

**CONTRIBUTION OF MICROFINANCE INSTITUTIONS TO POVERTY
REDUCTION AMONG RURAL WOMEN: A CASE OF MFIs IN
NYAMAGANA DISTRICT**

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REDUCTION AMONG RURAL WOMEN: A CASE OF MFIs IN NYAMAGANA
DISTRICT

By

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A Dissertation Submitted in Partial Fulfilment of the Requirement for the Degree of
Master of Business Administration of Mzumbe University.

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CERTIFICATE

The undersigned certifies that he has read and hereby recommends for acceptance by Mzumbe University a dissertation entitled *“Contribution of Microfinance Institutions to Poverty Reduction among Rural Women: A Case of MFIs in Nyamagana District”* in fulfilment of the requirement for the degree of Master of Business Administration of Mzumbe University.

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DECLARATION

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At last but not least, I want to thank my family for their constant support. It has been a privilege to work together with all the people involved during the research period and a great learning experience for me.

DEDICATION

I would like to dedicate this work to my late lovely Father Mr.Linus Mkali and my family, I wish them a successful life and may GOD protect them in their life.

ABSTRACT

This study aimed to examine the contribution of microfinance institutions on poverty reduction among rural women taking in Nyamagana district as a case study. Specifically, the study intended to examine the extent of women empowerment through MFIs in household's level. To assess the impact of MFIs on the member's socio – economic development to identify obstacles and challenges exist for women in gaining empowerment through MFIs, and assess perception of the members on the microfinance institutions' contribution to poverty reduction.

The research design adopted was a cross-sectional descriptive survey and a sample size of 60 respondents (mainly client's women members), others were government officials and loan officers were selected. The selection techniques of MFIs members used were purposive sampling and simple randomly sampling. Data was analyzed using both quantitative and qualitative methods.

There is a general agreement among the members interviewed that these MFIs have positive impacts on their socio-economic development among women. The results show that it helps to meet consumption needs, pay school fees, run small businesses, increase and diversify the income and the majority also believes that it can be a useful tool for poverty reduction.

It is hereby, recommended that, the government should continue with its effort to improve the infrastructures as a means to support women economic empowerment, through MFIs, in engaging in poverty alleviation among women. The government and other stakeholders are also requested to provide capacity building programmes to women – members in MFIs through training and seminars in order to empower them.

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LIST OF ABBREVIATIONS

GDP	Gross Domestic Product
MFI	Microfinance Institution
MSC	Microcredit Summit Campaign
NGO	Non Governmental Organization
NMB	National Microfinance Bank
NMP	National Microfinance Policy
NSGRP	National Strategy for Growth and Reduction of Poverty
SACCOS	Savings and Credit Cooperative Societies
TZS	Tanzanian shillings
VICOBA	Village Community Bank
UN	United Nations
UNDP	United Nations Development Programme
URT	The United Republic of Tanzania
WB	World Bank

CHAPTER ONE

INTRODUCTION AND BACKGROUND INFORMATION TO THE PROBLEM

1.0 Introduction

This chapter exhibits the problem to the background, statement of the problem, research objectives, relevant research questions, and the scope of the research as a final point presents the thesis proposal arrangement. The chapter in its background explores the women economic empowerment through poverty reduction worldwide. It also looks at the measures and efforts taken by international agencies to overcome the problem. The situation of women economic empowerment in Tanzania is also analyzed in this section in order to widen up the clear understanding of the problem.

1.1 Background Information to the Problem

All over the world, men are often perceived as the financial managers in relationship and in family. Women are to take care of the children and do farm work while men are expected to work outside of the home and manage the money they bring in. *“Most poor people are women and most women are poor”*. It is estimated that 70 percent of the world’s population living on less than \$1 per day are women (UN, 2003). However, it is also true that most low-income women are economically active in some form. Though their roles and the value of those roles are often undervalued in society, women need and deserve access to information, financial services, and markets (UN, 2003). Therefore, access to credit and other financial services are necessary to provide low-income women with opportunities to increase their incomes and their assets (ibid).

However, it has been shown that when women are given money to start their own enterprises, they are much more likely than men to pay off their loans and their profits are more often used

for the good of others rather than for immediate satisfaction than men to spend their profits on consumable goods and are more likely to spend the money on health care and education for their children (Datta & Gailey, 2012 and UN, 2003).

The access to micro-finance services is still highly unequal between men and women. Considerable advances were made in the 1990s in the design of NGO-managed programmes and poverty-targeted banks to increase women's access to small loans and savings facilities. Literature prepared for the Microcredit Summit Campaign presents an extremely attractive vision of increasing numbers of expanding micro-finance programmes which will only give many women access to microfinance services, but also initiate a '*virtuous upward spiral*' of empowerment. This optimism about the implicit empowerment potential of credit and savings pervades most donor statements on microfinance. At the same time, microfinance is being promoted as a key poverty alleviation strategy to enable poor women and men to cope with the adverse economic and social impacts of structural adjustment policies and globalization (Mayoux, 2001). Nonetheless, the past three decades have witnessed a steady increase in awareness of the need to empower women (Ashraf, *et al.*, 2008; Lopez-Claros and Zahidi, 2005).

In particular, micro credit has become widely adopted in the fight against poverty, but also in order to increase the status of women. However, once given the opportunity, clients of microfinance institutes expanded their businesses and increased their incomes. In particular, micro credit has become widely adopted in the fight against poverty, but also in order to increase the status of women. However, once given the opportunity, clients of microfinance institutes expanded their businesses and increased their incomes (Wrigley-Asante, 2011 and Mayoux, 2001).

Over the last one decade, the Government of United Republic of Tanzania (URT) has come to realize that microfinance is the remedy for reaching out to the poorest of the population who are most difficult to reach through conventional banking interventions. Indeed micro credit can be used to fight poverty because of its effectiveness as a tool for generating employment through the acquisition of appropriate business management skills, which in turn leads to increased income levels and improved standards of living (Wrigley-Asante, 2011 and Makombe, 2006).

It is from against this background that this study aimed to assess the contribution of microfinance institutions on reducing poverty among women.

1.2 Statement of the Problem

Difficulties in proving the contribution as well as lack of consensus about the general contribution of microfinance and the somehow problematic and relatively new area of microfinance in Tanzania (Marr and Tubaro, 2011), this situation makes interests for study in assessing the contribution of microfinance on women in rural Tanzania and to assess how the members perceive it. Furthermore, for a strategy to be viable, it should have a positive contribution on what it is up to do. Consequently, viability of MFIs can be measured in terms of its actual contribution on the intended beneficiaries, who are assumed to be ‘poor’.

Microfinance institutions could be a powerful strategy or instrument, among several others, for alleviating poverty among women in general and rural poverty in particular in developing countries (Nwigwe *et al*; 2012). Rather than improve the conditions of the poor, most of the microfinance programs operated in these countries have left the so-called beneficiaries in debts (Nwigwe *et al*; 2012). In a similar vein, most organizations involved in providing microfinance services, including government institutions, cooperatives and Non-governmental organizations (NGOs) have in most cases performed very poorly (Roodman and Morduch, 2009).

High rates of non-repayment of loans by clients have on several occasions led to the collapse of microfinance institutions. Despite this, microfinance has continued to gain popularity among rural developers as a viable tool for improving rural agricultural practices and the diversification of economic activities of small-holder farming households.

The problem of poverty among rural women in Nyamagana district is a big issue that needs to be explored. This study is important in order to investigate the activities of these rural women

living below the poverty line of 1 US\$ per day. The problem among these women in relation to poverty reduction is not yet known or understood in context of Tanzania. Therefore, this study aimed to assess the contribution of microfinance institutions on poverty reduction among rural women in Nyamagana district.

1.3 Objectives of the Study

1.3.1 Main Objective

The main objective of the study was to assess the contribution of microfinance institutions on poverty reduction among rural women in Nyamagana district.

1.3.2 Specific Objectives

Specifically, the study aimed;

- i. To examine the extent of women empowerment through MFIs in households level in Nyamagana district.
- ii. To assess the impact of MFIs on the member's socio – economic development.
- iii. To identify obstacles and challenges facing women in gaining empowerment through MFIs.
- iv. To assess perception of rural women on contribution of microfinance institutions towards poverty reduction.

1.4 Research Questions

- i. To what extent does MFIs have empowered women in households level in Nyamagana district?
- ii. What is the impact of MFIs to rural women socio-economic development?
- iii. What are the challenges facing women in gaining empowerment through MFIs?
- iv. What are the perceptions of rural women towards contribution of microfinance institutions' to poverty reduction?

1.5 Significance of the Study

The study has significance to knowledge contribution and policy makers for the best practice. For the case of knowledge contribution, the findings of the research therefore contribute to the existing knowledge on women empowerment especially with regard to contribution of financial institutions in empowering women for poverty alleviation. It also, would establish further the factors affecting the implementation and sustainability of IGAs in fostering women's empowerment so as to raise their socio-economic status. The study enabled micro-finance institutions to draw out strategic management information to better orient themselves to improved their financial performance and sustainability. Also, helped them to know whether their products and services are having positive impact on rural women poverty reduction.

With respect to policy implications, the policy implications, the findings can assist development planners, policy makers and practitioners in relevant Ministries, NGOs and other bodies interested in promoting gender issues and poverty alleviation at household level. On top to that the findings of the study might contribute in designing new or re-designing the existing national strategies for poverty alleviation in Tanzania.

The study also serve as source of information to students, academician and researchers on similar or related topic as basis for literature review. Finally, as far as the issue of best practice is concerned, the findings of the study would provide suggestions on what to be done at the level of organisation and society in order to decrease if not to wipe away the problem of poverty among women.

1.6 Scope and Delimitation of the Study

This study concerned with the assessment on the contribution of Micro-finance institutions on poverty reduction among women in Nyamagana District, Tanzania. It was conducted in selected villages in Nyamagana district. Only the clients' women, government leaders and loan officials were the respondents.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter deals with the definitions of key terms, theoretical perspectives, and empirical review of literature and then summarizes conceptual framework that guided the study. At the end of this chapter knowledge gap is given the signifying needs of the study in the context of Tanzania environment.

2.1 Definition of Key Terms and Concepts

This section provides definitions of the terms of the study. The key terms provided below includes; microfinance, microfinance and microcredit, poverty, and poverty alleviation. After definitions of the key terms this section provides theories, perspectives, models and paradigms underlying this study.

2.1.1 Microfinance

Microfinance is the provision of Micro- financial services such as credit (loans), savings, micro-leasing, micro-insurance and payment transfers to economically active poor and low income households to enable them engage in income generating activities or expand or grow their small businesses. Microfinance has evolved as an economic development approach intended to benefit the low income part of a given society (both women and men) (Moser, 993).

According to the World Bank definition, the term refers to ‘provision of financial services’ (including saving and credit) to ‘the poor’ Littlefield *et al.*, (2003) state “microfinance is a critical contextual factor with strong impact on the achievements of Millennium Development Goals (MDGs).

2.1.2 Characteristics of Microfinance

Microfinance gives access to financial and non-financial services to low-income people, who wish to access money for starting or developing an income generation activity. The individual loans and savings of the poor clients are small. Microfinance came into being from the appreciation that micro-entrepreneurs and some poorer clients can be 'bankable', that is, they can repay, both the principal and interest, on time and also make savings, provided financial services are tailored to suit their needs. Microfinance as a discipline has created financial products and services that together have enabled low-income people to become clients of a banking intermediary. The characteristics of microfinance products include:

- Little amounts of loans and savings.
- Short- terms loan (usually up to the term of one year).
- Payment schedules attribute frequent installments (or frequent deposits).
- Installments made up from both principal and interest, which amortized in course of time.

The use of tapered interest rates (decreasing interest rates over several loan cycles) as an incentive to repay on time. Large size loans are less costly to the MFI, so some lenders provide large size loans on relatively lower rates. No collateral is required contrary to formal banking practices. Instead of collateral, microfinance intermediaries use alternative methods, like, the assessments of clients' repayment potential by running cash flow analyses, which is based on the stream of cash flows, generated by the activities for which loans are taken.

2.1.3 Microfinance and Microcredit

In literature, the terms microcredit and microfinance are often used interchangeably, but it is important to highlight the difference between them because both terms are often confused. Sinha

(1998:2) states “microcredit refers to small loans, whereas microfinance is appropriate where NGOs and MFIs supplement the loans with other financial services (savings, insurance, etc)”. Therefore, microcredit is a component of microfinance in that it involves providing credit to the poor, but microfinance also involves additional non-credit financial services such as savings, and payment services (Okiocredit, 2005).

2.1.4 Poverty

WHO (1995) defines the term poverty equivalent to a “chronic cancer” which prevail both body and mind of individuals and nations with devastating consequence. According to Britannica.com (2012), poverty is the state of one who lacks a certain amount of material possession or money. According to the World Bank (2011), the term is used to denote individual with terms of pronounced deprivation in well-being, and comprises many dimensions as measured based on financial status and purchasing power. Based on the latter definition of poverty by the World Bank (2011) poverty includes low incomes and the inability to acquire the basic goods and services necessary for survival with dignity.

The latter report further points out that poverty encompasses low levels of health and education; poor access to clean water and sanitation; inadequate physical security; lack of voice; and insufficient capacity and opportunity to better one’s life. Furthermore, Encarta (2008) categorizes poverty into absolute poverty and relative poverty. Absolute poverty refers to being unable to afford basic human needs which include food, clothing, shelter, clean and fresh water, nutrition and health care. On the other hand, relative poverty refers to lacking a usual or socially acceptable level of resources or income as compared with other persons within the society. However, several definitions of poverty have been suggested (WHO, 1995; www.britannica.com; World Bank, 2011; Encarta, 2008, to comply wide dimensions from spiritual poverty, income poverty, as related to attaining/possession of basic needs as reviewed by Encarta (2008).

2.1.5 Poverty alleviation

Poverty alleviation refers to lifting the poor out of poverty (Barder, 2009). It has to do with someone detachment from poverty and its environment. It is a situation when someone is free from poverty attachments. He/she is no longer experiencing poverty in his/her life.

According to Soludu (2005) “robust economic growth cannot be achieved without putting in place well focused programmes to reduce poverty through empowering the people by increasing their access to factors of production, especially credit. The latent capacity of the poor for entrepreneurship would be significantly enhanced through the provision of microfinance services to enable them engage in economic activities and be more self-reliant; increase employment opportunities, enhance household income and create wealth”

Microfinance is all about providing financial services to the poor who are traditionally not served by the conventional financial institutions. Three features distinguish microfinance from other formal financial products (Chanker, 1998; Nwobi, 2010; and Anyanwu, 2004).

2.1.6 Microfinance and Poverty Alleviation

In the year 2000, the United Nations drew up a list of Millennium Goals which aim to spur globalization and development and eradicate extreme poverty. According to the World Bank’s (1980) definition of poverty, “A condition of life so characterized by malnutrition, illiteracy, and disease as to be beneath any reasonable definition of human decency”. Extreme poverty is defined as those living on less than \$1 a day (Simanowitz and Walter, 2002:15). The UN Resolution adapted by the General Assembly states , “We will spare no effort to free our fellow men, women, and children from the abject and dehumanizing conditions of extreme poverty, to which more than a billion of them are currently subjected” The seven Millennium Goals are as follows:

- Eradicate extreme poverty and hunger
- Achieve universal primary education

- Promote gender equality and empower women
- Reduce child mortality
- Improve maternal health,
- Combat HIV/AIDS, malaria, and other diseases, and
- Ensure environmental sustainability.

Murdoch and Barbara Haley, leading experts in the study of microfinance and its effect on poverty alleviation, were authorized to determine the impact that microfinance has on the realization of the seven Millennium Goals.

2.2 Theories Underlying the Role of MFIs on Women Poverty Reduction

This section discusses various theories, approaches, paradigms, and models underlying the objectives of this study. A number of theories have been reviewed critically with the aim of laying the theoretical frame work of this study. These theories include; the social capacity theory, the theory of exploitative child labour, the theory of worst forms of child labour and the theory of household decision-making.

2.2.1 Social Exchange Theory

According to the social exchange theory the exchange process is dynamic and interactive processes. Interact in business brings out high economic performance due to access of resources like finance from providers. The actors within the interaction process in as far as they perceive the exchange relations as an attractive alternative. For the case of this study MFIs provide financial services to the clients in an attractive environment which result to high economic impact especially on reduction of poverty level from the poor communities in the societies in Tanzania.

Basic Concepts of Social Exchange Theory

The basic concept addressed in social exchange cost benefit, outcome, comparison level, satisfaction, and dependence. Benefits include things such as material or financial gains, social

status and emotional comforts (Shreiner, 2001). Costs generally consist of sacrifices of time, money, or lost opportunities (Shreiner, 2001). Outcome is defined to be difference between the benefits and the cost: **OUTCOME = BENEFITS - COSTS**

Individual have different expectations of relationships, an individual's satisfactions with a relationship depends on more than just the outcome. For any two people with the same outcome, their level of satisfaction may differ based on their expectations. One person may not expect very large outcomes, and therefore would be more easily satisfied in relationship than someone who expects more (Shreiner, 2001). This notion of satisfaction is as the difference between the outcome and the comparison level: **SATISFACTION = OUTCOME - COMPARISON LEVEL**

Satisfaction is not enough to determine whether a person stays within a relationship or leaves for an alternative. That is to say, there are people who stay in unhappy relationships as well as those who leave happy relationships. What determines whether an individual stays in a relationship or leaves is the set of alternate relations available. If there are many alternatives available to an individual, then that individual is less dependent on the relationship (Shreiner, 2001). This notion of dependence is formalized as the difference between the outcome and the "comparison level alternatives". **DEPENDENCE = OUTCOME - COMPARISON LEVEL OF ALTERNATIVES**

Set of potential alternative can be governed both by extrinsic and intrinsic factors. An example of an extrinsic factor would be that the person is from a sparsely populated town, and an example of an intrinsic factor affect the set of people available of an individual for forming an alternate relationship, and thus affect the level of dependence of the individual on his or her current relationship (Shreiner, 2001).

When dicing whether to leave the relationship, an individual considers the alternatives. There are other considerations, such as the barriers to leaving the relationship. Such barriers include things such as avoiding a fight, dealing with a shared financial account, etc. there are also considerations of the investments that an individual has made in the relationship (Shreiner, 2001). For instance, a couple that has spent many years together has invested a lot of time into a

relationship, and this must be weighed against the benefits gained from an alternative relationships. This scenario is also applicable to price clients because they have relationship with pride and it may be difficult to join other commercial banks for loan.

Applications of Social Exchange Theory

Currently, social exchange theory materializes in many different situations with the same idea of the exchange of resource. Humans once summarized the theory by stating: Social behaviour is an exchange of goods, material goods but also non-material ones, such as the symbols of approval or prestige. Person that give much to others try to get much to them. This process of influence tends to work out at equilibrium to a balance in the exchanges. For a person in an exchange, what he gives may be a cost to him just as what he gets may be a reward, and his behaviour changes less as the difference of the two, profit, tends to a maximum.

2.2.2 Network Model

Brown *et al.*, (1990) studied the role of inter-organization relationship in entrepreneurial success using what they labelled as “network model” of entrepreneurial firm. The model is derived from social exchange theory. The assumption is that social networks are expected to be strong after exchange of resource. For this sense it means that there is a strong relation between MFIs Tanzania and the clients served in the market as consumers of microfinance services. The measurement to understand its effectiveness and efficiency is through conducting a study for impact assessment. This study aims to carry out this function.

2.2.3 Feminist Empowerment Paradigm

The feminist empowerment paradigm did not originate as a Northern imposition, but is firmly rooted in the development of some of the earliest micro-finance programmes in the South, including SEWA in India. It currently underlies the gender policies of many NGOs and the perspectives of some of the consultants and researchers looking at gender impact of micro-finance programmes (Chen 1996, Johnson, 1997).

Here the underlying concerns are gender equality and women's human rights. Women's empowerment is seen as an integral and inseparable part of a wider process of social transformation. The main target group is poor women and women capable of providing alternative female role models for change. Increasing attention has also been paid to men's role in challenging gender inequality (Mayoux, 1998).

Micro-finance is promoted as an entry point in the context of a wider strategy for women's economic and socio-political empowerment which focuses on gender awareness and feminist organization. As developed by Chen (Chen,1996) in her proposals for a sub sector approach to micro credit, based partly on SEWA's strategy and promoted by UNIFEM, microfinance must be: Part of a sectoral strategy for change which identifies opportunities, constraints and bottlenecks within industries which if addressed can raise returns and prospects for large numbers of women. Possible strategies include linking women to existing services and infrastructure, developing new technology such as labour-saving food processing, building information networks, shifting to new markets, policy level changes to overcome legislative barriers and unionization. Based on participatory principles to build up incremental knowledge of industries and enable women to develop their strategies for change (Chen, 1996).

Economic empowerment is however defined in more than individualist terms to include issues such as property rights, changes intra-household relations and transformation of the macro-economic context. Many organisations go further than interventions at the industry level to include gender-specific strategies for social and political empowerment. Some programmes have developed very effective means for integrating gender awareness into programmes and for organizing women and men to challenge and change gender discrimination. Some also have legal rights support for women and engage in gender advocacy. These interventions to increase social and political empowerment are seen as essential prerequisites for economic empowerment.

2.2.4 Poverty Reduction Paradigm

The poverty alleviation paradigm underlies many NGO integrated poverty-targeted community development programmes. Poverty alleviation here is defined in broader terms than market

incomes to encompass increasing capacities and choices and decreasing the vulnerability of poor people. The main focus of programmes as a whole is on developing sustainable livelihoods, community development and social service provision like literacy, healthcare and infrastructure development. There is not only a concern with reaching the poor, but also the poorest (Kabeer, 2001).

Policy debates have focused particularly on the importance of small savings and loan provision for consumption as well as production, group formation and the possible justification for some level of subsidy for programmes working with particular client groups or in particular contexts. Some programmes have developed effective methodologies for poverty targeting and/or operating in remote areas. Such strategies have recently become a focus of interest from some donors and also the Microcredit Summit Campaign (Kabeer, 2001).

Gender lobbies have argued for women because of higher levels of female poverty and women's responsibility for household well-being. However although gender inequality is recognised as an issue, the focus is on assistance to households and there is a tendency to see gender issues as cultural and hence not subject to outside intervention (Ackerley, 1995).

2.2.5 Financial Sustainability Paradigm

The financial self-sustainability paradigm (also referred to as the financial systems approach or sustainability approach) underlies the models of microfinance promoted since the mid-1990s by most donor agencies and the Best Practice guidelines promoted in publications by USAID, World Bank, UNDP and CGAP (Biswas, 2005).

The ultimate aim is large programmes which are profitable and fully self-supporting in competition with other private sector banking institutions and able to raise funds from international financial markets rather than relying on funds from development agencies. The main target group, despite claims to reach the poorest, is the 'bankable poor': small entrepreneurs and farmers. This emphasis on financial sustainability is seen as necessary to create institutions

which reach significant numbers of poor people in the context of declining aid budgets and opposition to welfare and redistribution in macro-economic policy (Fisher, *et al.*, 2002).

Policy discussions have focused particularly on setting of interest rates to cover costs, separation of micro-finance from other interventions to enable separate accounting and programme expansion to increase outreach and economies of scale, reduction of transaction costs and ways of using groups to decrease costs of delivery. Within this paradigm gender lobbies have been able to argue for targeting women on the grounds of high female repayment rates and the need to stimulate women's economic activity as a hitherto underutilized resource for economic growth. They have had some success in ensuring that considerations of female targeting are integrated into conditions of micro-finance delivery and programme evaluation (Biswas, 2005).

Alongside this focus on female targeting, the term 'empowerment' is frequently used in promotional literature. Definitions of empowerment are in individualist terms with the ultimate aim being the expansion of individual choice or capacity for Self-reliance. It is assumed that increasing women's access to micro-finance services will in itself lead to individual economic empowerment through enabling women's decisions about savings and credit use, enabling women to set up micro-enterprise, increasing incomes under their control. It is then assumed that this increased economic empowerment will lead to increased well-being of women and also to social and political empowerment (Biswas, 2005).

2.3 Empirical Review

This section reviews various researches done by the previous researchers concerning contribution of MFIs to poverty reduction among the people especially women in order to identify the knowledge gap to be filled. The findings shown in various studies are here categorized into those studies done in other developing countries against those conducted in Tanzania.

2.3.1 Studies Conducted outside Tanzania

Several empirical studies have been conducted to ascertain the impact of microfinance on poverty alleviation worldwide. However, no consensus has emerged on the impact of microfinance on poverty reduction. Some studies found that micro credit positively impacted poverty (Goldberg, 2005, and Khandor, 2003); while some others reported no positive effect (Mayoux 2001, Duong and Izumida, 2002, Hulme and Mosley 1996).

Study by Asemelash (2003) for Ethiopia showed that microfinance had positive impact on the poor. Specifically, the results showed that microfinance led to increased income for the poor. Besides, it helped to increase poor people access to better schools and medical facilities. In the same way, study by Alemu (2006) reported positive impact of microfinance on the poor in five different zones of the Amhara region. In particular, the results reported that microfinance helped the poor to smooth their income in the study area. All the same, the study reported cases of loan diversion. Some clients were found to have used their loans for unintended purposes.

The study by Rajendran and Raya (2010) for India showed that microfinance had positive impact on poverty reduction, women empowerment and environmental sustainability. Imai, *et al.*, (2010) reported similar findings as Rajendran and Raya's for India. Littlefield, *et al.*, (2003) found that micro finance allowed poor people to protect, diversify and increase their sources of income, the essential path out of poverty and hunger.

In the case of Nigeria, few recent studies conducted on the subject matter have shown that microfinance impacted positively on poverty. For example, study by Nwigwe, *et al.*, (2012) showed that microfinance as an effective instrument for lifting the poor above the level of poverty working through increased self employment opportunities and improved credit worthiness.

Similarly, Yahaya, *et al.*, (2011) for Kwara State, Nigeria found that microfinance played a significant role in poverty alleviation through provision of financial services to the active poor, creation of self employment opportunities and provision of small loans to small businesses. In the same way, study conducted by Ebimobowei, *et al.*, (2012) for Bayelsa State, Nigeria revealed

significant positive relationship between microfinance and poverty reduction. However, the study found that microfinance would require the existence of basic infrastructure such good roads, steady power supply, and good transport system to play a more effective role of poverty alleviation.

In contrast to the above, studies collected by Hulme and Mosley (1996) reported that households do not benefit from microfinance. According to them, it is only non poor borrowers (with income above poverty lines) that benefitted from microfinance. Indeed, it was reported that a vast majority of those with starting incomes below the poverty line actually ended up with less incremental income after getting microfinance loans, as compared to a control group which did not get such loans.

Some other studies that arrived at similar findings as Hulme and Mosley's include Majoux (2001) and Doung & Izumela (2002). The basic reason adduced for the limited success of micro finance is that most poor lack the basic education, experience, skills amongst others, to manage business activities (Karnani, 2007; Mahajan, 2005; and Pollin, 2007). Essentially, the general consensus from studies that reported little or no positive impact of micro credit on poverty is that former is a necessary but not sufficient condition for poverty reduction. It is contended that basic infrastructure coupled with capacity development of the poor in terms of skills, and education are required for making microfinance an effective tool of poverty alleviation.

A study of a randomized evaluation was a study from India by Banerjee *et al.* (2010) whom are arguing that neither successful stories nor stories about borrowers who get deeply indebted say anything about the general effects of microfinance. They argue that because microfinance clients cannot be compared to non-clients, since they choose themselves to become clients and to take a loan, the causal effects of microfinance cannot be identified and "it is likely that those who choose join MFIs would be on different trajectories even absent microfinance" (Banerjee *et al.*; 2010:1).

By using randomization and introducing microcredit in one area in India and leaving another area without, they argue that the two different areas only differ in the access to microfinance and

can be compared. Their findings show a significant impact on the number of new businesses started as well as on the consumption of durables among the people that already had a business when the study started, but not in average consumption or social outcomes such as women empowerment, education and health. However, they argue that effects on these things might come later. The authors conclude that the impacts of microcredit is heterogeneous and not suitable for all the households, saying for example that people borrowing money for the daily consumption can end up increasing their welfare as well as the opposite if they borrow in an unsustainable way. Furthermore the authors conclude that “Microcredit therefore may not be the ‘miracle’ that is sometimes claimed on its behalf, but it does allow households to borrow, invest, and create and expand businesses” (Banerjee *et al*; 2009:31).

Roodman and Morduch (2009) criticize some of the most cited studies about microfinance based on data from the 1990s in Bangladesh. One of them is *Microfinance and poverty: Evidence using panel data from Bangladesh* which is using data from two different household surveys conducted in Bangladesh during the 1990s. This study found that microfinance has positive impacts both for the participants and on the whole local village concluding that:

Not only does the increase in consumption resulting from borrowing raise the probability that program participants will escape poverty but the microfinance intervention also benefits nonparticipants through growth in local income. [...]

Microfinance has a slightly higher impact on extreme poverty than on moderate poverty for everybody (Khandker, 2005:285). But, the methodology and data in Khandker’s study, as well as in two other studies, are argued by Roodman & Morduch (2009:40) to be weak and they mean that lack of statistical proof is poor in the literature of microfinance at large, with some exceptions mentioned within the recently growing area of research using randomization. The authors state that “As a result, strikingly, 30 years into the microfinance movement we have little solid evidence that it improves the lives of clients in measurable ways” (Roodman & Morduch, 2009:4).

The book *Portfolios of the Poor: How the World's Poor Live on \$2 a Day* is based on financial diaries from households in South Africa, India and Bangladesh in order to really see how poor people live their lives and manage their small income to understand how and which financial services are important for them. The authors state that the widespread idea that most microloans are being used for business and microenterprises is not true, instead they found that microfinance services are mostly used to smooth consumption and manage risk. “The poor households in the study seek loans for a multitude of uses besides business investment: to cope with emergencies, acquire household assets, pay schooling and health fees, and, in general, to better manage complicated lives” (Collins, *et al.*, 2009:25). Further the authors argue that for poverty reduction more things are needed apart from just financial services, such as jobs, infrastructure and safety nets, but financial services are important for poor people and can help them to improve their lives (Collins, *et al.*, 2009).

Holmqvist (2010) argues in her thesis based on interviews with microfinance clients in Peru that for borrowers to be able to increase their income, education is the most important factor. She concludes that “while access to credit is fundamentally important for economic development in Peru, it is seldom sufficient to create sustainable change without support and education from the bank or NGO” (Holmqvist, 2010:2).

2.3.2 Studies done within Tanzania

Moving from the global arena about the overall impacts of microfinance to the situation in Tanzania, what have earlier studies and assessments about microfinance and its impacts in Tanzania found? To my knowledge, the studies about semi-formal and informal microfinance in Tanzania are not numerous. But some studies have been found which argue that microfinance doesn't reach out to the poorest of the poor and that it can help the rural poor in some ways but does not lift people out of poverty. One study assessing how well the MFIs work in Tanzania regarding its contributions to poverty reduction, as well as a study from Ethiopia, found that microfinance reach the relatively poor but is less successful in reaching the poorest, the marginalized and vulnerable poor (Josefsson & Åberg, 2004; Andersson & Wikstrand, 2009). Furthermore Josefsson & Åberg (2004:28) conclude microfinance to be a good instrument for

poverty reduction even though they don't reach the poorest which are in most need and Andersson & Wikstrand (2009:34) present that the clients believe that their economic situation has improved after receiving a loan.

Another study focusing on the VICOBA model and its contribution to poverty reduction found that VICOBA does not take the members out of poverty but it can “act as a buffer to protect rural poor not to fall under the established poverty line” (Begasha, 2011). The author concludes that the VICOBA model does not result in all the members leaving poverty, but by letting members save and take loans on a regular basis it protects them against deeper poverty and it helps to smooth consumption. Furthermore, the author also states that VICOBA has a positive impact on the members' social situation and that this might be important in providing an increased “sense of security” (Begasha, 2011:46).

In another impact assessment of VICOBA in Tanzania Kihongo (2005) argues that the VICOBA model is an important tool towards poverty reduction since the study found positive impacts for the members in several ways, for example in increase of income and capital, capacity building and women empowerment. But the author also points out, in spite of positive impacts, the fact that VICOBA is informal and therefore not registered or part of a legal framework, arguing that due to this “VICOBA project is not a viable microfinance scheme and is limited to operate big volume of money and hence not sustainable” (Kihongo, 2005:76).

Hindering factors for Women's Empowerment in Tanzania

There are a number of challenges directly linked to women's empowerment through micro-credit lending in Tanzania. To give an example of structural inequalities that treat women unfairly, the scholar Rweyemamu is discussing the customary law which was codified in Tanzania 1963 named; “Customary Law Declaration Order of 1963”. The customary law has impacts for gender relations in Tanzania which work in a way that exclude women from owning property such as land and other assets (Rweyemamu, 2003:50) Many Tanzanian women are as a result of this inhibited in accessing conventional banking loans and even to some extent micro-credit loans because of the requirement of collaterals that is needed in order to secure the loan taken by the woman is owned by the husbands. Other scholars go on to discuss another issue that works as

impediments for women engaged in Micro-Finance activities. This includes low levels of education that lead women to engage in unskilled labour activities and limited access to markets and business information (Makombe, *et al*; 1999:10).

Linked to gender inequality and the cultural context that Tanzania inhibits, is the notion of whether women's empowerment through micro-credit lending is a process that has the ability to affect structural inequalities in a whole society.

Encouraging Factors for Women's Empowerment

In a master thesis on the impact of Micro-Finance in women's lives in Temeke district in Dar es Salaam, Tanzania; the author points to findings that show that a majority of the women interviewed in the case study felt that by taking Micro-Credit loans through the Foundation for International Community Assistance (FINCA) Tanzania, they experienced a positive change in their lives in the house-hold level through an increased level of participation and exchanging of ideas among the group-members as well as taking greater part in the social life in their communities (Terry, 2006:71). Mayoux is referring to these types of interlinked changes as "virtuous spirals" meaning that positive changes concerning women's empowerment can have the potential for being mutually reinforcing. The example given is that access to micro-credit loans could lead to positive changes for women in other spheres such as increased well-being and increased decision-making within the house-hold (Mayoux, 2002).

Previous research that discusses the process of how women's empowerment has wider implications can be traced to the fact that women spend more money on the household and family-members than men do and therefore cases of success in taking micro-credit loans will have bigger impact than just concern only the woman (Baden and Milward, 1995, as cited in Cheston and Kuhn, 2001: 8).

Within micro-credit lending activities in Tanzania, women constitute the majority of the borrowers. This can be a result of higher repayment rates among women than men (Makombe *et. al*; 1999:10). However, group-lending systems, which are a frequent phenomenon among women borrowers of micro-credit with joint collateral, can cause potential problems if some of the

women are not able to repay the loan and therefore cause frictions among the group (Terry, 2006:45). This was a result I expected to see potential problems that some women that were not able to pay back the loan when moving out in the field and interviewing the women. The fact that the female members in one micro-lending group come from various backgrounds with different assets together with different cultural backgrounds, could affect the potential for their empowerment since the preconditions are different.

2.3.3 Knowledge Gap

Actually, the various MFIs and their contribution to poverty reduction among the people discussed in the literature review have been uncovered in the studies done elsewhere. However, the setting proposed for the current study is quite different in many aspects compared to where the various theories were propounded as well as where the past studies were actualized. The differences revolve in cultural diversities, disparity in the level of education and skills of women doing businesses, variation in level of development of the countries, discrepancy in the business supports available, just to mention a few. Due to that, there are expectations of uncovering more contribution of MFIs to poverty reduction among rural women which is a peculiar in the study setting that have something to do with restricting the role of these financial institutions to poverty reduction among rural women.. It is on that ground, this study is found important to be actualized within Nyamagana district.

2.4 Conceptual Framework

Since independence, the major problem that has been facing the country of Tanzania is poverty. A big percentage of the population, almost over a half, is living below the poverty (extreme poverty) (Kessy, 2009). This problem of poverty contributes to the highest extent the poor health of the people, illiteracy, low income, poor housing and lack of social services, poor infrastructure, high maternal and infant mortality and low productivity (Kessy, 2009).

The introduction of MFIs to the poor population of women has shown positive effects in improving their living standard (way of life). Many people in Tanzania live at the grass root level especially in rural areas where financial services from the banks and other financial institutions

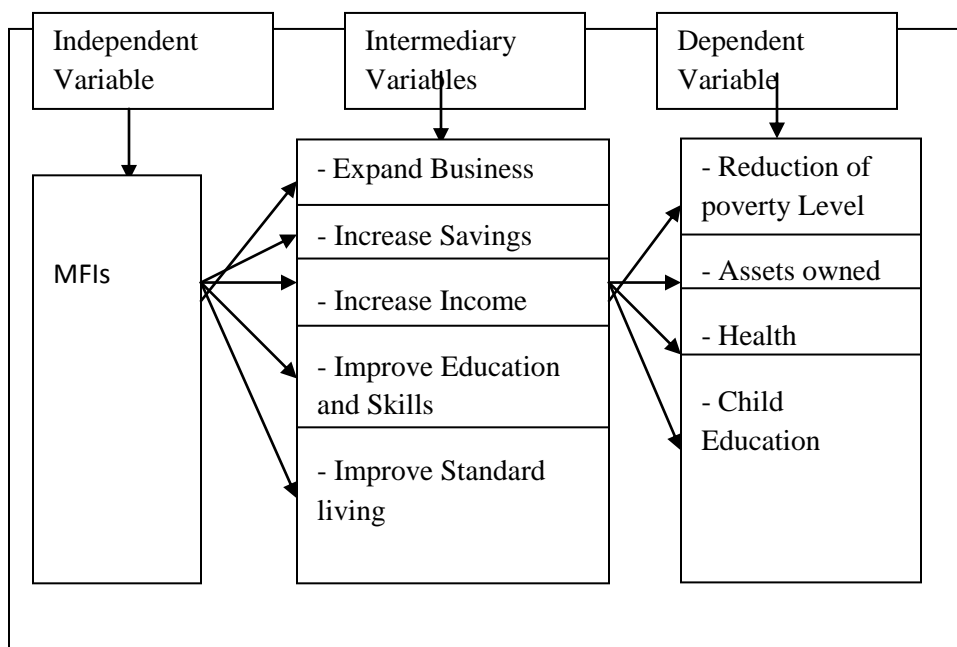
are not available. The services provided by MFI help the poor people to obtain financial services especially loans which might help them to run different income activities hence improve their business performance and income status (income) (URT, 2000).

When the poor population of women access financial services they will be able to pay for health bills, education expenses, house expenses and also to increase the capital of their business which will lead to having a better which life which will contribute to the reduction of poverty at poverty at household level and country level in general (Lugalla, 1997). Access to loan for the poor population will allow them to invent in new income generating activities, to increase the capital of their businesses and increase the production. This will lead to the increase in their income, improvement of their economic status and their income generating activities will be sustainable (Dugger, 2007).

The access to savings will allow the poor population to be able to pay for the school fees when the time comes, have the ability to pay for the medical bills, or store their money in a safe place and can be able to handle emergencies due to availability of saved money. When this situation is achieved, the poor population of women will have improved literacy, reduced mortality, they will spend their money wisely and their life hardships will be reduced (URT, 2000).

Figure 2.1 summarizes the variables that are used to assess empowerment of rural women and poverty reduction through the role of microfinance institutions like VICOBA. The variables are as follows;

Figure 1: Conceptual Framework of the Study



Source: Author (2015)

Dependent variables: this is the reduction of poverty, improvement of the standard of living, increase of assets, improvement of health and children education.

Intermediate variables: these include expansion of business, increase of savings, increasing of income and improvement of living standard.

Independent Variable is; role of microfinance institutions

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter provides a description of the research methodology employed in the study and has the following sections: the research design, research approach, location of the study and population, sampling techniques, sample size, validity and reliability of the research, research ethics, research instruments, procedures for data analysis and chapter summary.

3.1 Research Design

Research design provides a framework for the collection and analysis of data. According to Kombo and Tromp (2006), a research design holds together all the elements used to structure the research. In this study, the descriptive survey design was employed. A descriptive research is a method of collecting information by interviewing or administering a questionnaire to a sample of individuals (Orodho, 2003). The major purpose of descriptive research is to obtain information concerning the current status of the phenomenon with respect to variables or conditions. Descriptive method is a way of collecting information on people's attitudes, opinions and habits on social issues (Orodho & Kombo, 2002). This research made use of a descriptive study of MFIs in Nyamagana district with regard to women poverty alleviation. This was done through collection and analysis of information from clients' women, government leaders, and MFIs officials in the study area.

3.2 Research Approach

A methodology which comprised both qualitative and quantitative approaches was used in this study. In this study, mainly a qualitative research approach was adopted and a little bit

quantitative approach for the purpose of quantifying specific phenomena. The qualitative approach was selected to enable the researcher investigate contribution of microfinance institutions on poverty reduction among rural women in Nyamagana district.

The purpose of using both approaches is to be able to examine further into the dataset to understand its meaning and to use one method to verify findings from other method (Creswell & Plano Clark, 2007; Morse, 1991; Onwuegbuzie & Leech, 2005). Furthermore, is to bring together the differing strengths and non-overlapping weaknesses of quantitative methods with those of qualitative methods (Creswell & Plano Clark, 2007; Johnson & Onwuegbuzie, 2004; Kelle, 2006; Sechrest & Sidani, 1995). Greene, Caracelli, & Graham (1989) outlined the usefulness of using both methods: (a) triangulation (i.e. seeking convergence and corroboration of results from different methods studying the same phenomenon); (b) complementarity (i.e. seeking elaboration, enhancement, illustration and clarification of the results from one method with results from the other method); (c) development (i.e. using the results from one method to help inform the other method); (d) initiation (i.e. discovering paradoxes and contradictions that lead to a re-framing of the research question); and (e) expansion (i.e. seeking to expand the breadth and range of inquiry by using different methods for different inquiry components).

This study mainly employed qualitative research approach because it allows the researcher to get in-depth data from respondents through their personal knowledge, experience and opinions (Best and Khan, 1992; Firestone, 1987). According to Cohen, Manion and Morrison (2000), qualitative studies are highly exhaustive and reliable because they make a deep exploration of respondents to obtain purposive information. In this way, the researcher was able to collect information from respondents in an interactive manner.

Although a real-life situation was examined by the selection of villages and households for analysis, quantitative methods would have to be used alongside descriptive and explanatory analyses, where appropriate. To some extent, quantitative elements like percentages, ratios and graphs were used to give more meaning to data analysis and interpretation. From the discussions above, it can be deduced that this study seeks to explore two contemporary phenomena of poverty and microfinance, and their relationship within the context of rural settings. The research

deals with issues like norms, values, perceptions of the poor and non-poor with regards to poverty and microfinance, and interactions between individuals and groups; factors which the researcher has little or no control over. A relevant issue that must be highlighted here is that this research is a people-centered one because it commences from the rural household, the people directly affected. The people are made to identify their problems and explain ways in which microfinance as a poverty reduction instrument can be made effective and sustainable.

3.4 Location of the Study

Kombo and Tromp (2006) observe that selection of the research area is important and it influences the usefulness of information produced. For this matter, a well planned study should provide a justifiable choice of the area of the study. The area should be relevant to the research questions and objectives. Accordingly, this study conducted in Nyamagana district. Nyamagana is one of the districts in Mwanza region. According to the 2012 National Census, Nyamagana district has a population of approximately 363,452 people consisting of mainly one ethnic group: the Sukuma. The researcher chose this area because of its rural nature and also because no research with regard to learning was done there before.

Complementary to the field study in Nyamagana in this study was based on secondary data, and this takes form of a qualitative literature review. Prior to the field study relevant information and articles about Tanzania and microfinance was read as an introduction to the study area, to provide a contextual insight, find a suitable topic and for preparation of research questions as well as interview questions. Meanwhile, and after the field study the literature review continued focusing on articles, studies and earlier research to gather further knowledge about the research area and to form a theoretical framework to guide the current study in the analysis. All of the women group members in this study were selected in five villages. Each village was selected from five wards found in the district. The five wards were selected purposively in the study area.

3.5 Population of the Study

According to Kombo and Tromp (2006), population refers to a group of individuals, objects or items from which samples are taken for analysis. Mugenda and Mugenda (1999) define

population as a set of individuals, cases or objects with some common observable characteristics. The population of this study was comprised of three population group categories; the first category is women clients (key informants), from about five villages. These villages were A (in Bugariga ward), B (Igogo ward), C (Mahina ward), D (Kishiri ward), and E (Igoma ward). The second category was government officials who included; economy officials and social welfare officials and the last category was MFIs officials. In all categories respondents were purposively selected.

The study focused on the random selection of five households per village, all within the Nyamagana district and also has more of their clients in the rural areas. Since all the women clients of MFIs could not be surveyed, sample of 50% was used due to the limitations (financial, time and other logics constraints) of this study. The researcher went with loan officers who go to the field for repayment and disbursement from these clients.

3.6 Sampling Procedure and Sample Size

In selection of sample size for the study both probability and non-probability design were used. Simple random and purposive sampling techniques were employed respectively which entails deliberate criteria on the bases of specific qualities of sample selection. A total of sixty (60) respondents were obtained. Ten households were selected from each respective village making 50 women respondents. A MFIs loan official and government officials were selected purposively from each branch in every village.

The sample size was comprised of fifty (50) women clients in a household randomly selected through snow ball sampling technique from working areas and those who were revealed themselves that they have got loans from different MFIs are working in different branches. This sample size taken as the key informants was from five villages of A, B, C, D, and E. The selection of this group was done purposively from women involved in loans to ensure detailed information based on nature of the problem and to capture magnitude of the study. The selection of the respondents was guided by the following attributes: occupation, education, age, household size and distance from the financial institutions. The second group is comprised of five (5) local

government officials/leaders in which one (1) government official purposively was selected in each of the five villages. The purpose of selecting this group is to get evidence of women clients who are involved in receiving loans. The last selected group was comprised of five (5) MFIs loan officials in which one (1) was selected purposively from each MFI branch. These officials were selected because are the ones dealing with the issues of loans of people including clients women involved in receiving loans.

Table 1: Sample Size

Category of Respondents	No of Respondents
Clients women	50
Government officials	5
MFI Loan officials	5
Total	60

Source: Author (2014)

3.7 Data Collection Methods

Different methods of data collection were employed to obtain primary and secondary data these included, interviews, questionnaires as well as documentary review. The study employed a combination of data sources, that is primary and secondary data sources. Primary data were collected using interviews and questionnaires while secondary data were collected from past records, library, internet search all together provided more inputs in this study.

3.8.1 Primary Data

In Primary data collection, original data were collected by the researcher from the respondents from the field, using interviews, direct observation and questionnaires to obtain information on the role of microfinance on poverty reduction among women.

Semi-structured Interviews

Interview is oral-verbal presentation for collecting oral-verbal responses (Kothari, 2001). Therefore, is an interpersonal purposive conversation between a researcher and respondent(s). This can be done through face-to-face, phones and/or video interviews. Semi-structured

interviews were deployed in the present study because it is focused and flexible enough to gather rich data.

Interviews for this study were conducted at different levels based on pre made appointments with respondents; the whole process was guided with interview checklist schedule, basing on semi - structured questions in their areas of work, and in streets. Interview hence is an appropriate tool since it can investigate motives and feelings, provide good response rate, characterize the responses it assessed tone of voice, facial expression, hesitation and others it is a complete and immediate, and possible in depth information, semi - structured structure questions with local government officials and MFIs loan officials.

The interviews also were guided by structured schedules with semi – structured questions administered by the researchers and research assistants. Respondents were interviewed separately to avoid external influence or consultation between them. Before conducting interviews, respondents were introduced to the objectives and expected benefits of the study undertaken so as to enable them to participate by listening, responding to questions and raising issues/questions about the discussion. Questions were asked in such a way that they gave rise to discussions. During interview sessions the researchers picked issues which were raised by the participants and interpret them. Individual interviews for client’s women, local government officials and MFIs loan officials were supplemented by direct observations. There were three types of interview schedules; that were; one for client’s women, second for local government officials and third for MFIs loan officials.

Direct Observation

The second method of data collection was field direct observations. Observation was used for complimenting questionnaires and interview methods. The researcher’s involvement in community activities where possible and touring of the research area was largely collected from interviews and by other means. Microfinance intervention projects were the target of such observations. Moreover, this method is chosen in order to obtain a further description of the contribution of MFIs on the poverty reduction among women in rural areas and described by the

participants during the interviews process. The strategies for field observations are those set forth by Patton (2002).

Questionnaires

A questionnaire is a carefully designed instrument (written, typed or printed) for collecting data direct from people. It consists of a set of questions and statements (Kothari, 2004). Questionnaires having relevant, structured and unstructured questionnaires were administered to client's women to generate data from them, fifty questionnaires were distributed and administered to client's women, since the study demands both quantitative and qualitative data. Within this context, questionnaires were used to collect both quantitative and qualitative data. The purpose of the questionnaire is first to cross-check the information obtained from other sources, and secondly to find out the relationship between services given by MFIs and the intervention measures on poverty reduction among rural women in Nyamagana district.

3.8.2 Secondary Data

Secondary data collection was then carried out by review of available documents which have the relevant information needed for this research topic, magazines, organizations, journals, report or information of the previous researchers and through the internet.

Documentary Review

When it comes to reviewing secondary data, there was a difficulty in finding the needed data that addresses women's poverty reduction through micro-credit lending in an urban setting is rather limited. The researcher therefore, read up on research that are connected to micro-loans and its connection to women's poverty reduction, but in another setting and context; such as micro-loans taken by women in predominantly an urban area. The researcher also, used research that has been done in other countries in Africa, as well as in south East Asia, where Grameen Bank is a distinguished institutional framework well known for its work with lending small loans to poor people in general and impoverished women in particular (Sarker, 2001).

Hence, the information that was received came from unpublished material from the bank as well as information about the structure given orally. The basic information about the structure of the Bank was collected through their web-site.

Various reports on contribution of financial institutions in empowering women for poverty alleviation such as dissertations, annual reports, Mwanza Regional Social Economic welfare office, Labour office division of Mwanza and other locations within and outside the city including the past researches on the role of MFIs in empowering women from libraries and other relevant sources such as the internet, data gathered from this method included the possible causes and suggested measures on poverty among women, the situation of women empowerment worldwide and Tanzania in particular.

3.9 Data Analysis

In the present study mainly qualitative data and very few quantitative data were collected. Descriptive statistics like frequencies and percentage calculations were applied to understand and interpret the respondent' views and opinions associated with the central theme of the study, while qualitative data which were collected through interviews and documentary reviews were subjected to content analysis for making valid inferences from the data. The data that were obtained through interviews and documentary reviews were coded, categorized into themes for the purpose of creating meaningful sentences for easy analysis. This enabled the researcher to make an extensive report and extract exact findings and suggest some practical recommendations. The researcher primarily analyzed quantitative collected data using statistical programs; Microsoft Excel[®] and SPSS[®]. Presentation of data is in pie charts, histograms, tables, means, etc.

3.10 Reliability and Validity of Data

3.10.1 Reliability of Data

Babbie (1995) describes reliability as a condition in which the same results achieved whenever the same technique is repeated to do the same study. The main measure the researcher used was

the pre-testing of the instruments this was done in one of the wards of the study, in which 10 respondents were involved, this became useful as irrelevant questions and statements were eliminated and unclear questions reworked to comply with the research objectives. The researcher also devoted the time to clearly conceptualizing all concepts, and in this the researcher was able to omit ambiguous information which interferes with other concepts in the interview guides and the check lists.

Lastly the researcher used the measure of incorporating any item in the check lists that require respondents to provide explanation to support the answers. This enabled the researcher to ensure reliability as well as improving the precision of answers.

3.10.2 Validity of the Data

The term validity refers to truthfulness and reliability of research instruments employed (Creswell, 2005). In this study, the validation of instruments was done by subject experts. The questionnaires and interviews guides were evaluated by experts in the field of economics, trade and commerce. The experts' comment and judgement related to content validity, item validity and sampling validity. Based on the experts' opinion, the items which were valid and suitable to the purpose were selected, a few items were eliminated and some modified. Finally, the researcher employed triangulation techniques to judge the validity of all the tools.

3.11 Ethical Considerations

In order to adhere to research ethics, the researcher obtained a letter of permission for data collection from the Director of Postgraduate Studies. The letter introduced her to the Regional Administrative Secretary (RAS). In turn, the researcher was given a letter by RAS which introduce her to the District Administrative Secretary (DAS). Another letter from DAS allowed the researcher to collect data from women (key respondents), government officials, and loan officials in Nyamagana district. During data collection the researcher ensured the respondents about confidentiality of the study and fair treatment of the respondents. The researcher could do this by explaining patiently to the respondents about the purpose of the study and the importance of their participation in the study.

For the client's women respondents, their names were withheld to ensure anonymity and confidentiality in terms of any future prospects. The client's women readily gave data which fully facilitate the research. On the other hand, the key informants readily gave their names and their contributions to the study were highly valued.

CHAPTER FOUR

DATA PRESENTATION, FINDINGS AND DISCUSSION

4.0 Introduction

This chapter presents the findings of the research on the contribution of microfinance institutions on poverty reduction among rural women. The chapter responds to the objectives and research questions indicated in chapter one. The findings show: the extent of women empowerment through MFIs in households in Nyamagana district, the impact of MFIs on the member's socio – economic development, the obstacles and challenges facing women in gaining empowerment through MFIs, and perception of rural women on the microfinance institutions' contribution to poverty reduction.

The respondent's categories and socio-demographic characteristics of the sample population are presented first followed by an analysis of qualitative data under sub-themes on the contribution of microfinance institutions in empowering women for poverty alleviation.

4.1 Respondent's Categories

Table 2; indicates the categories of respondents (n= 60) who were contacted during data collection in the field survey. Women 50 (84%), Government officials 5 (8%), Loan officials 5 (8%) constituted the sample.

Table 2: Categories of Respondents

Categories of respondents	Frequency	Percentage
Women	50	84%
Government officials	5	8%
Loan officials	5	8%
Total	60	100%

Source: Field Survey, 2015

4.2 Socio-Demographic Characteristics of Respondents

The background characteristics of respondents in this research are very vital in enabling one to understand the nature of respondents. The characteristics studied include sex, age, marital status, education level and occupation.

4.2.1 Sex of the Respondents

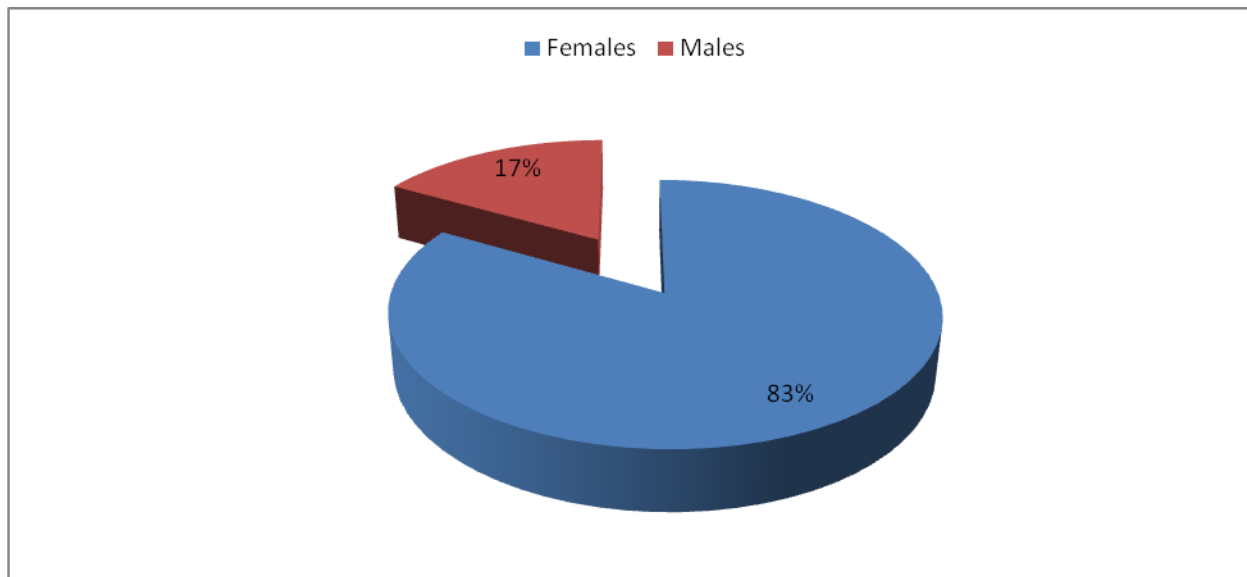
The sex distribution of the respondents of the study may be depicted in the table below:

Table 3: Sex Distribution of the Respondents

Sex	Frequency	Percentage
Females	50	83%
Males	10	17%
Total	60	100%

Source: Fieldwork Survey, 2015

Figure 4.1: Sex Distribution of the Respondents



Source: Fieldwork Survey, 2015

The findings (Table 4.2 and Figure 4.1) revealed that 50 (83%) were female respondents and against 10 (17%) female respondents were consulted. The study was female – oriented, that is why there was no gender balance during the fieldwork survey in order to have the relevant information from females. Few male respondents were either husband of the women respondents, government officials of MFIs loan officials.

4.2.2 The Distribution of Respondents by Age

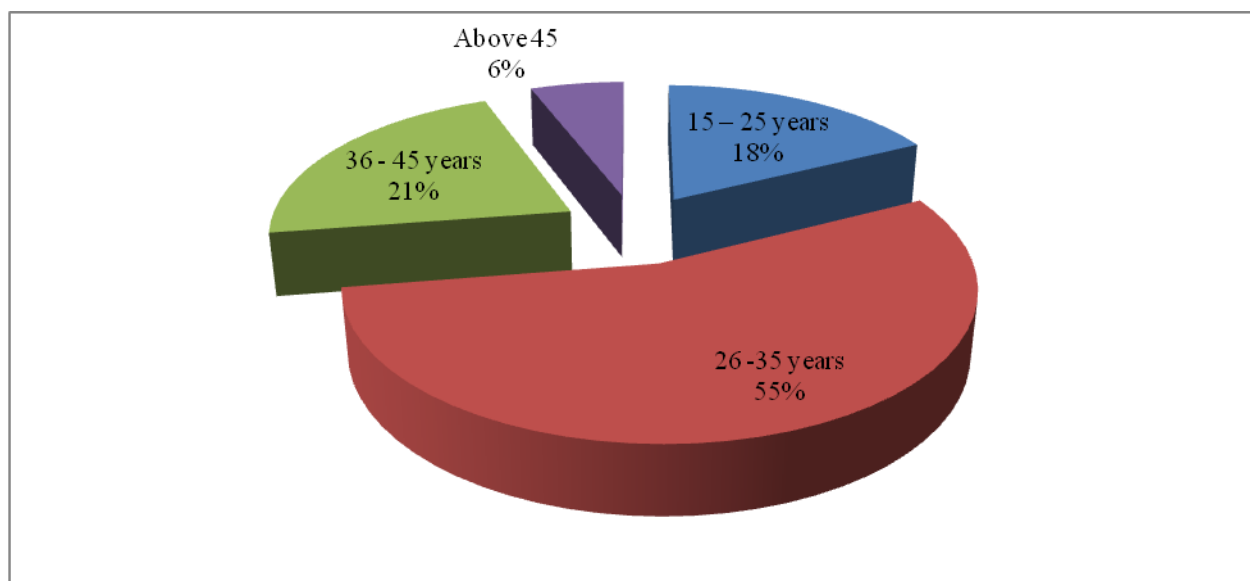
The table 4; presents the distribution of respondents by age. Different age groups tend to have different needs.

Table 4: Age Group of the Respondents

Age Group	Frequency	Percentage
15 – 25 years	9	18%
26 -35 years	28	56%
36 - 45 years	11	21%
Above 45	3	5%
Total	50	100

Source: Fieldwork Survey, 2015

Figure 2: Age Group of the Respondents



Source: Fieldwork Survey, 2015

Table 4; and Figure .2, show that majority of the women respondents aged between 26 and 35 years of the age group. Age at marriage of females was found as one of the best indicators of status of women and variable to influence fertility. Demographically, these are the age groups of bearing and rearing children, hence women - parents have got big responsibilities in caring their families through raising their income.

4.2.3 Level of Education of the Respondents

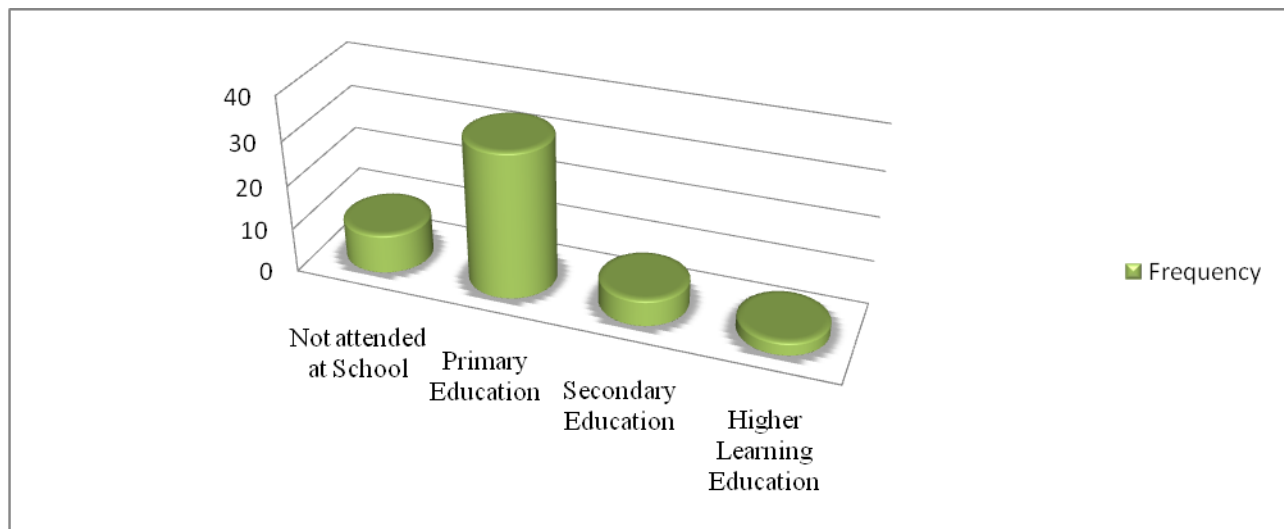
Out of the 50 respondents involved in this study, 9 (18%) had no formal education. Those who attained primary education were 33 (66%) of the respondents. secondary education were 6 (11%) and 3 (5%) of the respondents had attained higher education. This information is conveyed in summary form in Table 5; below.

Table 5: The Level of Education of the Respondents

Level of Education	Frequency	Percentage
Not attended at School	9	18%
Primary Education	33	66%
Secondary Education	6	11%
Higher Learning Education	3	5%
Total	50	100

Source: Fieldwork Survey, 2015

Figure 3: The Level of Education of the Respondents



Source: Fieldwork Survey, 2015

As seen in the Table 5; and Figure 3, most of the respondents (66%) had just received primary education. This is followed by that group of respondents (11%) who received secondary education. It should also be noted that, the sample of participants of this study composed of entrepreneurs who did not attend formal school.

4.2.4. Marital Status of the Respondents

Apart from that, respondents were also distributed by marital status. It was found out that 38 (76%) were married, 5 (10%) were divorced, 6 (12%) were widowed and 3 of them (6%) were single (not married). These results are presented in Table 6; below.

Table 6: Distribution of Women Respondents by Marital Status

Marital Status	Frequency	Percentage
Married	38	76%
Divorced	5	10%
Widowed	4	8%
Single	3	6%
Total	50	100

Source: Fieldwork Survey, 2015

Interestingly, it can be observed that, most of the respondents who also were engaged in business were married women indicating that, they did business also to support their families.

4.3 Objective One: The Extent of Women Empowerment through MFIs in Households

The current study sought to know the extent of women empowerment through MFIs in households. The results through questionnaires are clearly depicted in the Table 7;

Table 7: Women Empowerment through MFIs in Households

Response	Frequency	Percentage
Large extent	13	26%
Medium extent	27	54%
Small extent	7	14%
Don't know	3	6%
Total	50	100

Source: Fieldwork Survey, 2015

The study revealed that 13 (26%) of all respondents said that MFIs to large extent have empowered them, 27 (54%) of them said that MFIs to medium extent have empowered their lives, 7 (14%) of the respondents said that MFIs to small extent have empowered their lives, the rest of the consulted respondents said that they do not know.

The findings implied that client's women members of MFIs have changed their socio-economic development, e.g. in income increase and being able to pay school fees, and the majority also believes that it can lead to poverty reduction.

After going through the collected certain themes emerged that indicated both opportunities and limitations for the women's empowerment to take place.

4.3.1 Decision-Making within the Household

Changes in decision-making in the household are relevant to the personal and relational dimensions of empowerment that are formulated by Rowlands (1997). By examining what the women said about the changes in decision-making both concerning the business and within the household that had occurred and what kind of decisions that were taken by them after they joined

the lending group, it appears that from Kabeer's (2005) perspective where exercising agency on a personal level was an important aspect, for most women, the transformative agency did not take place to the same extent as the case of a greater effectiveness of agency.

Most of the women showed signs of active agency; they were taking decisions with a clear purpose to affect the well-being of the family. Felista, one woman who was staying at home before taking the micro-credit loan explained how her decision-making now has changed:

I can even decide to do things on my own for the family when solving small financial problems without depending on only the financial support from my husband. I didn't like the idea of begging, even for small things from my husband, but now I feel very happy because I can tackle my problems and sometimes family problems.

The micro-credit loan taken by Felista as a form of resource that has been claimed indicates an active agency and has in turn lead to greater effectiveness of her agency in the way that the scope of decision-making has increased in a way that she herself desires. She described a satisfaction over the fact that she could now contribute more financially. However it is not perhaps a transformative change but at least Felista herself was experiencing a change that had positive dimensions for her.

It was evident that in some cases, the decision-making within the household seemed to be about increase in determination over buying basic necessities for the family and the household; hence it seemed to be a form of greater effectiveness of agency for the woman in terms of improving basic needs.

The women who expressed that their household-decisions had increased in relation to their men after joining in the lending group and taking the loan, said that their increase of capital accumulated through their business helped them to increase their financial decision-making within the household; they also said that their negotiation power had increased. This was exemplified by one of the women; Asaniath that explained:

My decision making has increased. This time decide as I can also buy things, therefore my decision making has increased and I can stand on my own for my opinion and tell him; let's do this or that.

Neema, one woman who used the loan to invest in her business as a food vendor said:

My decisions have increased because if I face a problem I can now handle it but before it was hard. Now I also have some money to provide with, before it was hard for my decisions [making] to grow as I had nothing to contribute with.

Discussing this in the light of Kabeer's (1999) formulation of empowerment where disempowerment is the first condition, the women who expressed increase in decision-making showed tendencies of earlier disempowerment that had moved towards empowerment that was related to the agency-factor that contained these elements. In this case, the micro-credit loan that Neema took was used to exercise her agency in a way that stimulated her sense of self-worth.

However, most of the women who were interviewed expressed that there were no major changes in decision-making within the household. They expressed that their share of household decisions was equal and had not changed since they joined MFIs. Alfreda explained her situation:

I can't implement my plans by myself. If there are issues that emerge I discuss it together with my husband. [...] because if you disagree it can lead to conflict in the house which is not a good thing so you have to wait until you reach a conclusion together of what you have discussed. [...] religion and marriage do not allow me to take control over my own money. To be honest, in my marriage I would like to be small [in relation] to my husband, I follow my husband because "dad" is the head of the family.

The ability of Alfreda to make strategic decisions for herself did not seem to be very strong, it seemed rather that she accepted the situation as it was without further questioning gender relations and reasons why increased income did not lead to an increase in decision-making. Her views on decision-making indicated that her husband was exercising 'power over' decisions that she seemed to comply with.

Another woman; Latifa, recognized that her decision-making was still subordinated in relation to her husband's. She explained:

My household decisions [making] have not increased or reduced; they are in between, because still I do business together with my husband, I am not completely independent. It's hard right now to decide what I want to do without confronting my husband because of the ideas we do share together up to now. If I could have the opportunity to decide on what I want to do, I would have kept my own savings and have power to decide whatever I want to do with my money.

The situation within the household that Latifa explained was an open reflection of the lack of right to decide over the income that she earned. The relational dimension that Rowland is formulating, where negotiation and the ability to influence decisions are crucial factors did not seem to take place in Latifa's household. Even though she expressed her subordinate position in making decisions according to her wishes and desires, she was one of the few women recognizing existing power-relations and reflecting on them, even though she didn't act upon them. In cases where the earnings made solely by the women were not controlled by the women to the same extent, most of the women didn't reflected on why this was the case. Hence, the transformative agency as Kabeer defines it where a challenge and questioning of pre-given roles are included did not seem to take place.

Concerning who were controlling the micro-credit loan, some women being interviewed did not reflect over the fact that in some cases their husbands took part of decision-making of what to do with the loan. For instance, in some cases there seemed to be an acceptance of the husband's participation on decision-making about the woman's business, even though the loan was officially taken by the woman.

Rebeka who was working as a tailor explained her view:

[...] if you don't involve your husband it can lead to problems later when you will not be able to pay back [...]

This doesn't necessarily have to be a negative phenomenon but it could point to a restraint in Rebeka's ability to make decisions on her own; a negative sense of agency where the concept of 'power over' could be asserted.

4.3.2 Household Responsibilities

Examining the duties taken on by the women within the household, it was noticed that many of the women had large responsibilities not only towards their own family but also towards extended family such as parents, siblings and the children of their siblings. In most cases this included paying for school and medical fees for parents and siblings in times of need. Other types of responsibility in terms of financial support to the community were also brought up. The context in which the women explained their financial responsibilities especially towards their extended family, their husbands did not seem to take part of it. At least they were not mentioned when the women explained their financial engagement and responsibilities. It was not clear however, to what extent which the husbands took responsibility for contributing financially to “external matters” since the focus were kept within the context of the women. Asaniath talked about the duties she took on:

[...]I need to repay the loan [from MFIs], assist my mother, the children of my brother and due to such distribution of my income it is very difficult to contribute [within the household] by paying rent, but I can at least pay for water at home. [...] I have more responsibilities [than my husband] because what I earn is normally shared within the family, but if he would decide to help me assist my mother at least I could be released.

Emerging from the Asaniath’s point of view, the vast responsibilities she took on could indicate restraints in being able to carry out tasks that correspond with strategic choices, assuming that her traditional roles in society was still strong and hence limiting the choices because of society’s expectations on them. She was also indicating that the husband was not sharing her responsibilities.

It also seemed that some of the women in addition to their responsibilities towards the household and extended families had to carry a “double” burden because of the unsecure financial contribution of their husbands. Neema explained:

I have a big role because sometimes my husband does not have work to do so I have to pay rent and also assist my husband [...]

Veneranda who were living with her husband and three children also gave an example of this struggle:

My responsibilities are to provide school fees for my children and struggling to get food for my family because the salary of my husband is very low, it is only accommodating the transport for himself. I have greater responsibilities than my husband because his income is not enough. The close relatives we have would not understand if I could not help them so it is my responsibility to contribute.

4.3.3 Female-Headed Households

The responsibilities carried out by the within the female-headed households together with the financial support for extended families revealed their everyday struggle with managing with the income they earned. Prisca was working in the formal sector as an assistant at the Nyamagana Hospital. The loan she took in VICOBA was for building her a house, and hence not invested in an informal business as the other women had done. She was living by herself and told me about the extensive financial support that she provided with each month:

Up to now I have been building my house but now I stopped the construction work because of responsibilities I have towards paying for my young child's school-fees, for household responsibilities and because my parents are retired. Every month I have to pay 150 000 Tanzanian shillings to my parents. My relative has no sponsorship and the one that has completed Dodoma University is looking for a job. She doesn't have any income so I have to ensure that they get food. The only money that remains for me is for bus-fees and money for food.

The financial commitments that Prisca made, together with the earnings she made from the job, were limiting her abilities to fulfill her goals and aims.

4.3.4 Educating the Children

Together with the vast responsibilities that the women took on, it seemed like it was the women's responsibility to care and provide for their children. This was also the case when it came to paying for the education of their children. The issue of examining the education of the women's children could seem irrelevant connected to women's empowerment, but I argue that it was important to tie this in to the lives of the women because being able to pay school fees for their children was a subject that was brought up as very important to many of the women.

Some women expressed their satisfaction of being able to pay school-fees for their children. This was exemplified by Tausi explained how taking the micro-credit loan helped her in paying for school fees:

Before I lost hope and gave up in life, there were times when I regretted having a lot of children. But now I am so happy because I can fulfill the needs of my children; they can go to school without any problems despite of going to distance schools [...] but I have the ability to send them there in the morning. I use 5 000 Tanzanian shillings every day and this has made my head to work hard.

However, some women also expressed the difficulties in being able to pay for the school-fees, this was a subject of concern for some of the women that they identified as a big struggle. Teddy that was living alone with her children explained:

You know, I would like my children to not just get any kind of education but education of good quality and at the best schools. For my three children whereby one is in University I have to pay three million per year, and for the other two children one million per year [...] so I am not at peace and I am not happy seeing that my children doesn't get the quality education I want for them.

It is well worth noting that most women being interviewed had only primary level of education. Being able to provide opportunities for higher education for their children or at least for higher levels of education than the women themselves have had was a positive step. This is because it goes together with making strategic life decisions for their children that the women never had. It could be formulated as an extension of women's empowerment that could be generated through their children and on to their children.

4.3.5 Participating in the Lending-Group

Most of the women I interviewed pointed to the positive impact that participation within the lending-group had given them. This was manifested in different ways. Firstly, many women expressed that they have increased their self-confidence by sharing their ideas and being able to stand in front of the other women in the group. Felista, one woman that used to stay at home before joining SACCOS to now starting a tailoring business, explained how her self-confidence had increased:

I feel confident now because I can now stand in front of other women and tell them my ideas. I feel confident that me as a woman can stand and talk in front of other people and that they listen to me.

Teddy, a woman that was abandoned by her husband eight years ago, now living alone with her three children explained how her life has changed after joining the group:

SACCOS has helped me with a lot of things; first it has made me meet people who I didn't expect I could ever meet in my life. Up until now, SACCOS has made me reach Zanzibar to meet the Vice President of Tanzania. It has made me sit with ministers and discuss different issues with them. SACCOS has challenged me to change my life in a different direction, for instance now I am preparing the proposal of getting a land of 200 acres for all SACCOS groups and I also want to open an office for the union of all SACCOS groups.

Supposing that the self-confidence that Teddy shows is stemming from the participation of the lending-group, then this is an example of how the lending-group can provide a platform where ideas and confidence can grow, as a powerful tool for collective empowerment which can as well lead to a further step in to engage politically in the society. Although, Teddy was the only woman being interviewed that took this step further out in the society addressing political issues, this could act as a catalyst for the other women to follow her footsteps and broaden their minds through a further exposure within the society. Teddy explained in the interview that her confidence had always been strong, and it is important to note that she has by her membership in the group been able to exercise her agency according to her prerequisites.

Most of the women within the group did not engage in society and politically to the same extent as Teddy. But to be able formulate own ideas and stand in front of other women in the lending-group when for example earlier have been staying at home as a house-wife showed that progress of women's agency could be generated, only taking place in different spheres according to the prerequisites each woman had.

From having stayed at home to join the lending-group, Mary explained the benefits that the membership of the group had provided her with:

Concerning the group, our ideas [about business] grow every time we sit together, but I think it is also a challenge. A challenge in the meaning that you might think about a certain thing but your fellow [group-member] can advise you to do and don't do certain things. You find that we exchange ideas and broaden our minds compared with being alone. You know, when you are alone you won't know the direction of the world, but when you are with your fellows [group-members] you will know a lot, you will feel confident and you will even have a piece of mind.

Many of the women adhered to the notion that it was important for the group-members to be united and support each other. Another thing that was brought up was the emotional support that the women in the group received from each other concerning problems taking place in the home. Latifa brought up these dimensions:

Socializing with different people for exposure by exchanging ideas helps [me] in [my] life. What I have learned from my group-members is to be united as women, helping each other especially in difficult times, showing some love to one another and on top of that I get peace and harmony in my heart.

By examining the processes that took place within the group it became clear that being a member of the group has had a clear significance for creating a collective empowerment with these women. The cooperation and tackling of problems within the group that the women mention were two characteristics that most likely would not be possible to manage by being alone. The positive process taking place within the group coincided well with the collective dimension of empowerment that Rowlands is formulating. It seemed however, that the positive impacts that being member of the lending-group has had, did not correspond to the relational aspect of women's empowerment. This was because there seemed to be a discrepancy between the collective empowerment mechanisms that would in turn lead to relational empowerment in terms of house-hold decisions. Most women that did not feel that the decision-making in the household did increase by taking the loan; showed that their agency was generated to a larger extent by participating in the group. It also seemed that their sense of personal empowerment in terms of individual confidence and self-acceptance were able to prosper and grow within the group; as a reflection of "power from within" that Rowlands (1997) were defining as a prerequisite for empowerment to occur. Within the sphere of participating as a member within the lending-group, most of the women explained that it gave them a sense of well-being, and a feeling of togetherness. It was also noticed that by being part of a group of women with common aims

created a positive impact that worked in similar ways as an extended social safety-net. One of the women; Tausi that was living alone with her six children, explained:

[...]I was not like this before, I already lost hope with my life but after joining the group as well as getting some training about business I came to know that you should not lose hope or give up in life.

Rebecca also gave her view on why participating in the lending-group had helped her:

My situation could have been worse because I look at others who have not joined the group; their life is hard. But for me it is not hard because if I have a problem I will just go to VICOPA and it will be tackled.

4.4 Impacts on the Women Socio-economic Development

The study also aimed to comprehend the positive impact of MFIs on members' socio-economic development and that they can be a useful tool for poverty reduction. The findings are presented thoroughly on the Table 8; below.

Table 8: Impacts of MFIs on the Women Socio-economic Development

Response	Frequency	Percentage
Yes	40	80%
No	7	14%
Don't know	3	6%
Total	50	100

Source: Fieldwork Survey, 2015

The results showed that majority 40 (80%) of client's women agreed that MFIs have positive impact on the members' socio-economic development. They had common agreement on the impact of MFIs on the socio economic situation.

There was also, a general agreement among the women members of MFIs interviewed for this study that this member-based MFI has positive impacts on members' socio-economic situation and that they can be a useful tool for poverty reduction. However, as will be further presented later in this chapter, many said that it does not lead to poverty reduction automatically, e.g. it depends on how the loans are used and some members mean that there are obstacles in the way

and improvements needed for MFIs to lead to poverty reduction. Before presenting these obstacles and improvements the focus will be on the impacts on the members' socio-economic situation.

It should be taken into mind that most of the MFIs do not provide loans for agriculture resulting in mostly business loans. When taking a loan for agricultural activities the most common things for loan usage among the members interviewed for this study are buying modern seeds, renting a tractor and paying day labourers. But when asking about the most important change since becoming a member the most common answer is paying school fees followed by being able to afford daily expenses, to improve or build a house as well as the ability to improve a business and agriculture. In most cases regular loans are not provided only for school fees since it is not an investment resulting in a profit.

The emergency loans, however, are for education and health but some members also said that they took a part of the regular loan to pay school fees while some say they used loans to invest in agriculture or business which resulted in a profit that they used for school fees. Regarding the business loans some examples of common small businesses the informants are running are small shops, local restaurants as well as temporary businesses like buying crops or other things and sell them for a higher prize in another village. These small businesses help members to diversify their income, which is important for farmers that are dependent on the weather and can be argued to reduce the farmers' vulnerability.

The majority of the members also experience that they have had an increase in income because loans taken for agriculture and business have led to more profit which they in turn have been able to use for other things such as daily consumption, e.g. better and more nutritious food and clothes as well as bigger expenses like paying school fees and improving or building their house. The majority of the members say that they can now afford life requirements and basic needs easier as well as being able to take their children to school.

One representative example of positive impacts and income diversion is the case of Aziza Msongo who lives in A village. *Aziza has been a member of a VICOBA group initiated by CARE for about three years. She is 26 years old and she is a farmer and is doing some business.*

She has a local restaurant, which is called mama lise in B village, and she has been able to do some temporary business as well as start other small businesses since she became a member of VICOBA. In that way she has diversified her income activities. Since she became a VICOBA member she has taken loans several times per year and has used them, among other things, for doing temporary business like buying and selling things, e.g. kitchenware and women's clothes, as well as to start a small business to make and sell bricks. This diversion of economy has helped her to increase her income. Apart from this she says that she has also afforded to build a house, before she lived in a rented house, and to pay school fees. Aziza also mentions social impacts and says that since she became a member of VICOBA she has experienced an increased relationship with other people and she says that she now knows where to go if she has to get support to solve a problem. Before she had to go to a friend in case of emergency, now it is better when she can go to the VICOBA. Among the obstacles and improvements needed she says that the loans are small and also there is a lack of capital because people are not paying back on time. Even though she has been successful in business and diversified and increased her income, she says that her VICOBA group needs more education about business and entrepreneurship in order to lead to more development for the members.

Just like Aziza, the majority of the members interviewed say that they had an increase in income since they joined the VICOBA or other MFIs, even though it is difficult for them to say how much. Several members count their income increase in how much harvest they get. For example one man says that since he became a member of WEZA VICOBA and has taken agricultural loans he has increased his harvest from 5 bags per acre to 15 bags per acre due to modern seeds, day labour and better cultivation. But there are also some, even though only very few, of the members saying that they have not experienced an income increase. For example one member of WEZA VICOBA says that the increase of income is only when you receive the loan, when you pay back there is no increase of income left.

Even though this member has started a small business since he became a member of VICOBA and in that way diversified his livelihood basis he does not experience an income increase. He says that he has not had any training in business and entrepreneurship and that it will only lead to poverty reduction if they educate people, since many members do not know about the benefits of VICOBA, how it works and do not understand the information. Another villager in C village that is a member of both VICOBA and VICOBA says that she has been able to do some small business thanks to VICOBA, but she also says that it is now the second year that she is unable to cultivate all her land because of too little capital and she has not experienced an income increase

because all the profit goes to school fees. She recently joined SACCOS and thinks that it helps her more than VICOBA.

Just as mentioned in the methodology chapter several members interviewed for this study turned out to be active in the VICOBA, which can be a source of bias. If the active members do get loans easier they might for example experience more positive impacts and bigger income increase compared to non-active members. Since several members interviewed have been active the proportion of informants experiencing positive impacts and income increase might be bigger in this study than is the case in the reality. However, overall there is no distinct difference in regards of perceived impacts observed between active and non-active members in this study's findings.

Many of the informants mention that they prefer VICOBA because it is easier, more participatory, less bureaucratic and no costs to become a member. Some people cannot even join other MFIs like SACCOS due to membership fees and expensive shares and several members say that they know people that want to join SACCOS but they have too little income so they can not afford it. The only people saying that they prefer SACCOS seems to be people with a little more money, not the poorest, and they say that they prefer SACCOS because SACCOS provide bigger loans.

The case of Salima Nade in D village is an example of a member that prefers VICOBA. *Salima has been a member of Muungano SACCOS since 2005 and a member of VICOBA for almost two years. Salima is a farmer and also runs a small business. She owns a mill to make flour, so people come to her with their crops and pay her to use the machine. She has only taken a loan from SACCOS once due to low capital in the SACCOS so they were not able to provide many loans, but now they have more members so the capital has increased a bit. Salima used that loan for farming activities and for her business and bought for example diesel to the mill. From VICOBA she has taken a loan 2-3 times per year and also she received 50 000 TZS from VICOBA's social fund when her father was sick and needed treatment. In her VICOBA the money from the social fund does not have to be repaid. Salima experiences that she has only had an income increase from VICOBA, not from SACCOS, and she says that more people now see that VICOBA is more beneficial than SACCOS. In SACCOS there are no benefits apart from getting loans and she mentions lack of transparency and lack of information from the SACCOS to the members among the obstacles as well as no training and education to the members. In the VICOBA she says that they are still trying to find ways to come out of problems and she likes that is on village level, more transparency and more information as well as easier to get profit. The*

main problem in VICOBA is late repayments and from last year three or four people have still not paid back their loans since they broke up the group and divided the profit at the end of the year.

More about the obstacles that Salima mentions will be presented in next section, but one thing Salima mentions that a lot of the members talk positively about is the emergency loans, which are usually called social fund in VICOBA. Many informants of VICOBA, say that it is now better because if they have an emergency they do not have to go to friends and relatives anymore, just like in the case of Aziza. Instead they know that they can get help from the MFI in case of emergency. This is in accordance with Begasha (2011) saying that VICOBA can have social effects and give a sense of security for the members. Other social impacts are also mentioned, like increased level of interaction with other people and that they exchange more ideas. One man in E village who is a member of both VICOBA and SACCOS says that he has increased the relationship with other members, strengthened social ties and shared information, but mainly through VICOBA where the members are closer to each other.

Many of the informants are members of MFIs to be able to take two loans at the same time and the majority of the members are planning to take more loans in the future. Even though many mention problems and obstacles, which are presented in next section, they still plan to continue being a member and expect to take more and bigger loans in the future.

Even members saying that they have had problems with paying back former loans on time, resulting in extra fees and extra interest rates are planning to take more loans. There seems to be a general agreement that these loans, both regular and emergency loans, help to make investments and improve both business and agriculture as well as to meet daily consumption needs and pay school fees, especially in times when income flow is low, for example during the off season before the harvest time. The fact that members take several loans per year and that the majority interviewed plan to take more loans in the future, can be an indication that these loans help people to make investments and improvements sooner than they would have been able to do if they had to wait for profit from for example the harvest, in accordance with what is presented in the National Microfinance Policy (NMP).

In accordance with Collins *et al.* (2009) the findings about the impacts for members in this study show that poor people do not only take loans for business, but the way the members talk about the importance of the emergency loans and say that they use part of the loans for school fees indicates a need and an importance to be able to take loans for other uses apart from business, like to cope with emergencies, pay school fees and health costs and smooth consumptions. The loans are not only taken to make big investments like expanding a business or starting a new business, but these member-based MFIs are important for these members to be able to plan, control and diversify their economy, and to be less dependent on harvesting times and weather.

Many of the members take loans several times every year for small investments in agriculture, school fees or buying crops to store for later when price is higher. When you are poor and don't have a buffer to take from, it seems like these institutions can help a lot if the loans are used in a productive way.

4.5 Obstacles and Challenges Exist for Women in Gaining Economic Empowerment through MFIs

As already briefly mentioned in preceded chapters some obstacles came up when talking to members of MFIs about impacts, further development and contributions to poverty reduction. According to the members given questionnaires and interviewed the main obstacles for these MFIs to work effectively are lack of capital, late repayments and lack of knowledge and education about entrepreneurship and how to make productive investments as well as about how these member-based MFIs are organized and operated. The findings are presented in the Table 9;

Table 9: Obstacles and Challenges Exist for Women in gaining Economic Empowerment through MFIs

Obstacles/Challenges	Frequency	Percentage
Late repayments	20	40%
Lack of knowledge	13	26%
Lack of capital	10	20%
Structure of the micro-credit Loan	9	18%
Market limitations	7	14%
Total	50	100

Source: Fieldwork Survey, 2015

4.5.1 Late Repayments

The major obstacle mentioned by almost all [20(40%)] of the informants is the low repayment status. Late repayments are probably partly a result of other obstacles also mentioned, like lack of education and like some of the informants mention short repayment time, high interest rate and that the loans are not used in a productive way. Also the fact that many members are farmers and highly dependent on agriculture can make it difficult for them to repay on time, e.g. when the harvest is low due to climate and shortage of rainfall. This is especially if they take a loan for agricultural activities. In turn, the late repayment status also creates other problems such as lack of capital resulting in other members not being able to take loans.

4.5.2 Lack of Knowledge

It was found that 13 (26%) of the respondents said that lack of knowledge about entrepreneurship is an obstacles to the productive loan usage. Lack of knowledge about entrepreneurship and business might be the main reason for an unproductive loan usage, but also the fact that the MFIs in this study do not make any follow ups to see if members use the loans as they have said they would, as well as emergencies and unexpected expenditure might also be causes contributing to loans being used in unproductive ways. The repayment status might be improved with more education, longer repayment time and lower interest rate. As presented earlier in the background chapter, education is mentioned in the Cooperatives Societies Act (CSA) for all members to be involved in the development of the cooperative and an intensive training phase is one of four phases when starting a VICOBA and other MFIs, but many

members mention lack of knowledge and training about entrepreneurship as well as about the organization and operation of the MFI as a big obstacle, in accordance with Holmqvist (2010) which found in her study in Peru that education was the most important factor for the MFI to lead to sustainable change for the members. Some members also say that only the leaders and board members have had education.

Regarding short repayment time it is mainly an obstacle in MFIs, which usually has a repayment time of three months and many say that this is too short and makes it difficult to pay back the loans on time. For example one SACCOS member in Igoma says that he is not a VICOBA member because in VICOBA you have to do activities that give profit often because the repayment time is short and you have to save every week. Since he is a farmer and does not have any other business or source of income this is very difficult for him. In SACCOS you repay after one year and also put your savings every year after harvest he says. Another VICOBA member in Mahina wants the repayment time to be increased to six months but she says that the majority in her group does not want this change because then members would have to wait even longer to get a loan and there is already a lack of capital so members are waiting for others to pay back their loans in order to receive one. Even Kishiri SACCOS, which have six months repayment time for all the loans, have a similar problem. Some members pointed out that they think six months is too short but according to the secretary of Kishiri SACCOS they cannot prolong the repayment time at the moment because then the members have to wait even longer to get loans, since the SACCOS is still young and still have a small capital. This indicates that more capital is needed for an increase in repayment time to be possible, or at least in order to be effective, which can underline the argument that support as well as loans with low interest rates are needed for these MFIs to work more effectively, which is presented below.

4.5.3 Lack of Capital

It was observed that 10 (20%) of the respondents mention lack of capital as a challenge for them to handle their loans properly. Lack of capital is a big obstacle in all MFIs in this study and because members are usually poor it takes a long time to create a capital from only their savings to satisfy the members' requests for loans. Even though all the MFIs mention a lack of capital most of them do not take a bank loan because of high interest rates and fear about not being able

to pay back due to this as well as late repayments among their members. One thing only mentioned by a few members, but which is mentioned by both government officers as a problem and obstacle are the high interest rates. Many VICOBA have an interest rate of 10% per month, resulting in 30% for the loan which is usually supposed to be repaid within three months. This gives an annual interest rate of 120% which according to the District Council Cooperative Officer (DCCO) is too high and the main reason why many members fail to repay the loans. He gives an example saying that if one take a loan of 400 000 TZS, then 40 000 TZS is supposed to be repaid as interest rate after one month, and he asks what kind of business can generate that much profit in one month. VICOBA set their interest rates by themselves, but according to the DCCO they are not well directed and there is a lack of understating about what the effects are when the interest rates are this high.

According to him many VICOBA see that it is a good thing that they pay interest rate so there is a division in the end of the year, like a saving that gives them profit later on but they do not see the problems that comes when it is too high. The results are late repayments, resulting in more fees for being late which sometimes make people deeply indebted and also creates other problems like lack of capital. For these institutions to work effectively and really help the members to develop he thinks that the interest rate should be much lower and therefore he emphasizes the importance of education about how member-based MFIs like Commercial banks, SACCOS and VICOBA work and operate.

4.5.4 Structure of the Micro-Credit Loan

The women 9 (18%) identified that the structure of the micro-credit loan itself constituted obstacles that inhibited the financial progress of the women. A majority of the women expressed a concern about the micro-credit loans they took in that they were too small for making their business develop. A constant worry about insufficient capital was a recurrent theme that was brought up by the women during the interviews. It also seemed to lead to a dependency for some women of taking further loans since the loan obtained had not been enough to build on to by own means. This notion was exemplified by Neema Elia, one of the women in the lending group working as a food vendor:

[...] no I still need a loan after I pay back, and take another loan after that then I will be able to stand on my own feet.

Another important aspect that was mentioned was that the interest rates were too high. The main problem that the women identified was the structure of the micro-credit loan taken through most of the MFIs. Many of the women explained about their difficulties in being able to manage with the small income they earned, leading to that they sometimes struggled to be able to make the installment in time. Regina was pensioned but kept chickens and made soap to earn a living. She was living by herself together with her two grandchildren. The loan she took through commercial bank had an interest rate of 19%. She explains:

[...] if the loan was good we could have seen changes but the installment makes us suffer. There are difficulties; like the day of installment you see that the money you have saved is not enough, but you still have to pay [...]

Agatha was a woman living together with her five children and husband that suffered from a stroke, leaving her alone in the struggle for securing money to provide for her family and the household. She was critical towards the structure of the loans taken through VICOBA, where her interest rate was put to 19%:

I think that the government should take care of the women who are not [formally] employed. They [VICOBA] give us loans but the interest rate is very high, so you find yourself returning all of the money without any profit. My advice to the government is to give us loan with low interest rate to improve our lives.

4.5.5 Market Limitations

The study revealed that 7 (14%) of all respondents said that market limitations is also an obstacle. This is one of the obstacles that seemed to hinder the women in their business proceedings was the limitations of the market and the goods they produced. Some of the women that were interviewed indicated that there were obstacles in reaching new markets and fill a function in the pre-existing market. Jane-Anna who kept chickens and made soap explained her situation:

Small entrepreneurs are facing the problems of the market, you may be having chickens but because the market is full no one come to buy. So you continue feeding which is also a cost to you and later a loss [...]

Connected to market limitations were the issue that many women expressed concerns about the income-generating activities since the women were trained through the lending-group to do the same type of business; i.e. making soaps and candles. They also lived in the same village something that was further constraining their market venues when competing with the same products in the same area. Regina that was doing the same kind of business as Jane-Anna said:

There are life difficulties, because if you have a small business you get little money. Things are expensive and our currency is very low. The problems of the Tanzanian's are their thinking about doing the same projects. If every group makes the same things, to whom are you going to sale?

In the light of Kabeer's notion of making claims to resources, the struggles of finding markets where they could sell their goods could be seen as hindering their capabilities and desires to live the life they wanted. This had strong connections to the structure of most of MFIs as being the institution where the trainings on how to make soap and other products took place. For instance VICOBA seemed to be insufficient in providing necessary training of producing goods that could fill a function in the market and therefore, VICOBA as the provider of resources in the sense that Kabeer is mentioning have limited the ability of women's agency to prosper. The lack of synchronization between specific trainings in accordance to prevailing market structures was troublesome. Taking a micro-credit loan that was many times fused together with trainings to produce specific goods, put the women in a delicate situation since they themselves often did not get to choose what kind of goods and businesses to be trained on.

The above identified economic obstacles could be related to structural inequalities because the restraints seemed in this case to obstruct many of the women's abilities to make free and independent choices.

4.6 Perception of the Members on the Microfinance Institutions Contribution to Poverty Reduction

Perception of the Members on the Microfinance Institutions' Contribution to Poverty Reduction

Most of women (52%) highly agreed that MFIS have great contribution toward poverty reduction in Nyamagana District as shown in the table 10; below. This signifies that MFIS must be strengthening all over the country in order to eradicate poverty.

Table 10: Perception of Members on the Microfinance Institutions Contribution to Poverty Reduction

Category	Number of Respondents	Percentage
Highly agreed	26	52
Agreed	9	18
Highly Disagreed	5	10
Disagreed	10	20
Total	50	100

“MFIs is not only a tool for development, also a weapon for poverty”.¹

“I think it will reduce poverty, but not remove poverty”.²

These two quotes are representative in the results found in this study regarding the question whether MFIs lead to poverty reduction or not. There is a general agreement that this member-based MFI can lead to poverty reduction but many members also point out that it will only lead to poverty reduction if people use the money in a productive way and that more education is needed about entrepreneurship and business. The first quote can mean that it is a weapon in the way that it really lifts people out of poverty. In general the findings of this study is in accordance with the latter interpretation of the first quote, as well as with the second quote saying that these MFIs contribute to poverty reduction but do not lift the members out of poverty completely. This is consistent with Begasha (2011) and Collins et al. (2009) arguing that microfinance does not lead to poverty reduction but helps people to smooth consumption, manage risk and cope with life.

¹MFIs member, C Village.

²VICOBA member, D Village.

Additionally, other obstacles presented in the previous section also need to be improved for these to contribute more to poverty reduction, e.g. longer repayment time, lower interest rate, external funding such as bank loans with lower interest rate and so on.

It can be argued that these MFIs lead to poverty reduction indirectly in a long-term perspective in the way that several of the informants can afford to pay school fees and education is important and crucial for development and consequently also an important for poverty reduction. However, it can be difficult to pay back a loan taken for school fees and if that is the case it can be negatively in the short run and give them additional costs for late repayments and they can find it difficult to repay.

As mentioned, the majority of the women interviewed planned to continue taking loans and some say that in the future they think they will have enough money so they will not need to take more loans. But at the moment, even though many women experience an income increase many are still poor. This study indicates that MFIs can help poor people to increase their income, to diversify their activities and be less dependent on agriculture as well as to meet basic consumption needs and pay school fees. Being a member of MFIs can help to reduce poverty, but does not lead directly to poverty reduction and the need of more education and increased capital within the MFIs is highlighted by almost all the members. In agreement with Collins et al (2009) the DCCO in Nyamagana states that “Microfinance is among the tools that can be used in poverty reduction, but we cannot have only microfinance. Microfinance is a centre, but we also need schools, hospitals, various industries and so on”.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter provides a short description of the major issues of the study as well as the conclusions and recommendations of the study. The chapter concludes basing on the specific objectives designed. Finally, the chapter gives the areas that this study did not cover hence deem further research.

5.1 Summary

5.2.1 Summary of the Study

The research broadly set out to examine contribution Micro- financial institutions in empowering women for poverty alleviation in Nyamagana district. The specific objectives of the research were: to examine the extent of women empowerment through SACCOS and VICOBA in households level, to assess the impact of SACCOS and VICOBA on the member's socio – economic level, to identify obstacles and challenges facing women in gaining empowerment through micro-credit lending (SACCOS and VICOBA), and assess perception of the members on the microfinance institutions' contribution to poverty reduction.

Data was collected from 60 respondents of which 50 were women - members of SACCOS and VICOBA, five (5) were government officials and five (5) again were loan officials of SACCOS and VICOBA. All respondents were individual interviews and direct observations. The researcher also utilized secondary data as a source of data. A multi-stage sampling technique was used in sample selection.

The major methods of data collection were both qualitative and quantitative. Qualitative research instruments included the interview and a key informant guide. Quantitative instruments comprised of an interview schedule that was administered to all respondents for personal interviews. The findings of the research have been presented in detail in chapter four.

5.1.2 Summary of the Findings

The Extent of Women Empowerment through SACCOS and VICOBA in Households

The study observed that SACCOS and VICOBA had improved and empowered its members on areas of decision-making within the household, household responsibilities, female-headed households, educating the children, and participating in the lending-group. Members of SACCOS and VICOBA have changed their socio-economic situation, e.g. in income increase and being able to pay school fees, and the majority also believes that it can lead to poverty reduction.

Impact of SACCOS and VICOBA on the Member's Socio – Economic Development

The findings revealed that there is no consensus about the overall impact of microfinance and whether or not it leads to poverty reduction, but among the members interviewed in this study the majority think that being a member of SACCOS and VICOBA had positive impacts on their socio-economic development, e.g. in income increase and being able to pay school fees, and the majority also believes that it can lead to poverty reduction. The results of this study indicate that these member-based MFIs can help people to increase their income, to diversify their activities which decrease the vulnerability, to smooth consumption and afford basic things, pay school fees, manage risk and work as a security in case of emergencies. However, this study also indicates, in accordance with some of the earlier research, that there is no guarantee that microfinance leads to poverty reduction.

Obstacles and Challenges Exist for Women in Gaining Empowerment through SACCOS and VICOBA

It was revealed that there are several obstacles for these MFIs to work effectively and the findings of this study indicates that the biggest obstacles are low repayment status, lack of capital and lack of education in both entrepreneurship and how these MFIs work and operate.

Additionally, short repayment time and unproductive investments are among the obstacles mentioned. These obstacles can affect each other, for example lack of education might lead to unproductive investments and late repayments, which in turn create a low capital within the MFI.

Whether microfinance is the best way to reduce poverty or not is not answered in this study, but it concludes that it can be one of the useful tool, though several things can be improved in many of the SACCOS and VICOBA. This study shows a general agreement among the women interviewed that even though it does not lead directly to poverty reduction but helped them not to become deeper in poverty. Microfinance is not only positive or negative, for example it depends on how the MFIs are operating, on the knowledge among the members and how investments are made.

5.2 Conclusions

Whether microfinance is the best way to reduce poverty or not is not answered in this study, but it concludes that it can be one useful tool, though several things can be improved in many of the SACCOS and VICOBA subject of this study in order to work more effectively and contribute to poverty reduction to a larger extent. This study shows a general agreement among the members interviewed that even though it does not lead directly to poverty reduction these member-based MFIs are helpful and this might indicate, in accordance with some of the earlier research, that they are needed to help people not to become more and deeper stuck in poverty. Microfinance is not only positive or negative, for example it depends on how the MFIs are operating, on the knowledge among the members and how investments are made. This study indicates that microfinance is not the only way and cannot alone lead to poverty reduction.

5.3 Recommendations

Government intervention on MFI Sector

The government should also provide the enabling environment for the development and growth of the micro-finance sector. The introduction of more microfinance institutions will create stiffer competition in the microfinance industry. This competition will lead to more flexible yet

attractive microfinance products, therefore in order to maintain their existing client banks will have to reduce their interest rates, the major obstacle to clients.

This may be done in two key areas:

- Ensuring the right economic environment that will ensure that MFIs operate sustainably.
- A strict regulatory, monitoring and supervisory role of the Bank of Tanzania (BoT) to bring sanity to the sector and ensure that it develops.

Capacity Development for the Micro finance sector

The micro finance sector itself needs to be strengthened and supported to effectively play their roles as financial intermediaries. Players in the sector must engage qualified, experienced, honest and morally upright board members and employees to serve them. These steps must also be augmented through the implementation of good management information systems and staff development programs. MFIs should also design innovative and attractive products to enable them mobilize deposits from their clients and thereby remain in competition.

Training Programs

MFIs should repackage its training program to make it more acceptable to clients. *‘They should make the training sessions shorter and if possible increase the one-on-one sessions’*. This view was echoed by many of the respondents.

Long-term Loans

MFIs should introduce medium and long term loan facilities to enable clients expand and grow their businesses. Clients will want to take advantage of seasons such as Christmas to turn the loans several times over and maximize their profits before paying back. They are unable to do this when they have to make payment within short periods.

Interest rates of 3% - 3.5% per month are too high for the MFIs poor clients. Microfinance Institutions should consider reducing the rates to allow clients retain part of their profits. Once the interest rate is reduced, the amount to be repaid weekly will be reduced. This in turn will reduce the stress the women face when meeting the weekly repayment obligation.

The MFIs also needs to design more flexible microfinance packages for business starters. There are several women out of business and will need finance in order to survive and to trade. They may have the idea about the kind of business they wish to engage in but lack of finance cannot help that dream to materialize. Such ones are cut off under the current microfinance schemes. Therefore, microfinance institutions should extend their scope to cover all such ones. The repayments period needs also to be considered. Beneficiaries qualify for another loan package only after they have repaid their loans. Therefore, MFIs can spread repayment over a longer period of possibly a year so as to allow for flexible payment.

5.4 Suggestions for Further Research

This study is too small to express general conclusions and only indications about the general picture can be drawn. As presented the microfinance sector in Tanzania is still young and there are improvements needed for SACCOS and VICOBA to work effectively and lead to development and poverty reduction for women - members. Even globally there is a need for more comprehensive studies since there is still no consensus about the impacts of microfinance, not even within the well-studied areas about impact on poverty reduction and women empowerment. Therefore, more research within both these areas is needed, but I think there is also a need for more research about the impacts in a long-term perspective and to increase a more holistic view within the field of microfinance, in accordance with the growing field of environmental impacts of microfinance and green microfinance.

There is also a need for more and bigger studies in Tanzania focusing on several different areas, but maybe most important are impact assessments to see how well the MFIs are working as well as to identify obstacles and improvements that are needed for more effective microfinance. More studies similar to the one using financial diaries, to see how poor people really use micro-financial services, are also needed. May be the most important thing to study is not whether or not it leads to poverty reduction in general, but to actually study how poor people use micro-financial services and how they should be designed to really be pro-poor and help people to improve their life situation.

Additionally, more studies not only focusing on the microcredit or microloans are needed, like studying microfinance in a broader way as well as the importance and effects of savings and insurance. In Nyamagana district it would be interesting to assess the SACCOS and VICOBA again in a few years to see if there have been any progress and development since a lot of things are happening and SACCOS and VICOBA is still young. Additionally, how to improve the legal framework for microfinance as well as if there is a need to include SACCOS and VICOBA and how this could be done is another area that could be subject for further research.

Data was collected from 60 respondents of which 50 were women - members of MFIs, five (5) were government officials, and five (5) again were loan officials of MFIs. All respondents were individual for interviews and questionnaires. The researcher also utilized secondary data as a source of data. A multi-stage sampling technique was used in sample selection.

The major methods of data collection were both qualitative and quantitative. Qualitative research instruments included the interview, questionnaires and a key informant guide. Quantitative instruments comprised of administered questionnaires, and qualitative ones for an interview schedule that was administered to all respondents for personal interviews. The findings of the research have been presented in detail in chapter four.

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Obstacles and Challenges Exist for Women in Gaining Empowerment through MFIs

It was revealed that there are several obstacles for these MFIs to work effectively and the findings of this study indicates that the biggest obstacles are low repayment status, lack of capital and lack of education in both entrepreneurship and how these MFIs work and operate. Additionally, short repayment time and unproductive investments are among the obstacles mentioned. These obstacles can affect each other, for example lack of education might lead to unproductive investments and late repayments, which in turn create a low capital within the MFI.

Perception of the Members on the Microfinance Institutions' Contribution to Poverty Reduction

Whether microfinance is the best way to reduce poverty or not is not answered in this study, but it concludes that it can be one useful tool, though several things can be improved in many of the MFIs subject of this study in order to work more effectively and contribute to poverty reduction to a larger extent. This study shows a general agreement among the members interviewed and given questionnaires that even though it does not lead directly to poverty reduction these member-based MFIs are helpful and this might indicate, in accordance with some of the earlier research, that they are needed to help people not to become more and deeper stuck in poverty. Microfinance is not only positive or negative, for example it depends on how the MFIs are operating, on the knowledge among the members and how investments are made. This study indicates that microfinance is not the only way and cannot alone lead to poverty reduction.

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APPENDICES

Appendix I: Cover Letter to Participants

Hello, my name is Grace Mkali a Masters' degree student of Business Administration in Co-operate Management at Mzumbe University, Tanzania. My masters' thesis research work is to look into Microfinance and alleviation of poverty among rural women.

My research question is on how microfinance practices in Nyamagana district contribute towards the alleviation of poverty, especially for women. I would deeply appreciate your filling out this questionnaire to help me make vital analyses.

Your privacy would be protected. You do not need to write your name or contact. Only the general results, conclusions and recommendations drawn from these analyses would be included in the final report and not the individual papers.

Appendix II: Questionnaires for Client's Women

1. Your age is between
 - a. 15-25
 - b. 26-35
 - c. 36-45
 - d. Above 45
 - e. Don't know

2. What kind of business are you engaged in?
 - a. Petty (includes small one off dealings)
 - b. Trading
 - c. Farming
 - d. Others (please state)

3. How long have you been in business?
 - a. 0-1 year

- b. 1-5 years
- c. 5-8 years
- d. Above 8 years
- e. Cannot remember

4. Are you a member of any MFIs?

- a. Yes
- b. No

4b. If not why not -----

5. How long have you been a member of the MFIs?

- a. 0-2 years
- b. 3-7 years
- c. Above 7 years
- d. Don't remember
- e. Never

6. Have you been granted a loan under any microfinance scheme for your business before?

- a. Yes
- b. No

7. If yes, for how long?

- a. 0-1 year
- b. 1-5 years
- c. 5-8 years
- d. Above 8 years
- e. Don't know

8. How many times have you been granted a loan under the microfinance scheme?

- a. Once
- b. Twice

- c. Thrice
- d. More than four times

9. How much did you receive?

- a. Tsh 0 - 50, 000
- b. Tsh 50, 000 - 200, 000
- c. Tsh 200, 000 - 400,000
- d. Tsh 400,000 and above

10. What is the repayment period?

- a. 0-1 year
- b. 1-5years
- c. 5-10years
- d. 10 years and above

11. Did you have any problems paying back?

- a. Yes
- b. No
- c. Sometimes

12. How did you solve it?

- a. Extend repayment period on agreement
- b. Get help from other sources
- c. Repay with higher interest
- d. Did not pay back (defaulted)
- e. None of the above

13. How would you define your economic position in relation to other women in Nyamagana district?

- a. Low wealth status
- b. Middle

- c. High
- d. Don't know

14. To what extent do MFIs have empowered you?

- a. Large extent
- b. Medium extent
- c. Small extent
- d. Don't know

15. In relation to men in Nyamagana district, are well women better off than men?

- a. Yes
- b. No
- c. Don't know

16. Is there a positive impact of MFIs in your socio economic situation?

- a. Yes
- b. No
- c. Don't know

16. Do you perceive microfinance loans to be an important contributor towards alleviation of poverty in Nyamagana district?

- a. Yes
- b. No
- c. Don't know

16b. Please explain your answer -----

17. Has the loan you received helped change your economic status?

- a. Yes
- b. No
- c. Don't know

18. If yes, in what ways has it helped you economically?

19. Has this loan helped to empower you?

- a. Yes
- b. No

20. If yes or no please explain your answer

21a. Would you like to obtain another loan?

- a. Yes
- b. No
- c. Don't know

21b. Why?

22. Would wish to have more money to borrow given the opportunity and why?

23. Do you have any regret for obtaining the loan?

- a. Yesmention.....
- b. No
- c. Don't know

24. Any comments or questions? _____

Thank you for your time and patience in answering these questions.

Appendix III: Interview Guide for Women's' Clients

1. Tell me how your life was before taking the loan and joining the lending-group
2. Are you supported financially by other family-members for your business?
3. What are your other family-members doing? Eg. School/ working/ helping at home
4. How much control over the loan and the investments do you have?
5. What do you feel is your role in your family and in the house-hold?
6. Tell me what you have done with the savings you have made from your business. For instance investments.
7. Do you have more or less control of decision-making in the business now than before? Why is this so?
8. Are you able to save money from the business that only you have access to?
- 9 Where does your everyday profit go?
10. Are there any struggles that you and your family are facing in your lives?
11. How is the competition within the type of business that you are doing?
12. What type of business could you choose from?
13. Tell me what kind of entrepreneurship training you have got?
14. In what ways has the training benefited your life?
15. In what ways have you used the training for your business?
16. Tell me what you have learned from your fellow group-members

17. (Tentative question) If you could choose, would you have engaged in any other type of business? Which type and why so?

18. What things have changed since you started taking the loan on a personal level and household-level?

19. How is your involvement in major household decisions? Has it grown or become reduced? Tell me why you think it is so.

20. Why have you chosen to join these Microfinance institutions?

21. Do you real think that these MFIs have helped you to get rid of the poverty?

Appendix IV: Checklist of issues for discussions with local government officials

1. Village/Ward/Organisation_____
2. Designation of the interviewee_____
3. Households access to financial services. How and why?
4. Types/forms of Rural Financial Services available in the area.
5. How were they established? (capital, support, membership, relationship with rural households)
6. Types of products/services such organizations provide.
7. Major economic activities
8. Uses of Natural Resources (land, forest, water, others: specify)
9. Access to and ownership of resources by gender
10. Data on production, livestock, business, and financial services
11. Cultural constraints to development
12. Information on marketing: quantities, decision to market, where to market, distance and means of transport.
13. Average area household income and expenditure: low, medium, and high
14. Savings: where, how, what form
15. Problems related to the development of the rural financial services
16. Community problems (in their own view)
17. Unexplored opportunities
18. General opinion

Appendix V: Interview questions for the MFIs loan officials

1. Name, Organisation and Location

Name of the Financial Institution _____

Location town/village_____

Type Public/private _____

How organization_____

Aims and objectives of the institution

2. Product/Services

- i. Types of services/products
- ii. Savings. What type of savings?
- iii. Interest on savings.
- iv. If credit, what types: short term, medium, long terms. In terms of purposes what uses?
- v. The target beneficiaries rural/urban

3. Loan Procedure and Policy

- i. Is there any loan policy?
- ii. What types of loans and loan portfolio?
- iii. Interest on loans
- iv. Methods of interest determination: flat rate or declining balance method
- v. How long does it take for one to get a loan?
- vi. How many times can one get a loan?
- vii. What security is offered for loans: collateral, shares, deposit, salaries, employer guarantee, immovable assets, others: (specify)
- viii. Experiences in terms of lack of loanable funds. If yes how overcooked?
- ix. Loan repayment rate over the last five years
- x. Loan delinquencies, how frequent? Data on the five years.
- xi. Data on loans issued over the last five years?

4. Savings Regulations and Procedures

- i. What products are available? How these products evolved? Based on clients'/members' needs?
- ii. How is interest on savings determined/
- iii. Types of clients and savings
- iv. How are savings/withdrawals being done?
- v. Are savings being charged as collateral? If yes, how is it done?
- vi. In the event of lack of borrowers what does the institution do with excess money? Invest (where)?

A. Loan processing and monitoring

- i. Loan application: What are the necessary conditions?
- ii. Loan Appraisal: How does one qualify for a loan?
- iii. Loan Review and Approval/deferment/rejection
- iv. Loan agreement
- v. Loan disbursement and repayment process (data)
- vi. Loan follow – up and monitoring
- vii. Rescheduling and refinancing (possible to get data?)
- viii. Loan writes off: does it happen? How frequent and under what circumstances? (Possibility on obtaining data for the last five years).

B: Business Plans

- i. Sources of capital: own funds, loan from elsewhere (Specify), donation (specify), others (specify)
- ii. The Governance of an Institution
- iii. Business performance analysis done? How often?
- iv. Number of clients by gender
- v. Linkage with other financial institutions