

**SACCOS ACCESS AND REPAYMENT OF LOANS FROM COMMERCIAL BANKS:
DOES FINANCIAL KNOWLEDGE PLAY ANY ROLE?**

ABSTRACT

The main objective of this study was to explore the role of financial knowledge of SACCO's members in accessing loan in financial institutions. SACCOS and other small firms in developing countries continue to experience difficulties in accessing loans from financial institutions. IFC (1984) observed that 60% – 69% of the population in many African countries has no access to financial loans.

Data was collected using structured questionnaires, interviews and observation.

The results of the analysis revealed that 73% of the SACCOS in Arusha city failed to access loans from the commercial banks, due to lack of financial knowledge of SACCOS leaders and failure to present collaterals. Also 68% of SACCO's members receive training from financial institutions. Finally it was revealed that rate of loan repayment by SACCO's members is low.

It was concluded that lack of training to SACCO's leaders and members is a hindrance to the development and progress of SACCOS. The criterion for lending loan was not known by the SACCO's leaders; unfortunately members who were knowledgeable were not able to afford the collaterals.

It is recommended that SACCOS should continue to expand their role in rural financial services; and be supported through the provision of appropriate capacity building assistance, including training members on savings and credits procedures and processes.

