

**ASSESSMENT OF THE IMPACT OF PERSONAL LOANS TO
PRIMARY SCHOOL TEACHERS IN TANZANIA:
A CASE STUDY OF MVOMERO DISTRICT
COUNCIL; MOROGORO REGION**

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PRIMARY SCHOOL TEACHERS IN TANZANIA: A CASE
STUDY OF MVOMERO DISTRICT COUNCIL:
MOROGORO REGION**

By

Hezron Massengo

**A Dissertation submitted in Partial fulfillment of the Requirement for the
Award of the Degree of Master of Business Administration (MBA-Corporate
Management) of Mzumbe University**

2013

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled **Assessment of the Impact of Personal Loans to Primary School Teachers in Tanzania: A case study of Mvomero District Council; Morogoro Region**, in partial fulfillment of the requirements for award of the degree of Master of Business Administration (MBA-CM) of Mzumbe University.

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

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DEDICATION

This research report is dedicated to my daughter Hellen Massengo

LIST OF ABBREVIATIONS AND ACRONYMS

FGDs	Focus Group Discussions
GDP	Gross Domestic Product
IFC	International Finance Committee
MBA-CM	Master of Business Administration –Corporate Management
MFIs	Microfinance Institutions
QOL	Quality of Life
SPSS	Statistical Package for Social Sciences
WHO	World Health Organisation

ABSTRACT

Microfinance in terms of personal loan is a veritable tool of mitigating the effects of poverty among vulnerable groups and enhancing the level of income of the beneficiaries. Interest rates could range from 12 to 30%, while the service charges and prepayment penalty being very high. However, Mvomero district primary school teachers have emerged to access personal loans as to boost their lives regardless of these challenges. The general objective of the study was to assess the impact of personal loans to primary school teachers in Mvomero district.

Case study research design was utilized in the methodology. A sample size of 120 respondents was involved. The data collected were analysed and processed by SPSS computer software through the utilization of descriptive statistics where; frequencies, percentages and tables were run.

The findings from the study indicated that, 82% of respondents affirmed the easy of access to personal loan and 85% applied for loans in order to improve their well being by raising income through buying and selling food crops available in their areas as among the reasons to apply for loans. However, 80% of the respondents utilized loans to buy/build modern houses and agricultural land and 83% utilized loans to buy home accessories. Yet, 80% of the respondents reported the presence of psychological discomfort as some teachers could not receive payments at the end of the month, 82% pointed out the dishonest behaviour as teachers accessed personal loans from more than one financial institution rendering them not fulfilling their responsibilities and 85% reported the lack of knowledge to utilize well the loan as planned which resulted into miseries in the time of repayment.

The improvement of primary school teachers' well being in Mvomero district council necessitated them to apply for loans from financial institutions in order to supplement what they get at the end of the month which is little. The research adds to the argument for enhancing primary school teachers' income and ensuring that interest rates charged are minimized in order to improve their well being.

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CHAPTER ONE

INTRODUCTION AND BACKGROUND INFORMATION

1.0 Introduction

This chapter highlighted the impact of personal loans to primary school teachers in Tanzania. As financial institutions especially banks provide loan to borrowers on the basis of varied parameters, like salary, employment, continuity of business, etc., in order to make sure that the loan is repaid with the interest before the due date; primary school teachers in Mvomero district have accessed loans which have impacted their lives with some challenges. The study further describes the background to the problem; states the problem; research objectives and questions; significance, scope and organisation of the study.

1.1 Background to the problem

Over the past decade, providers of micro finance in terms of personal loans have developed an array of models for delivering financial services to the poor and non-poor that meet the dual criteria of sustainability and outreach (Abosedo, 2007). As programmes mature, debates within and outside the industry have moved beyond questions of scale and outreach to the question of whether micro finance in terms of personal loan has an impact to the borrowers (Sebstad and Cohen, 2001). While many people agree that micro finance in terms of personal loan can make a great deal of difference in poor and non-poor people's lives, the jury is still out on the extent to which they impact their lives. Supported by convincing vignettes of poor and non-poor people who have "made it", micro finance in terms of personal loan has garnered wide appeal as a development success (Alade *et al.*, 2003).

Microfinance in terms of personal loan is a veritable tool of mitigating the effects of poverty among vulnerable groups and enhancing the level of income of the beneficiaries (Paul and Conroy, 2000).

The economically active people are either micro entrepreneurs who operate in the informal sector (trading, farming, food catering, craftsmanship and artisanship) or people earning wages. Such people earn their living in either rural or urban areas; and the financial services for which access is sought are mainly savings and loans (Idolor, 2007). In designing and implementing micro finance services, there is the need to note that credit has different implications for different segments of the people and as such could create additional risk for the people themselves. Access to credit in terms of personal loan has a positive impact on economic growth and affects the distribution of income (Demirguc-Kunt and Hazinga, 1999). The evidence that finance is a constraint on development is overwhelming as studies have shown that a significant positive correlation exists between variables which capture troughs in the financial system, such as the ratio of money supply to gross domestic product (GDP), or the ratio of banking system credits to the private sector to GDP, on the one hand, and the level of per capita growth and income, on the other (Alade *et al*, 2003).

In the 1980s, most developing countries intervened substantially in the financial sector by setting interest rates for savings and lending, as well as directing the allocation of credit in the economy, to accelerate and direct them to areas of high economic and social priority (Olashore, 1988 and Otu *et al*, 2003). By the early 1990s, however, it became apparent that the approach was counter-productive as the repressed financial sector could no longer mobilize loanable funds for investment. Financial sector reforms were, therefore introduced to correct the problems caused by financial repression. Such reforms included interest rate liberalization and the removal of ceilings and other controls on credit allocation. The reforms were expected to have a positive impact on savings mobilization and credit allocation (Alade *et al*., 2003).

Personal loan is a credit that is availed by borrower for any purpose (Chete, 1999). Usually, these loans are unsecured, which means borrower is not required to provide any security or collateral in order to avail loan and it is solely based on the repayment ability of the borrower.

The loan eligibility criteria details may differ from bank to bank based on the perception of the risks which is associated while giving out the personal loans.

However, almost all financial institutions especially banks categorize the potential borrowers into below categories: a) Salaried individuals, b) Self-employed individuals, and c) Self-employed professionals. Some of the other factors which are also considered are; age, residence, work experience, repayment capacity, previous obligations and nature of work (Otu *et al.*, 2003). Advantages of personal loan include; a) No collateral security is required as a personal loan is unsecured loan. Though there are other eligibility criteria also which are required to be verified by the bank but the absence of any security makes it easy to get the loan for such type of people who do not have any collateral, like shares or jewelry, b) Minimal loan documentation. The whole process of personal loan application is quite simple as compared to any other loan procedure because there is no need to submit any security, c) Flexibility of personal loan use. You are not required to tell the lender about the end use of the loan amount. Lenders are only concerned about the fact that whether the borrower would be able to pay back the loan amount with interest amount before the end of tenure or not and d) Quick disbursement of personal loan. You can get the personal loan within the short duration as it is unsecured and takes less time in processing (Chete, 1999).

Since personal loans are approved without any security, therefore, they come along with a high interest rate (Pearce, 1999). It is provided purely on the basis of the income flow and if the borrower will default then the lender has less chances of recovery. Hence, you should select the personal loan only when you require funds for a shorter tenure even if you can get a loan for longer tenure. The following set of documents are needed by lending institution to process the personal loan application of the borrower: i) identity proof, ii) last six months bank statements, iii) residence proof, iv) salary slip/certificate and v) guarantors and their set of documents (Uremadu, 2005). Financial institutions especially banks provide loan to borrowers on the basis of varied parameters, like salary, employment, continuity of business, etc., in order to make sure that the loan is repaid with the interest before the due date.

Lenders have set their eligibility criterion on the basis of the work profile of the loan seeker, which can be divided into; a) self-employed and b) salaried.

Although financial institutions such as banks do many things, their primary role is to take in funds—called deposits—from those with money, pool them, and lend them to those who need funds (Waheed, 2009). Banks are intermediaries between depositors (who lend money to the bank) and borrowers (to whom the bank lends money). The amount banks pay for deposits and the income they receive on their loans are both called interest. The personal loans business in developing countries, Tanzania being among them has finally caught the collective eye of bankers and other financial sector operators who now 'see' individual borrowers as a breed of systemic defaulters out to play havoc with the institutions' loans-and-advances portfolios (Chen and Pan, 2012). Bankers are of the common view that the major losses that they incur in their loans-and-advances portfolios are invariably the result of individual borrowers being unable, unwilling or unready to repay their loans as beforehand agreed (Ben-Naceur and Omran, 2008). This study assesses the impact of these personal loans accessed by teachers for their advancement.

1.2 Statement of the problem

Access to financial services has been proven to be a powerful tool to help fight poverty. The impact is greatest especially for the poor people when they have access to a broad range of financial services with which they can invest in income generating and asset building activities to meet basic needs such as health, education and nutrition. The ability to manage assets helps poor people to gain control of their own future and make greater contribution to national development (Waheed, 2009). Loans are a relatively fast way to obtain funds for a special purchase or project, and even large amounts can be borrowed for almost any purpose. They are suitable for expensive purchases that require immediate payment, allowing you to spread the cost of the purchase and manage your short term finances more easily, especially if your loan has a fixed interest rate (Paul and Conroy, 2000).

A personal loan is borrowing a sum of money from a financial institution for personal use. Individuals may use the money for almost anything; some examples are a vacation, a car, home improvements or bill consolidation.

The borrower will make monthly payments to the financial institution repaying the sum borrowed plus interest. However; interest rates for personal loans could range from 12 percent to 30 percent, while the service charges and prepayment penalty are also very high (Uremadu, 2005).

Teachers have limited sources of income (salary) hence need to enhance their life by acquiring personal loans to boost their daily consumption and development. Despite that primary school teachers in Mvomero district have been accessing loans without delay; the reasons for applying and the contribution of personal loans to them are accompanied by shortfalls of lending in more than one financial institution rendering them not to perform well their duties and to repay. Therefore, it is against this background that this study seeks to assess the impact of personal loan to primary school teachers of Mvomero district as a case study.

1.3 Research objectives

The objectives of this study were divided into two main categories, that is; general objective and specific objectives as given hereunder.

1.3.1 General Objective

The general objective of the study was to assess the impact of personal loans to primary school teachers in Mvomero district.

1.3.2 Specific Objectives

- i) To determine the reasons for primary school teachers to apply for personal loans from financial institutions
- ii) To examine the ways of utilizing personal loans to primary school teachers
- iii) To explore the challenges facing primary school teachers regarding the personal loans accessed.

1.4 Research questions

- i) What are the reasons for primary school teachers to apply for personal loans from financial institutions?
- ii) What are the ways of utilizing personal loans to primary school teachers?
- iii) What are the challenges facing primary school teachers regarding the personal loans accessed?

1.5 Significance of the study

- a) This study assessed the impact of personal loans to primary school teachers and alerted all stakeholders to take urgent steps to solve the underlining challenges.
- b) The data obtained in this study could be used by the employer, financial institutions and primary school teachers for planning and evaluating the impact of personal loans for the betterment of all players.

1.6 Justification of the study

The study instituted and evaluated the facts regarding the impact of personal loans to primary school teachers and developed possible solutions for the development of this group of people.

1.7 Scope of the study

The study focused on the impact of personal loans to primary school teachers in Mvomero district. The purpose behind personal loans acquisition to primary school teachers was for investment and consumption.

1.8 Limitations of the study

The limitations of the study were as follows;

- a) Financial Constraints
The financial support was expected from researcher's pocket money. For that case, the researcher was limited to visit the whole area of study to gather or collect data; hence taking only a sample.

b) Time factors

The time allocated for data collection was very short compared to the importance and tedious work of collecting data. However, good cooperation shown among respondents, enabled the researcher to complete the task.

c) Response rate

It was expected that the response rate would be low due to respondents been in a hurry, very busy with their daily activities and others were not present at their working place sometimes. However, continuous follow-ups (especially from financial Institution) of respondents enabled the completion of the task.

1.9 Delimitation of the study

The study focused primary school teachers in Mvomero district. The researcher was undertaking the study in the area which he was familiar with and results were not generalized to other districts as data collected were based to that district only.

The researcher applied case study research design because of time and cost considerations in order to examine only a sample of cases at once and collected data from the respondents.

1.10 Organisation of the study

The study consisted of five chapters. The first chapter was an Introduction and Background Information. The second chapter presented the Literature Review, the third chapter discussed the Research Methodology, the fourth chapter presented and analysed the research findings and the fifth chapter presented the Summary of findings, Conclusions and Recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter provided the theoretical literature review, empirical literature review and the conceptual framework regarding the impact of personal loans to primary school teachers in Mvomero district. By doing so, it determined the reasons for primary school teachers to apply for personal loans, examined the contribution of these loans to their development and explored the challenges they faced with regards to the loans accessed.

2.1 Theoretical Literature Review

This provided an account of what has been published on a topic by accredited scholars and researchers with the purpose of conveying knowledge and ideas established and what their strengths and weaknesses are. To start with are the theories pertaining the topic.

2.1.1 Theoretical Reviews on Personal Loans

Alade *et al* (2003) argue that today, lending (e.g. personal loan provision) is a full-fledged competitive industry as most lenders are offering personalised loan deals to target maximum number of loan seekers. The growing competition and the aforementioned flexible range of products have made the personal loan category even more affordable. As a result, more and more people are conveniently availing them even for lifestyle purposes. Pearce (1992) contended that in finance, a loan is a debt evidenced by a note which specifies, among other things, the principal amount, interest rate, and date of repayment. A loan entails the reallocation of the subject asset(s) for a period of time, between the lender and the borrower.

In a loan, the borrower initially receives or borrows an amount of money, called the principal, from the lender and is obligated to pay back or repay an equal amount of money to the lender at a later time. Typically, the money is paid back in regular installments, or partial repayments; in an annuity, each installment is the same amount. However, according to Coyle (2000) the loan is generally provided at a cost, referred to as interest on the debt, which provides an incentive for the lender to engage in the loan. In a legal loan, each of these obligations and restrictions is enforced by contract, which can also place the borrower under additional restrictions known as loan covenants.

Weiss, Montgomery and Kurmanalieva (2003) reviewed the evidence of the (personal loans) microfinance impact on poverty in Asia and subsequently Weiss and Montgomery (2005) provided an update including studies using Latin American data. They reviewed only more “rigorous studies” and did not cover studies using qualitative or participatory approaches. Weiss and Montgomery (2005) summarized their review by saying that the conclusion from the early literature, that whilst microfinance in terms of personal loans clearly may have had positive impacts on poverty it is unlikely to be a simple panacea for reaching the core poor, remains broadly valid. Reaching the core poor is difficult and some of the reasons that made them difficult to reach with conventional financial instruments mean that they may also be high risk and therefore unattractive microfinance clients.

Meyer (2002) reached a similar conclusion. Surveying available evidence for Asian countries, he concluded that while access to microcredit seems to have an overall positive effect on income and education, results differ substantially across countries and programs both in magnitude and statistical significance and robustness. Because income and expenditure are the basic measures of household welfare, rigorous microfinance impact evaluations almost always cover changes in these variables. While some studies show positive impacts, other studies could not establish significant impacts. Hulme and Mosley (1996), for instance, concluded that growth in incomes of borrowers always exceeds that of the control group. They also found that the positive impacts on income are larger for better-off borrowers.

Among the most cited results on the impact of microfinance on income are those reported in Khandker (1998) and Khandker (2003). Using data from a 1991/1992 survey covering Grameen Bank and Bangladesh Rural Advancement Committee microfinance programs, with appropriate controls for sample selection and nonrandom program placement, it was found that a Tk100 loan to a female borrower would result in a net consumption increase of Tk1815 compared with Tk11 for male borrowers. In subsequent estimates, using panel data that included a re-survey of previous respondents in 1998/1999, there was a slightly lower impact (a Tk10.5 increase in consumption). In the earlier survey, 5% of the participants were able to escape poverty annually. In the second survey, the corresponding impact was an 8.5% reduction in moderate poverty and an 18% reduction in extreme poverty. Evidence was also found of positive spillovers on non program participants in the villages.

Commercial banks and other financial institutions generate profits by rendering services, attracting and retaining deposits, processing payments in a prompt and efficient manner, and putting to profitable use those funds that, in the management's judgement, are not immediately needed (Compton, 1983). One of the basic obligations perceived by every bank is the need to serve the credit requirements of customers and the community, and banks translate that credit function into a wide variety of loans and investment operations to meet that obligation. Ojo (2001) puts the above view in a similar but more fascinating way that. It is clear that bankers themselves regard lending activities as lying at the heart of commercial banking. Not only are loans a very profitable type of asset for the bank to hold in terms of sheer earning power, they have the additional advantages of attracting deposits and providing a necessary service to the community.

Loans represent by far the largest source of bank income; typically, they provide 60 to 70 per cent of total revenue. They have an equivalent importance on the bank's balance sheet, usually accounting for two-thirds of total assets (Compton, 1983).

Therefore, because loans, generally speaking, are made not from the bank's own resources but from the funds entrusted to it by customers, commercial banks constantly keep three objectives in mind in the daily management of funds. These objectives are liquidity, safety, and income. One of the highest skills required of bank management is the proper balancing of all three.

Uremadu (2005) argues that any emphasis on one at the expense of the other two, or any neglect of them, will inevitably lead to very serious problems for a bank (such as illiquidity, insolvency, inadequate capital base and run). These loans are personal in nature as they are borrowed to fulfill the personal needs of the borrowers like debt consolidation, car purchase, home improvement, wedding expenses, educational expenses, travel expenses, a thirst for development etc. borrowed for a short term of repayment, they are pretty easy for the borrower to repay to the lender and this is the benefit of taking up these loans. However, lack of knowledge to utilize loans, poor repayment, inflation rates and steeper rates are among the challenges encountering borrowers (Coyle, 2000).

The longer the duration of a loan, the more likely the lender is to desire access to the funds. So lenders typically have to be compensated with higher interest rates for parting with their funds for longer periods (Chen and Pan, 2012). The longer the duration of a loan, the greater the uncertainty over whether the borrower will be able to repay the loan. So, lenders have to be compensated for the greater risk with higher interest rates on longer-term loans. Otu *et al* (2003) argue that inflation is a major factor determining the level of interest rates. The longer the duration of the loan, the greater the risk that inflation can accelerate, reducing the purchasing power of the loan repayment. So, rates generally are higher on long-term loans than on short-term loans, because people who lend for longer periods have to be compensated for the risk that inflation might accelerate during the longer periods. However, Uremadu (2005) stated that some people choose personal loans for the purposes of debt consolidation i.e. to pay off all their outstanding debts, such as credit cards, store cards and hire purchase agreements.

By consolidating your debts into a personal loan, you could reduce the amount you repay each month, or you could control the length of time over which you will clear your debts. Reducing the amount you spend repaying your debts each month may mean that you repay the total debt over a longer period - so always remember that this option can cost you more in the long run (Abosede, 2007).

2.1.2 Quality of life and standard of living

The term *quality of life* (QOL) references the general well-being of individuals and societies. The term is used in a wide range of contexts, including the fields of international development, healthcare, and politics (Cella and Tulskey, 1993). Quality of life should not be confused with the concept of standard of living, which is based primarily on income. Instead, standard indicators of the quality of life include not only wealth and employment, but also the built environment, physical and mental health, education, recreation and leisure time, and social belonging. Standard of living generally refers to the level of wealth, comfort, material goods and necessities available to a certain socio-economic class, in a certain geographic area. An evaluation of standard of living commonly includes the following factors: income, quality and availability of employment, class disparity, poverty rate, quality and affordability of housing, affordable access to quality health care quality and availability of education, life expectancy, incidence of disease, cost of goods and services to mention a few (Ventegodt *et al*, 2002).

The main difference between standard of living and quality of life is that the former is more objective, while the latter is more subjective. Standard of living factors such as gross domestic product, poverty rate and environmental quality, can all be measured and defined with numbers, while quality of life factors like equal protection of the law, freedom from discrimination and freedom of religion, are more difficult to measure and are particularly qualitative. Both indicators are flawed, but they can help us get a general picture of what life is like in a particular location at a particular time (Cella and Tulskey, 1993). Quality of life (QOL) means a good life. A good life is the same as living a life with a high quality.

All great religions and philosophies have a notion of a good life ranging from saying that a good life is attained by practical codes of conduct to requests to engage in a certain positive attitude to life or to search into the depths of your own being. Notions about a good life are closely linked to the culture of which you are a part (Ventegodt, 2003).

These notions can then be divided into three loosely separate groups, each concerned with an aspect of a good life: (1) the *subjective* quality of life is how good a life each individual feels he or she has. Each individual personally evaluates how he or she views things and his or her feelings and notions. Whether an individual is content with life and happy are aspects that reflect the subjective quality of life; (2) the *existential* quality of life means how good one's life is at a deeper level. It is assumed that the individual has a deeper nature that deserves to be respected and that the individual can live in harmony with. We might think that a number of needs in our biological nature have to be fulfilled, that these factors — such as conditions of growth— must be optimized, or that we must all live life in accordance with certain spiritual and religious ideals laid down by the nature of our being and (3) the *objective* quality of life means how one's life is perceived by the outside world. This view is influenced by the culture in which people live. The objective quality of life reveals itself in a person's ability to adapt to the values of a culture and tells us little about that person's life. Examples may be social status or the status symbols one should have to be a good member of that culture (Objective is used here in the sense of non-subjective or objective facts. Non-subjective is concerned with the external and easily established conditions of life that many observers can rate identically) (Ventegodt *et al*, 2003).

2.1.3 The Integrative Theory of the Quality of Life

This theory focuses on the way in which people can attain their wellbeing through day to day undertakings in order to satisfy their needs.

a) Well Being

The most natural aspect of the subjective quality of life is well being. The quality of life is seen here in terms of an assessment of one's own quality of life (Ventegodt *et al*, 2002). When we meet other people, we always say, "How are you?" or "How is life?" We are thus asking that person to give us an evaluation of their quality of life. Such questions do not require a lengthy explanation of matters of life, merely a spontaneous assessment of life in general.

If, however, we are asked how content we are with life or how happy we are, these questions are assessed differently to such a question as "How are things?" Such questions are much more complex. In other words, satisfaction with life and happiness are deeper dimensions that are not as straightforward as well being.

The question about well being is followed by an explanation for example, if we are told that things are not going well, what was just said may typically be extended, as follows: "Things are not going too well at work (home);" "My health is not what it used to be." This means that well being is closely linked to how things function in an objective world and with the external factors of life. When we speak about feeling good, we do not generally embark on a lengthy discussion of the meaning of life and the deep, existential issues and aspirations we all harbor. Well being is thus something else and more superficial than meaning in life, fulfillment of needs, and self realization (Cella and Tulskey, 1993). Most people tell a lot of people that they feel good, yet only to a very few do people dare open up and take stock of the meaning of our lives. We have a surface we open up to everybody and a hidden depth to which very few people have access, often not even our conscious selves.

The spontaneous self-experienced quality of life might seem such a natural thing that it may be the reason why it has not given cause to serious investigation, let alone reflection.

b) Satisfaction with Life

When people are asked whether they are satisfied with life, they often say that something or other is amiss. People are usually less satisfied with life than their state of well being would indicate.

People tend to feel good, but are not very satisfied, just satisfied. In retrospect, there is always something to be dissatisfied or disgruntled about (Ventegodt *et al*, 2003). Being satisfied means feeling that life is the way it should be. When one's expectations, needs, and desires in life are being met by the surrounding world, one is satisfied. Satisfaction is a mental state: a cognitive entity. This symmetry and concord can come about in two ways: either we try to change the external world so that it matches our dreams or we give up our dreams because they are unrealistic, and adapt them to the world as it is, thus creating concord between the external world and our dreams. Both approaches generate the same satisfaction. However, these two strategies of life generate entirely different lives: one life meets with one's dreams and the other life is lived in resignation; but both lives will be satisfactory. Thus, satisfaction does not necessarily involve realizing life potential, fulfillment of needs, or the ability to function well in life objectively (Cella and Tulskey, 1993).

A person who has lived a difficult life, such as prostitution, chronic illness, or poverty, always seems to be satisfied with his or her life because of gradual adaptation through resignation. One can be satisfied with life yet feel bad inside. The process of adapting to one's environment may lead to an individual letting him- or herself down by compromising the deep dreams of a good life (Ventegodt, 2003). The person may not be unhappy with life but deep down considers it meaningless. Satisfaction with life is thus not the same as experiencing meaning in life. It is very common to be satisfied yet not happy. There are classical types of satisfaction theories. One of these is called preference theory.

It is typically formulated in such a way that a good life lies in seeing one's wishes come true (Ventegodt *et al*, 2003). "Seeing" because it is not enough that one's wishes be fulfilled. One has to experience that they actually are. This theory leaves the individual free to make his or her choice. One may, for instance, choose to collect stamps or good friends. The quality of life is based on whether one gets what one wants. In relation to this, the World Health Organization (WHO) (2007) has defined health broadly as a state of complete physical, mental, and social well being.

By stressing well being, that is, the experience of feeling good, the WHO is in accordance with the other theories in these groups. The theory does not distinguish between constructive and (for example, self-) destructive needs. For example, the wish to die or to hurt or harm others increases the quality of life when it is realized.

Preference theories are a subgroup to the gap theories, which are found in a multitude of forms. Some include time, others the realization of life potential here and now in time and space, etc.

They aim to find harmony in what you want life to be and how you think it is. The smaller the gap between them, the greater one's satisfaction, and hence, according to certain theories, the greater the quality of life (Paul and Conroy, 2000). The majority of quality-of-life theories focus on satisfaction. The concept is fairly easy to deal with and, as a cognitive concept, lends itself well to intellectual thought and rumination. Researchers and philosophers prefer it to more emotionally and intuitively attained concepts. The problem of using (life) satisfaction as the only measure of the quality of life is that a good life is more than merely being satisfied: happiness, meaning in life, fulfilling one's needs, etc (Ventegodt *et al*, 2002).

c) Happiness

Most people use this word with caution, because it has special significance. They use it with respect. Being happy is not just being cheerful and content. It is a special feeling that is precious and very desirable, but hard to attain. Happiness is something deep in the individual that involves a special balance or symmetry. Happiness is an intoxication; a rare sweetness of life, when tiny bubbles sparkle. It is best described in metaphors, preferably by poets (Cella and Tulskey, 1993).

Happiness is closely associated with the body, but is not limited to it. It comprises an individual's whole existence and is signified by a certain intensity of an experience, which is also the case with unhappiness. The intensity of the experience is a dimension that does not separate happiness from more superficial aspects of the quality of life such as being satisfied with life and well being.

Many people link the concept of happiness with human nature: happiness comes to people who live in extraordinary harmony with his or her nature. Nevertheless, not many people believe that happiness is achieved by merely adapting to one's culture and related factors (Ventegodt *et al*, 2003). In other words, happiness requires individuals not to resign too much but fight for what, deep down, is important to them. Typically, happiness is associated with non-rational dimensions, such as love, close ties with nature, etc., but not with money, state of health, and other objective factors. Happiness is found in classical philosophy and religious concepts, and it has inspired humanity broadly (Ventegodt *et al*, 2002).

d) Meaning in Life

Meaning in life is a very important concept and is seldom used. We only speak of the meaning of life with our most intimate friends and relatives, if at all. People who seek meaning in life are often catapulted into a confusing situation, where the value of all aspects of life is viewed quite differently. Are relations with my friends or partner as meaningful as they ought to be? Am I doing the right thing in life? Have I got the right job? Am I using my talents in the right way? Are my beliefs in life really correct? A search for meaning in life involves an acceptance of the meaninglessness and meaningfulness of life and an obligation towards oneself to make amends for what is meaningless (Cella and Tulskey, 1993). In this way, the question of meaning in life becomes deeply personal and very few people attempt to answer it because, by doing so, we risk our security in everyday life. The problem of having a meaning in life is that it can be lost. One way of expressing it is that we become lost in ourselves; we do not live in accordance with our deepest self. Deep down, life feels empty.

Perhaps we do not want to get up in the morning. Or we may contemplate suicide. Meaninglessness seems to be a frequent reason why about 1,400 people commit suicide in Denmark per year. The meaning of life is the theme of classical religion, and the world religions can be seen as theories on the meaning of life.

For instance, the classical goal of Hinduism is to attain the experience of unity with the world, *tat tvam asi* – (you are it) and the highest meaning in life. In Buddhism, the highest goal is emptiness or nirvana, which centers on being at one with the deepest meaning in the world. Many Native American tribes see it as their ultimate goal to find their own wholeness. In Christianity, the message of the love of God leads to the central meaning in life. The depths of our being, the distance between the surface and the deeper layers, leaves ample room for what we term life lies. They hide the depth of our existence. In our culture we collectively have one set of life lies that make meaning in life in its deepest sense a taboo. A theory for the meaning of life is the life mission theory (Ventegodt *et al*, 2003).

2.2 Empirical literature review

A recent study by Carnegie Mellon University revealed that the lending and borrowing of personal loans amongst friends and loved ones comes with many consequences that affect relationships (Chen and Pan, 2012). George Lowenstein (2009), a professor of economics and psychology, and the head of this study, claims that both personal loan borrowers and lenders sometimes present self-serving bias in these common transactions. “This research fits with a wide range of earlier research showing the pernicious effects of self-serving conceptions of fairness,” said Lowenstein in a press release. “It provides further evidence that people’s tendency to confuse what is in their own interest with what is fair is a major source of disagreements between people.” For instance, the study by Ojo (2001) revealed that borrowers of friend- or family-originated personal loans are more apt to believing a “loan” was a gift. Lenders, on the other hand are more likely to contend that money given to another was an actual loan. Borrowers are also more prone to believing that their lender approached them with the offer of money, while lenders tend to believe that borrowers approached them with a plea for money. Similarly, when a dispute arises and a borrower fails to repay a personal loan, borrowers are more likely to claim they will repay the money at some point.

In general, access to credit by the poor will improve their social networks, serve as cushion against unforeseen events (risk management) and enhance consumption smoothing. In other words, the availability of credit will help the poor to meet 'promotional' (income creating) and protectional (consumption smoothing) purposes. However, these studies could not determine the reasons for applying for personal loans from financial institutions.

According to Buckley (1997) production and service provision are some of the major sources of income. The four major factors of production are land, labour, capital and entrepreneurship. Out of the four factors, capital is the most limiting factor. The most common sources of capital are family or friends, savings from agricultural or non-agricultural income, capitals from financial institutions and wages or salaries. However, for the poor who cannot get capital from any of the above sources, credit is important to enable them to get capital to undertake production, business activities and service provision activities for poverty alleviation.

Alade *et al* (2003) in their study found that loan loss provision has a significant positive influence on non-performing loans. Therefore, an increase in loan loss provision indicates an increase in credit risk and deterioration in the quality of loans consequently affecting bank performance adversely. IFC (2004) Annual Review report mentioned that in almost every part of the world limited access to finance is one of the biggest obstacles to private sector growth. This is especially true for smaller firms that have minimum influence on policy reform. Hossain (1998) found that the most critical constraint that small and medium scale manufacturers mention is the lack of sufficient capital to operate the business. In most of the cases, businesses started using own savings and borrowing from friends and relatives, while banking source come after that. It is not so easy to raise fixed and working capital from banks, since banks are not so willing to provide loan of small size for high monitoring cost. However, these studies could not highlight the ways of utilizing personal loans for the development of individuals.

A recent internal survey on impact of microcredit on poverty reduction conducted by Grameen Bank found that 68 % of its borrower families have crossed the poverty line (Grameen Bank, 2009). The remaining borrower families are moving steadily towards the poverty line from below. Khandker (1998) found that a 10 % increase in borrowing from a microfinance institution reduces the probability of being below the poverty line by 0.3 % for males and by 0.2 % for females. Another study conducted by Khandker (2003) revealed that microcredit helps to reduce extreme poverty (18%) much more than moderate poverty (8.5%).

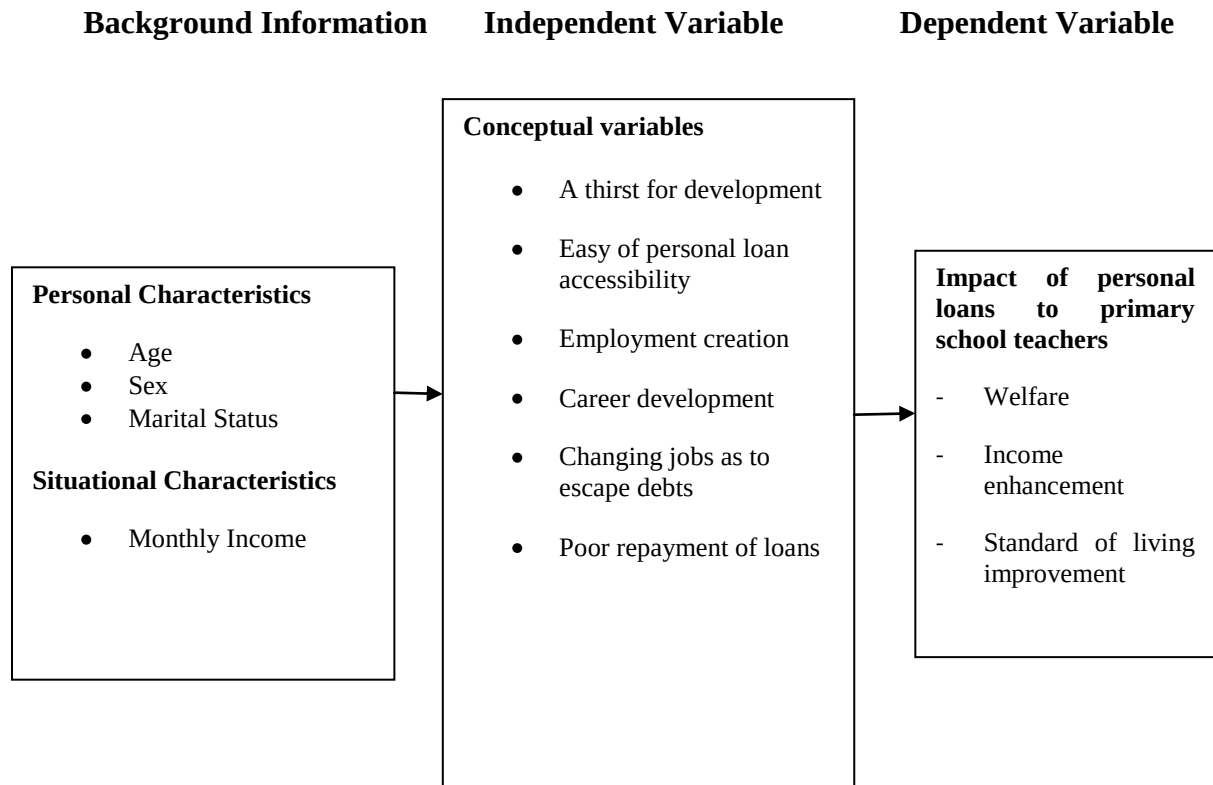
One of the aims of microcredit programme is to provide sustainable livelihood to low income households, which consequently is crucial for sustainability of MFIs because increased income of the borrowers could also improve the repaying capacity of loans (Waheed, 2009). Microcredit also improves the capacity of the borrowers to cope with economic difficulties through increasing the well-being of borrowers (Hoque, 2008). So it can have not only a major impact in the fight against poverty but also can help to ensure a sustainable livelihood (Paul and Conroy, 2000). Some scholars emphasize credit and savings as the means to make the poor to take off.

It is, however, not only credit that takes the poor out of poverty but also their ability to save from income generated and from the wise use of credit. Micro finance programmes that stress lending without emphasizing on saving are likely to miss opportunities to assist many poor people who may wish to save but not necessarily to borrow (Buckley, 1997). However, these studies could not explore the challenges facing borrowers with regards to the loans accessed.

2.3 Conceptual framework

Figure 2.1 provides the conceptual framework. This is defined as an abstract idea or a theory used to develop new concepts or to reinterpret existing ones (Kothari, 2004). It gives the relationship between the independent and dependent variables.

Figure 2.1: Conceptual Framework for the study variables



Source: Researcher's modeling, 2013.

These conceptual variables are further elaborated as follows;

a) A thirst for development means; to lead long and healthy lives, to be knowledgeable, to have access to the resources needed for a decent standard of living and to be able to participate in the life of the community. It is about local people taking control of their own lives, expressing their own demands and finding their own solutions to their problems.

b) Easy of personal loan accessibility means; easy to approach, reach, enter or use. That can be used, reached, obtainable or attainable for personal use in terms of consumption or investment related activities. Accessibility is all about our ability to engage with, use, participate in, and belong to, the world around us.

c) Employment creation means; the process of providing new jobs, especially for people who are unemployed. It can include programs or projects undertaken by a person or a government of a nation to assist unemployed members of the population in securing employment.

d) Career development means; an organized approach used to match employee goals with the business needs of the agency in support of workforce development initiatives. The purpose of career development is to enhance each employee's current job performance, enable individuals to take advantage of future job opportunities and fulfill agencies' goals for a dynamic and effective workforce.

e) Changing jobs to escape debts means; changing jobs for many reasons -- money, boredom, unhappiness, lack of advancement, lack of appreciation, personal conflicts with a supervisor or co-worker, unfair treatment, and many other reasons. A job change might be beneficial if you're unhappy, bored, and unchallenged, and no improvement seems in sight. Money can be the reason for a job change; if your salary is substantially less than the average and therefore driving you to look around for a new job that might pay better.

f) Poor repayment of loans means; poor repayment of funds due to lack of financial skills, accountability and poor management system in business undertakings.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

The major objective of this chapter was to present the methodology used in this research. Research method provides a planned and systematic approach of investigation that denotes the detail framework of the unit of analysis, data gathering techniques, sampling procedures, interpretation strategy and the analysis plan. This methodology covers the following sections namely; study area; research design; population and sample size; sampling techniques; data collection methods and data analysis techniques.

3.1 Study area

Mvomero is one of the 6 districts of Morogoro region of Tanzania. It is bordered to the North by Tanga Region, to the East by Pwani/Coast Region, to the South by Morogoro Rural district and Morogoro urban, and to the West by Kilosa district. It is administratively divided into 23 wards namely; Bunduki, Dakawa, Diongoya, Doma, Hembeti, Kanga, Kibati, Kikeo, Langali, Kinda, Luale, Mgeta, Nyandira, Pemba, Maskati, Melela, Mhonda, Mlali, Mtibwa, Mvomero, Mzumbe, Sungaji and Tchenzema. Its main economic activities are farming, livestock keeping and mining.

The district has been selected due to the emergency of some primary school teachers with the thirst to access loans from various financial institutions for their development purposes. It has 1395 primary school teachers with 142 primary schools.

3.2 Research design

Case study research design was used in this investigation because of time and cost considerations. This involves collecting empirical data, generally from only one or a small number of cases. It usually provides rich details about those cases of a predominantly qualitative nature.

The research design was allocated with exploratory (going into the roots of the problem and coming out with relevant answers) and inductive (exploring issues from small cases to large cases) approaches to seek for new insight by asking questions and assessing the phenomena in a new light.

A case study generally aims to provide insight into a particular situation and often stresses the experiences and interpretations of those involved. It uses direct observation to give a complete snapshot of a case that is being studied. It is useful when not much is known about a phenomenon (Ball, 1981). The researcher interviewed the subject to obtain background records and administered questionnaires to acquire quantifiable data on the subject.

3.3 Population and sample size

3.3.1 Population targeted

The unit of analysis (population) for the study was 1441 which comprised of all (1,395) primary school teachers (out of whom were purposively selected) who have accessed personal loans from financial institutions; (24) financial institutions' employees {i.e. managers 1@ and credit officers 3@} and (2) officials (District Executive Director and District Education Officer) in Mvomero district. The respondents were selected from the four divisions of Mvomero district namely; Mlali (Mzumbe ward), Mgeta (Mgeta ward), Mvomero (Dakawa ward) and Turiani (Mtibwa ward).

3.3.2 Sample size

From the above population, the sample size was 120 respondents with equal representation of male and female. However, Cooper and Schindler (2008) argued that, for any valid and reliable study to be carried, its sample size shouldn't be less than 5% of its population. As it stands, the sample size is 8.3% of the population; hence fulfilling their argumentations.

Yet, a sampling frame which is the set of source materials from which the sample is selected included; respondents from primary school teachers, district education officer, district executive director and financial institutions' employees (i.e. managers and credit officers from Barclays bank, NMB bank, CRDB bank, Finca, Pride Tanzania Limited and Bayport financial services), Table 3.1 shows the distribution of respondents.

Table 3.1: Population and sample size

S/N	Category	Population	Sample size
1	District Executive Director	1	1
2	District Education Officer (Primary Education)	1	1
3	Primary school teachers	1395	96
4	Financial Institutions' employees (various)		
	Barclays	7	4
	NMB	10	4
	CRDB	12	4
	Finca	5	3
	Pride Tanzania	6	3
	Bayport	4	4
	Total	1441	120

Source: Analysed data, 2013

3.4 Sampling techniques

The study used three sampling procedures namely; snow ball/referral sampling (identifying subjects who meet the criteria), purposive and stratification sampling.

3.4.1 Snow ball/referral sampling

This method was utilized as each respondent was identified and only those who met the criteria were selected (i.e. those who have accessed personal loans). Therefore, the reason behind its justification is that the first respondents who accessed the loan helped the researcher to identify others whom they knew did the same until the researcher collected sufficient data from them (Bailey, 1989).

3.4.2 Purposive sampling

This method was used as it is a non-random sampling procedure in which personal experience of the respondent (regarding personal loan lending/borrowing) was considered to be key derived from the position one held or the roles s/he played in relation to a particular activity (Ball, 1981). Thus respondents were selected purposively in order to attain the above objectives.

3.4.3 Stratification sampling

This method was used to focus gender distribution (from male and female) as to obtain views from both. The views to be obtained from the gender distribution involved reasons for applying for loans, contribution of that loan to their development and challenges they faced. It is a method of sampling that involves the division of a population into smaller groups known as strata. In stratified random sampling, the strata were formed based on members' shared attributes or characteristics. A random sample from each stratum was taken in a number proportional to the stratum's size compared to the population. These subsets of the strata were then pooled to form a random sample from which each respondent had an equal chance of being selected (Castillo, 2009). Hence, male and female were stratified to obtain the required sample which was 120.

The reason according to Yin (2003) is that, stratification serves the distribution among heterogeneous population which need to be incorporated for the purpose of gaining insights from it (i.e. opinions from both male and female were highly needed).

3.5 Data collection methods

Primary and secondary data collection methods were used to get information from respondents and other sources.

3.5.1 Primary data collection methods

Primary data collection method was used by the researcher to collect data from the field whereby interviews and questionnaires were employed.

a) Interviews

The interviews to the district executive director, district education officer, managers and credit officers from financial institutions were employed in order to solicit information regarding personal loan use. The interview tool unveiled from these respondents views/opinions regarding the matter (Appendix 2).

Yin (2003) affirms that the interview tool is very important source of getting informations and it is helpful in handling case study related matters as the research design indicates.

b) Questionnaires

Questionnaires were used to obtain informations from primary school teachers as to unveil the reasons, contribution and challenges facing primary school teachers regarding personal loans. These complemented and supplemented informations obtained under interview and documentary review (Appendix 1). The reason was to obtain consistency of responses to the questions asked in repeated measurements (Carmines and Zeller, 1979)

3.5.2 Secondary data collection methods

The researcher used different documents in order to access accurate and reliable data regarding personal loans accessed by primary school teachers. Documents comprised of personal profiles, guidelines and directives (from financial institutions and their employer), policies and regulations (regarding personal loan disbursements), books and journals (used as literatures) and education service provision performance reports from the district.

3.6 Reliability and validity of data

3.6.1 Reliability

Pilot study was carried out to test the questionnaires in the respective study area for their reliability; afterwards corrections were done in order to obtain reliable data for the research. The collected data were verified by experts experienced in research for their reliability.

This allowed the researcher to study the properties of measurement scales and the items that made them. Since the reliability of data goes with the accuracy or precision of a measuring instrument, in this research study, reliability was concerned with the questionnaires' consistency of responses to the questions asked in repeated measurements (Carmines and Zeller, 1979).

3.6.2 Validity

Validity is defined as the instrument's ability to measure exactly what concept it is supposed to measure. The researcher in order to validate the data and instruments (questionnaires) used in the research, asked the experts to recommend on their representativeness and suitability. Besides, he allowed suggestions to be made to the structure of these questionnaires. These helped the researcher to establish content validity as argued by Cooper and Schindler (2008).

3.7 Data analysis techniques

Data collected were analysed both qualitatively and quantitatively. These were summarized, coded and analyzed by Statistical Package for Social Science (SPSS). Descriptive statistics was applied whereby frequency distribution and percentages were obtained to describe major variables.

Qualitative data from interviews were analyzed using content analysis focusing observer impression. Content analysis involved recording the verbal discussions with respondents which was followed by breaking the recorded information into meaningful smallest units of information, subjects and tendencies and presented them as text.

However, coding which is an interpretive technique that seeks to both organize the data and provide a means to introduce the interpretations of it into certain quantitative methods was employed along with Hermeneutical Analysis which served on interpreting the meaning of the context.

The collected data from the field were prepared through coding and editing of the data. This involved checking of data collection forms for omission, legibility and consistency as well as discarding the incomplete responses which had missing data. Thereafter, identified potential errors in data collection were discussed for their implications.

This method was used for coding both words and phrases depending on respondents' responses. That allowed open ended questions to be analyzed systematically while data being entered into a user friendly and retrievable database.

CHAPTER FOUR

PRESENTATION AND DISCUSSION OF THE RESEARCH FINDINGS

4.1 Introduction

This chapter presents and discusses results arising from the data analysis regarding the assessment of the impact of personal loans to primary school teachers in Tanzania with reference to Mvomero district. The findings were presented and discussed under four main sections namely; the first section presented and discussed the background informations (respondents' characteristics); the second section determined the reasons for primary school teachers to apply for loans from financial institutions; the third section examined the ways of utilizing personal loans for primary school teachers; and the fourth section explored the challenges facing primary school teachers regarding the personal loans accessed.

4.2 Respondents Background Information

The respondents' background information dealt with included; age, sex, marital status and estimated monthly income. The examination of respondents' information showed the following as given in Table 4.1

Table 4.1: Background Information

Information	Analysis in terms of	
	Frequency	Percentage %
Age (in years)		
18-24	22	18.3
25-34	35	29.2
35-44	45	37.5
> 45	18	15.0
Sex		
Male	42	35.0
Female	78	65.0
Marital status		
Married	58	48.3
Single	35	29.2
Widowed	18	15.0
Divorced	09	07.5
Estimated Monthly Income (In Tsh)		
250,000 – 400,000/=	85	70.8
400,001 – 650,000/=	25	20.8
> 650,000/=	10	08.4

Source: Analyzed data, 2013

a) Age

The results in Table 4.1 indicate that, the age distribution of the respondents which was between 18 and 24 years was 18.3%, 25 and 34 years was 29.2%, 35 and 44 years was 37.5%, and those with 45 years and above was 15%. Majority of the respondents 66.7% were between 25 and 44 years of age; the age that necessitates eagerness for the development of the family and the country at large. However, those who were between 18 to 24 years gave reasons for primary school teachers to apply for loans such as economic hardships they face and improving their wellbeing by raising income; while those who were between 25 and above years of age gave reasons for applying for loans such as a thirst for development because of little income they get and easy of access to personal loan as no collateral was needed rather than being employed as among the reasons.

b) Sex

The results in Table 4.1 indicate that out of 120 respondents, 35% were male and 65% were females. The results indicate the female domination in the study which is the result of women empowerment done by various activists on the way to sensitize them to take their part in developmental activities of their families while the male lagging behind. However both male and female involvement regarding the assessment of the impact of personal loans to primary school teachers in Mvomero district council was vital because while men pointed out reasons such as applying for loans in order to cultivate land; women gave reasons such as improving the family's well being due to the challenges they encounter.

c) Marital Status

The results in Table 4.1 indicate that 48.3% were married; 29.2% single; 15% widowed and 7.5% divorced. These findings indicate that those who were married highlighted one of the reasons for applying for loans as the economic hardships facing teachers because of little income they receive as to serve as a supplement, while those who were single, widowed and divorced provided reasons such as easy of access and a thirst for development as among the reasons which necessitated teachers to apply for loans.

d) Estimated Monthly Income

The results in Table 4.1 indicate that 70.8% of the respondents earned monthly income ranging from 250,000 to 400,000 Tshs; 20.8% of the respondents earned monthly income ranging from 400,001 to 650,000 Tshs; while a few 8.4% of respondents earning monthly income which was above 650,000 Tshs. Monthly income of respondents contributed much to apply for loans as in most cases teachers have little avenues to boost their income. The only alternative to them was to supplement their income through loan seeking.

This had some negative consequences as a few teachers had to access loans from more than one financial institution something which added a burden to them to repay the loans and finally resulting into absenteeism at work and non-fulfillment of responsibilities.

4.3 Reasons for Primary School Teachers to Apply for Loans from Financial Institutions

The first objective of this study was to determine the reasons for primary school teachers to apply for loans from financial institutions. According to the literature the reasons raised included; economic hardships, improving their wellbeing by raising income, cultivating land for agricultural activities, a thirst for development and easy of access as no collateral was needed. To obtain the reasons, the researcher asked the respondents to tick and add any from their opinions the reasons they thought pushed them to apply for the loans. Table 4.2 summarises these reasons as follows;

Table 4.2: Reasons to apply for loans

Reasons	Percentage %	
	Yes	No
Economic hardships	90	10
Improving their well being by raising income	85	15
Cultivating land for agricultural activities	70	30
A thirst for development	87	13
Easy of access to personal loan as no collateral is needed/required	82	18

Source: Analysed data, 2013

The results in Table 4.2 indicate that the majority of respondents were in agreement with the reasons highlighted which pushed them to apply for loans; while the minority of respondents being in disagreement as indicated above.

Specifically, the results in Table 4.2 indicate that 70% of respondents argued that cultivating land for agricultural activities was one of the reasons to apply for loans from financial institutions. This is because these teachers lived and worked in rural areas where the main economic activity is agriculture.

Although teachers have the responsibility to nurture children with knowledge, they had to supplement their income through agricultural practices as alternative ways of raising income. However, in order to succeed and have good yields, the application of modern agricultural mechanisms needed capital support thus; loans were required for that purpose.

Moreover, the results in Table 4.2 indicate that 82% of respondents were in opinion that easy of access to personal loan as no collateral was needed rather than being employed was among the reasons to apply for loans. This was a relief to many teachers as loan accessibility became easier than before but with challenges regarding what to get as loans provided were limited to one's gross salary. However, 85% of respondents stated that teachers applied for loans in order to improve their well being by raising income through buying and selling food crops available in their areas as supported by Chen and Pan (2012).

Furthermore, the results in Table 4.2 indicate that 87% of the respondents stated that teachers applied for loans because of having a thirst for development as supported by Hoque (2008). This was visualized through the integration with various people who had shown progress through their activities they engaged in. In view of that, teachers would not be left out from that push. Likewise, 90% of the respondents were in opinion that teachers applied for loans because of the economic hardships they faced. This was due to the raising of commodities and people's standard of living. In this regard, teachers could not escape that situation hence; opting to secure loans for the purpose of boosting their life.

Conclusively, the results in this part imply that 70% of respondents highlighted that teachers applied for loans in order to cultivate land for agricultural activities because these teachers lived and worked in rural areas where the main economic activity is agriculture hence; supplementing their income through agricultural practices was of vital.

Moreover, 82% of respondents pointed out that teachers applied for loans because of easy of access to personal loan as no collateral was needed rather than being employed something that caused a relief to many teachers as loan accessibility became easier than before. However, 85% of respondents stated that teachers applied for loans in order to improve their well being by raising income through buying and selling food crops available in their areas. Furthermore, 87% of the respondents stated that teachers applied for loans because of having a thirst for development which was envisaged through the integration with various people who had shown progress through their activities they engaged in. Likewise, 90% of the respondents were in opinion that teachers applied for loans because of the economic hardships they faced from the raising of commodity prices and peoples' standard of living hence; opting to secure loans for the purpose of boosting their life.

The results present how teachers out of little salaries they receive struggled to fight poverty. In this regard their thirst for development necessitated them to search for loans from financial institutions. However, adequate development has been attained as some teachers have been able to raise income by utilizing the loans accessed to buy, sell commodities and engage into developmental activities for the purpose of boosting their life.

4.4 Ways of Utilizing Personal Loans for Primary School Teachers

The second objective of this study was to examine the ways of utilizing personal loans for primary school teachers which could be termed as the impact of accessing loans. According to the literature these ways included; buying motorcycles for business undertakings, starting and running shops, taking children to school, used for career development, building/buying modern houses, buying home accessories and employing people who work for them. To obtain informations on the ways of utilizing loans, the researcher asked the respondents to tick and provide other various ways which they thought for their developmental projects. Table 4.3 summarises these ways as follows;

Table 4.3: Ways of utilizing personal loans

Ways	Percentage %	
	Yes	No
Buying motorcycles for business undertakings	75	25
Starting and running shops/viosks	77	23
Taking children to school	85	15
For career development	90	10
Building/buying modern houses	80	20
Buying home accessories	83	17
Buying agricultural land	80	20
Employing people who work for them (employment creation)	70	30

Source: Analysed data, 2013

The results in Table 4.3 indicate that the majority of respondents were in agreement with the ways of utilizing personal loans; while the minority of respondents being in disagreement as indicated above. The main purpose of accessing loans was to fill the gap accrued from little income of their salary which does not accommodate personal and the overall developmental purposes.

Specifically, the results in Table 4.3 indicate that 70% of the respondents stated that some teachers started various economic activities which enabled them to employ people hence; being among the employment creators in the areas they worked as supported by Coyle (2000). However, 75% of the respondents utilized their loans to buy motorcycles for business undertakings something that created employment to the youths along with boosting their income. Moreover, 77% of the respondents started and ran shops/viosks after accessing loans which accelerated the supply of commodities in the areas they lived while minimizing the distance the rural people would undergo if they were to search for commodities in far town centres.

On the other hand, the results in Table 4.3 indicate that 80% of the respondents pointed out that the loans accessed from financial institutions were utilized by teachers to build/buy modern houses as to live a descent life and buy agricultural land which enabled them to engage in agricultural activities during the season without failure as supported by Ventegodt *et al* (2002) for quality of life

enhancement. However, 83% of the respondents stated that the loans accessed by teachers were utilized to buy home accessories as after building modern houses, furnishing the with quality accessories was the next step.

Furthermore, the results in Table 4.3 indicate that 85% of the respondents highlighted that teachers utilized the loans by taking their children to school as there is no schooling without school fees and other related contributions while taking into considerations that education is power and liberates mankind from illusions. Moreover, 90% of respondents argued that the loans accessed were utilized by teachers for their career development something which is essential for the enrichment of their skills and performance.

Conclusively, the results imply that 70% of the respondents stated that teachers started various economic activities which enabled them to employ people, 75% of the respondents utilized their loans to buy motorcycles for business undertakings and 77% of the respondents started and ran shops/viosks after accessing loans which accelerated the supply of commodities in the areas they lived. On the other hand, 80% of the respondents pointed out that the loans accessed from financial institutions were utilized to build/buy modern houses as to live a descent life and buy agricultural land which enabled them to engage in agricultural activities. However, 83% of the respondents stated that the loans accessed by teachers were utilized to buy home accessories, 85% of the respondents highlighted that teachers utilized the loans by taking their children to school as there is no schooling without school fees and other related contributions and 90% of respondents argued that the loans accessed were utilized by teachers for their career development something which is essential for the enrichment of their skills and performance.

The results show how loans accessed from financial institutions were utilized by teachers something that impacted their life. However, while some teachers could utilize those loans properly, others were unable something which calls for business skills provision from the collaboration of both financial institutions and other stakeholders.

4.5 Challenges facing Primary School Teachers regarding the Loans Accessed

The third and last objective of this study was to explore the challenges facing primary school teachers (who are borrowers) regarding the personal loans accessed. These challenges facing borrowers included; dishonest behavior (teachers accessing personal loans from more than one financial institution); lack of transparency on interest rates and other pertinent details in the exorbitant lending procedures among the financial institutions; steep interest rates which virtually change arbitrarily from time to time; tightening collection conditions for individual borrowers; psychological discomfort as others did not receive any payment at the end of the month; lack of knowledge to utilize well the loan as planned; absenteeism at work as the result of debts hence, not fulfilling their responsibilities; changing jobs as to escape debts; poor payment (due to low salaries teachers receive); and inflation rates. To obtain informations regarding these challenges, the researcher asked the respondents to highlight various challenges which they faced. Table 4.4 summarises these challenges as follows;

Table 4.4: Challenges facing Primary School Teachers in Accessing Loans

Challenges	Percentage %	
	Yes	No
Dishonest behaviour (teachers accessing personal loans from more than one financial institution)	82	18
Lack of transparency on interest rates and other pertinent details in the exorbitant lending procedures among the financial institutions	90	10
Steep interest rates which virtually change arbitrarily from time to time	92	08
Tightening collection conditions for individual borrowers	75	25
Psychological discomfort as others receive a NIL payment at the end of the month	80	20
Lack of knowledge to utilize well the loan as planned	85	15
Absenteeism at work as the result of debts hence, not fulfilling their responsibilities	82	18
Changing jobs as to escape debts	60	40
Poor payment (due to low salaries teachers receive)	87	13
Inflation rates	70	30

Source: Analysed data, 2013

The results in Table 4.4 show that the majority of respondents were in agreement with the challenges facing primary school teachers regarding the loans they access from financial institutions; while the minority of respondents being in disagreement as indicated above.

Specifically, the results in Table 4.4 indicate that 60% of the respondents reported to change jobs (from teaching to other professions or works) as to escape debts because the amount of salary remaining could not sustain ones consumption per month as supported by Idolor (2007), 70% reported inflation rates which caused the prices of commodities to go up which was beyond teachers' control and 75% reported the tightening collection conditions put forward by financial institutions to individuals whereby deductions could be done promptly by adhering to the agreements put which were not known clearly by teachers as among challenges teachers encountered. However, 80% of the respondents reported the presence of psychological discomfort among teachers as others did not received any payment at the end of the month.

On the other hand, the results in Table 4.4 indicate that 82% of the respondents affirmed the dishonest behaviour as teachers accessed personal loans from more than one financial institution without knowing the consequences which resulted into absenteeism at work from the accumulation of debts hence, rendering teachers not fulfilling their responsibilities. Moreover, 85% of the respondents reported the lack of knowledge to utilize well the loan as planned as among the challenges because others utilized the loans to issues not planned before something which resulted miseries in the time of repayment.

Furthermore, the results in Table 4.3 indicate that 87% of the respondents highlighted the presence of poor payment due to little salaries teachers receive, 90% of respondents reported the lack of transparency on interest rates and other pertinent details in the exorbitant lending procedures among the financial institutions as supported by Hossain (1998) and 92% stated the presence of steep interest rates

which virtually change arbitrarily from time to time causing repayment failures as among the challenges teachers face.

Conclusively, the results in this part imply that 60% of the respondents reported to change jobs in order to escape debts, 70% reported inflation rates which caused the prices of commodities to go up and 75% reported the tightening collection conditions put forward by financial institutions to individuals which were not known clearly by teachers as among challenges teachers encountered. However, 80% of the respondents reported the presence of psychological discomfort as some teachers did not receive any payment at the end of the month, 82% of the respondents affirmed the dishonest behaviour as teachers accessed personal loans from more than one financial institution rendering them not fulfilling their responsibilities and 85% of the respondents reported the lack of knowledge to utilize well the loan as planned which resulted miseries in the time of repayment. Furthermore, 87% of the respondents highlighted the presence of poor payment due to little salaries they receive, 90% reported the lack of transparency on interest rates and other pertinent details in the exorbitant lending procedures among the financial institutions and 92% stated the presence of steep interest rates which virtually change arbitrarily from time to time causing repayment failures as among the challenges teachers face.

The results present the challenges teachers faced when accessing loans from financial institutions. However, the challenges perceived as internal to the borrowers or caused by borrowers need to be eliminated by themselves while those perceived as external to the borrowers or caused by financial institutions need to be eliminated in collaboration with the financial institutions and borrowers for the purpose of smoothening their business undertakings.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provided the summary, conclusion and recommendations. Policy implications and areas for further research which are the outcome of the study findings are also presented. It starts with the summary; then provides the conclusion and recommendations; policy implications and finally areas for further research are given.

5.2 Summary of Findings

The findings from the study indicated that, 70% of respondents pointed out that teachers applied for loans in order to cultivate land for agricultural activities because these teachers lived and worked in rural areas where the main economic activity is agriculture thus; supplementing their income through agricultural practices was of vital. Moreover, 82% of respondents pointed out that teachers applied for loans because of easy of access to personal loan as no collateral was needed rather than being employed something that caused a relief to many teachers. However, 85% of respondents stated that teachers applied for loans in order to improve their well being by raising income through buying and selling food crops available in their areas. Yet, 87% of the respondents stated that teachers applied for loans because of having a thirst for development which was envisaged through the integration with various people who had shown progress through their activities they engaged in. Likewise, 90% of the respondents were in opinion that teachers applied for loans because of the economic hardships they faced from the raising of commodity prices and peoples' standard of living hence; opting to secure loans for the purpose of boosting their life.

On the other hand, 70% of the respondents stated that teachers started various economic activities as impacted by the loans accessed which enabled them to employ people, 75% of the respondents utilized their loans to buy motorcycles for business

undertakings and 77% of the respondents started and ran shops/viosks after accessing loans which accelerated the supply of commodities in the areas they lived.

But, 80% of the respondents pointed out that the loans accessed from financial institutions were utilized to build/buy modern houses as to live a descent life and buy agricultural land which enabled them to engage in agricultural activities. However, 83% of the respondents stated that the loans accessed by teachers were utilized to buy home accessories, 85% of the respondents highlighted that teachers utilized the loans by taking their children to school as there is no schooling without school fees and other related contributions and 90% of respondents argued that the loans accessed were utilized by teachers for their career development something which is essential for the enrichment of their skills and performance.

Finally, 60% of the respondents reported to change jobs in order to escape debts, 70% reported inflation rates which caused the prices of commodities to go up and 75% reported the tightening collection conditions put forward by financial institutions to individuals which were not known clearly by teachers as among challenges teachers encountered. However, 80% of the respondents reported the presence of psychological discomfort as some teachers did not receive any payment at the end of the month, 82% of the respondents affirmed the dishonest behaviour as teachers accessed personal loans from more than one financial institution rendering them not fulfilling their responsibilities and 85% of the respondents reported the lack of knowledge to utilize well the loan as planned which resulted miseries in the time of repayment. Furthermore, 87% of the respondents highlighted the presence of poor payment due to little salaries they receive, 90% reported the lack of transparency on interest rates and other pertinent details in the exorbitant lending procedures among the financial institutions and 92% stated the presence of steep interest rates which virtually change arbitrarily from time to time causing repayment failures as among the challenges teachers face.

5.3 Conclusion

The study assessed the impact of personal loans to primary school teachers in Mvomero district. The respondents involved included; primary school teachers, financial institution and Mvomero district officials. However, FINCA officials could not show adequate corporation.

It was concluded from the findings that, the improvement of primary school teachers' well being in Mvomero district council necessitated them to apply for loans from financial institutions in order to supplement what they get at the end of the month which is little. The loans accessed helped teachers to engage in various economic activities which to some extent have raised (impacted) their income and enabled them to solve various challenges they encounter in their day to day undertakings. Although, there are achievements attained some teachers (especially those who applied for loans from more than one financial institution) had to change their jobs as to escape debts.

The reasons highlighted included; high interest rates charged from financial institutions, little salaries remaining after deduction etc which rendered others to fall into psychological discomfort from the fact of not receiving any payment at the end of the month. However, the loan accessed was not perceived as a burden to most of the respondents, but something to improve the quality of life of the borrower.

Finally, the loans accessed by teachers had a great impact as they were able to start business (e.g. buying motorcycles for business and running shops and kiosks), facilitate family education (e.g. taking children to school as well as own career development), improve their residence (e.g. buying or building modern houses), raise the living standard (e.g. buying home accessories such as TV, Furniture and Radio) and involve themselves in agricultural activities through buying agricultural land as most of them live in villages of Mgeta, Mvomero and Mlali divisions.

Moreover, the loans accessed by teachers diminished to some extent teachers' performance at work when searching for funds to pay loans resulting into absenteeism, decreased their income due to paying high interest rates to financial institutions while falling into psychological discomfort especially when receiving a NIL balance at the end of the month due to the tightening collection conditions applied by financial institutions.

5.4 Recommendations and Policy Implications

In view of the above findings, the researcher has proposed the following recommendations;

5.4.1 Recommendations

- i) Primary school teachers' salaries seem to be little as attested by the respondents in the way to accommodate the economic hardships they face. It is upon the government to foresee and rectify their situation they are in.
- ii) Committed teachers were able to utilize well the loans given something that impacted their life. However, knowledge provision on proper use of these loans needs to be provided for the enhancement of their initiatives in order to avoid failures.
- iii) Interest rates put by financial institutions are high, something which need to be rectified in collaboration with both financial institutions and other stakeholders.

5.4.2 Policy Implications

The policy makers should review the reward and compensation policy for primary school teachers in order to let them attain adequate increment of their salary. However, the Central Bank (Bank of Tanzania) should also review the regulatory policy on loan pricing (credit pricing) regarding the financial institutions and commercial banks to ensure that interest rates charged are fairly priced to the personal borrowers.

5.5 Areas for Further Research

The findings assessed the impact of personal loans to primary school teachers in Mvomero district council. It is advised that further studies be done on the following issues;

- i) To what extent have primary school teachers been able to address loan repayment challenges? (The reason for that was due to the high rate of respondents who highlighted the repayment challenges envisaged)
- ii) To what extent have primary school teachers been able to address the issue of interest rates challenges? (The reason for that was due to the knowledge gap which respondents had regarding the interest rates charged by various financial institutions which seemed to be unknown and sometimes varying enormously)
- iii) Assessment of the effectiveness and efficiency of LAWSON programme for the purpose of managing the problem of NIL balance to government employees (teachers) (The reason for that was due to the challenges put forward by district education officer on the way to avoid the NIL payment for teachers for they receive little amount which does not sustain them)

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APPENDICES

APPENDIX 1

QUESTIONNAIRES

Topic: Assessment of the Impact of personal loans to primary school teachers in Tanzania: A case study of Mvomero district council; Morogoro region

PART A: The reasons for primary school teachers to apply for personal loans from financial institutions.

1. Do you think that among the mentioned, would be the reasons for primary school teachers to apply for personal loans?

Reason	Yes	No
Economic hardships		
Improving their wellbeing by raising income		
Cultivating land for agricultural activities (to get food for consumption and selling)		
A thirst for development		
Easy of access to personal loan as no collateral is needed/required		

2. Would you please mention other reasons for primary school teachers to apply for personal loans?

i).....ii).....
iii).....iv).....

PART B: The ways of utilizing personal loans for primary school teachers

3. Do you think that among the mentioned are ways of utilizing personal loans for primary school teachers?

Ways of utilizing personal loans	Yes	No
Buying motorcycle for business undertakings		
Starting and running shops/viosks		
Taking children to school (paying school and other related fees)		
For career development		
Building/buying modern houses		
Buying home accessories		
Buying agricultural land		
Employing people who work for them (employment creation)		

4. Would you please mention the other ways of utilizing personal loan for primary school teachers?

i).....ii).....
iii).....iv).....

PART C: Challenges facing primary school teachers regarding the loans accessed

5. Please indicate your agreement or disagreement regarding the challenges facing primary school teachers as follows; 1) SA=Strongly Agree 2) A=Agree 3) U=Uncertain 4) D=Disagree 5) SD=Strongly Disagree.

Challenge	Choice				
	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
1.Dishonest behaviour (teachers accessing personal loans from more than one financial institution)					
2.Lack of transparency on interest rates and other pertinent details in the exorbitant lending procedures among the financial institutions					
3.Steep interest rates which virtually change arbitrarily from time to time					
4. Tightening collection conditions for individual borrowers					
5. Psychological discomfort as others receive a NIL payment at the end of the month					
6. Lack of knowledge to utilize well the loan as planned					
7. Absenteeism at work hence, not fulfilling their responsibilities					
8. Changing jobs as to escape debts					
9. Poor repayment (due to low salaries teachers have)					
10.Inflation rates					

6. Would you please mention other challenges facing primary school teachers regarding the loans accessed?

i).....ii).....
iii).....iv).....

PART D: Characteristics of respondents

7. Age in years (*tick where appropriate*)

- (a) Below 18 ()
- (b) 18 – 24 ()
- (c) 25 – 34 ()
- (d) 35 – 44 ()
- (e) 45+ ()

8. Sex: (a) Male ()
(b) Female ()

9. What is your marital status?.

a) Married () b) Single () c) Widowed () d) Divorced ()

10. What is your estimated income per month?

a) 250,000-400,000/= () b) 400,001- 650,000/= () c) above 650,000/= ()

APPENDIX II

INTERVIEW GUIDE QUESTIONS

- i) What are the reasons for primary school teachers to apply for personal loans from financial institutions?
- ii) What is the contribution of personal loans for primary school teachers' development?
- iii) What are the challenges facing primary school teachers regarding the personal loans accessed?