



**COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE**

**THE IMPACT OF SAVING AND CREDIT COOPERATIVE
ON HOUSEHOLDS LIVELIHOOD: THE CASE OF NORTH SHEWA
ZONE, OROMIA REGIONAL STATE**

*A THESIS SUBMITTED TO DEPARTMENT OF ACCOUNTING AND FINANCE, DEBRE
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Certification

This is to certify that the thesis prepared by Megersa Muleta Mertu, entitled: the impact of saving and credit cooperative on household's livelihood and submitted in partial fulfillment of the requirements for the degree of Master of Science in Accounting and Finance complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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Declaration

Statement of Declaration

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Kidane Kerebih (Ph.D.). All sources used in this thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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DEDICATION

I dedicate this thesis manuscript to my Sister Aregash Muleta Mertu for her unbroken contribution throughout my life

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LIST OF ACRONYMS AND ABBREVIATIONS

SACCO	Saving and Credit Cooperatives
ACSI	Amhara Credit and Saving Institution
DECSI	Dedebit Credit and Saving Institution
FCA	Federal cooperative Agency
EPFDR	Ethiopia people Federal Democratic republic
MFI	Microfinance Institutions
NGO	Non-governmental organization
OCSSCO	Oromia Credit and Saving Share Company
PPS	Probability Proportionate to Size
RUSACCO	Rural saving and Credit Cooperatives
SACCOS	Savings and Credit Cooperatives Societies
SACCOL	Savings and Credit Cooperatives are legally
URSACCO	Urban and rural Savings and Credit Cooperatives
VIF	Variance inflation factor
CC	Coefficients of contingency
JB	Jarque-Bera

Table of Contents

DEDICATION	III
ACKNOWLEDGEMENT	IV
LIST OF ACRONYMS AND ABBREVIATIONS	V
ABSTRACT	XI
CHAPTER I	1
INTRODUCTION	1
1.1. Background.....	1
1.2, Statement of the Problem.....	3
1.3. Objective of the Study	4
1.3.1. General Objective	4
1.3.2. Specific objectives	4
1.4, Basic Research Question.....	4
1.5. Hypothesis: Null and alternate hypotheses	5
1.6. Scope of the Study	7
1.7. Significance.....	7
1.8. Limitations of the Study.....	8
1.9, Organization of the paper.....	8
1.10, Definition of key terms: Definition of Terms and Concepts.....	8
CHAPTER II	11
2, LITERATURE REVIEWS	11
2.1 Overview.....	11
2.2. Operational Definition of Concepts used in the Study.....	11
2.3. Theoretical Review of Literature	13
2.3.1 Agency Theory.....	13
2.4 Empirical Literature Review	14
2.4.1 Role of SACCOS in improving household wellbeing	15
2.4.2 The Impacts of SACCOS on Clients’ Livelihood Improvement	15
2.5. The Need for Credit	16
2.6. Microfinance Experience in Ethiopia	17

2.7. Impact of Savings	18
2.8. Impact of Credit	19
2.9. Significance of Saving and Credit Cooperatives	19
2.10. Conceptual Definitions	20
2.11. Conceptual Framework	20
CHAPTER III	22
RESEARCH METHODOLOGY	22
3.1, Description of the study area	22
3.2. Sample and sampling procedure	23
3.3. Determination of the required sample.....	25
3.4, Data source and method of data collection	27
3.5, Method of data analysis	27
3.6. Operational Definition of Variables.....	29
3.6.1. Dependent variable:	29
3.6.2. Independent variables:	29
3.7. Measures for reliability and validity	30
3.8. Research ethical consideration.....	31
CHAPTER IV	32
RESULTS AND DISCUSSION	32
4.1 Demographic Information of the Respondents	32
4.2. The impact of SACCOs improving household income and Occupation	34
4.2.1 Respondents' Economic Activities	34
4.2.2. Livestock Ownership by the Respondents	35
4.3. The main impacts as perceived by the household due to their participation in SACCOs and training.....	36
4.4. Personal saving of respondents	37
4.5. Number of times loan availed	38
4.6. Employment.....	38
4.7. Money Lending	39
4.8. Consumption Expenditure.....	40
4.9. Repayment	42
4.10 Risk Orientation	44

4.11. The impact of SACCO on household livelihood changes and asset	44
4.12. Productive credit	45
4.13. Econometrics analysis,.....	46
4.13.1 Statistical diagnostic tests	46
4.13.2. Detecting multi co linearity.....	46
4.13.3. Coefficients of contingency	46
4.13.4. Hetero scedasticity Test	47
4.13.5. Normality test.....	47
4.13.6. Overall model specification test.....	47
4.13.7. Results of multivariate regression model.....	47
4.13.8. The impact of SACCO on household livelihood	49
CHAPTER V	51
CONCLUSION AND RECOMMENDATIONS.....	51
5.1. Conclusion	51
5.2 Recommendations.....	52
5.3. Suggestions for Further Studies	53
Reference	54
Appendix	59

LIST OF TABLE

Table 3.1: Target population and sample size	25
Table 3.2 illustrates how the 8 SACCOs used as sample sizes.....	27
Table: 4.1. Demographic characteristics of respondents.....	33
Table: 4.2. Classification of Respondents on the Basis of their Occupation.....	35
Table: 4. 3. Respondent of Livestock holds.....	36
Table: 4.4. Respondents' Responses on Training.....	37
Table: 4.5. Respondent of personal saving.....	37
Table: 4.6 respondent of number of times loans availed.....	38
Table: 4.7. Respondent of employment creation.....	39
Table4.8. Respondent of money lending.....	40
Table: 4.9. The Respondent of expenditure.....	42
Table4.10. Respondent repayment.....	43
Table4.11. respondent risk orientation.....	44
Table: 4.12.respondent of asset.....	45
Table: 4.13. Respondent of productive credit.....	45
Table4.14. results from multivariate regression.....	48

LIST OF APPENDIX

Appendix I: table 1. VIF for multi co-linearity diagnosis.....	57
Appendix II: table 2 Contingency Coefficients.....	57
AppendixIII: Hetero scedasticity Test.....	58
Appendix IV: Questionnaire.....	59

ABSTRACT

The impact of saving and credit cooperative on household livelihood in North Shewa Zone, Oromia Regional state, In particular, four districts were selected for the study (Abichu Gnea districts, Wuchale districts, Kimbibit districts and Girar Jarso districts). The present study primarily addresses the impact of SACCO on household livelihood of the business and income. The study was based on specific objectives that are, to assess the impact of SACCOs improving household income, to assess the main impacts as perceived by the household due to their participation in SACCO, To explore the impact of SACCO on household livelihood changes and the last was to assess the impact of SACCOs on asset creation by household. The study is based on primary and secondary data. Data were collected through questionnaire. All sample participants of SACCO's member. The study was used a cross-sectional survey research design. These are data that are collected from different parties or entities at a given point in time. A cross-sectional data set consists of a sample of individuals and households. The data collected through survey were analyzed using both qualitative and quantitative data analysis techniques. Used descriptive statistics the data analysis employed various statistical tools like correlation or regression. The study utilized a sample of 300 household livelihood of the member in SACCO found in the district. The impact of SACCO on household livelihood was the situation of change in income and expenditure that the credit program in after the credit was advanced in order to assess the impact of credit on income and expenditure. The study finding shows age, education, training, occupation, saving, number of time loan avail, production credit, employment creation and money lend to household livelihood income. The impact evaluation finding based on household asset accumulation measurements shows saving and credit cooperative participant. Keywords: The impact of saving and credit cooperative on household livelihood, improving household income.

CHAPTER I

INTRODUCTION

1.1. Background

In 1849 Schulze-Delitzsch Germany scholar was the first intellectual launched a campaign among German workers and artisans to establish cooperative societies and savings and loan institutions to eliminate poverty. These saving and loan institutions are recently present with more than 13,500 branch offices throughout Germany and employ 160,750 staff. Thus, the credit cooperatives have more than 30 million customers; there of approximately 16 million are also members. The movement of saving and credit cooperative in Africa, since 1955- 2015 covers 6.8% genet ration rate (FCA or Federal cooperative Agency, 2017). History of saving and credit cooperatives in Ethiopia counts above five decades. According to Federal cooperative Agency (FCA), report published in 2017, the establishment of formal saving and credit cooperatives in Ethiopia was dated back to the regime of Emperor Haile Selassie. In 1949 E.C the first saving and Credit Cooperatives (SACCOs) was organized by Ethiopian Road Authority employees was being rotating saving and credit practice, and legally registered, while entire members asking a question of SACCOs should have a legal background. To answer this question and encounter the challenges of cooperative, the proclamation No 241/58 mainstreaming the ground of international cooperative principles declared for all types of cooperatives. Currently there are 18,959 primary and 115 secondary (union) saving and credit cooperative with 3,430,655members in Ethiopia. These cooperatives are mobilized 7.9 billion birr members saving and 3.29 billion birr in the form of capitals (FCA, 2017). The International Cooperatives Alliance (2014), an apex organization that represents cooperatives worldwide, define a cooperative as an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise. As proclamation No. 985/2016, Ethiopia people Federal Democratic republic (EPFDR) article 7; “saving and credit cooperative society” means a society established to provide saving, credit and loan-life-insurance services to its members. According to Ayelew (2014), access to finance will enhance the economy and enable food Security. However, due to

heavy transaction costs requirements, it is very hard to cover a highly dispersed rural population through commercial banks.

Therefore, many countries have designed different strategies to solve the financial service problems of their poor and marginal population. The main arrangement towards this effort is the provision of micro finance services through deposit taking Microfinance Institutions (MFIs) often based on the group lending approach, and membership based micro financial cooperatives and mutual assistance associations. Saving and credit cooperatives, also known as financial cooperatives, or credit unions are a unique type of financial institution which emerged as an alternative solution to provide financial services in the presence of credit market failure (Nyankomo, 2015). Saving and credit cooperatives are the financial institution formed by community alive together in order to solve their own financial problem for supportive role in the development of production and productivity others economic stream. Saving and credit cooperatives are geographical or organizational based foundation, non-political, non-religious & nongovernmental organization formed by low and middle income community to having sustained livelihoods of the current and for the coming generation through contributing capital of SACCOs in the form share capital and members' capital in the form of saving products as well as registration fees as administration finance. In Ethiopia the delivery of financial products and services through micro-finance institutions is one of the policy instruments used to enable rural households to increase their output and productivity, induce technology adoption, increase input supply, increase income thereby helping them reduce their poverty and attain food security (Wolday, 2002).

According to Thirlwall (1994) and Maina (2011), providing access to financial services will stimulate the independence and self-development of poor households and micro entrepreneurs. This will help not only to improve poor people's economic condition, but also to provide a way to maintain or improve their quality of life in the face of UN certainty. Kesebir and Denier (2008) and Alexandria (2016), defined the wellbeing as a measure of human life style which makes a positive assessment of their lives and their confident, emotions, satisfaction and engagement in day today activities. It is often tied to identify financial status of individuals as well. The literature is evident to prove that household saving and social capital have become key factors of socio- economic development. The thoughts of classical economists have emphasized

on individuals' savings effects economic development and human well-being. In the theory, household's saving has been given prominence as savings can assist to bear economic shocks in various ways (Dew and Xiao, 2011). Providing access to financial services will stimulate the independence and self-development of poor households and micro entrepreneurs. This will help not only to improve poor people's economic condition, but also to provide a way to maintain or improve their quality of life in the face of uncertainty. Moreover, gaining access to financial services is a critical step in connecting the poor to a broader economic life and in building the confidence for them to play a role in the larger community. Without sufficient financial services to meet the enormous demand, rural areas will remain underdeveloped.

1.2, Statement of the Problem

The major problem of poor households has been lack of flexible financial services on sustainable manner, despite the high potential demand for the services, especially for microcredit. Micro Finance Institutions are making their effort to fulfill this demand, but their limited financial and institutional capacities have become serious constraints to expand outreach to the bulk of the population. Hence, the unmatched high demand for finance and very limited supply necessitates intervention by member owned financial institution dedicated for the interest and wellbeing of the poor where by the relevance of RUSACCOs. 22 percent of the populations of Ethiopia have access to formal financial services. However, the rise of new potential financial service providers, including micro finances and SACCOs provide a fresh optimism towards improving access to financial services in Ethiopia. Saving and credit cooperatives provide both the rural and urban lower and middle earner access to finance an early cover 3.4% in Ethiopia and 1% in the study area. The impacts of saving and credit cooperative societies in not yet studied in the study area. Therefore, the study answers the trainer and practices of saving and credit cooperative societies by product (saving and credit) in improving the livelihoods of households, power of saving and credit cooperative in national financial inclusion, share of saving and credit in micro- credit of poor households. The main objective of the study is to investigate factors affecting the participation of households in saving and credit cooperatives and to evaluate its impact on households' livelihood in the study area.

1.3. Objective of the Study

1.3.1. General Objective

The general objective of the study is to assess the impact of saving and credit cooperative on household livelihood in North Shewa Zone, Oromia Regional state

1.3.2. Specific objectives

- 1, to assess the significant of the impact of SACCOs improving household income,
- 2, to assess the main impacts as perceived by the household due to their participation in SACCO,
- 3, to explore the impact of SACCO on household livelihood changes,
- 4, to assess the impact of SACCOs of asset creation by household

. 1.4, Basic Research Question

- 1, what is the significant of SACCOs in involving household income generating activities?
- 2, what are the main impacts as perceived by the household due to their participation in SACCOs?
- 3, how to explore the impact of SACCO on household livelihood changes?
- 4, what are the impacts of SACCOs of asset creation by household?

1.5. Hypothesis: Null and alternate hypotheses

HO 1: Age of the respondent has significant influence on the livelihood of SACCO Members

HO 2; Educational status has significant influence on the livelihood of SACCO Members

HO 3 Occupation has no significant influence on the livelihood of SACCO Members

HO 4; Livestock holding has no significant influence on the livelihood of SACCO Members

HO5; Training has significant influence on the livelihood of SACCO Members

HO6; Number of times loan availed has no significant influence on the livelihood of SACCO Members

HO7; Expenditure has significant influence on the livelihood of SACCO Members

HO8; Employment has significant influence on the livelihood of SACCO Members

HO9; Savings has no significant influence on the livelihood of SACCO Members

HO10; Risk orientation has significant influence on the livelihood of SACCO Members

HO11; Repayment has no significant influence on the livelihood of SACCO Members

HO12; Money lending has significant influence on the livelihood of SACCO Member

The hypothetic-deductive method requires that hypotheses are falsifiable: they must be written in such a way that other researchers can show them to be false. For this reason, hypotheses are sometimes accompanied by null hypotheses. A null hypothesis (H_0) is a hypothesis set up to be rejected in order to support an alternate hypothesis, labeled H_A . When used, the null hypothesis is presumed true until statistical evidence, in the form of a hypothesis test, indicates otherwise. For instance, the null hypothesis may state that advertising does not affect sales, or that women and men buy equal amounts of share. In more general terms, the null hypothesis may state that the correlation between two variables is equal to zero or that the difference in the means of two groups in the population is equal to zero (or some other definite number). Typically, the null statement is expressed in terms of there being no (significant) relationship between two variables or no (significant) difference between two groups. The alternate hypothesis, which is the opposite of the null, is a statement expressing a relationship between two variables or indicating

differences between groups. To explain further, in setting up the null hypothesis, we are stating that there is no difference between what we might find in the population characteristics (i.e., the total group we are interested in knowing something about) and the sample we are studying (i.e., a limited number representative of the total population or group that we have chosen to study). Since we do not know the true state of affairs in the population, all we can do is to draw inferences based on what we find in our sample. What we imply through the null hypothesis is that any differences found between two sample groups or any relationships found between two variables based on our sample are simply due to random sampling fluctuations and not due to any “true” differences between the two population groups (say, men and women), or relationships between two variables (say, sales and profits). The null hypothesis is thus formulated so that it can be tested for possible rejection. If we reject the null hypothesis, then all permissible alternate hypotheses relating to the particular relationship tested could be supported. It is the theory that allows us to have faith in the alternate hypothesis that is generated in the particular research investigation.

This is one more reason why the theoretical framework should be grounded on sound, defensible logic to start with. Otherwise, other researchers are likely to refute and postulate other defensible explanations through different alternate hypotheses.

The null hypothesis in respect of group differences stated in the example “Women are more motivated than men” would be:

$$H_0 : \mu_M = \mu_W$$

Or

$$H_0 : \mu_M - \mu_W = 0$$

Where H_0 represents the null hypothesis, μ_M is the mean motivational level of the men, and μ_W is the mean motivational level of the women.

The alternate for the above example would statistically be set as follows:

$$H_A : \mu_M < \mu_W$$

Which is the same as?

$$H_A : \mu_M > \mu_W$$

Where H_A represents the alternate hypothesis and μ_M and μ_W are the mean motivation levels of men and women, respectively.

Productive credit services have a positive impact on business expansion.

The services offered have a positive impact on income and living conditions of the families involve.

Productive credit has a positive impact on the empowerment of beneficiaries especially on household livelihood. Saving and credit schemes increase the productive potential particularly of rural and urban households.

Credit plays a crucial role in agricultural and non-agricultural production. It is say to be the lifeblood of agriculture and hence, the need for adequate farm finance is obvious.

To generate a substantial income from agricultural production, the provision of credit for urban and rural people must be associated with the provision of technical advice and loan advance should be paid in order to have an improvement in living condition year after year.

The general objective of the study is to assess the impact (or generator effect) of SACCO on the household livelihood of beneficiaries in North Shewa Zone of Oromia regional state of Ethiopia.

1.6. Scope of the Study

This study covers membership, socio-economic, and institutional impact of SACCO on households' livelihood in North shewa Zone, Oromia regional state. In particular, four districts were selected for the study (Abichu Gnea districts, Wuchale districts, Kimbibit districts and Girar Jarso districts).The study may become very useful to the officials and leaders of SACCO operating in Ethiopia.

1.7. Significance

This study investigates the impacts of saving and Credit service on household livelihood socioeconomic status in North Shewa Zone of Oromia region state. Information about the impacts of saving and Credit service on the socioeconomic status of household livelihood has important policy implication. In this regard, the study's findings regarding the role of micro-

credit in the economic and financial empowerment of household livelihood will have significant contribution to development practitioner & policy makers. Besides, this study helps as input for Foundation to improve their services in other project areas using the fact from the study.

1.8. Limitations of the Study

This study is limit to the household's livelihood level in the North Shewa Zone of Oromia regional states are participating in SACCO. Therefore it may not have a scientific justification to assure the reader that the final conclusion out of this paper is representative and applicable to all households are participating in SACCO throughout the nation. Even though efforts are made to investigate the impact of SACCO in North Shewa Zone of Oromia regional state, the study is not without limitations. Due to the resource and time constraints, the sample survey is carry out only in four SACCO in North shewa Zone of Oromia regional state, which of course represents North Shewa Zone of Oromia regional state, but may not represent Ethiopia as a whole.

1.9, Organization of the paper

This study paper organizes in five chapters. The first chapter deals with an introductory part, which consists of background of the study, statement of the problem, basic and specific research question, objectives of the study, scope/limitation of the study , significance and Definition of key terms. Chapter two discusses the theoretical and empirical literatures related to the research. The third chapter presents methodology use in the research. Chapter four presents the result and discussion part of the study. Finally, the conclusion and recommendation of the study are presents in chapter five.

1.10, Definition of key terms: Definition of Terms and Concepts

For the purpose of conducting this research, the researcher defines the terms and concepts in the following way:

Microfinance is the provision of financial services to low income poor and very poor self-employs people (Otero, 1999). These financial services, according to Ledger wood (1999), generally include savings and credit but can also include other financial services such as insurance and payment services.

The terms microcredit and microfinance are often use interchangeably, but it is important to highlight the difference between them because both terms are often confused. Sinha (1998) states that microcredit refers to small loans, whereas microfinance is appropriate where nongovernment origination (NGOs), and MFIs supplement the loans with other financial services such as savings and insurance. Therefore microcredit is a component of microfinance in that it involves the provision of credit to the poor, whilst microfinance add on non-credit financial services such as savings, insurance, pensions and payment services (Ferka, 2011).

Cooperatives: are societies who are eligible and who can be organize in saving and credit form of cooperative societies to achieve their common objectives under the federal cooperative society's proclamation. No 147/98.

A cooperative is an autonomous association of persons unites voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly –owner and democratically controller enterprise (Kejela, 2013).

A SACCO is a cooperative financial institution that is owner and controller by its members and operates for the purpose of promoting thrift, providing credit at low interest rates and providing other financial services to its member.

Saving and credit cooperative societies are different from other micro finance enterprises. In SACCOS, the members should save first to get a credit but in micro finance the customers should take the credit and then they can save.

Household: Family, a basic unit is the household, which includes its different family members, their resources and capabilities.

Empowerment Livelihood: A livelihoods perspective has been conceive different by different people. Thus, a variety of definitions have been posted in various literatures include for example, the means of gaining a living (Chambers 1995) or a combination of the resources use and the activities undertaken in order to live. Livelihood is also about the ways and means of 'making a living. It encompasses the capabilities, assets (including both material and social resources) and activities required for a means of living. Different activities and interactions emphasize the diversity of ways people make a living. This may cut across the boundaries of more conventional

approaches on looking at rural development which focuses on define activities such as agriculture, wage employment, farm labor and small-scale enterprise. But in reality people combine different activities to make their livelihood (Scoones, 2009). Debates about livelihoods and poverty reduction emerged around the 1995 World Summit for Social Development in Copenhagen, but livelihoods strategies remained at the margins of the mainstream (Scoones, 2009). In realizing this many countries decided to take different livelihood approaches in achieving sustainable rural livelihood.

CHAPTER II

2, LITERATURE REVIEWS

2.1 Overview

This chapter provides a review of the literature on the topic based on the objectives and interest of the study. The literature review involves examining documents, such as books, magazines, journals, and dissertations. Therefore, this chapter presents the review of literature related with utilization of SACCOS in improving household livelihood wellbeing. In this study literatures were search using search engines such as Google scholars, PubMed and Emerald.

As preliminary and preparatory part of the present research work, the researcher undertook a review of literature on micro finance and SACCO. The review enabled the researcher to ascertain the contribution made by various experts and scholars in the field and to identify the promising virgin field awaiting fresh initiatives. The collected literature on "The Impact of Savings and Credit Cooperatives" is organized under heads namely 'Concepts related with savings and credit' and 'Impact of microfinance. Concepts Related with SACCO.

2.2. Operational Definition of Concepts used in the Study

Savings and Credit Cooperatives (SACCO)

Savings and credit cooperatives is a set of financial services namely savings, credit and technical services like training, to the members in rural, semi urban, urban and metropolitan areas for enabling them to build asset, to reduce their vulnerability and improve their living standards.

Shares: Shares are deposits that represent the net worth of the member's equity in the SACCO.

Credit/ Loan: Credit is the financial assistance given by SACCO to its members out of its own common fund; it is to be repaid with interest.

Compulsory Deposit (Savings): Compulsory deposit refers to the minimum deposits contractually agree to bring to the savings and credit cooperatives on monthly basis.

Business: Business is an enterprise of production or service provider or trading which may be in the farm sector or non-farm sector that serving the local market.

Guarantors: Guarantors or members of savings and credit cooperatives who pledge their compulsory savings and shares to cover the loss to the rural savings and credit cooperatives in the events that the borrower does not repay.

Asset: Asset comprise of building, equipment, tools, livestock, grain stocks, jewels and consumer durables.

Financial Cooperatives (SACCOs) of different from other financial institutions by:

Structure: They are not for profit, members owned financial cooperatives, funded largely by voluntary member deposits.

Clients: Members share a common bond, such as where they live, work or worship.

Governance: SACCO members elect a volunteer management team from their membership.

Earnings: Net income is applied to lower interest on loans, higher interest on savings.

Voluntary savings: Voluntary savings are deposited and withdrawn as the member sees fit. This maintains the fundamental function of the SACCO and allows individuals with seasonal incomes to be members. Technically speaking, this is referred to as saving up. This ensures regular flow of cash to the SACCO society and promotes members participation. This kind of saving can be withdrawn at any time when the owner needs it. The SACCO society may or may not provide saving interest for this voluntary savings.

Contract savings (time deposits) or fixed deposit: This kind of saving will not be invited unless the SACCO society acquires good experience in managing their savings and loans properly. This kind of saving will invited in the future when the SACCO society is in a good capacity and position of managing its savings and loans properly and if there is a shortage of feasible financial demand by members. This kind of saving can be collected from members and none members but the amount, period of collection and interest for this saving should be decided by the General Assembly of members. Management committees: are the committees who are elected by the members from the members' financial institution: is an institution that provides financial services for SACCOs members.

2.3. Theoretical Review of Literature

2.3.1 Agency Theory

The agency theory describes the relationship under which one or more person (the principal) and another person the agent to perform some service on their behalf and delegate some decision-making authority to the agent. Within the framework of a corporation, agency relationship exists between the shareholders and the company executives and agents. The agent is expected to act in the best interest of the principal, but on the contrary the agent may not make decision on the principal interest. Likewise, the problems of agency theory arise from the separation of ownership and management and employee and managers in a corporation could be self-interested like SACCOS do (Awotundun. et al., 2011). This theory discusses the problems that surface in the firms due to the separation of owners and managers and emphasizes on the reduction of this problem, an Agency theory arises from economics and organizational theory that discussed stakeholder's performance and cost (Meckling, 1976). This theory helps in implementing the various governance mechanisms to control the agents' action in the jointly held corporations (Panda and Leepsa, 2018). With regards to relationship between agency theory and SACCOS, there is a common bond for saving money together and from their savings to make loan to each other for provident or consumption and obtain other financial services (Adams, 1995). SACCOS management link the gap between borrowers and savers thus reducing information asymmetry and limiting moral hazards. In terms of principal agency relationship, the closeness of savers and borrowers and SACCOS user owner, user control and user benefit approach minimizes the conflicts that emerge in the agency relationship (Morris, 1995). Agency theory can be circumvented by interest among firm stakeholders, where their interests are common, it tend to be lowered (Hendrickson *et al.*, 2016). Agency theory conflict can as well be lowered where principal is knowledgeable of the agent's activities (Fama, 2008). This is related with SACCOS as in case of SACCOS membership is normally drawn from a common pool; same community, a church, a mosque; employer and locality are expected to reduce the agency principal challenges in SACCOS (Mboka, 2014). SACCOS are perceived as an appropriate micro-financing outlet for rural and poor people. People have, so far, positively responded to the call to form SACCOS both in rural and urban areas (Nkuru, 2015). SACCOS operates like other credit unions to

generate a similar sense of ownership among the financially excluded and thus enable them to avail themselves of financial services' appropriate to their needs. Credit unions are regarded by them as being best placed, within the financial services industry, to provide low-cost financial services to those on low incomes or to those who have no access to affordable banking services (Schnabel, 2001). Study in Nigeria revealed that shareholder`s objective which is to get satisfactory returns on their investment had been ignored; the employees who are the corporate insiders received substantial share of the organization earnings while huge portion of the earnings were retained without due consideration of the shareholders which represent the fundamental of the SACCOS Chemakai *et al.*, 2018). The agency theory is relevant to help to understand the challenges that surround ownership, contractual agreement, management interrelationship between small business owners and external providers including SACCO`s clients (Mboka, 2014). In addition to that, agency theory often describe "residual claimant" as being the beneficiaries of joint action whether it is an investor-owned firm or a cooperative if a traditional model of principal-agent relationship is applied then you have an ambiguous definitions of what group is the primary recipient of fruits of the organizational effort as it operated in SACCOS (Mboka, 2014). It is noted that SACCOS being an artificial person, interacts and enters into contracts with other entities. This brings about an agency relationship between the SACCOS and the entities (Otieno *et al.*, 2015). The current study focuses on the impact of SACCOS in improving livelihood which address the life standards of people, including economic growth, health, education services, assets, investments, food adequacy and diet improvement; which all depends on individual capacity and family income. Looking at SACCO`s member`s men, women, youths and people with disabilities joining SACCO, s with major aim of accessing saving and loan services for their improved wellbeing The achievement of these depends on good relationship between members and SACCOS management. This is linked with agency theory as it focuses on the principal and agency relationship to alleviate existing challenges arises among borrowers.

2.4 Empirical Literature Review

Through gaining repeated loans, the SACCOS members can make investment to start new business or expansion of the existing business, which will improve the income and the living standard of the members (Huppi 2014; and Mbagga, *et al.* 2013;)

2.4.1 Role of SACCOS in improving household wellbeing

According to Bailey (2001), SACCOS offer the following products to their members: shares, savings, loans, life deposits and funeral insurance (Ng'ondi, 2013). Savings and credits cooperatives have the big role in poverty reduction but it depends on the number of active members (without outstanding loans), loan size, number of saving clients, volume of saving, percentage of loans to clientele below the poverty line, the level of transaction costs levied on the poor and the extent of client satisfaction (Sebhatu, 2012). In order to provide the conducive environment of borrowing SACCOS have to create an avenue to the access of funds to its members (Zikalala, 2016). The continued access to SACCOS' loans has many implications for its members. Due to the continued access to loans, members can reduce dependence on other sources of borrowing in high interest charges from other financial institutions such as banks; if the members get timely loans and with reasonable returnable interest rate (Sebhatu, 2012). In addition to that, SACCOS' members get timely training for business and entrepreneurship, saving and insurances for health and assets (Cheruiyot et al., 2009; Mwangi, 2011; Oluyombo, 2016).

2.4.2 The Impacts of SACCOS on Clients' Livelihood Improvement

Regarding impact of saving and Credit Cooperative Societies; various literatures were reviewed. The study by Odoyo in Kenya reported that SACCOS enable the members to meet the daily requirements of living including payment for school fees, medical care, furniture and household items (Odoyo, 2012). Study conducted in Ethiopia by Sebhatu, (2012) revealed that the impact of participation in SACCOS on members' assets indicated that 62.5% of the sampled respondents could made additional assets creation in the form of construction of new houses, repairing old ones, livestock purchase like sheep, goat, cow, oxen, donkey, chicken and purchase of household equipment like tape recorders, radio, television, chairs, and tables (Sebhatu, 2012). They also recommended that SACCOS contribute in reduction of poverty, through mobilization of members to engage in productive activities so as to generate income, create employment opportunities, stimulate the economy of a well-defined area and thereby improve their livelihoods situation (Sebhatu, 2012). Nnynja also indicated that about 31.5% of the borrowers had additional assets worth more than 1000 Birr (More than 80,000/= Tanzania shillings). A study in Uganda reported that the access to financial services enables households to invest in education, start or expand a business, or invest in agricultural inputs. With SACCOS, the key

potential linkage between access to financial services and increase of household wellbeing is vital for economic growth among locals or SACCOS' members (Nnyanja, 2017). A study in East Africa by Lemma et al., (2010) done in Kenya and Tanzania showed that SACCOS' services enable households to invest in activities that are likely to contribute to higher future income and, therefore increasing household income and living standard of members. There were remarkably similar levels of saving and borrowing in Kenya and Tanzania, with just over 70% of the population saving or borrowing in both countries, despite significant differences in the availability of financial services in the two countries. When comparing these two countries, the study reported that Kenyans both borrowed and saved slightly more than Tanzanians (Lemma et al., 2010). A study in Kenya found that 44% of those surveyed had at some point used savings to undertake productivity-enhancing investment (Ellis et al. 2010). A study conducted in Nairobi Kenya by Mwangi (2011) showed that SACCOS contributed in loan provisions to its members and encouraged borrowing. They also reported that majority 87.7% of the SACCOS' members improved their wellbeing through SACCOS (Mwangi, 2011). Thus, SACCOS have a significant role in loan provision to its members and in encouraging borrowings. Study in Tanzania by Churk (2015) found that majority (53.7%) of the respondents perceived that no benefit was obtained for being a member or non-member of Muvikima SACCOS, 23.2% benefited only by doing saving in their SACCOS account due to the fact that there was no other financial service provider in the area, and 23.2% acknowledged that SACCOS benefited them through adding capital to their small-scale businesses and agricultural activities (Churk, 2015). Also, Mebane (2013) found that SACCOS in Tanzania have increased the saving for rural household for about 30 million Tanzanian Shillings in the study area.

2.5. The Need for Credit

Credit is the key input in every development program; this is particularly true for rural development because so long as sufficient credit is not provided to the development programs of poor sections of the society, the goal of development cannot be achieved. Access to capital in the form of either accumulated savings or a capital market is necessary in financing the adoption of many new agricultural technologies (Federate. 1985). The importance of credit facilities to smallholders of less developed countries has been underlined by several authors (Adams and Graham, 1981; Gonzalez-Vega, 1977; Pischke, 1980). Governments of less developed countries and aid agencies have extended a large amount of money in the form of agricultural loans. The

motivation has been the belief that loans are an essential part of various input packages that are prescribed as part of agricultural

2.6. Microfinance Experience in Ethiopia

A key component of Ethiopia's development strategy is the establishment of sustainable microfinance institutions serving large numbers of poor people. While non-governmental organization (NGO) credit schemes and informal sources of finance have existed in Ethiopia for many years, the government instituted a legal and policy framework for MFIs in 1996 through Proclamation 40/1996 (Gebrehiwot, 2002). Hence, Microfinance has become a growing sector in Ethiopia.

The Ethiopian microfinance sector is characterized by its rapid growth, an aggressive drive to achieve scale, a broad geographic coverage, a dominance of government backed MFIs, an emphasis on rural and urban households, the promotion of both credit and savings products, a strong focus on sustainability and by the fact that the sector is Ethiopian owned and driven. The industry has a strong focus on loans to the very poor, as indicated by the relatively small loans when compared to neighboring countries. Sector outreach is impressive and the financial performance of the sector is considered good, although the operational margins and profitability are low. MFIs have also mobilized a significant amount of savings, thereby improving financial as well as operational sustainability (MFT, 2011). As of 2013, 33 microfinance institutions are registered with the National Bank of Ethiopia. These institutions serve 3.2 million borrowers with portfolio of Birr 12.9 Billion. The three largest micro finance institutions (namely, Amhara Credit and Saving Institution (ACSI), Dedebit Credit and Saving Institution (DECSI) and Oromia Credit and Saving Share Company (OCSSCO)) accounted for 33 percent, 20 percent and 16 percent of the total assets of all MFIs, respectively (AEMFI, 2015) A study conducted on the Dedebit Credit and Saving Institution (DECSI); found that DECSI's program has had a positive impact on the livelihoods of its clients. Compared to non-clients, clients have experienced greater improvements in the years (2000 – 2004). Their situation has improved in terms of income, consumption and assets. They also seem to be more food secure and less vulnerable to shocks and have a greater diversification in terms of income sources. The study found that the improvement in economic condition of the clients is a necessary condition for DECSI's program that could lead to social and political empowerment for the marginalized groups. The study also

concluded that economic empowerment leads to social and political empowerment. On the other hand, this study also indicated the negative effects of DECSI's program. A considerable number of credit-financed ventures fail with a possible effect on indebtedness and asset depletion of clients. In addition, a high level of school dropout rates of client's children is registered. This is for a purpose of shepherding animals purchased by program fund (Ferka, 2011). In Amhara Regional state, practice strongly suggests that microfinance indeed has a potential to be one of the key instruments to fight poverty in its every aspect by positively affecting the house-hold economic portfolio. For the poor, it can expand opportunities for enhancing income, improve capabilities in terms of human capital, improve the coping mechanism against vulnerability in its various features, as well as empower the disadvantaged; and the impact can occur at enterprise, individual, household and even community level, much of which being a result of enterprise profitability. Yet, the available evidence suggests little progress in this regard (Getaneh, 2004). Similarly, though credit is generally expected to have a positive impact on household livelihoods, a study conducted in North Gonder, Ebinat district argued that credit affects households differently depending on wealth. Results show that credit failed to enable poor households to move out of poverty and food insecurity, whereas better-off and labor rich households used credit to improve their livelihoods. For poor households, rather than achieving long-term livelihood improvements, access to credit only means short-term consumption smoothing with a risk of being trapped into a cycle of indebtedness (Siyoum, A.D et al., 2012) In connection with women's empowerment, Padma, and Getachew (2005) reported positive impacts of microfinance.

2.7. Impact of Savings

Rutherford (1999) noted that access to more and better ways of turning savings into lump sums—helps poor people from sliding deeper into poverty and helps them lay foundations for their ambitions to better themselves and their families. This and other studies by (Graham et.al Uganda 1999) had similar conclusions that show that: poor do save, have a need to save and use savings for a variety of reasons, which include daily expenditure, to fix a leaky roof, to pay for healthcare, consumption smoothing, accumulation to meet life-cycle needs and to send children to school. The findings clearly indicate that micro finance programs have had a positive impact on the livelihoods of poor clients through their savings products.

2.8. Impact of Credit

Financial Assets

A number of impact studies have demonstrated that micro finance clients have been able to accumulate financial assets through the financial services offered by the MFIs and other formal and informal financial institutions. Especially where the financial institutions are offering a number of loan products e.g. for emergency, health, education many clients tend to use their productive loans to expand business capital and generate more profits. This way they are able to grow their business and generate even more income. A study by Muhammad Yunus, 2003 undertaken on the Grameen bank clients stated, "The most direct effect of the Grameen bank has been on the accumulation of capital by the poor".

2.9. Significance of Saving and Credit Cooperatives

SACCOs are legally constituted cooperative institutions established, in most cases, under national cooperatives law to meet the basic financial service needs of primary low and middle income citizens who generally cannot obtain these services through the existing banking system (Galor, 1995). It is well recognized that SACCOs provide a means to learn the value of regular saving and wise use of credit. Some even consider them as a form of economic empowerment, where members collectively control and manage their own financial institution which provides saving, credit and financial management services (Galor, 1995) As a result; SACCOs are appreciated for creating an opportunity for people to take responsibility for their own financial organization (SACCOL, 2013). SACCOs mobilize local resources and return them to members in the form of loans and hence the money stays and works within the members. SACCOL in its website listed a number of advantages of SACCOs and among these the notable ones are: better interest rate on both saving and loans, low overhead cost compared to banks, encouraging members to save with the objective of economic empowerment and educating members on prudent handling of money (Ibid, 2013). In SACCO each members is not another customers to the cooperative, he/she is rather a member as well as an owner of the cooperative, who even gets a share of the profit in the form of dividends. Savings are mobilized locally from the members and are returned to them in the form of loans and this way the money stays and works within the members. SACCOs encourage and educate members to regularly save their money and aim at liberating members from dependence on money lenders and unfriendly banking terms.

2.10. Conceptual Definitions

Savings and Credit Cooperatives Societies (SACCOS) are an integral part of the financial system by which communities are mobilized to engage in productive activities so as to generate income, create employment opportunities, stimulate the economy of a well-defined area and thereby improve their livelihood situation (Adalbertus, 2018). The Cooperative Development Policy in Tanzania, states that as part of the initiatives to eradicate poverty, micro-financing services have become one of the important sources of finance to the poor to expand their businesses and productive activities. Most SACCOS have been established in urban areas and at work places (Girabi *et al.*, 2013). As a result members of Agricultural Marketing Primary Cooperatives have found it impossible to save money that could have enabled them to buy shares and thereby increase the capital of their cooperatives (URT, 2013).

Livelihood improvement is all aspects that involve improved life standards for people, including economic growth, health and education services, assets and investments (Ashley and Hussein, 2000; Krantz, 2001). Poverty leads to poor health, education, social life, and poor environment, spiritual and political conflicts (URT, 2009). Being poor can therefore force to sell physical assets, reduce quantity and quality of food consumed, move to inferior accommodation, postpone medical treatment or withdraw from SACCOS (Gasper, 2013; Mbagga, 2013). The hypothetical idea behind SACCOS, they improve the livelihood of clients; in the current study. This has been explained by different groups of people who are getting services from the SACCOS. This was the major intention of the study to identify the influence of SACCOS in education, assets, medical services, adequate food and diet improvement which all determines the individual livelihood.

2.11. Conceptual Framework

Framework described the logical structure of meaning that guide the development of the study. It bases on the identification of key concepts and the relationships among those concepts. The Conceptual framework consists of concepts that are placed within a logical and sequential design. The purpose of conceptual framework is to clarify concepts and propose relationships

among the concepts in a study, to provide contextual interpretation of the study findings and to encourage theory development that is useful to practice (Adom *et al.*, 2018). In this study, the researcher tried to describe the logical network to show the relationship of the research problem. There conceptual framework describes ways through which SACCOS improve the household livelihood wellbeing; obviously through borrowing and investments which ultimately increasing income for household.

i) Investing in the immediate future income generating activities through business and consumptive spending with scope for productivity through adding and gaining assets which retain value such as refrigerator, sewing machines or houses themselves.

ii) Investing in human capital, such as own and children education or household health and nutrition.

iii) The use of the borrowed money for the purpose of diet improvements, personal savings for countering emergencies or future investment. These are the potential on increasing household income but may be hindered by various ‘external

CHAPTER III

RESEARCH METHODOLOGY

3.1, Description of the study area

The study was used a cross-sectional survey research design. These are data that are collected from different parties or entities at a given point in time. A cross-sectional data set consists of a sample of individuals and households. The capital city of the North Shewa Zone of Oromia Regional state, Fiche town is located at 120km from north of Addis Ababa. The North Shewa Zone of Oromia Regional state has 13 Woreda and 1 urban. The boundaries of the North Shewa Zone of Oromia Regional state from different directions are adjoin in the Northern direction Amhara National Regional state, in the southern direction, Oromia special Zone surrounding Finfinne in the south and in south east shewa, in eastern direction Amhara National Regional state and in western direction, West Shewa Zone of Oromia Regional state (North Shewa Zone of Oromia Region state Agricultural and natural source development Office, 2018).

The total Population of the North Shewa Zone of Oromia Regional state was estimated to be 1,551,117 of which 776,393 (%50.05) are males and 774,724(%49.95) are females. Among these, about 1,374,136 (% 88.59) are living in the rural areas, in which 690,306(%50.24) are male and 683,830(%49.76) are females. About 176,981(%11.41) are urban residents. in which 86,087 (%48.64) are males and 90,894(% 51.36) are females. Crop production and livestock rearing are the main economic activities in the area. Major food crops grown by farmers are largely field crops that include wheat, teff, barely, lentils, different pulses (horse bean, chickpea). Livestock production is also an important sub-sector undertaken in line with crop production which play important role in the economy of smallholder farmers (Socio Economic Profile of North Shewa Zone of Oromia Regional state, 2018)

The Topography of the North Shewa Zone of Oromia Regional state is divided mainly into 50.05% plains, 16.19% mountains, 27.76% Hilly, 5.98% undulating lands and 0.02% others.

According to North Shewa Zone of Oromia Regional state of Agricultural Office (2018) annual report showed a total of 898,980 hectares of land of which 440,500.2hectares is used for crop purpose, 161,816.4hectares used for grazing lands, 125,857.2hectares used for forestry and bushy, 89898hectares used for settlement & waste lands. 80,908.2hectares used for others

purpose. (The land use system indicates 49% used for arable, 18% used for grazing, 14% used for forest and bushy, 10% used for settlement & waste lands 9% used for others purpose.) It has 42% highland, 34.82 semi highland, 23% lowland and 0.18% cold. The altitude ranges from 1080 to 3541 meter above sea level, topographically; North Shewa Zone of Oromia Regional state is situated astronomically, the Zone lies between 8⁰55" N and 10⁰23" N(north) Latitude and 37⁰56 "E (east) and 39⁰32"E of longitude.

The North Shewa Zone of Oromia is recorded as one of the high land, semi highland and lowland area in Ethiopia, where the temperature ranges from 10⁰c - 32⁰c (North Shewa Zone of Oromia Regional state Council, 2020).

While the average annual rainfall for the area ranges from about 800 to 1600 mm. The rainy months extend from March until the end of October Location of the study area.

The target population of this study included all North Shewa Zone of Oromia Regional state is dividing into four geographic Districts, namely Abichu Gnea Districts, Wuchale Districts, Kimbibit Districts and Gira Jarso Districts. There are 94 registered savings and credit cooperative societies in North Shewa Zone of Oromia Regional state, with a membership base of 10,346 members in which 6747 male and 3599 female and they are stratified according to the four geographic Districts in North Shewa Zone of Oromia Regional state (Department of Cooperatives, 2021). The distribution of cooperatives in North Shewa Zone of Oromia Regional state is lopsided, with a majority of the cooperatives falling between two Districts, namely, Kimbibit Districts, Abichu Gnea Districts. The population consisted of committee members (3 committee from each SACCO the impact operation: 1 manager, 1 credit committee & 1 control committee) chosen from the already identified 8 SACCOs. This sample size in the view of the researcher was considered fairly adequate and representative. Specifically, the sample included 300 households of individual's member's participating in SACCO's activities.

3.2. Sample and sampling procedure

The population of this study comprised all SACCOs in North Shewa Zone of Oromia Regional state that are actively extending saving and credit to their members, and registered with Department of Cooperatives. The SACCO members shared a common bond of employment, as all the members are formally employed in private companies, government and other government

departments. The study population was composed of all SACCOs in North Shewa Zone of Oromia Regional state, registered and fully active as at the 30th of February 2021. A list of all active SACCOs in North Shewa Zone of Oromia Regional state was retrieved from the Commissioner of Cooperatives in the Department of Cooperatives. This list included SACCOs that were dormant and no longer serving their members but were not removed from the database. Also included are multi-purpose cooperatives that were in the process of changing into SACCOs but had not fully attained the status of SACCOs as they were still in the transition process. This list also included SACCOs that were in the process of liquidation or already liquidated.

Table 3.1: Target population and sample size

District	Total SACCOs	Total Population from total SACCOs	determine the sample size	
			Sample SACCO	Sample size Population from Sample SACCOs

		Male	Female	Total		Male	Female	Total
Abichu Gnea	24	1543	1011	2554	MuletaHara	235	68	303
					Witet taker	61	37	98
					Walin hagudanu	103	78	181
Wuchale	22	1222	743	1965	Cukkoo	174	48	222
					Kubaya	79	29	108
Kimbibit	28	2214	1004	3218	Misooma Qona	76	24	100
					Misooma Barsisota	57	26	83
Gira Jarso	20	1768	841	2609	Edigati felagi	69	36	105
Total	94	6747	3599	10346		854	346	1200

Source North Shoa Zone, Oromia Regional State and Cooperative Department office (2021)

The sampling frame contained only 8 registered SACCOs, sample size of total Population 1200 of member of SACCOs.

3.3. Determination of the required sample

To determine the sample size of Population, Solvin's formula is use. This formula is utilized to calculate the appropriate sample of the population when nothing is known about the population (Tejada and Punzalan, 2012). Due to the fact that before the data were collected, nothing was known about the population's behavior, solving's formula is use to give an idea of the sample size need to take for the assessment of the impact of savings and credit cooperatives in promoting access to credit that would be reliable to generalize about the whole population of financial cooperatives. The sample have been drawn from maximum variability of the population (P=0.05) with 95% level of confidence with 5% precision level. The sample size is computed

using the sample determination formula called Solving's formula which is given as: sampling formula provided by (Yamane, 1967) was used.

$$n=N/1+N(e)^2$$

$$n=1200/1+1200(0.05)^2$$

$$n=1200/1+1200(0.0025)$$

$$n=1200/1+3$$

$$n=1200/4$$

$$n=300$$

The sample have been drawn from maximum variability of the population (P=0.05) with 95% level of confidence with 5% precision level.

Where:

n = Sample size

N = Population size

e = Level of precision or error term or acceptable sampling error considered is 5% for this study or (0.05) Source: Yamane (1967:886) from the total 300 households livelihood sample size for each selected SACCO house hold (S SACCO Hs) will selected based on proportional sampling techniques. Yamane, Elementary Sampling Theory. Prentice-Hall, Inc., Englewood Cliffs, N.J. 1967.

Table 3.2 illustrates how the 8 SACCOs used as sample sizes population was distributed after the sample size has been proportioned.

District	Sample SACCOs	Total members	Proportion	Sample
Abichu Gnea	MuletaHara	303	303* 300/1200	76
	Witet taker	98	98* 300/1200	25
	Walin hagudanu	181	181* 300/1200	45
Wuchale	Cukkoo	222	222* 300/1200	55
	Kubaya	108	108* 300/1200	27
Kimbibit	Misooma Qona	100	100* 300/1200	25
	Misooma Barsisota	83	83* 300/1200	21
Gira Jarso	Edigati felagi	105	105* 300/1200	26
Total		1200	300	300

3.4, Data source and method of data collection

The study employs both primary and secondary data sources. The primary data was gathered through base on semi structure questionnaires prepare by author use respondents. The secondary data is collect from loan agreement, cooperative promotion office report, Accounting and financial (audit) report, published reports, thesis, books, SACCOs guiding by-laws and website. From members of each of the four selected of the woreda, thus, from the four districts a total sample size of 8 SACCO has been selected for this study. Respondent's member's participants in SACCO consisting Sample size population 300 household livelihood. The members from each SACCO are select on the basis of Probability Proportionate to Size (PPS).

3.5, Method of data analysis

Descriptive and Econometric analysis will be used to achieve the objectives of the study. The field data was analyzed, deploying through quantitative and qualitative method data collecting through primary and secondary sources survey information is edit, clean and code. In order to analyze the raw data and to plainly see the relationship between the dependent variable and independent variable this study will use correlation or regression. Then, the data are analyzed by using descriptive statistics. Analysis using Statistical Package for Social Sciences (IBM SPSS – PC (personal computer) for windows, version 20), Impact of the saving and credit cooperative household livelihood is assessed by comparing the situation of change in income and change in

expenditure. Households' income is analyzed by using Multiple Linear Regression Model (MLM). For these purposes appropriate statistical software (Stata 14) was used. The Multiple Linear Regression Model for check normality in the distribution of variables is done. The MLM will be used to evaluate the impact of SACCOs on households' livelihood income, because the Multiple Linear Regression Model essential tools measure evaluate the effect SACCOs for participant. In estimating the Multiple Linear Regression Model, the income household livelihood, in the participation of SACCO's, which takes the value of 1 if a household participated in SACCO's institution, The mathematical formulation of the Multiple Linear Regression Model is as follows:

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \beta_9 X_9 + \beta_{10} X_{10} + \beta_{11} X_{11} + \beta_{12} X_{12} + \beta_{13} X_{13} + \epsilon$$

Y_i = household livelihood income or impact of SACCOs on households' livelihood income

Where $x_1 - x_{13}$ = explanatory variable

β_0 = intercept

$\beta_1 - \beta_{13}$ coefficient of explanatory variable

ϵ = error term

Thus, the model for the determinant of household livelihood can be specified the follows

$$Y_i = \beta_0 + \beta_1 \text{Age} + \beta_2 \text{EDU} + \beta_3 \text{OCP} + \beta_4 \text{LH} + \beta_5 \text{TR} + \beta_6 \text{NTLA} + \beta_7 \text{EXP} + \beta_8 \text{EMP} + \beta_9 \text{SA} + \beta_{10} \text{RO} + \beta_{11} \text{REP} + \beta_{12} \text{PC} + \beta_{13} \text{ML} + \epsilon$$

Where Y_i is household livelihood income

X_1 = Age = Age of the respondent

X_2 = EDU = Educational status

- X₃ = OCP = Occupation
- X₄ = LH = Livestock holding
- X₅ = TR = Training
- X₆ = NTLA = Number of times loan availed
- X₇ = EXP = Expenditure
- X₈ = EMP = Employment
- X₉ = SA = Savings
- X₁₀ = RO = Risk orientation
- X₁₁ = REP = Repayment
- X₁₂ = ML = Money lending

3.6. Operational Definition of Variables

3.6.1. Dependent variable:

The dependent variable: Respondent's income of household livelihood. It is operationally defined as SACCO. These include petty trading, crop and livestock production, cloth, fruit and vegetable selling, saving interest, dividend and others

3.6.2. Independent variables:

The independent variables selected for the study are:

Age of the respondent: is the period from the respondent's birth to the time of the interview.

Educational status: is the nature of formal education completed.

Occupation: is a skill or type of experience respondents engaged in either farm or non-farm sector or in sectors, depending up on the skills possessed and the resource available in the household.

Livestock holding: is the number of livestock (oxen, cow, sheep, goat, donkey etc) owned by respondents after joining SACCO.

Training: is the type of training respondents have undergone after joining SACCO.

Number of times loan availed: is the number of times respondents avail loans after joining SACCO.

Expenditure: is the consumption expenditure per household after joining SACCO.

Employment: Refers to the number of persons employed in the farm and non-farm sectors after joining SACCO.

Savings: is the amount of money deposited by the respondents after joining SACCO.

Risk orientation: is the respondents' orientation to take risk in new venture.

Productive credit: is the amount of loan borrowed by the respondents out of its common funds after joining SACCO.

Repayment: is respondents' prepayment behavior on loan.

Money lending: is the amount of money respondents have lent to members and non- members after joining SACCO.

3.7. Measures for reliability and validity

Reliability and validity are central issues in research (Neuman 2004). They represent the yardsticks by which the qualities of all kinds of research quantitative, qualitative or participatory are evaluated. The following sections explain how this was done, especially using the questionnaire surveys.

1. Reliability:

Reliability is the degree to which an instrument measures the same way each time. It is used under the same conditions with the same subjects (Polit and Beck, 2003). The findings from pilot study were used to improve the study tool for the reliability of data collected. The reliability of data was measured by using the Crobach alpha and scored 0.902 values signifying that data were reliable.

2. Validity:

Validity is the degree to which the tool measures what it is intended to measure (Polit and Beck, 2003). Content validity in this study was achieved by reviewing each question and providing opinion on whether the items covered the research objectives. The opinions of the reviewers were compared and analyzed to determine the degree of content validity. The validity was enhanced through pre-testing that included 10 members from SACCO on Household livelihood. Questionnaires were then reviewed on the basis of the responses obtained from pre-test hence or otherwise adjustment was done to increase the validity of the tool.

3.8. Research ethical consideration

The researcher considered the ethics of research in preparation of this study. The data including interview and written documents were stored securely for the appropriate period of time according to the requirements of the ethics. While the success of the study depends upon the willingness of individuals to participate, if at any time such participation places an individual at risk or causes undue stress, participation will not be pursued. Protecting the privacy of informants was a paramount concern, as non-exploitation of any informant. At all times, the provision of any information collected and/or analyzed and communicated to informants as is reasonably practicable and especially prior to any publication of the study. Data collectors' ethical responsibility was considered.

CHAPTER IV

RESULTS AND DISCUSSION

The presentation and analysis of results are carried out in this chapter based on the data collected from household livelihood of SACCO in North Shewa Zone, Oromia Regional state, In particular, four districts were selected for the study (Abichu Gnea districts, Wuchale districts, Kimbibit districts and Girar Jarso districts).The study may become very useful to the officials and leaders of SACCO operating. The present study primarily addresses the impact of SACCO on household livelihood of the business and income. The chapter presents the empirical findings of the study and followed by the results and discussion about the findings.

4.1 Demographic Information of the Respondents

Table 1 shows the demographic characteristics of the respondent's household, about 45.7% of the respondents were female and 54.3% were male. The respondent was household livelihood income that testifies the fact that most of the beneficiaries of SACCOs are household live hood. Because the researcher has selected the respondents randomly, there are good reasons to target household livelihood by SACCO, household livelihood income discrimination is one of the major income in participation of SACCO. Slower economic growths, weaker governance, lower standards of living and household livelihood income. With respect to age, 23.7% of the respondents were in the age range of 18 to 30 years. 27.0% were in the age range of 31 to 40 years. 26.7% of the respondents were in the age range of 41 to 50 years and 22.6% of the respondents were in the age range 51 to 60 years. This reveals that members of SACCO were from all age group without any discrimination which shows indistinctive nature of cooperative. However, most of the respondents in the district were predominately in the productive age group. The middle age in the society is the economically active population who has the potential to engage in grain trade and other business activities. The respondents also classified in terms of their level of education since, it could affect the way in which they manage their daily lives and manage the household and business. From this survey, the 7.3% of the respondents were illiterate. The 9.7% of the respondents were Read & write. The 10.3 % of the respondents were Grade 1 - 4 years. The 6.3% of the respondents were grade 5 - 8 years. The majority 66.3% of the respondents were grade 9 - 12 years. The Respondent of Age (years) was Statistics measuring

of the respondents of mean is 2.48, mode is 2, and Std. Deviation is 1.086. The Respondent of Educational Level (in years) was Statistics measuring of the respondents of mean is 4.15, mode is 5, and Std. Deviation is 1.341

Table: 4.1. Demographic characteristics of respondents

Variables	Measuring Group	Frequency	Percentage (%)
Gender	Male	163	54.3
	Female	137	45.7
	Total	300	100.0
Age (years)	18-30	71	23.7
	31-40	81	27.0
	41-50	80	26.7
	51-60	68	22.6
	Total	300	100.0
Educational Level (in years)	Illiterate	22	7.3
	Read & write	29	9.7
	Grade 1-4	31	10.3
	Grade 5-8	19	6.3
	Grade 9-12	199	66.3
	Total	300	100.0
head of house hold	Yes	243	81.0
	No	57	19.0

	Total	300	100.0
Marital status	Single	57	19.0
	Married	243	81.0
	Total	300	100.0

Source: source own survey result of 2021

Marital Status:

Table 4.1 indicates that 81 percent of the respondents are married, which comply with the existing practice of SACCO, 19% as unmarried members are bound to migrate to other villages after getting married. The %81 of respondent head of household and 19% respondent not head of household.

4.2. The impact of SACCOs improving household income and Occupation

The major objective of improving household livelihood income and thereby improve living standards and employment creation. The increase in the level of income may have an implication on the life standard of the individuals. An increase in income, for instance, can pave the opportunity to open business, employment, entrepreneurship, access to health services, education, and house ownership. Respondents, members were asked whether their incomes have increased after joining the program of SACCO. Income of members showed significant increment after they joined the program as they got the opportunity to be engaged in income generating business under the program and started earning income.

4.2.1 Respondents' Economic Activities

Participation in economic activities also determines their economic status. As most of the SACCO members in the study area own land and business. Their livelihood basically depends on agricultural activities like crop production and animal husbandry and trade. Majority (73.3 percent) of the respondents in the study area are engaged in agricultural and trade activities which are basically land based and business activities. It is followed part of agricultural by the grain trading and Farming/ Fattening activities, which engage 73.3 percent of the respondents. Among the petty trading 3.7% activities, most popular activities carried out by SACCO members

in the study area are 39.0% grain and cereal selling, the 34.3% of respondent of Farming/ Fattening, the 12.7% respondent of local beverage, Small shop, cloth selling, fruits and vegetable selling 10.3% trading. The Respondent of Occupation was Statistics measuring of the respondents of mean is 2.0533, mode is 1, and Std. Deviation is 1.12310.

Table: 4.2. Classification of Respondents on the Basis of their Occupation

Occupation	Frequency	Valid Percentage (%)
grain trade	117	39.0
Farming/ Fattening	103	34.3
local beverage	38	12.7
fruit, vegetable	31	10.3
petty trade	11	3.7
Total	300	100.0

Source: source own survey result of 2021

4.2.2. Livestock Ownership by the Respondents

Household head in the study area undertake trade, crop and livestock production activities. In the area livestock are kept for various economic and social reasons. The major economic reasons include supply of draught power, generation of cash income and food. The 68.0% of respondent had livestock hold and the 32% of respondent not have livestock hold. The Respondent of livestock hold was Statistics measuring of the respondents of mean is 1.32, mode is 1, and Std. Deviation is 0.467.

Table: 4. 3. Respondent of Livestock holds

Variables	Measuring	Frequency	Valid Percentage (%)
livestock hold	Yes	204	68.0
	No	96	32.0
	Total	300	100.0

Source: own survey result of 2021

4.3. The main impacts as perceived by the household due to their participation in SACCOs and training.

Participation in SACCOs and the impact micro finance services on household asset accumulation, income of household heads and consumption of sample households. SACCO training facilitates to run the units effectively. Training household livelihood incomes are offered by Nongovernment or other specialized agencies. Major trainings conducted by SACCO include awareness creation about cooperative philosophy, proper utilization of credit, business skill development, improving saving habit and business diversification. They received training in the area of saving and credit cooperatives as well as business diversification. The 69.7% of respondent were business skill development. The 7% of respondent were culture of saving and credit. The 16% of respondent were of bookkeeping and financial. The 7.3% of respondent were basic literacy. The Respondent of Training was Statistics measuring of the respondents of mean is 1.6100, mode is 1, and Std. Deviation is 1.00062.

Table: 4.4. Respondents' Responses on Training

Variables	Measuring	Frequency	Valid Percentage (%)
Training	business skill development	209	69.7
	culture of saving and credit	21	7.0
	bookkeeping and financial	48	16.0
	basic literacy	22	7.3
	Total	300	100.0

Source: own survey result of 2021

4.4. Personal saving of respondents

Saving is positive impact on the economic change in the study area. The main reason given as to why people save is to enable them in case of severe crisis and to provide protection against risks, used to acquire another microfinance cycle and also to expand the existing economic activities. Saving enables the SACCO members to have access for credit and to cope up with economic shocks in the business without selling off the productive assets. The 99.3 % of respondent were Personal saving. The 0.7% of respondent was some time not saving money to SACCO. The Respondent of Saving was Statistics measuring of the respondents of mean is 1.0067, mode is 1, and Std. Deviation is 0.08151.

Table: 4.5. Respondent of personal saving

Variables	Measuring	Frequency	Valid Percentage (%)
Saving	Yes	298	99.3
	No	2	0.7
	Total	300	100.0

Source: source own survey result of 2021

4.5. Number of times loan availed

The number of times loans availed by the respondents indicating that the probability of improvement household livelihood income increases with the increase in loan. It implies that frequent borrowers showed higher improvement in household livelihood income. The 21 % of respondent were first time 10000 birr borrowed of money from SACCO. The 32.7 % of respondent were second time 10000-30000 birr borrowed of money from SACCO. The 46.3 % of respondent were third time above 30000birr borrowed of money from SACCO .The Respondent of Number of times loan availed was Statistics measuring of the respondents of mean is 2.2533, mode is 3, and Std. Deviation is 0.78179.

Table: 4.6 respondent of number of times loans availed

Variables	Measuring	Frequency	Valid Percentage (%)
Number of times loan availed	first time 10000	63	21.0
	second time 10000-30000	98	32.7
	third time above 30000	139	46.3
	Total	300	100.0

Source: source own survey result of 2021

4.6. Employment

SACCO loans for members, when they properly utilized serve twin purposes they provide them with gainful employment opportunity not only to self, but also to others and yield a stream of income. Growth of business opens up a vista of opportunities for the underprivileged to raise them from under employed status to full employment status. As the skill base of the household livelihood is low, they can find jobs easily in a business enterprise, which need low skilled persons. It is inferred from table 4.7 that there is a small amount of change observed with respect to employment opportunity. The 97% of respondent were employment creation. The 3% of

respondent was not employment creation. The Respondent of employment creation was Statistics of measuring the respondents of mean is 1.03, mode is 1, and Std. Deviation is 0.171.

Table: 4.7. Respondent of employment creation

Variables	Measuring	Frequency	Valid Percentage (%)
employment creation	Yes	291	97.0
	No	9	3.0
	Total	300	100.0

Source: source own survey result of 2021

Statistics of measuring	Mean	Mode	Std. Deviation
Employment creation	1.03	1	0.171

4.7. Money Lending

When the lucrative base of the venture generates household livelihood income, members lend money to friends and relatives on condition that they will pay it back after some time. It is inferred that majority 70.7 % of the respondents didn't lend money to members Of the 212 respondents in the study areas. Only 88(29.3) respondents have lented money up to 10000 Birr for friends and relatives and the respondents lend money on the range of >10000 to 30000 Birr. The income is due to the nature of diversification of activities carried out by the respondents in the trading activities after getting credit and some respondents stated that after taken credit they rent household livelihood on lease basis and produce and earn additional income. The Respondent of Money Lending was Statistics of measuring the respondents of mean is 1.71, mode is 2, and Std. Deviation is 0.456.

Table4.8. Respondent of money lending

Variables	Measuring	Frequency	Valid Percentage (%)
Money Lending	Yes	88	29.3
	No	212	70.7
	Total	300	100.0

Source: source own survey result of 2021.

4.8. Consumption Expenditure

Participation in SACCO aims at triggering improved living conditions of the members. This is particularly seen in the level of consumption expenditure. The consumption expenditure is seen to rise after joining SACCO. The improvement in annual expenditure was compared for household livelihood of SACCO for different expenditure category. The comparison revealed that in higher expenditure of education. The 98% of respondent was Education expenditure. The 73% of respondent improved Expenditure after joined SACCO. The Respondent of Education expenditure were Statistics of measuring the respondents of mean is 1.0367, mode is 1, and Std. Deviation is 0.26246. Respondent of Healthcare expenditure were Statistics of measuring the respondents of mean is 2.0067, mode is 2, and Std. Deviation is 0.20022. The Respondent of Clothing items expenditure was Statistics measuring of the respondents of mean is 1.0200, mode is 1, and Std. Deviation is 0.18178. The Respondent of Food nutrition expenditure was Statistics measuring of the respondents of mean is 1.0433, mode is 1, and Std. Deviation is 0.28588. The Respondent of Food consumption after SACCO was Statistics measuring of the respondents of mean is 2, mode is 2, and Std. Deviation is 0.277.

Table: 4.9. Statistics measuring of expenditure

Statistics measuring	Mean	mode	Std. Deviation
Education expenditure	1.0367	1	0.26246
Healthcare expenditure	2.0067	2	0.20022
Food nutrition expenditure	1.0433	1	0.28588
Food consumption after SACCO	2	2	0.277
Clothing items expenditure	1.0200	1	0.18178
Food consumption before SACCO	1.94	2	0.311

Table: 4.9. The Respondent of expenditure

Variable	Measuring	Frequency	Valid percentage %
Healthcare expenditure	Increased	5	1.7
	Decreased	288	96.0
	no change	7	2.3
	Total	300	100.0
Education expenditure	Increased	294	98.0
	Decreased	1	.3
	no change	5	1.7
	Total	300	100.0
Clothing items	Increased	296	98.7
	Decreased	2	.7
	no change	2	.7
	Total	300	100.0

Food nutrition expenditure	Increased	293	97.7
	Decreased	1	.3
	no change	6	2.0
	Total	300	100.0
Food consumption before SACCO.	twice a day	24	8.0
	three times a day	270	90.0
	four times a day	6	2.0
	Total	300	100.0
Food consumption after SACCO	twice a day	12	4.0
	three times a day	277	92.3
	four times a day	11	3.7
	Total	300	100.0
Expenditure after joined SACCO	Improved	219	73.0
	some improvement	75	25.0
	no change	6	2.0
	Total	300	100.0

Source: source own survey result of 2021.

4.9. Repayment

The repayment period should be two years or one year. Loan amount should be considered in repayment. Special repayment terms may need to apply to household livelihood loans since farmers receive the bulk of their income in lump sum payments at harvest time, rather than at regular monthly intervals. The 90.7% of respondent Loan on time harvesting and the 9.3% of respondent was late in repayment of credit harvesting. The Respondent of late in repayment of

credit was Statistics measuring of the respondents of mean is 1.91, mode is 2, and Std. Deviation is 0.291.

Table4.10. Respondent repayment

Variables	Measuring	Frequency	Valid Percentage (%)
late in repayment of credit	Yes	28	9.3
	No	272	90.7
	Total	300	100.0

Source: source own survey result of 2021

4.10 Risk Orientation

A special scale was constructed and used to measure risk orientation of members based on their awareness on the business, Members may face risk at various point of time as they are exposed to multi various perils both in the household and in their business, some of which are fully beyond their control. The 54% of respondent were venture faced financial risk and the 46% of respondent were not venture faced financial risk. The Respondent of venture faced financial risk was Statistics measuring of the respondents of mean is 1.46, mode is 1, and Std. Deviation is 0 .499.

Table4.11. respondent risk orientation

Variables	Measuring	Frequency	Valid Percentage (%)
venture faced financial risk	Yes	162	54.0
	No	138	46.0
	Total	300	100.0

Source: source own survey result of 2021

4.11. The impact of SACCO on household livelihood changes and asset.

The household livelihoods were change in the economic, business environment and asset creation by SACCO among of member in a better way. The impact of the SACCO on the respondent is analyzed in terms of change in income, change in household livelihood living condition and empowerment over the pre-SACCO period. The impact of participation in SACCO on household asset, respondents could make additional assets on participation of SACCO. Most of these assets are shown to be in the form of construction of new houses, repairing old ones, livestock purchase like sheep, goat, cow, oxen, donkey, chicken and purchase of household equipment like tape recorders, radio, television, chairs, and tables. One of the primary objectives of the SACCO household livelihood is to improve the income of the members through the provision of organized financial services. This is accomplished by engaging participants in income generating activities at the household and community level. Among SACCO members, there is bound to be income inequality due to various reasons. This income inequality is further compounded by the phenomenon that various members use the loan for running their petty business and get incremental income, the 5.7% of respondent were grass roof shatter asset. The 94.3% of respondent were corrugated iron sheet roof asset. The Respondent of asset was Statistics measuring of the respondents of mean is 1.94, mode is 2 and Std. Deviation is 0.232.

Table: 4.12.respondent of asset

Variables	Measuring	Frequency	Valid	Percentage (%)
Asset	grass roof shatter	17		5.7
	corrugated iron sheet roof	283		94.3
	Total	300		100.0

Source: source own survey result of 2021

4.12. Productive credit

The loan delivered to the respondents through the saving and credit cooperatives have been invested in variety of micro enterprise, in agriculture, trade and service activities. As shown in table 4.7, Majority of the respondents in the study area have taken credit for trade and agricultural activities like crop production, vegetable and fruit crops and animal husbandry. The reason being in their livelihood depends on agricultural and trade activities. The 21 % of respondent were first time 10000 birr borrowed of money from SACCO. The 32.7 % of respondent were second time 10000-30000 birr borrowed of money from SACCO. The 46.3 % of respondent were third time above 30000birr borrowed of money from SACCO. The Respondent of Productive credit was Statistics measuring of the respondents of mean is 2.2533, mode is 3, and Std. Deviation is 0.78179.

Table: 4.13. Respondent of productive credit

Variables	Measuring of amount of loan	Frequency	Valid	Percentage (%)
Productive credit	Up to 10000	63		21.0
	> 10000-30000	98		32.7
	above 30000	139		46.3
	Total	300		100.0

Source: Source own survey result of 2021.

4.13. Econometrics analysis,

In these sections, the selected explanatory variables were used to estimate the multivariate regression models to examine the impact of SACCO on household livelihood income

4.13.1 Statistical diagnostic tests

Several diagnostic test were conducted to address various econometric issue of interest in the study. Accordingly, the model is tested for multi co-linearity, heterosadacity and normality of the error term. Details of the tests are provided in the following sub-sections.

4.13.2. Detecting multi co linearity

One of the assumptions of multivariate regression models is that there is no exact linear relationship between any of the independent variables in the model. If such a linear relationship does exist, we say that the independent variables are perfectly collinear, or perfect co linearity exists. Perfect co linearity is easy to detect because it will be impossible to calculate the estimates of the parameters. In practice the more difficult problem is having a high degree of multi co linearity. According to (Gujrat, 1995) there are various indicators of multi co linearity and no single diagnostic method will give us a complete handle over the co linearity problem.

From various indicators of multi co linearity, the variance inflation factor (VIF) is used in this study to check whether there is multi co linearity or not among the continuous explanatory variables (Appendix I Table 1).

4.13.3. Coefficients of contingency

Likewise, there may also be interaction between two qualitative variables, which can lead to the problem of multi co linearity or association. To detect this problem, coefficients of contingency were computed from the survey data for dummy variables. According to the test result, multi co linearity was not a serious problem both among the continuous and dummy variables. To check the multi co-linearity problem STATA 14 was employed. The VIF and CC result are stated in the hypothesized continuous and dummy variables (Appendix II table2).

4.13.4. Hetero scedasticity Test

This problem arises when the variance of the residuals is not constant; there are different methods by which the presence of hetero scedasticity can be checked through. The first one is white test which is suggested by White (1980) and the second is Breusch-Pagan test, in this study hetero scedasticity test can be checked by Breusch-Pagan test on (estat het test) (Appendix III)

4.13.5. Normality test

The Jarque-Bera (JB) statistic test type Lagrange multiple test is the test for normality. Normality is one of the assumptions for many statistical tests like f-test or t-test The Jarque-Bera test is usually run before one of these testes to confirm normality. It is usually used for large data sets, because other normality testes are not usually reliable when the n is large. in general. Large Jarque-Bera test value indicates that errors are not normally distributed. In Jarque-Bera test the null hypothesis has been rejected at 5% significant level in other word the data does not come from normally distribution. A value 0 indicates that the data is normally distributed.

JB (P-value > 0.05) Reject Ho

JB (P-value < 0.05) Accept Ho

In case of the researcher Jarque-Bera (JB) statistic test

JB (P-value < 0.0001) this implies that the hypothesis has been accepted and that data was normally distributed.

4.13.6. Overall model specification test

Undergo model specification test before implementation of the model for analysis of the data is advisable. Therefore, in this study to undergo the model specification test, Durbin–Watson diagnostic statistic was employed to test of the model.

4.13.7. Results of multivariate regression model

The multivariate regression models result out come and selection variables are presented and discussed below in the next sub sections.

Table4.14. results from multivariate regression on the impact of SACCO on household livelihood income (n = 300).

Household income	Coef.	Std. Err.	t	P> t		
-----+-----						
Age	.0929662	.0300856	3.09	0.002		
Saving	.3276331	.0800994	4.09	0.000		
Education	.079684	.0241074	3.31	0.001		
Occupation	.0054446	.0229675	0.24	0.813		
Expenditure	.5245977	.046466	11.29	0.000		
Employ	-.3659092	.0596848	-6.13	0.000		
Repayment	.2004735	.0378816	5.29	0.000		
Money lending	.1258061	.0459708	2.74	0.007		
Risk Orientation	-.0018314	.0458373	-0.04	0.968		
Number of time loan	.0676207	.0431499	1.57	0.118		
Livestock hold	.0482937	.0420822	1.15	0.252		
Training	.1279826	.0293436	4.36	0.000		

Equation	Obs	Parms	RMSE	"R-sq"	F	P

Household income	300	12	.1294226	0.9909	2617.757	0.0000

4.13.8. The impact of SACCO on household livelihood

The multiple linear regression models were used to establish the impact of SACCO on the overall household income. Results are as presented in table 4.8. The adjusted R square (R^2) was 0.9909 means that 99.09% of variation in household income was due to the twelve independent variables included in the multivariate regression Equation while the other 0.91% was due to variables that were not included in the equation.

Saving: the multiple linear regression model result shows that in the tables 4.8 incomes of household were great influence on personal saving The result of analysis on saving shows that the saving on household livelihood income was positive coefficient = 0.3276331 and statistically significant at $P = 0.000$ and at t-test of less than 1% which implies that having more saving of the member of SACCO on their account and become more accumulating capital which turn to investing. More over saving which enables one earns more income and increasing working capital by saving.

Age: The result show that respondent Age had positive impact on household livelihood income which was positive coefficient = 0.0929662 and statistically significant $P= 0.002$ and at t-test of less than 1%. This implies that the positive coefficient of Age and significant p –value shows that having more mobile business and agricultural activity because having more productive age leads to profitable economy and more production efficiency.

Education: The result show that respondent on Education was positive impact on household income that is positive coefficient = 0.079684 and statistically significant $P= 0.001$ and at t-test less than 1%. This implies that the development of managing skill of business and agriculture actively to increase income of household livelihood. Based on the nature of education completed the respondent Manage their daily lives and manage the household and business actively.

Training: The result show that respondent on Training was positive impact on household income and positive coefficient = 0.1279826 and statistically significant $P= 0.000$ at t –test of less than 1%. This implies that the Business skill Development to manage business actively to increase income of household livelihood. Providing different additional training for SACCO

Members which promote their skills on extra jobs that leads them to get more profit from their business activities

Expenditure: The result show that respondent on Expenditure was positive impact on household income which was positive coefficient = 0.5245977 and statistically significant $P=0.000$ and at t-test of less than 1%. This implies that as income increase gradually there was an improvement on purchasing power of household livelihood. Due to the successful functions of SACCO on its members their income level of house hold was increase absolutely because of this their investment expenditure is also increase.

Employment: The result show that respondent on Employment was negative impact on household income which was negative coefficient = -0.3659092 and statistically significant $P=0.000$ at t-test less than 1%. This implies that the self-employment opportunity of the house hold has been increased after their involvement in the SACCO. The successful employment creation of SACCOs increases jobs opportunity.

Money lending: The result show that respondent on Money lending was positive impact on household income which was positive coefficient = 0.1258061 and statistically significant $P = 0.007$ at t-test of less than 1%. This implies that the money lending to someone after joining SACCO have successful effect on the house hold level of income based on our survey result analysis the SACCO Members have lending their money to some other non-members for other business transaction .

Repayment: The result show that respondent on Repayment was positive impact on household income which was positive coefficient = 0.2004735 and statistically significant $P = 0.000$ at t-test of less than 1%. This implies that the household behavior in repayments of credit and respond or' prepayment on loan was in good status with very minimum challenge on repayment.

CHAPTER V

CONCLUSION AND RECOMMENDATIONS

This chapter presents the summary of findings, conclusion, recommendations, and Suggestions for Further Studies.

Based on the empirical findings and discussion of the presented in the paper, the following of the conclusions are made. First, though SACCOs on Household livelihood have been reported to play a significant role in the provision of financial services to household livelihood i.e. saving and credit for investment in income generating activities to its members, More need to done for better outcomes.

5.1. Conclusion

The finance collected by saving and credit cooperatives (SACCOs) involve in economic scales. Accordingly, the SACCOs participants had more accumulation of current asset; cash on hand, cash on saving account, cash at bank, and fixed asset. SACCO participation has positive and significant impact on household livelihood asset accumulation. However, participation in SACCOs has significant impact on household livelihood income of members. The aim of this thesis is to explore the impact of SACCOs improving household income and household livelihood changes on living standards, empowerment and the circumstances under which microfinance can help the household of their income situation in Oromia region by taking SACCO as a case. The thesis has emphasized and has been more focused on the impact of SACCO from different angles like improvement of income, empowerment and change in income and expenditure. Savings and Credit Cooperative Societies have been able to achieve some of its stated objectives. It has helped to improve business output and per capita annual household income of beneficiaries of SACCO's Credit. There is however, more room for improvement in trade output and per capita annual household livelihood income. This study concludes that SACCOs have positive impact on saving mobilization, assets, education, health, business and investment. The study further reveals that SACCOs have significant impacts on food adequate and diet improvement. People with physical disabilities identified the strengths of their SACCOs on Household livelihood. A systematic and continuous services provided by SACCO on

household livelihood contribute in raising their living standards including business expansion, investment, saving and provision of loans with reasonable interest rate. Household reported also to use loans for house constructions, payment of the school fees, buying raw material, agriculture and livestock production.

5.2 Recommendations

The survey result of this study revealed that the credit program have certain positive impact saving and credit cooperative on household livelihood of living standards of the participants but specific attention, needs to be given to the micro-credit delivery mechanisms and strategies that are in existing practices. In this regard, this part discusses suggestions and recommendations based on the empirical finding of the study. Based on the major findings of the study the following recommendations are suggested.

My organization (Zonal and district cooperative office) the Urban and rural SACCO management have to put incentive mechanism to solve the prevailing problem to make the program sustainable as business entity.

Saving of SACCOs of household livelihood members

Accordingly to the survey results, most of SACCO's on household livelihood have only compulsory savings. SACCO can offer saving products such as compulsory savings, regular saving, time deposit, daily savings, educational savings, festival savings, health savings etc.

Hence, to expand the credit program to reach all members according to their need, there should be mobilization of saving. Mobilization of local savings will provide SACCO's reliable, inexpensive and sustainable sources of funds for lending. Savings are important for both continued circulation of funds for the sustainability of credit programs. Strategies should be laid such that even those household with relatively low incomes are encouraged to save.

The savings and credit cooperative on household livelihood of credit had positive impact on the business output and annual income of beneficiaries on SACCO service. It is recommended that household livelihood's savings and credit cooperative societies should source more loans and make it available to members, so that household livelihood could expand for large scale business and also mechanized trade and agriculture production; this would further improve their living standard and help household livelihood income.

Training SACCOs of Household livelihood Members

Training which is given by SACCO on Household livelihood Members was fruit full The SACCO on household livelihood management should assure continuous training for its members to increase their skills and knowledge in entrepreneurship and financial management. This will enable members to reduce their burden of failure to return loan on time and misallocation of loans.

Government Stringent Supervision and Awareness Creation

Government should play a role in mobilizing people so as to reap the benefits from SACCO on household livelihood. At community level, a robust behavioral and communication change strategies need to be developed for example, community mobilization for saving and loans to raise awareness and utilization of SACCOs on household livelihood, and lifestyle modification campaigns targeting to promote education via social media such as What's App, face book, integral and twitter including offline and online fliers. This will help to reduce entities. This is reserved for the future studies.

5.3. Suggestions for Further Studies

Further studies should be done to find out how best SACCO's scheme could meet the needs of workers in the informal sector in Ethiopia. In addition, similar studies can be replicated in different markets in the Region, other than Abichu Gnea districts, Wuchale districts, Kimbibit districts and Girar Jarso districts. The Current saving policies needs to accord more attention to SACCO on household livelihood and focus on education and training about SACCOs operations, loans, shares and more importantly savings mobilization. There is a need for observational studies in this area to identify other factors that contributes to positive impacts in SACCO on Household livelihood income.

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APPENDIX

Appendix I: table 1. VIF for multi co-linearity diagnosis

Variables	VIF	1/VIF
Age	2.62	0.381778
Saving	2.24	0.44544
Education	1.87	0.534780
Occupation	1.86	0.538385
Expenditure	1.75	0.571829
Employment	1.74	0.575457
Repayment	1.35	0.741399
Money lending	1.25	0.800068
Risk Orientation	1.24	0.809287
Time of loan repayment	1.20	0.836553
Livestock holding	1.05	0.951897
Training	1.03	0.974469

Source: source Own computation, 2021

Appendix II: table 2 Contingency Coefficients

	saving	money lending	Training	employment
saving	1.0000			
money	0.0302	1.0000		
Training	0.4744	0.0257	1.0000	
employment	0.2266	0.0389	0.4249	1.0000

Source: source Own computation, 2021

AppendixIII: Hetero scedasticity Test

This problem arises when the variance of the residuals is not constant; there are different methods by which the presence of hetero scedasticity can be checked through. The first one is white test which is suggested by White (1980) and the second is Breusch-Pagan test, in this study hetero scedasticity test can be checked by Breusch-Pagan test on (estat het test)

The breusch-pagan test for any hypothesis the decision rule is

If P value < level of significance the null hypothesis is rejected

If P value > level of significance we not reject the null hypothesis or not hetero scedasticity

Breusch-Pagan / Cook-Weisberg test for hetero scedasticity

Ho: Constant variance

Variables: fitted values of both variables

chi2 (1) = 0.0016

Prob (p) > chi2 = 0.0000 in this analysis Breusch-Pagan test shows that there is no hetero scedasticity problem

In this analysis, the chi-square value was small, indicating hetero scedasticity was probably not a problem (or at least that if it was a problem, it wasn't a multiplicative function of the predicted values)

Appendix IV: Questionnaire

Questionnaire schedule to be used the impact of saving and credit cooperatives members' .This Questionnaire is prepared only for academic purpose for the fulfillment of MSc in Account and Finance, Debre Berhan University. the impact saving and credit cooperative on household livelihood foundation here in North Shoa Zone, Oromia Regional State (The Abichu Gnea district, Wuchale district, Kimbibit district and Girar Jarso district) in order to find out the impact of SACCOs on improving the Socio-economic condition of household livelihood, their families and communities of the district. So, you are kindly requester to give genuine answers. Your answers are completely confidential.

General Information

1. Personal Data

- 1.1. Address: District _____ Village _____
Cooperative _____
- 1.2. Age _____
- 1.3. Sex: 1) Male _____ 2) Female _____
- 1.4. Are you the head of the household? 1) Yes 2) No
- 1.5. Do you have personal savings? 1) Yes 2) No
- 1.6. Marital status: 1) Single/never married 2) Married 3) Widowed 4) Divorced/separated
- 1.7. Did you have any business that provides you with income before joining this SACCO?
1) Yes 2) No
- 1.8. How many family members do you have? 1) Male _____ 2) Female _____ Total _____
- 1.9. How many persons in your household are actively generating income currently?
1) Male _____ 2) Female _____ 3) Total _____ 4) Nobody _____

1.10. Educational status

1) Illiterate ___ 2) Read & write ___ 3) Grade 1-4 ___ 4) Grade 5-8 ___ 5) Grade 9-12 ___

2. Membership

2.1. Are you member of the following groups? (Please tick as appropriate)

No	Group type	✓ Yes=1	✓ No =2
1	Club		
2	Trust		

2.2. If you are a member of SACCO's group, what factor influenced you to join the group? (Please tick more than one as appropriate)

No	Member of SACCO	✓ Yes =2	✓ No=2
1	Save money		
3	Lack of working capital/cash		
4	Awareness of SACCOs activities		
6	SACCOs entrepreneurship activities		
7	Proximity of SACCOs activities		

3. Occupation

3.1. What was your source of income before joining Household in SACCOs?

1) Individual money lenders 2) Relatives 3) Friends 4) Own finance

3.2. What was your occupation before and after involvement household in SACCOs?

No	Occupation	Amount Earned per year before joining Household in SACCOs		Amount Earned per year after joining Household in SACCOs	
		ET Birr	Cents	ET Birr	Cents
1	Grain trade				

2	Farming/ Fattening				
3	Selling Local beverage				
4	Petty trade				
5	cloth, fruit and vegetable selling				
6	Other				
7	Total				

3.3. Why saving and credit is beneficial to you?

1) Increased household income 2) Increased household expenditure 3) Made business improvement

3.4. Did you get additional income from your business activities? 1) Yes _____ 2) No _____

3.5. What do you think about your individual compulsory savings pattern since you have joined the household in SACCO? 1) improved 2) Some improvement 3) No change 4) Declined

3.6. Which of the following were the most important benefits that you obtained from SACCO, in order of achievement? 1) Improved income 2) Improved basic needs 3) Improved participation in family and community affairs

3.7. What were your household assets before and after joining SACCO?

No	Household assets	Before joining HSACCOS		After joining HSACCOS	
		✓ Yes=1	✓ No =2	✓ Yes=1	✓ No=2
1	Grass roof Shelter				
2	Corrugated Iron Sheet roof				
3	Kitchen and toilet				
4	Wooden bed and mattress				
5	Radio and Tape recorder				
6	Mobile				

7	TV				
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4. Expenditure

4.1. What was your expenditure pattern after you have joined the SACCO?

1) Improved 2) Some improvement 3) No change Before _____ Birr/year
After _____ Birr/year

4.2. What is your food consumption pattern before your membership in the SACCO?

1) Once a day 2) Twice a day 3) Three times a day 4) Four times a day

4.3. What is your food consumption pattern after your membership in the SACCO after involvement in SACCO? 1) Once a day 2) Twice a day 3) Three times a day 4) Four times a day

4.4. Food items/Nutrition expenditure 1) Increased 2) Decreased 3) No change
Before _____ Birr/year After _____ Birr/year

4.5. Clothing items 1) increased 2) Decreased 3) No change Before _____ Birr/year
After _____ Birr/year

4.6. Health care expenditure 1) Increased 2) Decreased 3) No change Before _____
Birr/year After _____ Birr/year

4.7. Family education expenditure 1) Increased 2) Decreased 3) No change Before _____
Birr/year After _____ Birr/year

5. Employment creation

5.1. Do you think that self-employment opportunity has been increased after the involvement in the SACCO? 1) Yes 2) No

6. Saving and loan disbursement

6.1. What are the main purposes of savings? 1) Increasing investment 2) Increasing working capital 3) Increasing social security during emergency 4) Smoothing consumption

6.2. Do you think that loan disbursement is seasonal? 1) Yes 2) No

7. Training and experience

7.1 Before and after joining HSACCOs, have you received trainings?

No	Types of Trainings	Before involvement		After involvement	
		✓ Yes =1	✓ No=2	✓ Yes =2	✓ No =2

1	Business skill Development				
2	Culture of saving & credit utilization				
3	Bookkeeping & Financial management				
4	Basic Literacy				

8, Repayment

8.1, Are you late in repayments of credit? 1) Yes 2) No

9, money lending

9.1. Have you lent money to someone after joining SACCO? 1) Yes 2) No

10. Risk orientation

10. 1. Do you think your venture faced financial risk? 1) Yes 2) No

11, number of times loan availed

11.1. Since joining saving and credit cooperatives, how many times borrowed?

Number of times respondents availed loans	Amount in Birr
First times	
Second times	
Third times	

12. Productive credit

12.1 Since joining saving and credit cooperatives, did you borrow loan? 1) Yes 2) No

Amount of loan borrowed	✓ Put a check against the amount
Up to 10000 Birr	
>10000 to 30000 Birr	
Above30000 Birr	

13. Livestock holding

12.1. Are you livestock holding?

1) Yes

2) No

Thank You