

**Employee Benefit Program in the Saving and Credit Co-Operative Society (SACCOS) In Thiruvannamalai District**

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**Abstract:**

Employee benefits combined with basic pay from a competitive total remuneration package that aims to attract and retain high quality employees. The purpose of this research was to evaluate the factors that influence the implementation of employee benefits programs in the Savings and Credit Co-operative Society (SACCOS) in TNEB Thiruvannamalai district. Employee benefits are the elements of remuneration given to employees in addition to various forms of cash pay. These include elements that are not strictly remuneration such as annual holidays, personal leave, pension, staff loan and insurance among others. The general objective of the research was to investigate the factors that influence the implementation of employee benefits programs in the SACCOS Thiruvannamalai. This study was carried out at a SACCOS with a target population was the 100 employees. A sample was selected for the study using simple random sampling technique and data was collected using mainly the questionnaire. A case study presents an analysis on the sustainability and the ability of an employee-based SACCOS to meet its members'. The findings indicate that employee-based SACCOS have insufficient funds to meet member's requirements. The credit needs are left unmet and thus to a large extent discourage members. The researcher concludes that employee-based SACCOS are essential for economic development of its members; and recommends increasing the contribution from members and employers to assist in raising the funds.

**Key Terms:** Savings And Credit Cooperatives (Sacco's) Services, Sacco Members, Sacco employee's welfare.

**Introduction:**

The benefits contribute to a competitive total remuneration package that both attracts and retains high quality employees. They also cater for the personal needs of employees and enhance employee commitment to the organization. For some people benefits provide a tax-efficient method of remuneration. Employee benefits include paid leave, holiday retirement schemes, allowances, share ownership and pension. Some types of employee benefits include health insurance, social security contributions and workers compensation. Due to the magnitude of the expenditure incurred in most organizations the provision of these benefits has gone down. This gives reasons why many employee benefits program are not implemented. The main challenge facing organization is lack of ability to attract and retain quality employees. The general objective of the research was to investigate the factors that influence the implementation of employee benefits programs in the Savings and Credit Co-operative Societies (Sacco) industry in Thiruvannamalai. The specific objectives were to find out how organization's policy on benefits, availability of resources, employee communication on benefits and government policy on benefits affect the implementation of employee benefits programs in the Saving and Credit Co-operative Societies (Sacco) industry in Thiruvannamalai. The study also aimed at answering the questions such as - how does organizational policy on benefits, availability of resources, employee communication and government policy on benefits affect the implementation of employee benefits programs in the Savings and Credit Co-operative Societies (Sacco) industry in Thiruvannamalai.

**Objectives:**

- To determine the effect of the mode of disbursement of funds on Sacco members choice of alternative financial service provider.
- To find out the effect of low interest loan on the improvement of member's welfare.

- To find out the effect of profit share (e.g. dividend) on the improvement of member's welfare.
- To find out the effect of risk diversification (member's guaranteeing each other) on the improvement of member's welfare.

**Review of Literature:**

**Report of National Commission on Labour (2002):**

Government of India, made recommend in the area of employee welfare measures which includes social security, extending the application of the provident fund, gratuity and employment insurance, etc.

**A.Sabarirajan, T. Meha Rajan, B. Arun (2001):**

The study on employee welfare in textile industry. The study shows that 15% of the employees are satisfied with their welfare measure. 39% of the employee is average with their welfare measure and 16% of them are in highly dissatisfied level.

**R.P.China (2003):**

Great expectation are being placed on firms to act with increasing social responsibility which is adding a new dimension to the role of management and the vision of companies in employee welfare.

**V.V.Giri National Labour Institute (1999-2000):**

A fully funded autonomous body of the Ministry of Labour, it was conducted action oriented research and provides training to grass root level workers in the trade union movement both in the urban and rural areas and also to officers dealing with industrial relation, personal management, labour welfare, etc.

**Conceptual Framework:** The conceptual framework to be used in this study discusses the idea that financial intermediation with the collaboration of social intermediation will either contribute the improvement of the welfare of the members positively or negatively.

**Independent Variables**

**Dependent Variable**



**Profit Sharing (Dividend):**

The lending activity of the Sacco which generates income through the interest paid by the members goes back to the members as a dividend based on the capital participation/member contributions, but the competitors i.e. banks and other formal financial institutions never do this.

The funds invested by the members of the SACCOs through monthly contributions, should generate enough surpluses to contribute to institutional capital as they provide for dividends and rebates. So, for the growth of wealth to be visible, the surpluses generated should be enough to contribute to capital levels which maintain institutional capital and provide for shareholders dividends and rebates. The increase of the shareholder/member power has always tended to reduce the animalistic behaviours of the management. This in turn has led to better management of Saccos and thus increased the dividends paid out.

**Low Interest Loans:**

Most Sacco members (who belong to households) borrow from formal or informal lenders, and they also save in financial deposits or in real goods. They also face a credit limit. Resources are lent in the present for the promise to repay in the future, so saving/borrowing

choices in the present affect consumption in the future. The members earn less for saving than they pay for borrowing. Income for the members is variable and uncertain.

**Risk management through risk diversification:**

The members’ savings form a good pool of money, from which loans are made to members with fair lending interest and the interest rate is decided by members. This is usually done in the context of costs management and risk management so as to ensure the growth and sustainability of the Sacco is taken care of when deciding the interest rates.

Saccos include: easy access to finance through cheaper and simplified borrowing processes; there’s the mobilization of saving for further investments of Sacco which has an in-house investment vehicle where members save and investments and thus they get a return on investment as a dividend at the end of the financial year; Also for the interaction between members of a common bond through Sacco sanctioned activities e.g. financial literacy training; there’s also the issue of insurance in numbers where members guarantee each other for loans.

**Research Methodology**

**Research Design:**

A Research design is a plan that specifies the objectives of the study method to be adopted in the data collection tools in data analysis and hypothesis to be framed.

**Sample Size:**

The sample size used in this project is 100 respondents, namely the employees in co-operative society in TNEB in Thiruvannamalai district.

**Sample Design:**

The sampling technique used in this study is simple random sampling method of chance selection. Each and every item of population has equal chance to be included in the sample.

S.No	Group	Population	Sample Size
1	Board Members	10	2
2	Management	1	2
3	Employees	15	6
4	Members	224	80
	<b>Total</b>	<b>250</b>	<b>100</b>

**Response Rate:**

years	Frequenc y	Percentage	Cumulative %
5-11 years	34	24%	24
12-21 years	50	42%	66
22-31 years	16	34%	100
<b>Total</b>	<b>100</b>	<b>100%</b>	<b>100%</b>

**Level of financial literacy:**

Level of Literacy	Frequency	Percentage	Cumulative %
High	69	55%	55
low	21	40%	95
No idea	10	5%	100
<b>Total</b>	<b>100</b>	<b>100%</b>	<b>100</b>

**Dividend policy and growth:**

Policy/Growth	Frequency	Percentage	Cumulative %
Very Good	22	18%	18
Good	45	46%	64
Fair	25	31%	95
Poor	8	5%	100
Very poor	0	0%	0
<b>Total</b>	<b>100</b>	<b>100%</b>	<b>100</b>

**Welfare Aspect:**

Welfare Aspect	Yes	No	Cumulative %
Improved Family Life	55	25	100
Asset Growth	45	35	100
Human Capital Investment	75	15	100
Increased Incomes due Investment	75	10	100
<b>Total</b>			

**Suggestions:**

- Payment of remuneration shall be determined in accordance the requirements for each job.
- The pay policy of the organisation shall protect the interests of both the employer and the employee
- The pay structure shall be made flexible, so that any adjustment required can be made easily.
- There shall be a prompt payment of the amount due to the employees.
- The pay given to the employee shall assure him and his family a reasonable standard of living.

**Conclusion:**

The major role of Saccos is to promote growth of social capital through social intermediation and thus develop each individual member to the betterment of the group. The financial intermediation role played by the Sacco is important as the pooling of resources is concurrently done with the pooling of persons to better utilize the pooled resources. Most

respondents responded that the risk diversification model is good as it enabled them to borrow what they can comfortably pay and thus prevented a bulk of members from getting too much credit that would make them cripples under the weight of debt.

### **Recommendation:**

The study also found out members greatly benefit from the membership of the Sacco as it is a common ground for financial growth and inclusivity due to the intra-guarantees when accessing cheaper loans. The study recommends that the management of the Sacco management to recruit more ladies to increase the inclusivity of all the genders as compared to the current gender setup of the membership. The study should come up with more mixed saving/loans solutions as the respondents felt that the saving products that existed were limited i.e. for the members who wanted to buy houses it took them close to fifteen years to be able to raise part of the required funds to purchase/build a home.

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