

Assessment of Contributions of Saving and Credit Cooperatives to Improving Living Condition of Members in East Wollega Zone, Oromia State, Ethiopia

Asfaw Temesgen, (PhD, Management)

Wollega University College of Business and Economics Department of Cooperatives

ABSTRACT	ARTICLE DETAILS
Savings and Credit Cooperatives (SACCOs) play an important role in expanding access to financial services for low-and middle-income communities. This study examined the contribution of SACCOs to improving the living conditions of members in East Wollega Zone, Oromia Regional State, Ethiopia. The study employed descriptive and explanatory research designs using both quantitative and qualitative approaches. Primary data were collected from 160 SACCO members through questionnaires, while interviews were conducted with key informants. The findings show that SACCOs contribute to members' livelihoods mainly through savings mobilization, loan provision, and patronage refund distribution. Members reported that SACCO services supported house construction, agricultural activities, and small business expansion. The study also found improvements in access to financial services, household assets, and socio-economic wellbeing among members. The regression result revealed that the explanatory variables included in the model explained 60.5% of the variation in SACCO service contribution to members' living conditions. Government support in capacity building, strong financial position, leadership commitment, and access to external finance positively influenced SACCO performance in contributing to members living conditions. On the other hand, loan default and competition from other financial institutions negatively affected SACCO contribution. The study confirms that SACCOs remain important community-based financial institutions that promote financial inclusion and support livelihood improvement in the study area. KEYWORDS: Saccos, Financial Inclusion, Cooperative Finance, Livelihood Improvement, Socio-Economic Development, Ethiopia.	Published On: 27 July 2026 Available on: https://ijiissh.com/

1. INTRODUCTION

1.1. Background of the study

Cooperation among human beings has existed since the earliest forms of society, when people began to live together based on principles of mutual support, sharing, and collective survival. Early human communities depended heavily on cooperation for food production, protection, and social stability, which gradually shaped norms, values, and informal institutions that guided social behavior (Nadeau and Nadeau, 2018; Guillaume and James, 2017). Over time, these cooperative practices contributed to the emergence of organized social systems and institutions that strengthened collective action and social cohesion (Tesfaye and Hailu, 2023; International Cooperative Alliance, 2022). Such cooperation has remained central to human development, promoting trust, interdependence, and shared responsibility within societies.

Historically, these informal cooperative practices evolved into traditional forms of cooperation, which later influenced the development of modern cooperative movements. The modern cooperative idea is widely traced back to the Rochdale Pioneers in 1844 in Manchester, England, where workers established a consumer cooperative in response to harsh economic conditions brought about by industrial capitalism (Mazzarol, 2009; Soni and Saluja, 2013). Since then, cooperatives have developed into globally recognized organizational models that combine both economic and social objectives, making them important instruments for inclusive development (International Cooperative Alliance, 2022; Altman, 2016).

Among different types of cooperatives, Savings and Credit Cooperatives (SACCOs) emerged as a key financial innovation in the mid-19th century. They were first developed in Germany through the work of F. W. Raiffeisen in rural areas and H. Schulze-Delitzsch in urban settings (McKillop and Wilson, 2010). Raiffeisen's rural credit unions were specifically designed to serve rural

populations who were excluded from formal banking systems due to irregular incomes, lack of collateral, and limited financial infrastructure (World Council of Credit Unions, 2022). This model later spread globally and evolved into one of the most important grassroots financial inclusion mechanisms.

In contemporary times, SACCOs have become widely recognized financial cooperatives that aim to promote financial inclusion and improve household welfare through savings mobilization and credit provision (Wanyama and Otieno, 2024; Tefera and Mawugatie, 2022). They are member-owned institutions where members are both owners and clients, and their main objective is not profit maximization but service delivery to improve members' socio-economic conditions (World Council of Credit Unions, 2022; Mook et al., 2015). SACCOs are particularly important in rural and low-income communities because they operate based on trust, proximity, and collective responsibility, making financial services more accessible to underserved populations (Adugna and Kumar, 2023; Kumar et al., 2024).

In addition, SACCOs play a significant role in mobilizing savings, providing affordable credit, and supporting small-scale investment activities that contribute to income generation and asset accumulation at household level (Abel and Philipos, 2019; Churk, 2021). They also enhance financial literacy and encourage a saving culture among members, which is essential for long-term economic stability. According to the International Cooperative Alliance (2022), cooperatives are guided by values such as equality, equity, solidarity, self-help, and democratic control, which further strengthen their social impact beyond financial services. In Africa, cooperative traditions are deeply rooted in indigenous systems of mutual aid and solidarity. However, modern cooperatives were largely introduced during the colonial period, when colonial administrations established cooperative structures modeled after European systems (Schwettmann, 2014). Over time, African SACCOs have evolved by blending formal cooperative principles with traditional saving practices such as rotating savings and credit associations (ROSCAs). Today, SACCOs across Africa have expanded significantly and are recognized for their contribution to asset creation, poverty reduction, and local investment promotion (Bernard, et al, 2023; Swain and Nsabimana, 2024; Hussen and Mohamed, 2023; Mwakajumilo, 2022; Mwangi and Muturi, 2022).

In Ethiopia, the cooperative movement has historical roots in traditional mutual aid systems and later expanded into modern cooperatives starting from the 1960s. SACCOs began to develop more prominently during the mid-1960s and have continued to grow due to increasing demand for financial services among rural and urban populations (Adugna and Kumar, 2023; Tesfaye and Hailu, 2023; Asfaw, 2018). In recent years, their expansion has been supported by government policies aimed at promoting financial inclusion and grassroots economic development. Despite this growth, empirical evidence on the actual impact of SACCOs on improving members' living conditions remains limited and context-specific.

Traced on traditional cooperation, modern cooperatives have grown in Ethiopian in early 1960s. Though, SACCOs developed at mid-1960s. Nowadays, rapid expanding of SACCO is observed due to the demand for credit and other financial services by smallholding community. Despite the long history and growing importance of SACCOs, there is still limited clear evidence on how much they have actually improved the living conditions of members. Hence the rationale of the study is to study whether SACCOs are truly helping members improve their income, assets, and overall livelihood in the local context

1.2 Statement of the problems

Savings and Credit Cooperatives (SACCOs) are member-owned financial institutions that play an important role in improving access to financial services, especially for low- and middle- households' income. They are widely recognized as effective instruments for promoting economic participation, strengthening household resilience, and improving members' livelihoods through savings mobilization and credit provision (Kumar et al., 2024; Adugna and Kumar, 2023; Jokka and Mahanta, 2022). In many developing countries, SACCOs have become an important alternative to formal banking systems by reducing financial exclusion and supporting community-based economic development (Tefaye and Hailu, 2023; Muyombano and Mbabazize, 2016).

Recent studies highlight that SACCOs contribute to poverty reduction, asset accumulation, and small-scale investment by providing accessible credit and encouraging a saving culture among members. They also serve as platforms for social and economic empowerment, particularly in rural and semi-urban areas where access to formal financial institutions is limited (Onwumelu et al., 2020; Odhiambo, 2020; Mwangi and Muturi, 2022). However, despite these positive roles, the effectiveness of SACCOs is often constrained by several institutional and operational challenges.

Empirical evidence shows that many SACCOs face problems such as weak capital base, limited financial sustainability, weak governance structures, poor internal control systems, and inconsistent member participation (Owino and Ng'ang'a, 2019; Tesfaye, 2018; Churk, 2021). These challenges reduce their ability to provide adequate and continuous financial services to members, thereby limiting their overall impact on improving living conditions. In addition, issues such as loan default, limited product diversification, and inadequate managerial capacity further weaken their performance (Barna and Vamesu, 2020; Mwakajumilo, 2022).

In the Ethiopian context, SACCOs have been expanding in both rural and urban areas, including Oromia Regional State. However, studies indicate that their contribution to improving members' livelihoods remains below expectations due to institutional weaknesses, limited loanable funds, and low repayment capacity of borrowers (Tefaye and Hailu, 2023; Asfaw, 2018; Kifle, 2015;

Assessment of Contributions of Saving and Credit Cooperatives to Improving Living Condition of Members in East Wollega Zone, Oromia State, Ethiopia

Nigusie, 2015). Much of the credit provided is often used for consumption rather than productive investment, which limits long-term improvements in household welfare. Furthermore, low member participation, weak financial management, and high loan delinquency continue to affect their sustainability and effectiveness.

Studies conducted in different parts of Ethiopia show that although SACCOs are important in mobilizing savings and providing credit, they struggle with limited capital accumulation, weak government support, and lack of professional management (Biruk, 2015; Kifle, 2015; Asfaw, 2018). Similarly, evidence from East Africa suggests that SACCOs face strong competition from microfinance institutions and commercial banks, which further limits their growth and service capacity (Mwangi and Muturi, 2022; Odhiambo, 2020).

Despite these studies, there is still limited and context-specific empirical evidence regarding how SACCOs in East Wollega Zone, Oromia Regional State, contribute to improving the living conditions of their members. In addition, little is known about the key factors that influence their effectiveness in this specific study area. Therefore, this study is designed to assess the contribution of saving and credit cooperatives in improving the living conditions of members and to identify the major determinants affecting their performance in East Wollega Zone.

2. RESEARCH METHODOLOGY

Research design

This study was used descriptive research design to survey and find the facts about contribution of saving and credit cooperative. Explanatory research design was also used to explain the extent of factors determining the contribution of saving and credit cooperatives' contribution. Qualitative approach was used for dealing with the perception of respondents concerning the issues of the study. Besides, quantitative approach was employed for indeed; responses of the respondents were quantified

Types and sources of data

The study was used mainly primary data. These primary data were collected from respondents using semi-structured questionnaires. Besides, primary data were collected from key informants using in-depth interview. The data collected from these two sources were used for analyzing contribution of SACCO in socio-economic development of members and service determinants.

Sampling procedure

Purposive sampling method was used to select districts from east Wollega zone, Oromia State with relatively large number of SACCOs. Primary saving and credit cooperative societies were selected using purposive sampling method to include SACCOs in the zone with both female and male members. This is because of that majority of the SACCOs in the zone encompasses either male or female members. Accordingly, three Districts and seven primary SACCOs with 533 members were selected. Individual respondents were sampled using systematic sampling techniques proportionally from the membership list of each sample cooperative. 30% of the target population was included in the study which accounts for 160 which is assumed to be large sample size to represent the target population. This is optimum sample size. Five key informants were selected by judgment sampling method in a manner that one from each sample districts and two from SACCO union for which the sample SACCOs are affiliated.

Data analysis methods

The collected data were sorted, edited and entered in to statistical package for social science (SPSS) version 25 for processing. Data were analyzed using descriptive data analysis method. Mean of the responses and standard deviation were used to interpret the result. The findings from different sources were triangulated to ensure the validity of the results.

For descriptive analysis was used to describe the role of SACCOs. Besides, the ranking of roles of SCCOs by Likert scale response risk adjusted mean (RAM) was used RAM it considers the variability in rank among the indicators (Gosavi, 2015). RAM is calculated as

$$RAM = \mu_i - \theta\sigma_i$$

Where:

RAM is risk-adjusted mean,

μ_i mean of the indicators from likert scale responses;

θ is a small positive constant, usually in the range (0.1, 0.3)

σ_i is standard deviation of the likert scale responses measures the risk/variability in the rank

Multiple response analysis was used to analyze the contribution of SACCOs to member. Multiple response analysis in research is a statistical technique used when a survey question allows respondents to choose more than one answer. This is used to see the combined response on the contributions rather than interpreting the response on case contribution (Ho, 2006).

According to (Bazeley, 2021) the basic formula used in **multiple response analysis** is usually the percentage of responses or percentage of cases in survey research where respondents can choose more than one answer

$$\text{Percentage of Responses} = \frac{\text{Number of times an option was selected}}{\text{Total number of all responses}} * 100$$

$$\text{Percentage of Case} = \frac{\text{Number of respondents selecting an option}}{\text{Total number of respondents}} * 100$$

The first formula shows how often a response appears out of all answers given, while the second shows how many participants selected a specific option out of the total sample.

Relative Importance Index (RII) analysis was used to rank the services that satisfy SACCOs' members. RII analysis was used to rank the criteria according to their relative importance (Raja et. al, 2018; Johnson and Lebreton, 2014)

The RII formula (Raja et. al, 2018) was used to determine the indices for ranking indicators of members' living condition improvement by the SACCO service to their relative importance

$$RII = \sum \frac{W}{A * N}$$

Where:

RII is Relative Importance Index

W is Weighted total as assigned by each respondent on a scale

A is the highest weight among the scale (A=5 from Likert scale response)

N is the total number of the sample.

According to relative important index factor with $0.81 \leq RII \leq 1.0$ indicate very high relative important; $0.71 \leq RII \leq 0.80$ is high relative important factor; $0.61 \leq RII \leq 0.70$ is moderate relative important; $0.51 \leq RII \leq 0.60$ is low relative important and $RII \leq 0.50$ is indicates very low relative important factors (Raja et. al, 2018; Johnson and Lebreton, 2014)

Furthermore, multiple regression analysis was used to analyze the effects of determinants of SACCOs' services which was supported by normality and multi-collinearity tests. The model specification is

$$COOPserv = \beta_0 + \beta_1 PF + \beta_2 IC + \beta_3 LC + \beta_4 MP + \beta_5 LD + \beta_6 GS + \beta_7 IA + \beta_8 CFI + \beta_9 EL + \varepsilon$$

Where:

COOPserv Cooperative services

β_0 is constant (intercept)

$\beta_1, \beta_2, \dots, \beta_9$ is regression coefficients of independent variable

FP is financial position of SACCO

IC is internal control of the SACCOs

LC is leader commitment to service members

MP is member participation

LD loan defaulter of member

GS is government support in capacity building

IA is regular inspection and Audit

CFI is competition from other microfinances

EL is external loan to meet member credit needs

ε error terms

R^2 was used to determine the proportion of SACCOs' services explained by the explanatory variables and the regression coefficients were used to explain the extents of the effects of the predictor variables on response variable.

3. RESULT AND DISCUSSION

The results concentrate on the role of SACCOs in enlightening member living conditions through their services and factors the determining the services of SACCOs. For collecting data extra questionnaire were distributed so as 160 fully responded questionnaires were screened for analyses. From the data collected by five point Likert scale response rates, roles, contribution of SACCOs, member satisfaction and determinants of SACCOs' service were analyzed. For interpretation response mean, range of mean was estimated as

$$\text{Range of mean} = \frac{n-1}{n} = \frac{5-1}{5} = 0.8$$

Where n is the maximum response rate in the Likert scale in this study it is five hence the range of mean is 0.8. Accordingly, 1.0-1.80 considered as strongly disagree/very low; 1.81-2.60 is disagree/low; 2.61-3.40 neutral/moderate; 3.41-4.20 agree/high and 4.21-5.0 strongly agree/very high.

3.1 Role of SACCOs

Savings and Credit Cooperatives (SACCOs) are established primarily to provide accessible and affordable financial services to their members. In this study, the major roles performed by SACCOs were evaluated using the Risk-Adjusted Mean (RAM) approach.

Assessment of Contributions of Saving and Credit Cooperatives to Improving Living Condition of Members in East Wollega Zone, Oromia State, Ethiopia

Unlike conventional mean ranking, RAM accounts for both the average score and the variability of responses, thereby reducing the possibility of overestimating indicators with high mean values but inconsistent responses (Gosavi, 2015). The RAM model is expressed as

$$RAM = \mu_i - \theta\sigma_i$$

RAM is risk-adjusted mean, μ_i mean of the indicators from Likert scale responses; θ is a small positive constant, usually in the range (0.1, 0.3) in this case 0.2 is considered and σ_i as standard deviation of the Likert scale responses measures the risk/variability in the rank (Raja et. al, 2018; Gosavi, 2015). For the interpretation the high RAM is preferred.

The findings presented in Table 1 reveal that respondents generally agreed that SACCOs play significant socio-economic and financial roles within the community. Specifically, respondents rated distributing patronage refunds to members highest (Mean = 4.19, SD = 0.392, RAM = 4.11), followed by disbursing loans to members (Mean = 4.06, SD = 0.243, RAM = 4.01). Promoting thrift among the community ranked third (Mean = 4.13, SD = 0.966, RAM = 3.94), while enhancing members' financial savings received the lowest RAM score, although it still demonstrated a favorable evaluation (Mean = 4.03, SD = 0.501, RAM = 3.93).

Table 1: Role of SACCOs

	N	Mean	Std. Deviation	RAM	Rank order by RAM
Promoting thrift among community	160	4.13	.966	3.94	3
Enhancing member financial saving	160	4.03	.501	3.93	4
Disbursing loan to members	160	4.06	.243	4.01	2
Distributing patronage refunds to members	160	4.19	.392	4.11	1
Valid N (listwise)	160				

The results suggest that SACCOs in the study area are effectively fulfilling their cooperative and financial intermediation responsibilities. The highest-ranked role, distribution of patronage refunds indicates that members place considerable value on the direct economic returns generated through cooperative participation. This finding reflects the importance of surplus sharing in strengthening member trust, satisfaction, and continued engagement in SACCO activities.

Similarly, the high ranking of loan disbursement demonstrates the critical role of SACCOs in improving members' access to credit for productive and household purposes. The relatively low standard deviation associated with this indicator further indicates strong agreement among respondents regarding the reliability of SACCOs in providing financial support. Although promoting thrift and enhancing savings ranked slightly lower, the results still confirm that SACCOs contribute substantially to cultivating saving habits and improving financial discipline within the community.

The qualitative information obtained from key informants supports these quantitative findings. Informants emphasized that SACCOs serve as important community-based financial intermediaries by mobilizing savings, encouraging a culture of thrift, and extending loans for productive investment and household welfare improvement. They further noted that the distribution of patronage refunds strengthens members' confidence in cooperative institutions and enhances long-term participation.

These findings are consistent with earlier studies conducted in Ethiopia, Kenya, and Tanzania, which reported that SACCOs significantly contribute to savings mobilization, credit accessibility, and members' socio-economic development (Abel and Philipos, 2019; Owin and Ng'ang'a, 2019; Churk, 2021). Recent studies also affirm that SACCOs enhance financial inclusion, improve household resilience, and support local economic empowerment, particularly in developing economies (Adugna and Kumar, 2023; Mwakajumilo, 2022; Wanyama and Otieno, 2024). Therefore, the present study confirms that SACCOs generate a dual socio-economic benefit: they encourage a sustainable saving culture while simultaneously expanding access to credit, both of which are essential for improving livelihoods and promoting community development.

3.2 Contribution of SACCOs

This section presents the contribution of SACCOs to members' socio-economic wellbeing. Since respondents were allowed to select more than one response category, Multiple Response Analysis (MRA) was employed. Multiple response analysis is appropriate when respondents choose several alternatives simultaneously under dichotomous response categories such as "Yes" and "No" (Ho, 2006; Bazeley, 2021). In this study, responses were coded as 1 = "Yes" and 2 = "No." The technique enabled the study to assess the relative contribution of SACCOs across multiple dimensions of members' welfare and economic activities

Assessment of Contributions of Saving and Credit Cooperatives to Improving Living Condition of Members in East Wollega Zone, Oromia State, Ethiopia

Table 2: SACCOS Contribution

		Combined Responses		Percent of Cases
		N	Percent	
Contribution of SACCO ^a	Members' Agricultural development	140	23.3	88.6
	Member business development	130	21.7	82.3
	For house construction and furniture	144	24.0	91.1
	Contribute to pay for education fee	86	14.3	54.4
	Contribute to pay for medical fee	100	16.7	63.3
Total		600	100.0	379.7

a. Dichotomy group tabulated at value 1. N is number of respondents responded to value 1.

The findings indicate that SACCOS play a substantial role in improving the socio-economic conditions of their members. Among the identified contributions, support for house construction and household furniture ranked first, accounting for 24.0% of the combined responses and 91.1% of the cases. This suggests that access to SACCO financial services significantly enhances household asset accumulation and improves members' living standards.

The second major contribution of SACCOS was support for members' agricultural development (23.3% of the combined responses and 88.6% of the cases). This finding demonstrates the importance of SACCO financing in strengthening agricultural productivity and rural livelihoods through SACCOS access to credit enables members invest in farming activities. Similarly, member business development accounted for 21.7% of the combined responses and 82.3% of the case, indicating that SACCO loans and savings services contribute meaningfully to small enterprise growth and income diversification.

Although relatively lower in ranking, SACCO contributions toward medical expenses (16.7% of combined response and 63.3% case response) and educational expenses (14.3% of combined response and 54.4% case response) remain socially significant. These findings suggest that SACCO financial services also help households cope with social expenditures and unexpected financial pressures.

The qualitative results obtained from key informants further supports these findings. Informants emphasized that SACCOS have become important community-based financial institutions that contribute directly to members' socio-economic wellbeing through credit provision, savings mobilization, and financial support for household and productive investments. They further noted that SACCO services improve members' resilience, asset ownership, and financial security.

The present findings are aligned with recent empirical studies showing that SACCOS and credit unions contribute significantly to household welfare improvement, financial inclusion, entrepreneurship development, and community economic growth (Swain and Nsabimana, 2024; World Council of Credit Union, 2022; Husse and Mohamed, 2023; Mwangi and Muturi, 2022). Recent studies in Sub-Saharan Africa and other developing regions reported that SACCO participation improves access to productive credit, household asset accumulation, and livelihood diversification Tesfaye and Hailu, 2023; Kumar et al., 2024).

3.3 Improved Living Conditions of SACCO Members

The study collected using five point Likert scale (very low to very high improvement) and analyzed data on the SACCOS improving members' living conditions. For describing this, frequency distribution was employed to assess members' perception in improved living condition by SACCO services, while the Relative Importance Index (RII) was used to rank service dimensions contributing to member satisfaction. The analyzed result is presented with Table 3 below.

Table 3: Improved Living Conditions of SACCO Members

Indicators of Improved Living Condition	Response Frequencies						Weighted Total	RII	Rank
	Very High	High	Moderate	Low	Very Low	Total			
Improvement in saving culture and financial security	72	64	18	6	0	160	682	0.85	5
Improvement in access to credit and financial services	92	54	10	4	0	160	714	0.89	1
Improvement in household assets and housing condition	84	58	12	6	0	160	700	0.88	2

Assessment of Contributions of Saving and Credit Cooperatives to Improving Living Condition of Members in East Wollega Zone, Oromia State, Ethiopia

Improvement in education and medical expenses	58	66	24	10	2	160	648	0.81	6
Improvement in agricultural and business activities	76	62	16	6	0	160	688	0.86	4
Improvement in overall socio-economic wellbeing	80	60	14	6	0	160	694	0.87	3

From the result, The RII results indicate that improvement in access to credit and financial services ranked first (RII = 0.89), showing that SACCOs play a major role in enhancing financial inclusion and access to affordable financial resources. Improvement in household assets and housing conditions (RII = 0.88) and overall socio-economic wellbeing (RII = 0.87) were also highly ranked, indicating substantial contribution of SACCOs to members' living standards. Likewise, improvement in agricultural and business activities (RII = 0.86) and saving culture and financial security (RII = 0.85) demonstrate the important role of SACCOs in strengthening productive investment and economic resilience. Although relatively lower, improvement in education and medical expenses (RII = 0.81) still showed very high importance in enhancing members' welfare.

The qualitative findings from interviews and open-ended responses further supported these results. Participants emphasized that SACCO membership enabled them to improve housing conditions, expand small businesses, finance agricultural activities, and cope with household expenditures through accessible loans and savings services.

These findings are consistent with recent empirical studies indicating that SACCOs improve household welfare, financial inclusion, asset accumulation, and livelihood diversification through accessible cooperative financial services (Jokka and Mahanta; 2026; Hussen and Mohamed, 2023;). Likewise, evidence from Ethiopia, Rwanda and other African countries confirms that access to inclusive financial services improves household welfare, food security, and socio-economic resilience (Tefera and Mawugatie, 2022; Swain and Nsabimana, 2024)

3.4 Determinants of SACCOs services

It is assumed that several factors determine the contribution of SACCOs to members' socio-economic wellbeing. To examine the extent to which these factors influence SACCO contribution, regression analysis was employed. The model was used to determine both the explanatory power of the independent variables and the magnitude of their effects on the contribution of SACCOs.

Prior to conducting the regression analysis, the normality assumption was tested using the Kolmogorov–Smirnov (K–S) test, which is commonly recommended for sample sizes greater than 100. Data are considered approximately normally distributed when the Kolmogorov–Smirnov significance value (p-value) exceeds 0.05 (Ghasemi and Zahediasl, 2012). Recent methodological studies also confirm that the Kolmogorov–Smirnov test remains a widely applied approach for assessing normality assumptions in regression and other parametric analyses, particularly for large sample data sets (Mishra et al., 2023; Kim and Park, 2021).

Table 4: Tests of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Services of the SACCOs	.285	160	.092	.782	160	.061
Financial position of SACCO	.292	160	.109	.792	160	.091
Internal control	.285	160	.081	.782	160	.102
Commitment of leaders	.496	160	.072	.481	160	.095
Member participation	.357	160	.085	.690	160	.082
Member loan defaulter	.288	160	.121	.786	160	.071
Government support in capacity building	.288	160	.091	.786	160	.068
Regular inspection and Audit	.443	160	.069	.575	160	.090
Completion from other microfinance	.334	160	.082	.757	160	.093
External loan sources	.266	160	.107	.792	160	.110
a. Lilliefors Significance Correction						

The results indicate that the significance values (p-values) of both the Kolmogorov–Smirnov and Shapiro–Wilk tests for all study variables are greater than the threshold value of 0.05. This implies that the data do not significantly deviate from normal distribution.

Assessment of Contributions of Saving and Credit Cooperatives to Improving Living Condition of Members in East Wollega Zone, Oromia State, Ethiopia

Therefore, the assumption of normality was satisfied, suggesting that the variables are approximately normally distributed and suitable for multiple linear regression analysis.

In addition to the normality test, multicollinearity among the explanatory variables was assessed using the Variance Inflation Factor (VIF). The results revealed that all VIF values fall within the acceptable range of 1 to 10, indicating the absence of serious multicollinearity problems among the independent variables. This confirms that the explanatory variables are sufficiently independent from one another and appropriate for inclusion in the regression model.

Table 5: multi-collinearity

	Collinearity Statistics	
	Tolerance	VIF
Financial position of SACCO	.864	1.157
Internal control of the SACCOs	.915	1.093
Commitment of leader	.896	1.116
Member participation	.954	1.048
Member loan defaulter	.605	1.654
Government support in capacity building	.680	1.470
Regular inspection and Audit	.893	1.120
Competition from other microfinances	.949	1.053
External loan to meet member credit needs	.941	1.062

These diagnostic results demonstrate that the data satisfy the key assumptions required for reliable and valid multiple linear regression analysis (Mishra et al., 2023; Kim and Park, 2021).

The regression model summary presented in Table 6 shows that the adjusted coefficient of determination (Adjusted R square) is 0.605. This indicates that 60.5% of the variation in SACCO service contribution to members is explained by the explanatory variables included in the model. The remaining 39.5% believed to be attributed by other factors not captured in the study.

Table 6: Regression model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.792 ^a	0.628	0.605	0.298
a. Predictors: (Constant),				

The relatively high explanatory power of the model suggests that the selected variables provide a good explanation of the determinants affecting SACCO contribution to members' welfare and service delivery. The Analysis of Variance (ANOVA) result in Table 7 further confirms the overall fitness of the regression model.

Table 7: Model goodness-of fit

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	22.459	9	2.495	28.034	.0000 ^b
	Residual	13.316	150	0.089		
	Total	35.775	159			
a. Dependent Variable: SACCO service to members						
b. Predictors: (Constant),						

Regression sum square is substantially larger than residual sum square and F-statistics is statistically significant ($F=28.034$; $p<.001$). This indicates that the model is statistically adequate and provides a good fit for explaining the relationship between the independent variables and SACCO service contribution. Table 8 below summarizes the coefficients and collinearity statistic of the regression analysis for each of the repressors.

Table 8: Regression coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.806	.424		1.900	.059
Financial position of SACCO	.101	.062	.139	2.016	.000
Internal control of the SACCOs	.093	.060	.128	1.555	.122
Commitment of leader	.153	.097	.131	2.156	.002
Member participation	.090	.070	.121	0.133	.194
Member loan defaulter	-.022	.073	-.026	-2.659	.000
Government support in capacity building	.121	.069	.167	2.747	.003
Regular inspection and Audit	.098	.086	.095	1.135	.258
Competition from other microfinances	-.037	.065	-.047	-2.575	.006

The result depicts that financial position (beta = 0.139; P <0.001), commitment of leaders (beta = 0.131; P <0.05), government support in capacity building (beta = 0.167; P <0.001) and external loan to meet member need (beta = 0.151; P <0.05) are determining the contribution of SACCOs positively and statistically significantly. Conversely, member loan defaulter (beta = -0.026; P <0.001) and competition from other microfinance (beta = -0.41; P <0.05) are determining SACCOs contribution to member living condition negatively and statistically significantly.

Nonetheless, according to this study, internal control of the SACCOs, member participation and regular inspection and audit (in all case P value >0.05) are statistically insignificant to determine SACCOs services to the member. This finding is in contrary to the theory and practices of cooperative which state that the cooperative service is highly determined by its active participation. As well as it argues the study finding by Abel and Philipos (2019) which underlined that member participation and sufficient supervision and audit system affecting the financial cooperative in serving members. Moreover, this study also argued the finding by Biruk (2015), stated as technical assistance from cooperative promotion office determining success of SACCOs.

The regression equation derived from the model is expressed as:

$$\text{COOPserv} = 0.806 + 0.139\text{FP} + 0.131\text{LC} - 0.026\text{LD} + 0.167\text{GS} - 0.047\text{CFI} + 0.151\text{EL}$$

The equation indicates that a one-unit improvement in the financial position (FP) of SACCOs increases service contribution by 13.9%, while improvement in leadership commitment (LC) increases Sacco's contributions member living conditions by 13.1%, holding other factors constant. Similarly, government support (GS) and access to external loans (EL) improve SACCO contribution to members livelihood by 16.7% and 15.1%, respectively. In contrast, increased loan default (LD) and competition from other financial institutions (CFI) reduce SACCO contribution by 2.6% and 4.7%, respectively keeping others constant.

The findings suggest that technical support, financial sustainability, and leadership quality are critical drivers of SACCO performance and member service delivery. Nevertheless, increasing loan default reduces the financial capacity and intense competition is weaken SACCOs contribution in improving members living condition

These findings are consistent with recent studies emphasizing that financial sustainability, institutional support, and leadership quality are critical determinants of SACCO performance and member welfare outcomes (Mwangi and Muturi, 2022; Bernard et al., 2023; Wanyama and Otieno, 2024). The result is also in line with the recent evidences by (Jokka and Mahanta, 2026; Odhiambo, 2020; Onwumelu et al, 2020) that suggest that loan delinquency and growing competition from formal financial institutions remain major challenges affecting cooperative financial performance in developing economies.

4. CONCLUSION AND RECOMMENDATION

The study findings imply that SACCOs generate broad socio-economic benefits extending beyond basic financial intermediation. Besides SACCOs are community-based financial institutions that contribute not only to financial inclusion but also to sustainable livelihood improvement and socio-economic development of members. Based on these, the study concluded that SACCOs are playing a vital role in improving the socio-economic wellbeing of members through savings mobilization, loan provision, and patronage distribution. The cooperatives significantly contributed to household asset creation, agricultural activities, and small business development, which improved members' living conditions. The study also found that government support, strong financial capacity, committed leadership, and external financial support positively determine SACCO service delivery and contribution to member living conditions and. It is also conclude that, loan default and increasing competition from other financial institutions remain major challenges limiting the effectiveness of SACCOs in serving members sustainably. Overall the study concludes that,

Assessment of Contributions of Saving and Credit Cooperatives to Improving Living Condition of Members in East Wollega Zone, Oromia State, Ethiopia

SACCOs remain important community-based financial institutions that support financial inclusion and local economic development in the study area.

The study recommends that SACCOs should strengthen their financial and institutional capacity to sustain and improve member services. Cooperatives need to enhance responsiveness and consistency in service delivery while improving member awareness on timely loan repayment to reduce loan default. Government and cooperative promotion bodies should provide continuous capacity building, technical support, and access to external financing opportunities. SACCO leaders should also strengthen member trust, participation, and transparency to improve service quality and competitiveness. Overall, improving financial discipline, leadership commitment, and institutional support will help SACCOs expand their contribution toward enhancing members' living conditions and socio-economic development.

REFERENCES

- 1) Abel Wudenh Abamagal and Philipos Wudineh Abamagal (2019). Role and Determinants of Saving and Credit Cooperative on Financial Intermediation in Hadiya Zone, Southern Ethiopia. *Economics*. Vol. 8(4):134-141. Doi: 10.11648/j.eco.20190804.12
- 2) Adugna, T., and Kumar, R. (2023). Role of savings and credit cooperatives in enhancing financial inclusion and rural livelihoods. *Journal of Cooperative Studies*, 56(2), 44–58.
- 3) Altman Morris (2010). *History and Theory of Cooperatives*. <https://www.researchgate.net/publication/228272144> accessed on July 29, 2020
- 4) Asfaw Temesgen Bari (2018). Exploration of the Contribution of Indigenous Knowledge to Development of Saving and Credit Cooperatives in the Oromia National Regional State, Ethiopia *South Asia Journal of Scio-Political Studies* Vol. 18(2):5-11
- 5) Barna Cristina and Vamesu Ancuța (2015). Credit Unions in Romania a strong social enterprise model to combat financial exclusion and over indebtedness. Working Paper, Institute of Social Economy
- 6) Bernard, T., Alemu, G., and Desta, H. (2023). Service quality and member satisfaction in financial cooperatives. *Journal of Cooperative and Business Studies*, 15(2), 55–70.
- 7) Bazeley, P. (2021). *Qualitative Data Analysis: Practical Strategies*. Sage Publications.
- 8) Biruk Ayalew Wondem (2015). Rural Saving and Credit Cooperatives Financial Performance, Challenges and Prospects in Rural Financing in East and West Gojjam Zones – Ethiopia. *Research Journal of Social Science and Management* Vol 4 (9):91-104
- 9) Churk Philip Josephine (2015). Contributions of Savings and Credit Cooperative Society on Improving Rural Livelihood in Makungu ward Iringa, Tanzania
- 10) Churk, M. (2021). Governance and sustainability of savings and credit cooperatives. *African Finance Review*, 13(2), 88–102.
- 11) Federal Cooperative Agency (2016). *National Saving and Credit Movement*. Addis Ababa, Ethiopia
- 12) Ghasemi Asghar and Zahediasl Saleh (2012). Normality Tests for Statistical Analysis: A Guide for Non-Statisticians. *Int J Endocrinol Metab* Vol. 10(2): 486-489, DOI: 10.5812/ijem.3505
- 13) Gosavi Abhijit (2015). Analyzing Responses from Likert Surveys and Risk-Adjusted Ranking: A Data Analytics Perspective. www.sciencedirect.com Accessed on August 10, 2020.
- 14) Guillaume Calmettes and James N. Weiss (2017). The Emergence of Egalitarianism in a Model of Early Human Societies. *Heliyon* 3 (2017) e00451. doi: 10.1016/j.heliyon.2017. e00451
- 15) Ho Robert (2006). *Handbook of Univariate and Multivariate Data Analysis and Interpretation with SPSS*. Publisher Taylor & Francis Group, LLC
- 16) Hussen, M. S., & Mohamed, M. A. (2023). Impact of financial inclusion on household welfare in Ethiopia. *Future Business Journal*, 9(67).
- 17) International Cooperative Alliance (ICA). (2022). Co-operative identity, values and principles. Retrieved from [International Cooperative Alliance](https://www.ica.coop/) accessed on April 22, 2026
- 18) Johnson W. Jeff and Lebreton M. James (2014). History and Use of Relative Importance Indices in Organizational Research. <https://www.researchgate.net/publication/215519832> accessed on August 9, 2020.
- 19) Jokka, Y. O., and Mahanta, A. (2026). Impact of savings and credit cooperatives on economic livelihood outcomes in peri-urban Ethiopia. *Discover Sustainability*, 7(304).
- 20) Kifle Tesfamariam (2015). Savings and Credit Cooperatives in Ethiopia: Development and Challenges. *Journal of Economics and Sustainable Development* Vol. 6(5):140-146

- 21) Kumar, R., Singh, P., and Alemu, T. (2024). Cooperative finance and rural livelihood transformation in developing economies. *Journal of Development Finance*, 18(2), 66–81.
- 22) Kim, H. Y., and Park, J. (2021). Assessment of normality assumptions for statistical analysis: A review of Kolmogorov–Smirnov and Shapiro–Wilk tests. *Journal of Statistical Methods and Applications*, 30(4), 987–1002.
- 23) Maingi, M. S. (2014). Factors Affecting the Financial Performance of SACCOs in Kenya. *International Journal of Business and Management*, Vol. 2 Issue 8.
- 24) Mazzarol Tim (2009). *Cooperative Enterprises: Discussion Paper and Literature Review*. University of Western Australia
- 25) Mckillop Donal and Wilson O.S. John (2010). Credit Unions: A Theoretical and Empirical Overview. <https://www.researchgate.net/publication/228126272>
DOI: 10.2139/ssrn.1702782 I: 10.2139/ssrn.1702782
- 26) Mishra, P., Pandey, C. M., Singh, U., Gupta, A., Sahu, C., & Keshri, A. (2023). Descriptive statistics and normality tests for statistical data analysis. *Annals of Cardiac Anaesthesia*, 26(1), 67–72.
- 27) Mohammed Ahmed (2015). *Prospects and Challenges of Credit Union Operations in Ghana: A Case Study of Selected Credit Unions in The Techiman Municipality*. AM thesis Kwame Nkrumah University of Science and Technology
- 28) Mook Laurie, Maiorano John, and Quarter Jack (2015). Credit Unions: Market Niche or Market Accommodation? *Nonprofit and Voluntary Sector Quarterly* 2015, Vol. 44(4) 814–831
- 29) Muriithi Nichasio Njeru (2012). *The Relationship Between Financial Management Practices and Financial Performance of Savings & Credit Cooperatives Societies in Nairobi, Kenya*. University of Nairobi
- 30) Muyombano Aime and Mbabazize Mbabazi (2016). Contribution of Umwalimu Savings and Credit Cooperative (Umwalimu Sacco) On Socio –Economic Development of Teachers in Rwanda. *International Journal of Scientific and Research Publications*, Vol 6 (12):167-180
- 31) Mwakajumilo, S. L. (2022). Financial cooperatives and community economic transformation in East Africa. *African Journal of Economic Review*, 10(1), 77–91.
- 32) Mwangi, J., & Muturi, W. (2022). Savings and Credit Cooperative Societies and household welfare improvement in East Africa. *African Journal of Cooperative Development*, 9(1), 41–57.
- 33) Nadeau E.G. and Nadeau Luc (2018). *The Cooperative Society: The next stage of Human History*. 2nd ed. Library of Congress Cataloging-in-Publication Data, USA
- 34) Nigusie Dibissa (2015). *Determinants of Savings and Credit Cooperatives Societies (SACCOs) outreach in Addis Ababa*. Addis Ababa University.
- 35) Odhiambo Peter Ochieng Simon (2018). Determinants of Financial Performance of Savings and Credit Cooperative Societies in Nakuru Town, Kenya. *Journal of Business and Management*, Vol. 20(8): 36-45
- 36) Odhiambo Peter Ochieng Simon (2020). Influence of Financing Decisions on Financial Performance of Savings and Credit Cooperative Societies in Kenya. *Journal of Economics and Finance*, Vol 11(2):13-21
- 37) Onwumelu, Chinma Maria Ogundipe, Abbas Opeyemi and Anunobi, Pamela Chizoba (2020). Determinants of Savings Behavior of Members of Savings and Credit Cooperative Societies in Anambra State. *European Academic Research* Vol.7(11):5589-5604
- 38) Owino Akello Jeremiah and Ng’ang’a Peter (2019). Determinants of Financial Performance of Savings and Credit Cooperative Societies in Mombasa County. *International Journals of Academics and Research* Vol 4(1):282-293.
- 39) Raja Rafidah Raja Muhammad Rooshdi, Muhd Zaimi Abd Majid, Shaza Rina Sahamir, Noor Akmal Adillah Ismail (2018), Relative importance index of sustainable design and construction activities criteria for green highway. www.aidic.it/cet
DOI: 10.3303/CET1863026 accessed on August 9, 2020
- 40) Schwettmann Jürgen (2014). *Cooperatives in Africa: Success and Challenges*. International Symposium on Cooperatives and Sustainable Development Goals: The Case of Africa Berlin, 2 September 2014 ILO
- 41) Singh, Ajay S and Masuku, Micah B (2014). Normality and Data Transformation for Applied Statistical Analysis. *International Journal of Economics, Commerce and Management*, Vol. 2(7): 1-11
- 42) Soni Kumar Anil and Saluja Pal Singh Harjinder (2013). A Study on Development of Cooperative Movement in Planned Economy. *International Journal of Economics, Commerce*; Vol. 3 (1):39-48
- 43) Stephen Donald (2015). *Multiple Responses Analysis using SPSS (Dichotomies Method) A Beginner’s Guide*. Institute of Borneo Studies Workshop Series 2016 (2)1
- 44) Swain, R. B., and Nsabimana, A. (2024). Financial inclusion and nutrition among rural households in Rwanda. *European Review of Agricultural Economics*, 51(2), 506–532.
- 45) Tefera, G. D., and Mawugatie, T. W. (2022). The analysis of financial inclusion and its determinants in rural Ethiopia. *Cogent Economics & Finance*, 10(1), 2146298.

- 46) Tesfaye, B., and Hailu, G. (2023). Financial inclusion and socio-economic contribution of SACCOs in Ethiopia. *Ethiopian Journal of Economics*, 32(1), 85–102.
- 47) Tesfaye Megiso Begajo (2018). The Role of Saving and Credit Cooperatives in Improving Rural Micro Financing: The Case of Bench Maji, Kaffa, Shaka Zones. *World Journal of Business and Management* Vol. 4(2):30-50
- 48) Wanyama, F., and Otieno, J. (2024). SACCOs and financial inclusion in Sub-Saharan Africa. *International Journal of Cooperative Management*, 18(1), 15–29.
- 49) World Council of Credit Unions (WOCCU). (2022). International Operating Principles. Retrieved from World Council of Credit Unions accessed on April 25, 2026