THE CONTRIBUTION OF MICROFINANCE INSTITUTIONS TO POVERTY REDUCTION IN TANZANIA

THE CASE STUDY OF MOSHI MUNICIPAL COUNCIL IN KILIMANJARO REGION

By

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A Dissertation Submitted for the Partial Fulfillment of the Requirement Of the Award of Master Degree in Corporate Management (MBA-CM) of Mzumbe University 2014/2015

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CERTIFICATION

We, the undersigned certify that, we have read and hereby recommend for acceptance by the Mzumbe University, a Thesis entitled**, The Contribution ofMicrofinance Institutions to Poverty Reduction in Tanzania:** The Case of Moshi Municipal Council in Kilimanjaro Region, in partial fulfillment of the award of the Master Degree in Corporate Management (MBA-CM) of Mzumbe University.

Major Supervisor

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I Victor Basil Akarro, declare that this research report is my own original work and it has not been presented and shall not be presented to any other University for a similar purpose or any degree award.

Signature ……………………………………

Date ……………………………………..

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DEDICATION

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ABSTRACT

Microfinance institutions play a big role in enhancing poverty reduction and empowerment of people both economically and standard of living. This is because for the majority of people whose income is very low, access to financial services offers the possibility of managing scarce resources more efficiently taking advantage of investment opportunities for economic returns.

This study examined the contribution of MFIs to poverty reduction in Tanzania. The study was conducted in Moshi Municipal as a case study whereby a sample of two selected MFIs was selected. It was intended to cover credit services provided by the MFI and clients perception towards their improvement in income level in achieving poverty reduction.

The study used descriptive survey design. Both primary and secondary data were used. A sample size of 50 was selected including both staffs and clients. The study employed simple random sampling technique for the selected clients as well as purposive/judgemental sampling technique for the administrators (management) and selected staffs. Both quantitative and qualitative data analysis methods were used.

Following the information collected from both MFIs and the clients it was revealed that MFIs have changed the life of poor people in a positive way. Many clients have improved their standard of living, capable of meeting their basic needs, increased their incomes, expand their capital and hence their business have flourished well. Despite these achievements it was further observed that clients were dissatisfied in areas like the rate of interest which they claimed to be high, small amount of loan, not satisfied with the weekly repayments for the case of PRIDE. Different research methodology were deployed by the researcher as mentioned above which enabled the researcher to come out with sufficient data findings that has lead to conclusion and recommendations thereon hence add more value to MFIs to bridge this serious gap in knowledge.

ABBREVIATIONS

ACCION:	Americans for Community Cooperation in Other Nations
BRAC:	Building Resources Across Community
CBOs:	Community Based Organizations
E.G:	Entrepreneurial Groups
E.L.C.T:	Evangelical Lutheran Church in Tanzania
FINCA:	Foundation for International Community Assistance
HBS:	Household Budget Survey
MBA-CM:	Master of Business Administration in Cooperate Management
MDGs:	Millennium Development Goals
MFIs:	Microfinance Institutions
MSEs:	Micro and Small Enterprises
NGOs:	Non Governmental Organizations
NMFP:	National Microfinance Policy
NSGRP:	National Strategy for Growth and Reduction of Poverty
PAWDEP:	Pamoja Women Development Programme
PRIDE:	Promotion of Rural Initiative and Development Enterprise
PRSP:	Poverty Reduction Strategy Paper
ROSCAs:	Rotating Savings and Credit Associations
SACAS:	Savings and Credit Associations
SACCOS:	Savings and Credit Cooperative Societies
SEDA:	Small Enterprises Development Agency
SPSS:	Statistical Package for Social Sciences
UN:	United Nations
UNCDF:	United Nations Capital Development Fund

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CHAPTER ONE

INTRODUCTION

1.1 Background to the Research Problem

All over the world almost every Nation faces the crisis of poverty. Poverty is the condition in which low income people cannot meet the basic needs of life. (Okibo and Makanga , 2014). In its broadest level much has been written about the meaning of poverty. What has been found out through frequent visits to poor communities is that poverty:

- deprives people their security and well being
- deprives not only of safe water and adequate food, clothing and shelter, but also education and health care.
- takes away people's rights and their freedom, dignity and peace of mind
- puts people's lives in danger and robs them their future

UN definition of poverty- "fundamentally poverty is a denial of choices and opportunities, a violation of human dignity. It means lack of basic capacity to participate effectively in society. It means not having enough to feed and cloth a family, not having a school or clinic to go, not having the land on which to grow ones food or job to earn ones living, not having access to credit. It means insecurity, powerlessness and exclusion of individuals, households and communities. It means susceptibility to violence, and it often implies living on marginal or fragile environments without access to clean water or sanitation. (UN, 1998).

What causes a global poverty is a crucial issue. Most analysts would agree that there is no single root cause of all poverty everywhere throughout human history. However, even taking into account the individual histories and circumstances of particular countries and regions, there are significant trends in the causes of global poverty; they are both external and internal causes, both man-made and natural causes. They include the following:

- History (colonialisms)
- War and political instability
- National debt

- Discrimination and social inequality
- Vulnerability to natural disasters

Having seen the burden of poverty, many nations across the world have initiated various efforts in order to tackle the existence of poverty. Starting with globally there is Millennium Development Goals (MDGs) which intentionally is targeted for reducing poverty, hunger, diseases, illiteracy, environmental degradation and discrimination against women by 2015.

The government of Tanzania has initiated that effort by having “The National Strategy for Growth and Reduction of Poverty (NSGRP) and Poverty Reduction Strategy Paper (PRSP). The NSGRP is informed by the aspirations of Tanzanians Development vision (vision 2025) for high and shared growth, high quality livelihood, peace, stability and unity, good governance, high quality education and international competitiveness. Apart from that the government of Tanzania has enacted the National Microfinance Policy (NMFP) of 2000 in order to support the existence of Microfinance institutions as a way forward to reduce the level of poverty.

In recent years Microfinance institutions played a significant positive impact towards poverty reduction and enhancing development among the society. Microfinance has a very important role to play in development according to proponents of microfinance. UNCDF (2004) states that studies have shown that Microfinance plays three key roles in development.

- It helps very poor households to meet basic needs and protects against risks
- It is associated with improvements in households economic welfare
- It helps to empower women by supporting women’s economic participation and so promotes gender equity.

According to Otero (1999,P.10), Microfinance combats poverty by creating access to productive capital for the poor, which together with human capital, addressed through education and training and social capital, achieved through local organization building, enables people to move out of poverty.

Since banks have failed to reach the poorest population within nations, Microfinance emerged as a catalyst in order to cater the need of the marginalized people.

Microfinance: Global Perception

Microfinance has become an important component of development, poverty reduction and economic generation strategy around the world (Hulme & Arun, 2009). By the early 21st Century tens millions of people in more than 100 countries were accessing services from formal and semi formal Microfinance institutions (MFIs).

According to the UNCDF (2004) there are approximately 10,000 MFIs in the world but they only reach four percent of potential clients, about 30 million people.

Microfinance arose in the 1980s as a response to doubts and research findings about state delivery of subsidized credit to poor farmers. In the 1970s government agencies were the predominant methods of providing productive credit to those with no previous access to credit facilities, people who had been forced to usurious interest rates or were subject to rent seeking behaviour. Governments and International donors assumed that the poor required cheap credit and saw this as way of promoting agricultural production by small land holders.

Beginning in the mid 1980s, the subsidized targeted credit model supported by many donors was the object of steady criticism, because most programs accumulated large loan losses and required frequent recapitalization to continue operating. It became more and more evident that market based solutions were required. This lead to a new approach that considered microfinance as an integral part of the overall financial system. Emphasis shifted from disbursement of subsidized loans to target populations toward the building up of local sustainable institutions to serve the poor.

In Asia Dr. Mohamed Yunus of Bangladesh led the way with a pilot group lending scheme for land less people. This later became the Gramen Bank which now serves more than 2.4 million clients (Hulme & Arun, 2009). In Latin America ACCION International supported the development of solidarity group lending to urban vendors.

Microfinance in Tanzania

Microfinance in Tanzania began with NGOs and SACCOs (Savings and Credit Cooperative Society) in 1995 and has continued to grow with the increased success of microfinance internationally.

Beginning in 1995, Microfinance was mainly linked to women and poverty alleviation. The increased participation and contribution of MSEs has led to an increased need for financial services. Credit has been recognized as one of the tools for promoting the development of MSEs. Loans enable the individual member or enterprise to enjoy both benefits of economies of scale and those of new high-value technology. (Kessy & Urio, 2006).

The government tried to convince commercial banks to support small and medium businesses. Once the National Microfinance Policy was implemented in 2001, microfinance was officially recognized as a tool for poverty eradication and with its increased use and exposure to the country; banks have taken an interest in offering microfinance. The National Microfinance Bank is an institutional provider of microfinance services, and the AKIBA Commercial bank and CRDB Bank are also two big supporters of microfinance. There are additional organizations involved in microfinance in Tanzania, including FINCA, PRIDE and SEDA as well as the Tanzania Postal Bank. Community banks and small banks have taken an interest in this, as well as many NGOs and non-profit organizations.

A survey done by the Bank of Tanzania in 2005 (the overseer of microfinance under the Ministry of Finance) updated the directory of microfinance practitioners and includes basic information on microfinance institutions including commercial banks, financial institutions, financial Non-Governmental Organizations (NGO), Savings and Credit Cooperatives Societies (SACCOs) and Savings and Credit Associations (SACAs). The directory includes a total of 8 banks, 45 CBOs, 2 companies, 95 Government programs, 1,620 SACCOs, 48 SACAs and 62 NGOs.

Despite the recognition of the dynamic role of credit to small enterprises, few business owners and the poor in rural Tanzania have access to, and benefit from the available financial services. MFIs activities remain centered on urban areas. Operational performance demonstrates low loan payment rates and the capital structure reveals a high dependence on donor or government funding (Kessy & Urio, 2006).

The MFIs coverage is still very low compared to the country's total population of about 45 million people out of whom 80% live in the rural areas where the level of poverty is very high.

The study aimed to examine the practices of selected MFIs in the country, trying to find answer whether the current MFIs practices have any significant contribution in poverty alleviation. Following this introductory section is a statement of problem that prompted the researcher to undertake the study.

1.2 Statement of the Research problem

The introduction of MFIs in Tanzania is seen as the best alternative way of acquiring financial services for low income earners both in urban and rural areas as a way forward to raise their income, hence reducing their poverty level. The government of Tanzania has recognized the need for having micro-credit and other financial services to poor people as a way forward to eradicate poverty. In order to reach the objective, the Tanzanian government has developed strong financial system that can benefit majority of the people who are poor in urban and rural areas; this has been supported by enacting NMFP in the year 2001 which guide the operations of these microfinance institutions. However the practical situation has shown that these MFIs have limited coverage, poor organizational structures, high interest rate on loan, operational problems especially in SACCOS and some are donor driven. It should also be noted that most of the private MFIs do operate to meet their internal objectives which mostly is profit maximization as their first motives.

On the other hand Microfinance is currently being promoted as a key development strategy for promoting poverty reduction and empowerment of people economically. This is because of its potential to effectively address poverty by granting financial services to households who are not served by the formal banking sector. (Okibo and Makanga, 2014).

In a study done by Okibo and Makanga (2014) topic entitled "Effects of Microfinance Institutions on poverty reduction in Kenya", the study established that Microfinance is a strategy for poverty reduction and the way credit can reach the poor. If properly positioned, microfinance institutions are useful tools for poverty reduction. However, the respondents indicated some dissatisfaction with the current loan range.

In a study done by Kessy and Urio (2006) it was revealed to a large extent MFIs operation in Tanzania has brought about positive changes in the standard of living of people who access their services. Although some of the clients have not benefited, most MFIs clients have benefited positively. Despite the achievements of MFIs clients, most of them complained that, the interest rates charged by MFIs were very high, small amount of loan, weekly repayment was also mentioned to be a limiting factor, not only that but also the repayment schedule whereby it takes only a week to start making repayment after the disbursement of funds.

In addition to that, despite the role played by microfinance institutions but still there are so many people around one third of the whole population in Tanzania who are living below the poverty line in Tanzania.

So there are still unanswered questions, why poverty while there are so many microfinance institutions in Tanzania? This study therefore seeks to evaluate the current practices portrayed by these institutions and examine how they contribute towards poverty alleviation.

1.3 Objectives of the study

Basing on the research topic the main or general objective is to examine the contributions of microfinance institutions to poverty reduction in Tanzania the case study of Moshi Municipality.

1.4Specific objectives

The study focused on the following specific aspects:

i. To evaluate whether MFIs direct their services to the poor population (both in urban and rural areas)

ii. To evaluate whether conditions and procedures for credit favor the poor and low-income clients.
iii. To evaluate whether the target population receive adequate and timely MFIs services
iv. To evaluate whether the customers reached by these institutions improved their general performance in terms of growth, standard of living, creation of employment and generation of income.

1.5 Research Questions

This study was guided by the following research questions

i. Do MFIs direct their services to poor population (both in urban and rural areas?
ii. Do the conditions and procedures set by MFIs favor the poor and low-income earner clients?
iii. Does the target population receive adequate and timely MFIs services?
iv. To what extent do customers reached by MFIs improved their general performance in terms of growth, standard of living, creation of employment and generation of income?

1.6 Significance of the study

First, it is a fulfillment and award of Masters Degree in Corporate Management (MBA-CM) of Mzumbe University. Second, the study will recommend potential areas that MFIs need to put more efforts when delivering their services. Third, it will help to examine the relationship between MFIs and poverty reduction. (i.e. Is there any linkage between the role of MFIs and poverty reduction?). Fourth, it will be used as a stepping stone for further studies on the topic in case of any problem and other issues as considered appropriate. Fifth, the findings may also be used by MFIs and other financial institutions in order to establish good policies and regulations in order to reduce the burden of poverty for low income earners. Sixth, the study will help the researcher to fulfill the knowledge gap through findings.

1.7 Working Definitions

(i) **Microfinance Institutions:** Organizations that offer financial services to the very poor people.

(ii) **Contribution:** For the purpose of this study contribution simply means involvement of MFIs in reducing the level of poverty for low-income earners.

(iii) **Poverty reduction:** For the purpose of this study it means reducing the level of poverty (i.e. reducing inability of the low-income people to meet the basic needs of life

1.8 Limitations of the Study

Limitations of the study are those factors or conditions beyond the control of the researcher, which hinder one from obtaining the required data and may place restrictions on the conclusions of the study (Simba B, 2013). The limitations of the study are those characteristics of design or methodology that impacted or influenced the interpretation of the findings from your research. They are the constraints on generalizability application to practice, and/or utility of findings that are the result of the ways in which you initially chose to design the study and/or the method used to establish internal and external validity.

During the study the researcher encounter some few challenges such as unavailability or unwilling of the respondents to participate fully to provide some data and relevant documents. Also the researcher failed to get permission to collect data at BRAC office. Despite the limitations, the researcher tried at the best to overcome them and gather enough data for the remaining two MFIs as per research tasks and questions. Otherwise a huge number of targeted respondents participated fully to provide information by filling the questionnaires.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This part makes a review of concepts and theories related to the research problem. It also makes a survey of literature related to previous research findings with the aim of establishing the theoretical and empirical base of the research study. First, the researcher briefly provides the theoretical base of the study before embarking to empirical survey.

2.1.1 Microfinance Institutions (MFIs)

Microfinance is the provision of broad range of financial services such as deposits, loans, payment services, money transfer and insurance to poor and low income households and their micro enterprises (Kessy and Urio, 2006).

According to ledgerwood, J (2000), the term microfinance refers to the provision of financial services to low income clients including the self employees. Financial services generally include savings and credit; however some microfinance organizations also provide insurance and payment services. In addition to financial intermediation, many MFIs provide social intermediation such as group formation, development of self confidence, and training in financial literacy and management capabilities among members of a group. Thus the definition of microfinance often includes both financial intermediation and social intermediation. Microfinance is not simply banking, it is a development tool.

The term microfinance usually implies very small loans to low income clients for self employment, often with the simultaneous collection of small amounts of savings (Armendariz, B and Labie, M (2011). How we define "small" and "poor" affects what does and does not constitute microfinance. Microfinance is evidenced by its name clearly is about more than just credit, otherwise we should always call it microcredit.

2.1.2 Key Characteristics of Microfinance

According to Armendariz, B and Labie, M (2011) there are at least nine traditional features of Microfinance.

(i) Small transactions and minimum balances (whether loans, savings or insurance)

(ii) Loans for entrepreneurial activity

(iii)Collateral free loans

(iv)Group lending

(v) Focus on poor clients

(vi)Focus on female clients

(vii)Simple application processes

(viii)Provision of services in underserved communities

(ix)Market-level interest

2.1.3 Types of Microfinance Institutions

(i) Formal financial institutions

Are defined as those that are subject not only to general laws and regulations but also to specific banking regulation and supervision. They include public and private banks , insurance firms and finance companies.

(ii) Semi-formal institutions

Are those that are formal in the sense of being registered entities subject to all general laws including commercial laws, but informal in so far as they are, with few exceptions not under bank regulation and supervision. Examples are credit unions and cooperative banks, which are often supervised by a bureau in charge of cooperatives. (NGOs are considered part of the semi-informal sector, because they are often legally registered entities that are subject to some form of supervision or reporting requirements)

(iii) Informal financial intermediaries

They do operate outside the structure of government regulation and supervision. Are those to which neither special bank law nor general commercial law applies, nor whose operations are also so informal that disputes arising from contact with them often cannot be settled by recourse to the legal system? They include local money lenders, pawn brokers, ROSCAS, self help groups and NGOs as well as the savings of family members who contribute to the microenterprise.

2.1.4 Definition of Poverty

Poverty is the condition in which low income people cannot meet the basic needs of life (Okibo and Makanga, 2014).

What causes a global poverty is a crucial issue. Most analysts would agree that there is no single root cause of all poverty everywhere throughout human history. However even taking in to account the individual histories and circumstances of particular countries and regions, there are significant trends in the causes of global poverty; they are both external and internal causes, both man-made and natural causes. They include the following:

- **(i)** History (Colonialisms)
- **(ii)** War and political instability
- **(iii)** National debt
- **(iv)** Discrimination and social inequality
- **(v)** Vulnerability to natural disasters

2.1.5 Prevalence of Poverty in Tanzania

Based on the 2001 Household Budget Survey (HBS), some 36% of Tanzanians fell below the basic needs poverty line and 19% fell below the food poverty line. These results are slightly better than those of the 1991 HBS, but the decline in overall poverty and the rural poverty rate are not statistically significant. The exception to this is Dar-es-salaam where the percentage of the population below basic needs declined from 28% in 1990 to 18% in 2000/2001. Poverty in Tanzania remains primarily a rural phenomenon (source: HBS 200/01)

2.1.6 Strategic Planning to Reduce Poverty in Tanzania

Poverty in Tanzania is now a song of everyone, from the government leaders (political leaders) to households. Tanzania together with other developing countries has been struggling to reduce poverty. This has been reinforced by the Millennium Development Goals (MDGs) which intentionally is targeted for reducing poverty, hunger, c, illiteracy, environmental degradation and discrimination against women by 2015.

The government of Tanzania has initiated that effort by having "The National Strategy for Growth and Reduction of Poverty (NSGRP), together with Poverty Reduction Strategy Paper (PRSP). Apart from that the government of Tanzania has enacted the National Microfinance Policy (NMFP) of 2000 in order to support the existence of Microfinance institutions. The rationale behind for the enactment of the policy is therefore, to establish a basis for the evolution of an efficient and effective micro financial system in the country that serves the low –income segment of the society, and thereby contribute to economic growth and reduction of poverty. (Source: NMFP, 2000)

2.1.7 Microfinance Institutions and Poverty Alleviation

Microfinance 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.

The development of microfinance sector is based on the assumption that the poor possess the capacity to implement income-generating economic activities but are limited by lack of access to and inadequate provision of savings, credit and insurance facilities. This approach also breaks from the directed credit strategies by reducing the government involvement and paying close attention to the incentives that drive efficient performance.

The developments in micro financial have been based on a prototype delivery model that is considered the best answer to capture financial needs of the poor in various socio-economic and institutional systems. (Hulme, D and Arun, T. 2009)

Few recent ideas have generated as much hope for alleviating poverty in low income countries as the idea of microfinance. Microfinance promises both to combat poverty and to develop the institutional capacity of financial systems through finding ways to cost-effectively lend money to poor households. Poor households are typically excluded from the formal banking systems for lack of collateral, but the microfinance movement exploits new contractual structures and organizational forms that reduce the riskiness and costs of making small, uncollateralized loans. Microfinance programs have also demonstrated that even poor households can save in substantial quantities. Success stories are being written around the world, from Dhaka to Nairobi to La Paz.

Much of the enthusiasm rests on enticing “win-win” proposition. Microfinance institutions that follow the principles of good banking will also be those that alleviate the most poverty. (Morduch, J, 2000).

Otero, M (1999) illustrates the various ways in which Microfinance at its core combats poverty. She states that microfinance creates access to productive capital for the poor which together with human capital, addressed through education and training and social capital, achieved through local organisation building, enables people to move out of poverty. By providing material capital to a poor person their sense of dignity is strengthened and this can help to empower the person to participate in the economy and society.

However not all commentators are as enthusiastic about the role of microfinance in development and it is important to realize that microfinance is not a silver bullet when it comes to fighting poverty. Hulme and Mosley (1996), while acknowledging the role of microfinance can have in helping to reduce poverty, concluded from their research in Microfinance that “most contemporary schemes are less effective than they might be. They state that microfinance is not a panacea for poverty alleviation and that in some cases the poorest have been worse off by microfinance.

2.2 Review of studies done outside Tanzania

Studies on MFIs have been conducted in various countries all over the world. The findings from these studies are useful to new researchers on microfinance. Among the studies which had a significant contribution include the study by Okibo and Makanga (2014). In their study in microfinance and poverty in Kenya, Okibo and Makanga assessed the effects of microfinance institutions on poverty in Kenya. The study was conducted through descriptive survey design, the area of study was Pamoja Women Development Programme (PAWDEP) located in Kiambu County as a case study. The study employed both stratified and purposive sampling techniques. A total of three branches of PAWDEP were sampled, these branches include Kiambu, Thika and Limuru. The study established that Microfinance is a strategy of poverty reduction if properly positioned by providing training, localizing the business through expansion of business in remote areas to the poor and/or entrepreneurs, offering loans at reduced interest rates.

The study further proposed actions that appear to be promising for the further reduction of poverty in Kenya which can also be useful for other developing countries. These actions include: Improving technical and business skills of the poorest through training and loan utilization. This will enhance their business skills to use credit and establish market channels for their products. Another action is that MFIs should put in place micro-insurance schemes which could help clients to pool risks or share losses. Lastly, MFIs need to put a lot of care to ensure that income generating activities of their loan recipients are profitable and loan products appropriate.

Despite their contribution, their study has some weaknesses. The first problem is on the sample size which was only three microfinance institutions; this sample size might not be adequate for the generalizations above. Also the study does not indicate whether MFIs have been able to reach the targeted poor population.

Chowdhury and Bhuiya (2004, p.377) assessed impact of BRAC's poverty alleviation programme from a " human well being" perspective in a programme in Bangladesh where they examined seven dimensions of human well being. The project included the provision of Microfinance and training of clients on human and legal rights. They noted that the project led to better child survival rates, higher nutritional status, and improvement in the basic level of education and increased networking in the community. Children of BRAC clients suffered from far less protein-energy malnutrition than children of non-members, and the educational performance of BRAC members children was also high than that of children in non-BRAC households.

Robinson (2001) in a study of 16 different MFIs from all over the world, shows that having access to microfinance services has led to an enhancement in the quality of life of clients, an increase in their self confidence and has helped them to diversify their livelihood security strategies and thereby increase their income.

Therefore, various studies and findings indicate that microfinance can, and is having very positive and diverse impacts at a beneficiary level.

2.3 Review of studies done in Tanzania

Various studies related to the contribution of MFIs in poverty reduction have been conducted in Tanzania, among them is the work done by Kessy and Urio (2006). In their study, they evaluated the contribution of MFIs to poverty reduction in Tanzania. The study covered four regions namely Dar-es-salaam, Zanzibar (Urban West Region), Arusha and Mwanza. In their conclusion, to a large extent MFIs operation in Tanzania has brought about positive changes in the standard of living of people who access their services. Although some of the clients have not benefited, most MFIs clients have benefited positively. Despite the achievements of MFIs clients, most of them complained that the interest rates charged by MFIs were very high.

Other study on microfinance services in Tanzania was carried out by Temu, S. (2000). She examines micro-financing institutions and poverty alleviation in Tanzania: A review of current practices. The study was carried out in four regions namely, Dar-es-salaam, Mbeya, Arusha and Mtwara. The study aimed at investigating the MFIs practices in the mentioned regions and how these practices bear upon poverty alleviation particularly on the women borrowers.

From the conclusion it was observed that, for the MFIs to be able to contribute effectively to poverty alleviation they need to have well trained and equipped staff in Microfinance. Appropriate technical support is much needed particularly is the support of training programs of most of the MFIs. It was also noted that many of the existing MFIs provide small loans and successfully target women. The majorities however operate in urban and peri-urban areas and as a result they miss the poor.

From the review of work done by other researchers, researcher found that there was a strong need to study the schemes existing in Tanzania and see to what extent their operations contribute to poverty reduction in the country. From this study recommendations have being made which will be of beneficiary to both MFIS, clients and policy makers, through which a current existing scheme for poverty reduction will be restructured.

2.4 Conceptual framework

According to Msabila, D. T and Nalaila, S. G (2013) there are many ways to define a conceptual framework. It can be any or all of the following:

- A set of coherent ideas or concepts organized in a manner that makes them easy to communicate to others.
- An organized way of thinking about how and why a project takes place, and about how we understand its activities.
- The basis for thinking about what we do and about what it means, influenced by the ideas and research of others.
- An overview of ideas and practices that shape the way work is done in a project.
- A set of assumptions, values and definitions under which we all work together.

In principle conceptual framework consists of concepts that are placed within a logical and sequential design. It presents an illustration on how the study variables affect each other.

2.4.1 Variables

A variable is defined as a factor or a characteristic of interest that a researcher would like to handle, observe, investigate or manipulate in the research process so as to establish relationships between variables, e.g. sex, age, business performance, political situation, interest rate or even culture. It is therefore component of the research problem. (Adam J and Kamuzora, F. (2008). In other words, variables are anything can effect or change the results of a study. There are various ways of classifying variables: Some of the ways are as follows:

- Independent and dependent variables
- Extraneous, confounding and intervening variables

For the purpose of this study we shall deal only with three variables namely, independent, dependent and intervening variables.

- **Independent variable**

  Independent variables are variables that are manipulated in the experiment in order to determine its effect on the observed phenomenon (the problem that is being investigated). They do affect other variables and in manipulating these variables the researcher seeks to a cause or a resultant effect relationship, if it is present. (Msabila, D. T and Nalaila S. G. 2013)

- **Dependent variable**

  Dependent variables are the variables that are being measured throughout the experiment or the variables which appear or disappear or vary as a result of the variations in the dependent variables. The term dependent implies "it is influenced by the independent variable". (Msabila, D. T and Nalaila S. G. 2013)

  For example in geography for instance, the following statement is common "The higher the attitude the lower the temperature". In this example, height is an independent variable while temperature is dependent variable because we do not expect a change in temperature to influence the attitude.

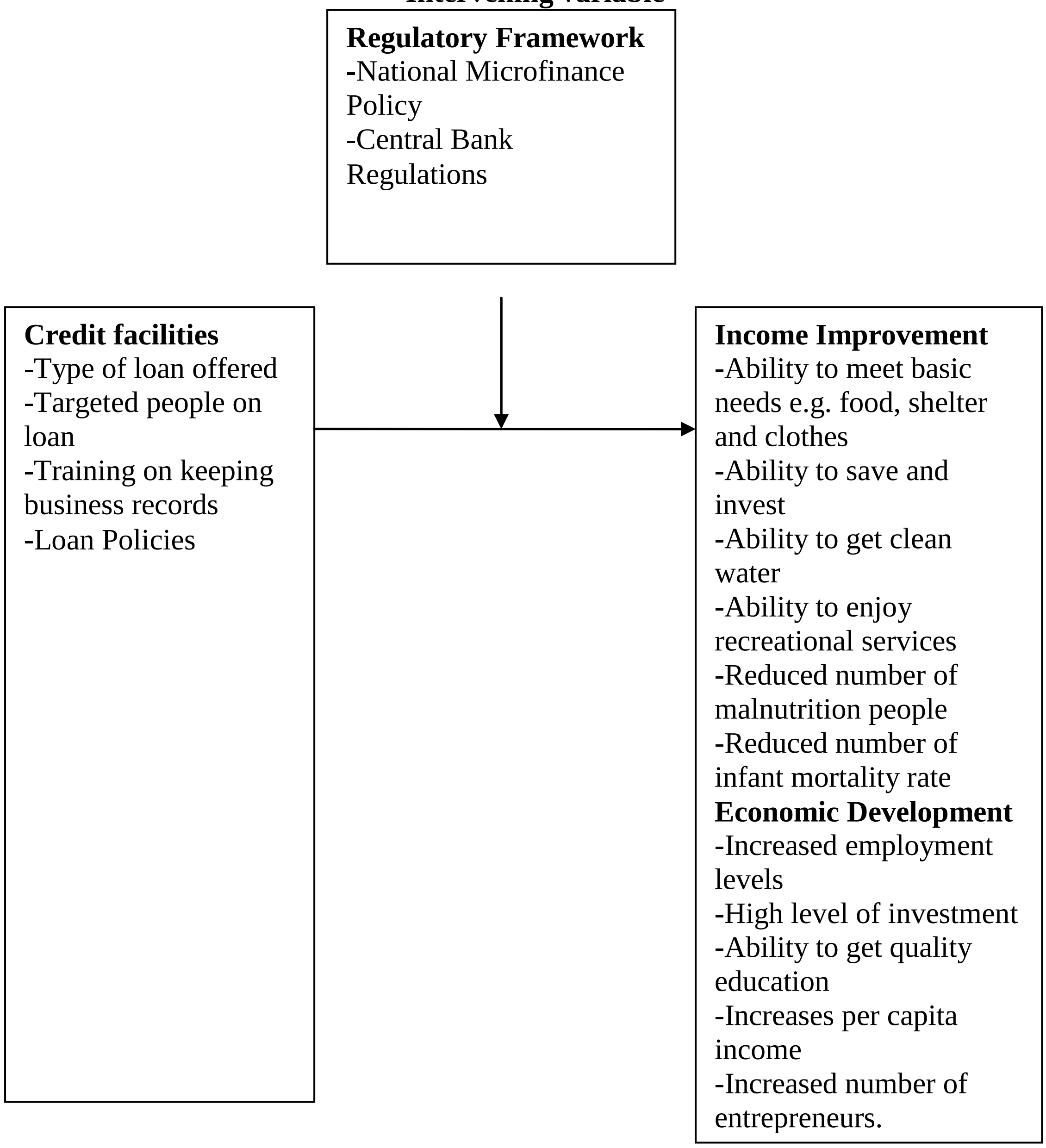
- **Intervening variable**

  Intervening variables are variables which can alter or mediate the results of the research. They are also called mediating or intermediary variable. These variables however are much difficult to control for. They include motivation, tiredness, boredom and any other factor that arises during the course of research. For example if one group becomes bored with their role in the research more so than the other group, the results may have less to do with the independent variables, and more to do with the boredom of the subjects (Msabila, D. T and Nalaila S. G. 2013)

In order to reveal the contribution of microfinance institutions in poverty reduction, the study strived to isolate the key variables mainly credit facilities, income improvement/reduced poverty, economic development and regulatory framework. These variables fall under three categories namely, independent variable, intervening variable and dependent variable. For the purpose of this study credit facilities were an independent variable, regulatory framework an intervening variable, income improvement and economic development were dependent variables as illustrated in figure 1.

Figure 1: Conceptual framework for the Contribution of Microfinance Institutions in Poverty Reduction

Intervening variable



Independent Variable **Dependent Variable**

Source: Research study 2015

From the conceptual framework portrayed above the researcher expected an improvement in income levels and economic development which is a result of credit facilities offered by the respective MFIs but without forgetting the regulatory framework of the country. This is bounded by the notion that if there is proper credit facilities (reasonable interest, good loan policies) offered to the target poor people there will be an improvement in income levels which in turn will go in line with an increase of economic development. Poor people will get an opportunity to invest using the available resources.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Research Design

The study used descriptive survey design. Both primary and secondary sources of data were used. Primary sources of data were generated from both MFIs clients and staffs. Also quantitative and qualitative data were applied to the study. Two sets of questionnaires were prepared, one for the clients and the other one for the staffs. Also an oral interview used to supplement the materials collected through questionnaires.

3.1 The Population and Sample Size

3.1.1. Respondent

The researcher conducted the study in Moshi Municipal Council of the Kilimanjaro region. The respondents were MFIs staff and clients of those selected MFIs so as to try to see if the level of poverty has been reduced through microfinance services particularly credit facilities. The table below shows MFIs Sampling.

Table 1: MFIs sampling

S/N	AREA/DISTRICTS	NO. of MFIs
1	Moshi Municipal Council	1 SACCOS (E.L.C.T SACCOS)
2	Moshi Municipal Council	1 NGOs (PRIDE)
	TOTAL	**2 MFIs**

3.1.2 Population Sample

In an attempt to examine the contributions of microfinance institutions to poverty reduction in Tanzania, the area of this study was in Moshi Municipality of Kilimanjaro Region. The study covered sample selection of (2) MFIs in Moshi Municipality namely E.L.T.C SACCOS and PRIDE. The choice of the area for study based on a deep of the problem in the district. The reason for the choice of an area is good performance of these organizations; the area is easily accessible near Moshi town, the common bond covers both women and men around Kilimanjaro region.

3.2 The Sampling Design and Sampling Procedures

A sampling design is a definite plan for obtaining a sample from a give population. It refers to the technique or the procedure the researcher would adopt in selecting items for the sample. Sample design is determined before data are collected (Kothari, C. R, 2004). Researcher prepared a sample design which was reliable and appropriate for his research study.

3.2.1 Sampling Design.

The researcher used both probability and non probability sampling designs in the study, where as MFIs clients were tested by using stratified random sampling and simple random sampling, for the side of staffs and administrators they were tested through purposive/judgemental sampling.

3.2.2 Sampling Procedure

The sample size of the respondents were classified into different groups contains elements of representative of the characteristics in the entire population in all MFIs so as to gather the information according to the locations and level of understand by using sampling technique procedures as follows.

3.2.2.1 Probabilistic Sampling Approach

Type of sampling techniques whereby the chance or probability of each case being selected from the population is known and is usually equal for all cases. (Saunders, M, et al, 2007). Under this approach the researcher considered only one technique as follows:

(a) Simple Random Sampling

In this technique, each member of the population has an equal chance of being selected. A total of 40 samples which is 80% of the total 50 sample were drawn from an entire population; this is for the case of MFIs clients. The remaining 20% was for the MFIs staffs which were 10 staffs only.

3.2.2.2 Non Probabilistic Sampling Approach

Type of sampling techniques whereby the probability of each case being selected from the total population is not known and it is impossible to answer research questions or to address objectives that require you to make statistical inferences about the characteristics of the population. (Saunders, M, et al, 2007). Under this approach the researcher has only considered one sampling technique as described below:

(a)Purposive Sampling

The researcher expected to meet a target group/MFIs staff and members in the work place, and business place and pick average group of people for purposive interview.

Figure 3 below shows distributions of the two categories of respondent sample size in Moshi Municipal Council in Kilimanjaro region.

Table 2: SAMPLE SIZE RESPONDENT = 50

S/N	KILIMANJARO	No. of MFIs	No of Staff	No of Members
1.	Moshi Municipal Council	1 SACCOS	5	20
2.	Moshi Municipal Council	1 NGO (PRIDE)	5	20
	TOTAL	**2**	**10**	**40**

3.3 Data Collection Methods and Instruments

The task of data collection begins after a research problem has been defined and research design/plan chalked out. While deciding about the method of data collection to be used for the study, the researcher should keep in mind two types of data which are primary data and secondary data (Kothari, C.R. 2004). For The purpose of this study the researcher considered both primary and secondary data.

In order to come up with reliable data on whether MFIs has led to poverty reduction in Tanzania the researcher has used and applied several methods in the collection of relevant data and information. This were comprised of different methods of data collection namely Questionnaires, Interview, and Observation for the case of collecting primary data, and Documentary Reviews were used for the case of collecting secondary data.

3.3.1 Questionnaire

For questionnaire method, two sets of questionnaires were prepared and distributed for the respondents, one for the MFIs clients and the other one for the MFIs staffs. The questions were of two types namely closed ended and open ended questionnaires.

3.3.2 Interview

A researcher used both structured and unstructured interview mainly at the office of those chosen MFIs. An interview was used to supplement the materials collected through questionnaires. The interview questions were prepared prior and arrangement was made to meet respondent at different time. The questions were also based on the research problem and objectives, also a researcher used group discussion to get more data and information.

3.3.2.1 Interview schedule

The researcher interviewed the MFIs staff and clients with the aim of getting more elaborative information necessary for the study. The researcher made a visiting schedule to MFIs offices as well as to the MFIs clients wherever the place to be found. The exercise was conducted during working hours.

3.3.3 Documentation Review

In order to come up with secondary data, the researcher made a thoroughly review of important documents in the MFIs offices like loan application forms, loan repayment schedules, loan policies, list of members borrowed money and other documents as seen necessary which could also gives data and information about the research problem and objectives.

3.3.4 Observation

A researcher also did make a direct observation to the credit department of the chosen MFIs so as to observe their daily routine during the course of offering loans to clients. This has helped to check control on validity and reliability of the data collected.

3.4 Processing and Analysis of data

The data, after collection, has to be processed and analyzed in accordance with the outline laid down for the purpose at the time of developing the research plan. This is essential for a scientific study and for ensuring that the researcher has all relevant data for making contemplated comparisons and analysis. The data were analyzed through editing, coding, classification and tabulation of collected data so that they are amenable to analysis.

3.4.1 Editing

Editing of data is a process of examining the collected raw data (especially in surveys) to detect errors and omissions and to correct these when possible. (Kothari C. R, 2004). As a matter of fact, the researcher made a careful scrutiny of the completed questionnaires and/or schedules from the respondents of MFIs staffs and clients. The researcher has done editing to assure that the data are accurate, consistent with other facts gathered, uniformly entered, as completed as possible and have been well arranged to facilitate coding and tabulation.

3.4.2. Coding

Coding refers to the process of assigning numerals or other symbols to answers so that responses can be put into a limited number of categories or classes. (Kothari C.R, 2004). The researcher ensured that such classes were appropriate to the research problem under consideration and also possesses the characteristic of exhaustiveness (i.e., there must be a class for every data item) and also that of mutual exclusively which means that a specific answer can be placed in one and only one cell in a given category set. Another rule which observed by the researcher is that of unidimensionality on which every class is defined in terms of only one concept.

3.4.3 Tabulation

The researcher has assembled mass data in some kind of concise and logical order. The researcher summarized raw data and displaying the same in compact form (i.e., in the form of statistical tables) for further analysis. In a broader sense, data were orderly arranged in columns and rows. For the purpose of this study, the type of tabulation was computer tabulation.

3.5 Research Quality Issues

Before data entry into computer a series of pretest were conducted, data scanning and scrutiny technique were employed from available questionnaires from respondents to examine and validate the research instruments so as to ensure content validity and reliability.

- **Validity**

One of the important aspects that should be addressed in research project is the issue of validity of research instrument(s). This means that once the research instruments are not valid, it means that the data will be collected will also be wrong and the findings as well as conclusions will be wrong too. **Validity** refers to the ability of a scale or tool to measure what is supposed to measure. (Msabila, D.T and Nalaila S.G, 2013). Validity can also be defined as the accuracy and truth of the data and findings that are produced.

To ensure validity the study employed the triangulation technique by using interviews, questionnaires and secondary data analysis concurrently and this was done through piloting of the data collection instruments used to collect data. The data collection instruments were designed in such a way that they measure attitudes and opinions of respondents towards MFIs credit services to the maximum degree possible. Issues developed from conceptual framework will be compared with issues obtained during interview and answers obtained from questionnaires so as to ensure construct validity, statistical analysis such as correlation will be used.

- **Reliability**

Data reliability is a cornerstone of making a successful and meaningful study. It is a measure of the degree or extent to which a research instrument yields consistent results of data after repeated trials. Reliability has to do with the quality of measurement. In its everyday sense, reliability is the “consistency” or “repeatability” of the researcher measures. In order to collect reliable data, the researcher designed the interviews and questionnaires through an elaborate procedure which involved a series of revisions under the guidance of the study supervisors to ensure that fieldwork was conducted by use of high quality data collection. Also quotes from interview and statement from questionnaires were used as references to ensure reliability. In order to measure internal consistency, researcher used Cronbach’s alpha method. Researcher used checklist of questions when making personal interviews with respondents so as to achieve data consistency and completeness.

3.6 Data Analysis

The descriptive and statistical analysis was conducted basing on data and information collected from primary and secondary sources on both MFIs staff and Clients from 2 different MFIs. Data analysis involved both qualitative and quantitative techniques.

Quantitative data were analyzed using the Statistical Package for Social Science (SPSS) software to compute percentages, tabulation and cross-tabulation of responses. SPSS was used because it can take data from almost any type of file and use them to generate tabulated reports, charts, perform descriptive statistics and conduct complex statistical analyses. Data which were collected qualitatively through interviews were summarized in tables for easy comparison and conclusion.

CHAPTER FOUR
FINDINGS AND DISCUSSION

4.0 Introduction

This chapter presents description and interpretation of the findings that have been collected during the study survey. The study aimed at examining the contribution of microfinance institutions to poverty reduction in Tanzania, case of selected three Microfinance Institutions (PRIDE, BRAC and E.L.C.T SACCOS) in Moshi Municipality in Kilimanjaro Region. However data has been collected only on two MFIs which were PRIDE and E.L.C.T SACCOS due to failure to get permission at BRAC office.

The chapter is divided in various sections which include presentation on the profile of respondents where data of the study were collected. The study also examined whether MFIs direct their services to the poor population (both in urban and rural areas) and whether conditions and procedures for credit favor these target groups, it also examined whether the customers reached by these institutions have improved their general performance in terms of growth, standard of living, creation of employment and generation of income.

4.1 Social Demographic characteristics of Respondents

4.1.1 Sex Distribution of the Respondent

Table 3, shows sex distribution of the respondents of the study, in research proposal the researcher expected to use a total of 75 respondents however only 50 respondents participated in this study, out 50 respondents who participated in this study 27(54%) were female while 23(46%) constituted by male respondents.

This indicates that both male and female participated in this study, and therefore findings of the study have been derived from the view from both groups which means the findings of the study are not gender biased since they obtained the facts from the respondents of the study.

Findings of the study however shows that, in E.L.C.T SACCOS and PRIDE where study was carried out the number of female membership/customers is larger compared to male, this is because majority of females nowadays have a huge responsibility in their families as compared to the previous time therefore they need to struggle hard to take care of their families. Also nowadays a large number of females are risk takers, therefore they engage in various number of business activities by taking loans. This is the major reason of discrepancies in membership status between male and female in most MFIs especially in areas where this study was carried out,

The researcher observed that a huge number of female clients are having access to credit as compared to male clients which in turn most of them who will be served from the poorest conditions are the female ones. (See, table 3)

Table 3: showing sex distribution of the respondents

Gender	**Frequency**	**Percentages (%)**
Male	23	46
Female	27	54
Total	**50**	**100**

Source: research findings 2015

4.1.2 Age of Respondents

The study assessed the age of respondents with the aim of establishing the level of understanding on the matter under investigation, study revealed that respondents whose age were between 26-36 were 14 (28%) followed by those with age between 37-47 who were 16(32%), those whose age were between 48-58 were 17 (34%), and finally 3(6%) of respondents whose age were above 58 years of age. The respondents provided researcher with different answers regarding matters that enabled researcher to obtain various answers for the study concerning credit facilities in respect to their livelihood like improvement in standard of living, growth of income, ability to meet their basic needs, few to mention.

From the age distribution the researcher revealed that most of the clients who are having access to credit are those with age below 58 years old because they are still energetic to engage in various economic activities. Therefore most of the clients who will be served from the poorest conditions are those with age below 58 years old as indicated in table 4 below.

Table 4: provides summary of age distribution of respondents

Age	No. of respondent	Percentages (%)
26-36	14	28
37-47	16	32
48-58	17	34
Above 58	3	6
Total	**50**	**100**

Source: *research findigs, 2015*

4.1.3 Marital status of the respondents

In the process of conducting the study the researcher had to examine the marital status of the respondents so as to establish the reasons which attracts them in joining those MFIs, findings of the study were as follows; of 35 respondents (70%) who participated in the study were married followed by 10 respondents (20%) who were single, and 5 respondents (10%) who were widowed.

Findings of the study indicates that majority of the clients for those MFIs are married, the notion behind is that it is easier to fasten the development when they are two (wife and husband), therefore they can easily share risks, advice each other on the matters concerning loan and even share loan repayment. Also there is a belief that when someone is married he/she uses the money wisely. Those few who have decided to join those MFIs believe that MFIs can help them to get out poverty through acquiring loans which are normally provided to the members/clients having met the requirements. They mentioned various reasons for applying for loans such as paying for school fees, increasing their capital, poultry, building activities and agricultural activities.

Therefore the researcher revealed that most of the clients who are having access to credit are those who are married and will be the ones to be empowered from the poverty line.

4.1.4 Education Level of respondents

The study assessed educational level of respondents to establish their level of understanding on the matters under investigation especially on the contributions of Microfinance Institutions to poverty reduction in Tanzania.

The findings were as follows, 17(34%) of respondents possess secondary education followed by 14(28%) of respondents with primary level of education, while 11(22%) have degree level of education, 5 (10%) have Diploma level of education, 2(4%) have high school level of education and finally 1(2%) possess other level of education which is NVTC LEVEL 1- ENGINEERING (VETA)

Findings of the study shows that, majority of respondents are those with secondary education and primary education, this is particularly for the clients. This has happened that majority of them fall under primary and secondary education because for the case of PRIDE every person is allowed to be a client regardless of level of education, but he/she must be 18 years and above, mental fit, has legal business, enrolled to a group (E.G). Also for the case of E.L.C.T SACCOS they don't consider the level of education for the clients. Respondents with Diploma and Degree level of education majority were in managerial position of the MFIs; this is because the MFIs set the employment criteria in every post starting from clerk, accountants, credit officers, managers, auditors, Chairperson, members of the body. In E.L.C.T SACCOS and PRIDE for one to secure the mentioned post he/she must fulfill all the requirements and this helped these SACCO's to perform to the expectation of its members since they are managed with qualified staff.

The study revealed that a huge number of clients who are having access to credit are those with primary and secondary level of education whereby in most of the cases they are not employed and therefore they need someone to support them to engage in various economic activities. This justifies that microfinance institutions have been able to support low income earners who are not having access to formal financial institutions.

Table 5: Showing education level of respondents

Level of Education	Frequency	Percentages (%)
Secondary education	17	34
Primary education	14	28
High school education	2	4
Diploma level of education	5	10
Bachelor Degree and above	11	22
Other	1	2
Total	**50**	**100**

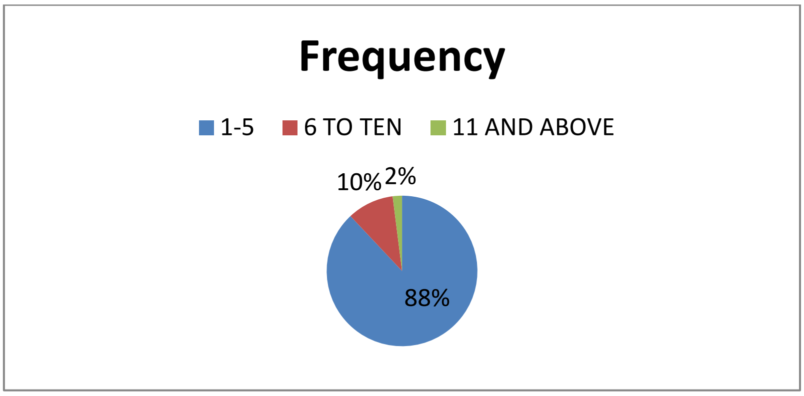
Source: *research findigs, 2015*

4.1.5 Household size

Study assessed the household size of the respondents which included staff as well as member of the studied SACCO's and PRIDE to investigate whether the household size has impact in membership status, respondents pointed the following, those whose family size is between 1-5 people were 44 (88%) of all respondents, followed by members with household size which constituted of 6-10 people in the family which form 5 (10%) and finally 1 (2%) of respondents whose household size is above 10 people.

Findings of the study shows that majority of members household size is between 1-5 people in the family and these are the ones who manages to invest enough shares and savings as well as contributions in the SACCO's and PRIDE which helps them to apply for reasonable amount of loan which can enable them to engage in various business activities.

Figure 2: Showing household Size



Source: *research findigs, 2015*

4.1.6 Sources of income for clients of the MMT SACCO's/PRIDE

Respondents were asked to mention source of their income which enable them to save their money in the SACCOS and PRIDE in terms of shares, deposits, savings and the response was as follows; 23(46%) of respondents mentioned their source of income is employment, while 22(44%) of respondents said they use business as their source of income, 3(6%) of respondents mentioned their sources of income as agriculture and finally 2(4%) said they use both employment and business as their main source of income.

Findings of the study however indicate that the main source of income for majority of the clients of the studied SACCOS and PRIDE are employment, and business. The remaining few of them fall under agriculture and the combination of both employment and business. Also findings from the research noted that majority of the clients of PRIDE are businessmen particularly small business people like food vendors, machin guys whose their security is group approach. An employment as source of income for the clients provides a good security for the MFIs which in turn enable them to be stable and sustainable in terms of the loan disbursed.

Table 6: Showing sources of income for respondents

Source of income	**frequency**	**Percentages (%)**
Employment	23	46
Business	22	44
Employment and business	2	4
Agriculture	3	6
Total	**50**	**100**

Source:*research findings, 2015*

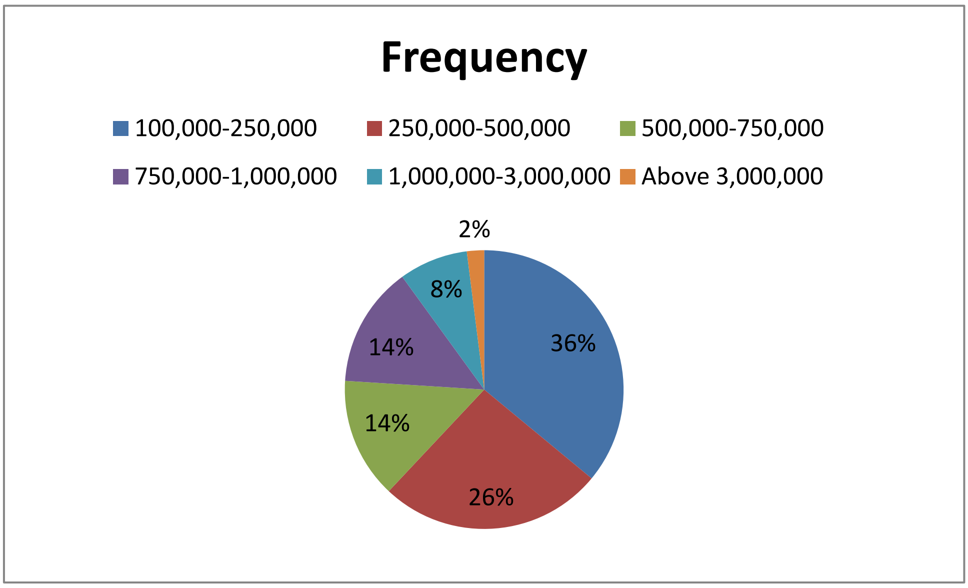
4.1.7 Respondent's Monthly income.

Researcher examined the monthly income among the clients of the SACCOS and PRIDE, this aimed at examining the kind of people who are being served by the respective chosen MFIs, where 18(36%) of respondents pointed out that their monthly income ranges between Tsh. 100,000/= to Tsh. 250,000/= per month, followed by 13 (26%) of respondents whose monthly income is between Tsh. 250,000/= to Tsh 500,000/= monthly, this category of respondents was followed by 7

(14%) of respondents who said their monthly income is between Tsh 500,000/= to Tsh. 750, 000/= per month, followed by 7 (14%) of respondents whose monthly income fall between Tshs. 750,000 to Tshs. 1,000,000, followed by 4 (8%) of respondents whose monthly income fall between Tshs. 1,000,000 to Tshs. 3,000,000 and finally 1(2%) of respondents who said his income is above Tshs. 3,000,000.

Findings of the study indicates that majority of clients of the SACCOS and PRIDE are low income earners whose monthly income ranges from Tshs. 100,000 to Tshs. 250,000 which is the main concern of the issue to be investigated by examining whether there are any contributions of Microfinance Institutions to poverty reduction in Tanzania.

Figure 3: Showing monthly income of respondents



Note: amount is presented in Tshs.

Source: *research findigs, 2015*

4.2 Research findings based on objectives

4.2.1 Research Objective number one-To evaluate whether MFIs direct their services to the poor population (both in urban and rural areas

Objective number one has been answered by the research question which stated that "Do MFIs direct their services to poor population? (Both in urban and rural areas)

Target people in offering loans

The study made thoroughly investigation to the staffs so as to know the targeted people who are being offered by these MFIs. The researcher got a chance to access the loan policies of these MFIs and compare the results with the questionnaires filled by the respondents. The respondents pointed the following outcomes: 5 respondents which are 50% indicated that the targeted population to receive their services involves the poor people who have no collateral (PRIDE Institution). The poor people under this group involve small business people of both male and female (Active Poor) The remaining 5 respondents which are 50% indicated that their targeted population involves both poor people and non poor people. (E.L.C.T SACCOS).

Findings of the study indicate that the poor people are being served by these MFIs particularly from PRIDE even though they have no collateral. The group approach and the money they deposit each week acts as collateral for each member. (See figure 4).

Apart from that the researcher observed that most of the clients who are being served from these MFIs are the ones who are staying around town areas because even the offices are located in towns.

Comparison with other study in chapter two

In a study carried out by Temu, S. (2000), she examined microfinance institutions and poverty alleviation in Tanzania: A review of current practices. It was observed that many of the existing MFIs provide small loans and successfully target women. The majority however operates in urban and peri-urban areas as a result they miss the poor.

Therefore the findings from the study are related with the work done by Temu, S. (2000) in terms of the place they operate but in terms of the targeted population the study was aimed at looking if Microfinance institutions have been able to alleviate poverty particularly to women, as opposed to this study which was aimed at evaluating the contribution of microfinance institutions to poverty reduction in Tanzania based on all poor people.

Figure 4: Showing the targeted people in offering the loans

Source: Research finding 2015

4.2.2 Research Objective number two- To evaluate whether conditions and procedures for credit favor the poor and low income earner clients.

Objective number two has been answered by the research question which stated that "Do the conditions and procedures for credit favor the poor and low-income earner clients?

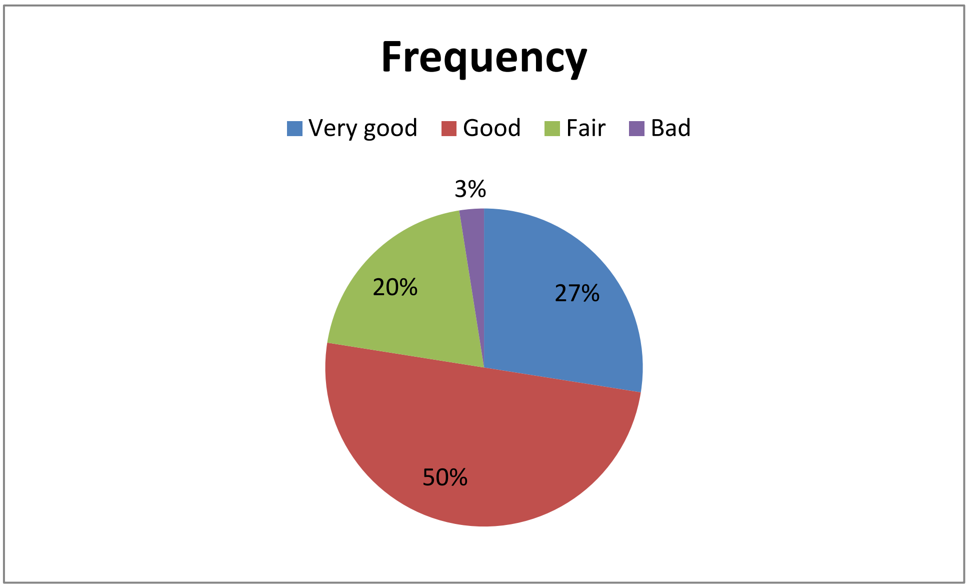
Conditions and Procedures of getting loan

Research examined the conditions and procedures of getting loan and analyse if there are favorable to most of the clients especially the poor people. The findings were as follows: 20 respondents which are 50% indicated that the conditions and procedures of getting loan were good, 11 respondents which are 27% indicated that the conditions and procedures were good, 8 respondents which are 20% indicated that the conditions and procedures were fair and lastly 1 respondent indicated that the conditions and procedures were bad.

Findings of the study indicates that majority of the clients have shown a large response that the conditions and procedures fall under the scale good and very good, this shows a positive indicator that most of the clients are satisfied with the current arrangements of those MFIs in respect to the conditions and procedures in getting loan.

Despite that many clients have shown some kind of dissatisfaction with the current loan range whereby they are supposed to start with small amount of loan which is Tshs. 300,000 for PRIDE clients. Therefore it is not possible to start with a large loan.

Figure 5: Conditions and Procedures of getting loan



Source:*Research finding, 2015*

Comparison with other study in chapter two

In a study done by Kessy and Urio (2006), a new client is required to start with a small amount of loan and after repayment of this loan the clients graduates to receiving the next higher loan amount. This process has been observed to be a limiting factor especially for new clients who seek large loans.

Among the 352 clients surveyed, 52.6% had applied for big loans and had to offer collateral to secure the loans. This condition had hindered some small business owners from accessing large loans and which led to them being unable to expand their business. This kind of collaterals required include houses, cars and some expensive durable assets like TV and refrigerators which most low income earners cannot afford.

4.2.3 Research objective number three- To evaluate whether the target population receives adequate and timely MFIs services

Objective number three has been answered by the research question number three which stated that "Does the target population receive adequate and timely MFIs services?

Do clients get adequate loan on time?

Study made assessment to see if the clients do receive the loan on time so that they can be able to fulfill the intended purpose of the loan requested/applied. The scale only based on clients so to avoid self defense mechanism from staffs whereby they may rely on themselves by giving positive answers. Respondents pointed the following; 36 respondents which is 90% indicated "Yes", 2 respondents which is 5% indicated "No" and lastly 2 respondents which is 5% indicated "Never taken a loan".

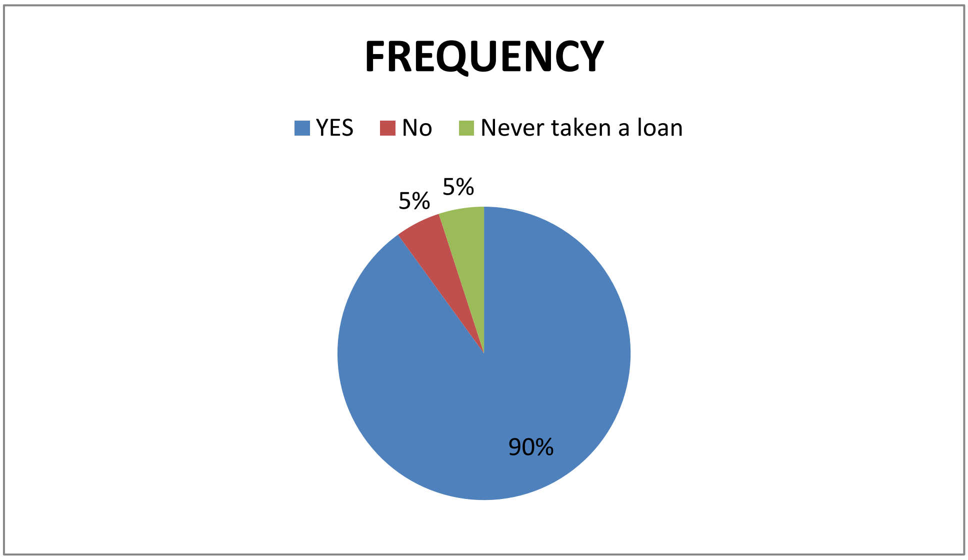
Therefore through these findings, the research concluded that most of the clients do receive adequate loan on time.

Despite most of the clients said that they receive adequate loan on time, the researcher observed that it takes 90 days for the new clients to get a loan, this is particularly for E.L.C.T SACCOS. This was observed on loan policies.

Comparison with other study in chapter two

In a study done by Kessy and Urio (2006), the findings revealed that the process of application for loans starts with small amount of loan and after repayment the client can apply for next higher amount. This process was observed to be a limiting factor for those customers who needed a large amount right from the beginning. This is true because it takes unnecessarily long time for those seeking large loan to obtain enough funds to meet their needs.

Figure 6: Showing if clients get adequate loan on time



Source:*Research finding, 2015*

4.2.4 Research objective number four-To evaluate whether the customers reached by MFIs have improved their general performance in terms of standard of living, creation of employment and generation of income.

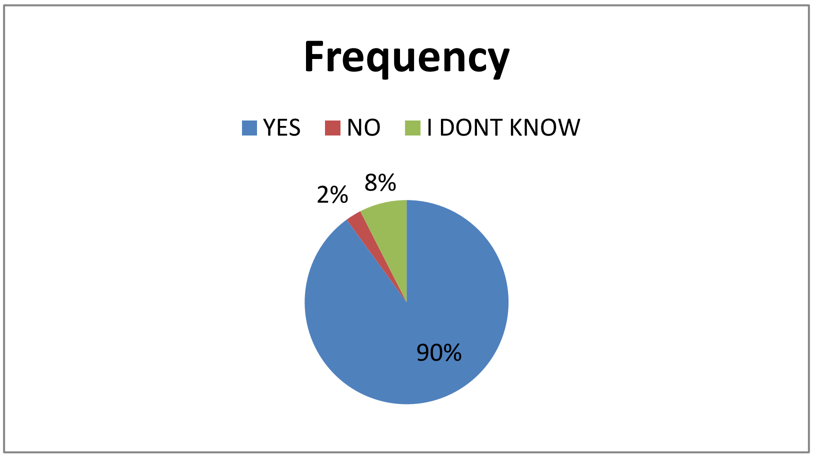
This has been answered by the research question "To what extent do customers reached by MFIs improved their general performance in terms of growth, standard of living, creation of employment and generation of income. This was supported by the following questionnaires:

Are there any differences in growth of income before and after acquiring loan?

Research examined on whether there are any differences in growth of income from the perspective views of clients before and after getting loan, the notion behind is that if there is any growth of income it is one of the indicator to reduction in level of poverty among clients. The respondents pointed the following outcomes: 36 respondents which is 90% indicated "Yes" that there are differences in growth of income as a result of profit they get from their business, 3 respondents which is 8% indicated that they don't know their status level before and after acquiring loan from those MFIs and lastly 1 respondent which is 2% indicated "No" that he has not noticed any differences in growth of income after acquiring loan.

Finding of the study revealed that majority of the clients have benefited positively by increasing their level of incomes through loan acquired, this has enabled them to reduce their level of poverty. (See figure 7)

Figure 7: Showing if there are any differences in growth of income before and after getting loan



Source:*Research finding, 2015*

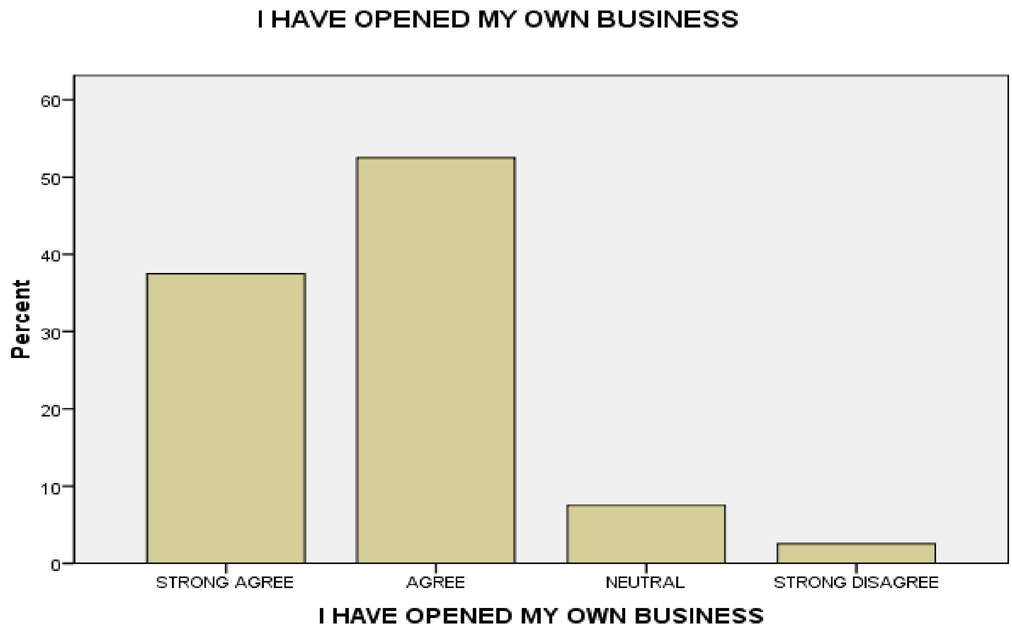
Through loan I have opened my own business (creation of employment)

The study aimed at examining if the loans acquired by those clients have helped them to create employment by opening business. The notion behind is that by opening business it creates employments hence enabling people to earn money hence reduce their level of poverty.

The outcomes from the respondents were as follows: 15 respondents which is 37% indicated "Strong agree" that through loan they have opened their own business, 21 respondents which is 52% indicated "Agree", 3 respondents which is 8% indicated "Neutral" and lastly 1 respondent which is 3% indicated "Strong disagree". (See figure 8)

Through the findings it's clear that the specific objectives number (iv) which aimed at "evaluating whether the customers reached by these institutions improved their general performance in terms of growth, standard of living, creation of employment and generation of income" have got an answer with particularly to creation of employment. This is evidenced by a large percentage of clients agreed and strong agreed that they have opened their own business.

Figure 8: Showing if clients have opened their business by acquiring loan services from MFIs



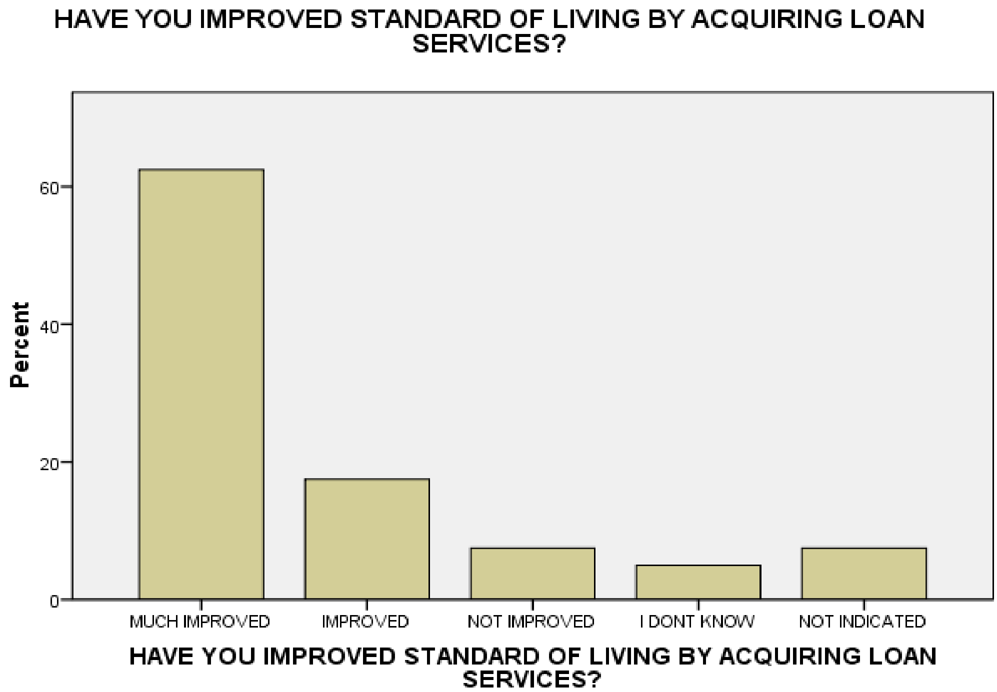
Source: Research findings 2015

Have you improved standard of living by acquiring loan services?

The study investigated to whether clients have improved their standard of living through loans applied by them. The scale to measure ranged from much improved, improved, not improved, I don’t know and not indicated. An evaluation also was aimed to cover specific objectives number (ii). The outcomes were as follows: 25 respondents which is 66% indicated “Much improved”, 7 respondents which is 18% indicated “Improved”, 3 respondents which is 8% indicated “Not improved”, 2 respondents which is 5% indicated “I don’t know” and lastly 3 respondents which is 3% “Not indicated”

Therefore the findings revealed that a large number of clients have improved their standard of living, this also have evidenced by asking clients what kind of improvement have they got, whereby some of them have managed to buy sites, building their houses, buying cars, sending their children to nice schools, ability to get basic needs like food, shelter, clothes and clean water, ability to get proper medical services, few to mention. (See figure 9)

Figure 9: Showing if clients have improved standard of living by acquiring loan



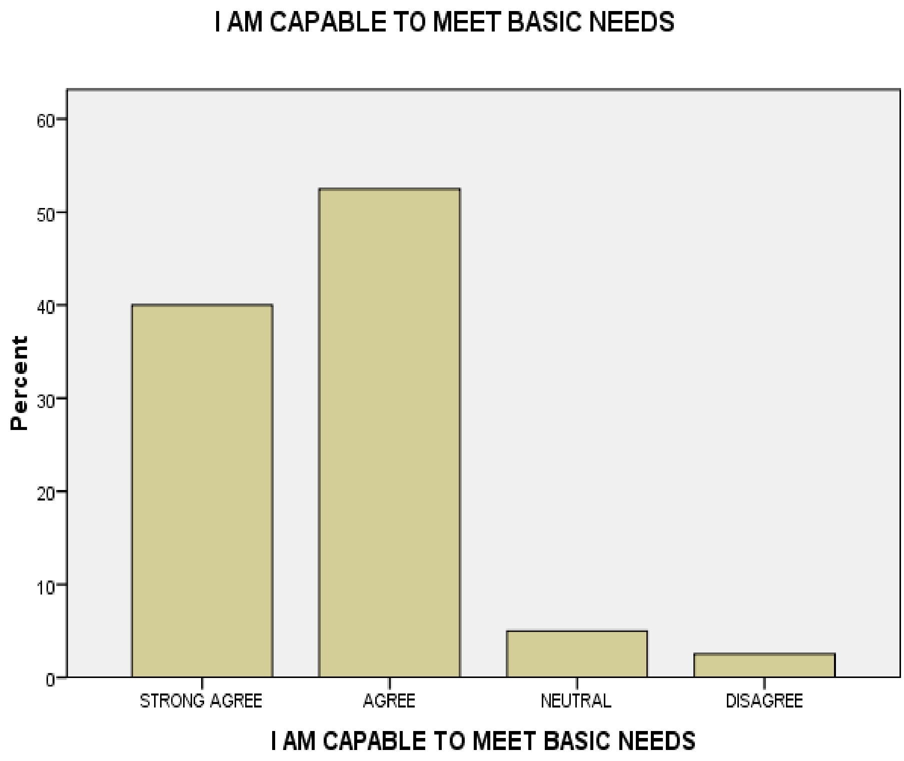
Source: Research findings 2015

Through loan I am capable to meet basic needs

Respondents of the study particularly the clients were asked to point out if they are capable to meet basic needs after acquiring loan services from those MFIs. Meeting basic needs is one among the indicators if someone wants to see if the level of poverty has been reduced. The respondents pointed the following outcomes: 16 respondents which is 40% indicated “Strong agree” that they are capable to meet basic needs after having applied for loan, 21 respondents which is 52% indicated , “Agree” 2 respondents which is 5% indicated “Neutral” and lastly 1 respondents which is 3% indicated “Disagree”.

Therefore through findings the research concludes that majority of the clients are capable to meet their basic needs. (See figure 10)

Figure 10: Showing if clients are capable to meet their basic needs



Source: Research findings 2015

Comparison with other study in chapter two

In a study done Kessy and Urio (2006), they evaluated the contribution of MFIs to poverty reduction in Tanzania. In their conclusion, to a larger extent MFIs operation in Tanzania has brought about positive changes in the standard of living of people who access their services. Although some of the clients have not benefited, most MFIs clients have benefited positively.

Robinson (2001) in a study of 16 different MFIs from all over the world, shows that having access to microfinance services has led to enhancement in the quality of life of clients, an increase in their self confidence and has helped them to diversify their livelihood security strategies and thereby increase their income.

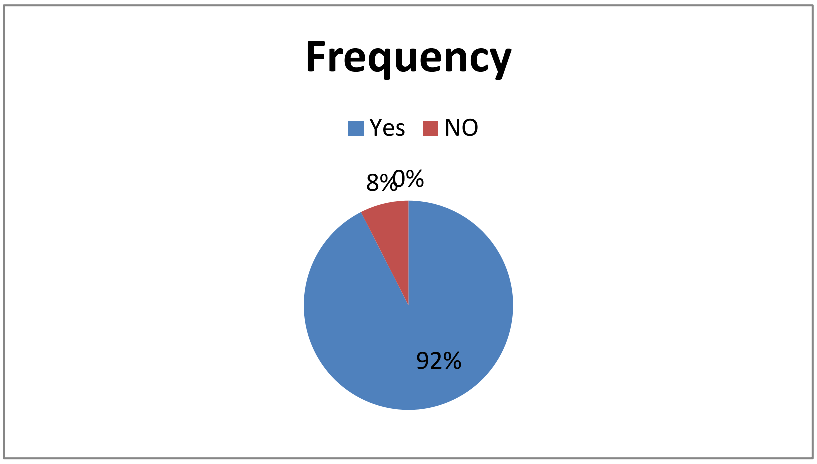
Hulme and Mosley (1996), while acknowledging the role of microfinance can have in helping to reduce poverty, concluded from their research in Microfinance that "most contemporary schemes are less effective than they might be. They state that microfinance is not a panacea for poverty alleviation and that in some cases the poorest have been worse off by microfinance.

4.3 Credit services

4.3.1 Have you ever asked for a loan?

Respondents of the study particularly 40 clients leaving aside 10 respondents who were employees were asked to point out if they have taken loan from those MFIs, basically the aim was to know whether they have access to credit facilities which is the way forward to engage in various economic activities hence reducing poverty level. From the study among 37 respondents which is 92% have taken loan from E.L.C.T SACCOS and PRIDE, 3 respondents which is 8% has not taken loan. The findings indicates that most people are trying their level best to move forward from the poorest status to the conducive environment by acquiring credit services from the MFIs.

Figure 11: Showing number of clients who have taken loan and those who **haven't**



Respondents

Source: *research findigs, 2015*

4.3.2 Why did clients take loan from PRIDE and E.L.C.T SACCOS

In the process of assessing the contribution of Microfinance Institutions to poverty reduction in Tanzania researcher had to investigate the reasons which forced those clients to apply for a loan and link if they are directly on the same route to reduce the level of poverty in Tanzania. Through findings the following outcomes came up: 26 respondents which is 65% applied for business loan, 5 respondents which is 12%

applied for education loan, 5 respondents which is 12% applied for building loan, 3 respondents which is 8% applied for agricultural loan and finally 1 respondent which is 3% applied for emergence loan.

Findings of study revealed that a huge number of clients applied for business loan, followed by education and building loan, agricultural and emergence loan. Therefore it shows that most of the clients are engaging in economic activities rather than none economic activities which in turn might increase their level of income, improve standard of living and creation of employment.

Table 7: Showing types of loans applied by clients

Types of loan applied	Frequency	Percentages (%)
Business loan	26	65
Education loan	5	12
Building loan	5	12
Agricultural loan	3	8
Emergence loan	1	3
Total	**40**	**100**

Source: *Research finding, 2015*

4.3.3 Interest rate charged on loan

Researcher investigated on various clients and sees what rate is charged on loan per annum and tries to look upon if clients do know the rate of interest charged on loan they have applied. The findings were as follows: 17 respondents which is 43% indicated that they don't know the interest rate, 15 respondents which is 37% indicated that the interest rate ranges between 11%-15%, 7 respondents which is 18% indicated that the interest rate is above 15% and lastly one respondent which is 2% indicated that the interest rate ranges from 6%-10%.

Therefore from the findings it's clear that most of the clients they do take loan without knowing the level of interest charged on their loans, this has been evidenced by 43% of respondents indicated that they don't know the level of interest charged on loan (see table 8).

Table 8: Showing interest rate charged on loan

Rate of interest (%)	Frequency	Percentages (%)
6-10	1	2
11-15	15	37
15 and above	7	18
I don't know	17	43
Total	**40**	**100**

Source: *Research finding, 2015*

4.3.4 Is the interest rate charged on loan reasonable?

Respondents (mainly clients) were asked to indicate if the interest charged on loan is reasonable because this has direct relatioship in eradicating the level of poverty, this is true because if the interest charged on loan is high many of the clients will fail to repay their loan or they will find themselves being an agent of those MFIs without benefiting anything. The outcomes were as follows: 17 respondents which is 42% indicated "Yes" that the interest rate is reasonable, 22 respondents which is 55% indicated "No" that the interest rate is not resonable and lastly 1 respondent which is 3% indicated that "I don't know".

Findings of the study revealed that most of the clients claimed that interest rate charged on loan is not reasonable which in most cases make them more difficult to make loan repayment. (See, table 9)

Table 9: Showing if the interest rate charged on loan is reasonable

Rate of interest is reasonable	Frequency	Percentages (%)
Yes	17	42
No	22	55
I don't know	1	3
Total	**40**	**100**

Source: *Research finding, 2015*

4.3.5 Members Perception on Credit Services

Under this section the researcher tried to get different overviews from clients regarding the credit services they get from those MFIs (PRIDE and E.L.C.T SACCOS). The scale to measure ranges from strong agree to strong disagree.

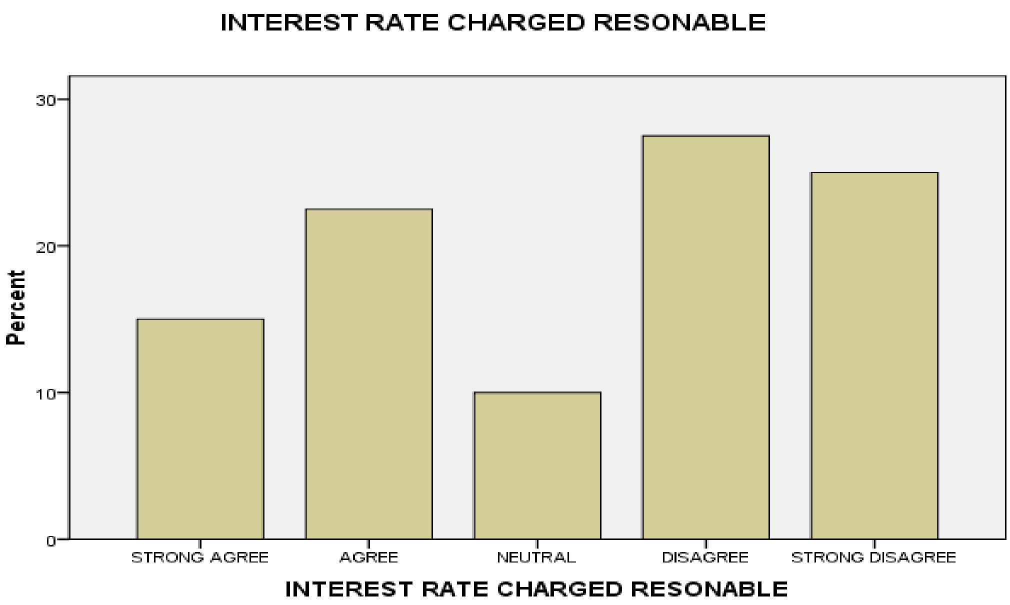
4.3.5.1 Interest rate charged on loan is reasonable

Respondents (mainly clients) were asked to indicate their degree of acceptance if the interest charged on loan is reasonable, because this has direct relatioship in eradicating the level of poverty, this is true because if the interest charged on loan is high many of the clients will fail to repay their loan or they will find themselves being an agent of those MFIs without benefiting anything.

The outcomes were as follows: 6 respondents which is 15% indicated "Stong agree" that the interest rate is reasonable, 9 respondents which is 22% indicated "Agree" that the interest rate is resonable, 4 respondents which is 10% indicated "Neutral", 11 respondents which is 28% indicated "Disagree" and lastly 10 respondents which is 25% indicated t"Strong disagree" that they do not agree that the rate of interest is reasonable.

Findings of the study revealed that most of the clients claimed that interest rate charged on loan is not reasonable which in most cases make them more difficult to make loan repayment. This is particularly to PRIDE clients whereby the rate of interest charged on loan is 30% per annum (See, figure 12)

Figure 12: Showing if the interest rate charged on loan is reasonable



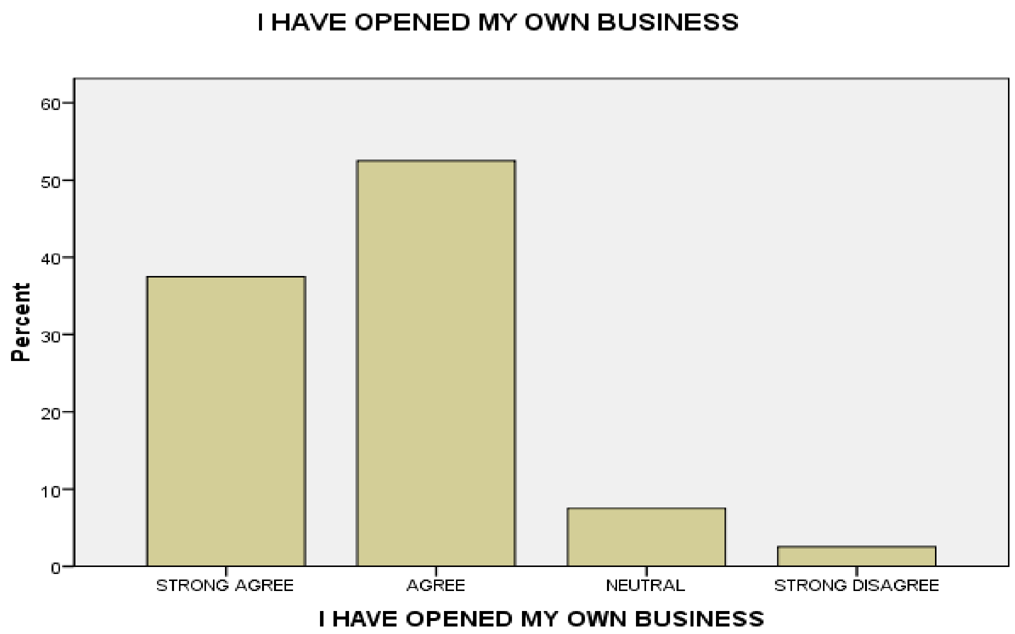
Source: Research findings 2015

4.3.5.2 Through loan I have opened my own business

The study aimed at examining if the loans acquired by those clients have helped them to create employment by opening business. The notion behind is that by opening business it creates employments hence enabling people to earn money hence reduce their level of poverty.

The outcomes from the respondents were as follows: 15 respondents which is 37% indicated “Strong agree” that through loan they have opened their own business, 21 respondents which is 52% indicated “Agree”, 3 respondents which is 8% indicated “Neutral” and lastly 1 respondent which is 3% indicated “Strong disagree”. (See figure 13)

Figure 13: Showing if clients have opened their business by acquiring loan services from MFIs



Source: Research findings 2015

4.3.6 Challenges associated with loan Acquisition

The research investigated various challenges that clients faced during acquiring of loan in engaging in business activities. The rationale behind is to enable the researcher to make some recommendations so that clients will be able to get proper credit facilities which in turn they will move from one stage to another hence reducing the level of poverty of Tanzania. The respondents pointed the following challenges: 14 respondents which are 35 indicated that the big challenge is small gestation period, 11 respondents which are 28% indicated their challenge as small amount of loan, and this is particularly for PRIDE clients whereby the startup loan is only Tshs. 300,000, 9 respondents which are 23% indicated that they don't know any challenge, 3 respondents which are 7% indicated that they have got a loss, 2 respondents which are 5% indicated other challenges (high interest rate, amount of insurance for the loan acquired is high, some of the borrowers who have been guaranteed disappear without paying which creates burden to guarantors), 1 respondent which is 2% indicated high returns/high pay back. (See table 10)

Table 10: Table showing challenges associated with loan acquisition for business

Challenges	**Frequency**	**Percentages (%)**
Getting a loss	3	7
High returns/high pay backs	1	2
Small amount of loan	11	28
Small gestation period	14	35
I don't know	9	23
Others	2	5
Total	**40**	**100**

Source:*Research finding, 2015*

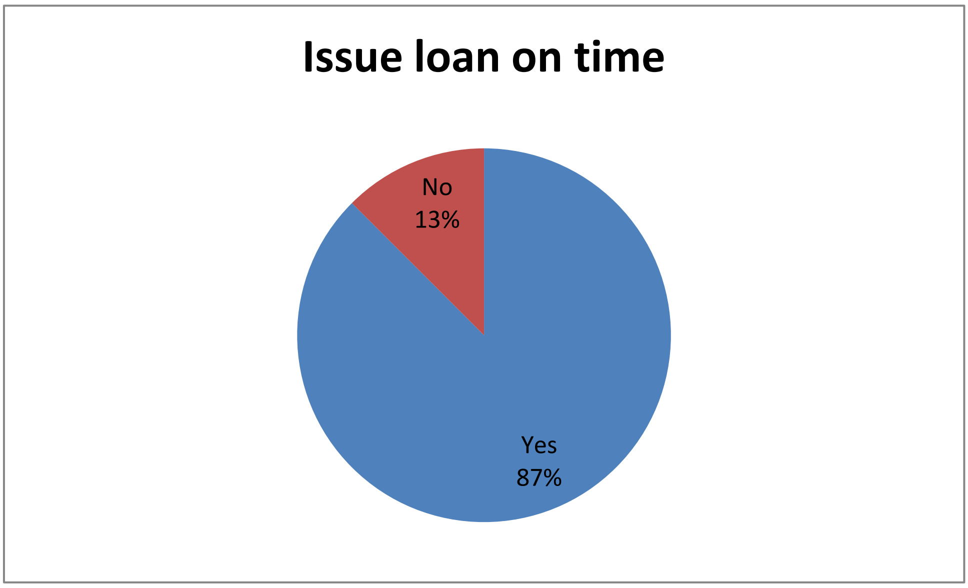
4.3.7 Ways on which MFIs can help in reducing poverty

Respondents were given a chance to express their views on various ways on which these MFIs can act in order to enable clients to reduce the level of poverty in Tanzania. The respondents pointed the following suggestions:

- Issue loan on time

35 respondents which are 87% suggest that in order to reduce the level of poverty MFIs must provide loan on time so that clients will be able to fulfill their demands on time. 5 respondents which are 13% did not agree that by issue loan on time it will enable them to reduce the level of poverty. (See figure 14)

Figure 14: Showing the extent to which if loan issued on time poverty level will be reduced

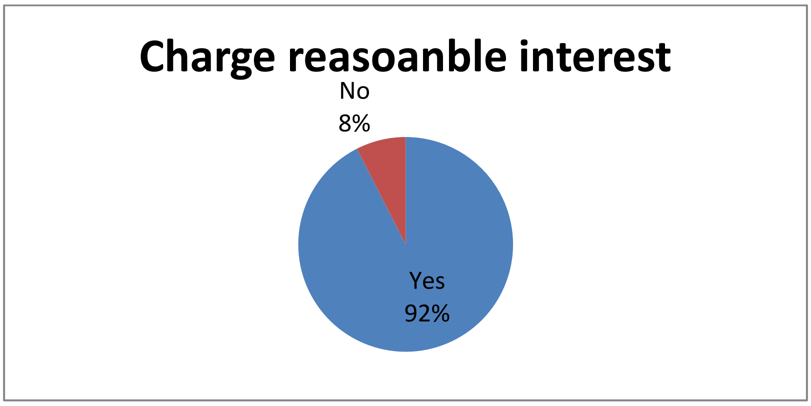


Source: Research finding 2015

- Charge reasonable interest

37 respondents which are 92% suggest that in order to reduce the level of poverty MFIs must charge reasonable interest so that they will be able to make repayments with minimum effort. 3 respondents which are 8% did not agree that by charging reasonable interest it will enable them to reduce the level of poverty. (See figure 15)

Figure 15: Showing the extent if interest charged is reasonable it will help clients to reduce the level of poverty.

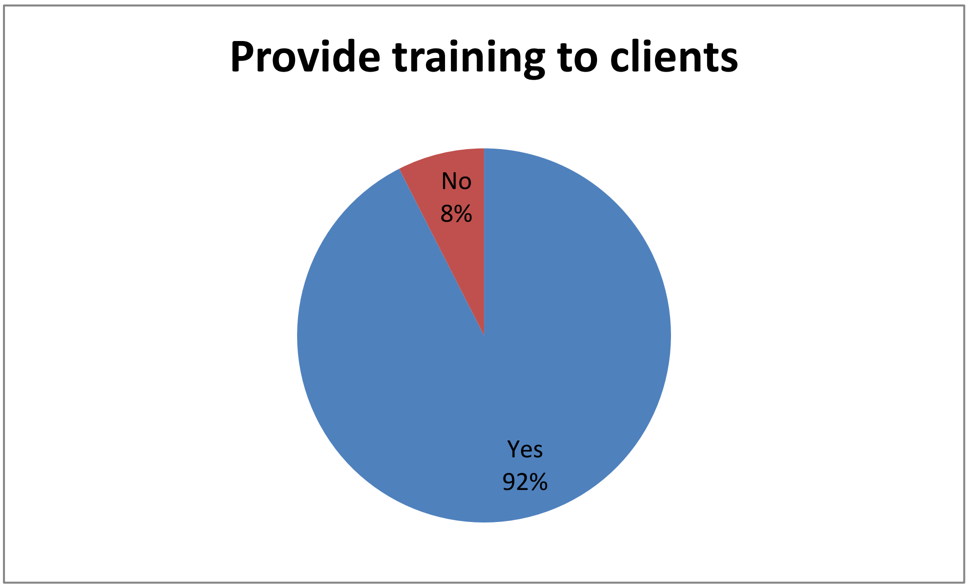


Source: Research finding 2015

- Provide Training to clients

37 respondents which are 92% suggest that in order to reduce the level of poverty MFIs must provide training to clients so as to improve business skills, enabling them to make write-ups. 3 respondents which are 8% did not agree that by providing training to clients it will enable them to reduce the level of poverty. (See figure 16)

Figure 16: Showing the extent to which if training is provided to clients will enable them to reduce the level of poverty.



Source: Research finding 2015

Other ways suggested by clients

- Revise their loan policies
- Visit the project of new clients and advice them accordingly

4.3.8 Clients opinions about Microfinance as a poverty reduction tool

Qualitative data from open ended questions as well as structured and unstructured interviews from the clients concerning their opinions on microfinance institutions as a way to reduce poverty helped come up with interesting results. For example 10 customers who had benefited from the loans indicated that Microfinance Institutions are the best. For example one E.L.C.T clients who was sampled said that "E.L.C.T SACCOS is like a mother and father to me, because through this institutions I have sent my children to nice schools, engage in poultry business, living in a nice house, have 5 dairy cows, I have managed to buy my own spacio car and not only that but throughout the time I am capable to meet basic needs for my family” The statement shows how important Microfinance is since that recipients business has expanded. It was further observed that MFIs had brought a lot progress thus uplifting the living standards of poor as mentioned by a huge number of clients

4.3.9 Roles played by MFIs in reducing the level of poverty for the clients

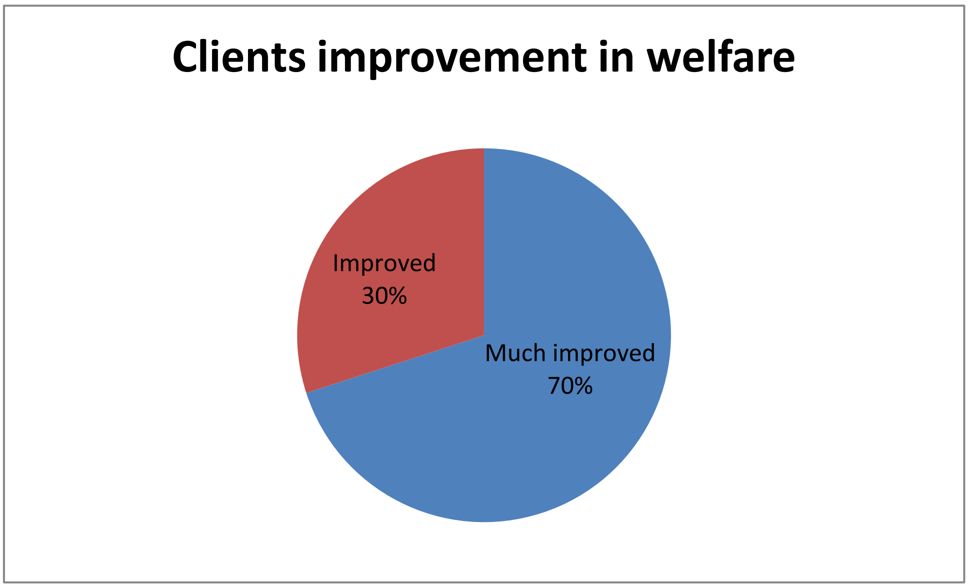
From the study it was observed that Microfinance Institutions play a big role in reducing the level of poverty in Tanzania. Through discussion with the employees, the following roles were mentioned:

- Provide easily accessible loans which are almost collateral free except for bigger loans (for the case of PRIDE)
- Offering loans to small business people who have no access to banks
- Provide training to clients before and after taking loan
- Issue loan on time
- Provide network of branches which reached almost throughout the country (PRIDE)

4.3.10 Employees Perception about the welfare of members before and after acquiring loan

The research also went too far by asking employees about the welfare of their clients before and after acquiring loan. The scale was ranged from much improved to not improve. They pointed out the following outcomes: 7 respondents which are 70% indicated that most of the clients have improved much, 3 respondents which are 30% indicated that clients have improved. Therefore from the side view of employees it can be seen that a huge number of clients have been able to improve their welfare to a greater extent. (See figure 17)

Figure 17: Showing clients improvement in welfare after acquiring loan (Employee's perception)



Source: Research finding 2015

4.4 Exploration of relationships

4.4.1 Regression analysis

Table 11 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.647[a]	.418	.387	.538

a. Predictors: (Constant), LOAN RECEIVED ON TIME, HAVE YOU EVER ASKED FOR A LOAN

b. Dependent Variable: I AM CAPABLE TO MEET BASIC NEEDS

Table 12 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.692	2	3.846	13.288	.000[a]
	Residual	10.708	37	.289		
	Total	18.400	39			

a. Predictors: (Constant), LOAN RECEIVED ON TIME, HAVE YOU EVER ASKED FOR A LOAN

b. Dependent Variable: I AM CAPABLE TO MEET BASIC NEEDS

Table 13: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.277	.365		.759	.452
HAVE YOU EVER ASKED FOR A LOAN	.655	.337	.254	1.940	.060
LOAN RECEIVED ON TIME	.405	.101	.526	4.013	.000

a. Dependent Variable: I AM CAPABLE TO MEET BASIC NEEDS (Poverty reduction)

The data were analyzed by multiple regression using independent variables, "Have you ever asked for a loan and loan issued on time", and dependent variable "clients are capable to meet their basic needs (poverty reduction)". In general the regression model was very poor (R-Square=41.8%) but the overall relationship was significant (F=13.288, P<0.05).

The table provides the effects of individual predictor variable (Microfinance activities) on the dependent variable clients are capable to meet their basic needs (poverty reduction). The findings suggest that Microfinance activities, that loan received on time is a significant predictor of poverty reduction (P<0.05), thus Beta=0.526, P<0.05 which is 0.

The following simple regression model was developed:

0.277+0.526β (loan issued on time) +0.254β (have you ever asked for loan)+error

Therefore as individual clients get access to loan on time causes a 52.6% reduction in poverty levels.

4.4.2 Cross tabulation

Table 14: Cross tabulation results of improved standard of living versus gender

		HAVE YOU IMPROVED STANDARD OF LIVING BY ACQUIRING LOAN SERVICES?					Total
		MUCH IMPROVED	IMPROVED	NOT IMPROVED	I DONT KNOW	NOT INDICATED	
SEX	MALE	12	3	1	1	2	19
	FEMALE	13	4	2	1	1	21
Total		25	7	3	2	3	40

Source: Research findings 2015

From table 11 out of 40 respondents (clients) 21 female have responded as follows: 13 respondents indicated "much improved" that they have improved standard of living after acquiring loan, 4 respondents indicated "improved" that they have improved standard of living through loan, 2 of the respondent indicated "not improved" 1 respondent indicated "I don't know" and 1 respondent "not indicated".

The remaining 19 respondents were male whereby they responded as follows:

12 respondents indicated "much improved" that they have improved standard of living after acquiring loan, 3 respondents indicated "improved" that they have improved standard of living through loan, 1 respondent indicated "not improved", 1 respondent indicated "I don't know" and 2 respondent indicated "not indicated".

Table 15: Cross tabulation results showing clients having capable to meet their basic needs versus gender

		I AM CAPABLE TO MEET BASIC NEEDS				Total
		STRONG AGREE	AGREE	NEUTRAL	DISAGREE	
SEX	MALE	8	9	2	0	19
	FEMALE	8	12	0	1	21
Total		16	21	2	1	40

Source: Research findings 2015

From table 12 out of 40 respondents (clients) 21 female have responded as follows: 8 respondents indicated “strong agree” that they are capable to meet their basic needs after acquiring loan, 12 respondents indicated “agree” that they are capable to meet their basic needs through loan, none of the respondent indicated “neutral” and 1 respondent indicated “strong disagree”

The remaining 19 respondents were male whereby they responded as follows:

8 respondents indicated “strong agree” that they are capable to meet their basic needs after acquiring loan, 9 respondents indicated “agree” that they are capable to meet their basic needs through loan, 2 respondent indicated “neutral” and neither of them indicated “strong disagree”

Table 16: Cross tabulation results showing clients having capable to open their own business versus gender

		I HAVE OPENED MY OWN BUSINESS				
		STRONG AGREE	AGREE	NEUTRAL	STRONG DISAGREE	Total
SEX	MALE	9	8	2	0	19
	FEMALE	6	13	1	1	21
Total		15	21	3	1	40

Source: Research finding 2015

From table 13 out of 40 respondents (clients) 21 female have responded as follows: 6 respondents indicated “strong agree” that they have opened their own business after acquiring loan, 13 respondents indicated “agree” that they have opened their own business through loan, I respondent indicated “neutral” and 1 respondent indicated “strong disagree”

The remaining 19 respondents were male whereby they responded as follows:

9 respondents indicated “strong agree” that they have opened their own business after acquiring loan, 8 respondents indicated “agree” that they have opened their own business through loan, 2 respondent indicated “neutral” and neither of them indicated “strong disagree”.

4.4.3 Reliability of data

4.4.3.1 Cronbach's Approach

In reliability the researcher needs to check that the number of items if it is correct. In terms of reliability the most important figure is the Alpha value. This is Cronbach's alpha coefficient, which in should be above 0.7, so the scale to be considered reliable with your sample.

The other information of interest is the column marked Corrected Item-Total Correlation. These figures give you an indication of the degree to which each item correlates with the total score. Low values (less than 0.3) here indicate that the item is measuring something different from the scale as a whole. If your scale's overall Cronbach's alpha is too low (e.g. less than 0.7) you may need to consider removing items with low item-total correlations.

First of all the researcher included all variables and the end results were as follows:

Table 17: Case Processing Summary

		N	%
Cases	Valid	40	97.6
	Excluded	1	2.4
	Total	41	100.0

a. List wise deletion based on all variables in the procedure.

Table 18: Reliability Statistics

Cronbach's Alpha	N of Items
.671	25

Table 19: Items Statistics			
	Mean	Std. Deviation	N
AGE	3.25	.927	40
SEX	1.52	.506	40
MARITAL STATUS	1.38	.838	40
EDUCATION LEVEL	2.28	1.467	40
HOUSEHOLD SIZE	1.15	.427	40
SOURCE OF INCOME	1.90	.928	40
HAVE YOU EVER ASKED FOR A LOAN	1.08	.267	40
AMOUNT OF LOAN RECEIVED	4.72	.640	40
TYPE OF LOANS RECEIVED	2.28	1.867	40
CONDITION AND PROCEDURES	1.98	.768	40
DO YOU GET ADEQUATE LOAN ON TIME	1.15	.483	40
HOW MANY DAYS DO YOU WAIT TO RECEIVE A LOAN	1.72	.987	40
IS INTEREST RATE RESONABLE	1.60	.545	40
IS THERE DIFFERENCES IN INCOME	1.18	.549	40
INTEREST RATE CHARGED RESONABLE	3.25	1.446	40
INCREASED INCOME	1.78	.768	40
LOAN RECEIVED ON TIME	1.78	.891	40
I HAVE OPENED MY OWN BUSINESS	1.78	.800	40
I AM CAPABLE TO MEET BASIC NEEDS	1.70	.687	40
CHALLENGES AND SOLUTION ASSOCIATED WITH LOAN ACQUISITION	3.78	1.209	40
ISSUE LOAN ON TIME	1.12	.335	40
CHARGE REASONABLE INTEREST	1.08	.267	40
PROVIDE TRAINING TO CLIENTS	1.08	.267	40
INCREASING THE AMOUNT OF LOAN	1.55	.504	40
HAVE YOU IMPROVED STANDARD OF LIVING BY ACQUIRING LOAN SERVICES?	1.78	1.250	40

Table 20: Item- Total Statistics		
	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
AGE	.331	.651
SEX	-.138	.682
MARITAL STATUS	.258	.658
EDUCATION LEVEL	-.007	.700
HOUSEHOLD SIZE	.189	.666
SOURCE OF INCOME	.129	.670
HAVE YOU EVER ASKED FOR A LOAN	.676	.654
AMOUNT OF LOAN RECEIVED	.578	.638
TYPE OF LOANS RECEIVED	.536	.613
CONDITION AND PROCEDURES	.050	.675
DO YOU GET ADEQUATE LOAN ON TIME	.629	.643
HOW MANY DAYS DO YOU WAIT TO RECEIVE A LOAN	.377	.645
IS INTEREST RATE RESONABLE	.133	.668
IS THERE DIFFERENCES IN INCOME	.647	.638
INTEREST RATE CHARGED RESONABLE	.085	.686
INCREASED INCOME	.336	.653
LOAN RECEIVED ON TIME	.401	.645
I HAVE OPENED MY OWN BUSINESS	.374	.649
I AM CAPABLE TO MEET BASIC NEEDS	.513	.641
CHALLENGES AND SOLUTION ASSOCIATED WITH LOAN ACQUISITION	.099	.678
ISSUE LOAN ON TIME	.068	.671
CHARGE REASONABLE INTEREST	-.120	.676
PROVIDE TRAINING TO CLIENTS	.141	.669
INCREASING THE AMOUNT OF LOAN	.310	.659
HAVE YOU IMPROVED STANDARD OF LIVING BY ACQUIRING LOAN SERVICES?	.055	.685

Table 21: Scale Statistics

Mean	Variance	Std. Deviation	N of Items
47.82	54.712	7.397	25

Output from reliability statistics:

From table 15 above the Cronbach’s alpha coefficient value is 0.671 which is less than 0.7 as required to be reliable. This indicates that that the scale is not reliable with the sample.

This made the researcher to look upon on table 17 (column three) which shows the value of Cronbach's alpha if item deleted. From the table the researcher deleted various 15 variables which made the scale to be reliable with sample. The variables deleted were based on the following questions:

- Sex
- Education level
- Household size
- Monthly income level for respondents
- Conditions and procedures of getting loan for clients
- Interest rate charged on loan
- Is interest rate reasonable?
- Challenges and solutions associated with loan acquisition
- Members perception on reduction of poverty if interest rate charged on loan is reasonable
- Member's perception on reduction of poverty if insurance on loan is provided to clients/members.
- Have you improved standard of living by acquiring loan services?
- Marital status
- Member's perception if increasing amount of loan will reduce the level of poverty
- Member's perception if providing training to clients will reduce level of poverty
- Member's perception if the level of income has increased by acquiring loan

Having deleted those variables the Cronbach's alpha coefficient value changed to 0.809 which is greater than 0.7, this indicates that the scale is reliable with the sample. Apart from that the researcher also considered column two of table 17 which is "corrected item-total correlation" to ensure that the value of coefficient is not less than 0.3, if the value is less than 0.3 it means that the item is measuring something different from the scale as a whole. All items made a score below 0.3 were removed from the scale. (See table 22 below).

Table 22: Reliability Statistics

Cronbach's Alpha	N of Items
.809	10

Table 23: Item Statistics

	Mean	Std. Deviation	N
AGE	3.25	.927	40
HAVE YOU EVER ASKED FOR A LOAN	1.08	.267	40
AMOUNT OF LOAN RECEIVED	4.72	.640	40
TYPE OF LOANS RECEIVED	2.28	1.867	40
DO YOU GET ADEQUATE LOAN ON TIME	1.15	.483	40
HOW MANY DAYS DO YOU WAIT TO RECEIVE A LOAN	1.72	.987	40
IS THERE DIFFERENCES IN INCOME	1.18	.549	40
LOAN RECEIVED ON TIME	1.78	.891	40
I HAVE OPENED MY OWN BUSINESS	1.78	.800	40
I AM CAPABLE TO MEET BASIC NEEDS	1.70	.687	40

Table 24: Total Statistics

	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
AGE	.313	.812
HAVE YOU EVER ASKED FOR A LOAN	.787	.797
AMOUNT OF LOAN RECEIVED	.681	.780
TYPE OF LOANS RECEIVED	.724	.791
DO YOU GET ADEQUATE LOAN ON TIME	.701	.786
HOW MANY DAYS DO YOU WAIT TO RECEIVE A LOAN	.551	.785
IS THERE DIFFERENCES IN INCOME	.781	.777
LOAN RECEIVED ON TIME	.417	.800
I HAVE OPENED MY OWN BUSINESS	.443	.797
I AM CAPABLE TO MEET BASIC NEEDS	.449	.797

Table 25: Scale Statistics

Mean	Variance	Std. Deviation	N of Items
20.62	30.343	5.508	10

Table 26: Summary of data (Descriptive analysis of responses)

Item	N	Mean	Std. Deviation
AGE	40	3.25	.927
SEX	40	1.52	.506
MARITAL STATUS	40	1.38	.838
EDUCATION LEVEL	40	2.28	1.467
HOUSEHOLD SIZE	40	1.15	.427
SOURCE OF INCOME	40	1.90	.928
MONTHLY INCOME LEVEL	40	2.15	1.424
HAVE YOU EVER ASKED FOR A LOAN	40	1.08	.267
AMOUNT OF LOAN RECEIVED	40	4.72	.640
TYPE OF LOANS RECEIVED	40	2.28	1.867
CONDITION AND PROCEDURES	40	1.97	.768
DO YOU GET ADEQUATE LOAN ON TIME	40	1.15	.483
HOW MANY DAYS DO YOU WAIT TO RECEIVE A LOAN	40	1.72	.987
INTEREST RATE CHARGED	40	4.00	.961
IS INTEREST RATE RESONABLE	40	1.60	.545
IS THERE DIFFERENCES IN INCOME	40	1.18	.549
INTEREST RATE CHARGED RESONABLE	40	3.25	1.446
INCREASED INCOME	40	1.77	.768
LOAN RECEIVED ON TIME	40	1.78	.891
I HAVE OPENED MY OWN BUSINESS	40	1.78	.800
I AM CAPABLE TO MEET BASIC NEEDS	40	1.70	.687
CHALLENGES AND SOLUTION ASSOCIATED WITH LOAN ACQUISITION	40	3.78	1.209
ISSUE LOAN ON TIME	40	1.13	.335
CHARGE REASONABLE INTEREST	40	1.08	.267
PROVIDE TRAINING TO CLIENTS	40	1.08	.267
PROVIDE INSURANCE SERVICES ON LOAN	40	1.63	.490
INCREASING THE AMOUNT OF LOAN	40	1.55	.504
HAVE YOU IMPROVED STANDARD OF LIVING BY ACQUIRING LOAN SERVICES?	40	1.78	1.250
Valid N (list wise)	40		

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the study findings, conclusion and recommendations.

5.2 Summary of the findings

This study examined the contribution of MFIs to poverty reduction in Tanzania. The study was conducted on two MFIs which were PRIDE and E.L.C.T SACCOS in Moshi Municipality.

The study examined credit services provided by the MFIs and tries to evaluate whether MFIs direct their services to the poor population (both in urban and rural areas) and whether conditions and procedures for credit these target groups. The study aimed also to evaluate whether the customers reached by these institutions improved their general performance in terms of growth, standard of living, creation of employment and generation of income.

The data were collected through questionnaires, interviews, observation and documentary review. The study got concrete information through examination of both primary and secondary sources.

The study revealed that MFIs have played a greater role in helping clients to reduce the level of poverty within their households and across the community, most of the clients have benefited positively through the loan they have applied from those MFIs. This has been evidenced by a large of number of clients have improved their standard of living, ability to meet their basic needs, not only that but also they have created employment by opening business. Apart from that many of the clients have managed to increase their level of income through the profit having generated from the business.

Despite the bigger role played by these MFIs, most of the clients have shown a kind of dissatisfaction in the following areas:

- Interest rate: Most of the clients argue that the rate of interest is very high particularly on the side of PRIDE.

- Repayment schedule: Some of the clients from PRIDE were not happy with weekly repayment whereby they lost the whole day in each week waiting for group members in order to make repayments.
- Small amount of loan: The start up loan for PRIDE clients is Tshs. 300,000 after a client having deposited Tshs. 75,000 as a security; most of them claim that it's too small to cater their demand.
- Loan policies: For the case of E.L.C.T SACCOS a client gets a loan two times of savings and having minimum shares worth Tshs. 250,000. Most of the clients argue that they want to get a loan three times of savings.
  For the case of PRIDE some of the clients have posed their views for the case of individual loans, that PRIDE should revise their loan policies so that a client will be able to get individual loan even below Tshs. 5,000,000

Despite those weaknesses MFIs have played a greater impact in reducing the level of poverty in Tanzania.

5.3 Conclusion

The study revealed that to a larger extent MFIs operation in Tanzania has brought positive changes in the standard of living of people who access their services. If properly positioned, MFIs are useful tools for poverty reduction.

Based on the research objectives, the researcher concluded that those clients who are being served by MFIs are the poor population as well as the rich ones in urban areas whereby in most cases the poor population in rural areas is being isolated. It was also observed that a huge number of clients have shown their responses that the condition and procedures of getting loan are good. Apart from that most of the clients have indicated that they get loan on time, they have improved standard of living, their businesses have flourished well, they are capable to meet their basic needs and not only that but also they have managed to get luxurious needs like buying cars and other things. Even though majority of the MFIs clients have benefited positively some of the clients have indicated some dissatisfaction with the current loan range which is very low at a start whereby a startup loan is Tshs. 300,000 for PRIDE clients. The process was observed to be a limiting factor for those customers who needed a large amount of loan right from the beginning.

The study also observed that most of the clients were arguing about weekly reporting to the MFIs office whereby they spend the whole day which in turn affects their productive time. In addition the study revealed that a greater number of clients do not know the rate of interest which is charged on their loans, rather they know the weekly/monthly repayments.

It was also observed most of the clients complained that the interest rate charged by MFIs especially PRIDE were very high (i.e. 30% per annum). Apart from that some of the Clients of E.L.C.T SACCOS indicated some dissatisfaction with the current loan policy whereby they get a loan two times of savings which is very low compared to their demands.

5.4 Recommendations from Researcher

The following recommendations are put forward to improve operations of MFIs.

5.4.1 Interest Rate

The interest rate should be lowered to a level that would cover MFIs operation expenses and the same time facilitates the growth of the clients business. (This is for the case of PRIDE whereby the level of interest is 30% per annum)

5.4.2 Loan Policies

There is need to revise their loan policies from those MFIs. Regarding the issue of small base loans PRIDE should be flexible by raising the minimum base above Tshs. 300,000 to reflect the changes in the value of money.

Also for the case of E.L.C.T SACCOS, they should revise their loan policy by disbursing loan three times of savings instead of two times in order to meet the demand of clients.

PRIDE should allow their clients to get individual loans even below Tshs. 5,000,000 (For the current loan policy no client is allowed to get individual loans below Tshs. 5,000,000)

5.4.3 Loan Repayment schedule

PRIDE should restructure their weekly repayment schedule by allowing monthly repayment schedule; this will enable clients not to lose their productive time each week.

5.4.4 Training among MFIs clients

MFIs should restructure their training contents to clients to include improving their client's business skills. They should organize regular business training for their clients and qualified institutions should conduct this.

5.4.5 Transparency

From the study it was observed that most of the MFIs clients do not know the interest every client should know the rate of interest and everything about the progress of these MFIs. This will help to create good will/image to the clients.

5.5 Areas for Further Research

As the interest rates have been observed to be a serious problem to most of the clients, there is a need to conduct a study to determine rates that would cater for the operating expenses of MFIs and at the same time facilitate the need of the growth of their client's business.

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APPENDICES

Research Questionnaires and Interview

<u>QUESTIONNAIRE – For Executives/Staffs of E.L.T SACCOS</u>

Dear Respondent,

The purpose of this questionnaire is to gather data for the study on the "Contribution of Microfinance Institutions to Poverty Reduction in Tanzania. **Case of selected three Microfinance Institutions in Moshi Municipal Council**"

I wish to assure you that the data obtain will solely used for the purpose intended. Your cooperation is highly appreciated.

Part A: Social Demographic characteristics of Respondents

Circle the correct answer

1. Age……(1) **15 – 25** (2) **25 – 35** (3) **35 – 45** (4) **45 – 55** (5) **Above 55**

2. Sex ……………………. (1) **Male** (2) **Female**

3. Marital status (1) **Married** (2) **Single** (3) **Separated** (4) **Widow**

4. Education level………………………. (1) **Primary school** (2) **Secondary school**

   (3) **High school** (4) **Diploma** (5) Degree (6) **other specify**

5. Household size……………………………… (1) **1 – 5** (2) **5 – 10** (3) **Aboveten**

6. Source of income…………………….. (1) **Employment** (2) **Business** (3) **Agriculture** (4) **Remittance and gift** (5) **Employment and business**

(6) **Other specify**

7. Monthly Income level …………………………..(1) **100,000 – 250,000** (2) **250,000 – 500,000** (3) **500,000 – 750,000** (4) **750,000 – 1,000,000** (5) **1,000,000 – 3,000,000** (6) **Above 3,000,000**

8. Position in the SACCOS……… (1) **Chair Person** (2) **Vice Chair Person** (3) **Chair loan Board** (4) **Chair supervision** (6) **Manager** (7) **Credit Officer** (8) **Accountant** (9) **Clerk**

9. Length of service……………………………………………………………………

Part B: SACCO's Status

1. Year of formation ………………………………Month…………………………………………..
2. Location of the organisation………………………………………………...
3. Registration number……………………………………………………………
4. Do you keep a register of your members? (1) Yes (2) No
5. What are the conditions for membership in your SACCOS? **Tick the answer**
   a. Must be employed
   b. Must pay entry fee
   c. Make saving contribution each month
   d. Borrow loan wisely
   e. Must have minimum shares
   f. Must have guarantors
   g. Honest and faithful on loan repayment
   h. Any other specify please……………………..

6. How many members are in your SACCOS?

Year	Men	Women	Total
2008			
2009			
2010			
2011			
2012			

PART C: CREDIT SERVICES

1. What are the types of loan offered by your organisation?

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2. What are the conditions and procedures for someone to get a loan?

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   …………………………………………………………………………………

3. What is the interest rate charged on loan?

   ....

4. Do you think the interest rate is reasonable as compared to other Microfinance institutions? (1) Yes (2) No If Yes why?

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   …………………………………………………………………………………

   …………………………………………………………………………………

   …………………………………………………………………………………

5. Who are the targeted people in offering the loans?

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…………………………………………………………………………………….

6. Do you have any special arrangements in offering loans for the poor and low income earners? If yes what are they?
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……………………………………………………………………………………
……………………………………………………………………………………
…………………………………………………………………………………….
7. Do the conditions and procedures set out by your organizations favor the poor and low income earner clients? (1) Yes (2) No (Tick the appropriate answer).
8. Do the clients receive adequate loan on time? (1) Yes (2) No If Yes, how many days from the time of loan application)……………………………
9. What can you say about the welfare of members before and after acquiring loan services?
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…………………………………………………………………………………….
10. What roles played by your organisation in order to reduce level of poverty for your clients?
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…………………………………………………………………………………….
11. Do you have any policy which is intentionally enacted to support reduction of poverty in Tanzania apart from offering loans to your customers? (1) Yes (2) No , If Yes, specify that policy and justify its applicability by indicating vivid examples.

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12. Loan profile over the past five Years

	2008	2009	2010	2011	2012
Loan Balance at the start of the year					
Loan issued					
Loan repaid					
Outstanding loan end of year					
Interest earned					

I APPRECIATE YOUR CO-OPERATION

QUESTIONNAIRE – For Executives/Staffs of PRIDE

Dear Respondent,

The purpose of this questionnaire is to gather data for the study on the "Contribution of Microfinance Institutions to Poverty Reduction in Tanzania. **Case of selected three Microfinance Institutions in Moshi Municipal Council**"

I wish to assure you that the data obtain will solely used for the purpose intended. Your cooperation is highly appreciated.

Part A: Social Demographic characteristics of Respondents

Circle the correct answer

1. Age……(1) **15 – 25** (2) **25 – 35** (3) **35 – 45** (4) **45 – 55** (5) **Above 55**

2. Sex ……………………. (1) **Male** (2) **Female**

3. Marital status (1) **Married** (2) **Single** (3) **Separated** (4) **Widow**

4. Education level………………………. (1) **Primary school** (2) **Secondary school**

   (3) **High school** (4) **Diploma** (5) Degree (6) **other specify**

5. Household size……………………………… (1) **1 – 5** (2) **5 – 10** (3) **Aboveten**

6. Source of income…………………….. (1) **Employment** (2) **Business** (3) **Agriculture** (4) **Remittance and gift** (5) **Employment and business** (6) **Other specify**

7. Monthly Income level …………………………..(1) **100,000 – 250,000** (2) **250,000 – 500,000** (3) **500,000 – 750,000** (4) **750,000 – 1,000,000** (5) **1,000,000 – 3,000,000** (6) **Above 3,000,000**

8. Position in the organisation……… (1) **Chair Person** (2) **Vice Chair Person** (3) **Chair loan Board** (4) **Chair supervision** (6) **Manager** (7) **Credit Officer** (8) **Accountant** (9) **Clerk**

9. Length of service…………………………………………………………………………

Part B: Organisation Status

1. Name of the Organisation…………………………………………………...
2. Location of the Organisation………………………………………………..
3. Year of formation ……………………………Month…………………………………………..
4. Registration number of the organisation……………………………………….
5. How many borrowers are in your organisation?

Year	**Men**	**Women**	**Total**
2008			
2009			
2010			
2011			
2012			

PART C: CREDIT SERVICES

1. What are the types of loan offered by your organisation?

…………………………………………………………………………………
…………………………………………………………………………………
…………………………………………………………………………………

…………………………………………………………………………………
…………………………………………………………………………………

2. What are the conditions and procedures for someone to get a loan?

   …………………………………………………………………………………
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   …………………………………………………………………………………
   …………………………………………………………………………………
   …………………………………………………………………………………

3. What is the interest rate charged on loan?

   ....

4. Do you think the interest rate is reasonable as compared to other Microfinance institutions? (1) Yes (2) No If Yes why?

   …………………………………………………………………………………
   …………………………………………………………………………………
   …………………………………………………………………………………
   …………………………………………………………………………………

5. Who are the targeted people in offering the loans?

   …………………………………………………………………………………
   …………………………………………………………………………………

6. Do you have any special arrangements in offering loans for the poor and low income earners? If yes what are they?

   …………………………………………………………………………………
   …………………………………………………………………………………
   …………………………………………………………………………………
   …………………………………………………………………………………

7. Do the conditions and procedures set out by your organizations favor the poor and low income earner clients? (1) Yes (2) No (Tick the appropriate answer).

8. Do the clients receive adequate loan on time? (1) Yes (2) No If Yes, how many days from the time of loan application)……………………………

9. What can you say about the welfare of members before and after acquiring loan services?

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………………………………………………………………………………….

10. What roles played by your organisation in order to reduce level of poverty for your clients?

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………………………………………………………………………………….

11. Do you have any policy which is intentionally enacted to support reduction of poverty in Tanzania apart from offering loans to your customers? (1) Yes (2) No , If Yes, specify that policy and justify its applicability by indicating vivid examples.

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12. Loan profile over the past five Years

	2008	2009	2010	2011	2012
Loan Balance at the start of the year					
Loan issued					
Loan repaid					
Outstanding loan end of year					
Interest earned					

I APPRECIATE YOUR CO-OPERATION

<u>QUESTIONNAIRE – For Clients</u>

Dear Respondent,

The purpose of this questionnaire is to gather data for the study on the "Contribution of Microfinance Institutions to Poverty Reduction in Tanzania. **Case of selected three Microfinance Institutions in Moshi Municipal Council**"

I wish to assure you that the data obtain will solely used for the purpose intended. Your cooperation is highly appreciated.

Part A: Social Demographic characteristics of Respondents

Circle the correct answer

1. Age……(1) **15 – 25** (2) **25 – 35** (3) **35 – 45** (4) **45 – 55** (5) **Above 55**

2. Sex ……………………. (1) **Male** (2) **Female**

3. Marital status (1) **Married** (2) **Single** (3) **Separated** (4) **Widow**

4. Education level………………………. (1) **Primary school** (2) **Secondary school** (3) **High school** (4) **Diploma** (5) Degree (6) **other specify**

5. Household size……………………………… (1) **1 – 5** (2) **5 – 10** (3) **Aboveten**

6. Source of income…………………….. (1) **Employment** (2) **Business** (3) **Agriculture** (4) **Remittance and gift** (5) **Employment and business** (6) **Other specify**

7. Monthly Income level …………………………..(1) **100,000 – 250,000** (2) **250,000 – 500,000** (3) **500,000 – 750,000** (4) **750,000 – 1,000,000** (5) **1,000,000 – 3,000,000** (6) **Above 3,000,000**

PART B: CREDIT SERVICES

1. Have you ever asked for a loan? (1) Yes (2) No If Yes, how much? ....
2. What type of loans does your organisation offer? …………………………………………………………………………………… …………………………………………………………………………………… ……………………………………………………………………………………
3. Why did you take the loan?.. ....
4. What are the conditions and procedures in getting loan?.. ....
5. How do you grade the conditions and procedures of the loan?
   (1) very good (2) good (3) fair (4) bad
6. Do you get adequate loan on time? (1) Yes (2) No
7. How many days do you wait from the day of loan application until you get the loan? ....
8. What is the interest rate charged on loan? ....
9. Is the interest rate charged on loan reasonable? (1) Yes (2) No If No give reasons…………………………………………………………………………… …………………………………………………………………………………… ……………………………………………………………………………………
10. Are there any differences in growth of income before and after getting loan?
    (1) Yes (2) No if yes, explain your answer.

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11. What improvements have you got by acquiring loan services from your organisation?..

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....

PART C: Members Perception on Credit services

Please express your degree of agreement with the following statement regarding before and after acquiring loan services.

	Strong disagree	Disagree	Neutral	Agree	Strong agree
1. Interest rate charged on loan is reasonable	☐	☐	☐	☐	☐
2. An organisation has helped me to increase my income through loan	☐	☐	☐	☐	☐
3. Loan issued On time	☐	☐	☐	☐	☐
4. Through loan I have opened my own business	☐	☐	☐	☐	☐
5. Through loan I am capable to meet basic needs	☐	☐	☐	☐	☐

PART D: Challenges and solution associated with loan acquisition

1. What are the challenges faced in using loan for opening business

ng a loss

n returns/high pay backs

ll amount of loan

ll gestation period

Others……………………………………………………………………………

…………………………………………………………………………………..

2.What should be the solution to the above challenges?

……………………………………………………………………………………………

……………………………………………………………………………………………

…………………………………………………………………………………………….

PART E: Ways on which an organisation can help in reducing poverty

1. What do you think should be done by your organisation to reduce poverty? Tick all correct answers

1. Issue loan on time	
2. Charge reasonable interest	
3. Provide training to clients	
4. Provide insurance services on loan	
5. Increasing the amount of loan	

List any other alternatives

……………………………………………………………………………………………

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INTERVEW QUESTIONS

1. Why did you take the loan?
2. Do you get adequate loan services on time?
3. What can you say about terms and the condition of loan received?
4. Has the loan helped you to improve standard of living?
5. Are you capable in meeting basic needs through loan?
6. How do you see the repayment period?

THANK YOU FOR YOUR COOPERATION