



Research Paper

## Savings and Credit Cooperative Societies (SACCOS) Members' Perception on Loan Services

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### ABSTRACT

The study examined members' perceptions of SACCOS' credit facilities. The study used descriptive research methods, statistics, factor analysis, and ANOVA to examine members' perceptions of credit facilities offered by SACCOS in Ethiopia. It involved 400 members from 30 selected SACCOS who completed 23 closed-ended questionnaires. The study based its results on four factors: credit volume, customer service, impartiality, and affordability. Timely lending, informed action on default, fair repayment periods, and simple application formalities influenced the credit volume. Borrower capacity, reasonable interest rates, and satisfactory loan distribution were all examples of customer service. Moreover, geographic location did not significantly influence perceptions.

**Keywords:** affordability, customer service, credit volume, impartiality and SACCOS

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### I. INTRODUCTION

Savings and Credit Cooperative Societies (SACCOS) are member-owned financial cooperatives that provide services to their members, such as savings and loans. Individuals with common interests, such as community residents, workers, or professionals, form these cooperatives to pool resources for mutual financial benefit. SACCOS' success is largely attributed to the quality and perception of their lending services to members. These cooperatives provide accessible financial services, such as loans, on better terms than big financial institutions. However, members' perceptions of loan quality, fairness, and impact on their financial well-being are crucial. Factors like simplicity of access, interest rates, payback terms, customer service, and lending procedure openness influence these perceptions. Comparing member loan service impressions across SACCOS can provide insights into best practices and areas for improvement.

### II. REVIEW LITERATURE

Customer satisfaction strongly correlates with service quality, just as it does with good loan services (Oruko, 2019). Poor loan services are an internal problem that prevents SACCOS from reaching its members' expectations (Gikuri and Paulo, 2016). Hence, affordable loan services had a useful effect on members' demand for credit. A capacity increase in loan services results in a commensurate increase in perception for credit by members (Mudibo, 2015). Customers thought that the loan service strategies had a negative and substantial impact on the profitability of SACCOS (Matiku and Magali, 2021). Reliability, access to loan services at the right time, and responsiveness to members' complaints and inquiries must be considered for better growth (Sife and Mhando, 2022). The research investigates the determinants that drive Kenyan SACCOS members to pursue financial goods from alternative sources. A survey of 100 members from 44 SACCOS revealed that, despite competition, several Sacco members obtained loans from these institutions. Nonetheless, SACCOS' had shown deficiencies in competition regarding processing, delivery, product variety, and customer interactions (Auka and Mwangi, 2013). SACCOS should concentrate on offering reasonable loan services and enhancing the effectiveness of the way they disburse funds in order to guarantee their ongoing success in economic growth (Naibei and Koskei, 2017). In Nairobi County, Kenya, financial services had a statistically insignificant positive

relationship with member advancement in deposit taking SACCOS (Kibanga 2020). On the other study, Ntwiga and Wanyonyi (2020) credit usage from financial service providers depends upon consumer perceptions that are influenced by the source of financial advice, the trust they place in the institution, the characteristics of the financial instrument, and the cost of credit. As (Vettivel, 2019) reviewed, the perceptions of consumers on credit service of financial institutions are measured in to four categories (unbiased, affordability, customer services, and credit volume).

### III. OBJECTIVES OF THE STUDY

To assess and undertake zone level comparative analysis of members' perception in the credit facilities provided by SACCOS

### IV. RESEARCH METHODS AND MATERIALS

This study employed descriptive research methods. Moreover, the study employed descriptive statistics, factor analysis, and ANOVA to examine the members' perceptions of the credit facilities offered by SACCOS.

### V. SOURCE OF DATA

The study collected the primary data using standard structured questionnaires. The questionnaire consists of various scales. Moreover, this study relied on the participants, 400 SACCOS members from 30 selected SACCOS in Amhara Regional State, Ethiopia, who filled out 23 closed-ended questionnaires.

### VI. RESULT AND DISCUSSIONS

The study included 23 main questionnaires, as well as factor analysis, to assess members' impressions of SACCOS' loan services. Four categories of perceptions were identified, and the analysis passed main data appropriateness tests with a KMO value of 0.921, which is within the acceptable range for factor analysis. Perception is a critical component of psychology and cognitive research (Henry, 1974). This indicates that the collected data is adequate to conduct the required analysis. Moreover, Bartlett's Test of Sphericity is also significant ( $0.000 < 0.05$ ) (Bartlett, 1950). It suggests that the associations between variables are sufficiently significant for component analysis. Table 1 briefly presents the statements and the four categories of perceptions.

**Table 1: Factor Analysis for Members' Perceptions towards SACCOS' Credit Facilities.**

Rotated Component Matrix					
'Statements'		'Component'			
		Credit volume	Customer services	Unbiased	Affordability
1	The volume of credit is sufficient	0.935			
2	There is timely lending of loans	0.934			
3	Action on default is informed	0.934			
4	Loan repayment period is fair	0.933			
5	Loan application formalities are simple	0.932			
6	Loan is adequate	0.928			
7	Capacity of the borrower considered		0.939		
8	The schemes target the right members		0.938		
9	Interest rate loans are reasonable		0.937		
10	Credit facilities is well informed to members		0.935		
11	Good customer services		0.916		
12	Distribution of loan is good		0.905		
13	The schemes are more useful for the development of weaker section			0.923	
14	Fully aware of the loan offered			0.922	
15	Simple procedures and formalities			0.920	
16	Short term loan schemes are increased the wealth of members			0.913	
17	The credit plans and project do not consider the cost of living of the borrowers			0.910	
18	No biased treatment of members			0.904	

19	Loan Schemes are satisfactory				<b>0.934</b>
20	Subsidies that are reaching the target group and individuals				<b>0.922</b>
21	Interest and payment are reasonable				<b>0.915</b>
22	Members are given due respect				<b>0.901</b>
23	The management are easily approachable				<b>0.883</b>

Source: Compiled from primary data (2024)

Table 1 shows the study categorizes members' perceptions of SACCOS' credit facilities into four categories: credit volume, customer service, impartiality, and affordability. **Credit volume** is based on six factors: sufficient volume of credit, timely lending, and informed action on default, fair loan repayment period, simple loan application formalities, and adequate loan source. The project is given first rank. **Customer service** consists of six statements: borrower capacity, schemes reaching the right people, reasonable interest rates, well-informed beneficiaries, excellent customer service, and satisfactory loan distribution. The capacity of the borrower is considered in credit policies and given high emphasis. **Unbiased schemes** are more useful for weaker sections, with schemes that are fully aware of the loan offered, simple procedures, short-term loan schemes that increase members' wealth, credit plans and projects that do not consider the cost of living of borrowers, and no biased treatment of members. These six statements are reduced to a single factor: unbiased. **Affordability consists** of five statements: various types of loan schemes are satisfactory, subsidies reach the target group and individuals, interest and installment are reasonable, members are given due respect, and SACCOS management is easily approachable. These five statements combine to form a single factor: affordability.

### 1. DESCRIPTIONS OF MEMBERS PERCEPTIONS TOWARDS SACCOS LOAN SERVICES

The perception of SACCOS' loan services is should be positive due to their community-based nature, lower interest rates, and ease of access compared to traditional banks. However, perceptions can turn negative if issues such as poor management, lack of transparency, or unfair loan practices arise. For SACCOs to maintain a positive image, they must ensure that loan services are equitable, efficient, and transparent, fostering trust and satisfaction among their members. This sections discussed using a five-point scale average score interpretive approach, such as the mean score intervals of 1–1.80 is very low, 1.81-2.61 is low, 2.62–3.42 is moderate, 3.43–4.23 is high, and 4.2–4.5 is very high. To address this, the study asked 23 questioners adjusted from strongly disagree, disagree, undecided, agree, and strongly agree. Table 2 displays the responses from SACCOS' members regarding the perceptions of loan services.

**Table 2: SACCOS Members Responses to Dimensions of Perception that were Credit Facilities**

No.	Members perception Dimensions	Mean	Standard Deviation	Level of Optimizations Based on Mean value
1	Credit volume	2.818	1.551	Moderate
2	Customer Services	2.8	1.56	Moderate
3	Unbiased	2.98	1.548	Moderate
4	Affordability	2.952	1.547	Moderate

Table 2 shows that the grand mean score of SACCOS' members' perceptions that loan services particularly credit volume is 2.818, with a standard deviation of 1.551. As a result, the finding reveals that the level of agreement among members' perceptions regarding loan services being credit volume is moderate. While the overall mean score of SACCOS' members' perceptions that loan services specifically customer services is 2.8, with a standard deviation of 1.56. Hence, the finding reveals that the level of agreement among members' perceptions regarding loan services being customer services is moderate. Moreover, the total mean score of SACCOS' members' perceptions that credit services are unbiased is 2.98, with a standard deviation of 1.548. Thus, the finding reveals that the level of agreement of members perceptions regarding credit services being unbiased is moderate. Finally, the grand mean score of SACCOS' members' perceptions that credit services are affordable is 2.952, with a standard deviation of 1.547. As a result, the findings reveal that members' perceptions of credit services being affordable are moderately agreeable.

**2. A COMPARISON OF MEMBERS' PERCEPTIONS ON THE LOAN SERVICES OF SACCOS BASED ON LOCATION**

A SACCOS' geographical location has a significant impact on its members' perception of loan services. Urban areas demand faster, more convenient, and technologically integrated services, while remote members focus on credit availability and personal ties. Understanding regional variances can help SACCOS customize services to meet individual member needs, promoting financial inclusion and member satisfaction.

**Table 3: Relationship between Members Perception on Loan Services and Location of SACCOS**

Location of SACCOS in zone	N	Mean	Std.	Df within group	Df between group	f	p-value
Bahir Dar	146	2.8362	.73507	396	3	2.101	1.00
East Gojjam	82	2.7434	.72395				
West Gojjam	107	2.9947	.77186				
Awii	65	2.9525	.78753				
<b>Total</b>	400	2.8785	.75461				

Source: Own survey (2024)

Table 3 shows one-way between-groups analysis of variance was conducted to explore the impact of the location of SACCOS on loan service perception. Zones were divided into four groups according to their location. As Levene's test value shows ( $p = 0.905$ ), the assumption of homogeneity is not violated. The significant value ( $p = 1.00$ ,  $p > 0.05$ ). This showed that there was no significant statistical difference between the locations of SACCOS and members' perceptions of SACCOS' loan services for the four groups. Thus, the study concludes that the location of SACCOS does not matter for perceptions different among members of SACCOS' loan services in the study area.

**VII. CONCLUSION**

The study examined members' perceptions of SACCOS' credit facilities based on four factors: credit volume, customer service, impartiality, and affordability. Credit volume was influenced by timely lending, informed action on default, fair loan repayment periods, and simple loan application formalities. Customer service included borrower capacity, reasonable interest rates, well-informed beneficiaries, excellent customer service, and satisfactory loan distribution. Unbiased schemes were useful for weaker sections, while affordability included satisfactory loan schemes, subsidies, reasonable interest and installments, members' respect, and easy accessibility of SACCOS' management. Geographic location is not significantly influenced members' perceptions of loan services. By improving loan accessibility, transparency, customer service, and financial education, as well as providing flexible, customizable loan solutions, SACCOS may considerably enhance members' opinions of loan services. These procedures ensure that members perceive the lending services as fair, accessible, and helpful, leading to increased loyalty and involvement.

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