ASSESSMENT OF THE ROLE OF MICRO-CREDIT GRANTED TO WOMEN ENTREPRENEURS TOWARDS POVERTY REDUCTION

The case study of PRIDE Tanzania – Morogoro Branch

ASSESSMENT OF THE ROLE OF MICRO-CREDIT GRANTED TO WOMEN ENTREPRENEURS TOWARDS POVERTY REDUCTION

The case study of PRIDE Tanzania – Morogoro Branch

By.

Thomas Nathan

A Dissertation Submitted to the School of Business in Partial Fulfilment of the Requirements for Award of the Degree of Master of Science in Accounting and Finance (MSc. A&F) of Mzumbe University, Morogoro.

2015

CERTIFICATION

We the undersigned, certify that we have read and hereby recommend for acceptance by Mzumbe University as dissertation titled **"The assessment of the role of Micro-credit granted to Women Entrepreneurs toward Poverty Reduction: The case of PRIDE Tanzania-Morogoro municipality"**, in partial fulfilment of the requirements for the master's degree of science (Accounting and Finance) of Mzumbe University

…………………………………………………………………..

Rocke Alex

(Major Supervisor)

………………………………………………………………….

Internal Examiner

………………………………………………

Dean, School of Business

DECLARATION AND COPYRIGHT

I, Thomas Nathan, declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other University for similar or any other degree award.

Signature………………………………………………………….

Date……………………………………………………………….

ACKNOWLEDGEMENT

This Research Report has been potential due to the hard work and corporation of several individuals to whom I would like to pull out my genuine thanks and appreciation. Since they are many, it is not possible to point out all of them. However, I would like to mention few of them.

My sincere thanks to Almighty God for His blessing and guidance that always been the essence of my academic and non-academic success and for the best health all through the way in accomplishing my research report.

I would like to give special thanks to the management of PRIDE Morogoro Branch and all of its staffs for their great assistance and support during the time of collecting data.

I also concede the cooperation and packed support to my supervisor, Mr. Rocke Alex, without his efforts and guidance he devoted; this work wouldn’t have been possible. I also thank him for his effort to provide prompt and valuable intellectual inspiration and guidance. His constructive criticisms and positive encouragement made this study possible.

I sincerely extend my appreciation to my parents; Mr. and Mrs. Nathan Tembe and my aunt Amy Toone, who have been always, key persons behind my academic and non-academic progress. I thank them very much for their unlimited support and encouragement.

My special appreciation also goes to my lovely Fiancé, M/s Veronica Zepharine Mabina, who did everything she could to make sure that I finish my dissertation within due date, may God bless her always.

I would also like to thank M/s Mercy Kingu for her support and advice during all the time I was doing my dissertation, may God bless her always.

To all of you, even not mentioned, I appreciate your support. God bless you all.

DEDICATION

I would like to dedicate this research report to the most important people in my life and those who in one way or the other have contributed towards completion of this report. Just to mention few, Amy Toone, my parents Mr. and Mrs. Nathan Tembe and my Fiancé Veronica Mabina.

ABBREVIATION AND ACRONYMS

BEST	Business Enrolment Strengthening in Tanzania
BRELA	Business Registration and Licensing Authority
CGAP	Certified Government Auditing Professional
CRDB	Cooperative and Rural Development Bank
EG	Enterprise Group
EU	European Union
Govt	Government
ILO	International Labour Organization
IMF	International Monetary Fund
IT	Information Technology
LDCs	Low Development Countries.
LIF	Loan Insurance Fund
MEs	Micro enterprises
MFC	Microfinance Company
MFIs	Micro Finance Institutions
NGOs	Non-Governmental Organizations
NMB	National Microfinance Bank
PRIDE	Promotion of Rural Initiative and Development Enterprises
SIDO	Small Industries Development Organization
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for Social Sciences
UN	United Nations
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

ABSTRACT

In Tanzania previous studies have been carried out to show how financial Institutions, especially Micro finance, has tried to improve financial services to women entrepreneurs. But still the question remains, do these financial services help women entrepreneurs to reduce poverty? This study focused on the assessment of the role of micro-credit granted to women entrepreneurs in their fight against poverty and it was conducted in Morogoro Municipality using Pride Tanzania Morogoro branch as the case study.

A stratified random sampling was used to ensure that different strata of women entrepreneurs are included in the study. The sample size comprised of 80 women entrepreneurs and 10 staffs from the loan department of PRIDE Tanzania – Morogoro Branch in Morogoro Municipality.

Primary data were collected through the use of structured questionnaires, semi-structured interviews and observation while secondary data were collected through documentary review. Descriptive analysis was conducted and through it data collected was analyzed through different tools like tables, graphs and percentages or mean.

The results showed that more than 22% of respondents had their standard of living improved to better and 36% had their standard rated to good after securing loans from PRIDE. However, the study revealed that about 75% of respondents argued that the credits provided by micro-finance institutions are not enough to suffice their needs. In addition, the study identified lack of markets, high interest rates and taxes, and poor financial management and planning skills as key problems hindering women entrepreneurs from achieving their goals and reducing poverty in the society.

In order to improve the micro-credit facilities offered by micro-finance institutions, the study recommended that government should formulate appropriate policies and laws that ease the access of these micro-credit to women and support training on project planning and financial management skills should be conducted to women entrepreneurs. Interest rates and other taxes associated with loan should be reduced.

TABLE OF CONTENTS

LIST OF TABLE

LIST OF FIGURE

CHAPTER ONE

PROBLEM SETTING

1.1 Introduction of the Study

The Microfinance industry in Tanzania serves majority of the poor people engaging in small business. Credit facilities provided by these Micro-finance Institutions (MFI) acts as the catalyst in the income generation and poverty reduction in general (Khandakar & Constantine 2010). Attention and focus has been on the volume of microcredit financiers and recipients, whilst the potential aspects of these credit facilities being ignored or given slight attention. However, Gehlich-Shillabeer (2003) shows that measuring the effectiveness of credit facilities against the pre-established goals and objectives has become the serious centre of debate recently.

To curb the problem of inadequate or lack of capital, the semi-formal mechanisms through which people accumulate savings and get credit may be the most effective means of raising investment in small-scale enterprise sector. In two decades it has been observed that microcredit concept has advanced from “novel” to “Nobel” peace prize winning for poverty alleviation (Rogaly 2002; Carlin 2001; Gehlich-Shillabeer 2003).

In Tanzania, National Microfinance Bank (NMB) PLC, Promotion of Rural Initiatives and Development Enterprises, PRIDE (T) Limited), Azania Bancorp, FINCA is among many semi-formal financial institutions which serve the same purpose. They assist and give loans to small-scale business units. The target groups are those who are engaged in petty trading activities like shoe shiners, vegetables and fruits producers and sellers, retailers, food vendors and the like.

1.2 Background of the Organization

PRIDE Tanzania is the short form of “Promotional and Development Enterprises Limited” is the microfinance institution involved in the provision of credit to the lower class people. PRIDE Tanzania was incorporated on 5th May 1993 under Cap 212 as a company limited by guarantees. The main source of financing the pride loan scheme is from NORAD under the bilateral agreement between the Government of Tanzania and the Royal Government of Norway from 1993 to 2001. Swedish Government joined as a donor through SIDA late 2000. PRIDE Tanzania has 70 branches which are located in 23 administrative regions of Tanzania (www.pride.co.tz) (15 November 2014)

1.3 Background of the Research Problem

The microsave-Africa has argued that Microfinance industry can be seen as a response to poor people's lack of access to credit. Microcredit and microfinance origins are to be found in several areas of Asia and Latin America, especially Bangladesh, Indonesia and Bolivia (Estape-Dubreuil & Torreguitart-Mirada 2010). Estape-Dubreuil and Torreguitart-Mirada 2010 further argued that from their emergence in the 1970s, social programs aiming to help poor people to earn their living through the provision of micro-loans without collateral have been reported to successfully help social and economic development in the vast majority of developing countries. Poor people are normally not interesting clients by banks because they demand low loans e.g. below 50US$, and they normally do not own assets suitable for collateral (Ambreen 2009). Banks perceive poor households as both costly and risky to serve. On the other side, local moneylenders provide collateral-free loans, but they charge very high interest rates. Microfinance institutions (MFIs) use different innovative solutions to reduce transaction costs and substitute for conventional collateral (www.microsave-africa.com 23 October 2011). For example, microsave-africa shows that solidarity group loans and individual loans based on cash-flow analysis and close monitoring and repayment incentives through progressive lending are one of the microfinance innovative solutions for the problem. Nowadays, micro- financial services are considered relevant and useful to financially excluded people everywhere (Rogaly et al. 2002; Estape-Dubreuil & Torreguitart-Mirada 2010).

The growth of micro financial services has been accelerated by "Microcredit Summit" held in Washington, DC in February 1997 (Yunus 2001) and the UN

Millennium Development Goal of reducing world absolute poverty by half by the year 2015. Mwenda and Muuka (2009) argued that credit is the engine of economic growth in capitalism, because it supplies the much needed investment capital to private entrepreneurs. In supporting this argument, Khandakar and Constantine (2010) said, if the macro-financial system operates properly, a capitalistic economy grows rapidly, making both individuals and the nation better off hence poverty alleviation.

Similar to group-lending approach (or joint liability contract) is the self-help groups (SHG) linkage banking. This consists of linking traditional banks and groups of informal financial intermediaries, which mobilize their own resources and are refinanced by banks. Implemented throughout India since 1996, with the National Bank for Agriculture and Rural Development (NABARD) as the primer-mover, SHG is nowadays one of the largest and fastest-growing microfinance programs in the world (Seibel and Karduck 2006; Estape-Dubreuil and Torreguitart-Mirada 2010).

Another distinctive practice of the microcredit sector is the granting of ‘‘progressive loans.’’ Starting with small quantities, granted with a regularly scheduled scheme of repayments often on a weekly basis the system allows both lenders to monitor borrowers’ actions, and borrowers to increase the amount of future loans (Jain & Mansuri 2008). These recurring contracts, together with the possible threat to discontinue the relationship, which would mean having no future access to loans, can overcome the lack of information about borrowers’ solvency, thus improving the efficiency of the MFI, whether in individual or group loans (Morduch, 2007). On the other hand, financial institutions realized that individual loans are associated with high default rates (Chiduo, 2009).

A poverty trap refers to a households’ and or individuals’ inability to overcome the structures that keep them in an inveterate state of deprivation (Barrientos, 2007). Gehlich-Shillabeer (2003) argued that although the reasons for poverty are manifold there is a measure of agreement suggesting that poverty incidences rise starkly with uninsured losses involving low asset and entitlement households. Poverty is not rooted in market failures alone households are more likely to recover if they can protect their assets through access to financial and labour markets (Gehlich-Shillabeer 2003; Barrientos, 2007; Adato et al., 2006; Wisner et al., 2004). MFIs serve as a conduit between low income households and markets by providing financial services to set up and run micro-enterprises. This is particularly true for the rural areas which hitherto had been neglected for reasons of seasonal and variable incomes along with high transaction costs for the screening of applicants and disbursement of loans (Harper 2007).

Ahmad 2007 shows that MFIs, has enabled people to diversify into non-seasonal businesses. Rickshaw pulling, goat, poultry and cow rearing as well as petty trading ensure fairly steady incomes and stabilise consumption especially during periods of crises. In some cases, therefore, microcredits assist with income smoothing through the provision of an additional source of earnings that can be used for education, health expenditure and savings (Pearlman 2006). Microfinance has been credited with being "unrivalled in its power to change the economic fate" of the poor (Wilson, 2007, p. 98; Yunus & Jolis, (2005)). So much so, that the international donor community had committed US$1 billion in 2004 to the microfinance sector (Gehlich-Shillabeer 2003; The Economist, 2005b, 2005a).

Moreover, in operation MFI are charging high interest rates, this make difficulty in loan repayment and deprive the profit of the business. The interest rate charged by MFI is up to 15% per month, which is compounded interest rate (Prabhat, 2009). Mwandenga 2002 noted that poor management of MFIs and corruption leads to an infectiveness of the credit provided. The roles of Micro finance institutions is basically to provide small loans to their clients, creation of employment opportunities, capacity building to borrowers by offering different skills such as use of loans, entrepreneurship and managerial skills,. Poverty alleviation is a global issue which lies on the concept of upgrading the position of developing countries in the world. Women need access to MFI so that they can further raise their income. Following is one of the success stories told by a member of a micro-credit at "Saidia Danga" - lower Moshi irrigation project report (August 2005) "I do not consider myself poor, I am able to assist my husband with all our needs, we grow wheat to my family's food security needs and rice as my main cash crop. We used to live in a mud house, but now we live in a brick house with a secure and leak free roof. I am strongly considering sending my children to a private secondary school in our area, if they are not granted acceptance to public schools. I can also raise my income from processing/milling my grains which sells at a higher price.

According to World Bank report (1989), most of African women in common face of a variety of legal, economic and social constraints involving in global activities. Most Tanzanian woman has always been active in agriculture, trade and informal sector and in low paid jobs. Changing economic and social situation of women, in Tanzania will increase women capabilities and their abilities towards gender balance. Salay in 2006 contended that, small loans are normally provided by MFI. They provide financial services which include, saving, credit and insurance. Apart from financial services some MFI provide social services such as group formation and training on investment and business management skills.

It is from these facts President of the United Republic of Tanzania His excellence Dr. Jakaya Mrisho Kikwete in 2006 came up with the idea providing soft loans to the lower capital business groups across Tanzania by assigning Tshs. 20 Billion. The loans extremely known as JK billions was aimed at empowering SMEs grow bigger to both Tanzania to increase their level of income and enable them to participate effectively in building the national economy. Each district in Tanzania mainland was assigned Tshs. 300,000,000/= for this purpose.

1.4 Statement of the Research Problem

Microfinance both credit and saving has potential in improving the well-being of the poor in developing countries (Mwenda & Muuka 2009). According to Certified Government Auditing Professional (2003) estimates, the informal and formal sector that receive credit from the formal financial sector already employs more than 5 million people in Tanzania, and it constitutes an active base for strengthening the private sector in large number of developing countries. It is in this context that micro-credit has recently assumed a certain degree of prominence not only in the world but also in Tanzania. However, the recognition and current capacity of the poor for entrepreneurship is encouraged by the availability of small-scale loans. This allows them to be self-reliant, create employment opportunities and not least engage women in economically productive activities such as the small-scale agro-enterprises.

However, the World Bank country report (2005) shows that poor women who have access to financial services still operate below poverty line. This report is similar to the findings by Fatima (2009), that Pakistani "women lack easier access to formal credit and the socio-economic, cultural background of the family significantly impact probability of borrowing". But in other side, for example Bangladesh, Estape-Dubreuil and Torreguitart-Mirada (2010) shows that Grameen Bank in Bangladesh, devote a very large part of its funds to support (business) projects managed by women. At the end of 2007, women constituted 97 percent of its almost 7.5 million members, a proportion that has been increasing each year from an initial 20 percent in 1976. The other example is of India, NABARD with 48.7 million clients, 85 percent consisting of the poorest women (Daley-Harris, 2007).

In addition, Hulme (2007) noted that not all microcredit *"produces favourable results, especially for poor people working in low return-activities, in saturated markets that are poorly developed and where environmental and economic shocks are common"* Hulme (2007 Pg. 19). Furthermore, the argument made by Elahi and Danopoulos (2004 Pg.649) that, "micro-credit can perhaps help some poor people avoid starvation, but it is difficult to see how it could get them out of the poverty environment…" the researcher interest were to assess the role of micro credit facilities provided by microfinance institutions to women entrepreneurs in reducing poverty.

1.5 Objective of the Study

1.5.1 General Objective

The main objective of the study was to assess the role of micro credit facilities provided or granted by MFI to women entrepreneurs towards poverty reduction.

1.5.2Specific Objectives

i. To find out if women entrepreneurs are capable of accessing micro credit facility provided by PRIDE Tanzania
ii. To assess the contribution of micro-credit to the economic development of the women entrepreneurs
iii. To assess the role of micro credit to social development of women entrepreneurs

1.6 Research Questions

i. Are women entrepreneurs capable of accessing micro credit provided by PRIDE Tanzania?
ii. What are the contributions of micro-credit to the economic development of the women entrepreneurs?
iii. What are the roles of micro-credit to the social development of the women entrepreneurs?

1.7 Significance of the Study

The study focused on the assessment of the role of micro-credit provided by the micro-finance institutions to women entrepreneurs toward poverty reduction. The significance of the study falls under the following areas;

- **Theoretical Knowledge**

  Theoretically the study is of important as it act as stimulant to other researchers to research more on the issue of credit facilities.

- **PRIDE Tanzania**

  PRIDE as a Micro Financial Institution is one of the important beneficiaries of the study. The study findings will help the organization to determine the way of improving credit facilities to its customers and know the challenges faced by its customers during the whole process of securing credit. The study will also find out if the ultimate goals of MFIs to reduce poverty among poor people are achieved.

- **Scholar**

The study enables the researcher to integrate theoretical training obtained in the class with practical experience. The study also is the partial fulfilment of the requirements for the award of master's degree of Science (Accounting and Finance) of Mzumbe University.

- **Women Entrepreneurs**

The issue concerning women entrepreneurs have been addressed by this study and the recommendations have been made available to enable women entrepreneurs to learn and improve the way they run their businesses through credit facilities in order to reduce poverty.

- **Policy Makers**

Policy makers as the significant player in this field have to act accordingly to enhance smooth environment of micro-credit facilities to poor people in order to reduce poverty. The study recommended some of the policy issues that should be addressed by policy makers in order to enhance benefits for women engaging in small businesses. The study acts as a catalyst to policy makers to develop policies that will enable women entrepreneurs to obtain smooth credit facilities and provide technical assistance in order to reduce poverty.

1.8 Scope and limitation of the Study

The study was directed to the credit facilities offered by PRIDE Tanzania – Morogoro branch to small women entrepreneurs operating within Morogoro municipality and its related operations with the view of poverty reduction.

Limitation of the study:

i. The study did not cover areas other than the wards of Morogoro municipal of Morogoro region.
ii. The study did not involve large enterprises as it is not area of interest.
iii. The study did not cover a large sample of MFIs. It was designed to use PRIDE as a case study.

1.9 Organization of the Study

This study is organized into seven chapters, Chapter one provides background information of the study, chapter two provides theoretical literature review, chapter three provides empirical literature review, Chapter four describes research methodology used to achieve the objectives of the study, chapter five is all about presentation of findings and analysis, chapter six discussion of findings, finally chapter seven presents conclusions to the study objectives and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Literature review refers to the works the researcher consulted in order to understand and investigate the research problem. Hence, it is an account of what has been published concerning the problem being studied by accredited scholars and researchers (Kombo and Tromp, 2006). It also discusses the empirical literature about the micro finance industry in Tanzania.

The purpose of this chapter is to review the theoretical literature on micro-finance and Poverty alleviation and discusses the empirical literature about the micro finance industry in Tanzania. The chapter starts by discussing definition of key concepts, and then the microfinance followed by poverty alleviation, also the National Strategy for Growth and Reduction of Poverty is discussed. Empirically it discusses saving credit and cooperative society as the major MFIs system in Tanzania, the efforts of the Government towards establishment of Micro Finance Institutions, SME's and access to finance Social and Economic Growth from Micro finance industry and lastly the conceptual Framework.

2.2 Definition of Key Concepts

- **Small and Medium Enterprises**

  In the context of Tanzania the measure of SME sizes is based on the definition developed by the United Nations Industrial Organisations (UNIDO), 2005, which was adopted by the united republic of Tanzania (URT), 2008.

  "Small enterprises are those undertakings that engage between 5 and 49 employees or with capital investment above 5 million and not exceeding 200million. Medium enterprises are those enterprises that employ between 50 and 99 people or use capital above 200million but not exceeding

800million,large enterprises employ more than 100 people and use capital investment above 800 million" (URT, 2008:4) The table below illustrates the above definition.

Table 2.1: Categories of SMEs in Tanzania (definition)

Category	No of employees	Capital Investment
Micro enterprises	1 – 4	Up to 5 million
Small enterprises	5 – 49	Above 5 million to 200
Medium enterprises	50 - 99	Above 200 million to 800
Large enterprises	+100	Above 800 million

Source: URT, Ministry of Industry and Trade (2008)

SME remains one of the most reviewed topics in literature, especially as its impact on all kind of economies cannot be overlooked. Worldwide, the SMEs have been accepted as the engine of economic growth and for promoting equitable development. The major advantage of the sector is its employment potentials at low capital cost. The labor intensity of the SME constitutes over 90% of total enterprises in most of the economies and is credited with generating the highest rate of employment growth and account for major share of industrial production and exports (Government of India, 2007), and the rapid expansion of small enterprises in economies of developed countries in the 1980s and 1990s has created a widespread conviction that small, new ventures are the most important source of entrepreneurship and as a dynamic and innovative factor, they contribute directly to economic growth. (Piotr and Rekowski, 2008) However, the SMEs sector is faced with many constraints among them is the most pressing one known to be financing.

- **Micro Finance**

Micro finance may be defined as the financial products and services that are targeted towards the poor. It mainly includes credit, micro saving and other deposits instruments, micro insurance and money transfer. Micro financing is therefore the business of accessing or providing microfinance services (Beinefield, 1975)

Micro credit comes to prominence in the 1980s, although early experiments date back 30 years in Bangladesh, Brazil and few other countries. It has been realized that it is one of the sustainable tools to address poverty. The important or exceptional difference of micro-credit was, it avoided the pitfalls of an earlier generation of targeted development lending, by insisting repayment, by charging interest rates that could cover the cost of credit delivery, and by focusing on the client groups whose alternative sources of credit was the formal sector.

- **Microfinance Institution**

A microfinance institution (MFI) is an organization that provides microfinance services. MFIs range from small non-profit organizations to large commercial banks retrieved 13 December, 2014 from World Wide Web: (http://www.kiva.org/about/microfinance). MFI is an organization that provides financial services to the poor. This very broad definition includes a wide range of providers that vary in their legal structure, mission, and methodology. However, all share the common characteristic of providing financial services to clients who are poorer and more vulnerable than traditional bank clients retrieved 26 November, 2013 from World Wide Web: (http://www.cgap.org/p/site/c/template.rc/1.26.1308/).

- **Credit Facilities**

A loan or collection of loans taken on by a corporation these loans can be of many different types, depending upon the needs of the company, and can vary from letters of credit to term loans, and can be committed or uncommitted retrieved 19 May, 2014 from World Wide Web: (http://www.investorwords.com/6776/credit_facility.html). Also credit facilities can be defined as a variety of different loans that a company brings on to meet its financing needs.

2.3 Micro-Finance

According to Christen (2007), the term Micro Finance is derived from the word Finance. Finance involves looking for sources of funds, how to invest/allocate those funds and at the end managing those funds. Micro finance is the provision of financial services, primarily saving and credit for poor households that do not have access to financial institutions. The term "Micro" implies that the size of financial transaction is very small. Demand for micro finance services is usually from micro enterprises.

Microfinance is the provision of financial services to the poor who do not have access to capital and financial services (Kosiura, 2001). A more precise definition describes microfinance as the provision of appropriate financial services to significant numbers of low-income, economically active people with an end objective to alleviate poverty (Ledgerwood, 2008). Financial services can include one or any combination of the following: lending, savings, insurance, pension/retirement and payment services. Increasingly mature MFIs also provide diverse products-housing loans (primarily improvements, repair and maintenance), insurance (both health and life insurance), and private pensions. Microfinance is also frequently combined with the provision of social and business development services, such as literacy training, education on health issues, management or accounting training.

The literature in finance tells us that in any society there are two types of groups of people, that is, those who have money but do not know where to invest their money and those who do not have money but have opportunity to make investment and make more money (Wright, 2002).

MFIs include all types of entities that provide microfinance services. MFIs range from non-governmental organizations (NGOs) to regulated financial institutions such as non-bank financial institutions, commercial banks, credit unions and state banks (Christen and Drake, 2009).

2.3.1 The purpose of Micro Finance

According to Madeline (2002), the purpose of micro finance is to help the poor people to create their own wealth and accumulate assets. On this ground, the most of micro financial institutions have opted to finance the small and medium enterprises. The role of microfinance for development efforts around the world, particularly for poverty alleviation has been significant. Providing poor people with access to financial services are seen to reduce capital market distortions to exclude the poor, reduce vulnerability by providing the poor with financial resources when needed, and opportunities for income-generating activities. Microfinance enables clients to protect, diversify and increase their income, as well as to accumulate assets, reducing their vulnerability to income and consumption shocks (Robinson, 2002). The solidarity group lending methodologies common in microfinance, help increase the confidence of the poor (especially women), empowering them to more effectively confront inequities (Snodgrass, 2002). The availability of financial services has proven to be a critical factor in reducing poverty and its effects, revealing positive results on nutrition, education, health, gender equity, and the environment (Littlefield, 2003).

Micro finance institutions have been implementing Micro Credit program for over a decade for the project participants in its area. Presently it formed a large number of SMEs all over the world. Later on revolving funds were set up at the community level for people to access credit for procurement of agriculture inputs and for other development activities, saving groups of women were promoted in the mid of 90s as saving was promoted as an activity for women to organise themselves around. Subsequent when gender development becomes a vehicle for the women's empowerment and improving economic status of the poor people (Cootelian and Gaedeke, 1985).

In developing economies and particularly in the rural areas, many activities that would be classified in the developed world as financial are not monetized: that is, money is not used to carry them out. Almost by definition, poor people have very

little money. But circumstances often arise in their lives in which they need money or the things money can buy.
The Microfinance Revolution, the 1980s demonstrated that "microfinance could provide large-scale outreach profitably," and in the 1990s, "microfinance began to develop as an industry" (Robinson, 2002). In the 2000s, the microfinance industry's objective is to satisfy the unmet demand on a much larger scale, and to play a role in reducing poverty. While much progress has been made in developing a viable, commercial microfinance sector in the last few decades, several issues remain that need to be addressed before the industry will be able to satisfy massive worldwide demand.

2.3.2 The Need for Micro Financial Institutions

The poor people in Tanzania, like any other developing countries are, have always been on the margins of their national economies. They often operate on the cash basis only, so their transactions go unrecorded by the government. Their hard work is thus classified as “Informal” and it doesn’t really count (Bagachwa, 2004).

Micro finances send a tangible message to the poor that they do count, they are important, and that their hard work can pay. It offers opportunities for the poor to make choices, for the future, and create a more secured financial base for their families (Bagachwa, 2004). Microfinance has evolved as an economic development approach to benefit low-income women and men. Microfinance clients are typically self-employed, low-income entrepreneurs in both urban and rural areas. Clients are often traders, street vendors, small farmers, service providers and artisans and small producers, such as blacksmiths and seamstresses. Usually their activities provide a stable source of income (often from more than one activity). Although they are poor, they are generally not considered to be the "poorest of the poor".

For the majority of Tanzanians, whose incomes are very low, access to financial services offers the possibility of managing scarce households and enterprises resources more effectively, protection against risk, provision for the future and taking advantage of investment opportunities, for economic returns (Bagachwa, 2004). For households, financial services allow higher standards of living to be achieved with the same resource base, while for enterprises and farmers, financial services can facilitate the pursuit of income growth.

According to Seibei (2001), serving services are among the most beneficial services of low income people. Nearly all households need to save to protect themselves against periods of low income or specific emergencies and to cover large anticipated expenses. Enterprises also need to store the value of their accumulated wealth form their profit until they can invest them to earn higher returns.

Credit services can perform some of the same services as saving and can allow enterprises and families to make some important investment sooner. Enterprises use credit as a source of short term working capital and long term investment capital (Vong and Chang 2009). MFI encompasses mobilization of deposits and deployment of credit. MFI's are required to mobilize untapped savings of the economy in the form of deposits and channels such deposits for the purpose of delivering financial services to the urban and rural poor. Deposits are the basic raw materials for the MFI's. It helps the MFI's to channels credit for the betterment of the working poor. Higher is the deposit mobilization; larger is the scope for deployment of funds

2.3.3 National Micro Financial Policy

According to enacted Banking and Financial Institutions Act 2006, in the year 2000 the government approved a National Micro Finance Policy, whose objective was to establish a basis for the evolution of an efficient and effective micro finance that will service low income segment of the society, and there by contribute to economic growth and poverty reduction. Among other things this policy aims to set up a best practice framework so that all practitioners of micro finance offer their services under common standards of equity and sustainability. The policy covers the provision of financial services to households, small farm holders and small and medium enterprises in rural areas as well as in the urban area.

The micro financial sector in Tanzania is highly segmented and includes banks, financial institutions, community banks, saving and credit cooperatives society and nongovernmental organizations. Still the demand of micro enterprises sector for financial services for the exceeds the current supply and it is important that it be met under best practices being applied by all so that competition does not become synonymies of unfair, unduly risky and even predatory practices in lending. It is the intention of the bank, under its legal mandate to promote sound monetary, credit and banking conditions conclusive to the development of the economy of the country. That the accounting reporting and other best practices in micro credit established in these regulations, which are for mandatory observance by banks and financial institutions, are also adopted by other Tanzania regulatory authorities.

2.3.4 Limitation of Micro Finance Institutions in Relation to Women Empowerment

Most Micro Finance institutions provide soft loans on collateral bases. Women are deprived from owning means of production such that they can-not easily access these loans. Social attitudes on women are responsible for gender differences in both system of labour, training and education. There is a discrimination against women and the judicial system does not provide adequate protection to women and children, inadequate capacity of public law enforcement institutions, low awareness of civil rights, ambiguity of law and limited options for redress (World Bank Report, 1998).

In addition, most poor people have fewer assets that can be secured by the bank as collateral. As documented extensively by Hermes et al (2011) even if they happen to own the land in the developing world, they may not have effective title to it. This means the bank will have little resource against defaulting borrowers. Although much progress has been made, the problem has not been solved yet, and the overwhelming majority of people who earn less than $1 a day, especially in the rural areas, continue to practical access to formal financial sector.

In some areas women are required by these SMEs to group themselves in a small enterprise groups as a conditional for getting loans. This is also another limitation since the distribution with respect to the concentration of microfinance activities in Tanzania skewed in favour of the urban areas leaving the rural areas grossly underserved (CRDB 2006). Again even though women group themselves, those living in rural areas will continue to have no practical access to formal sector of finance.

Marguerite Robinson (2001, p. 54) describes in The Microfinance Revolution, the 1980s demonstrated that, "microfinance could provide large-scale outreach profitability," and in the 1990s, "microfinance began to develop as an industry". In the 2000s, the microfinance industry's objective is to satisfy the unmet demand on a much larger scale, and to play a role in reducing poverty. While much progress has been made in developing a viable, commercial microfinance sector in the last few decades, several issues remain that need to be addresses before the industry will be able to satisfy massive worldwide demand. The obstacles or challenges to building a sound commercial microfinance industry include;

- Inappropriate donor subsidies, poor regulation and supervision of deposit-taking MFIs. Few MFIs that met the needs for saving, remittances or insurance, Limited management capacity in MFIs, institutional inefficiencies and need for more dissemination and adoption of rural, agricultural microfinance methodologies.
- Women experience the highest degree of deprivation from means of production that result to them having low economic status in the community. If we compare the lives of the inhabitants of poorest communities across the world especially third world countries, women are the poorest followed by the children. This has been evidenced by women facing cases like malnutrition, AIDS, less access to primary health care, clean water, education, less government seats and informal productive activities followed by having low capital and poor technology which are hidden by ignorance, illiteracy and their potentially in the society (NSGRP, 2002).
- Women are socially and economically potential in development but their welfare especially in the developing countries including Tanzania faces serious problems. Statistically, in Tanzania over half (50%) of the total

population are reported as females (World Bank, 2006). Although female exceeds males, Harrison (1983) contents that women are guardians of their families' welfare including household managers who provide food nutrition, water, health, education and family planning. Regardless of such key responsibilities their welfare are not conducive. For instance, World Bank report (1989), reported that most African women face a variety of legal, economical and social constraints involving global activities. Specifically in Tanzania, HIV ratio is 1:5 for girls and boys of the age group between 15-19 years. Girls are 5 times more infected than boys; these gender imbalances have implanted consequences for overall HIV/AIDS infection rates. The gender gap in HIV prevalence has also widened in 1992 as the concession rate breakdown was 5.3% males and 5.9% females and in 1999 the concession rate break down was 8.7% males and 12.6% females. More paining, female are the poorest group who face low income, lack of education, polygamy system and they are the widows that are subjected to HIV. Consequently, women being the vulnerable group in the society face some difficulties on gaining access to information and technology resources and credit. Agricultural extension and formal financial institutions (URT, 2001).

Global women's issues have also been a concern for women activist over equality to male, women opportunities and life chances should not depend on their sex. But their ability and capacity joined with activist in El paso and marched into Juarez, Mexico to help raise awareness and empowerment about the ongoing position of women in all aspects including political, social, cultural and economical activities. This is the first international direct action on women issues. But it has been for many years involved in summits and issues briefly the women ability in all matters at the meeting. There is a gap, sometimes large and sometimes small, in every country between the status women are promised in law and the status they actually enjoy in the country.

2.4 Poverty Alleviation

Poverty is a problem linked with different factors among them includes political, economic and social problems, low life expectancy malnutrition, starvation and oppression (Sen 1999). Poverty can also contribute towards civil war and international conflicts (Holssti 1999). It is on that basis, poverty reduction has been a priority of most governments since the industrial revolution (Lipton *et al.* 1995). For instance, despite of economic growth, totalling 20% worldwide between 1993 and 1998, the number of people living in absolute poverty worldwide remained steady at 1.2 billion (Spring *et al.*, 1998).

Poverty is not uncommon problem of almost all developing countries. Tanzania is one the leading less developed countries (LDCs) that has been experiencing the bad consequences of poverty. As the result, the socioeconomic crises that occurred in different periods have been beyond what the country could resist. Above 75 % of the population is living on agriculture which is rain fed. The fate of the country's exports earnings and household consumption directly depend on the performance of agricultural sector. Even though this sector is the mainstay of the economy, it couldn't fully support the massive dependents in a sustainable way. The natural catastrophes, declining size of land holdings, inadequate supply of farm technologies etc. are the factors that lead to the increase of poverty level in the country.

Poverty alleviation has been a key development challenge over decades. One of the identified key constraints facing the poor is lack of access to formal sector credit to enable them to take advantage of economic opportunities to increase their level of output, hence move out poverty. This concern for the poor has been responsible for the design of various financial sector policies with conflicting prescriptions.

In the case of Tanzania, the issue of the importance of improving access to the poor was identified as a key development strategy right from the 1960's. The formal banks that were inherited from the colonial government were judged to be serving the trade sector and neglecting the agriculture sector that was the backbone of

Tanzania's economy employing over 80% of the population especially in the rural areas. This motivated the government to set up state owned banks like Cooperative and Rural Development Bank whose mandate included among others to provide credit to the rural sector including agricultural credits. Among these efforts the government also established the so called "ARUSHA DECLARATION of 1967" which emphasized on agricultural sector.

Due to the above fact, the country's main and immediate objective is to strive to break the vicious cycle of poverty and to alleviate and/ or reduce the magnitude and extent of poverty. In this struggle, as to all poor countries, the binding constraint is capital formation (i.e. investment from domestic saving and external injection) to alleviate poverty and encourage investment by poor. In this regard, the micro-finance institutions (MFIs) recently gain more and more acceptance.

In addition to banks and insurance companies, micro-financing institutions have continued to play an important role in giving credit and saving facilities to micro sectors of the economy. As of 2009, about seven micro-financing institutions had a gross loan portfolio of USD 591.3 million with active number of borrowers of 233,341 with NMB accounting for the gross loan portfolio of USD 514.5 million.

A number of stakeholders (such as UNDP, USAID, EU) have been working to develop the microfinance sector either through provision of technical support and capacity building, or through provision of funds for on-lending to the clients. The rationale for these efforts that focus on development of the microfinance sector is based on the argument that poverty can be alleviated in a sustainable manner if the institutions that provide to the poor are themselves sustainable. The motivation of this study is to investigate the role of these financial services provided by microfinance institutions as an instrument for poverty alleviation.

Economic growth has proven to be an essential component for poverty reduction, yet most scholars (Kraayet *et al.,* 2000) agree that growth alone will not eliminate poverty. Small-scale enterprises have developed to be an important constituent of the Tanzania economy in terms of its share in employment and output (Baragaju, 2001;

Mwarania, 1993). The main problem facing the sector is poor accessibility to credit facilities from banks.

The poor have large pool of un-mobilized resources, which are saved in non-financial forms and hence never enter the formal financial sector. The formal financial institutions are ill equipped to stimulate savings among the poor partly because of the structural shortcomings and bottlenecks, and partly because of national policies that discourage savings. But the propensity to save of the poor people can be increased substantially by group based micro-finance programmes, and the poor improves resource allocation by diverting funds from consumption and channelling it into productive activities. Domestic savings 'are primary determinants of capital formation (Temu, 1988).

It has been common notion that poor people are unable or unwilling to save and hence the unavoidable need for external financing. But several studies have shown that in spite of their poverty, majority of households in rural communities (96%) always save a portion of their income (Planning Commissioner, 1991). Poor people have a higher propensity to save (Rahman, 1997) than people at higher income levels. To them accumulation of savings may make major differences at times between survival and otherwise; socially or physically, because the threat of frequent droughts or ill health to most poor communities is severe. People also save for other purposes and reasons including: Meeting plans for future investment requirements, purchase of enterprise inputs, foreseen consumption needs such as school fees and in some instances for the direct need to earn extra income through interest (Bhalla, 1978; Biseth, 1987; Temu, 1988).

Semi-formal financial institutions have succeeded in developing appropriate small-scale loan programmes (Dawson, 1993).The most effect approach adopted by Semi-formal financial institutions to help the poor is through group-lending. The main economic function of savings and credit services is to enable people to save money who, in the absence of the services, would risk being thwarted by their own lack of self-control. More precisely, by becoming a member of semi-formal financial institution, one pre-commits to a preferred behaviour, that is to say, saving by high calibre of social pressure from other members of the group-lending (Aliber, 2001). Although in absolute values there is a noticeable increase in credit, savings and investment, the semi-formal sector still appears unsound. Enterprises do face severe financial constraints, particularly concerning availability of credit and high real interest rates. Financial services remain polarized in the main urban areas strongly constraining development especially micro-enterprises (Carboni, 2001).

On the other hand, it has been shown that a number of factors may determine repayment performance of group lending under joint liability (Zeller, 1998 cited by FAD (2002). Shah, *et al.*, (2000) used student's t-test to establish the differences of proportion of credit need fulfilled among different groups of users in Bangladesh. The same method employed by Adugna (2000) in assessing the performance of credit and non-credit farm households.

Sango *et al*., (2002), in their study on "the Role of social capital in reducing household vulnerability to food security in urban areas of Tanzania" used descriptive statistics analysis to analyse the social capital arrangements used by the households in coping with food insecurity. Also they used Chi-square tests and regression analysis to test the hypothesis that social capital increases household income.

2.5 The National Strategy for Growth and Reduction of Poverty

The policy focuses on economic growth and poverty reduction in line with Tanzania’s development vision (Vision 2025). The policy involves the following strategies;

- SMEs will be expanded and emphasis will be placed on improved knowledge of entrepreneurship skills amongst the youth coupled with ensuring equitable access to assistance and growth

- Reduction of poverty requires a sustainable high GDP growth rate of at least six to eight percent annually over the next 10 years to come. The same will be achieved by increasing growth in SMEs sector
- Sustainable economic development can only be achieved through accelerated GDP growth and widening the spectrum of actors in the economy, covering the informal sector, SMEs and cooperatives.
- The policy aimed at reducing unemployment from 12% (2000/2001) to 6.9% (2010) and addresses the problem of unemployment in rural areas.
- Counts on the contribution of all sectors toward achieving specific outcomes on growth, improved quality of living and good governance.

2.6 Saving Credit and Cooperatives Society (SACCOS)

Micro finance refers to small scale financial services primarily credit and saving provided to people who operate small enterprises or micro enterprises where goods are produced, recycled, repaired or sold. According to Robins Marguerite (2001), Micro Finance Industry in Tanzania is relatively new and dominated by semi-formal financial institutions. Wiriest the demand for the micro finance services is tremendous, majority of Tanzanian who are poor have not been able to the access of financial services.

These institutions operate under the Co-operative Societies Act No 19 Sec 30 of 1991 and amended Act No 5 of 1997 in offering saving and credit services to members. They are also covered under the Banking and Financial Institutions Act, 2006 as financial intermediaries but the bank of Tanzania does not supervise them. This is the only quasi formal financial institution accessible to country people and historically, the longest micro finance service provider.

SACCOS involves saving and credit facilities where by members can borrow some money after saving a certain amount. In some saving and credit societies the members borrow twice as much as they have saved, then they pay back in instalments including interest.

SACCOS are supervised by the cooperatives department of the ministry of cooperative and marketing. As noted above, SACCOS are dominating the industry especially in rural areas and their existence in urban areas is highly limited to work places. Most SACCOS provide very limited product which include credit and compulsory saving as a condition for being granted loan.

2.6.1 Operations of SACCOS

The Government recognises the following important guidelines for efficient sustainable operations of SACCOS;

- As saving – based institutions, regulation and supervision is necessary once the institutions reach more than a small group of members.
- As saving – based institutions, it is important to ensure that lines of credit for loanable funds do not undermine incentives to promote savings.
- Pricing policies for SACCOS should promote savings and allow sufficient interest rate spread for the profitable operations of the SACCOS.
- Promotions of SACCOS are best separated from their supervision in order to ensure that supervisors apply standards objectively.

To date the responsibility for the supervision of SACCOS has been placed in the hands of the ministry cooperatives and marketing. The Banking and Financial Institutions Act, 2006 provides for the Bank of Tanzania to have overall responsibility for financial sector regulations. The Bank of Tanzania, therefore, has the authority to ensure that SACCOS are supervised in accordance with prudential financial norms. In the process of strengthening SACCOS, it is important that they either become or are linked to professional managed financial institutions. Thus, it is envisaged that stronger SACCOS will evolve into community banks, join together to form cooperative banks or form alliances with either financial institutions. Saving and credit cooperatives society (SACCOS) are important supplies of micro finance services to middle and low income segment of the population, that usually operates at a small scale in areas or with sectors of the population not favoured by banks and other financial institution in the provision of financial services.

2.7 Efforts of the Government towards establishment of Micro Finance Institutions

The central of micro finance is poverty alleviation. The aims are to help the poor of the poorest become financially stable and independent. What has been a problem is definition of what poverty is and who poor man is. This has caused problem because a poor man in developing countries cannot be compared with the one from developed countries. From this context, poverty can be defined depending on some factors. These factors can be economic well-being of the society, social aspects, religious and so many other factors.

The term poverty has got broad meaning in a sense that it is relative. When relating poverty with words like poor, poorest or not so poor it can be found that all these words are relative. They have different meaning for different people and are difficult to measure. Micro finance addresses the financial needs of major sectors of the Tanzania population. They are primarily facilitator rather than creators of the underlying economic opportunity that lead to widespread economic present. Micro finance services transfer policies, although they can contribute to the reduction of poverty and improvement of income distribution.

The government consider the micro finance system as an integrate part of financial sector that falls within the general framework of its financial sector reform policy statement 1991. Since early 70`s the government of Tanzania has been concerned with the provision of micro credit to small business enterprises. In 1972, the government established the Small Scale Industries Development Organization (SIDO) through Parliamentary Act No. 28 as Parastatal organization. Among the objectives for its establishment were;

i. Advising prospective enterprises on setting new small scale enterprises.

ii. Advise small scale entrepreneurs on improved technical process and use of modern machineries and equipment.
iii. Assisting entrepreneurs in determining markets for their products and new materials and,
iv. Preparing technical economic profiles, pre-feasibility studies and assisting entrepreneurs to obtain long and short term capital and SIDOs own hire purchase scheme (Mwandenga A., 2000)

2.8 Social and Economic Growth from Micro finance industry

In the context of Tanzania, economic growth has been going up at the rate of 6 percent per annum in recent years. However the poverty level has been increasing among the marginalized groups like women in the informal sector. The objective of this study is to assess the contribution of PRIDE in poverty alleviation in Morogoro municipal.

It is estimated that, in 1999-2000 only five percent of Tanzanian farmers obtained credit from institution sources (World Bank (2000), cited by Mangasin (2001). This continued to be one of the major constraints to efforts made in capitalising the poor, the majority of which are women. Lack of poor-based institutions is the problem of Tanzania financial market. Therefore, one can argue that financial services have not been universally successful, and their ability to reach the poorest members in the rural areas who may not be able to save is limited. This is due to the fact that most of financial institutions are located in urban areas. The foffi1al banks have failed to develop means for the disbursement of credit which are appropriate to the particular needs of small-scale enterprises. Securities demanded are generally well beyond the means of most small-scale entrepreneurs (Temu, 1994), Carboni, 2001). Savings and credit services are the best solution to the smallholder farmers due to the fact that banks are not in the position to offer credit facilities to them (Msambichaka *et al.*, 1983). For smallholders to acquire means and knowledge and effectively increase output, savings and credit services is indispensable. Thus, provisions of savings and credit services enable smallholder farmers to improve their productivity, income and food security (Zeller, 1999 cited by Mangasin, 2001; Selejio, 2002).

Although the banking sector is the largest and most important source of external financing for SME, by and large, it is believed to be under-serving the needs of this sector. SMEs alternatively draw financing from a variety of sources. According to OECD (2006), small firms rely proportionally more on non-bank sources of financing such as internal funds (savings, retained earnings, family network) and the informal sector (money lender), as a result of their inability to produce the collateral requested by commercial banks (Satta, 2003). The informal sector is the main channel of credit for SMEs in ASEAN countries. According to RAM Consultancy Service (2005), informal sector channel fund up to 70-80 % of SMEs need in Viet Nam compare to 20-30 % funded by formal channel. Also in Cambodia and Lao PDR, family and friends are said to be the main channel of funding because they provide the cheapest funds compared to either banks or money lenders. The latter which are not licensed entities charge exorbitant rate of up to 20% per cent monthly for unsecured loans. In Tanzania, it is common practice in the country for small business owners to organize themselves into cooperatives commonly called “SACCOS”. Members of an SACCOS would generally contribute a fixed amount daily, weekly or monthly, to be pulled and then collected in turns to fund their business or personal projects (Seibei, 1998).

Across developing countries, micro, small and medium enterprises (SMEs) are turning to Microfinance Institutions (MFIs) for an array of financial services; this is because Microfinance is acknowledged as one of the prime strategies to achieve the Millennium Development Goals (MDGs) which are: poverty and hunger reduction, universal primary education, reduction of child mortality, combating diseases, malaria and environmental sustainability (Mahjabeen, 2008). The reason is because access to sustainable financial services enables owners of micro enterprises to finance income, build assets, and reduce their vulnerability to external shocks (Ehigiamusoe, 2005). The primary objective of microfinance institutions (MFIs) is to provide financial services (credit and savings) to the poor in order to release financial constraints and help alleviate poverty (Godquin, 2004). According to (Kevan and Wydick, 2001), the provision of credit to the poor serves two purposes. First, as borrowed capital is invested in small enterprises, it often results in significant short-term increase in household expenditure and welfare. Secondly, microenterprises credit spurs economic growth in the informal sector through fostering increase capitalization of business, employment creation, and long-term income growth.

The discussion above gives the convincing picture that poverty is still a problem not only in Tanzania but also at the global level. Therefore, the study is designed to investigate the contribution of PRIDE Tanzania as a financial facilities and sources of finance in poverty alleviation in Morogoro Municipality.

2.9 Conceptual Framework

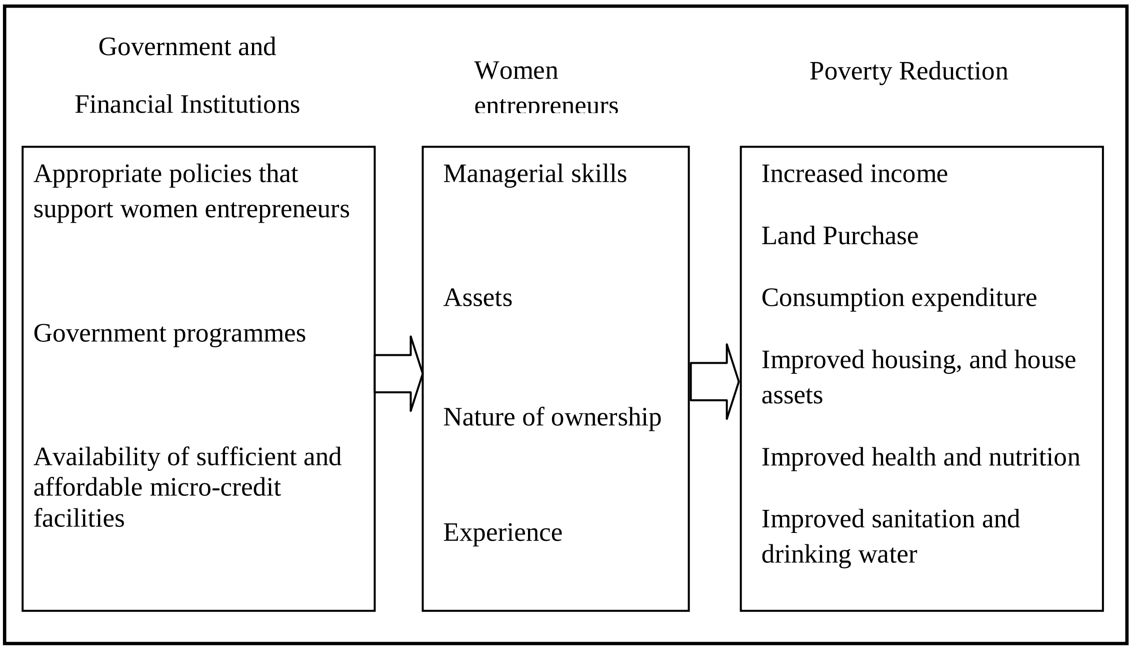
This research is based on the concept that provision of loans to small women entrepreneurs by MFIs such as PRIDE will reduce poverty (Figure 1.1). This will be achieved if the Government will design policies and programmes such that loan eligibility criteria will be favourable to women entrepreneurs. For example, women entrepreneurs will be able to get loans at the time when they need and at affordable interest rates, and acceptable terms. In additional to that, MFIs should design programmes or introduce products to specifically target women entrepreneurs to access credit for productive activity and improve their economic well-being.

This study also assumes that good policy and availability of credit facilities are not the only factors in poverty reduction. Managerial capacity and asset base of women entrepreneurs are some of factors that are important in determining their failure or success. Assets possessed by women have positive effect on poverty reduction as it is used as loan eligibility criteria. Other factors such as nature of ownership (individual/group) and experience are determining factors on women entrepreneurs' performance.

Indicators for poverty reduction include increased income and increased household consumption expenditure. In additional to this, the rise in household consumption expenditure, improved standard of living and improved health and nutritional status.

Poverty as the main problem facing large number of people in the developing countries has been addressed in a way that governments and private sectors have joined together to eradicate it. The main effort to eradicate poverty done by the governments and private sectors are being the provision of assistance services that will help the majority to fight poverty. In that respect micro financial institutions has been established to provide micro finance services to low income earners. With the formation of micro financial institutions like NMB, the society individually and in groups of people has been able to secure credit facilities that enables them to generate more income, increase their wealth and ultimately increase their standard of living as the main indicator that determine if poverty has been reduced. The role of credit facilities offered by these MFI to the society particularly SMEs has been of crucial impact but yet to be assessed to determine its role to women entrepreneurs in poverty reduction.

Figure 1.1: Conceptual Framework



2.10 Research Hypothesis

A research Hypothesis is the statement created by researchers when they speculate upon the outcome of a research or experiment. It is a paring down of the problem into something testable and falsifiable (Martyn, 2008). It is the expectation of the researcher that, the provided micro-credit facility to women entrepreneurs at Morogoro Municipal Council leads to poverty alleviation. Therefore, the research hypothesis of this study is;

H0 Null hypothesis: There is a positive relationship between micro-credit provided to women by PRIDE Tanzania and poverty reduction

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was used to conduct this study. There are different methods and techniques that can be used in conducting researches depending on the nature and type of the study being undertaken. The nature and type of data collected dictated the type of techniques employed in the data collection.

3.2 Research Design

In this report the researcher used a case study design in which he collected various data about the role of micro-credit facilities granted to women entrepreneurs. This report is a case study of PRIDE Tanzania. The study was an exploratory research designed to collect most information within this particular organization and more specifically, the Morogoro branch was chosen to be a case study because the researcher was able to obtain data and information required for the study on the role of micro-credit facilities provided by the organization.

3.3 Area of the Study

The study was conducted at Morogoro municipality in Morogoro Region where required information and data was easily available for research purpose; the region has a variety of communication networks and transportation facilities which are very important tools in reaching small and medium enterprises sites.

3.4 Units of Inquiry

A reasonable number of respondents were chosen to affect the study which was subjective to a number of people employed at the organization and a number of women entrepreneurs operating in Morogoro Municipality. Basically the targeted population of the study comprised of employees of PRIDE working under the loan department, and women entrepreneurs operating under the area of study.

3.5 Sample Size and Sampling Techniques

The researcher used random sampling to obtain representatives of the target population in which it provide equal opportunity for all representatives to be selected (Kothari 2004). These were conducted to collect data, which other methods did fail to capture. As shown in Table 3.1, a total of 80 women entrepreneurs and 10 employees of PRIDE Tanzania – Morogoro Branch were selected to make up the sample size. In each ward, with operating women entrepreneurs, at least one woman was selected.

Table 3.1 Sample Selection

No.	Ward In Morogoro	Total No. Women Granted Loans	No. of Women Selected	Response
1	Kihonda	7	4	4
2	Mwembesongo	4	4	4
3	Mji Mpya	5	4	4
4	Mbuyuni	5	2	2
5	Sabasaba	9	9	9
6	Bigwa	6	4	4
7	Mafiga	5	4	4
8	Uwanja wa Taifa	3	2	2
9	Sultan Area	8	8	8
10	Mji Mkuu	6	4	4
11	Mazimbu	4	4	4
12	Boma	4	3	3
13	Kingolowira	2	1	0
14	Mlimani	3	1	1
15	Kichangani	6	4	4
16	Mzinga	4	1	0
17	Kingo	4	2	2

18	Uwanja wa Ndege	8	5	5
19	Kilakala	5	4	4
20	Chamwino	4	4	4
21	Kihonda Maghorofani	3	2	2
22	Mkundi	3	2	2
23	Mafisa	5	3	3
24	Tungi	0	0	0
25	Magadu	3	1	1
26	Kauzeni	6	4	2
27	Luhungu	5	4	0
	Total	**127**	**90**	**82**

3.6 Data Collection Methods

These are ways used to extract information. The methods employed by this study were observations, documentary and questionnaires. The researcher considered these methods as appropriate to enable gathering accurate and enough information. Primary data were collected through questionnaire and interview. Secondary data was gathered from documentary review (Kothari 2004).

The researcher worked together with various staff at PRIDE and obtained all the data that was required for the study.

Questionnaire

This is a series of questions prepared for collecting information by distributing them to individuals who will be selected as a sample (Adam & Kamuzora, 2008). The researcher used questionnaires as one of the means of collecting information from both PRIDE staffs and loan beneficiaries. The information helped the researcher to understand the perception of respondents on the role of micro credits granted to women entrepreneurs towards poverty reduction.

Unstructured Interview

This method does not follow the system of predetermined questions and standardized technique of recording information (Adam & Kamuzora, 2008). The researcher used this method in order to have greater freedom in relation to the study. This method was used to collect data, which other methods did fail to capture because the interviewer was allowed much greater freedom to ask questions in relation to the study. The interview was also conducted after the return of the questionnaire so as to check the validity of the information given both to solicit the findings. Qualitative information collected from interview was used to supplement the quantitative information obtained from questionnaire.

Documentary Source

This is another method of secondary data collection in which information is extracted from different official record kept by an organization for reference (Kothari 2004). A researcher reviewed PRIDE credit manual; loan application form for women entrepreneurs as to whether the whole process is in agreement with the credit policy of PRIDE, and also loan follow up and repayments. This method was used because it helped the researcher to obtain documents which were reliable, suitable, and adequate for the purpose of the research.

3.7 Data Analysis

Data collected were divided into two categories, qualitative data and quantitative data. Qualitative data is data that cannot use statistical methods in its analysis and interpretation of the findings while quantitative data uses statistical methods or measurements in reaching the conclusion of the findings (Kothari 2004). Qualitative data obtained has been used to enhance the discussion of the findings in quantitative data (Kothari 2004).

Descriptive analysis was conducted to enable the researcher to summarize the collected data and organize in a way that the researcher will be able to answer the research questions. Descriptive analysis allows data to be quantified analysed. The use of different tools like tables, graphs and percentages or means will be utilized, also where necessary further analysis was conducted.

In order to answer the general objective, Hypotheses formulated after conceptual framework was proved to make a conclusion if micro credit will enforce poverty reduction at Morogoro Municipality. In doing so, regression analysis was deployed as a measure of acceptance or rejection of the hypothesis.

CHAPTER FOUR

PRESENTATION OF FINDINGS

4.1 Introduction

This chapter presents the findings of the study about the role of micro-credit facilities granted to women entrepreneurs in reduction of poverty. The chapter presents the personal information of respondents, then accessibility of micro credit facility, contribution of micro credit to economic development of women entrepreneurs and lastly contribution of micro credit to social development of women entrepreneurs.

4.2 Respondent's Background

Analysis of Response Rate

A total of 90 questionnaires were distributed in order to accomplish the intended study. In most cases, the researcher asked the respondents to answer the questionnaire while getting some elaborations on the requirements of the questions. This tendency allowed 82 questionnaires be filled and returned giving a response rate of 91% while only 8 questionnaires were not returned, giving a response rate of 9% as shown in Table 3.1.

This finding shows that the response rate is enough and fair, it indicates that the findings of the study would be representative.

Age of Respondents

It was important to the study to identify the age of respondents because, the age factor may influence the behavior of loan application and also is associated with the ability of respondents in meeting different criteria lied down by the MFIs. The age of respondents in this study were divided into five categories. First the study assumes that 15 years is the minimum age for women to use micro credit service. The categories were 15 years to 24 years, 25 years to 30 years, 31 years to 39 years, 40 years to 49 and 50 years and above. The categories were coded 1 to five respectively.

The findings are presented in Table 4.1 below.

Table 4.1 Ages of Respondents

Category	Percentage
15 to 24	3.7
25 to 30	12.2
31 to 39	53.7
40 to 49	23.2
50 and above	7.2
Total	**100**

Source: Researchers' Findings 2015

When descriptive analysis was conducted the finding shows the mean of 3.2 which mean 64% of women taking this opportunity of microcredit facility range from 31 to 39 years old (Mean of 3.2; 3.2/5 = 64%).

Marital Status of Respondents

The researcher considered marital status as a factor necessary to influence the ability of taking microcredit as there great possibility of women entrepreneurs to meet some conditions applicable. The researcher assumed five marital status types may be applicable namely married, single, widowed, separated and divorced and coded from 1 to 5 respectively. The findings are presented in Table 4.2. From table 4.2 it is obvious that 70.7% of our respondents are married and the remaining varies in other categories.

Table 4.2: Marital Status of Respondents

Status	Percentages
Married	70.7
Single	9.8
Widowed	13.4
Divorced	6.1
Total	**100**

Source: Researchers' Findings 2015

Education of Respondents

It is likely that educated women to be employed while conducting her business. But also the intention of MFIs is to help poor people to come-out of poverty. Employed person especially permanent employment may not qualify in this study. Therefore, the researcher posed a question on respondent's level of education to help further discussion wherever necessarily in this study. Education was categorised into four namely primary education, Secondary education (O level and A Level) Tertiary (Certificate, diploma, and Bachelor) and the Masters and above. The findings are presented below.

Table 4.3: Education Level of Respondent

Education Level	**Percentage**
Primary Education	50.0
Secondary Education	36.6
Tertiary Education	13.4
Total	**100**

Source: Researchers' Findings 2015

Type of business of the Respondents

Type of business carried out by the entrepreneur may influence the availability or access of micro credit services from the MFI. Therefore, the researcher wanted to know which mostly financed businesses from PRIDE Tanzania Morogoro Branch are. The researcher had prior knowledge that Food vendor, Textile or Garment, Restaurant, Handicraft are mostly financed business by MFIs. In additional the "other" business choice was added to allow respondents who are not carrying the above categories to have choices and mention there types of business. The findings are presented on Table 4.4.

Table 4.4 Respondents' Business types

Business Type	Percentage
Food vendor	26.8
Textile/garment	24.4
Restaurant	18.3
Handicraft	2.4
Other	28.1
Total	**100**

Source: Researchers Findings 2015

4.3 Access of Micro-Credit Facility Provided By PRIDE Tanzania Morogoro Branch

In exploring the accessibility of microcredit services to women entrepreneur, the researcher was curious to know how long respondents were in business, and how long they have used the micro credit service. The question asked "**How long have you been in business?"** the respondents were required to choose the groups prepared by the researcher. The groups were, 0 to 3 years, 4 to 9 years, 10 to 15 years and 16 years and above. The business experience was considered necessary to determine the difficulties or readiness of women entrepreneur in using micro credit service. The criterion set by the researcher as appropriate for consideration of their opinion in the whole remaining work is at least 10 years (approximately mean of 2). The findings are presented on table 4.5.

Table 4.5 Respondent's Experience on current Business

Question	Mean	Standard Deviation
How long have you been in business	2.3	0.8613

Source: Researcher Findings 2015

The other question posed to respondents is **"How long have you been using PRIDE micro credit services?"** The major intention here is to find if our respondents qualify to give opinion especially on the impact of micro credit upon the economic and social development. But also this piece of information will show the maturity of respondents in using microcredit services hence her opinion justifies the mean. The researcher consider that the mean of 1.5 (mean of 1.5; 1.5/3*15 =7.5 years) of experience will be enough to conclude on their opinion especially social and economic impact of the service. The findings are presented on table 4.6

Table 4.6 Respondent's Experience in Using Micro Credit service

Question	Mean	Standard Deviation
How long have you been using PRIDE micro credit services	1.9	0.70284

Source: Researchers' Findings 2015

The researcher was interested to know where the respondents get capital for the first time; the question asked that **"For the first time where did you get your capital to start your business?"** The findings are presented on table 4.7

Table 4.7; Source of Capital for Women Entrepreneur

Source	Frequency	Percentage	Ranking
Personal Savings	19	23.2	3
Non-bank	39	47.6	1
Family/relative assistant	24	29.2	2
Total	82	100	

Source: Researchers Findings 2015

From the above question a researcher wanted to know if the capitals of these entrepreneurs are financed from different sources then what will be the extent of each source. The question posed to respondents was **"At what percentage is your capital financed off; Tick the percentage applicable at applicable source"** The respondents were given five categories, 0 to 25%, 26% to 50%, 51% to 75%, 76% to 90% and 91% to 100%. The categories were coded from 1 to 5 respectively. The findings are presented at table 4.8 below.

Table 4.8: Extent of capital Finance

Question	Mean	Standard Deviation	Rank
At what percentage your capital financed off; bank	-	-	
At what percentage your capital financed off; personal saving	3.1	1.12886	1
At what percentage your capital financed off; non- bank	1.8	1.01190	3
At what percentage your capital financed off; Family/relative assistant	1.9	0.62866	2

Source: Researchers Findings 2015

Another direct question on the accessibility of the micro credit services was posed to respondents. The question asked **"How do you rank the accessibility of the following financial services provided by PRIDE, Morogoro Branch? Rank 1 to mean very hard to 5 very fair, if you're not aware of the financial service leave blank"** Other two financial services apart from Micro Credit were included namely Micro Lease and Micro Insurance. The decision criterion for the accessibility being very hard or very easy(fair) for the women entrepreneur at Morogoro Branch was set to be mean of 3 and above to mean fair and less than 3 to mean accessibility is hard. The findings on accessibility are presented on table 4.9

Table 4.9: Accessibility of Financial services to Women Entrepreneurs

Financial Services	Mean	Standard Deviation
Ranking for the accessibility of Micro credit services at PRIDE Tanzania	2.0	0.76823
Ranking for the accessibility of Micro Insurance services	1.0	0.00000
Ranking for the accessibility of Micro Leasing	1.0	0.00000

Source: Researchers Findings 2015

Since the literature has outlined some of the limitations in accessing micro credit services to poor people, the researcher considered they may also apply to women

entrepreneur at Morogoro municipality. The researcher asked the respondents the following question **"In case there any problem, what are limitations in accessing micro credit facility from PRIDE Morogoro Branch? Rank from 1 to mean strongly disagree to 5 strongly agree"** The decision criterion on this case is the mean of 3 and above to mean limitation exist and respondents has agreed, while the mean less than 3 shows disagreement of the respondents that the limitation exist.
The findings are presented on table 4.10

Table 4.10: Limitations in Accessing Micro Credit Services

Limitation	Mean	Standard Deviation	Ranking
High interest rate	4.5	0.50293	2
Demand for collateral	4.7	0.46319	1
Associated loan processing charges e.g. Commission, legal fee	1.9	0.28114	
Need to find group (group lending approach)	3.4	0.60782	3
Taxation on the micro credit obtained	1.8	0.37859	
Other limitations	3.4	0.50000	3

Source: Researchers Findings 2015

4.4 Contribution of Micro-Credit Facility to the Economic Development of the Women Entrepreneurs

In assessing the contribution of micro credit service to the economic development of the women entrepreneurs at Morogoro municipal the researcher used four indicators. Those indicators used are increased income, land purchase, increased consumption expenditure and improved housing and household assets. At first respondents were asked to evaluate themselves and judge whether there positive change, negative change or there no change (constant) when they compare between two periods before the micro credit service and after micro credit service. Respondents were pre cautioned that the change may be caused by other income (apart from those raised from business), so they should only consider the changes which they believe are resulted from business financed by loan from PRIDE Tanzania.

The question asked that **"The following are some of the social and economic indicators chosen by the researcher to measure the poverty alleviation at PRIDE women entrepreneurs. Compare yourself the time before and after getting micro credit, and say if the change is positive (2), Negative (1) or constant (not changed) (0)"** The findings are presented on Table 4.11.

Table 4.11: Changes of Economic Development of the Women Entrepreneur

Indicator	Positive change (%)	Constant (%)	Total
Increased income	52.4	47.6	**100**
Land Purchase	26.8	73.2	**100**
Increased consumption expenditure	64.6	35.4	**100**
Improved housing and household assets	41.5	58.5	**100**

Source: Researcher Findings 2015

For discussion reasons, further analysis was undertaken as the major intention is to measure the contribution of these indicators in economic development of women entrepreneur at Morogoro municipal. Economic development variable was created, as there only two changes in the above findings positive change and constant, the changes was coded 2 and 1 respectively. The economic development variable included all four indicators. The decision criterion for the increased economic development was the mean of 1.6 and above. The findings of this variable is shown in Table 4.12

Table 4.12: Economic Development

Variable	Mean	Standard Deviation
Economic development	1.4634	0.49942

Source: Researchers Findings 2015

Only determining the positive, negative or no change was considered insufficient by the researcher and so wanted to know the extent of the changes in each variable. To measure the extent the question asked was that **“Rank the following indicators to the extent that you think have changed (only positively) your social or economic development”.** The researcher provides some categorised percentages where the respondents were required to choose. The categories are 0 to 20%, 21 to 39%, 40 to 59%, 60 to 79% and 80 to 100%. The findings are shown on the table 4.13;

Table 4.13: Extent of the changes of the economic variables

Indicator	Mean	Standard Deviation
Increased income	1.46	0.70615
Land Purchase	2.07	1.78319
Increased consumption expenditure	1.57	0.49766
Improved housing and household assets	2.73	0.44580

Source: Researchers’ Findings 2015

4.5 The Role of Micro-Credit Facility to the Social Development of Women Entrepreneurs

Poverty eradication in this study was measured by economic variables and social variables. Economic variables are assessed above; in this section only social variables will be assessed. Three variables were chosen namely improved health and nutrition, improved sanitation and drinking water and improved education (school enrolment of children). As in economic development variables, respondents were asked to evaluate themselves and judge whether there positive change, negative change or there no change (constant) when the comparison between two periods before the micro credit service and after micro credit service. Also respondents were pre cautioned that the changes may be caused by other income (apart from those raised from business), so they should only consider the changes which they believe are resulted from business. The findings are presented on table 4.14 below;

Table 4.14: Changes of Social Development of the Women Entrepreneur

Indicator	Positive Change (%)	Constant (%)	Total
Improved health and nutrition,	34.1	65.9	**100**
Improved sanitation and drinking water	17.1	82.9	**100**
Improved education (school enrolment of children)	29.3	70.7	**100**

Source: Researchers Findings 2015

In the same way as in economic development variable, social development variable was formed by taking all three social variables together. The decision criterion for increased social development was the mean of 1.6 and above (mean of 1.6; 1.6/2*100 = 80%). The findings are presented in table 4.15.

Table 4.15: Social Development

Variable	Mean	Standard Deviation
Social Development	1.26	0.44182

Source: Researchers Findings 2015

The extent of the changes was ranked using same categories as those of economic development. The findings on the rankings on social development indicators are presented below;

Table 4.16: Extent of the changes of the Social Indicators

Indicator	Mean	Standard Deviation
Improved health and nutrition,	2.09	0.28114
Improved sanitation and drinking water	1.44	1.13418
Improved education (school enrolment of children)	3.54	0.50173

Source: Researcher Findings 2015

From the literature, there some mentioned factor that affect the social and economic development and therefore even when there positive changes in the indicators, poverty may not be alleviated. The researcher was interested to find out if those factors are affecting social and economic development of women entrepreneurs at Morogoro Municipal. The question posed to respondents asked that **“For your experience, social and economic indicators may be affected by some factors, rank the effect of each factor on your social or economic development, rank the effect from 1 very low effect to 5 significant effect”** the decision criterion in each factor is the mean of 3 and above to indicate significant effect and any less shall indicate low effect. The findings are presented on Table 4.17

Table 4.17: Factors affecting Social and Economic Development Indicators

Factor	Mean	Standard Deviation	Ranking
House hold size	3.94	0.24076	2
Number of Earners(e.g. husband)	4.00	0.56656	1
Number of dependants	3.45	0.56987	4
Number of school going children	3.67	0.47284	3

Source: Researchers Findings 2015

The researcher thought that, if the indicators will affect the respondents socially and economically, then it will be suitable to take measurement and prove among the available data on the effect. The researcher asked respondents **to “Indicate the applicable number for each of the following factor”.** The findings were first done by percentages to analyse each factor, then the mean of the factor was found. The decisions criteria for each factor are considered to be at least mean of 1.5, exceptions are shown below are set below;

- House Hold size, the minimum number was 3 people and the maximum was 10 people. Three groups were formed and coded 1 to 3, the decision criteria that assumed by the research may have greater impact to the social and economic development indicators is the mean of 1.8 and above

The findings are presented in the following table 4.18

Table 4.18: Existing Hindrance of Poverty Alleviation to Women Entrepreneurs

Factor	Mean	Standard Deviation
House hold size	2.12	0.57500
Number of earners	1.71	0.45779
Number of dependants	1.41	0.49569
Number of school going children	1.90	0.46107

Source: Researcher Findings 2015

CHAPTER FIVE

DISCUSSION OF FINDINGS

5.1 Introduction

This chapter discusses the findings presented in chapter four above, some information collected by interview and documentary review particularly qualitative information were used to enrich the quantitative findings. The chapter discusses the accessibility of micro credit facility to women entrepreneurs of Morogoro Municipal through PRIDE Tanzania, Morogoro Branch. Thereafter, contributions of economic development indicators chosen were explained followed by the contribution of social development indicators. Lastly, the hypothesis “There is a positive relationship between micro-credit provided to women by PRIDE Tanzania and poverty reduction” will be proved. Whenever necessary, the researcher conducts further analysis to help the discussion, the results of this extra analysis will be used direct to this chapter.

5.2 Access of Micro-Credit Facility Provided By PRIDE Tanzania Morogoro Branch

The study shows that respondents have been in business for an average of 12.1 years which is computed from mean of 2.3 see table 4.5 as (2.3/4*21 = 12.1). Twenty one was the maximum years of experienced respondents in business. Also the study shows that respondents have been using micro credit services for an average of 9.5 years computed from mean of 1.9 see table 4.6 as (1.9/3*15 = 9.5). Fifteen was the maximum number of years the respondents assumed to use the micro credit service due to the fact that 21 respondents fall in 10 to 15 years while there were 0 respondents in 16 years and above group. Hence, its convenience for the researcher to assume that 15 were the maximum year’s respondents used the micro credit service. This experience both of business and of using the micro credit service meet the decision criterion set in chapter five, therefore opinion of our respondents can be relied upon this study especially in evaluating the impact of micro credit in poverty alleviation.

The capital structure of respondents is necessary in determining the whole matter of access to micro credit service. The capital structure of our respondents shows that mostly the capital of women entrepreneur at Morogoro Municipal are financed by personal savings, followed by the relative or family assistant and then non-bank financial institutions in this case PRIDE Tanzania see table 5.8. However the astonishing result is that, the study shows, for the first time, women entrepreneur obtain their capital from non-bank, followed by Family or relative assistant and lastly personal savings see table 4.7. From these findings it shows that mostly women about 4 for every 10 (39 out of 82 see table 4.7) starts business using PRIDE micro credit. The finding tells that lest about 6 out 10 start business using other source apart from non-bank services.

To consider the difficulties or difficulty level associated with getting loan/micro credit service from PRIDE Tanzania, the findings shows that it is difficult to obtain the service from PRIDE mean of 2 as the decision criterion was the mean of 3 and above to be fair. Other financial services namely micro leasing and micro insurance included seems to be very difficult see table 4.9. The study reviles that the most difficulty condition is the need for collateral during borrowing followed by high interest rate and lastly the need to have specific groups. Other measured literature conditions does not exist nor has no significant effect in this study, these conditions are such as taxation on borrowed money and borrowing processing charges such as commissions and legal fees see table 4.10. One respondents argued that, *"Hii ndio tofauti kati ya benki na PRIDE, hakuna cha gharama za kuchukulia mkopo wala hatutozwi kodi kwa kukopa". Means "this is the difference with the bank, there no processing charges or charges of tax on borrowed money"*

One respondent argued that during interview, direct translated *" one of the most boring thing in PRIDE is there requirements if you want to borrow and stand as* *individual, it is good to be in groups for the first time, but when you stabilise will be best to let you stand alone so that you cannot take others liabilities"*

As the findings suggest, women entrepreneur finance their capital by 36% computed using mean of 1.8 (1.8/5*100) see table 4.8 from micro credit service, it's better to consider if the finance may be influenced by marital status of the respondents. The cross Tabulation between the two variables was conducted to see if there any influence of marital status to the size of capital finance from PRIDE i.e. micro credit. The findings of the contingency table shows no great differences as it only show the marital status and the finance level together with its percentage. This makes no much use on the matter to conclude if the marital status influences the capital finance level from micro credit facility. However to answer the question the correlation among variables shows that there no significant influence as the results of spearman correlation shows value of 0.251 and significance of 0.023 while the Pearson chi-square shows a significant influence as it shows the degree of difference of 6 and significance of 0.072 which is greater than the common 0.05.

5.3 Contribution of Micro-Credit Facility to the Economic Development of the Women Entrepreneurs

Economic development of women entrepreneurs in this study was measured by four variables, the increased income, land purchase, increased consumption expenditure and improved housing and household assets. The findings show that increased income and increased consumption expenditure has positively changed by more than 50% compared to the period before micro credit. All variables has changed positively see table 4.11. However, when included together to form economic development variable, it does not meet the decision criteria (mean of 1.4 compared to criterion of 1.6) to judge if the changes has resulted to an economic development of the women entrepreneur. This indicates that even though there positive change in all variables, the change is not enough to bring an impact to the economic development.

This argument can be proved by the findings presented on table 4.13 where it shows higher performance is the improved Housing and house hold 55%(mean of

2.73/5*100), while other indicators perform lower than 50% as the second land purchase has changed positively for 41.4% (mean of 2.07/5*100), followed by increased consumption expenditure by 31.4% and lastly increased income by 29.2% see table 4.13.

There great possibility that, the positive changes seen above has been influenced by number of years of respondents in using the micro credit service. To prove this intuition the researcher conducted the cross tabulation to figure out if the number years in using micro credit service has great impact to the indicators. The chi square result shows number of years in using micro credit facility has significance effect on each of the indicators. The findings shows; increased income, degree of freedom 4, Pearson chi square sig. 0.082; Land Purchase, degree of freedom 2, Pearson chi-square sig. 0.148; increased consumption expenditure, degree of freedom 2 , Pearson chi-square sig.0.091; and improved housing and house hold assets, degree of freedom 2, Pearson chi-square sig. 0.878. In all of these variables its significance effect is higher than the normal 0.05.

5.4 The Role of Micro-Credit Facility to the Social Development of Women Entrepreneurs

Poverty alleviation can be seen in different angles, in this study economic and social factors were chosen to measure the reduction of poverty in women entrepreneurs at Morogoro municipal who use PRIDE micro credit service. Three indicators was used, one is the improved health and nutrition, improved sanitation and drinking water and improved education (school enrolment of children). All the variables have certain level of positive changes see table 4.14. When all variables were included together to form social development variable, it shows clearly that the changes has no significance to reduce poverty. Table 4.15 presents mean of 1.26 equal to 63% (1.26/2*100) which does not meet the decision criterion the mean of 1.6.

Further, the finding shows that improved education and improved health and nutrition has major changes about 70.8% and 41.8% respectively see table 4.16 (mean of 3.54 and 2.09). Improved sanitation and drinking water remain down compared to other variables as it shows the positive change of 28.8% (mean of 1.44/5*100).

Moreover, the study reveals some factors that hinder the contribution of micro credit to the poverty reduction in both economically and or socially. These factors are such as (chronologically) Number of Earners (e.g. husband), House hold size, Number of school going children and number of dependants see table 4.17. The findings also show that, according to the number of people involved to our respondents, it is obvious that all factors are significant and affects women entrepreneur at Morogoro Municipal using micro credit as a tool in alleviating poverty see table 4.18, all variables exceeds the decision criterion set.

5.5 Relationship between Micro-credit provided to Women by PRIDE Tanzania and Poverty Reduction

Further analysis was considered necessary by the researcher to prove the contribution of micro credit provided to women entrepreneurs in poverty reduction. The null hypothesis was formed stating that **"There is a positive relationship between micro-credit provided to women by PRIDE Tanzania and poverty reduction".**

First it was assumed that given other factors constant, for example another source of income, there only one source of income to an entrepreneur women which is business. Also it was assumed that the women entrepreneur social and economic development will not be affected by factors such as schooling children, number of dependants and household size. Therefore the only any extent positive changes of economic or social development will be used direct to poverty alleviation.

For the analysis purposes, poverty will be measured by social and economic indicators and influenced by micro credit. Therefore, the extent of micro credit provided and so used to finance business of entrepreneur women may influence the level of poverty within the country. By this reason, the extent of capital financing from micro credit level will be referred in the model as independent variables while extent of positive effect of social and economic variables will be considered as dependent variables.

In this case the model will be;

Poverty reduction = f (Extent of micro credit in financing capital)

Poverty reduction variable is a new created variable to include the extent of positive change to women entrepreneur; it includes increased income, land purchase, increased consumption expenditure, improved housing and household assets, improved health and nutrition, improved sanitation and drinking water, improved education (school enrolment of children).

The simple linear regression analysis will be;

Poverty Reduction = f($X_{1(\text{Microcredit})}$ + Constant)

That is to say; $Y = (b_1X_1 + C)$

Where; Y is the Poverty Reduction

X_1 is the Extent of micro credit in financing capital

b_1 is the slope of the variable

After formulating this model, simple linear regressions were conducted using data collected from the questionnaires distributed to our respondents. The questions used in this part are “Rank the following indicators to the extent that you think have changed (only positively) your social or economic development” and “At what percentage is your capital financed off; Tick the percentage applicable at applicable source” here only one element was considered the micro credit(non-bank).

The model summary tells us whether the predictors in the model are successful in predicting the outcomes (Field, 2009). The value of R is 0.173. This represents the correlations between the predictor variables and the poverty reduction. The results tell us whether the variations in poverty can be explained by the selected variables. The value of R^2 tells us that the independent variables can account for 3% (0.030) of the variation in poverty reduction. That is to say, in other words, only 3% of poverty reduction can be influenced by micro credit facility.

Table 5.1 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.173[a]	.030	.018	.69981

a. Predictors: (Constant), at what percentage your capital financed off; non-bank

Furthermore, β values tell us about the direction and strength of the relationships between each of the predictors and poverty reduction. Positive relationships exist between micro credit and poverty reduction see table 5.2 below.

Table 5.2; Coefficients of regressions

Model	Unstandardized Coefficients		Standardised Coefficients	t	Sig.
	B	Std. Error	Beta		
Constant	1.241	.161		7.696	.000
At what percentage your capital financed off; non-bank	.121	.077	.173	1.573	.120

a. Dependent Variable: Poverty reduction

Having established the relationship between dependent variables and independent variables as we have seen above, now we should try to answer our hypothesis. The null hypothesis H0; states that "There is a positive relationship between micro-credit provided to women by PRIDE Tanzania and poverty reduction", the findings shows that there existing relationship between micro credit and poverty reduction as discussed above. The remaining matter is if the relationship is significant so that we can accept or reject our hypothesis. Then, Analysis of variance (ANOVA) will help us in making proper decision.

The ANOVA results shows that, a sig.0.120 which means there significant effect of micro credit to poverty reduction compared to normal 0.05. Therefore, the hypothesis has been accepted.

Table 5.3 ANOVA Results

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.212	1	1.212	2.474	.120[a]
	Residual	39.179	80	.490		
	Total	40.390	81			

a. Predictors: (Constant), At what percentage your capital financed off; non-bank

b. Dependent Variable: Poverty reduction

To sum up, on the effect of micro credit facility upon poverty reduction from the analysis, our model will be;

$$Y = 0.121X_1 + 1.241$$

CHAPTER SIX

CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

This chapter concludes the study, the chapter concludes on the accessibility of micro credit facility to women entrepreneurs of Morogoro Municipality through PRIDE Tanzania, Morogoro Branch. Thereafter, contributions of economic development indicators chosen were concluded followed by the contribution of social development indicators. Then the chapter concludes on the title of the study that is an assessment of the role of micro-credit granted to women entrepreneurs towards poverty reduction and lastly the chapter includes the recommendation from the study.

6.2 Access of Micro-Credit Facility Provided By PRIDE Tanzania Morogoro Branch

The research findings discussed above in chapter five indicates that four (4) women out of ten (10) women starts business using MFIs in this study PRIDE Tanzania, Morogoro branch. However, the finding tells us the major capital finance of women entrepreneur is personal savings followed by family or relative assistants and then micro credit. Also the findings shows that it is difficult for women entrepreneurs to access the micro credit services, the major stumbling rock being the need for collateral during borrowing followed by high interest rate and lastly the need to have specific groups.

Moreover, the finding shows that micro credit facility can be influenced by marital status of women see chapter five sections 5.2.

6.3 Contribution of Micro-Credit Facility to the Economic Development of the Women Entrepreneurs

The findings shows positive change when compared period before micro credit and period after micro credit for all variables measured namely the increased income, land purchase, increased consumption expenditure and improved housing and household assets. However, the results shows that the positive change has been influenced by the number of years the respondents used the micro credit service.

When the four indicators put together to form economic development variable, the findings shows that the change is not significant to influence the economic development of a women entrepreneur. It should be noted that, in evaluating the contribution of micro credit to economic development all other factors that might influence or hinder was taken constant.

6.4 The Role of Micro-Credit Facility to the Social Development of Women Entrepreneurs

It is very easy to measure poverty reduction in context of social life of a person. Therefore the study considered that, women entrepreneur may use the micro credit facility to increase social life status and hence poverty reduction. Three indicators was used, the improved health and nutrition, the improved sanitation and drinking water and the improved education (school enrolment of children). The finding shows there are positive changes in all the variables when time before micro credit facility and time after the service was compared.

The changes on all the variables (social development) were not significant to influence the poverty reduction to women entrepreneurs. However, the study shows that social and economic development of women entrepreneur at PRIDE Tanzania, Morogoro Branch can be affected by some factors such as Number of Earners (e.g. husband), House hold size, Number of school going children and number of dependants.

6.5 Relationship between Micro-credit provided to Women by PRIDE Tanzania and Poverty Reduction

This part concludes on the hypothesis of the study, that "There is a positive relationship between micro-credit provided to women by PRIDE Tanzania and poverty reduction". First it was assumed that given other factors constant, for example another source of income, there is only one source of income to entrepreneur women which is business. Also it was assumed that the women entrepreneur social and economic development will not be affected by factors such as schooling children, number of dependants and household size. Therefore the only any extent positive changes of economic or social development will be used direct to poverty alleviation.

For the analysis purposes, poverty will be measured by social and economic indicators and influenced by micro credit. Therefore, the extent of micro credit provided and so used to finance business of entrepreneur women may influence the level of poverty within the country. By this reason, the extent of capital financing from micro credit level was referred in the model as independent variables while extent of positive effect of social and economic variables were considered as dependent variables.

The findings show that a positive relationship between micro credit and poverty reduction do exist. Moreover, the finding shows there significant effect of micro credit to poverty reduction, hence the hypothesis was accepted.

Therefore, the study shows clearly the impact of micro credit to poverty alleviation if used and managed well. From these findings the researcher provided the general recommendations here under to improve by all the stakeholders of MFIs.

6.6 Recommendation

The motive behind this research was to assess the role of micro-credit granted to women entrepreneurs towards poverty reduction. Under this section, the researcher proposes the following recommendations based on the weaknesses encountered during fieldwork:

- **Reduce interest rate**: In this study, it was found that there were numbers of reasons hindering women entrepreneurs from achieving their goals in reducing poverty. High interest rates on loans hinder women on realizing their goals and objectives. The study recommends that the Government should develop policies, strategies and programmes that will lower taxes for MFIs and hence lower interest rates for borrowers. This could be implemented by means of special tax rates, direct subsidies or price incentives.
- **Targeting the poor**: In this study, it was found that poor people have difficulties in access to formal financial services provided by the MFIs. The MFIs are mainly targeting middle or upper class businesses, i.e. businesses with capacity to repay back loans. The study recommends that Government should create a programme that will provide guarantees for poor women to allow them to access credit facilities from MFIs.
- **MFIs being urban-based**: In this study, it was suggested that as most MFIs are located in urban areas, this denies the opportunity for the rural poorer to access financial services especially loans. The study recommends that, the Government should support the MFIs to extend its operations to reach the rural women.
- **Formulation of good policies:** In this study, many of the respondents claimed to use the loan provided to take care of their dependants. It is recommended that it is the Government duty to come up with the policies that may help the society in general, for example free schooling for primary, secondary and upper learning or clear alternative for it. Another example Government should take care of older as many of the respondents claimed to take care of their mother or father-in-laws, hence reducing burden of dependants to the society in general.
- **Training on project planning and Financial management skills:** In this study, it was found that responded they have little knowledge and skills on financial issues concerning the business they carry out. And also many of the project are failing due to lack of planning skills. Then it the researcher's

recommendation that education should be provided to women entrepreneurs on project planning and financial management skills that may help them use and manage well the business for positive impact.

REFERENCES

Adam, J & Kamuzora, F. (2008): Research Methods for Business and Social Studies Mzumbe University.

Basu, A., Blavy, R. and Yulek, M. (2004), “Microfinance in Africa: Experience and lessons from selected African countries”, Working Paper, International Monetary Fund.

Brealey, Richard A., Myers, Steward C. and Allan, Franklin (2008). Principles of corporate finance (9th edition) Published by McGraw-Hill. REF ID

Cassar, A. et al,. (2006). The effect of social capital on group loan repayment: Evidence from field experiments . Economic journal, current issue.

Chiduo, C. M.P, (2009). Micro Enterprise Finance in Tanzania: A case Study and Policy Design Analyse, Msc. *Thesis, Sokoine University of Agriculture, Morogoro.*

Christen Robert P, (2007). Micro Finance Strategy in Poverty Alleviation. London, Oxford University Press.

Co-operative Societies Act No. 19, (1991). As amended by Co-operative Societies Act No. 5 of 1997.

Cull, R., Demirgüc-Kunt, A and Morduch, J. (2009). Microfinance meets the market Journal of Economic Perspectives, 23:167-192

Economist .(2008). *Doing good by doing very nicely indeed*. The Economist pg 20.

Hermes, N., Lensink, R., and Meesters, A. (2011). *Outreach and efficiency of microfinance institutions.* World Development, 39**:**938-948

Hulme D. And Mosley P. (2007). Finance against Poverty. Routledge, London pp. 22.

Kessy, S.S.A and Urio, F.M, (2006). The Contribution of Microfinance Institutions to Poverty Reduction in Tanzania REPOA. Research Report 06.3

Kothari, C.R., (2004). Research Methodology, Methods and Techniques. Second revised edition. New Delhi. Vikas Publishing House Pvt. Ltd .

Lafourcade, A.C., J, Isern., P, Mwangi and M, Brown (2006). Overview of the outreach and financial performance of microfinance institutions in Africa, Microbanking Bulletin, April.

Lipton, M. (1976). Agricultural Finance and Rural Credit in Poor Countries. World Development 4(7), p543-553

Marulanda et al. (2010). Taking the good from the bad in microfinance: Lessons learned from failed experiences in Latin America

Mersland, R and Strom. R. (2009). Performance and government in microfinance Institutions Journal of Banking and Finance, Vol. 33, p. 662-669.

Micro Enterprises Finance, The Tanzania Bankers Journal 9, Pg 33-42

Mwandenga, A., (2002). Financial Institutions in Tanzania and Poverty Alleviation, Dar es salaam.

National Microfinance Bank (NMB), (2006). Loan Policy and Procedures – Operational Manual for Group Lending

National microfinance Bank Plc, (2008). Prospectus

National micro-finance policy, May (2000)

Piotr, M and Rekowski, P (2008), Impact of Microfinance on Small and Medium sized Enterprises, Warsaw.

Rahman, S (1997). Micro- Finance: Helping the Poor to help themselves, UNESCO courier Pp 35.

Sanderatne, N., (1978). An Analytical Approach to Loan Defaulters by Small Farmers Saving and Development. 2(4) p 290-304.

Small and Medium Enterprise Development Policy, (2002). Ministry of Industry and Trade, Tanzania.

Spencer, S., &Weiss A., (2005). Making the financial sector work for the poor. Journal of Development Studies, 41(4),p. 657-675.

Tanzania Banking and Financial Institutions Act,(2006). The Laws of Tanzania

The National Micro Finance Policy, (2002). Ministry of Finance, Tanzania.

Vanrose, A and D' Espaller, B.(2009). Microfinance and Financial Sector Development .Brussels. CEB Working paper

Vong A.P., and Chang, H.S.(2009) Determinants of bank profitability in Macao 'World Bank. World Development Report Washington, DC. World Bank

Wright, K. (2002) Financial Management and Policy, 10th edition Published at Prentice Hall

www.microsave-africa.com 23 October 2011).

www.pride.co.tz

http://www.cgap.org/p/site/c/template.rc/1.26.1308/).

http://www.investorwords.com/6776/credit_facility.htm

http://www.kiva.org/about/microfinance

APPENDECIES

QUESTIONNAIRE

PART I: PERSONAL DETAILS OF THE RESPONDENTS

Underline or circle or tick the correct answer.

1. What is your Age?
   a) 15years to 24 years
   b) 25 years to 30 years
   c) 31 years to 39 years
   d) 40 years to 49 years
   e) 50 years and above
2. What is your Marital Status? Choose among the following
   a) Married
   b) Single
   c) Widowed
   d) Separated
   e) Divorced
3. What is your education level?
   a) Primary education
   b) Secondary education
   c) Tertiary Education (including certificates, diploma and bachelor)
   d) Masters and above
4. Among the following what type of business do you run?
   a) Food Vendor
   b) Textile/garment
   c) Restaurant
   d) Handicraft
   e) Other please specify…………………………

PART II: ACCESSIBILITY OF MICRO-CREDIT FACILITY TO WOMEN

5. How long have you been in business?
   a) 0 to 3 years
   b) 4 to 9 years
   c) 10 to 15 years
   d) 16years and above
6. How long have you been using PRIDE micro credit services?
   a) 0 to 3 years
   b) 4 to 9years
   c) 10 to 15 years
   d) 16 and above
7. For the first time where did you get your capital to start your business?
   a) Personal savings
   b) Financial Institutions only banks
   c) Financial Institutions only non-banks (this includes PRIDE, FINCA, SACCOS etc.)
   d) Family or relatives assistant
   e) Other, please specify…………………………

8. How do you rank the accessibility of the following financial services provided by PRIDE, Morogoro Branch? Rank 1 to mean very hard to 5 very fair, if you're not aware of the financial service leave blank

Financial Service	1	2	3	4	5
Micro credit					
Micro Leasing					
Micro insurance					

9. At what percentage is your capital financed off; Tick the percentage applicable at applicable source

Source	0% to 25%	26% to 50%	50% to 75%	76% to 90%	91% to 100%
Personal saving					
Bank					
Non- Bank e.g. SACCOS, FINCA PRIDE etc.					
Family /Relative Assistant					

10. In case there any problem, what are limitations in accessing micro credit facility from PRIDE Morogoro Branch? Rank from 1 to mean 3strongly disagree to 5 strongly agree

Limitation	1	2	3	4	5
High interest rate					
Demand for collateral					
Associated loan processing charges(e.g. commission and legal fee)					
Need to find group (group lending approach)					
Taxation on the micro credit obtained					
Other limitations					

PART III: CONTRIBUTION OF MICRO-CREDIT TO THE ECONOMIC AND SOCIAL DEVELOPMENT OF THE WOMEN ENTREPRENEURS

11. The following are some of the social and economic indicators chosen by the researcher to measure the poverty alleviation at PRIDE women entrepreneurs. Compare yourself the time before and after getting micro credit, and say if the change is positive (2), Negative (1) or constant (not changed) (0).

Indicator	Positive change	Negative Change	Constant
Increased income			
Land Purchase			
Increased consumption expenditure			
Improved housing and household assets			
Improved health and nutrition			
Improved sanitation and drinking water			
Improved education (school enrolment of children)			

12. Rank the following indicators to the extent that you think have changed (only positively) your social or economic development.

Indicator	0-20%	21 – 39%	40 – 59%	60 – 79%	80 – 100%
Increased income					
Land Purchase					
Increased consumption expenditure					
Improved housing and household assets					
Improved health and nutrition					
Improved sanitation and drinking water					
Improved education (school enrolment of children)					

13. For your experience, social and economic indicators may be affected by some factors, rank the effect of each factor on your social or economic development, rank the effect from 1 very low effect to 5 significant effect

Factor	1	2	3	4	5
House hold size					
Number of Earners(e.g. husband)					
Number of dependants					
Number of school going children					

14. Indicate the applicable number for each of the following factor, if you don't have indicate with 0.

Factor	Number
House hold size	
Number of Earners(e.g. husband)	
Number of dependants	
Number of school going children	