CONTRIBUTIONS OF MICROFINANCE INSTITUTIONS IN POVERTY REDUCTION IN MOROGORO:

A CASE OF ELGIBO SACCOS LIMITED

CONTRIBUTIONS OF MICROFINANCE INSTITUTIONS IN POVERTY REDUCTION IN MOROGORO:

A CASE OF ELGIBO SACCOS LIMITED

By

Godlove M. Dugange

A dissertation Submitted in Partial Fulfilment of the Requirements for Award of the degree of Masters of Science in Accounting and Finance (MSc.AF) of Mzumbe University

2015

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by Mzumbe University the Dissertation entitled: "**Contributions of Microfinance Institutions in poverty reduction in Morogoro: A Case of ELGIBO SACCOS Limited**" in fulfilment of the requirements for award of the degree of Masters of Science in Accounting and Finance (MSc. AF) of Mzumbe University.

....

Major Supervisor

....

Internal examiner

Accepted for the board of ....

_____

DEAN/DIRECTOR, FACULTY/DIRECTORATE/SCHOOL/BOARD

DECLARATIONS

I, Godlove M. Dugange, declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other university for a similar or any other degree award.

Signature _____

Date _____

COPYRIGHT

©

ACKNOWLEDGEMENTS

- Workers of the Mzumbe library and Morogoro region library, they real helped me in doing this study to the great extent because most of materials for the literature review I got from these library.
- All those who have not mentioned by either their names or their designations although they participated in one way or another in this study.

DEDICATION

This study is dedicated to our ALMIGHTY GOD who is the source of all knowledge. To my beloved father Mr. Mwaluka S. Dugange and my beloved mother Mrs. Bertha M. Dugange, who enabled me to see this world, bringing me up as a responsible human being, their encouragements and advices and their financial support toward my education. Real their support and love will always be treasured. Also this dedication includes my three wonderful sisters Miss Victoria, Miss Mercy and Miss Grace for their advices and for always be there for the time I needed them the most.

LIST OF ABBREVIATIONS AND ACRONYMS

CGAP	-	Consultative Group to Assist the Poor
CRDB	-	Cooperative and Rural Development Bank
CSA	-	Cooperatives Societies Act
FFIs	-	Formal Financial Institutions
HBS	-	Household Budget Survey
MFIs	-	Micro finance Institutions
MSEs	-	Micro small Enterprises
MSMEs	-	Micro, small and medium enterprises
NGOs	-	Non Government Organizations
NMP	-	National Microfinance Policy
NSGRP I	-	The first National Strategy for Growth and Reduction of Poverty
NSGRP II	-	The second National Strategy for Growth and Reduction of
PRSP	-	Poverty Reduction Strategy Paper
ROSCA	-	Rotating Savings and Credit Associations
SACCOS	-	Savings and Credit Cooperative Societies
SMEs	-	Small, medium Enterprises
UNCDF	-	United Nations Development Programme
URT	-	United Republic of Tanzania
VICOBA	-	Village Community Bank

ABSTRACT

Microfinance is currently being promoted as a key development strategy for promoting poverty reduction and empowerment of people economically. This is because it has been potential to effectively address poverty by granting financial services to households who are not served by the formal banking sector. This study research on the contributions of MFIs on poverty reduction. The study focused on ELGIBO SACCOS limited located in Misufini Street in Morogoro municipal as a case study. It intended to cover credit facilities provided by the MFIs and clients perception on income improvement and/or reduced poverty levels. The study used descriptive research design. The target population was 5 staff/administrators and 65 clients or recipients/borrowers of loan at the Elgibo SACCOS and 65 non-borrowers. The study employed stratified sampling technique to select staff of the selected MFIs and clients. Both qualitative and quantitative data analysis methods were used. The study revealed that ELGIBO SACCOS as a microfinance institution has been able to fight reduce poverty to a certain extent by providing microfinance services to different groups of women - productive or active poor, enable the household to increase their living standard through increase their income compare to non-borrower, also help the borrowers to own and live in the good house compare to non-borrower and engage in more economic and more profitable economic activities than non-borrowers. In assessing the financial product offered by Elgibo SACCOS it has been noticed that most of the SACCOS provide the loan like business loan, development loan, contingency loan, agricultural input loans and construction loans. To enhance client's business skills to use credit and establish market channels for their products, the study recommends that (i.) Microfinance Institutions like Elgibo SACCOS can arrange mechanisms to improve technical and business skills of the poorest through education provision like training on how to utilise their loan effectively. (ii.) MFIs should have continuous monitoring of financial management (iii.) Effort in building leadership and governance capacity (iv.) Government supports (v.) Timeliness and the volume of cash and (vi.) Review by-laws

TABLE OF CONTENT

LIST OF TABLES

LIST OF FIGURES

LIST OF APPENDICES

CHAPTER ONE

INTRODUCTION

1.1   Introduction

SACCOS exist in order to provide financial services to the society in the most convenient way in supplement of formal Financial Institutions like banks. It provides credit as well as deposit/saving services to its clients. The benefits to be provided by SACCOS are arguably crucial to the household and the national as well, that's why it's not the case to see many country in today world use it as one of their important strategies against poverty. Despite the whole theory underlying the impact of SACCOS in the society and the national wide, there has been some confusion on the real world on the contributions of SACCOS in the society and the national wide. Therefore, this research paper is going to assess the contribution of the SACCOS in poverty reduction in Morogoro region with the case of ELGIBO SACCOS Ltd.

1.2 Background of the study

Microfinance can be a critical element of an effective poverty reduction strategy. Improved access and efficient provision of savings, credit, and insurance facilities in particular can enable the poor to smooth their consumptions, manage their risks better, gradually build their asset base, develop their micro enterprises, enhance their income earning capacity, and enjoy an improved quality of life. Through the impact brought up by the microfinance it has culminated to the flourish of Microfinance Institutions in Morogoro region and in Tanzania in general. MFIs has been defined as "an organization that provides financial services to the poor" (CGAP, 2012), it's clear that MFIs are very important to any country wishing to have a growth and stable economy hence reduce the level of poverty. These MFIs has come up in different forms such as NGOs, SACCOS, and VICOBA. The introduction of MFI in Tanzania is seen as the best alternative source of financial services for low income earners as a means to raise their income, hence reducing their poverty level and contributing in country economy (Kessy & Urio, 2006). Researchers argue that the Microfinance Institutions (MFIs) are useful as they reduce

poverty through increased income and standards of living, empower women, develop the business sector through growth potentials, and develop a parallel financial sector. Since the government has so many functions to perform so as to ensure that the economy grow well then the establishment and the growth of MFIs in Tanzania has been a better method to reach poor individual who were not easy to be reached hence providing them with an opportunity of improving their living standard.

Although MFIs critical role it plays to the poor individual it also encounter some challenges which increase the difficult on their ambition toward poverty reduction on people. These difficult such as the poor state of the infrastructure, especially rural roads, is the main reason why MFIs fail to operate in rural areas. Also over-emphasis on financial sustainability over social objectives and a failure of many MFIs to work with the poorest in society has seen as other challenges toward accomplishing the purposes of MFIs on poverty reduction.

1.3 Statement of problem

Recognizing the importance of financial services to Small, medium Enterprises (SMEs), during 2000 the government of Tanzania developed the National Microfinance Policy (NMP) in line with the overall financial reforms initiated in 1991 (URT, National Micro Finance Policy 2000). The policy aims at enabling low-income earners to access financial services. Microfinance Institutions (MFIs) have became alternative sources for financing MSEs in place of Formal Financial Institutions (FFIs), which regarded SMEs as too poor to save, having low borrowings and carrying a default risks (Chijoriga, 2000). The policy further aims at raising the income of both households and enterprises, by facilitating savings, payments, and insurance and credit services (URT, National Micro Finance Policy 2000).

Also MFIs has huge impact on the entrepreneurs which form majority part of Tanzania population. According to Mosley (2001), MFIs are said to be a cheaper way of source of finance to MSEs. The introduction of MFIs in Tanzania is seen as the best alternative source to MSEs as a means to raise their income, hence reducing their poverty level and

contributing in country economy (Kessy & Urio, 2006). Many of the Morogoro habitants are involved themselves in micro and small enterprises due to the easy characteristics of its operation. These MSEs are cheaper to operate since they do not need large capital so as to start up the business, also do not need so many employees so as to be able to operate them (SMEs development policy, 2002). In the context of Tanzania, micro enterprises are those engaging up to 4 people, in most cases family members or employing capital amounting up to Tshs.5 million. The majority of micro enterprises fall under the informal sector. Small enterprises are mostly formalized undertakings engaging between 5 and 49 employees or with capital investment from Tshs.5 million to Tshs.200 million (SMEs development policy, 2002).

Since Microfinance Institutions (MFIs) were established specifically for provision of micro financial services so as to reduce and eventually to eradicate poverty in Tanzania, the performance of Microfinance institutions (MFIs) towards achievement of their goal(s) had been poor since they were been introduced, in terms reduction of poverty and attainment of sustainability in spite of a lot of efforts imposed and financial aids given by the government and other private donors. For example in about 2005 to 2010 immediately after the 4th president "Jakaya Mrisho Kikwete" been authorized, he funded Microfinance Institutions (MFIs) with millions of Tanzania shillings (Tshs), known as Kikwete's millions (Mamillioni ya Kikwete) expecting to end up with good results, but those millions finished up without significant impact on poverty reduction leaving most of poor in the same track as they were before with some of them depressed than before due to debts burden from loans they were taking. Then, what are the reasons behind to the failure of Microfinance Institutions' failure to deliver their contribution towards poverty reduction in Tanzania. The flourishing of MFIs and the government reliance and emphasize on this sector as one of the pillar to come up against poverty has been a main factor for the research to be undertaken so as to come up with the contributions of MFIs toward achieving it's goals and the government expectation.

1.4 General Objective

The general objective of this study is to assess the contribution of Microfinance Institutions (MFIs) to poverty reduction in Morogoro

1.5 Specific Objectives

The study was carried out in order to attain the following specific objectives:-

(i.)   To assess the extent to which ELGIBO SACCOS limited have been able to reduce poverty among it's members.

(ii.)   To assess the financial products offered by ELGIBO SACCOS Limited

(iii.)   To assess the lending model used by Microfinance Institutions to advance credits to clients.

1.6 Research questions

The study was guided by the following specific research questions:-

(i.)   What are the contributions of MFIs in poverty reduction among Morogoro habitants?

(ii.)   What are the financial products offered by ELGIBO SACCOS Limited?

(iii.)   What are the lending models used by MFIs to advance credits to clients?

1.7 Hypothesis

H1: Microfinance Institutions significantly influence poverty reduction among Morogoro inhabitant

H2: Financial products offered by ELGIBO SACCOS Limited have significant influence on poverty reduction

1.8 Significances of the Study

The study is very significant to the SACCOS Administrators and workers, SACCOS continuing and prospective members, government, other interested parties, as well as to the researchers in many ways as mentioned below:

i. The study will contributes to the body of knowledge on deep understanding of the contributions of microfinance Institutions (MFIs) in poverty reduction in Morogoro taking into consideration the objectives for its establishment and the factor that the government of Tanzania has been emphasize on it as one of the important weapon for poverty reduction and ultimately poverty alleviation in Tanzania.

ii. This study is intended to shed light on the relationship between microfinance services and poverty reduction particularly with the focus on the lives of Morogoro inhabitants, those who involved with the MFIs and those who don't involved with the MFIs at all. This will help them to come out with the more convincing conclusion and then solution on the challenges facing the MFIs.

iii. This study will offer empirical evidence on the contribution of microfinance services on poverty reduction and ultimately poverty alleviation in Morogoro.

iv. A study of this nature is equally very important because it is going to enlighten the government and the public on the role of MFIs in the poverty reduction effort.

1.9 Scope of the Study

In this study, contribution of Microfinance in poverty reduction in Morogoro region, the assessment of different SACCOS and it's beneficiaries was carried out. Also the study assessment on non-beneficiaries of the SACCOS was done. The study assessed different SACCOS performances and it's beneficiaries and the impact of the SACCOS on their life.

The SACCOS was purposely chosen because its programmes specifically target women and poor people in the societies who fail to comply with the requirement of formal financial institutions. It is believed generally that when women are empowered financially, the entire family unit benefits as they participate in improving the standard of life to the family members. Also women are grouped as poor individuals in the societies who need help. The study covered credit facilities provided by the MFI and clients perception on income improvement and/or reduced poverty levels. The study only concentrated on three SACCOS within Morogoro region but situated at two different locations: Elgibo SACCOS ltd situated at Morogoro town, Hembeti SACCOS and TUR SACCOS situated at Mvomero district.

1.10 Justification of the Study

This study is very important to economist, Academicians, shareholders and beneficiaries. It will help them to understand the important of the Microfinance sectors to the economy and give them more support in the effort toward poverty reduction.

1.11 Organization of the Study

This study is organised into five chapters of which chapter one included the introduction of the study or problem setting; chapter two was a conceptual framework, theoretical and empirical literature review while chapter three included gave a description of the research methodology used in the study. Chapter four was on data analysis, findings and discussion, and final chapter was a summary, conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Literature review involves systematic identification, location, and analysis of documents containing information related to the research problem being investigated (Mugenda 1999:29). Literature review should be extensive and thorough because it gives an overview of what has been said, who the key writers are, what are the prevailing theories and hypothesis, what questions are being asked, and what methods and methodologies are appropriate and useful, therefore, it is essential step and a source for building a knowledge base on the previous thinking on the topic because by knowing what others have done, prepares the researchers for the investigation of their chosen problems with deeper and more complete knowledge. In this chapter, the researcher gives the fundamental definitions of the key terms that have been used in the study, discussion of theoretical aspects of contribution of Microfinance institutions (MFIs) in poverty reduction and analysis of empirical studies which gives clear relationship of the proposed study to other previous studies.

2.2 Theoretical Literature Review

2.2.1 Definition of Poverty

Discussion about the contribution of microfinance institution in poverty reduction should start with a brief discussion of poverty. According to the World Summit for Social Development held in Copenhagen in 1995 explain poverty by showing indicators of poverty such that "Poverty has various manifestations including lack of income and productive resources sufficient to ensure sustainable livelihoods; hunger and malnutrition; ill health; limited or lack of access to education and other basic services; increased morbidity and mortality from illness; homelessness and inadequate housing;

unsafe environments; and social discrimination and exclusion. It is also characterized by lack of participation in decision making and in civil, social and cultural life …"

Also poverty has been defined as a state of deprivation prohibitive of decent human life (URT, 1999). Poverty is caused by both internal and external factors. Whereas the internal causes can be clustered into economic, environmental and social factors, the external causes relate to international trade, the debt burden and the refugee problem. Poverty has a negative impact to the individuals and the economies of the countries that undergo the situation and many efforts are been put forward by the government of the countries under poverty to combat and mitigate such unfavourable situation, for example in Tanzania there have been several strategies to combat this unfavourable situation such as The first National Strategy for Growth and Reduction of Poverty (NSGRP I), running between 2005/2006 – 2009/2010 and currently operating the second National Strategy for Growth and Reduction of Poverty (NSGRP II) is running in Tanzania. It was published in year 2010 and is to be implemented before 2014/2015. The NSGRP II has been said to be more oriented "towards growth and enhancement of productivity, with greater alignment of the interventions towards wealth creation as a way out of poverty" (URT, 2010)

2.2.2 The Status of Poverty in Tanzania
Tanzania's Poverty Reduction Strategy Paper (PRSP) defines poverty to include "income" and "non- income" human development attributes. Income Poverty is described to be:-

   (i)   Largely a rural phenomenon
  (ii)   A factor of subsistence agriculture where the poor are concentrated
 (iii)   Also widespread and increasing in urban communities
 (iv)   Afflicting more intensely the youth, the elderly and persons in large households

(v)   Having different impacts between men and women; while female-headed households are not necessarily poorer than male-headed households, women are generally perceived to be poorer than men.

Non Income Poverty is a function of access to livelihood enhancing factors including education, survival of infants, nutrition, clean and safe drinking water, social wellbeing and vulnerability to diseases.

Landguiden (2011) has described Tanzania's political situation as stable, but it is a country affected by economic crises and ineffective administration. In Tanzania the number of people living under the international poverty line is almost 68 per cent. (United national development programme [UNDP] 2011) in assessing the human development indicators in Tanzania country profile has ranked Tanzania in 152 out of 187 countries and belongs to the countries with Low Human Development. A third of Tanzanians live in households classified hard core poor and a further fifth of Tanzanians live in households classified as poor on the basis of their income. According to the Tanzania Household Budget Survey (HBS) of 2000/01, the widest gap is between urban and rural populations. The depth and severity of poverty is greatest in the rural areas as around 85 per cent of the poor and hard core poor live in the rural areas since most of the rural poor are primarily engaged in agriculture. According to United national development programme in assessing the multidimensional poverty indicators about 1.7 billion people live in multidimensional poverty, and the number of people living under the international poverty line US$ 1.25 a day is estimated to be 1.3 billion people (UNDP, 2011). At one extreme, Dar es Salaam is substantially better off than the rest of the country.

2.2.3 Definition of SACCOS

Cooperatives Societies Act (CSA) defines a savings and credit society as "a registered society whose principal objects are to encourage thrift among its members and to create a source of credit to its members at a fair and reasonable rate of interest" (URT, 2003). To become a member of a SACCOS one have to pay a membership fee and buy shares,

the costs and amount of shares needed differ between different SACCOS and sometimes there are also additional costs such as for books to keep records or for the form that has to be filled in to become a member. Also additional to the shares there is a need to put savings to be able to receive a loan. It is not regulated how often and how much one should save, but members are usually advised to save regularly (Mwakajumilo, 2011). SACCOS has been incorporated in the in NSGRP I as one of the important tool toward poverty reduction in Tanzania especially in rural areas that focused on Increasing access to rural micro-financial services for subsistence farmers, particularly targeting youth and women; promote and sustain community-based savings and credit schemes such as SACCOS and revolving funds (URT, 2005).

2.2.4 Why are SACCOS important?

SACCOS matter because they to offer a model of financial intermediation and outreach that can mobilize local savings and offer loans with low information costs, low enforcement costs, low operating costs, and most importantly wide a wide outreach to the low income individuals in both urban and rural areas. They also contribute to building social capital and providing opportunities for effective collective action. By mobilizing local savings through mutual trust, local knowledge, inexpensive human resources, and social networks within communities, cooperatives use the assets of the poor that otherwise remain unutilized. SACCOS has also been as a tool to reach poor society so easy and revolving funds to the poor farmers, youth and women so as to reduce the level of poverty in the country (URT, 2005).

However, problems relating to member incentives, poor business strategy and management skills, weak governance, limited access to basic infrastructure, high illiteracy, high morbidity and mortality, limited market opportunities, seasonality of production and climatic factors, lack of livelihood diversification, absence of linkages to other financial institutions, and the limited availability of advice and supervision have posed major challenges to their development. These challenges are constant threats to their reliability, financial sustainability and growth and can therefore undermine their

potential impact. In recognition of the crucial roles played by SACCOS with respect to economic growth and development, the country of Tanzania formulated various initiatives aimed at promoting the SACCOS, the President of the United Republic of Tanzania Honorable Jakaya Mrisho Kikwete offered 21 billion Tshs for each Region since January 2007 (Mwakajumilo, 2011). Also the Government forecasted on enhancing the financial opportunities for the SACCOS by giving support to some of commercial banks such as National Microfinance Banks (NMB) and cooperative and Rural Development Bank (CRDB) and other community Banks such as Mwanga Community Bank and Mafinga Community Bank which have been directed to provide loans to SACCOS by being given the credit guarantee scheme of 12.1 billion Tshs (Mwakajumilo, 2011)

2.2.5 Definition of MFIs
The definition of a microfinance institution (MFI) is wide, Consultative Group to Assist the Poor (CGAP) defines it as "an organization that provides financial services to the poor" (CGAP 2012) in which these financial services are of a broad range such as deposits, loans, payment services, money transfer, and insurance (Pilipinas, 2002)   but furthermore it is also common that MFIs provide non-financial services like social intermediation, for example training and education about finance, cooperatives and group formation (Ledgerwood, 1999). Within this wide definition of MFIs a variety of several suppliers are involved, which are organized and operate in different ways, for example banks, NGOs, community-based institutions like self-help groups, cooperatives and insurance companies (CGAP, 2012). These various suppliers also differ in legal structure and can be divided into three groups, formal, semiformal and informal. Both formal and semi-formal institutions are registered and subject to laws but the difference are that semi-formal institutions are usually not subject to banking regulation and supervision, while the informal institutions are not under any law at all and not registered. Formal MFIs are for example private and public banks, finance companies and insurance firms. Among semi-formal MFIs are credit unions and cooperative banks, savings and credit cooperatives, i.e. SACCOS, and sometimes NGOs while self-help

groups, local money lenders, NGOs and rotating savings and credit associations (ROSCAS) are informal MFIs (Ledgerwood, 1999; CGAP, 2012).

The main features of a microfinance institution which differentiate it from other commercial institutions, are such that, it is a substitute for formal credit; generally requires no collateral; have simple procedures and less documentation; easy and flexible repayment schemes; financial assistance of members of group in case of emergency; most deprived segments of population are efficiently targeted; and, last but not least, is groups interaction.

2.2.6 Contribution of SACCOS toward poverty reduction

i. Empowering women

Women potentials have been marginalized because they have been under the domination of the men and they are seen as incompetent individuals to perform any economic work. their life has been hard especially to rural poor women since they fail even to start the small business due to lack of support from their husband and the lack of startup capital hence end up to do domestic works and remain as the housewives for the rest of life. Many governments including Tanzania have been for years battling with the issue of empowering women so as to combat poverty. The establishment of SACCOS has been seen as one of the way to succeeds in empowering women since they will easily get loans as startup capital to the business of they are want. It is commonly argued that by targeting women microfinance can improve both the economic standing of women within the household and their social standing in the wider community. A study from Bangladesh found improvements in women's physical mobility, economic security, ability to make own purchases, freedom from family domination and violence, political and legal awareness, and public participation (Schuler & Hashemi, 1994).

ii. Raising standard of living of people

SACCOS has been seen as a remedy to the poor against poverty. The remedy has been experienced by the poorer is through the rise of their living standard. The living

standards of the people who are involved with the SACCOS have been different to the living standard of the people not involved with the SACCOS. the life of these individuals have changed since they have been able to own their own business, to buy the assets like cars, houses, they have also been able to send their children to schools and they have also been able to have fund to come up against any shock. These all benefit have led to the free of stress life and more comfortable life to these members of SACCOS compare to the non members.

iii. Providing support to MSEs

In a study done by Rweyemamu et al. (2003) revealed that, formal financial institutions have failed to serve the MSEs in both urban and rural communities. Financial problem of most MSEs arise due to poor financial management; existence of information asymmetry and bank credit rationing (Chijoriga & Cassimon, 1999). Ogawa and Suzuki (2000) pointed out that bank do not want to offer loans to MSEs because the nature of loans required is too small and those banks find it more expensive to offer such loans. The introduction of MFI's like SACCOS in Tanzania is seen as the best alternative source of financial services for low income earners and their MSEs as a means to raise their income, hence reducing their poverty level and contributing in country economy (Kessy & Urio, 2006).

These SACCOS have been a remedy to the MSEs since there are no bureaucracy in the effort to get loans and they are more nearer to the poorer who are the one owning and operating these MSEs.

2.3 Empirical literature review

Rigorous empirical analysis in the issue of statistical impact of microfinance began in the1990s. However, the studies so far remain few in addressing the effectiveness of microfinance in poverty alleviation (Adam and Von Pische, 1992). The introduction of MFIs is seen as the best alternative source of financial services for low income earners in rural areas as a means to raise their income, hence reducing their poverty level.

Studies have been done for instance, a study by (Aigbokhan and Asemota 2011) revealed that selected microfinance variables such as volume of loan last taken, cumulative loan, loan cycle, experience with the microfinance institution and education had positive significant impact on client s poverty status. MFIs plays very important role in the societies by being used as one of the crucial strategy in the effort made by the government in poverty reduction in the country. MFI provides micro-credits which are very necessary to the poor in ensuring their living standard improves. According to Sharma (2000), many micro-finance services in Asia and Africa targets women on the assumption that empowering women and targeting service to them leads to better allocation and use of household resources.

MFI schemes were initiated to meet different objectives. The most commonly mentioned objectives include: poverty alleviation and improved living standards, offering financing to the poor, women's empowerment, and the development of the business sector as a means of achieving high standards and reducing market failure. Microfinance policy was implemented in 2001; micro financing was officially recognized a s a tool for poverty eradication and with its increased use and exposure to the country (Wikipedia, 2007). The financial service providers to low income groups can be divided into three main categories:-

(i.) The first category being the commercial banks that are under the banking regulations and supervision by the bank of Tanzania.

(ii.) The second category of microfinance service providers consist of institutions that are not regulated by the Bank of Tanzania. These include SACCOs, SACAS and NGOs. These micro finance institutions provide financial services to the SMEs mainly in the form of microcredit with the exception of cooperative based microfinance institutions.

(iii.) The last category of microfinance service provider consists of non-institutional actors who operate in the informal sector.

Several studies in Bangladesh support this assumption, indicating that service directed to women significant increase assets, incomes and education attainment of the children, especially girls (Sharma and Zeller 1997). Finding from many studies in Africa as well as in Asia also suggest that poor households generally use a combination of savings, credit and increased wage employment to cope with income volatility and unexpected expenditure requirements (Sharma, 2000). MFIs is very crucial in the sense that MFIs have been growing to meet the needs of many small producers in many countries. Khandker (1988) reported that credit demand meet 10-12 million people in Africa, Asia and Latin America. The concept of micro-credit extension of small amounts of collateral fee institutional loan jointly liable poor group members for their self-employment and income generation. Over the last two decades the Grameen Bank has pioneered a credit delivery system in rural Bangladesh bringing the banking service to poor villages and focusing primarily on women. The cumulative investment of the Grameen bank in the rural Bangladesh is more than one billion US dollars disbursed among its 2.02 million members, 94% of whom are women (Grameen Bank, 1994). The approach used by the Grameen Bank of lending poor women has attracted women international interest and made the micro credit approach a s a new paradigm for thinking about the economic growth (Morduch, 1997).

Micro financing is an increasingly common weapon in the fight to reduce poverty and promote economic growth and well-being of individuals. Dupas and Robinson (2008) affirm that in Kenya, employment in small and medium enterprises has been estimated to account for more than 20% of adult employment and for 12-14% of national Growth Domestic Product. Since Micro finance is increasingly being projected as win-win strategy (Morduch, 1999; Hulme, 2000) for poverty alleviation, a critical analysis of the existing evidence from the literature on the impact of the microfinance programme at micro-level on income, employment, vulnerability consumption and poverty situation of the household and individual is important. Khandker et al (1998) reported that, there is evidence that microcredit has a positive impact on income, production and employment particularly in the rural non-farm sector. Some selected micro finance programmes in

Bangladesh showed an increase in self-employment incomes that were sufficient to raise overall household's income in programme village.

The popularity of the MFIs as one of the most effective strategies for poverty reduction and alleviation in Tanzania and other countries of the world is brought by different challenges that the poor individuals and small businesses are faced in formal financial institutions. Access to bank credit is one of the major constraints hindering the development of small informal business not only in Tanzania but also in other countries (World Bank, 1992: Bagachwa, 1993). According to PRIDE (1997) shows that by the year 1996, only 1.7%of small business in urban and rural areas had access to credit in Tanzania. In comparison, over 60% of individual who borrowed did so from informal sources such as relatives, neighbours and friends (Kashuliza et al., 1998). Consequently, microfinance has been moving increasingly towards for-profit ventures that focus on relatively richer clientele. The literature confirms that most microfinance programs do not serve the poorest (Morduch and Haley, 2002). This is because of policies that are put in place. However, the authors affirm that there are some institutions that do and the poorest can definitely benefit from microfinance in terms of increased incomes, and reduced vulnerability. Morduch and Haley (2002) notes there is evidence to support the premise that it is possible for a microfinance institution to serve the poorest and also achieve financial sustainability. However, Swain (2004) states that microfinance is better used as an instrument along with other policies for poverty alleviation rather than poverty reduction strategy in isolation.

The most popular/used type of MFIs in Tanzania and many countries in the world in extension of credits to poor people is through the use of SACCOS. SACCOS is 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 society (CRDB, 2006). It is a legal entity owned and democratically controlled by its members and is based on the ethical values of self-help, self-responsibility, democracy, equality, equity and solidarity (Wikipedia, 2007). SACCOS

are located near member's home or workplace which reduces transaction costs (Beck et al., 2005). These SACCOS have been a remedy to the MSEs since there are no bureaucracy in the effort to get loans and they are more nearer to the poorer who are the one owning and operating these MSEs. In reality SACCOS and other microfinance institution have been of much help to the governments of different countries in their struggle to fight poverty and will be of much help in more years to come due to their irreplaceable roles it plays in the societies.

2.4 Conceptual framework

In order to uncover the effects of micro finance institutions in poverty reduction, the study strived to isolate the key variables mainly product provided by MFIs and income improvement/reduced. The dependent variable in this study is poverty reduction while the independent variable are the factors like provision of credit provision, support to SMEs, bank procedures and policy, empower women, education and training and advisory services, under the influence of the intervening variable which is regulatory framework as illustrated Figure 2.1 below;

2.4.1 Independent variable

An independent variable is the one which is independent of the outcome being measured (Kothari, 2004). The independent variable of this study are the contribution of MFIs with the factors like provision of credit provision, support to SMEs, empower women and education and product offered by MFIs (Agricultural input loans, business loans, and group loans) (Figure 2.1)

2.4.2 Dependent variable

Dependent variable is the variable which depends upon or is a consequence of the other variable (Kothari, 2004). The term dependent variable means it is influenced by independent variable. The dependent variable in this study is poverty reduction (Figure 2.1)

Figure 2.1 Conceptual framework on the contributions of MFIs in poverty reduction

INDEPENDENT VARIABLES

INTERVENING VARIABLES

DEPENDENT VARIABLE

Regulatory framework

Central bank regulation and supervision guidelines of MFIs

Contributions of MFIs

- Credit provision
- Support to SMEs
- Empower women
- Education and training

Products offered by MFIs

- Agricultural input loan
- Business loan
- Group loan
- Save

Poverty reduction level

- Ability to enjoy luxury goods and service
- Ability to save and invest,
- Ability to access recreational services,
- Ability to meet basic needs,
- Creation of wealth to households (education and health),
- Increase per capital income,
- High investment rate

Source: Field Researcher, 2015

The above figure 2.1 shows the contributions of independent variables like (credit provision, women empowerment, education, training and support to SMEs) and products offered by MFIs (Agricultural input loan, Business loan and group loan) on the dependent variable (poverty reduction). The increases of the independent variable

18

factors from the contributions of MFIs like credit provision, support to SMEs, women empowerment and education) and products offered by MFIs have positive impact on the poverty reduction to the individuals and national wise and decrease of the independent variable factors on product offered by MFIs like agricultural input loan, Business loan, saving and Group loan factors and contributions of MFIs Factors (Education and Training, Empowerment of women, credit provision and support to SMEs have negative contributions on the poverty reduction of the individuals and countries. the relationship have to be intervene by the intervening variable which is regulatory framework.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter portrays how the study was designed and conducted. Research methodology as a systematic approach through which research is undertaken includes the research methods and procedures that were employed in conducting this study. Kothari (2004) has defined research methodology as systematic way of solving problems, a science of objective research. In this chapter the researcher described research design, the organization as a case, area of study, study population, sampling techniques, types and sources of data, data collection methods, and data analysis methods. In that case, the researcher collected data regarding the contribution of the Microfinance Institution in poverty reduction in Morogoro region with a case ELGIBO SACCOS Ltd.

3.2 Research Design

The research design is the arrangement of the condition for the collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in the procedure (Kothari, 2004).

This study is both qualitative and quantitative in nature. The study is qualitative in a sense that it is based on qualitative phenomena since it assessed the contribution of the Microfinance Institution in poverty reduction in Morogoro. In conducting this study, the researcher used a case study design so as to come up with the detailed information about the contribution of the microfinance institution in poverty reduction in Morogoro region. The motive for adopting the case study design was due to the following merits as outlined by Kothari (2004):

i.   It is flexible in respect to data collection methods.

ii. A case study design provides an intensive description and analysis of a single situation.

iii. It is a fairly exhaustive method which enables the researcher to study deeply and thoroughly different aspects of the phenomenon.

iv. It involves in depth contextually analysis of the similar situations in other organizations where the nature and definition of the problem happen to be the same as experience in the current situation.

v.   It saves both time and costs.

3.3 The Organization as a Case

A case study is a single bounded entity studied in a detail with a variety of methods, over an extended period of time" (Creswell, 1994). In this study the researcher used ELGIBO SACCOS Ltd as a case study; ELGIBO SACCOS Limited is a Cooperative society registered under cooperative society Act, no 20 of 2003 which started it 4th May 2006 with registration number MGR 358. The headquarter of ELGIBO SACCOS is at Calvary Assemblies of God, Caanan Christian Worship Centre, S.L.P 3143, Morogoro town, Tanzania. Elgibo SACCOS mission is to be an ethical and innovative provider of financial services to its members, through strong financial performance so as to serve as a catalyst for the self-reliance and economic well being of its membership and community. Its purpose is "working with people and communities to help them thrive and prosper." The objectives of it's establishment is to raise and strengthen the economic situation of its members, to provide soft loan, to enhance and encourage members to build the saving behaviour, to advice members on wisely use of the loans and to provide entrepreneurial education and training to its members. ELGIBO SACCOS started with 60 members during its establishment in 2006 and since then it has been growing to the extent that in the late 2014 it had 201 members. Also the SACCOS has been growing economically whereby during it's commence it had on Tshs 2,640,000/= as the start up capital and until the late 2014 it had Tshs 114,543,503.50/=.

The Researcher decided to use the ELGIBO SACCOS as his case study due to the fact that, the SACCOS performance is very good since it was established and also it is a place where he is working therefore it was easy for him to get access to the relevant data for the study which eventually made him to come up with reliable and relevant findings, and to save time and money as costs of doing this study. In support of this case study the other SACCOS visited by the researcher were Hembeti and TUR SACCOS which reside at Mvomero district council.

3.4 Area of Study

The study was conducted in Morogoro region and basically the study concentrated in Mvomero District Council and Morogoro municipal. Morogoro region was selected as area of the study because of availability of many MFIs which made it easy for the realisation of the objectives of the study, easy accessibility and availability of data since the researcher reside in Morogoro, time saving and cost cutting.

3.4.1 Morogoro region

In general Morogoro is one of the big regions found in Tanzania or East part of the Tanzania. This region has 30 divisions, 141 wards and 543 villages. Morogoro region boarder with the following region which are; Tanga region, Pwani region, Lindi region, Ruvuma region, Iringa region, Dodoma region and Arusha region. Also Morogoro region has 73,939 kilometer squares and according to 2012 Census Morogoro region has a total population of 2,218,492 people. (2012 Census)

The area of Morogoro lies between the coastal areas of Indian Ocean and highland areas. The lowland areas like Ifakara, kilombero and highland areas like Mount Uluguru in Kimhandu Mountain with 2646 meter above the sea level.

Morogoro region is made up of seven districts which are Morogoro municipal, Morogoro district, Kilombero, kilosa, Gairo, Mvomero and Ulanga. Morogor region has huge rivers like river Wami and Ruvu which start from the mount Uluguru. River Ruvu is the only rivers which help to distribute water in Dar es Salaam. Almost half of the

Morogoro area region is made up of National park and mountain, which are Mikumi National park, Selous national park and game reserve and Udzungwa Mountain.

The major original tribe of this region is Waluguru which gave the name of Morogoro and mount Uluguru. The other big tribes apart from indigenous tribe Waluguru are Wangulu, Wakagulu, Wasagala, Wapogolo, Wandamba, Wabene, Wambungu, Wakutu and Wavidunda. Morogoro region is very strategic area of the country especially in the area of infrastructure and transportation. The major road of Dar es Salaam – Morogoro – Mbeya – Zambia/Malawi and Dar es Salaam – Morogoro – Dodoma, pass in Morogor region. Also the railway line passes in Morogoro region to Mwanza region or Kigoma. Tazara railway also passes in this region in Kilombero district.

In term of economic activities, the Morogoro region indigenous depends on agricultural activities as their major economic activities which also depend on the presence of rainfall. Due to the presence of humidity and wet condition in Morogoro, then the area receive high rainfall per year hence commercial products like Sugarcane, maize and other commercial products are highly cultivated and grow well. That's why major sugarcane industries are found at Morogoro.

Politically this region has 10 election provinces which are: West Ulanga and East Ulanga which are found in Ulanga district. Gairo province, Kilosa and Mikumi which are found in Kilosa, South Morogoro province and East Morogoro province which are found in Morogoro rural, Morogoro town province found in Morogoro Municipal, Mvomero province found in Mvomero district and lastly is the Kilombero province which is found in Kilombero district.

3.4.2 Morogoro Municipality

This study was conducted in Morogoro Municipality, a low land area which lies at attitude of about 400-600m above sea level and receives rainfall of about 600-750mm. It is found in Morogoro urban district, occupying the Northern slopes of Uluguru mountains at 37^0 $37^{'}$E and 6^0 50'S longitude and latitude, respectively. Morogoro urban

district covers a total area of 19,296 sq.km. It has bimodal rainfall pattern areas. The short rains start in October to December, whereas the long heavy rainfall is from March to May. The coldest months are July to August. The mean daily temperature ranges from 18^0C to 30^0C, with mean temperature of about 22^0C.

3.4.3 Mvomero District

This study also was conducted in Mvomero district apart from Morogoro Municipality. Mvomero is the whole area of sovereignty of Mvomero district Council and it is made up of 28 wards, 130 villages and 691 hamlets. According to 2002 Census Mvomero district council has a total of 312,109 people, with a total of 154,843 men and 157,266 women and has an average of 4 people per household.

3.5 Types and Sources of Data

Data may be classified as primary data and secondary data; in this study the researcher collected and used both primary and secondary data. Primary data are the data which the researcher prepares for a specific study i.e. data collected for the first time. These data were needed because they generate new and original information. The researcher collected these data through interviews.

In this study, the researcher also collected and used secondary data. Secondary data were collected through document analysis of the ELGIBO SACCOS Ltd documents such as Annual financial reports, various investment policies, number of members etc. The secondary data were so important to be used in this study since were useful to answer the research questions of the study. Secondary data does not also exhaust people's good will by re-collecting readily available data and allow for large scale studies on a small budget. These data are also having some disadvantages because they were not made for the researcher's study but for other uses therefore, the researcher did not take them directly instead modified them to be more useful for the study.

3.6 Data Collection Methods

In this study the researcher used various data collection methods depending on the type of information required, who are having that information, how complex are those information, and also how confidential are those information. The researcher used questionnaires, interviews and document analysis as methods of data collection. The reasons for employing these three methods of data collection were due to the nature of the study and also to enhance the validity and reliability of data that were collected and used for the purpose of achieving the study's objectives and answering the research questions. The research developed the main tools to be used in assignment, first in English and then translated into Kiswahili to enhance a clear understanding of the information needed from the respondents.

3.6.1 Questionnaires

The researcher used both structured and unstructured questionnaires. The questionnaire was designed, pre-tested and administered to targeted group for data collection. The questionnaire was designed in order to obtain both qualitative and quantitative information from SACCOS' borrowers and non-borrowers. It contained questions on household general characteristics, ownership of assets, expenditure on basic needs and housing quality. Moreover, borrowers' questionnaire included the questions indicating amount of credit disbursed, savings and its use (Appendix 2 and 3).

Furthermore a checklist was used to collect data from SACCOS officials (Appendix 1). the checklist for officials aimed at gathering information about bank operations, types of service offered, number of borrowers, source of capital and saving and credit statistics.

3.6.2 Interviews

The interview method of collecting data involves presentation of oral-verbal stimuli and reply in terms of oral-verbal responses (Kothari, 2004). The researcher used face to face individual interviews in collecting secondary data. The discussions were semi structured and were conducted with the aid of a list of questions that provided some directions and

control. The discussions were recorded and noted to make the facilitator (researcher) able to capture all the relevant matters. The reasons of choosing the use of interviews were to ensure that the researcher uncovers perceptions at a senior level and to get more clarification of some issues pertaining to the SACCOS management, membership and their benefits, and contribution toward poverty reduction.

3.6.3 Document Analysis and literature study

Secondary data are collected by other sociologist, government departments, official bodies, or individuals and then re-used. Document analysis as one of the way of collecting secondary data involves gaining of data through a range of documents and making formal evaluation of the documents that will be for the contents analysis. In this study the analysis were done by the researcher on the Fund's documents including SACCOS Annual financial reports, various investment policies, and number of members etc.

3.7 Methods of Data Analysis

Data obtained from the field were in raw form and were difficult to interpret. Such data were summarized, organized, and checked to ensure the completeness, accuracy, clarity, and consistence. Marshall and Rossman (1995:111) indicates that, data analysis brings order, structure, and meaning to the mass of data and it is a time consuming, creative, and fascinating process. The process facilitated proper recording and enabled the researcher to discover the relevance of each data collected consistence with the research objectives. Due to the nature of this study, both qualitative and quantitative data analysis techniques were used. The data were analyzed on item by item basis putting into consideration the importance of each item under the study.

Qualitative data were collected, gathered, summarized, coded and analyzed by the computer using the Statistical Package for Social Science version 16.0 (SPSS version 16.0) programs. Quantitative data were employed to capture information on socio-economic characteristic, namely education, cultivated farm size, gender and household

size. While qualitative data were used to assess the impact of micro finance institutions on expenditure on basic needs, total value assets, children schools status, hired labour and the comparison were made between borrowers and non-borrowers. The Chi-square method was used to determine if credit was an important factor for improvement of production through using modern agricultural inputs, types of health services, type of livestock owned and household assets ownership between borrowers and non-borrowers. In comparison income status between borrowers and non-borrowers mean comparison analysis was also employed. The comparison was done in order to determine if there was significant difference in income between the borrowers and no-borrowers.

Similarly, the mean difference t-test was employed to test the differences between borrowers and non-borrowers in household size and value of household assets.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the research results, interpretation, and discussion of the summarized findings. It is divided into two sections whereby the first part is a descriptive analysis and the other part is an analytical part. In the descriptive analysis, frequencies, tables, percentages, and descriptive narrations are used in explaining various aspects in the study so as to answer each research question and to ensure that the research objectives are realized.

4.2 General characteristics of respondents

4.2.1 Gender, age groups, education level, marital status and religion

(i.) Gender

Most of the respondents interviewed while conducting the research were male for both cases of borrower and non-borrower. In the case of borrower respondents male were 69.2% compared to female who were only 30.8% and in the case of non-borrower male were 63.08% compared to female who were only 36.92% only (Table 4.1).

(ii.) Age group

The age of an individual has an influence on willingness to participate in certain activities and the ability to take a risky engagement, due to this case older individual have been seen that they have the ability to take risk and engaged in riskier activities than young individual due to experience and security in term of capital assurance. The youngest respondent in this study was 18 years old while the oldest was 63 years old. About 43.08% borrowers and 29.23% non-borrowers were between 18 – 30 years old, 33.85% borrowers and 40% non-borrowers aged between 31 – 43 years old, while 15.4% borrower and 24.6% non-borrower aged between 44 – 56. Very few respondents

who were interviewed aged between 56 and above for both borrowers with 7.7% and non-borrowers with 6.2% (Table 4.1).

(iii.)   Education level

In both theoretical and practical situations, education level plays a crucial role in ensuring households access to basic needs such as food, shelter and clothing. Education skills increase working efficiency and productivity making the household able to use and adopt new technologies in different activities, which result into more income earning. In this study education levels were put into five categories which are informal education, adult education, primary education, secondary education and higher learning education. This study indicates high level of literacy with a relatively large number of primary school leavers accounting for 46.15% and 33.9% of borrowers and non-borrowers. Respectively the study also shows that secondary school leavers were 32.3% and 38.5% for borrowers and non- borrowers respectively. Also the respondents who attended higher Learning institution were 15.4% for borrowers and 20% for non-borrowers. High level of literacy in the study area may be attributed to deliberately effort of the government to expand primary education and education in general in the country since independence. Also very few respondents were having either informal education or adult education for both borrower and non-borrower. Total respondents with informal education for both borrower and non-borrower were 3.8% while those having adult education were 3.1% of the total respondent for both borrowers and non-borrowers (Table 4.1).

(iv.)   Marital Status

During the process of interviewing the respondents, the marital status was considered as one of the factor in analyzing the characteristic (s) of the respondent. While assessing the marital status of the respondents, it was put into four categories which are Single, married, Widow (er), and divorced. In this study most of the respondents were married for both borrower and non-borrower with 52.3% and 36.9% respectively. Also in this

study the least respondents were divorced individuals for both borrower and non-borrower respondents with 4.6% and 3.08 respectively (Table 4.1).

(v.) Religion

Most of the respondents who were interviewed from both groups of respondents were Christians. In the case of borrowers groups, Christians were represented by 72.31% while in the case of non-borrowers, Christians were 55.38% leaving Muslims with 27.69% and 44.61% for borrowers and non-borrower respectively. The greater number of Christianity assessed may be attributed by Elgibo SACCOS since most of their borrowers are Christians (Table 4.1).

Table 4.1: General Characteristics of the respondents

Characteristics	Borrowers (n = 65)	Non-borrowers (n = 65)	Total (n = 130)
Gender			
Male	34.61	31.54	66.15
Female	15.39	18.46	33.85
Marital status			
Single	13.08	17.69	30.77
Married	26.15	18.46	44.61
Widow (er)	8.46	12.31	20.77
Divorced	2.31	1.54	3.85
Education level			
Informal education	2.31	1.54	3.85
Adult education	0.77	2.31	3.08
Primary education	23.08	16.92	40.00
Secondary education	16.15	19.23	35.38
Higher education	7.69	10.00	17.69
Religion			
Christians	36.15	27.69	63.84
Muslims	13.85	22.31	36.16
Age groups			
18 – 30	21.54	14.62	36.16
31 – 43	16.92	20.00	36.92
44 – 56	7.69	12.31	20.00
56 and above	3.85	3.08	6.93
Age of respondent			
Mean	1.88	2.08	1.98
Minimum	1.00	1.00	1.00
Maximum	4.00	4.00	4.00
Schooling children			
Private: Mean	1.55	1.25	1.40
Std. deviation	0.61	0.47	0.59
Public: Mean	1.40	1.51	1.46
Std deviation	0.52	0.53	0.55

Source: Field data

4.2.2 Family size

A comparison of household size was made between borrowers and non-borrowers in the study areas. The results from the sampled households showed that borrowers had the most percentage for the household size of 4 – 7, 8 – 11, 12 – 15 members with 78.46%, 24.62% and 3.08% respectively compared to non-borrowers who had only 46.15%, 15.39% and zero percentage respectively. The only group of household size in which the non-borrower has the most members is the one with member interval of 1 – 3 where by

the non-borrowers has 20% compare to the borrower who has only 12.31%, this may be caused by lack of enough income to take care of the large family members (Table 4.2).

Table 4.2: Family size

Family composition	Borrowers (n = 65)	Non-borrowers (n = 65)	Total (n = 130)
1 – 3	6.15	10.00	16.15
4 – 7	39.23	23.08	62.31
8 – 11	12.31	7.69	20.00
12 – 15	1.54	0.00	1.54

Source: Field data

4.3 Reason for joining SACCOS

Borrowers were asked to give the reasons that made them to join the SACCOS. According to Table 4.3, the majority (55.34%) were motivated by education offered, advantages of being in co-operative attracted 23.08% whereas easier to obtain credit with less interest rate attracted 13.85% while 7.69% borrowers said that they were attracted by bank services offered by the SACCOS. On the other hand, 36.92% of borrowers mentioned SACCOS associated problems like improper knowledge on banking operation especially in the areas where bank services were not available. Other problem mentioned were the unavailability of money due to various reasons (44.62%). While assessing the SACCOS many of them were faced with capital problems because of their dependence on the member's shares and other external sources of SACCOS. As a result, members were asked to increase shares, savings and loan repayment performances which will ensure financial stability among the societies (Table 4.3).

Table 4.3: Reasons for joining SACCOS and problems facing SACCOS

Details	Counts	Percentage
Reasons for joining SACCOS		
Advantages of the Cooperatives	15	23.08
Easier to obtain capital with less interest	9	13.85
Education offered	36	55.34
Attracted by bank services	5	7.69
Problems facing SACCOS		
Unavailability of money	29	44.62
Failure of the borrower to repay	5	7.69
Improper knowledge on bank operation	24	36.92
Failure of bank to deliver money in time	7	10.77

Source: Field data

4.4 Reasons hindering non-borrowers to join SACCOS

Similarly, non-borrowers were asked to account for the reasons that make them to not join SACCOS. Majority (47.69%) said that low income hindered them to join SACCOS, while 43.08% reported that they were using other financial institutions available in their areas. And only 9.23% respondents said that they lacked knowledge relating to SACCOS operations. Therefore, education is highly needed to make the people aware of the operations and general performance of SACCOS especially in rural areas and utilize SACCOS services for their development (Table 4.4).

Table 4.4: Reasons hindering non-borrowers to join SACCOS

Details	Count	Percentage
Using other financial Institutions	28	43.08
Lack of knowledge of SACCOS operation	6	9.23
Low income	31	47.69

Source: Field data

4.5 Products/services offered by the SACCOS

4.5.1 Loan success, cost incurred and training

(i.) Causes of success to loan intended activities

Borrowers were asked to mention the causes of being successful to loan certain intended activities, where by most of the respondents respond that this may be due to capital to boost from own savings with 53.85%, while proper repayment behaviour come as the

least with 21.54% meaning that it contribute less and good education and services offered has 24.52% (Table 4.5).

(ii.) Cost incurred and the kind of cost

Respondents were asked to answer yes or no if cost are charged to them while obtaining loan. Among 65 respondents asked only one respondent represent 1.54% said "No" cost charge while the remaining 64 (98.46%) "Agree". and they were asked to mention the type of cost incurred whereby the mast common charge was application charge with 55.39% and the other charged are loan insurance and entrance fees. Despite these entire still yet most members asked are satisfied with the SACCOS services (Table 4.5).

(iii.) Training

While conducting the research the researcher notes that respondents were most interested with the training conducted by SACCOS and its has been one of the major factor in attract people to join the SACCOS membership hence the researcher asked the response of the member toward training conducted by the SACCOS so as to clear doubt. The responses of the member showed that it is good and the researcher wanted to know the reason for such responses from the respondents, were by the reasons showed that most member fail to attend the training conducted by the SACCOS due to lack of time and the other factor are lack of information (Table 4.5).

Table 4.5: Causes of loan success

Details	Count	Percentage
Causes of success to loan intended activities		
Capital to boost from own savings	35	53.85
Proper repayment behaviour	14	21.54
Good education and service offered	16	24.52
Was any cost incurred to obtain loan		
Yes	64	98.46
No	1	1.54
Mention kind of cost incurred		
Application charges	36	55.39
Loan insurance	13	20.00
Entrance fees	16	24.61
Are you satisfied with SACCOS services		
Satisfied	49	75.38
Not satisfied	16	24.62
What is your response on toward SACCOS training		
Excellent	3	4.62
Very good	13	20.00
Good	24	36.92
Poor	17	26.15
Very poor	8	12.31
Did you ever receive technical support from SACCOS after entrepreneurs training attendance?		
Yes	24	36.92
No	41	63.08
Reasons for failure to attend any missed SACCOS training		
Lack of information	21	32.31
Training was not important	9	13.85
Lack of time	24	36.92
Others	11	16.92

Source: Field data

4.5.2 Borrowing and depositing

Researcher asked the questions to both groups of respondents (members and non-members) so as to known the comparison in term of borrowing. The responses showed that borrower which are member of the SACCOS borrows more than non member borrower, this may be due to the relationship with the SACCOS, capital to boost from own saving, and assurance. Also in the case of deposit SACCOS member deposits more than non-member with 95.39% to 43.08% (Table 4.6).

Table 4.6: Borrowing and depositing

Details	SACCOS members	SACCOS Non-members
Did you ever borrow at SACCOS?		
Yes	98.46	46.15
No	1.54	53.85
Did you ever deposit at SACCOS?		
Yes	95.39	43.08
No	4.62	72.31

Source: Field data

4.5.3 Products offered by SACCOS to members

Most of the SACCOS visited have only five types of loan products. These are business loan, emergency loans, group loan and farm input loans. The study also noted development of new services especially in Elgibo SACCOS which are known as tit for tat loan and construction loans.

(i.) Business loan

It's is a loan given to members with already existing business. The loan is twice times the savings one has in the society in case of Elgibo SACCOS and previously was three times the saving. The loan is given in lumpsum and repayment is every month.

(ii.) Emergency or social loans

This kind of loan is given helping other to solve social problems like death, sickness and school fees which should be repaid within 30 days.

(iii.) Group loan

Some members do not have enough money to save; in this case they unite into groups of five people for the purpose of getting loan. Loan limit is 500,000 Tshs and is paid weekly. After sometimes some group members gain financial stability and can withdraw from the group and start own saving.

(iv.)   Farm input loan

Most farmers seek to have own tractors and few to get cane loaders. These are expensive products so the borrower should deposit 25% of the requested amount and should be able to pay registration and insurance.

4.6 Lending model used by SACCOS to advance loans (credits) to the borrowers

4.6.1 Lending mechanism of the SACCOS

Respondents (borrowers) were asked to mention the most preferably lending mechanism were by most of the respondents mentioned Solidarity groups (35.38%) and individual lending (36.92%) as their most preferably lending mechanism, leaving village lending bank with 20%. As well as the SACCOS staffs were asked the same questions and they are responses resembled with the borrowers (Table 4.7).

Table 4.7: Lending mechanism of the SACCOS

Details	Count	Percentage
Lending mechanism of the SACCOS preferred by borrower		
Solidarity group	23	35.38
Individual lending	24	36.92
Village lending bank	13	20.00
Others	5	7.69

Source: Field data

4.7 The impact of credit on poverty reduction

Welfare of an individual means a level of standard of living of an individual and household or community (URT, 1999). Furthermore, welfare can be defined as household command over resources in term of food, poverty, health, schooling, working condition, shelter, means transport and communication and liberty. In this study the impact of the credit poverty reduction was assessed based on;

4.7.1 Housing materials

Respondents were asked to indicate the type of materials used to construct their house(s). Materials used were classified as either poor or good quality depending on the materials used to construct walls, roof and floor. On the material used for the wall, the

good quality composition includes mud, wood and cement, heated bricks and cement bricks, while poor quality wall is the one constructed by mud, wood and thatch and unheated bricks. On the case of the floor, the good quality floor is the one with cement and the poor floor is the one with mud. The roof made of Aluminium sheets is considered to be of good quality and the one made of grass is considered to be of poor quality. Table 5 shows that 67.69% of borrowers owned good quality walls compared to 58.40% owned by non-borrowers. The results show that there was significant difference in a type of wall materials used between borrowers and non-borrower as observed by X^2-value (0.01) at ($p < 0.05$). On the other hand, about 70.77% borrowers had cemented their houses compared to 23.8% non-borrowers. On the type of roof, borrowers 83.08% used aluminium sheets as roofing materials used for roofing compared to 56.92% of their counterparts. The results show no significant difference at $p < 0.05$ between the materials used for roofing and floors as observed by X^2-value (0.252 and 0.155) between borrowers and non-borrowers respectively (Table 4.8).

Table 4.8: Type of material for housing

Housing material	Borrowers	Non-borrowers	Overall	X^2-value
Type of wall				
Mud, wood and thatch	4.63	23.07	13.85	
Mud, wood and cement	9.23	27.63	18.46	
Bricks (heated bricks)	36.92	21.54	24.62	
Bricks (non-heated bricks)	16.92	12.38	19.23	
Stones/cement bricks	21.54	9.23	15.39	
None	10.76	6.15	8.46	0.001
Type of the floor				
Mud floor	18.46	36.92	27.69	
Cemented floor	70.77	49.23	60.00	
None	10.77	13.85	12.31	0.155
Type of the roof				
Thatch (mud/grass)	12.31	30.77	21.54	
Aluminium sheet	83.08	56.92	70.00	
None	4.62	12.31	8.46	0.252

Significant at $p < 0.01$

Source: Field data

4.7.2 Children's education status

Information on education attainment of the children from sampled household was obtained by asking the type, status and number of children schooling in a family as well as the level of education. There were two categories of school namely, private and public. According to Table 4.9, the majority (43.08%) borrowers sent children between 2 – 3 to private schools compared to 15% sent by their counterpart. While 6.15% borrowers sent between 4 – 5 only compared to 0% of their counterpart. The result show significant difference in the number of children attending private schools per family between borrowers and non-borrowers as observed by X^2-value (0.002) at $p<0.01$. This great difference in children education level between borrowers and non-borrowers was brought about by differences in household income and thus the ability to access private schools that requires cash to pay for school fees and maintenance allowances. Furthermore, the results showed no significant difference on the number of children sent to public schools as observed by X^2-value (0.248) between borrowers and non-borrowers at $p<0.01$ (Table 4.9).

Table 4.9: Children's education status

Children's range	Borrower	Non Borrower	Total	X^2- value
Private range class				
0 – 1	50.77	76.92	63.85	
2 – 3	43.08	21.54	32.31	
4 – 5	6.15	1.54	3.85	0.002
Public school range				
0 – 2	61.54	50.77	56.15	
3 – 5	36.92	47.69	42.31	
6 – 8	1.54	1.54	1.54	0.248

Significant at $p<0.01$
Source: Field data

4.7.3 Household expenditure on basic needs

An individual is described to be economically stable if he/she can spend a portion of his/her earning from primary or secondary sources on necessities for its welfare. Respondents were asked to report estimated monthly expenditure on basic needs such as

foods, education, clothing and health services. The amount spent on basic needs was compared between borrowers and no-borrowers. Monthly expenditure on basic needs varies from one family to another and sometimes within the family. For example, expenditure on health services was incurred once somebody was sick. Consumption on education service was higher at the start of school years and when the children return back to school after holiday. Likewise, quantitative data on monthly food expenditure showed to be relatively higher especially during food shortages. The result shows significant difference in household expenditure on basic needs consumption. Significant F-value for clothing, food, health and other services were statistically significant at $p<0.01$ and education as found significant at $p<0.05$. These results imply that borrowers were able to spend more in basic needs compared to their counterparts (Table 4.10).

Table 4.10: Household expenditure on basic needs

Items	Borrowers	Non-borrowers	calc. F-value
Food expenditures			
Mean	17897.88	9351.88	
Standard deviation	1151.675	4885.055	3.51
Health services			
Mean	12407.89	8694.00	
Standard deviation	12615.074	6223.494	5.58
Education expenditures			
Mean	177072.50	133225.00	
Standard deviation	82915.522		1.48
Clothing expenditures		59552.811	
Mean	14857.63		
Standard deviation	12759.878	7578.41	1.71
Other expenditures		3748.996	
Mean	20748.75	13470.38	
Standard deviation	14792.703	5415.036	2.40

Source: Filed data

4.7.4 Farm tool

Farm tools were grouped into three categories, small farm tools (hand hoe, machetes, axes sickles and knives), plough and tractor. Results showed statistically significant difference of (0.036) at $p<0.05$ in tools owned between borrowers and non- borrowers. In fact, more borrowers (23.08%) owned ploughed compared to non – borrowers (9.23%). Although there was a similar demand in farm agricultural tools between these

groups, purchasing power differentiates them. Cash availability gives the opportunity for many borrowers to own more advanced farm equipments compared to non-borrowers (Table 4.11).

Table 4.11: Farm tools and equipments owned

Farm tools	Borrowers	Non-borrowers	Overall	X^2-Value
Small farm tools (hoe, axe)	73.85	89.23	81.54	
Plough	23.08	9.23	16.15	
Tractor	3.07	1.54	2.31	0.036

Significant at p<0.05
Source: Field data

4.7.5   Livestock owned

Respondents were asked to mention the type of livestock they keep by tick the appropriate answer. T-test was used to test if there were differences in the type of the livestock owned between borrowers and non-borrowers. The calculated X^2- value (.300) was not significant at p<0.05 (Table 4.12). This result found that there is no significant difference in livestock owned between these two groups (Table 4.12).

Table 4.12: Distribution of livestock owned

Livestock type	Borrowers	Non-borrowers	Total	X^2-value
Local chicken	15.39	7.69	11.54	
Pigs	7.69	4.62	6.15	
Goats	12.31	10.77	11.54	
Local Chicken +goat	10.77	6.15	8.46	
Pigs +goats	7.69	12.31	10.00	
Pigs +Chicken	9.23	26.15	17.69	
Pigs +goats +Chicken	9.23	12.31	10.77	
Cows +goat +chicken	16.92	10.77	13.85	
None	10.77	9.23	10.00	0.300

Significant at p<0.05
Source: Field data

4.7.6 Ownership of other households assets

(i.) Transport assets

Respondents were asked to mention transport assets they own. The results indicated that most (43.08%) of the sampled household owned bicycles. The results indicated that there was no significant different counted in ownership of the transport assets, although more borrowers owned motorbike (10.77%) compared to non-borrowers (10.77%) owned by same also the results indicate that more borrowers (20%) owned motorcar compared to 4% of their counterpart (Table 4.13).

(ii.) Communication assets

Respondents were asked to mention the communication media they own .Majority (40.77%) pointed out that radio was the major means of accessing information. On the other hand, about 30.77% borrowers owned TV compared to 15.39% owned by their counterpart. In general, there was no significant difference in owning the communication facilities between borrowers and non-borrowers at $p<0.05$ (Table 4.13).

(iii.) Furniture

From the Table 4.13, the results show that there was significant difference between borrowers and non-borrowers at $p<0.05$. Borrowers owned valued furniture than non-borrowers with exception on items like tables and chairs. The results indicate that borrowers who owned chairs, tables and sofa sets were 38.46% compared to 26% owned by non-borrowers. Also 27.69% borrowers owned chairs, tables and wardrobe compared to 23.08% non- borrowers (Table 4.13).

(iv.) Cooking facilities

There was significant difference in ownership of cooking facilities between borrowers and non-borrowers at $p<0.05$. More non-borrowers interviewed were using local stove (29.23%) compared to (9.23%) owned by borrowers (Table 4.13).

(v.) Types of water and toilets used

With respect of the type of toilets, the results show significant difference on the type of toilets owned between borrowers and non-borrowers at p<0.05. More borrowers (74%) had modern type (VIP) of toilets compared to (56.92%) of non- borrowers. But there was no significant difference observed on the type of water at p<0.05 between borrowers and non-borrowers. More (65%) borrowers had installed tape water into their homes compared to 47% of their counterparts (Table 4.13).

Table 4.13: Household assets

Assets	Borrowers	Non-borrowers	Total	X^2 – value
Transport assets				
Motorcar	20.00	4.62	12.31	
Motorcycle	18.46	10.77	14.62	
Bicycle	33.85	52.31	43.08	
None	27.69	32.31	30.00	0.460
Cooking facilities				
Local stove	9.23	29.23	19.23	
Kerosene stove	21.54	16.92	19.23	
Charcoal stove	23.08	20.00	21.5	
Local stove +charcoal stove	24.62	23.08	23.85	
Local stove +kerosene stove	6.15	3.08	4.62	
Electricity stove	15.39	7.69	11.54	0.013
Type of water				
Tape water	64.62	47.69	56.15	
Drilled well + river (s)	35.39	52.31	43.85	0.052
Communication assets				
Radio	32.31	49.32	40.77	
Television	30.77	15.39	23.08	
Telephone	33.39	23.08	29.23	
None	1.54	12.31	6.92	0.660
Furniture assets				
Chair(s) +table(s)	18.46	40.00	29.23	
Chairs +table(s) + Sofa set(s)	38.46	26.15	32.31	
Chair(s) +table(s) + Ward robe	27.69	23.08	25.39	
Both	15.39	10.77	13.08	0.023
Type of toilets				
Pit hole	26.15	43.08	34.62	
Modern toilet (VIP)	73.85	56.92	65.39	0.030

Significant at p<0.05

Source: Field data

4.7.7 Total household assets

Household assets are the components of the household physical capital and can be used to measure livelihood improvement. Therefore, determining the household assets was crucial for understanding the household assets owned by the sampled respondents. The counted assets were, transport assets, cooking facilities, communication assets, agricultural tools and furniture assets. Assets owned were listed and their estimated value was summed up and subjected to t-value test for comparison. The results from Table 4.14 indicates that there were statistically significant difference in estimate mean assets value between borrowers and non- borrowers at $p<0.01$ (Table 4.14).

Table 4.14: Total value of household assets

Respondents	Mean	Std. deviation	t-test
Borrowers (n = 65)	334800.0	175626.46	
Non – borrowers (n = 65)	176587.5	1154914.69	6.68

Significant at $p<0.01$
Source: Field data

4.7.8 House ownership

Owning house(s) of high value in certain location indicates individuals' residence status. For very long time a house is taken as insurance that reduces the loss from some disaster and thus accounted to reduce the probability of default among borrowers. Prior to disbursing loan the title of the applicant's house is released to the lenders. Most of informal lending institutions do not consider the un-titles houses in un-surveyed (squatter) areas, unlike SACCOS that considered as marketable collateral. Individuals owning good houses were in position of assessing lumpsum money not only from SACCOS but also from informal lenders that might help them to make significant profit rather than debt spiral business. According to Table 4.15, results indicate that there was significant difference house ownership between borrowers and no-borrowers at $p<0.05$. Furthermore the results show that the borrowers (65%) owned houses compared to 50% of their counterpart. Therefore, by look Table 4.15 therefore it can be concluded that borrowers were more prone to invest in high risky financial business that might scare their counterparts (Table 4.15).

Table 4.15: House (s) ownership

If owning house (s)	Borrowers	Non-borrowers	Total	Calc. X^2-value
Yes	84.62	60	72.31	
No	15.38	40	27.69	9.56

Significant at $p<0.05$
Source: Field data

CHAPTER FIVE

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the conclusions and recommendations of the observations of what have been discussed in chapter four. The conclusion has been given in relation to each research questions and objectives of the study, recommendations have been to tackle some challenges. The major objective of this study was to assess the contribution of Microfinance Institutions in poverty reduction in Morogoro. The specific objectives were:-

(i)   To assess the extent to which Elgibo SACCOS limited have alleviated poverty among it's members.

(ii)   To assess the financial product offered by Elgibo SACCOS Limited

(iii)   To assess the lending model used by Microfinance Institutions to advance credits to clients.

Several findings emerged from this study. Therefore this chapter presents the conclusions and recommendation resulting from the major findings of the study.

5.2 Conclusions

In this section, the researcher gives conclusions of the observations of what have been discussed in chapter four of this research report. The conclusions is based on the research on each research questions and research objectives.

5.2.1 Products/services offered by the SACCOS

The services which offered by the most SACCOS visited were loan and deposit/saving services. The reasons for offering such services were found to be because of closing the gap between the formal financial institution and the normal class of people or poor people. while conducting this study the researcher encountered with people who were crying of being unable to get any help from the formal financial institutional like banks

because of being unable to obtain the loans from these financial institutions due to lack of collateral, many procedure, poor capital and failure to write well the proposal which will guarantee the return of the loan borrowed. There are other who dare to say that bank is for rich people and SACCOS and other MFIs is there redeemer because in any case it became easier to obtain help from the SACCOS. The study found that the type of loans which are the most common are business loan, emergency or social loan, agricultural input loan, construction loan and group loan. This kind of loan have been o much help to boost household standard of living and reduce poverty. Also in term of borrowing and depositing the results show that borrowers who are member are the one who borrow more in the SACCOS as well as deposit more. The reason for such case is due to easy access to SACCOS products due to their membership and their relationship with SACCOS. Also the study shows that SACCOS provide training and consultation services to its clients hence increase the entrepreneur skills and financial skills to its client hence effective use of the loan received from the SACCOS.

5.2.2 Lending model used by SACCOS to advance loans (credits) to the borrowers
In assessing the lending model used by the MFIs (SACCOS) it was found that most of the SACCOS use the individual lending model with 36.92%, solidarity group with 35.38%, Village lending model 20% and other techniques/ model with 7.69%. The reasons for the use of individual lending model and solidarity group as there most preferably technique is because of lack of inconvenience, number of clients applies for the loan and the form in which individual clients or clients want to receive their loans. Most of the loans applied have been seen to be requested to be received in the form of individual or group depend on the purpose of the loan and the ability of paying the loan. Such lending models have been of much help in meeting the target of each client applied to the loans and hence assure the improvement in the lives of individuals and reduction in poverty.

5.2.3 Assessing the impact of micro-credit to poverty reduction

Although insignificant difference was observed in livestock owned, transport assets, communication assets and type of water used between SACCOS' borrowers and non-borrowers were significant. Furthermore, significant differences between borrowers and non borrowers were notified with respect to household in income, house ownership, housing materials used, expenditure on basic needs, farm tools, total valued assets, furniture owned, cooking facilities owned, children's education status and type of toilet used. This was justified by significant results in these variables at $p<0.05$. This study shows a result which signifies the impact of the micro credit to poverty reduction among poor.

5.3 Recommendations

5.3.1 Recommendations for action

(i.) Education

Borrowers are constrained mainly by lack of education on business and credit management. It is therefore recommended that support in terms of training in financial and operations guidelines is highly needed so as to broaden the knowledge among borrowers on how to commit loans into productive activities.

(ii.) Efforts in building leadership and governance capacity

Inadequate knowledge by member and leaders on SACCOS' operations and micro finance best practices. The capacity to effectively govern and mange SACCOS is yet another factor that impedes the sector's development. In the current arrangement the burden of due diligence is left to SACCOS members who have little capacity to oversee operations of financial institution without strong legislation and official supervision. Therefore the study recommends concerted efforts in building leadership and governance capacity of SACCOS by all the relevant stakeholder.

(iii.) Continuous monitoring of financial management and performance

Inorder to ensure sustainability of the SACCOS, continuous monitoring of financial management and performance, adoptive operations, fair loan conditions and procedures are highly recommended. This is because the operational circumstances among beneficiaries are continuously changing. Such changes may involve microeconomic conditions, legal requirements, need of users and the availability of other financial services in the operational areas.

(iv.) Government support

There is need for the government and other relevant stakeholder to increase effort to empower the SACCOS membership through additional knowledge and skills to members there is no doubt that SACCOS will become sustainable.

(v.) Timeliness and the volume of cash

From the study many borrowers were reported that the disbursement of loans from their respective SACCO Societies takes longer time such that sometimes funds are released when it is too late to invest in farming, thus it is recommended that processing of loans should take into consideration and prioritise loans based on timing of intended enterprise. In terms of volume of cash: SACCOS should strive to collect more shares, and improve membership and savings bases. These will improve their lending ability and improve their capacity to generate profit/dividends for their members.

(vi.) Review by-laws

There is need to sensitise members on the importance of reviewing by-laws on a regular basis. Preferably this should take place whenever there changes in society's framework or changes in the law. This excise should take place in every Annual General Meeting (AGM) purposely because through that SACCOS members would build the confidence on their shares. On the other hand, reviewing by-laws will help to break the barriers

existing against non-members and attract them to join the Society's in their respective areas hence increasing share volume.

5.3.2 Recommendations for further studies

The following areas need further investigation: Effectiveness of the loaned fund provided by MFIs on financing the intended objectives.

REFERENCES

Adams D. W and Von Pischke, J. D (1992). Fungibility and design and evaluation of agricultural credit projects. American Journal of Agricultural Economics 62: 719-724.

Aigbokhan, B., E. & Asemota, A., E. 2011. An assessment of microfinance as a tool for poverty reduction and social capital formation: evidence on Nigeria. Global Journal of Finance and Banking Issues, Vol. 5. No. 5. [Online].   Available: <http://www.globip.com/pdf_pages/globalfinance-vol5-article4.pdf>

Aigbokhan.B. E., and Asemota.A (2011. An assessment of microfinance as a tool for poverty reduction and social capital formation: Evidence on Nigeria. Global Journal of Finance and Banking Issues, Vol. 5., No. 5.

Bagachwa, M. S. D. (1993). Financial Integration and Development in Sub-Saharan Africa. A study of informal finance in Tanzania. Overseas Development Institute Journal 79:12-20

CGAP   (2012).   What   Is   a   Microfinance   Institution   (MFI)? <http://www.cgap.org/p/site/c/template.rc/1.26.1308>

CGAP (2012). What is microfinance? <www.cgap. org/p/site/c/template.rc/1.11.947>

CGAP, (2012) What Do We Know about the Impact of Microfinance? <http://www.cgap.org/p/site/c/template.rc/1.26.1306>

Chijoriga, M. M. (2000). "The Performance and Sustainability of Micro Finance Institution in Tanzania" Working Paper.

Chijoriga, M.M. and Cassimon (1999). "Micro Enterprise Financing: Is there a Best model?" in Rutashobya and Olomi(eds). African Entrepreneurship and Small Business Management, DUP Dar es Salaam.

CRDB Bank LTD (2006). Greater access to finance for ordinary Tanzania. The tale of microfinance technology developed by CRDB bank ltd

Dupas, P. and Robinson, J. 2008. Savings Constraints and Microenterprises; Development Evidence from field experiment in Kenya. California Center for Population Research On-line Working Paper Series.

Grameen Bank (1994). Financial Annual Report. Grameen Bank Press, Dhaka, Bangladesh. 74pp.

Hulme, D. (2000). international Finance Corporation: The International Project Consultant Finance Micro credit starts up in developing countries. *Journal of World Bank Economy review* 5 (2): 25 – 37

Kashuliza, A. K., Hella, J. P., Magayane, F T, Mvena, Z. S. K. (1998) Research Reports No. 98 on the Role of informal and Semi-formal Finance in Poverty Alleviation in Tanzania in results of Field Study in Two Regions, REPOA, Dar es Salaam, Tanzania. 33pp

Kessy, S.A and Urio, F (2006). The Contribution of Microfinance Institutions to Poverty Reduction in Tanzania, Research Report No. 06.3 – REPOA, Mkuki na Nyota Publishers, Dar es Salaam.

Khandker, S. R., Samad, H. A. and Khan, Z. H. (1998). Income and development effects of micro credits programme village-level: Evidence from Bangladesh. Journal of development studies 35(2):95 -124.

Khandker, S.R (1998). Fighting Poverty with Micro credit. Experience in Bangladesh. Oxford University Press, New York. 81pp.

Kothari, C. R (2004). Research Methodology Methods and Techniques, 2nd Ed. New Delhi: New Age Int. (P) Ltd.

Landguiden (2011) Ekonomi.< http://www. landuiden. se/Lander/Afrika/Tanzania/Ekonomi>

Ledgerwood, J. (1999). Microfinance Handbook. Sustainable Banking with the Poor. An Institutional and Financial Perspective, The World Bank, Washington D.C.

Morduch, J. (1997). The Micro Finance Revolution. Harvard University Press, Harvard. 67pp.

Morduch, J. (1999). The Micro Finance Promise. Journal of economic Literature 37: 1-4.

Morduch, J., and Haley, B. 2002. analysis of the effects of Micro finance on Poverty Reduction. NYU Wagner Working Paper No. 1014

Mosley, P. (2001). Microfinance and Poverty in Bolivia, Journal of Development Studies, Vol. 37 (4), 101-132.

Mugenda, O.M and Mugenda, A.G. (1999) Research Methods: *Quantitative and Qualitative Approaches*, African Centre for Technology Studies (Acts), Nairobi, Kenya.

Mwakajumilo, S.L.I. (2011). The Role of Informal Microfinance Institutions in Saving Mobilization, Investment and Poverty Reduction. A Case of Savings and Credit Cooperative Societies (SACCOS) In Tanzania from 1961 - 2008. Unpublished Doctoral Thesis, St Clements University, Turks And Caicos Islands Of British West.

Ogawa, K. and K. Suzuki (2000). "Demand for Bank Loans and Investment under Borrowing Constraints: A Panel Study of Japanese Firm Data", Journal of the Japanese and International Economies, 14: 1-21.

Pilipinas, B. S., (2002) "Notes on Microfinance".

Rweyemamu, D.C., M. P. Kimaro and O. M. Urassa (2003). Assessing Micro-Finance Services in Agricultural Sector Development: A Case Study of Semi-Formal Financial Institutions in Tanzania.

Schuler, S. R., & Hashemi, S. M. (1994). Credit Programs, Women's Empowerment, and Contraceptive use in Rural Bangladesh. Studies in Family Planning, 25 (2), 65 – 76.

Sharma, M (2000) impact on micro finance on poverty alleviation: what does emerging evidence indicate? Journal of rural Financial Policies for Food Security of the Poor 4(2): 1-2.

Sharma, M and Zeller, M (1997). Repayment performance in-group based credit programme in Bangladesh: an empirical analysis. World Development Journal 25(2): 16-28

Swain, R., 2004. Is microfinance a good alleviation strategy? Evidence from impact assessment. Swedish Interenational Development Cooperation Agency, SIDA [Online]. Availabele at: <www.sida.se/publications>

Thorsten, Beck and Soledad, M (2005).Reaching out access to use of banking services across countries. World Bank. Washington DC.

UNDP (2004). Human Development Report 2004, Cultural liberty in today's diverse world, New York: Oxford University Press.   (2011). Multidimensional Poverty Index (MPI),<http://hdr.undp.org/en/statistics/mpi>

URT (1999). "Poverty and Welfare Monitoring Indicators", Vice President's Office

URT (2002). "Small and Medium Enterprise Development Policy", Dar es Salaam

URT (2005). National Strategy for Growth and Reduction of Poverty. Vice President's Office

URT (2010). National Strategy for Growth and Reduction of Poverty II. Ministry of Finance and Economic Affairs.

Wikipedia (2007). Microfinance Institution in Tanzania. <www. Wikipedia.com> Accessed on 18th January 2008

World Bank, (1992). Poverty in Developing countries, Oxford University Press York New. USA. 130pp

APPENDICES

INTERVIEWS AND QUESTIONNAIRES

Appendix 1: SACCOS/MFIs STAFF'S QUESTIONNAIRES AND CHECKLIST INTERVIEWS

QUESTIONNAIRES

(A.) INTRODUCTION

Date	
Name of the SACCOS	
Ward	
Village	
Position	
Nationality	

(B.) SOCIO - ECONOMIC

What is your education level?

1. No formal education   ( )
2. Adult education   ( )
3. Primary education   ( )
4. Secondary education   ( )
5. Higher education   ( )

What is your religion?

1. Christians ( ) 2. Islam ( ) 3. Hindu ( ) 4. Buddha ( ) 5. Others (specify ......) ( )

What is your position in MFIs/SACCOS?   …….…………………………….

What is your monthly income level?

1. Less than Ths 250,000/=   (   )
2. Ths 250,000 – Ths 500,000/=   (   )
3. Ths 500,000 – Ths 750,000/=   (   )
4. Ths 750,000 – Ths 1,000,000/=   (   )
5. Above Ths 1,000,000/=   (   )

Are you hired as an employee without SACCOS's/MFIs membership or with SACCOS's/MFIs membership?

1. SACCOS/MFIs membership   (   )
2. No SACCOS/MFIs membership   (   )

(C.)   DEMOGRAPHIC INFORMATION

Gender in which you belong

1. Male   (   )   2. Female   (   )

What is your age group?

   1. Below 18   (   ) 2. 18 – 30 (   ) 3. 31 – 43 (   ) 4. 44 – 56 ( ) 5. Above 56   (   )

Marital status

   1. Single (   ) 2. Married (   ) 3. Widow (er) (   ) 4. Divorced ( ) 5. Separated (   )

There how many dependants into your households?

   1. Under 2   (   )   2. Between 2 – 4   (   )   3. Above 4   (   )

(D.) MFIs/SACCOS AND POVERTY REDUCTION

Who are your most regular customers of you services?

   1. Poor people   (   )   2. Rich people   (   )   3. Others (specify ……) (   )

What gender type are regular customers to your MFIs/SACCOS?

   1. Women   ( )   2. Male   ( )

How microfinance provided by MFIs has been used?

………………………………………………………………………….

What is the status of MFIs/SACCOS clients?

1. Informal Sector/Unregistered businesses   ( )

2. Registered Businesses with less than 5 employees   ( )

3. Registered Businesses with more than 5 employees   ( )

Put a tick ( ) on the correct answer please (Where 1 = Strong agree, 2= Agree, 3= Strong disagree, 4= Disagree)

What is the degree of contributions of MFIs/SACCOS in poverty reduction?	1	2	3	4
Empowering women	( )	( )	( )	( )
Improving the living standard of people	( )	( )	( )	( )
Provide the start -up capital to MSEs	( )	( )	( )	( )
Increase the income of the households	( )	( )	( )	( )
Provision of employment	( )	( )	( )	( )
Building the saving culture	( )	( )	( )	( )
Overcoming the problem of collateral	( )	( )	( )	( )
Building business relationship	( )	( )	( )	( )
Reduce pressure against shock	( )	( )	( )	( )

Put a tick ( ) on the correct answer please (Where 1 = Strong agree, 2= Agree, 3= Strong disagree, 4= Disagree)

What are the indicators of MFIs in improving the living standard of its members?	1	2	3	4
Housing	( )	( )	( )	( )
Education	( )	( )	( )	( )
Business expansion	( )	( )	( )	( )
Starting their own business	( )	( )	( )	( )
Raising of monthly income	( )	( )	( )	( )
Employment	( )	( )	( )	( )
Reduced stress against shock	( )	( )	( )	( )
Owning cars and other tangible assets	( )	( )	( )	( )

(F.)FINANCIAL PRODUCTS OFFERED BY MFIs

Did your SACCOS/MFIs provide a deposit services?

1. YES   ( ) 2. NO   ( )

What is the response of people toward deposit service?

1. Excellent ( ) 2. Very good ( ) 3. Good ( ) 4. Poor ( ) 5. Very poor ( )

Did your SACCOS/MFIs conduct any business/entrepreneur training?

1. YES   ( )   2. NO   ( )

If, YES how many times?   (…………………………………….)

If NO, Why (explain) ………………………., ……………………………………..

What was the response of people on those entrepreneurs training?

1. Excellent   (   ) 2. Very good (   )   3. Good (   ) 4. Poor (   ) 5. Very poor   (   )

Did your SACCOS/MFIs provide any technical support to the attendee of the entrepreneurs training?

1. YES   (   )   2. NO   (   )

If YES, how many times   (………)

If No why (explain) ……………………………………………………

(H.) LENDING MODEL USED TO ADVANCE CREDITS TO CLIENTS

What is the most used lending mechanism by your MFIs/SACCOS?

1.   Solidarity group (   ) 2. Individual lending (   ) 3. Village lending bank   (   )

What are the supplementary lending mechanism method ……………………

How many members do the society/SACCOS have? ……………………………

How many non-members do you serve? ………………………………………

How many members do you target to serve? …………………………………….

How many villages do you serve? **………………………………………**

What type of credit services do your SACCOS/MFIs offer?

1.   ………………………………………..
2.   …………………………………………

Do SACCOS/MFIs have any future plans?

1.   YES   (   ) 2. NO   (   )

If YES, What plans do you expect to undertake (explain)

1. …………………………………………………….
2. ……………………………………………………
3. ……………………………………………………

<u>LIST OF INTERVIEWS QUESTIONS</u>

MFIs/SACCOS OPERATIONS

What is the mission of your SACCOS/MFIs? ……………………………………

What are your MFIs (SACCOS) objectives?

1. ………………………………….
2. ………………………………….
3. …………………………………
4. …………………………………..

When did your MFIs/SACCOS start to offer fund to the people? ……………………………...

Please can we know the total number of beneficiaries in your ward so far? Total beneficiaries …………………………………………………………………………

Who is/are responsible(s) for the overall MFIs/ SACCOS's operations?

………………………….., …………………………………………….…

How do your SACCOS/MFIs have been able to help the poor within your society?

1. …………………………………………………………….
2. …………………………………………………………
3. …………………………………………………………….
4. …………………………………………………………

FINANCIAL PRODUCTS OFFERED BY MFIs

What are the financial products/financial services offered by your SACCOS/MFIs?

    1. …………………………………………………
    2. ………………………………………………….

What are the non financial products/non financial services offered by your MFIs/SACCOS?

    1. ………………………………………………….
    2. …………………………………………………
    3. ……………………………………………………

Which of the financial product /financial service is more preferable than the other? ……………………… and why ……………………………………………

How many times did your MFIs/ SACCOS provide loans to its clients? (Please provide figure) …………………………………….

LENDING MODEL USED TO ADVANCE CREDITS TO CLIENTS

What collateral requirements that the borrower must fulfil before securing the credit?

    1. ………………………………………………………………….
    2. …………………………………………………………………..
    3. ……………………………………………………………………

Mention the credit repayment modalities used to ensure effective repayments

    1. ………………………………………………………………….
    2. …………………………………………………………………..

What incentives are used to encourage more savings to the SACCOS/MFIs?

    1. ………………………………………………………………….
    2. ……………………………………………………………………

Appendix II: BORROWERS QUESTIONNAIRES

(A.) **INTRODUCTION**

Date	
Ward	
Village	
Nationality	

(A.) **SOCIO- ECONOMIC**

Education level

1. No formal education   (   )

2. Adult education   (   )

3. Primary education   (   )

4. Secondary education   (   )

5. Higher education   (   )

Religion:

1. Christians ( ) 2. Islam ( ) 3. Hindu ( ) 4. Buddha ( ) 5. Others (specify…) (   )

3. What is your occupation?   …………………………………………

4. What is your monthly income level?

        1. Less than Ths 250,000/=   (   )

        2. Ths 250,000 – Ths 500,000/=   (   )

        3. Ths 500,000 – Ths 750,000/=   (   )

        4. Ths 750,000 – Ths 1,000,000/=   (   )

5. Above Ths 1,000,000/=   (   )

SACCOS's membership

1. Yes   (   )   2. No   (   )

Position in the household

   1.   Household head   (   ) 2. Others (Specify ……………)   (   )

Composition of household member's years (Put a number on appropriate category)

                                            M   F

   1.   Below 5   …………………   ………………………
   2.   Between 5 – 10   …………………   ……………………….
   3.   Above 10   ………………..   ………………………

Number of Children who goes to school presently in your household

1. Public schools …………………………………………
2. Private schools …………………………………………

What is your major source of income?   ....

Name other sources of income

   1. ………………………………………………………………..
   2. ……………………………………………………………….
   3. ………………………………………………………………..
   4. ………………………………………………………………..

(C.) DEMOGRAPHIC INFORMATION

Gender

   1. Male   (   )   2. Female   (   )

Age group

   1. Below 18 (   ) 2. 18 – 30 (   ) 3. 31 – 43 (   ) 4. 44 – 56 (   ) 5. Above 56 (   )

Marital status

   1. Single (   ) 2. Married (   ) 3. Widow (er) (   ) 4. Divorced (   ) 5. Separated (   )

There how many dependants into your households?

1. Under 2 (   ) 2. Between 2 – 4 (   )   3. Above 4   (   )

(D.) MFIS AND POVERTY REDUCTION

How microfinance provided by MFIs has been used?

……………………………………………………………………………..

Put a tick ( ) on the correct answer please(Where 1 = Strong agree, 2= Agree, 3= Strong disagree, 4= Disagree)

What is the degree of contribution of MFIs/SACCOS in poverty reduction?	1	2	3	4
Empowering women	( )	( )	( )	( )
Improving the living standard of people	( )	( )	( )	( )
Provide the start -up capital to MSEs	( )	( )	( )	( )
Increase the income of the households	( )	( )	( )	( )
Provision of employment	( )	( )	( )	( )
Building the saving culture	( )	( )	( )	( )

Overcoming the problem of collateral	( )	( )	( )	( )
Building business relationship	( )	( )	( )	( )
Reduce pressure against shock	( )	( )	( )	( )

Put a tick ( ) on the correct answer please (Where 1 = Strong agree, 2= Agree, 3= Strong disagree, 4= Disagree)

What are the indicators of MFIs/SACCOS in improving the living standard of its member?	1	2	3	4
Housing	( )	( )	( )	( )
Education	( )	( )	( )	( )
Business expansion	( )	( )	( )	( )
Starting their own business	( )	( )	( )	( )
Raising of monthly income	( )	( )	( )	( )
Employment	( )	( )	( )	( )
Reduced stress against shock	( )	( )	( )	( )
Owning cars and other tangible assets	( )	( )	( )	( )

Indicators of living standard

(a.) Housing (tick the appropriate answer)

Type of the wall	1. Mud +wood+ thatch ( )
	2. Wood+ mud+ cement ( )
	3. Bricks (heated bricks) ( )
	4. Bricks (non-heated bricks) ( )
	5. Stones cement bricks ( )
Type of the floor	1. Mud floor ( )
	2. Cemented floor ( )

Type of the roof	1. Thatch, thatch mud ( )
	2. Aluminium sheets ( )
Type of the toilet	1. None ( )
	2. pit hole type ( )
	3. Modern type ( )
Water type	1. Drilled well+ rivers ( )
	2. Portable (installed) ( )

(b.) Type of assets present in the household

Particulars	Type of assets	Number	Value
Transportation	1. Motorcar 2. Motorbike 3. Bicycles		
News media	1. Radio 2. TV		
House assets	1. Tables 2. Chairs 3. Sofa sets 4. Hard ropes		
Kitchen facilities	1. Local stone stove 2. charcoal cooker 3. Modern charcoal cooker 4. Electricity cooker 5. Refrigerator		

Farm implements	1. Tractor		
	2. Ox-plough		
	3. Ox-cats		
	4. Hand hoes		
	5. Machetes		
	6. Bush Knives		

Do you think there is any improvement in standard of living? ....……………………………

What was your estimated expenditure on clothing, education, health services and food per month?

Items	Estimated amount (value)
Clothing	
Education	
Food	
Health services	
Others (specify)	

(D.) FINANCIAL PRODUCTS OFFERED BY MFIs

Did you ever borrow any loan from SACCOS?

1. YES ( ) 2. NO ( )

How many times did you borrow from MFIs/ SACCOS? ……………………………….

Did you ever save any amount on MFIs/SACCOS?

1. YES ( ) 2. NO ( )

How many times did you made a saving in MFIs/SACCOS? ……………………….

Have you ever received/attend any training conducted by MFIs/SACCOS?

1. YES   (   ) 2. NO   (   )

If YES, How many times have you attend the training conducted by MFIs/SACCOS?

………………………………………………

LIST OF INTERVIEW QUESTIONS

Why did you fail to attend any of the training conducted by MFIs/SACCOS? (If there is any failure of attendance)

1. ……………………………………………………
2. …………………………………………………..
3. …………………………………………………..

What are the reasons made you to made saving in MFIs/SACCOS?

1. ……………………………………………………
2. ………………………………………………….
3. …………………………………………………..

What are the reasons made you to borrow from MFIs/SACCOS more frequently?

1. …………………………………………………..
2. ………………………………………………….
3. …………………………………………………

Appendix III: NON-BORROWERS QUESTIONNAIRES

    (A.)   INTRODUCTION

Date	
Ward	
Village	
Nationality	

    (B.) SOCIO- ECONOMIC

Education level

1. No formal education   (   )

2. Adult education   (   )

3. Primary education   (   )

4. Secondary education   (   )

5. Higher education   (   )

Religion:

1. Christians (   ) 2. Islam (   ) 3. Hindu (   ) 4. Buddha (   ) 5. Others (specify……) (   )

What is your occupation?   …………………………………………

What is your monthly income level?

1. Less than Ths 250,000/=   (   )
2. Ths 250,000 – Ths 500,000/=   (   )
3. Ths 500,000 – Ths 750,000/=   (   )
4. Ths 750,000 – Ths 1,000,000/=   (   )

5. Above Ths 1,000,000/=   (   )

SACCOS's membership

1. Yes   (   )   2. No   (   )

Position in the household

1. Household head   (   )   2. Others (Specify ………) (   )

Composition of household member's years

                                    M   F

1. Below 5   ………………………….   …..………………………
2. Between 5 – 10   …………………………   ………………………………
3. Above 10   ……………………..   ……………………………

Number of Children who goes to school presently in your household

1. Public schools   …………………………………………
2. Private schools   …………………………………………

What is your major source of income?   ....

(C.) DEMOGRAPHIC INFORMATION

Gender

1. Male   (   )   2. Female   (   )

Age group

1. Below 18 (   ) 2. 18 – 30 (   ) 3. 31 – 43 (   ) 4. 44 – 56 (   ) 5. Above 56 (   )

Marital status

1. Single (   ) 2. Married (   ) 3.Widow (er) (   ) 4. Divorced (   ) 5.Separated (   )

How many dependants are living in your house?

1. Under 2   (   )   2. Between 2 - 4   (   )   3. Above 4   (   )

(D.) MFIS AND POVERTY REDUCTION

Put a tick ( ) on the correct answer please (Where 1 = Strong agree, 2= Agree, 3= Strong disagree, 4= Disagree)

What is the degree of contributions of MFIs/SACCOS in poverty reduction?	1	2	3	4
Empowering women	( )	( )	( )	( )
Improving the living standard of people	( )	( )	( )	( )
Provide the start -up capital to MSEs	( )	( )	( )	( )
Increase the income of the households	( )	( )	( )	( )
Provision of employment	( )	( )	( )	( )
Building the saving culture	( )	( )	( )	( )
Overcoming the problem of collateral	( )	( )	( )	( )
Building business relationship	( )	( )	( )	( )
Reduce pressure against shock	( )	( )	( )	( )

Put a tick ( ) on the correct answer please (Where 1 = Strong agree, 2= Agree, 3= Strong disagree, 4= Disagree)

What are the indicators of MFIs/SACCOS in improving the living standard of its member?	1	2	3	4
Housing	( )	( )	( )	( )
Education	( )	( )	( )	( )
Business expansion	( )	( )	( )	( )
Starting their own business	( )	( )	( )	( )

Raising of monthly income	( )	( )	( )	( )
Employment	( )	( )	( )	( )
Reduced stress against shock	( )	( )	( )	( )
Owning cars and other tangible assets	( )	( )	( )	( )

Indicators of living standard

(a.) Housing (please tick the appropriate answer)

Type of the wall	1. Mud +wood+ thatch ( ) 2. wood+ mud+ cement ( ) 3. Bricks (heated bricks) ( ) 4. Bricks (non-heated bricks) ( ) 5. stones cement bricks ( )
Type of the floor	1. Mud floor ( ) 2. Cemented floor ( )
Type of the roof	1. Thatch, thatch mud ( ) 2. Aluminium sheets ( )
Type of the toilet	1. Pit hole type ( ) 2. Modern type ( )
Water type	3. Drilled well+ rivers ( ) 4. Portable (installed) ( )

(b.) Type of assets present in the household

Particulars	Type of assets	Number	Value
Transportation	1. Motorcar 2. Motorbike 3. Bicycles		
News media	1. Radio 2. TV		
House assets	1. Tables 2. Chairs 3. Sofa sets 4. Hard ropes		
Kitchen facilities	1. Local stone stove 2. charcoal cooker 3. Modern charcoal cooker 4. Electricity cooker 5. Refrigerator		
Farm implements	1. Tractor 2. Ox-plough 3. Ox-cats 4. Hand hoes 5. Machetes 6. Bush Knives		

Do you think there is any improvement in standard of living? …………………………

What was your estimated expenditure on clothing, education, health services and food per month?

Items	Estimated amount (value)
Clothing	
Education	
Food	
Health services	
Others (specify)	

(D.) FINANCIAL PRODUCTS OFFERED BY MFIs

Did you ever borrow any loan from SACCOS?

   1. YES   ( )   2. NO   ( )

How many times did you borrow from MFIs/ SACCOS?
………………………………….

Did you ever save any amount on MFIs/SACCOS?

   1. YES   ( )   2. NO   ( )

How many times did you made a saving in MFIs/SACCOS?
………………………………….

Have you ever received/attend any training conducted by MFIs/SACCOS?

    1. YES   ( )   2. NO   ( )

If YES, How many times have you attend the training conducted by MFIs/SACCOS?
…………………………………………………

LIST OF INTERVIEW QUESTIONS

What are the reasons made you to borrow from MFIs/SACCOS more frequently?

1. ……………………………………………………..
2. …………………………………………………
3. …………………………………………………

What are the reasons made you to made saving in MFIs/SACCOS?

1. ……………………………………………………
2. …………………………………………………….

Name other sources of your income (apart from salary)

1. ……………………………………………………..
2. …………………………………………………….

Why did you fail to attend any of the training conducted by MFIs/SACCOS? (If there is any failure)

1. …………………………………………………
2. …………………………………………………..

THANKS FOR YOUR COOPERATION