation; implementation, monitoring and evaluation procedures. After collecting information from structured questionnaires, FGDs were held to discuss any other issues, which might not have been directly raised in the questionnaires. This would allow a comprehensive gathering of information.

The data collected was then captured through the Census and Survey Processing System (CSPro) software. The CSPro software allows complex survey data to be entered, tabulated and disseminated in a way, which is useful for analysis. Quality and validity of the process was ensured by sending questionnaires for quality control with other experienced researchers. Secondly, interviews and FGDs were scheduled in advance to ensure quality attendance and discussions on data collection. Finally, feedback was sent to respondents through emails after the transcription process was completed. Several processes were used to ensure objectivity and moral integrity is attained. Firstly, the structured questionnaires were sent for quality control to the ZNCF and the Ministry of Small and Medium Enterprise and Cooperative Development. In addition, participants were notified that participation was voluntary and interviews were conducted in a formal setting. Finally, participants were notified that their personal information would remain anonymous.

5. Research findings

The results presented below were obtained from the national baseline survey. The survey gathered information from a nationwide sample of 147 SACCOs. The major sectors from which information was solicited include housing, agriculture, transport, security, carpentry, arts & crafts and manufacturing, among others. These sectors are considered to be representative of the various sectoral SACCOs currently existing in Zimbabwe. Table 2 provides a summary of key results from the baseline survey. The following is a discussion of the findings.

The results in Table 2 indicate that 123 (83.7%) of SACCOs in Zimbabwe are in the housing sector followed by the security and carpentry and brick molding sectors which each constitute 3.4% representing a total of 10 SACCOs. The turnery sector has a 2.7% (4) proportion. Some respondents during FDGs indicated that the poor economic environment discouraged them from venturing into other projects such as fishery, carpentry, transport and turnery because the level of risk was very high. The housing sector posed less risk since it is an investment in fixed infrastructure and the pace of development could be increased or decreased depending on the economic conditions prevailing in that particular season.

In terms of distribution by members, 54 (36.7%) SACCOs had a membership of less than 25 members whilst 25 (23.8%) had membership between 25 and 50. A total of 18 (12.2%) SACCOs had members ranging between 500 and 1000 whilst 9 (6.1%) had over 1000 members. Of the 147 SACCOs interviewed, a total of 125 (85%) were officially registered. However, the asset structure of these SACCOs was concerning because a majority of them constituting 52.8% indicated that they did not own any assets. Only 16% owned buildings, 2.7% owned vehicles, 13.9% owned land whilst 12.2% owned equipment. A meagre 3 (2%) had all the five assets listed above. This kind of asset structure reflects the level of vulnerability among SACCOs in Zimbabwe. This then defeats the whole purpose of empowering people especially in the informal sector and underprivileged societies if there is no sustainability. Consequently, 92.3% (132) of these SACCOs depend on monthly contributions from their members as the main revenue source whilst

7.7% (11) can generate supplementary revenue from their assets. However, these contributions are little in relation to the envisioned projects of these organizations. 45 (30.6%) of these SACCOs receive contributions of less than $10,49, 49 (33.3%) receive revenue between $11-$20 while 32 (21.8%) have contributions amounting to $50.

Table 2. Summarized findings

Item considered	Response	Item considered	Response
Sectors covered		**Assets owned**	
	Housing, carpentry, brick molding, turnery, security, cleaning, agriculture, transport, Saccos, fishing, arts & crafts	None Buildings Vehicles Land Equipment	52.8% 16% 2.8% 13.9% 12.5%
Membership range		**Level of member contributions (US$)**	
1 – 25 26 – 50 51 – 100 101 – 250 251 – 500 501 – 1000 1000+	54 (SACCOs) (37.2%) 35 (24.1%) 10 (6.9%) 16 (11%) 3 (2.1%) 18 (12.4%) 9 (6.2%)	1 – 10 11 – 20 21 – 50 50 – 100	34.9% 38% 24.8% 2.3%
Regular membership contributions		**Management Information System (MIS)**	
Yes No	92.3% 7.7%	Yes No	65.3% 34.7%
Major challenges		**Education level of members**	
Finance Title deeds Bureaucracy Lack of training Outdated by-laws	52.4% 14.3% 14.%3 5.4% 13.5%	Secondary Vocational College University Other	52.4% 5.6% 6.3% 2.8% 32.9%
Technical skills of members		**Registration with SMES&CD**	
Building Fabrication ICT Graphics design Tailoring Carpentry > three skills	23.3% 8.3% 10.8% 0.8% 25% 14.2% 17.5%	Yes No	85% 15%
Current laws conductive		**Members trained on corporate governance**	
Yes No	39.6% 60.4%	Yes No	42.8% 56.6%
Members trained on SACCOs		**Members need training on SACCOs**	
Yes No	31.2% 68.8%	Yes No	97.9% 2.1%

Source: Survey results

Only 3 of the 147 SACCOs have contributions ranging between $50-$100. When these figures are compounded with the small membership, which characterizes some of these organizations, majority of their revenue is generally channeled towards operating expenses with little income for investment. The majority of these contributions are channeled in either of the two ways; about 89 (60.5%) develop land and administration whilst 41 (27.9%) give credit to members for an interest rate usually below the market rate. This income distribution model tallies with earlier results, which indicated that majority of these SACCOs are in the housing sector. However, some members in administration cited that there was an increasing rate of default from borrowing members and this was largely due challenges macroeconomic conditions. There were, however, other factors contributing to defaulting such as sickness, relocation of members to other provinces or even death. There were 17 missing entries in this section.

The other challenges, which were highlighted, included national laws, which were not conducive for operation of SACCOs. Of the 139 respondents, 84 (57.1%) indicated that laws were not conducive and 55 (37.4%) indicated otherwise. When further broken down, some of the challenges varied. The outstanding ones were financial of which 52.4% concurred. These financial challenges varied from micro to macro. 14.3% indicated that there were challenges associated with acquiring title deeds whilst another similar proportion of respondents highlighted that bureaucratic and transparency issues stalled the progress of SACCOs. Only 5.4% confirmed that challenges of SACCOs were linked to lack of training and another 13.6% raised the issue of legislative constraints.

Housing cooperatives also cited that they are facing unfair competition from established banks and institutions. For instance, the municipality would prefer selling its land to a private property developer like the Central African Building Society (CABS) instead of a cooperative even though they are both offering the same amount. However, the reluctance of banks to extent loans to them could also be due to lack of audited financial statements and inconsistent revenue base emanating from inconsistent subscriptions. Moreover, members also highlighted that they have limited access to commercial stands. This is defeating the whole purpose of removing people out of poverty, co-operators are highlighting that they need a bargaining power in the process and should be given preference.

Other challenges raised in FGDs include cases of corruption, nepotism ad harassment of SACCO members by officers especially in rural areas. In addition, some cultural challenges such as religious beliefs and dependence syndrome (overdependence on donor handouts and government support) have stifled the growth prospects of Zimbabwean SACCOs. In addition, these SACCOs also lack organized marketing strategies and in some cases they cannot access international markets due to economic sanctions imposed on the country at the beginning of the new millennium.

The survey also investigated on the education and training profiles of the SACCO members. A total of 51% of the respondents had secondary education, 5.4% were vocationally trained, 6.1% had a college education whilst 2.7% had a university education. The level of technical skills was also observed and the distribution was as follows: 19% in building; 6.8% in fabrication; 8.8% in information, communication and technology (ICT); 0.7% in graphic designing; 19.8% in agriculture and 12% in tailoring. Of these respondents, 14.3% indicated that they had more than three technical skills. However, 18.4% of the respondents did not respond in this section.

In terms of audit, 49 (33.3%) indicated that they never did an audit, 31 (21.1%) are internally audited and 62 (42.2%) are externally audited. However, interviews indicated that even those with audited financial statements, there were inconsistencies (with a few exceptions) in terms of the frequency with which they were audited. This could partly be attributed to only 43% of the respondents who indicated that they had received training on corporate governance. Majority of them had not received this training and thus did not fully appreciate the significance of audited financial statements. Furthermore, 51.5% of the respondents had not received any training on SACCOs and only 25.9% in management, 2% of board members and 0.7% of general members had received training on SACCOs. This reflected another significant skills gap, which threated the administration and sustainability of SACCOs. Consequently, most SACCOs lack appropriate managerial skills and with effective strategic plans. In addition to the above statistics, the results also indicate that the majority of people in Zimbabwe (including co-operators) do not know the difference between SACCOs compared to ordinary cooperatives. Nevertheless, there is positive sentiment across all sectors as 97.9% of all respondents indicated that they are willing to be trained on SACCOs.

The results provided a general overview of the state of SACCOs in Zimbabwe. They provided their history, economic sector of focus, their asset and financial structure, level of education of members and some challenges being experienced by SACCO structures in their quest to improve financial inclusion, increase equity and alleviate poverty.

5. Conclusion

The government and other NGOs, which spearhead financial inclusion, should partner and roll out training and sensitization programs to increase awareness and participation on SACCOs. Media agencies such as national television broadcaster, newspaper and radio stations to bring awareness to the public. Secondly, there is limited support from the government and relevant ministry (MSME) with regards to formation, registration and implementation of SACCOs. In most instances, the Ministry reacts, rather than being pro-active on advancing SACCOs agenda. Taking into account successful case studies and experiences from other African countries such as Kenya, Rwanda and Uganda highlighted earlier in literature, the government/MSME should support SACCOs in several ways including speeding up the signing of the SACCO Bill into Law, spearhead formation and implementation of SACCOs throughout the country, have decentralized government structures throughout the country (up to district level) that facilitate registration and not only in the capital city of Harare. The government can also ensure that SACCOs are established by establishing proper monitoring processes to protect deposited money. This can be done through the central bank, the Reserve Bank of Zimbabwe (RBZ).

The high default risk in subscriptions largely due to a tough economic environment results in members ultimately lose all the benefits they will have accrued over the years. Defaulting also affects the planning and progress of these institutions. In addition, a negative perception with regards to financial contributions to SACCOs is prevalent among the general public. This was mainly exacerbated by the 2008 financial crisis which resulted in banks either collapsing or depositors failing to access their money up to this day. This crisis emerged again since 2015 when the central bank cited liquidity constraints and this in turn eroded whatever level of confidence in the financial sector was left. Policy makers should establish policies and laws, which buttress confidence in the financial sector, and this can be even more cemented if the SACCOs Bill currently being drafted is signed into law. The government should also encourage institutions, which are community-owned as this will help build public trust in SACCOs.

Some degree of disintegration and lack of coordination was also observed. Most SACCOs are scattered and currently not working together as a united front. This weakens their potential in influencing and bargaining with local municipalities on a number of issues that pertain to their sector such as issue around title deeds of land. Furthermore, this disorganization implies that they cannot pool their financial resources together to have a bigger financial pool from which to borrow, thus limiting their activities, which require huge sums of money. This set up present a major challenge even to plan for any meaningful support such as training. Some of the by-laws being applied especially in the housing sector are way out of date. For example, the housing by-laws of 1963, which were established during the colonial era are no longer favorable to the current Zimbabwean environment and are disadvantaging the majority of the Zimbabwean populace.

The ZNCF should encourage value-chain business interactions across all sectors. For instance, agriculture products produced by SACCOs should be transported by transporters belonging to SACCOs and sold to shops, which belong to their respective SACCO. This will also enable them to cut certain overhead costs such as advertising, marketing, logistics and distribution.

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