PERFORMANCE EVALUTION OF MICROFINANCE INSTITUTIONS ON POVERTY REDUCTION

A CASE STUDY OF ROMBO DISTRICT-TANZANIA

BY

KIMARO J. WILLIAM

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CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation/thesis entitled **Performance Evaluation of Microfinance Institutions on Poverty Reduction, A Case Study of Rombo District,** in partial/fulfilment of the requirements for award of the degree of Master of Science Development Policy of Mzumbe University.

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I, **Kimaro J. William,** declare that this thesis is my own original work and that it has not been presented and will not be presented to any other university for a similar or any other degree award.

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DEDICATION

This dissertation is dedicated to my lovely parents, William J and Dorothea whom their parental care has laid the foundation to the formation of my success.

ABBREVIATIONS AND AGRONYMS

CGAP	Consultive Group to Assist The Poorest
CRDB	Co-Operative and Rural Development Bank
DALDO	District Agricultural and Livestock Development Officer
FGD	Focus Group Discussion
FINCA	Foundation for Initiatives Community Assistance
IQ	Intelligence Quotient
MDG	Millenium Development Goal
MFI	Micro Financial Institute
MKUKUTA	Mkakati wa Kukuza Uchumi na Kupunguza Umaskini Tanzania
NBC	National Bank of Commerce
NGO	Non Governmental Organization
PRIDE	Promotion for Rural Initiatives Development Enterprises
REPOA	Research on Poverty Alleviation
SACCOS	Saving and Credit Cooperative Society
SPSS	Statistical Package for Social Sciences
UNDP	United Nations Development Projects

ABSTRACT

The study assessed the performance evaluation of microfinance institutions on poverty reduction of Rombo district in Kilimanjaro region. This study was guided by the following research objectives which were; to identify the lending system used by different MFIs to their members in the study area; assess the performance of MFIs, identify constraints facing microfinance institutions in the study area and recommend strategies to improve the performance, and to assess whether the customers reached by these schemes have improved their general performance in terms of economic growth, creation of employment and generation of income.

Purposive sampling was used to select 60 active members as the sample who was seriously involved in SACCOS activities. Data collection for this study employed different methods which were used to collect data such as structured questionnaire, interview and focus group discussion. The findings revealed that SACCOS were performing according to the intended goals of serving poor rural community. Active poor rural community has been using these SACCOS as a source of credit to finance their business. However SACCOS are facing some problems including lack of entrepreneurial education to its members, financial institutions to offer loans to SACCOS, inadequate qualified staff to run the institutions, low participation of members to access loans from their SACCOS due to low knowledge of using the opportunities available and low women participation. Moreover SACCOS are facing other constraints like poor infrastructure, low capacity of SACCOS to serve its members, lack of MFIS in rural areas and inadequate entrepreneurial skills among the members and poor record and book-keeping skill. The recommendations made by this study were that other microfinance institutions be motivated to invest in the Rombo district to increase micro-loans disbursement to cooperative based MFIs (SACCOS) and that microfinance institutions through well established SACCOS should train leaders and non leader members on proper record keeping and financial management:

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CHAPTER ONE

INTRODUCTION

1.1 General overview

Microfinance institutions are organizations that provides small loans to small entrepreneurs who lack the credentials and collateral demanded by banks. Today, microfinance institutions are the main source of financial services to economically active poor individuals. These organizations provide financial services such as saving, credit, and insurance. Apart from financial services, some micro financial institutions (MFIs) provide social services such as group formation and training on investment skills and group management (PFCM, *et al* 2005).

MFIs mostly are SACCOS which are more supportive and friendly to poor majority who are ignored by the sophisticated financial service systems. These institutions work hand in hand with government in extending small loans to poor people to avoid risk/loss of their funds. The groups use the loans in establishing micro business or enriching the already owned micro businesses. This study aimed to undertake a thorough evaluation on the performance of these microfinance institutions in improving the lives of the poor using Rombo District as a case study.

1.2 Background to the Problem

One of the most stylized facts of developing economies is that formal financial institutions leave the poorest population tightly constrained in their access to financial services. It is also widely recognized that economic progress relies largely on access to financial services such as savings, insurance, and credit. Where formal financial institutions fail the large majority of the poor population, there is evidence to support the proposition that microfinance institutions and credit unions can fill some of the gap (Christen, as cited in Kiiru, 2007).

The word microfinance is being used very often in development vocabulary today. Although the word literally comprises of two words: micro and finance which literally mean small credit; the concept of microfinance goes beyond the provision of small credit to the poor. (Christen, as cited in Kiiru 2007) defines microfinance as 'the means of providing a variety of financial services to the poor based on market-driven and commercial approaches' This definition encompasses provision of other financial services like savings, money transfers, payments, remittances, and insurance, among others. However many microfinance practices today still focus on micro-credit: providing the poor with small credit with the hope of improving their labour productivity and thereby leading to increment in household incomes.

The history of micro credit is traced back to the early 1700s when Jonathan Swift, an Irishman, had the idea to create a banking system that would reach the poor. He created an Irish Loan Fund, which gave small short term loans to the poorest people in Ireland who were not being served by commercial banks, in hopes of creating wealth in the rural areas of Ireland. This idea took years to catch on, but then grew quickly and expanded globally. By the 1800's, the Irish Loan Fund had over 300 banks for the poor and was serving over 20% of the Irish population. In the 1800s similar banking systems showed up all across Europe targeting the rural and urban poor. Friedrich Wilhelm Raiffeisen of Germany realized that the poor farmers were being taken advantage of by loan sharks. He acknowledged that under the lending system, the poor would never be able to create wealth; they would be stuck in a cycle of borrowing and repaying without ever making personal economic development. He founded the first rural credit union in 1864 to break this trend. This system was different from previous banks because it was owned by its members, provided reasonable lending rates and was created to be a sustainable means of *community* economic development (Epstein, 2007).

The idea of credit unions spread globally, and by the end of the 1800s these micro credit systems had spread all the way from Ireland to Indonesia. At the turn of the century similar systems were opening in Latin America. Whereas in Europe the credit unions were owned by its members, in Latin America the institutions were owned by the government or private banks but were not as efficient as they were in Europe. In the

1950's donors and government subsidies were used to fund loans primarily for agricultural workers to stimulate economic growth but these efforts were short lived. The loans were not reaching the poorest farmers; they were often ending up in the hands of the farmers who were better off and didn't need the loans as critically as others. Funds were being lent out with an interest rate much below the market rate and there were not enough funds to make this viable long term. These loans were rarely being repaid, so the banks' capital was depleting quickly and when the subsidized funds ran out, there was no more money to pump into the agricultural economy in the form of micro credit (Matthaus, 2006).

In the 1970s the biggest developments in micro finance occurred in Bangladesh started off as an action based research project by a professor Mohamed Yunusu who conducted an experiment credit program. This nonprofit program dispersed and recovered thousands of loans in hundreds of villages. The professor tried to extend this idea to other bankers in Bangladesh, but they were afraid that it was too risky as a business and turned down the offer. Grameen Bank is now one of the world's largest micro finance institutions with over 4 million lenders. By the 1990s lenders had learned how to increase loan repayment rates enough to make micro finance institutions sustainable. They targeted women as borrowers and gave them money to invest in businesses that would increase their income and charged very low interest rates so the borrowers could pay back their loans and still have money, i.e. create wealth, for themselves. This is when the term micro finance was coined to replace micro credit, because the new institutions were doing more than making loans; they were offering other financial services to the poor like savings accounts, insurance and money transfers (ibid).

In the global arena there is already the impression that microfinance is successful in reducing poverty. Many policy makers are therefore engaged in how to make microfinance sustainable and available to many poor households in the future. Many stakeholders in the microfinance industry especially donors and investors argue that, "Microfinance can pay for itself, and must do so if it is to reach very large numbers of poor households” (CGAP). The overall message in this argument is that unless microfinance providers charge enough to cover their costs, they will always be limited by the scarce and uncertain supply of subsidies from governments and donors. The main underlying assumption in this argument is that microfinance is already good for the clients, and therefore what is really urgent is to make the financial service available to as many poor people as possible (Kiiru, 2007).

The typical micro finance clients are low-income persons that do not have access to formal financial institutions. Micro-Finance clients are typically employed, often house hold based entrepreneurs. In rural areas, they are usually small farmers and others who are engaged in small income generating activities such as food processing and petty trade. In urban areas, microfinance activities are more diverse and include shopkeepers, service providers, artisans, street vendors, etc. Micro-Finance clients are poor and vulnerable non-poor who have a relatively stable source of income (Yirsaw, 2008).

In Ethiopia, the poverty reduction strategy is becoming the operational framework to translate the global MDGs targets into national action (UNDP 2005). Micro finance service interventions in Ethiopia have also been considered as one of the policy instrument of the governmental and non government organizations (NGOs) to enable rural and urban poor increase output and productivity, induce technology adoption, improve input and productivity, induce technology adoption, improve input supply, increase income, reduce poverty and attain food security. The sustainability of micro finance institutions that reach a large number of rural and urban poor who are not served by the conventional financial institutions, such as the commercial banks, has been a prime component of the new development strategy of Ethiopia (Wolday, as cited in Kiiru, 2007).

In Nigeria, MFIs have grown phenomenally in the last ten years, driven largely by expanding informal sector activities and the reluctance of banks to fund the emerging micro enterprises. The number of MFI branches increased fivefold and the employees ten times. Their asset base and clients rose six and sixty-seven times, respectively. The value of outstanding loans and savings increased in multiples. Yet the number of beneficiaries of MFI operators is an insignificant proportion of over 60 million people that are in need of microfinance services. The financial services provided by the MFIs have neither been given any publicity nor captured explicitly in the official financial statistics (Anyanwu, 2004).

In Tanzania, about 80 per cent of the country's population lives in rural areas where 70 per cent of Tanzania's national output is produced (African Rural and Agricultural Credit Association, 2003). Most of the people living in these areas are poor farmers and are the principal beneficiaries of micro-finance policy (Bank of Tanzania, 2001). The rural sector, like in many other African countries, has largely remained underdeveloped. Development of the rural sector is therefore central in Tanzania's strategy to increase national output and employment, and in its fight against poverty. Experience from studies of micro-financing (Wahid and Hsu, 2000) shows that well designed micro-finance programmes can make a significant impact on the living condition of the poor. Basing on the National Microfinance Policy (2000) of Tanzania and National Strategy for Growth and Reduction of Poverty (MKUKUTA) which emphasizes on improving the lives of the poor through establishing a basis for evaluation of an efficient and effective micro financial system in the country that serves the low income segment of the society that will contribute to income growth and poverty reduction, it was the purpose of the present study to undertake performance evaluation of microfinance institutions on poverty reduction in Rombo District.

1.3 Problem Statement

Availability of suitable MFIs in Tanzania which are capable of serving households, small scale farmers, small and micro enterprises in rural as well as in urban areas is limited. The existing MFIs (of which most are SACCOS) face challenges, which limit their prospects of serving entrepreneurs. Generally, they are very small, often with no profession staff and with board members provide limited service on a voluntary basis.

Capital from members in the form of entry fees and share capital is insufficient. Incapability to do proper book keeping, drawing profit and loss statement, balance sheet and lending at a very limited rate. Only to limited a extent they are capable of establishing sufficient confidence to mobilize savings (Masalu, 2008). However, the introduction of MFIs was seen as the best alternative source of financial services for low income earners in different areas as a means to raise their income, hence reducing their poverty level. However,, evidence has shown that these MFIs have limited coverage, poor organizational structures and some are donor driven.

In attempt to resolve this problem, Tanzania is President Jakaya Kikwete has urged government officials to mobilize, promote and strengthen MFIs in their jurisdiction. This will enable poor community estimated sixteen million access to financial services. Notably the Government of Tanzania has established ‘prosperity for all places where funds are to be extended to communities by different Banks through MFIs. In response to this, those places which did not have SACCOs have rushed to forming SACCOs while those which had formed them earlier are positioning themselves in an attempt to benefit from ‘prosperity for all’ programme. Meanwhile, there are no any empirical evidences that has tried to evaluate the performance of MFIs on poverty reduction with special focus in Rombo district since the emphasize made by the President Jakaya Kikwete. It is from this vein that the proposed study wants to evaluate the performance of MFIs on poverty reduction in Rombo District.

1.4 Significance of the Study

The role of micro finance institution is basically to provision of 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. Findings and recommendation of this study will contribute more input to various categories of stakeholders in the process of strengthening the growth, performance and accessibility of micro finance institution services to many poor people in the district as well as in the country. This in turn will create more employment opportunities and thus improvement in income level to members and hence poverty reduction among Tanzanian population. However, the findings from this study will add more knowledge in the growing literature of MFIs and it will assist policy makers in policy implementation.

1.5 Study Objectives

1.5.1 General objective

The main objectives of this study was finding out the extent to which Microfinance Institutions (MFIs) contribute to poverty reduction in Rombo district.

1.5.2 Specific objectives

1. To identify the lending system used by different MFIs to their members in the study area;
2. To assess the performance of MFIs
3. To identify constraints facing microfinance institutions in the study area and recommend strategies to improve the performance
4. To assess whether the customers reached by these SACCOS has the the general performance in terms of growth, creation of employment and generation of income.

1.6 Research Questions

1. What are different systems used by different MFIs in issuing loans to members?
2. What is the performance indicators used to measure the performance of MFIs in the study area?
3. What are challenges facing different MFIs in the study area?
4. To what extent do MFIs services contribute to poverty reduction?

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature review of the study. It is organized into two main sub sections which are theoretical literature review trying to review various related theories and policies. the other sub-section is empirical literature review that tries to review various previous related studies.

2.2 Conceptual Underpinnings

2.2.1 Definition of Concepts

2.2.2 Meaning of MFIs

Microfinance is the provision of a broad range of financial services such as deposits, loans, payment services, money transfer, and insurance to poor and low-income households and their micro enterprises. Microfinance does not only cover financial services but also non-financial assistance such as training and business advice (Pilipinas, 2002).

The principal providers of financial services to the poor and low income households in the rural and urban areas of Tanzania consist of licensed commercial banks, regional and rural unit banks; savings and credit cooperative societies; and several NGOs whose micro-credit delivery operations are funded and supported with technical assistance by international donors (Randhawa and Gallardo, 2003).

Micro-finance Institutions also, refer to "transactions in small amounts of both credit and savings, involving mainly small–scale and medium-scale businesses and producers. The poor, who cannot run a small business because they lack capital, may also benefit from micro-finance organizations. The poor, especially poor women are the prime targets for micro-finance intervention in many countries". (Ngorora, 2008)

2.2.3 The Concept of Poverty

Poverty at its broadest level can be conceived as a state of deprivation prohibitive of decent human life. This is caused by lack of resources and capabilities to acquire basic human needs as seen in many, but often mutually reinforcing parameters which include malnutrition, ignorance, prevalence of diseases, squalid surroundings, high infant, child and maternal mortality, low life expectancy, low per capita income, poor quality housing, inadequate clothing, low technological utilization, environmental degradation, unemployment, rural-urban migration and poor communication. Poverty is caused by both internal and external factors. Whereas the internal causes can be clustered into economic, environmental and social factors, the external causes relate to international trade, the debt burden and the refugee problem (Kessy and Urio, 2006).

2.2.4 Poverty Eradication in Tanzania

Tanzania, as with other developing countries, has been struggling to reduce poverty. One of the interventions has been the introduction and implementation of social and economic policies which address the issue of poverty both at national and individual levels. This involved State intervention in education and other social services, and the creation of an enabling environment for private sector investment in productive sectors (Kessy and Urio, 2006).

During the World Social Summit held in Copenhagen in 1995, Tanzania joined other nations in their commitment to eradicate poverty. Following this commitment, Tanzania has developed plans for poverty reduction which are outlined in the Tanzania Development Vision: 2025, the National Poverty Eradication Strategy, Poverty Reduction Strategy Paper (2000,) and the National Strategy for Growth and Reduction of Poverty (2005). All these stress the importance of equitable, sustainable economic growth and improvement of people’s welfare (URT, 2002). The Government of Tanzania recognizes the role of the private sector in poverty reduction. The private sector has a role of creating employment opportunities by increasing investments. Also, private sector investment in social services will create effective and efficient environment for poverty reduction.

2.3 Global Historical Background of Microfinance Institutions

The beginnings of the microfinance movement are most closely associated with the economist Muhammed Yunus, who in the early 1970's was a professor in Bangladesh. In the midst of a country-wide famine, he began making small loans to poor families in neighboring villages in an effort to break their cycle of poverty. The experiment was a surprising success, with Yunus receiving timely repayment and observing significant changes in the quality of life for his loan recipients. Unable to self-finance an expansion of his project, he sought governmental assistance, and the Grameen Bank was born. In order to focus on the very poor, the Bank only lent to households owning less than a half-acre of land. Repayment rates remained high, and the Bank began to spread its operations to other regions of the country. In less than a decade, the Bank was operating independently from its governmental founders and was advertising consistent repayment rates of about 98% (IILJ, 2010).

The success of the Grameen Bank did not go unnoticed. Institutions replicating its model sprang up in virtually every region of the globe. Between 1997 and 2002, the total number of MFIs grew from 618 to 2,572. Altogether, these institutions claimed about 65 million clients, up from 13.5 million in 1997 and still growing at 35% a year. The amount of money flowing to clients also continues to climb rapidly and the Grameen Bank has extended over $750 million worth of credit in the past two years alone. Alongside the explosion of the microfinance industry in absolute terms, there has been a steady growth in private financing for MFIs. The bulk of microfinance funding is still provided by development-oriented international financial institutions and NGO's. Yet estimates place demand for unmet financial services at roughly 1.8 billion individuals. Even at its current growth rates, it is clear that microfinance will only be extended to meet this enormous demand by leveraging private capital, flows of which dwarf all other potential sources. Commercial financing has grown most rapidly in Latin America, where regulated financial institutions now serve 54% of the continent's microfinance clients and, importantly, are now responsible for 74% of the region's loans. Overall, 2005 saw private lending to MFIs jump from $513 million to $981 million (IILJ, 2010).

This jump in investment is a reflection of an increasing number of sustainable MFIs worldwide. In addition to earning a profit, sustainable microfinance providers are in a better position than their subsidized peers to expand their operations and share of the market. Thus in a study by the Consultative Group to Assist the Poor (CGAP) in which operationally-sustainable MFIs represented only 46% of the sample, they accounted for 77% of borrowers served. The push towards sustainable institutions and the resulting growth of commercial financing raise some important questions about the true mission of MFIs and how best to expand their reach (CGAP, 2006).

2.4 Historical Background of Microfinance Institutions in Tanzania

Microfinance in Tanzania began with NGOs (Non Government Organizations) and SACCOS (Savings and Credits Cooperative Societies) in 1995 and has continued to grow with the increased success of microfinance internationally. According to 2005 survey done by bank of Tanzania (the overseer of microfinance under the Ministry of finance) updated the directory of microfinance practitioners identify basic information on microfinance institutions namely commercial banks, financial Institutions, financial non-governmental Organizations (NGO), Savings and Credit Cooperatives Societies (SACCOS) and Savings and Credit Association (SACAs) the directory has counted a total of 8 banks, 45 Community Based Organizations, 2 companies, 95 Government programs, 1,620 SACCOS, 48 SACAs and 62 NGOs. Between 2001 and 2003, the number of new retail outlets increased by 20%, clientele grew by 72%on average, outstanding loan portfolio and savings deposits grew by 88% and 52% respectively, with a low non-performing loan ratio of less than 5% on average (Ngorora, 2008).

2.5 Tanzania Microfinance Policy

Microfinance in Tanzania is one of the approaches that the government has focused its attention in recent years in pursuit of its long term vision of providing sustainable financial services to majority of Tanzanian population. In Tanzania, before the current financial and banking restructuring took place, most of financial services for rural, micro and small enterprises were offered by the National Bank of Commerce (NBC) and the Co-operative and Rural Development Bank (CRDB) (URT, as cited in Kessy and Urio, 2006).

Since 1991, the government has been implementing financial sector reforms aimed at putting in place a competitive, efficient and effective financial system. Although the reforms have had reasonable success in bringing about the growth of competitive and efficient mainstream banking sector, it has not brought about increased access to basic financial services by the majority of the Tanzanians, particularly those in rural areas (Chijoriga, 2000).

The realization of the above shortcoming led to the Government's decision to initiate deliberate action to facilitate alternative approaches in the creation of a broad based financial system comprising of a variety of sustainable institutions with wide outreach and offering diverse financial products (Chijoriga, 2006). The government's choice of microfinance was influenced by the conviction that, given adequate attention, microfinance has the potential to contribute considerably to the economic development of the country because it is more adapted to the needs of the low-income population which makes up the majority of Tanzanians.

2.6 Microfinance and Poverty Reduction

Microfinance is provision of small amount of institutional credit and saving to jointly liable low-income people, who are unable to obtain loans from formal sector banks for lack of collateral (Rahman 1999, Morduch 2000). The Grameen Bank in Bangladesh (Wright 1999) first began it in 1976. Formal sector banks do not lend to the poor, as it is difficult for them to identify the truly reliable borrowers, monitor their behavior and to make them accountable when it needs (Morduch 2000). It is with the view to overcoming this phenomenon that the microfinance movement emerged by substituting material collateral with social collateral, organized social pressure from group members among the poor to make each member of the group responsible to and for the collective to enhance social solidarity (Rahman 1999, Morduch 2000).

According to Aguilar (1999), the aim of integrating the poor into the economic circuit through microfinance programmes is to alleviate poverty by creating income and jobs, and consequently promote development. To that end, participants of microfinance programmes are expected to invest the micro-loans in productive activities (Rahman1999) that generate enough income enabling the low-income households to exit from poverty; expand their businesses; and improve the quality of their lives (Morduch 2000). In this regard, Webster and Fidler (1996) stated that clients of microfinance programs have higher and more stable income, increased household expenditures for basic needs, employment opportunities, nutritional intake and better children's education than they did prior to their participation. Aguilar (1999) said that the poor undoubtedly benefit from microfinance services in growing levels of health care and education expenditures, better income, and better quality of nutrition, asset holdings, and weights of preschool children. They also become familiar with financial institutions; gain confidence; save for emergency use and build up collateral for loans; have access to market; and increased women empowerment and contraceptive use, among others. Gulli and Berger (1999) summarized the assistance of microfinance programmes to poor households in to four major areas:

1. Investment in productive assets for income generation;
2. Facilitating the household's livelihood activities;
3. Protection against income shocks and reduced vulnerability; and
4. Qualitative factors such as empowerment and building of social capital.

To put poverty-reduction intervention of microfinance programmes in a nutshell, they reach the poor in need of credit, and the poor pull themselves out of poverty through income generating activities and empowerment (Gulli and Berger 1999).

Recent studies show that, linking MFIs with other interventions such as poverty alleviation often complicates the functioning of MFIs by pushing them to areas not considered sustainable. This implies that there is a conflict in measuring financial performance and poverty alleviation. Most of sustainability indicators focus on the MFI as a profitable institution (loan repayment, profitability and degree of subsidization). Thus for an MFI to meet the microfinance best practices, as given by Consultative Group to Assist the Poorest (CGAP), and be financially sustainable, it has to regard itself as a business venture. As a consequence of this and especially in the rural areas, very few people qualify for a business loan (Kessy and Urio, 2006).

2.7 Challenges facing MFIs in Tanzania

The government of Tanzania has for the past several years been engaged in far reaching economic, political and social reform programmes, with the focus on broadening the role of the market force in the economy and promoting democracy and good governance. The reforms have also been done in savings and cooperative sector from union level to a society level following the new cooperative Development policy and financial Act 1991 (Massalu, 2008). But the challenges facing SACCOS in Tanzania according to different researchers reports are almost similar, according to Masalu (2008) in Korogwe district which have 32 SACCOS, found that: low capitalization, delayed remittances of member deduction, weak internal control, lack of effective supervision and guidance, limited range of product and services, unsustainable interest rates, low outreach, poor loan repayment and high loan delinquency and inadequate knowledge by SACCOS leaders and staff in microfinance were major challenges.

It is estimated that there are close to eight million small and micro entrepreneurs who need financial services. However, the number is increasing by 4% annually. The majority are found in rural areas in Tanzania where the infrastructures are poor and hence hinder the development of small and micro entrepreneurs. Also, the distribution of the MFIs is not evenly in distributed; most of MFIs are concentrated in urban areas leaving rural areas under served. Most of MFIs with exception of the tiny urban based

SACCOS are reluctant to extend their services to the rural areas due to poor infrastructure, high risk and high cost of operation (Kalemera, 2008).

It is important to note that cooperative institutions in Tanzania has had a very bad history as most were associated with financial mismanagement to the extent that they lost peoples trust and confidence. The cooperative based financial institutions therefore could not make any meaningful impact in the lives of their members as they operate at very small scale due to funding constraints. Since the year 2000 the government in collaboration with some donors has been implementing a special programme to resuscitate the cooperative based financial institutions. The ongoing drive has given rise to a new generation of SACCOS being established countrywide. However there are still new business and it will take some time before their new impact felt (Kalemera, 2008).

Similarily, Kipene (2007) in a study conducted in Morogoro, the findings revealed that central market that the challenge of SACCOS was the dependence of donors as a source of capital for microfinance institutions which is a poor base for the sustainability of the institutions. This is because once the donor terminates the support the institutions fail to sustain. On the other hand the attitude of public thinking the fund borrowed were donation and hence fail to repay to enable the growth of the institution. The most of SACCOS are still operating in old social oriented model and have been slow to change to business and economic based approach accompanied with new products and services to meet the needs of the members and incompetent and un-exposed leadership to new modern ways of looking at new financial service and products which attract and retain members.

Mwambola (2008) in his study on the contribution of the micro credit to poverty alleviation in Tanzania using a sample of Dar es salaam, Arusha, Mbeya and Zanzibar MFIs; showed that there were about fifty registered MFIs. Yet, there overall performance of MFIs was poor and few of them had clear objectives or organization structure. It was further revealed that many of MFIs in Tanzania lack participatory ownership and was donor driven. Furthermore, narrated that rural micro- finance institution in Tanzania were rather new and operated in a difficult environment though they played important role in the agricultural sector development; thus requires new approach in order to bring desired impact. Microfinance institutions like PRIDE Tanzania and FINCA were operating in environments with high general business risk and lack practice in rules of formal finance; thus high delinquency rates in credit programs for the poor.

2.8 Empirical Literature Review

Various studies on MFIs have been conducted in different parts of the world. The findings from these studies contribute much to the growing literature on microfinance institutions. Some of the studies, which had a significant contribution, include the study by Mosley (2001). In his study on Microfinance and Poverty in Bolivia, he assessed the impact of microfinance on poverty. The study was conducted through small sample surveys of four microfinance institutions, two urban and two rural, using a range of poverty concepts such as income, asset holdings and diversity, and various measures of vulnerability. The findings revealed that in comparison with other anti-poverty measures, microfinance appears to be successful and relatively cheap at reducing the poverty of those close to the poverty line. However this was also revealed to be ineffective, by comparison with labour-market and infrastructural measures, in reducing extreme poverty. The study further proposed actions that appear to be promising for the further reduction of poverty in Bolivia which can also be useful for other developing countries. These actions include stronger efforts to mobilize rural savings, removal of lower limits on loan size, and the introduction of appropriate insurance mechanisms.

Despite this contributions made by this study still there are some weaknesses. The first problem is on the sample size which was only four microfinance institutions, this sample size might not be adequate for the generalizations made above. Also the poverty concepts considered excluded the number of employees, this is very important to measure, as it indicates whether the microfinance institution has created capacity to employ more people or not.

The study by Mochona (2006) assessed the impact of MFIs in Addis Ababa, Ethiopia using a stratified two stage cross sectional sampling method. In general, the information gathered from the clients shows that participation of the people in microfinance programmes resulted in reduction in poverty. The clients' income improved. They have built assets and saved money; their business inputs and consumption expenditures increased; their livelihoods improved; their dependency on expensive financial services from moneylenders decreased; their nutrition intake improved; and their access to health services has improved. This study was conducted in Gasha, Addis Ababa but the proposed study was undertaken in Rombo District Tanzania using mult-stage sampling as sampling technique.

Another study conducted in Tanzania by Kessy and Urio (2006) assessed the contribution made by microfinance institutions to poverty reduction in Tanzania using triangulation of research design drawn from previous related study conducted in Tanzania. The study findings revealed that MFIs have changed the life of poor people in a positive way. MFIs' clients have increased their incomes, capital invested and therefore expansion of their businesses. Despite these achievements it was further observed that some conditions like grace period for loan repayment, collateral and MFIs coverage have been limiting factors for poor people to access the MFI services. The study recommended the interest rate to be lowered to a level that would cover MFIs' operating expenses and at the same time facilitate the growth of their clients' business. However, MFIs should consider the possibility of increasing the grace period and reducing the frequency of repayment so as to provide for clients with long term loans turn to businesses such as farming.

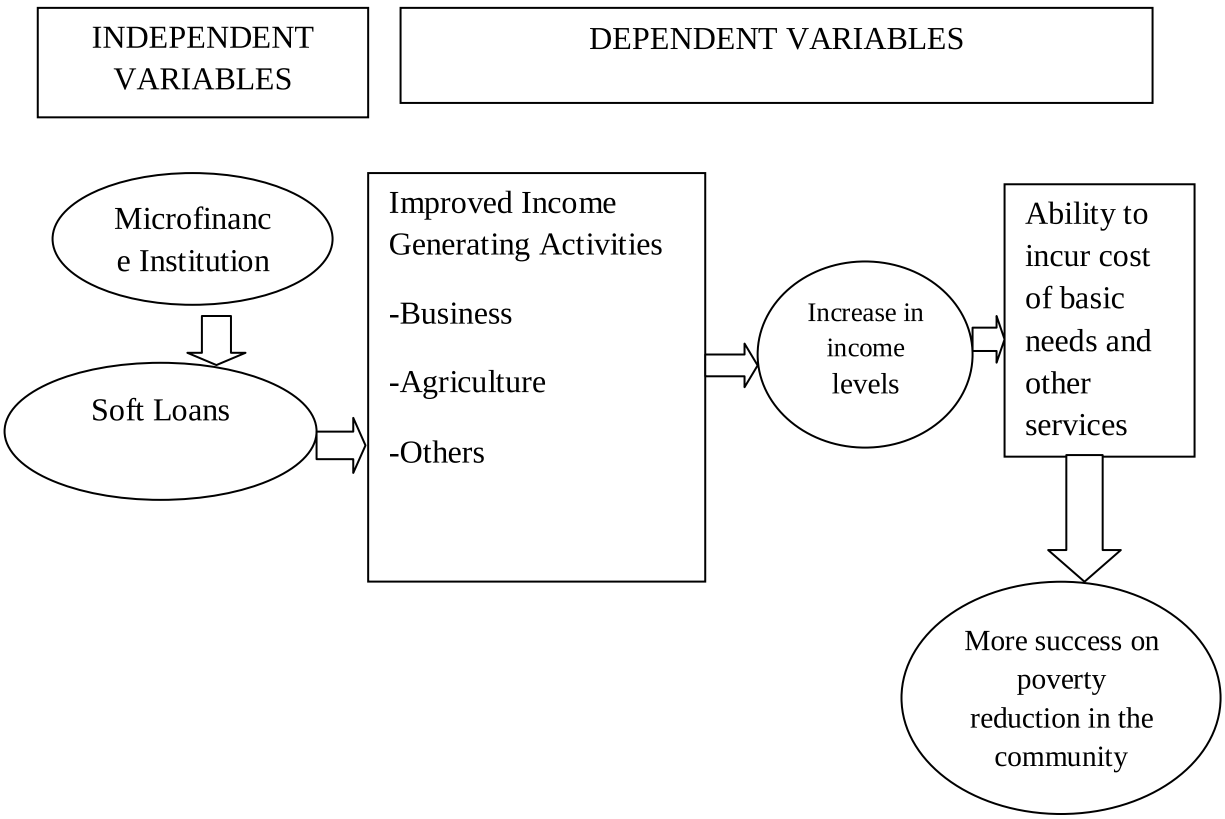
The study by Chijoriga (2000) evaluated the performance and financial sustainability of MFIs in Tanzania, in terms of the overall institutional and organizational strength, client outreach, and operational and financial performance. In the study, 28 MFIs and 194 MSEs were randomly selected and visited in Dar es Salaam, Arusha, Morogoro, Mbeya and Zanzibar regions. The findings revealed that, the overall performance of MFIs in Tanzania is poor and only few of them have clear objectives, or a strong organizational structure. It was further observed that MFIs in Tanzania lack participatory ownership and many are donor driven. Although client outreach is increasing, with branches opening in almost all regions of the Tanzanian mainland, still MFIs activities remain in and around urban areas. Their operational performance demonstrates low loan repayment rates and their capital structures are dependent on donor or government funding.

In conclusion, the author pointed to low population density, poor infrastructures and low house hold income levels as constraints to the MFIs' performance. Many of these MFIs have no clear mission and objectives. Also their employees lack capacity in credit management and business skills. Among the questions which arise out of these research findings is whether these MFIs whose performance is questionable will have any impact on poverty alleviation.

From the above empirical review there is a strong need to evaluate the performance of MFIs on poverty reduction in Rombo District the Northern part of Tanzania in order to understand to what extent these MFIs contribute in poverty alleviation and improve the livelihood of the community in Rombo District.

2.9 Conceptual framework

Figure 2.1 Conceptual Framework



Source: Modified from (Kigoda, 2009)

The above conceptual framework presents the assessment of microfinance institutions on poverty reduction. A set of independent variables conceived to influence certain dependent variables. It is believed that MFIs (SACCOS) do provide small loans to low income earner's who do not have access to big financial institutions to get loans. Low income earner's access loans from these institutions and invest in either existing or new income generating activities like business, agriculture, livestock keeping and others. This has positive impacts in their income accompanied with increased purchasing power. The ultimate result is increased ability to incur various livelihood costs with respect to households' basic necessities and thus improved standard of living. When these positive effects accrue in a number of households in the community, the society's standard of living improve as a whole.

In view of the above context, all the procedures of microfinance institutions in processing the soft loans and the accompanied policies as well as the soft loans themselves are in present study considered as independent variables. While all variables involving any kind of results from the empowerment process of MFIs fund are considered as depended variables. These include improvement in existing income generating activities, initiating new activities, increased income and hence purchasing power as well as overall poverty reduction within the community.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This section presents the methodology that was used in data collection, it contains various sub-sections which are; description of the study area; research design, sampling frame and techniques, sample size, types of data and methods of data collection, as well as analysis and presentation of data.

3.2 Description of the study area

The study on SACCO,s was conducted in Rombo district, which is among the seven districts in Kilimanjaro region. Other districts in this region are: Moshi Rural, Moshi Town, Same, Mwanga, Hai and Siha. The District covers an area of $1440km^2$. which is equivalent to 114,000/ha out of which agriculture covers 44,144/ha, Animal keeping cover 38,194ha, Forest, Mountain, Rocks and water covers 45,143ha According to the 2002 population census, population was estimated to be 246,479; where by male are 116,859 and Female are 129,650 at the growth rate of 1.4%. In 2008 the population was about 267,092 people (DALDO, 2008). Rombo district was selected for the study due the fact that it has the largest number of SACCOS in Kilimanjaro region

3.3 Research Design

The research study used cross-sectional research design to achieve its objectives. According to (Kigoda, 2009), a research design means a class of research methods that involve observation of some subset of a population of items all at the same time, in which groups can be compared at different ages with respect of independent variables such as IQ and memory. The distinction feature of cross-sectional design is that studies take place at a single point in time. Cross-sectional studies are used in most branches of science, in the social sciences and in other fields as well. The most important advantage of cross-section design is that in general they are quick and cheap. As there is no follow up, less resource are required to run the study.

3.4 Sampling techniques

The sampling frame for the proposed study was the SACCOS situated in Rombo District. The units of inquiry for this study were the SACCOS members who were active. These members were involved in answering of a questionnaire. The focus of this study was on the performance of MFIs on poverty reduction; therefore, non probability sampling particularly purposive sampling was used to select Villages which their SACCOS had active members. The reason for using this technique was geared to the fact that the researcher wanted to get information from active members who were involving themselves in SACCOS activities. Therefore, Shimbi, Mashati, Mamsera and Mahida villages there SACCOS were selected for the study.

3.5 Sample Size

The sample size for this study was obtained from the members of the selected SACCOS of those Villages. Since the study wanted to evaluate the performance of MFIs on poverty reduction, it was imperative to deal with the members who were actively involved in SACCOS activities by saving their money in the SACCOS, members who were not delaying to redeem their loan and members who were participating in Annual General Meeting. Therefore, purposive samplings were opted as the best technique that could be used to select targeted respondents. From these four namely Shimbi, Mashati, Mamsera and Mahida selected SACCOS; fifteen respondents were selected purposively from each SACCOS making a total of sixty respondents. Within those sixty respondents, gender inclusion was considered.

Table 3.1: Sampled SACCOS by gender

Name of SACCOS	Total number of members		Sampled member	
	Male	Female	Male	Female
Shimbi	26	29	8	7
Mashati	32	10	5	10
Mamsera	47	56	8	7
Mahida	40	32	6	9
Total	**145**	**127**	**27**	**33**

Source: *Field survey (2013)*

3.6 Types and Sources of Data

Both primary and secondary data were used during the study. All Primary information in this study was gathered through the interviewing and specific questionnaires were used to cover the objective of the study. Secondary data, on the other hand, was obtained through reviewing various documents from government departments, university libraries, public and private institutions, various reports at Rombo District council headquarter.

3.7 Methods of Data Collection

The following methods were used in the field in collecting data and information. Semi structured interviews was administered to microfinance institutions (SACCOS) dealing with loan provision services. This was employed deliberately in order to get information on loan provision and how the MFIs have transformed people's livelihoods in Rombo District.

3.7.1 Focus Group Discussion

A Focus group discussion (FGD) is one in which a small group of informants (6-12 people), guided by a facilitator, talk freely, and spontaneously about themes considered important to the investigation. The participants are selected from a target group whose opinion and ideas are of interest of the study. Such discussion helps the researcher to understand the way people talk about the surveyed issues (Fowler, 1990).

A focus group discussion aims to be more than a question and answer interaction. The idea is that group members discuss the topic among themselves, with guidance from the facilitator. However, FGD aims at validating data and information gathered through other research instruments and clarifying controversial issues raised during the interview sessions (Jackson and Ingles, 1998).

The groups of five people were formed as group discussions. These groups represent a cross section of MFIs and loan beneficiaries. These include ward officials, credit officers, and individuals who benefits from these loans. Three FGDs was conducted in each village guided by a checklist of question prepared. This technique play great role in the investigation of the phenomena that could not be obtained through household questionnaire.

3.7.2 Household Questionnaire

Questionnaire copies were undertaken based on a random sample from different groups of stakeholders. The groups from which the samples was drawn include, loan beneficiaries and head of households. The type of data collected include age and sex of the respondents, occupation of the respondents, household's size, and information on how MFIs have reduced the level of poverty in the community.

3.7.3Data Analysis and Presentation

The data and information collected was qualitative and quantitative data. Quantitative data were coded in their nature and the response from all questionnaire copies entered into a computer using Statistical Package for Social Sciences (SPSS) software. The data were summarized using summary statistics, such as frequencies.

Throughout the research the researcher strived at triangulation with at least two methods of information collections to arrive at the conclusion. The results were presented using frequencies, percentage distributions, tables, and graphs.

CHAPTER FOUR

PRESENTATION OF THE FINDINGS

4.1 Introduction

This chapter describes demographic characteristics of the respondent which include: gender of respondent, level of education of respondent age of respondent, marital status and employment categories other are operation activities such as nature of activities of respondent in the study area, respondent income per month, duration of membership in village SACCOS engaging in entrepreneur activities before joining SACOOS also analyzed status of SACCOS in study area, lending system used by different microfinance institutions, Loan beneficial, procedures used to access loans from the village SACCOs, Members awareness of the services provided by the SACCOS, SACCOS with respect to social aspect in poverty reduction, Management system of the SACCOS, Also it Described education offered by Microfinance to Clients, members participation, condition accessing SACCOS loan, Time factors for returning debts, Importance of SACCOS, Challenge facing member in using loan, Need for MFIs, Participation of women in Impact of SACCOS to clients and impact of credit to entrepreneur.

4.2 Demographic Characteristics of the Respondents

4.2.1 Gender of the Respondents

In Tanzania, most of the SACCOS started earlier intended to serve women who were thought as marginalized group among the citizen of the country. But as the time goes the government realized that not only women were required loans for running different enterprise, yet men were also in need of the loans. The findings revealed that more than half 55% of the respondents were women, these women were much involved in SACCO's activities and they were active members mostly dealing with entrepreneurship activities. However, 45% of the respondents were men. Table 4.1 illustrates the gender representation of the respondents in the studied SACCOS.

Table 4.1 Gender Representation of the Respondents

Gender	Frequency	Percentage %
Male	27	45
Female	33	55
Total	**60**	**100**

Source: *Field survey (2013)*

4.2.2 Level of Education of the Respondents

The level of most SACCOS members education in Tanzania especially in rural based SACCOS lack important skills; most of them have primary education .The study revealed that 55% of the respondents had primary education. Most of these respondents were women; this implies that after completion of primary school, most of women did not attend secondary education. About 35% of the respondents had secondary education. However, 6.7% of the respondents had no formal education, this group comprised old men and women. Moreover, very few respondents 3.3% had attained college education. There were no any respondents who had University education, this leads to financial mismanagement to most of cooperative based microfinance institutions. This caused some of the SACCOS to have a managers and treasurers who were standard seven and form four who is a panacea that they can't manage what is required is for them to be trained/acquired managerial skills. Table 4.2 presents education status of the respondents.

Table 4.2 Education Status of the Respondents

Education Level	Frequency	Percentage %
No formal education	4	6. 7
Primary education	33	55
Secondary education	21	35
College education and above	2	3.3

Source: *Field survey (2013)*

4.2.3 Age of the Respondents

In urban and rural areas, people engaging in micro-credit in Tanzania are of the age below 45 years. This is because; it is the economically active age in dealing with activities that use more physical than mental energy. In SACCOS surveyed as shown in Table 7: 65% of the ages engaging in micro-credit from the SACCOS were between the age of 26-35 years who showed that they was active member of the SACCOS, have good deposit and good user of the SACCOS. This is because the enterprises they are dealing with are those like merchandise, food vendor and agriculture related activities that favored by their ages. However, the study shows that members aged between 18-25 and were 25% and 8.3% respectively and however above 45 years were about 1.7%. Table 4.3 shows age of members engaging in Micro-credit.

Table 4.3: Age of members engaging in Micro-Credit

Description	Frequency	Percentage (%)
18-25	15	25
26-35	39	65
36-45	5	8.3
> 45	1	1.7
Total	**60**	**100**

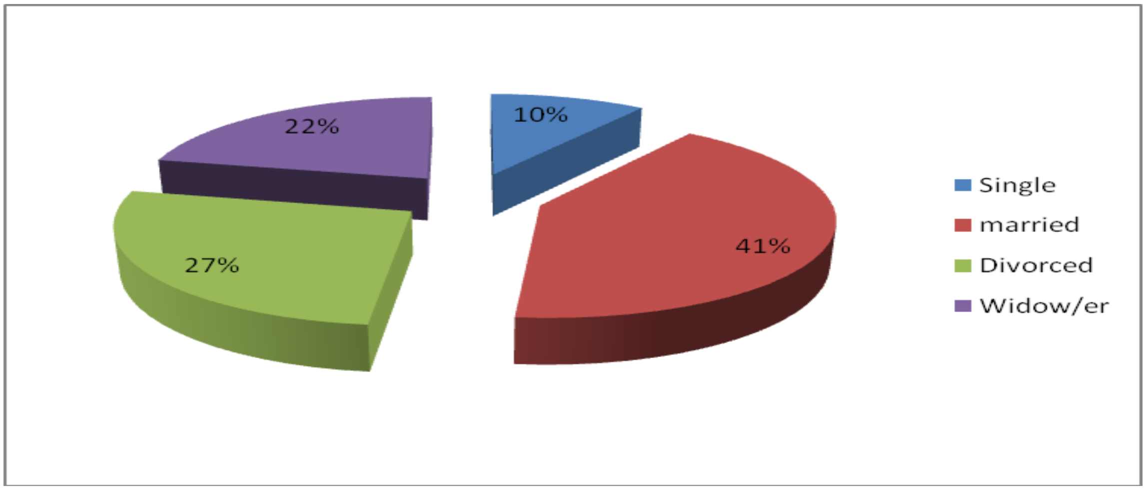
Source: *Field source (2013)*

4.2.4 Marital Status

Most of the activities done by SACCO's members are merchandise, shops, food vender, farming, and kiosk activities. These businesses under normal banking procedures are difficult to access loan(s), therefore microfinance institution is the solution to their problems.

The study findings revealed that about 41% of the respondents were married, and 27% of the respondents were divorced. Furthermore, the study revealed that 22% of the respondents were widow/er, the majority of this group was women who were acting as women headed household. These women were very active members in village SACCOS since their lives were closely connected to SACCOS through earning loans and establish their small business so as to help their families. However, 10% of the respondents were single. Figure 4.1 presents marital status of the respondents.

Figure 4.1 marital status of the respondents

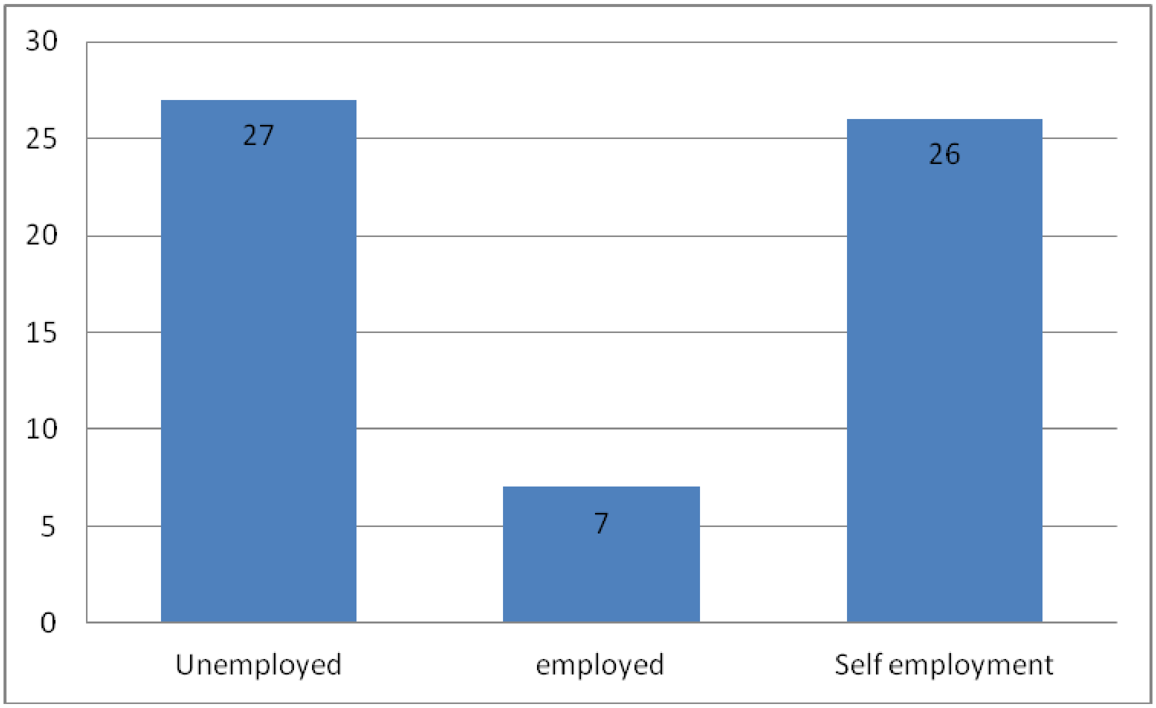


Source: *Field survey (2013)*

4.2.5 Employment categories

The findings indicate that almost half of the respondents (43.3%) were self employed as petty traders and entrepreneurs. The remaining population 45% were unemployment, and 12% of the respondents were employed in various government and private sectors. The employees mostly comprised teachers. Those who were self employed and unemployed were involved much in SACCOS as active members. Figure 4.2 illustrate employment categories of the interviewed population.

Figure 4.2 Employment categories of the interviewed population

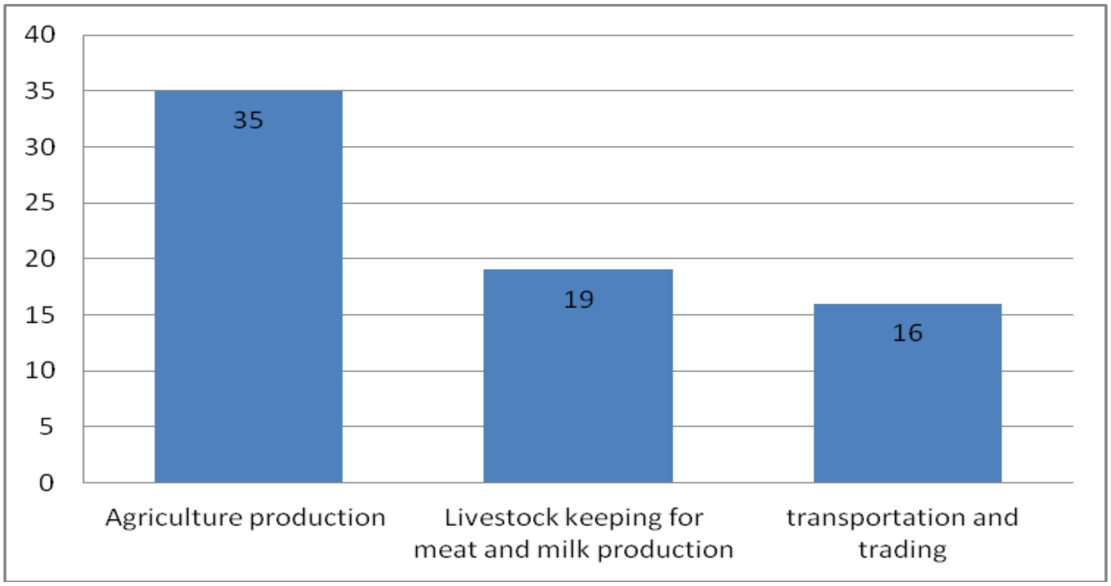


Source: *Field survey (2013)*

4.2.6 Nature of Activities of the Respondents in the Study Area

Local community in the study area involve themselves in different economic activities, these activities assist them to earn the income which contributes to the improvement of their livelihood. The findings exposed that 50% of the respondents were dealing with agricultural activities; they were cultivating food crops as well as cash crops. These crops enabled them to obtain enough food for their family subsistence and the cash crops were sold in order to increase their household income. The findings also revealed that, 27% of the respondents were in livestock keeping sector, these people were able to produce milk and meet which contributed much to the increase of their income. These Moreover, 23% of the respondents were in the transportation sector, this group was dominated by youth aged between 20 years to 35 years. They own motor cycles and very few of them had cars. This group was earning much income since the transportation sector is essential sector in economic development. Figure 4.3 indicates the main activities of the respondents.

Figure 4.3 Main activities of the respondents



Source: Field survey (2013)

4.2.7 Respondents Income per Month

The findings revealed that 21.7% of the interviewed respondents get below 50,000 Tanzanian shillings per month, because most of them are not working as professional workers which pay better. Likewise, the study revealed that about 21.7% of the respondents had monthly income ranging from 100,000Tshs to150,000 Tshs. About 18.3% had monthly income ranging from 50,000Tshs to 100,000Tshs, and these were drivers, and some petty traders. In addition 20% of the respondents had a total monthly income ranging from 150,000Tshs to 200,000Tshs. This group comprised of employees in the government and private sectors such as primary school teachers. About 13.3% had monthly income ranging from 200,000Tshs to 250,000Tshs, and these were ward officers such as extension officers and community development officers. Similarly, the study showed that 5% of the respondents had monthly income ranging from 250,000Tshs and above, most of these respondents were business men/women who were involved in entrepreneurship activities. Table 4.4 shows household income per month.

Table 4.4 Income Levels of the Respondents

Income level	Frequency	Percentage %
Bellow 50,000	13	21. 7
50,000-100,000	11	18.3
100,000-150,000	13	21. 7
150,000-200,000	12	20
200,000-250,000	8	13.3
250,000 and above	3	5
Total	**60**	**100**

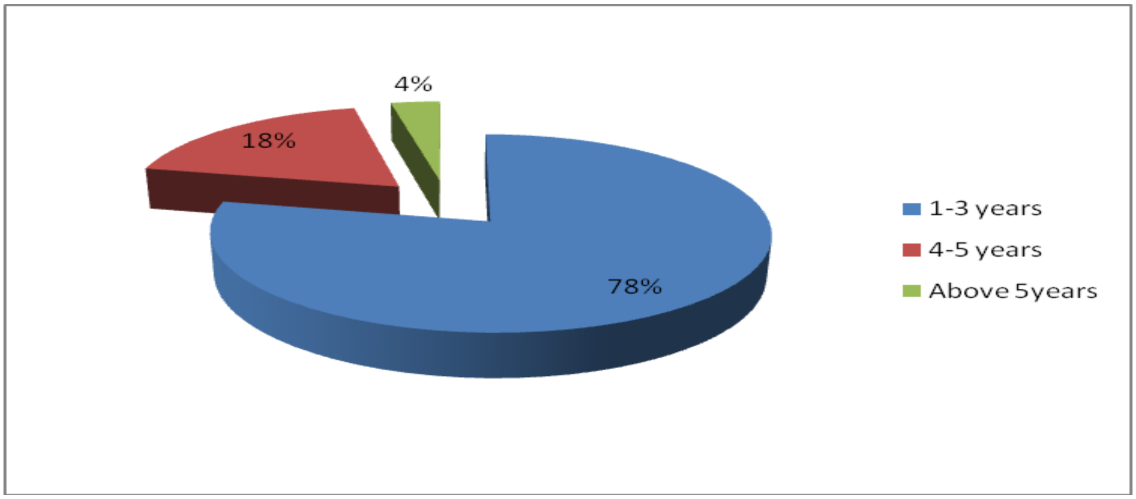
Source: *Field survey (2013)*

4.2.8 Duration of Membership in the Village SACCOS

Most Tanzanians hesitate to join to cooperative based financial institutions (SACCOS) early as the institutions are formed fearing that they might join and their money be taken by few group members whom they think are more active than others as it happened during the cooperative era. This causes more institutions to start with few members and the number increases as the institution starts to prosper which indicates that the SACCOS will not collapse.

The study revealed that most members joined the institutions after assessing that the SACCOS were making profit. About 78% of sampled members joined the SACCOS between the first and the third year after its formation. However, 18% of the sampled members joined in the institution during the fourth and fifth year of SACCOS formation. The results suggest that, people are still having hangover of the previous cooperative that collapsed and the poor rural people was the one who suffered. This caused most members to delay joining the SACCOS as shown in Figure 4.4 bellow.

Figure 4.4. Duration of membership in the village SACCOS

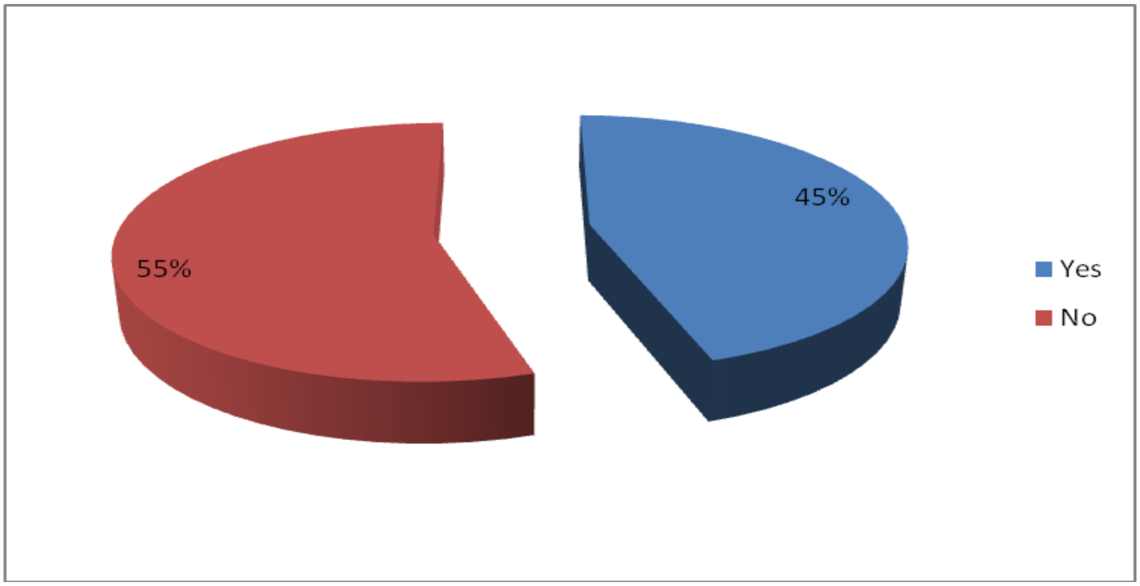


Source: *Field survey (2013)*

4.2.9 Engaging in Entrepreneurial Activities before Joining to Microfinance Institution

Most of microfinance institutions in Tanzania have been working with clients without knowing whether they (clients) had history of being engaged or engaging in entrepreneurial activities before being a member of these institutions. However, it could be better for the MFIs to impart education of entrepreneurial to its members before providing loans. This could assure the MFIs for the loan offered to be repaid and the members benefit in the other side. In SACCOS surveyed, about 55% were engaged in accessing credit for starting new business without being imparted the knowledge of entrepreneurial and also without knowing if the business he/she want to be engaged have a return on investment (ROI) or not. This results most of the members to delay in loan repayment or paying the loans using the capital as a result, the business or enterprise stop operating. As shown in figure: 55% of SACCOS member accessed loan without having a history in any business activities before while 45% have a history in business activities before they accessed loan. Figure 4.5 shows respondents engagement in entrepreneurship activities before joining SACCOS

Figure 4.5 Respondents engagement in entrepreneurship activities

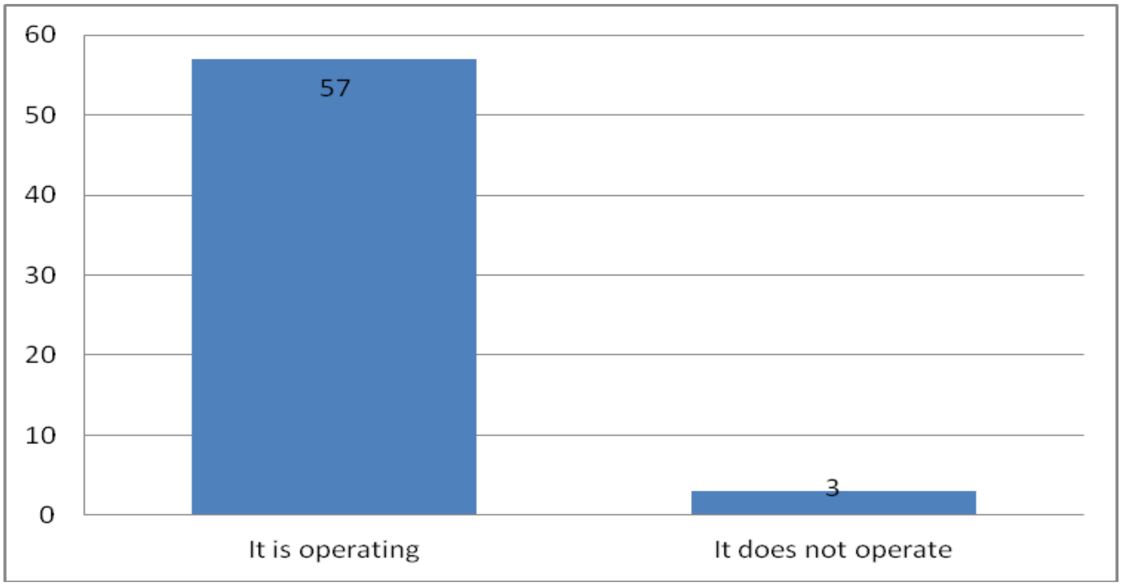


Source: *Field survey (2013)*

4.2.10 The Status of the SACCOS in the Studied Areas

The study wanted to investigate if the selected village SACCOS were operating, the results revealed that almost all respondents 95% said that their SACCOS were operating. The SACCOS were providing all required services to their clients and they had formal recognized management. About 5% of the respondents said that their SACCOS were not operating and were not able to provide all necessary services that were offered by other SACCOS. Therefore figure 4.6 indicates the status of the SACCOS in the selected villages.

Figure 4.6: Status of the SACCOS in the selected villages



Source: *Field survey (2013)*

4.3 Lending Systems used by Different MFIs

4.3.1 Members Perceptions on the Lending System used by SACCOS

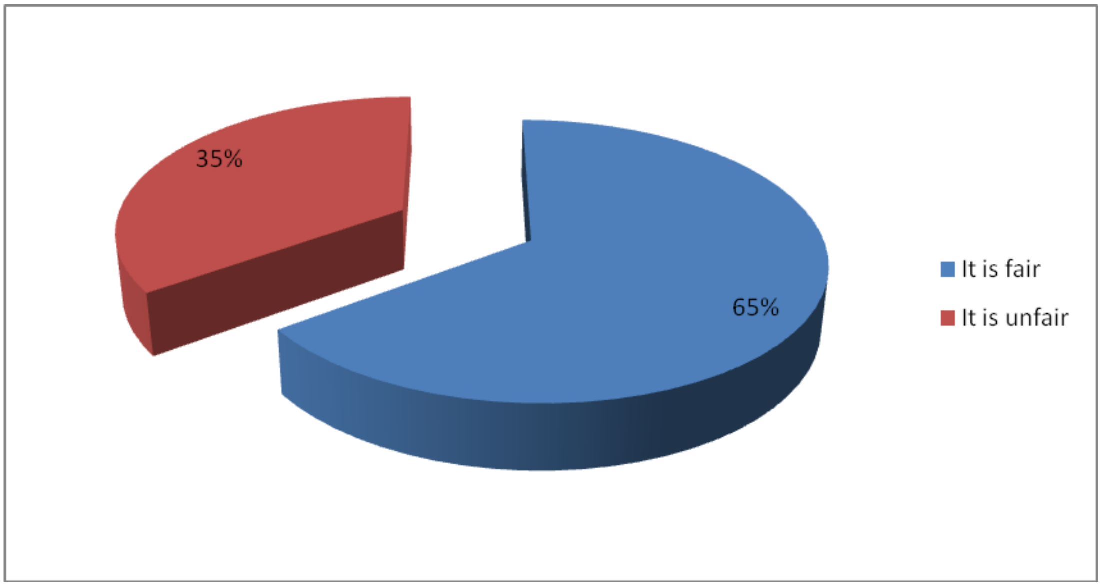
Most Tanzanian microfinance institutions operate under super profit by demanding higher interest rate to their clients which becomes a burden to active poor people in rural areas. However, some of the microfinance forcefully confiscates the properties of their clients who delay or do not repay their loans. This comes from the facts that, when the higher interest becomes the burden to the clients and the time of repaying being too short and large interest the loans applicants may delay or not pay their loans. In the study conducted, the SACCOS system does not confiscate their properties when they delay to repay the owed amount. The interest they are required to repay is lower than other financial institutions banks. In the SACCOS where this study was conducted, the interest is 10%, while other financial institutions are more than 15%. The system offered by SACCOS encourages more people to join it and start business under low pressure of being confiscated their belongings.

Microfinance institutions in Tanzania are not democratic in their lending system. In most cases, managements of the institutions decide the lending system and the clients are introduced without arguing and they are supposed to abide on the rules provided otherwise they will not access the loans from them. However, most of the systems of the Tanzanian MFIs are selfish leaving the intended majority without representative on the major decision on issues concerning them.

The researcher wanted to know whether the lending system imposed by the SACCOS management was fair or not, more than half 65% of the respondents said the lending system was fair to all provided that the member who is applying for the loan is an active member in terms of saving some amount of money in the village SACCOS. About 35% of the respondents said that the lending system in their village SACCOS was unfair. This was revealed during the focus group discussion in when one respondent from Shimbi SACCOS pointed out one important point. Figure 4.7 present respondents' perception on the lending system used by SACCOS

"The system of lending is unfair because once you apply for a loan it can take More than a month waiting for the loan, this cause all your plan to be disturbed as You are not getting loan on time" (Anonymous).

Figure 4.7 Respondents' perception on the lending system used by SACCOS

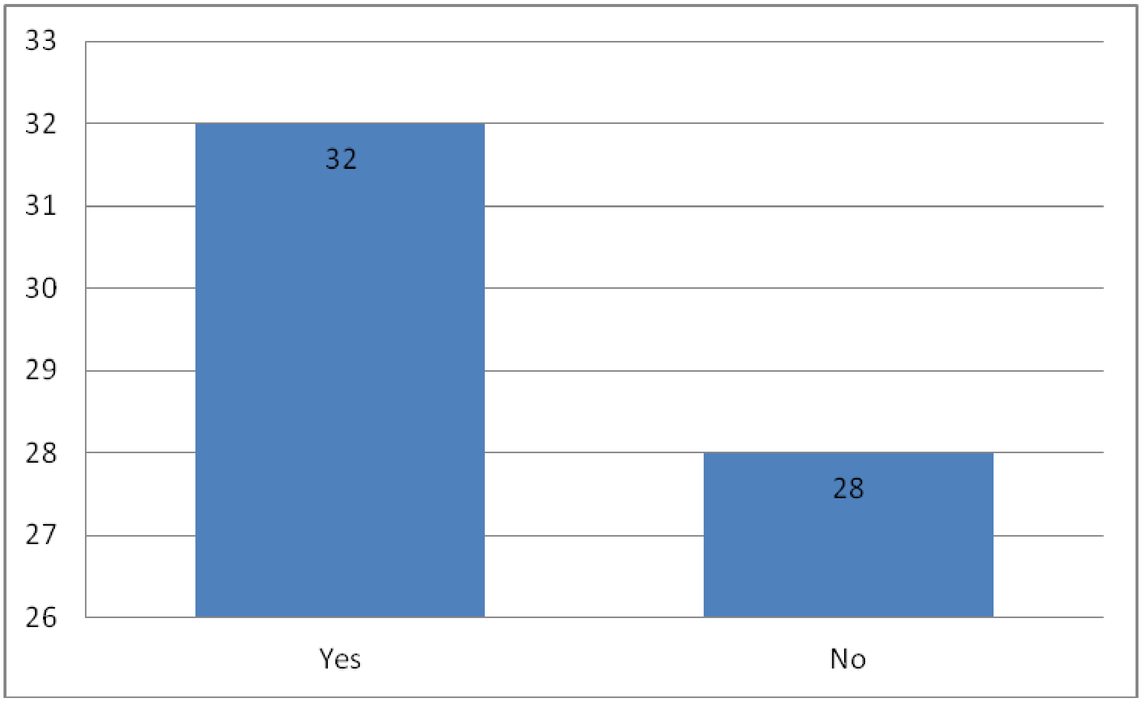


Source: *Field survey (2013)*

4.3.2 Loan Beneficiary

The researcher wanted to know from those SACCOS which were operating in the villages whether there were loan beneficiary at least for the last two years. More than half 53.3% of the respondents said there so many loan beneficiaries in their SACCOS while 46.7% of the respondents said that there were very few loan beneficiaries in their SACCOS. Figure 4.8 indicates the loan beneficiary.

Figure 4.8 Loan beneficiary



Source: *Field survey (2013)*

The study wanted to investigate why most of the members were not able to borrow loan from village SACCOS. The study revealed that 36% of the respondents said that difficult conditions imposed by the SACCOS management were the leading reasons for many members to have an access to loan. Moreover, 31.7% of the respondents said lack of money for saving was an obstacle for them to access loan. The most significant reason was poverty whereby 16.7% of the respondents pointed out that the poverty level within the community was a big problem. They argued that it was difficult to borrow money for business activities while they had so many problems which need money. However, 15% of the respondents blamed the bureaucratic procedures involved during the whole process of loan application. This reason caused many people not to borrow from village SACCOS. Table 4.5 indicates the reasons for not Accessing Loan

Table 4.5 Reasons for not Accessing Loan

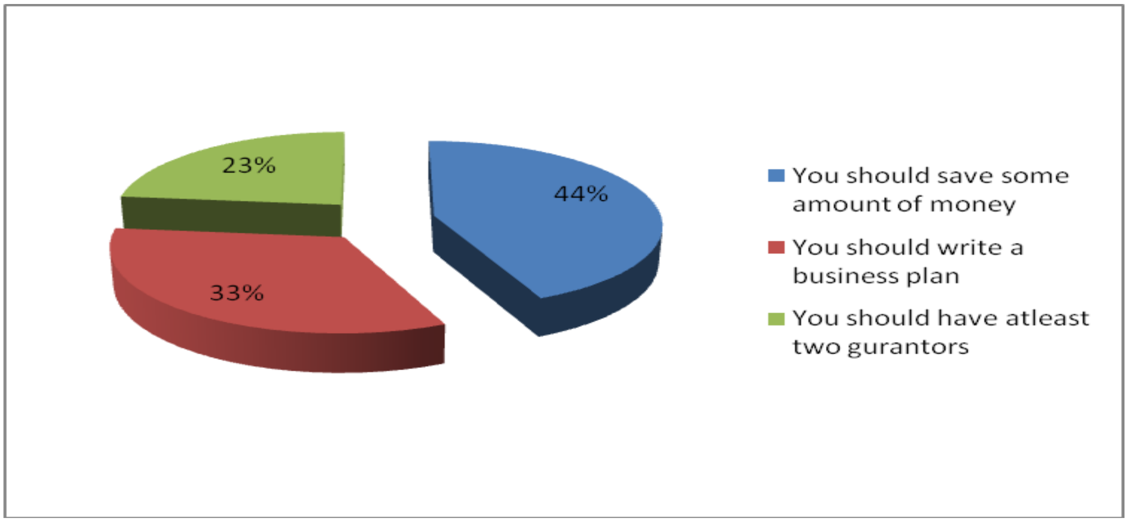
Reasons	Frequency	Percentage %
Lack of money for saving	19	31.7
Difficult condition	22	36.7
Existing bureaucratic procedures	9	15
Poverty	10	16.7
Total	**60**	**100**

Source: *Field survey (2013)*

4.3.3 Procedures used to Access Loan from the Village SACCOS

The study wanted to understand the procedures that were imposed by village SACCOS to access loan. The study revealed that 44% of the respondents said that any member who wants to borrow loan should save some amount of money in the SACCOS. Saving such amount of money will enable a member to obtain a share in the SACCOS. You cannot access loan if you are not saving in the SACCOS. However, 33% of the respondents emphasized on having a business plan as one of the procedures to be followed when you want to borrow from the Village SACCOS. The business plan should show clearly how the proposed business will be carried out using the loan that will be taken. Likewise, 23% of the members who were involved in the study said that for the application to be considered the applicant should have at least two guarantors. The figure 4.9 bellow indicates the procedures used to access loan from the SACCOS.

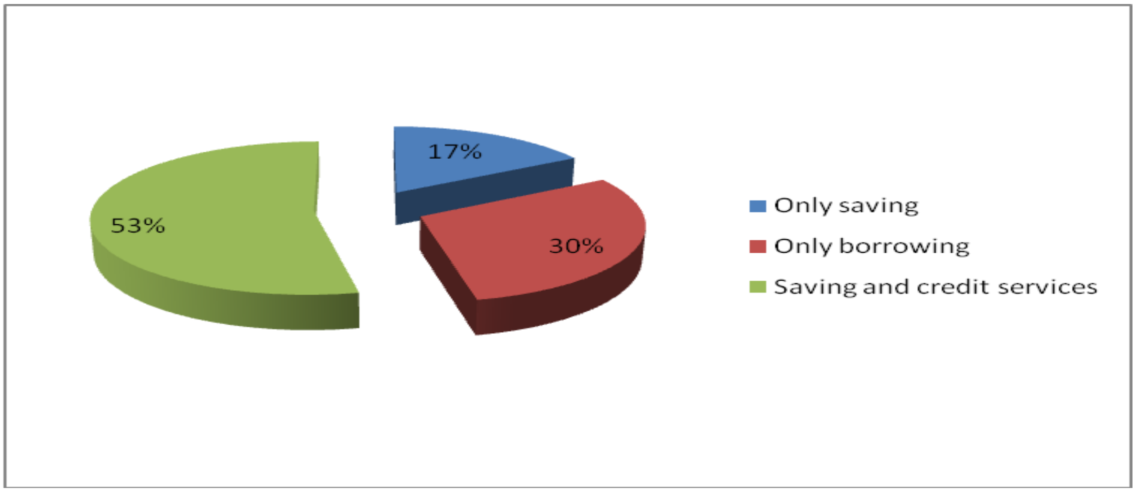
Fig.4.9 Members Awareness on Services Provided by SACCOS



Source: *Field survey (2013)*

In Tanzania most MFIs offer different services like deposit, saving, lower cash transfer, provision of loans and charity services. Therefore, it was important to assess members' awareness on the services provided by their SACCOS. The findings revealed that all members were aware with the services provided by the SACCOS. More than half 55% of the respondents said that the SACCOS were offering saving and credit services, they argued that SACCOS was established for the purpose of saving and providing credit services. There were other members 30% of the respondents who perceived SACCOS as an institution which is there for borrowing purpose, they said that SACCOS was put in place to assist small entrepreneurs to access services which could not be easily accessed by these marginalized groups. However, 17% of the respondents believed that SACCOS is an institution which assists people to save their money. Figure summarizes the member's awareness on SACCOS activities. However, members of the SACCOS who only deposit their money to their saving accounts fear to access loans because they do not know how to start business. This problem is due to the lack of entrepreneurial education/skills from the SACCOS management and the cooperative officers. For figure 4.10 illustrate SACCOS with respect to social aspects in poverty reduction

Figure 4.10 SACCOS with Respect to Social Aspects in Poverty Reduction



Source: *Field survey (2013)*

4.3.4 SACCOS with Respect to Social Aspects in Poverty Reduction

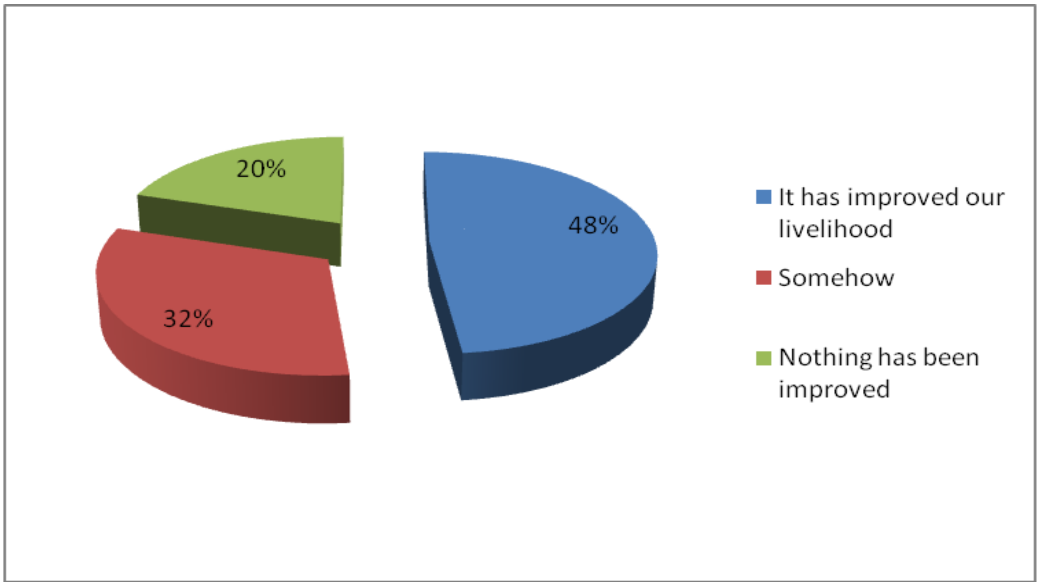
In Tanzania, Most microfinance institution concentrates in making profits without considering assistance in social issues like school building/and rehabilitation, hospitals rehabilitation and road maintenance. This results into many MFIs being concentrated in urban areas where there are good infrastructures leaving rural people to remain marginalized in accessing loans from microfinance institutions.

In the study conducted to SACCOS shown in Table 12: 100% of respondents showed there were no initiative of their SACCOS that has been directed to the development social issues like schools building or rehabilitation, Hospitals building or rehabilitations and road maintenance. This is because, most of the SACCOS surveyed depend on the contribution of their members to carry out their activities. This because, the amount of the money saved is not enough to support even their members according to their needs in terms of loans; therefore it is difficult to deduct some amount to support social issues. This finding is different with that of (Semboja, 2004) who found SACCOS to be important for poverty reduction and alleviation for the poor. Credit for investment reduced income poverty if the project was profitable and grows. But credit for consumption smoothening was unlikely to reduce the poverty level of the borrower. But it prevented the borrower from falling deeper into poverty levels. In the long run, if the shock (e.g. crop failure) does not repeatedly occur or is not too prolonged, the credit may facilitate poverty reduction by creating opportunities for the borrower to participate more fully in the production process through more healthy and trained population.

4.3.5 Contribution of Village SACCOS on Livelihood Improvement

SACCOS are believed to be an important tool for facilitating the rural community access to financial services. Most clients have been able to access loans individually and undertake small to medium enterprises because of services they get from SACCOS. To a large extent SACCOS operating in Rombo District have brought about positive changes in the standards of life of the clients who received SACCO's services. The findings from the surveyed SACCOS revealed that 48% of the respondents said that the existing of SACCO's services has improved their livelihoods; the group within the community that benefited much was the youth who were able to use the Loan and improve more their business. This finding is in line with that of (Kessy and Urio, 2006) in their study that was assessing the contribution of MFIs on poverty reduction, it was revealed that most of youth aged 25-39 were making a lot of profit in their business after receiving loans from MFIs. The contribution of SACCOS as one of MFIs has been emphasized by Sharma (2000 as cited in Kiiru and Kenia, 2007) writes that the spectacular growth of microfinance industry has been fuelled not by market forces but by conscious actions of national governments, nongovernmental organizations (NGOs), and donors who view microfinance as an effective tool for alleviating poverty. However, the findings revealed that 32% of the respondents were not sure whether the service provided by the SACCOS had multiplier impacts to the livelihood of the people. About 20% of the respondents were not satisfied with the efforts made by the SACCOS for the purpose of improving the livelihood of the community; they said that SACCOS were improving the livelihood of wealthier family. This finding correspond with that of Coleman (2006) found that the impact of microfinance on household income was not statistically significant for poorer households but he noted significant impacts for the wealthier households who were also committee members of micro credit programs particularly on wealth accumulation. Figure 4.11 indicates the contribution of SACCOS to the livelihoods of the community.

Figure 4.11: Contribution of SACCOS to the livelihoods of the community



Source: *Field Survey (2013)*

4.3.6 Education to Client on Proper Financial Management

In Tanzania Most of MFIs do not educate its client on the financial management and book keeping skills in order to develop their business using the profit obtained from their small enterprises started after accessing loans. This result into most of small enterprises remaining under developed for a long period and eventually stop operating when the loan delays due to rotation of offering loans from the cooperative based institution (SACCOS) which depends on the contribution of the members that are not enough.

In SACCOS surveyed 65% of the respondent showed good improvement of their enterprises after they have got education from cooperative officers from the district about financial management and on how to use their profit they obtain from their business. Also, the district cooperative officers help to train the management and clients on record keeping and entrepreneurial skills. In the study, 35% of the respondents showed their businesses are not accessing education on the proper financial management. Table 4.7 illustrate assessment of education to client on proper financial management

Table 4.6: Access of Education to Client on Proper Financial Management

Respondents response	**Frequency**	**Percentage %**
Yes	39	65
No	21	35
Total	**60**	**100**

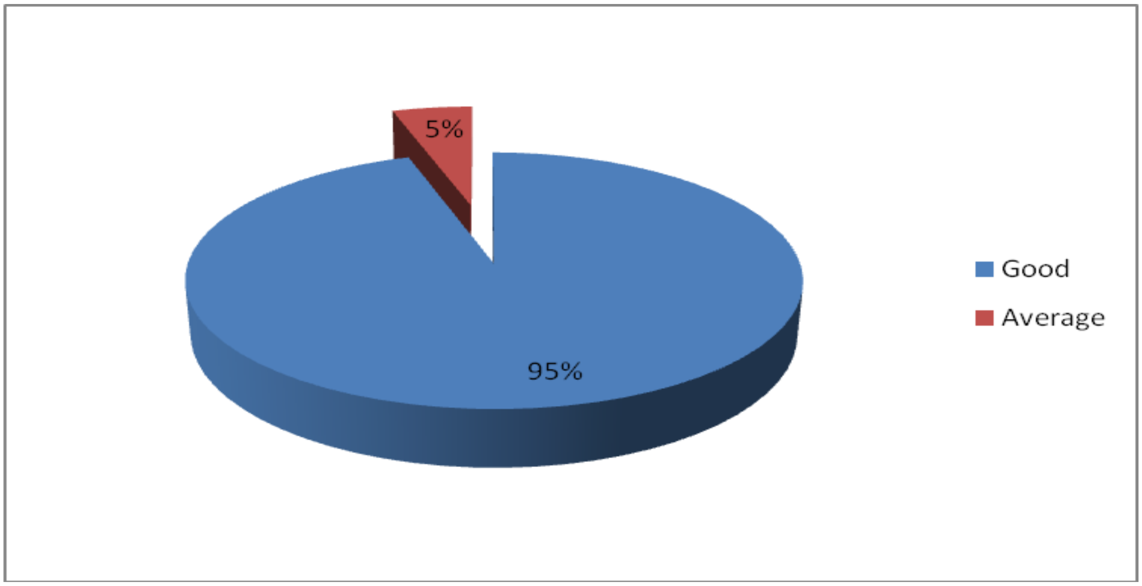
Source: *Field survey (2013)*

4.3.7 Management System of the SACCOS

In Tanzania, the management systems of most microfinance institutions are formed by the owner of the MFIs, the clients do not have representative to represent their opinions to management to be included during decisions making. Leaders or management team consists the owners of the MFIs only. This lead to the introduction of exploitative decision in the most MFIs especially in term of interest required to pay from the loan taken by their clients. However government remains silence as result her poor rural people do not benefiting from the MFIs as was intended.

In the study of SACCOS surveyed, 95% of the respondents said the management systems in their SACCOS are good, 5% of the respondents said the management system of their SACCOS are average. These shows that there is a good relationship of leaders and clients, even though leaders are responsible to their members as they know that each member in the institution is the owner, user of the institution and have a say in the general meeting. Figure 4.12 present management system of the SACCOS

Figure 4.12: Management system of the SACCOS

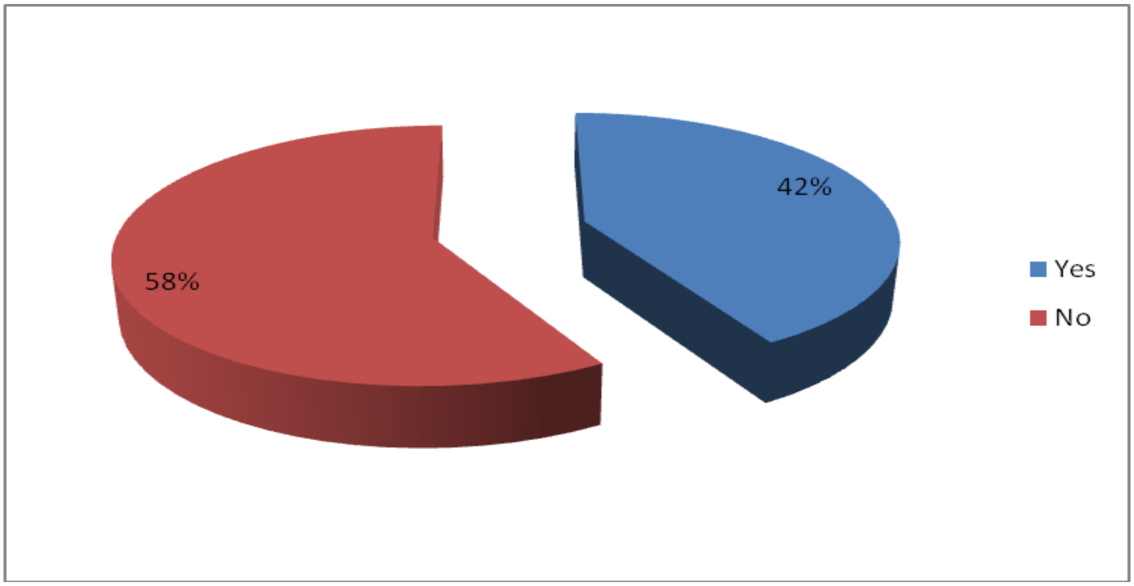


Source: *Field survey (2013)*

4.3.8 Education Offered by Microfinance Officers to Client

In Tanzania most microfinance institutions officers do not take responsibility of offering entrepreneurship education to its esteemed members, instead they provide credit without knowing whether their clients have entrepreneurial education. From the SACCOS surveyed in the study area, about 58% of respondents showed no education offered by their SACCOS whereby about 42% of the respondents showed their SACCOS are offering education on entrepreneurial and record keeping. This finding is in line with that of (Mayenga, 2005) which revealed that members in Tandale SACCOS group were not getting any training especially on how to keep records and strengthen solidarity in a group. However, the responsibilities of educating the microfinance institutions client left to cooperative officers in district, though most of them are not attending and offering the required knowledge. Figure 4.13 illustrate education offered to client.

Figure 4.13: Education offered to client



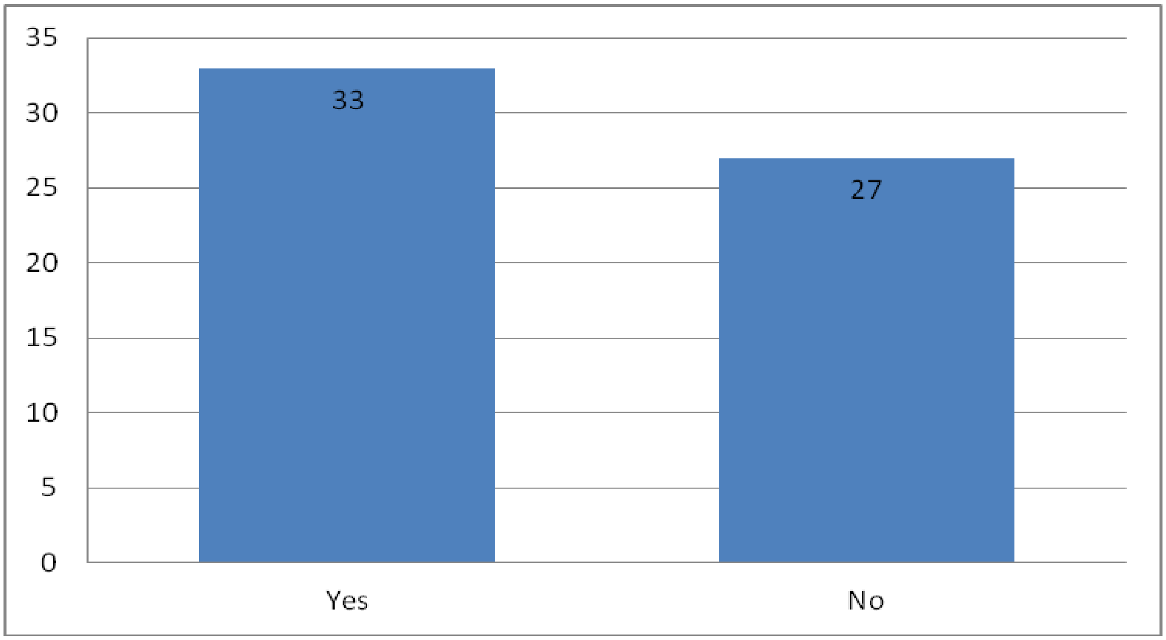
Source: *Field survey (2013)*

4.3.9 Members Participation in Training

In order for any activity to be performed as intended, different training like seminars and workshop must be conducted. But, in Tanzania most microfinance institutions do not offer training to their members and when it happens the MFIs decide to offer training before they start disbursing loans. Some members do not turn up in different trainings as a result, members goes to access loans without knowing even the business they want to engage with, this leads to direct their loans into unintended objectives.

In SACCOS surveyed in the study area, 55% of respondents showed they are getting training from cooperative officers coming from the district who assist them to plan what they want to do before starting to access loans from their SACCOS. This has helped many enterprises to improve and the SACCOS itself improve due to the capacity of members to repay the loans at an agreed interest and time. However, 45% respondents showed that they accessed loans without participating on training as results their business do not improve as compared to those who participated on training before accessing loans. Figure 4.14 shows Participation of members in training.

Figure: 4.14 Participation of members in training



Source: *Field survey (2013)*

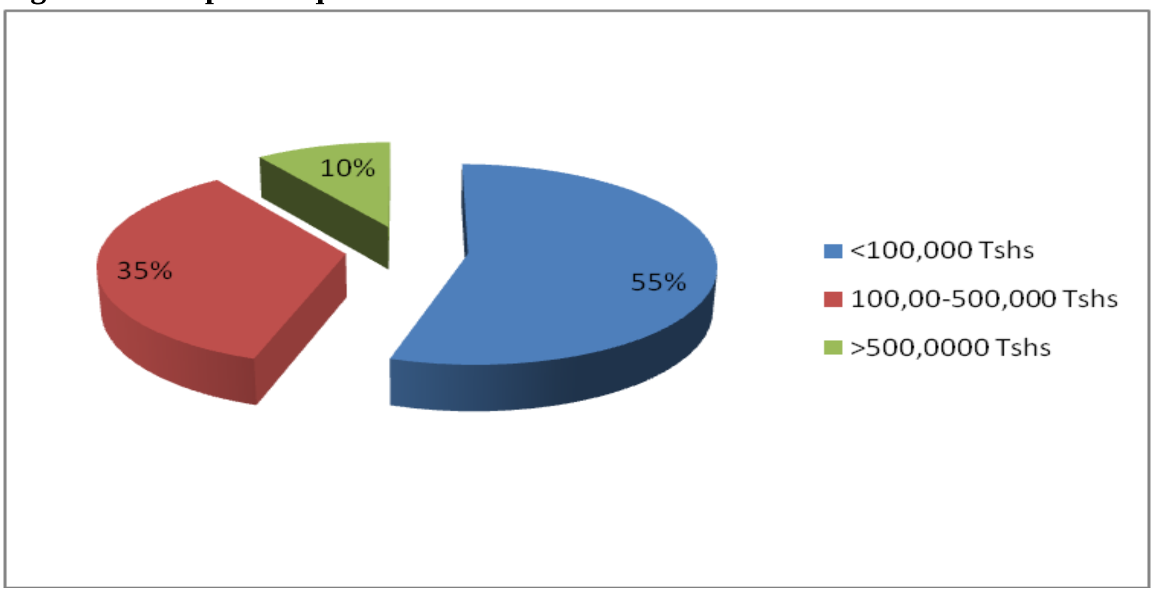
4.4 Condition of Accessing SACCOS Loans

4.4.1 Deposit Required to Members before being Considered for Loan Disbursement

In Tanzania most microfinance institutions members are supposed to have collateral before being considered for loans. The collateral may be physical properties or among their members may volunteer to sign for being responsible to repay on behalf of their fellow member once he/she fails to repay due to any incident that might occur on between. Most microfinance institutions formed in rural areas are cooperative based (SACCOS) which its capital depends on small amount of member's contributions (deposits). Therefore, the loans they access are minor which is difficult to start a good enterprise which has higher income.

In the study conducted, SACCOS surveyed, about 55% of the members deposit less than 100,000/= Tshs before being eligible for a loan, and the amount that are allowed to take as loan depends on the deposit and shares they have in the institution. Therefore, the amount that the member can get as a loan is very minimal. This leads to difficult for making reasonable profit in their business as result the member(s) remain dealing with micro-enterprise for a long period. Moreover, 35% of the respondents in the study showed that they deposited between100,000-500,000/= Tshs and they accessed bigger loans compared to those who deposit less than 100,000/=Tshs. Also, 10% of the respondents showed that they deposited more than 500,000/= Tshs and their enterprises showed more improvements compared to others. Figure 4.15 present deposit required before considered for loan.

Figure:4.15 Deposit required before considered for loan



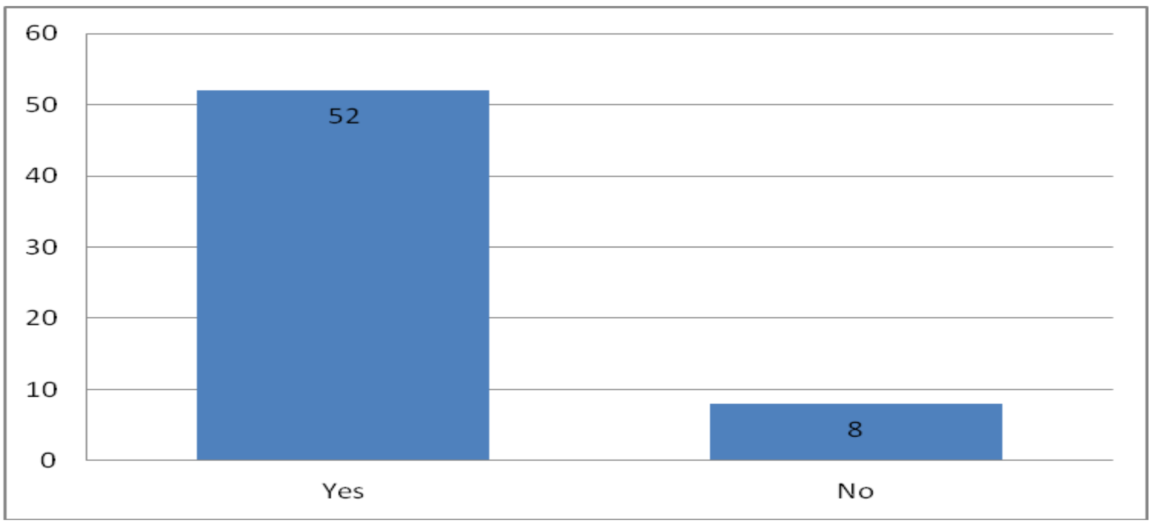
Source: *Field survey (2013)*

4.4 .2 Terms/condition of Getting loan from Microfinance Institutions

The terms of getting loans from most microfinance institutions in Tanzania has been a bottle neck to the active poor people to access loans. As in some microfinance institutions, in order to get loan you must have collateral that guide you when you fail to repay the loan on time. This has caused most of microfinance institutions to remain for well-off people opposite to the intention of the government of serving poor active people especially those in the rural majority.

In cooperative based financial system, SACCOS surveyed, about 86.7% of the respondents showed the terms of accessing loans are open to members while about 13.3% of the respondents showed that the term of accessing loans are not open. Therefore the cooperative based microfinance institutions (SACCOS) surveyed does not need collateral which are permanent structures in order to get loan, but the only required is to be a member, have deposit and share in the SACCOS. Figure 4.16 shows Openness of the terms of getting Loans.

Figure 4.16 Openness of the terms of getting Loans



Source: *Field survey (2013)*

4.4.3 Time Factor for Returning the Debit

In Tanzania most of the microfinance institution improvement to poor active people has been hindered by the payback period of the loans scheme, higher interest rate, the time given to members to repay the loans and the collateral required in order to access loans. This has discouraged most of cooperative based microfinance institutions (SACCOS) in Tanzania not to improve its service to its members as they lack collateral.

Therefore, most of microfinance institutions have been formed targeting the well-off people and leaving the poor rural majority unsaved. This was the opposite to the aim of the MFIs formation in Tanzania which was formed purposely to serve the marginalized rural people.

From the surveyed cooperative based Microfinance institution (SACCOS) in the study area, about 68.3% showed the time given to repay the loan is democratic discussed by the board of SACCOS and passed by the general meeting of SACCOS members. Therefore, no member claimed about the consistence of the time factor for returning the debit and the interest charged. However, about 31.7% of members in the study area blamed about the consistence of the time factor for returning the debit. Table 4.8 indicate consistence of the time factor for returning the debit.

Table 4.7: Consistence of the time factor for returning the debit

Respondents' response	Frequency	Percentage %
Yes	41	68.3
No	19	31.7
Total	**60**	**100**

Source: *Field survey (2013)*

However the district cooperative officers helps to train the SACCOS management team on record keeping, entrepreneurial education and train the clients how to use their profit they obtain from their business so as to stick in the payback period in order to allow other members to have the chance of getting loans.

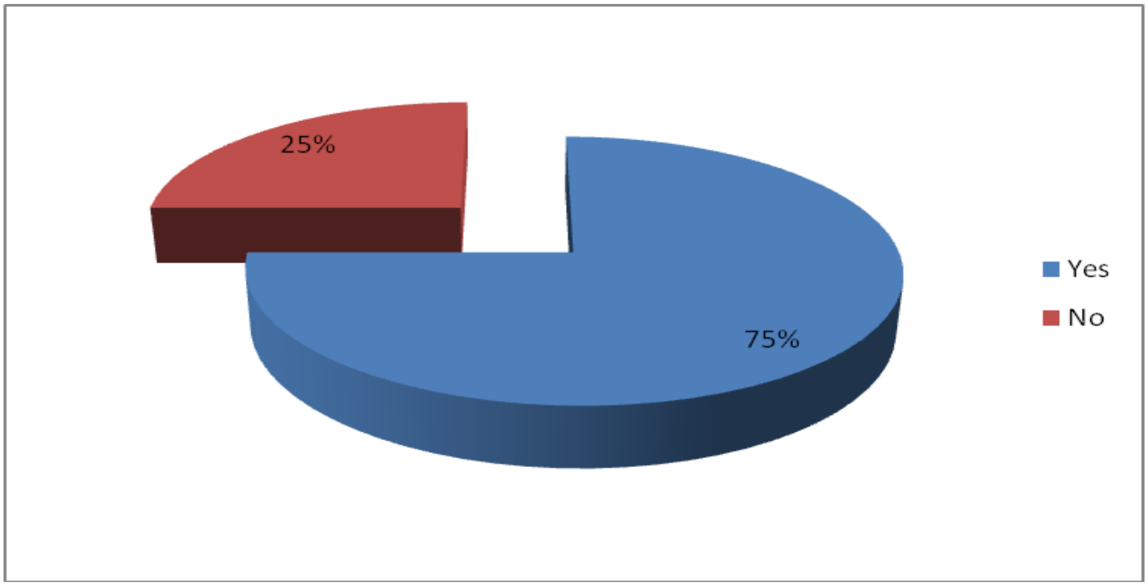
4.5 Demand for SACCOS services

4.5.1 Importance of SACCOS

In Tanzania SACCOS has gained popularity among pro-active poor people, mostly found in rural areas. This is because of their ability to offer many micro-loans without any collateral and charging low interest to its members which under normal banking procedures could be impossible. SACCOS are often located near its member(s) workplace or homes which reduce transaction costs. From the survey conducted in the study area, 75% of the surveyed members showed that there is a demand for micro-loans from SACCOS since it has low cost of transaction, increase the income to active poor people, reduce rural-urban migration and increase the economics of rural majority people and the national as a whole. However, 25% of the members surveyed in the study area showed that there is no demand for micro-loans from the SACCOS this is because they lack the entrepreneurial knowledge.

The study by (Ngorora, 2008) indicated that SACCOS are among of the financial intermediaries in the financial sector. Therefore, they are very important for business and investment growth in the economy due to the fact that they have impact on capital accumulation including human and physical capital, and on the rate of technological progress. Also it has a direct impact on poverty reduction, by widening access to the poor. These impacts arise from the intermediation role provided by financial institutions which enable the financial sector to; mobilize savings for investment, facilitate and encourage inflows of foreign capital and optimize the allocation of capital between competing uses, ensuring that capital goes to its most productive use. Figure 4.17 illustrate demand for Micro-Loans from SACCOS

Figure 4.17: Demand for Micro-Loans from SACCOS



Source: *Field survey (2013)*

4.5.2 Benefits Accrued by Members from the SACCOS

The researcher wanted to know what benefits have been obtained by members after getting loan from the SACCOS. The findings revealed that 31.7% of the respondents have managed to increase their capital hence improve their business. Meanwhile, about 26.7% of the respondents have benefited a lot by improving their agricultural products through using their loans to buy agricultural inputs. Likewise, 23.3% and 18.3% of the respondents were able to solve family problems and reduce abject poverty respectively. All in all the existence of these MFIs have played great role to livelihood improvement as the community is able access loan from those SACCOS. According to (Ngorora, 2008) SACCOS facilitate exchange, SACCOS as other financial intermediaries in the financial sector facilitates transactions in the economy, both physically by providing the mechanisms to make and receive payments, and by reducing information costs in the ways outlined above. So by providing financial intermediation in this way, the SACCOS may reduces transactions costs, and facilitates the trading of goods and services between businesses and households. SACCOS are the most accessible by the poor people or low income earners in the both rural and urban settings. Apart from being owned by the members themselves, they charge low rate of interest on the loans and no collateral is required to access loans. SACCOS, also provide a voice of poor in the policy making since some representatives are participated in higher authorities including at their apexes in those ways are offering their views which are collected together to the formation of policies. Table 4.9 indicates the benefits accrued by members from the SACCOS.

Table 4.8 Benefits Accrued by Members from the SACCOS

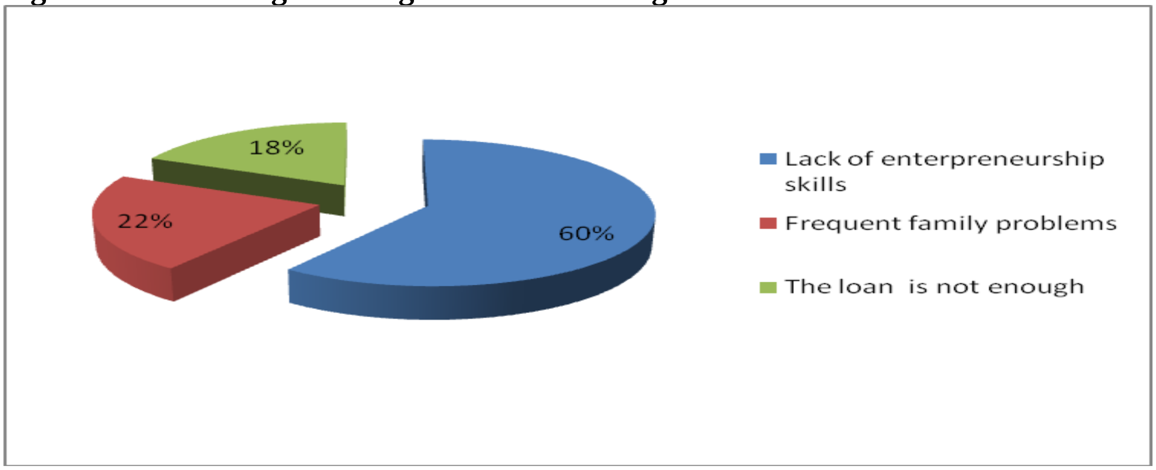
Benefits	**Frequency**	**Percentage %**
Increase of business capital	19	31.7
Buying of agricultural inputs	16	26.7
Being able to solve family problems	14	23.3
Being able to reduce poverty	11	18.3
Total	**60**	**100**

Source: *Field survey (2013)*

4.5.3Challenges facing Members in using Loan

The study also wanted to know the challenges facing members who borrow loan from the village SACCOS. The findings revealed that more than half 60% of the respondents had no any entrepreneurship skills. Lack of this skill which is very important in doing any entrepreneurship activities was a big challenge to many members of the SACCOS. Another challenge was related to family problems, about 22% of the respondents said that emerging family problems was distorting all plan on how to use the loan. There were family problems which occurred without any preparations like death and diseases, such kind of problems pose a great challenge to meet the intended goals in using SACCO's loan. This finding corresponds to that of (Semboja, 2004) who argued that some of the SACCOS members in Tanzania facing the poor face crop failure and needed large cash outlays during specific periods of the year to finance education for their children or pay for expensive health services, especially for prolonged sicknesses such as those related to HIV/AIDS. For this latter purpose, credit is not considered to be an investment, unless it is looked at from the medium or long-term perspective in terms of children education, for example. Other respondents 18% emphasized that the fund which was provided was not enough hence failure to fulfill the desired outcomes. Figure 4.18 summarize the challenges facing members in using loan.

Figure 4.18 Challenges Facing Members in using Loan

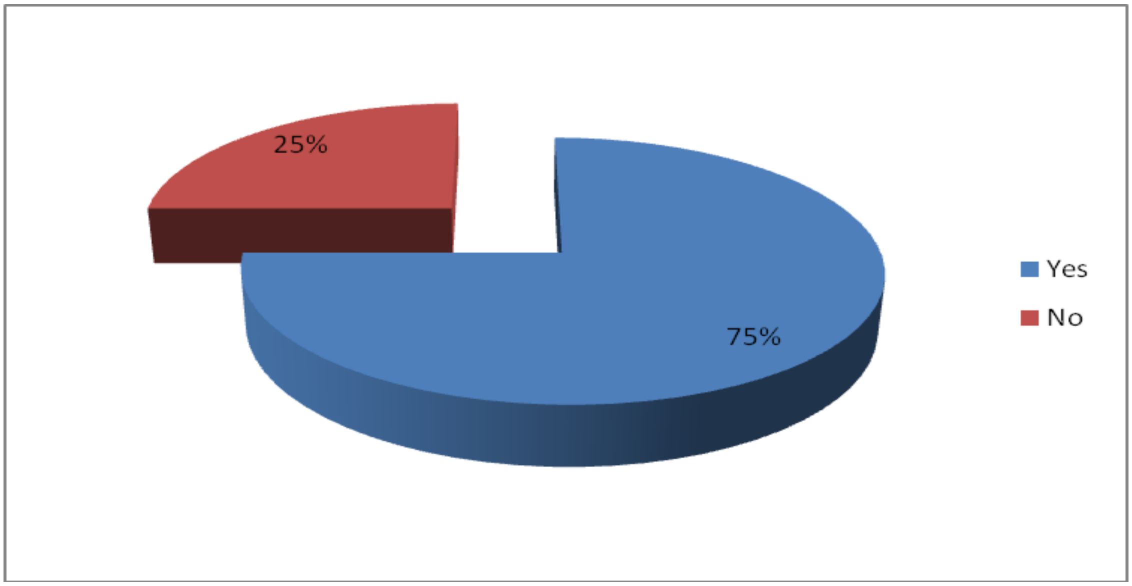


Source: *Field survey (2013)*

4.5.4 Need for micro – loans increment from MFIs

In Tanzania, most of microfinance institutions offer its services below members need. This is because of many people being aware of using the opportunity within and outside their areas to start income generating activities which under normal banking procedures could be difficult to access loans. The survey conducted in study area, about 75% of the respondents need micro-loans from MFIs so as to strengthen their SACCOS in saving its members, while 25% showed no need for micro-loans from MFIs. This is because some members in the SACCOS deposits money without accessing loans due to lack of entrepreneur skills. Due to lack of entrepreneur skills, other members do not have any enterprise that could enforce them to access the loan(s) from their SACCOS. Figure 4.19 illustrate need for Micro-Loans from MFIs.

Figure 4.19: Need for Micro-Loans from MFIs



Source: *Field survey*

4.6 Participation of women in SACCOS

4.6.1 Participation of women in SACCOS.

For the first time of the formation of the MFIs in Tanzania, more emphasize was to take women out of poverty because they were the neglected group. In the long run, other groups of youth and rural people who are the majority were found in need of the MFIs. Therefore, the government decided to introduce MFIs as a tool for taking ride her people out of poverty. But, the system is still questionable if really will take off from poverty rural majority people that were aimed.

In SACCOS surveyed in study area its find that, 65% of women showed good participation in taking loans from their SACCOS and to repay the loans they were owed at agreed time compared to men. However, 35% of the respondents showed no women participation in microfinance activities since they just deposit their money without accessing loans. Therefore, the presence of SACCOS in rural areas has decreased woman depending on their husbands for their daily home expenditure and hence increased the general economic activities and contributes to the daily home obligation. Table 4.10 shows participation of women in Microfinance.

Table .4.9: Participation of women in Microfinance

Respondents Response	Frequency	Percentage %
Yes	39	65
No	21	35
Total	**60**	**100**

Source: *Field survey (2013)*

4.6.2 Challenges Faced SACCOS

Although SACCOS have played great role on poverty reduction in studied village but they have been facing a series of challenges. The findings revealed that 43.3% of the respondents pointed lack of enough capital to these SACCOS was an obstacle for them to operate well while serving the demand of their members. Sometimes the available capital was not enough while the demand was high. However, 18.3% of the respondents said that the repayment period was a challenge for most of SACCOS. The repayment period ranges from six months for small loans to twelve months for large loans. This is indicated by SACCOS as a short period especially for those who are supposed to pay within six months. Also the weekly repayment of interest and part of the principle of the loan limits many SACCOS from growth. The findings also revealed that 16.7% of the respondents mentioned lack of commitment among members was a challenge for the SACCOS to make progress. Some of the members were not redeeming their loan on time, while other were not serving anything in their accounts. However, lack of commitment was observed during the Annual General Meeting, most of the members were not attending the meeting to discuss the progress made by the SACCOS. Likewise, the study revealed that 10% and 11.7% of the respondents pointed out poor management and lack of transparent respectively. Some of SACCOS management members were incompetent to run SACCOS activities while some of SACCOS activities were not transparent. Table 4.11 illustrate the challenges facing SACCOS.

Table 4.10 Challenges facing SACCOS.

Challenges	Frequency	Percentage %
Lack of enough capital	26	43.3
Lack of commitment among the members	10	16.7
Repayment period	11	18.3
Poor management	6	10
Lack of transparent	7	11.7
Total	**60**	**100**

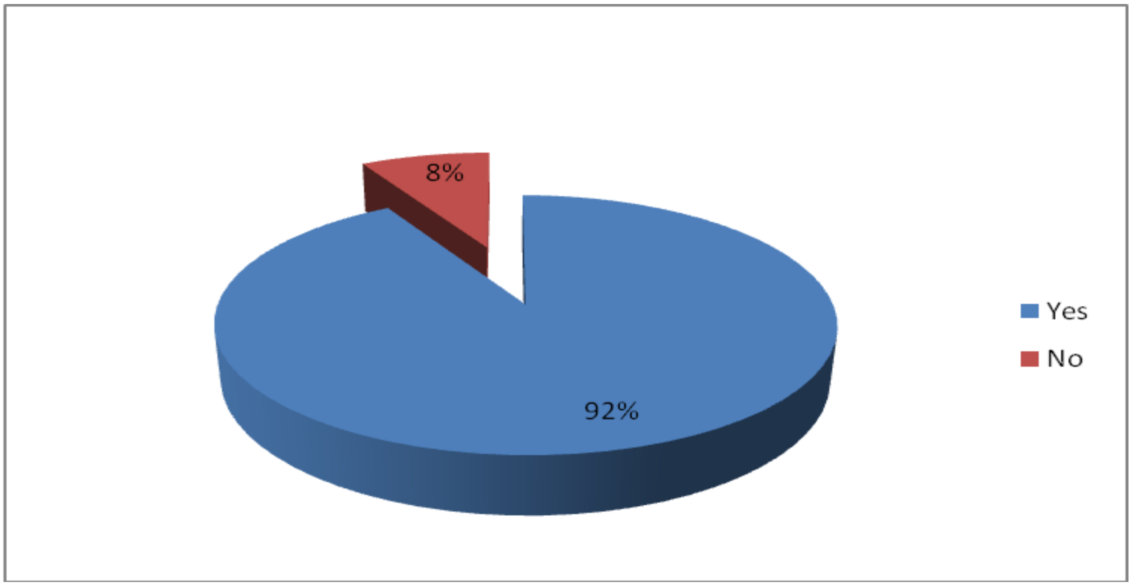
Impact of SACCOS to clients

Impact of the SACCOS to the clients depends on the capacity of the organization to serve its clients and the awareness of the clients themselves in using the SACCOS and also the opportunities available in the location.

Impact of credit to entrepreneurs

SACCOS plays a major role of providing microfinance credit services in rural Tanzania. Most of the rural poor and urban dwellers have whole heartedly realized the role played by the SACCOS in their locality. Among the respondent surveyed, about 91.7% have shown that use of SACCOS services have helped them to improve livelihood. In additional to livelihood improvement, this study has revealed that credits to entrepreneurs who are in most cases located in rural areas have to do with SACCOS so that they may improve rural financial availability timely. Continued credit provision to majority rural poor has resulted in improving financial services provision to rural community without travelling far away to get the services from banks which are located in towns. About 8.3% of the respondents were found that they are not improved their livelihood through SACCOS. Figure 4.20 shows Impact of credit entrepreneurs.

Figure:4.20 Impact of credit entrepreneurs



Source: *Field survey (2013)*

Furthermore, this study has found that, SACCO's services to clients have helped individual client who are the borrowers of the SACCOS funds to be able to meet personal and family obligations. Personal and family obligations met include paying school fees, building better houses, sustainable food security and clothing.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

This chapter summarizes the findings and recommendations of the study area of Rombo district in Kilimanjaro region as well as the country as a whole.

5.1 Conclusion

In the study conducted, all SACCOS are formed by boards that are responsible to the general meeting that includes all members of SACCOS who are the owners and users of the SACCOS. The SACCOS are governed by boards which are the tools for loan monitoring, but the boards have committees of loans and advisory services. The ages engaging in micro-credit from the SACCOS were between 25-35 years who showed that were active member and have good deposit and good user of the SACCOS. This is because the enterprises they are dealing with are those like food vendor and agriculture related activities that favor their ages.

Due to education offered by cooperative officers, their enterprises showed good progress and financial control management on how to use their profit they obtain from their business. Women have shown more advanced in using the opportunity in loan accessing to cooperative based microfinance institutions (SACCOS) as other groups, but also from the study it has been revealed that the loans taken by woman are repaid at time compared to men, however the numbers of women joining SACCOS are increasing. Although the SACCOS have showed progress in performance and members being ready to contribute and buy shares from their SACCOS, still there are problems in using the opportunity available in and out of the district, this is due to lack of entrepreneurial education and small amount of loans they access from their SACCOS. Therefore, there is a need for the government and the district to motivate more microfinance to invest in microfinance so that they can offer loans to SACCOS and increase the capacity to serve their people.

5.2 Recommendations

Having seen the performance, Evaluation of microfinance institutions in poverty reduction in Rombo district, the lending system used by the SACCOS to their members and their constraints facing microfinance institutions in the study area. The following recommendations are important to be addressed so as to make microfinance institutions to perform according to the goal of the nation;

i. There is a need for other microfinance institutions to be motivated to invest in the Rombo district to increase micro-loans disbursement to cooperative based MFIs (SACCOS), so that they could increase the ability to serve their client rather than leaving them to depend on their contributions which are insufficient to take them out of poverty trap. Increasing disbursement of microfinance institutions to SACCOS will lead to contributory to the expansion of the loans that the client's access and their business will be improved. In addition, it stimulates stronger SACCOS that will result into more rural poor people access to financial services.

ii. There is a need for microfinance institutions through well established SACCOS to train leaders and non leader members on proper record keeping and financial management in their SACCOS in order to avoid financial mismanagement and provision of bad debits which are hindrance factor to financial services. Since most SACCOS members have elementary education without post-education specialization. This situation has caused problems in financial management and characterization of individuals with poor financial record.

iii. Regulatory and legal framework needs to undergo through the necessary legislative development concurrently with the imperative of designing management and accounting systems appropriate for financial cooperatives and building service capacity among the SACCOs. The development of SACCOS' regulatory framework is an ever-changing phenomenon and there is therefore a need to learn from other districts that have progressed more in the SACCOs field.

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APPENDIX I

HOUSEHOLD QUESTIONNAIRE
Identification

Name of head of household		Village	Ward	Age
Date	Time started	Time completed	Interviewer	

SECTION ONE: Demographic characteristics of the respondents

1. Sex Male [ ] Female [ ]
2. How many are you in the house [ ]

   1.Education level

   a. No formal education [ ]
   b. Primary education [ ]
   c. O-level Secondary education [ ]
   d. A-level Secondary education [ ]
   e. College level [ ]
   f. Degree and above [ ]
3. Marital status

   Single [ ] Married [ ] Divorced [ ] Widow/er [ ]

4. Employment

   Employee [ ]

   Self employed [ ]

   Unpaid family employment [ ]

5. If employee, what is your profession ……………………………………….
6. If self employed, what are you dealing with…………………………………
7. What is the average income of your family per Month in Tshs?.................

SECTION B: Information on lending system used by different MFIs to their members

8. Are you a member in village SACCOS?
   a) Yes
   b) No
9. If yes, have you ever received any loan from village SACCOS?
   a) Yes
   b) No

11 Were you engaged in any entrepreneurial activities before becoming a SACCOS member eligible for a loan

   A) YES
   B) NO

12. If yes when did you receive loan for the last time?
   a) Last six month
   b) Last one year
   c) Last two years
   d) Five years and above

13.If no, what was the reason for not getting loan from village SACCOS?
   a) Existence of high interests rates
   b) Difficult conditionality's imposed by the management
   c) Existing bureaucracy in processing loan
   d) Poverty
   e) Lack of entrepreneurship skills

14.What are the procedures imposed by the village SACCOS to access loans?..
....
....

15.How do you perceive these procedures?

a) Procedures are fair

b) Procedures are unfair

16. What do you feel about the management system of your SACCOS

A) Is good

B) Average

C) Others, specify

17. How much amount of money did you suppose to save as a member you are eligible to borrow?

A) Less than 100,000

B) Between 100,000 – 500,000/=

C) Above 1,000,000/=

D) Other specify

18. When did you become a member of SACCOS

A) Founder of the SACCOS

B) Between 1 and 3 years after the SACCOS formation.

C) Between 4 and 5 years after the SACCOS formation.

D) More than five years after the SACCOS formation.

19. What kind of services do you get from your SACCOS

A) Only savings

B) Only borrowing (credits)

C) Saving and credit services

20 Are you involved in setting these procedures of lending system as a member of village SACCOS?

a) Yes

b) No

21. Why are you not involved?...

22. Who are involved in setting these procedures?..

23. In your experience and understanding, do you see any improvement in your activities after joining and getting sources of your SACCOS
    A) YES
    B) NO
24. The time factor for returning your debt is consistence?
    A) YES
    B) NO
25. Agriculture and livestock are among the major economic activities within Rombo District. Is the SACCOS a help in poverty reduction?
    i. Yes
    ii. No
    iii. I don't know
26. Is the SACCOS helpful to people with respect to social aspects, that is, education, health, and sport
    i. Yes
    ii. No
    iii. I don't know

SECTION C: The performance of MFIs

27. Does the village SACCOS operate?
    a) Yes
    b) No
28. If yes, does the members receive loans form village SACCOS?
    a) Yes
    b) No
29. How many times the village SACCOS provide loans per month?
    a) One time
    b) Two times
    c) Three times
    d) More than four times

30. Does the village SACCOS conduct annual general meeting?
    a) Yes
    b) No

31. If yes, who are involved in annual general meeting? …….
    ………...

32. Is there any transparency in loan provision?
    a) Yes
    b) No

33. Have you ever participated in financing programs like seminars, workshop, training on public conducted by cooperative officers from the District
    i. Yes
    ii. No

SECTION D: Constraints facing microfinance institutions in the study area and recommend strategies to improve the performance

34. What are the challenges facing your village SACCOS………………………….
…..………………………………………………………………………………………
…..……………………………………………………………………………………..

35. What are the causes of those challenges you have mentioned above…………..
……………………………………………………………………………………….
………………………………………………………………………………………

36. What are your suggestions in improving the performance of village SACCOS?.........
………………………………………………………………………………………
………………………………………………………………………………………
……………………………………………………………………………………

SECTION E: General performance of MFIs in terms of growth, creation of employment and generation of income.

37. Is the existing of village SACCOS has reduce the level poverty in the community?
    a) Yes
    b) No
38. If yes, how village SACCOS has reduced poverty among the community members?..........
39. Women play key roles in economic development of any society. Does the SACCOS participate in advancing women economically? Explain brief

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

40. Since you have been a member in village SACCOS your income has been increased?
    a) Yes
    b) No
41. Do you receive entrepreneurship skills from the village SACCOS?
    a) Yes
    b) No
42. How do you use the loan which you have received from village SACCOS?........................

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

43. What are the benefits you have obtained after receiving loan from village SACCOS?........

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

44. What are the challenges that you have been facing in using loan which you obtain from village SACCOS?

…………………………………………………………………………………………

…………………………………………………………………………………………

45. What are your suggestions on reducing poverty through using village SACCOS?..

....

Thank you for your time

APPENDIX II

CHEQLIST QUESTIONS

1. Does your SACCOS officially registered?..

2. How many members do you have?..

3. What are the conditions to become a member of the village SACCOS?...

   ………………………………………………………………………………………

   ……………………………………………………………………………………….

4. Have you settled conditions for the borrowers……………………………………..

5. What are the conditions for a member to access loan at the village SACCOS?..

   ………………………………………………………………………………………

6. Do you have village SACCOS board?..

   ....

7. What is the composition of village SACCOS board………………………..

8. Do you conduct annual general meeting?..

9. Do you undertake auditing exercise of your village SACCOS?
   …………………………………………………………………

10. How often do you undertake auditing of your village SACCOS?
    ....

11. Do you provide entrepreneurship training to your village SACCOS members?...

12. How many times do you conduct training per year?

    ....

13. Do you undertake monitoring and evaluation of different activities undertaken by your members after receiving the loan?

    ....

14. What are the impacts of your SACCOS in reducing poverty in the community?..

    ………………………………………………………………………………………

    ……………………………………………………………………………………….

15. What are the benefits obtained by the members who have accessed loans from your SACCOS?..

16. What are the challenges facing your SACCOS in fulfilling its goals?

    ....

    ………………………………………………………………………………………

    ………………………………………………………………………………………

17. What are your opinions what should be done by your SACCOS to reduce poverty in the community…………………………………………………………………….

    ………………………………………………………………………………………..

    ………………………………………………………………………………………

Thank you for your time