A STUDY OF CONTRIBUTION OF MICRO-FINANCE INSTITUTIONS IN POVERTY ALLEVIATION THROUGH WOMEN INCOME GENERATING ACTIVITIES IN KILOSA DISTRICT, MOROGORO TANZANIA

BY

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ABSTRACT

The study was conducted in Kilosa district. The overall objective was to show the contribution of MFIs in poverty alleviation through women IGAs. The study aimed at identifying MFIs operating in the study area; common IGAs performed by women groups, assessing the contribution of MFIs towards poverty alleviation and analyzing factors affecting the performance of women's IGAs. Cross-sectional research design with structured questionnaire was used to collect primary information from 100 respondents. Secondary data were obtained from various reports and literature surveys. MFIs identified include FINCA, WDF and NMB. Common IGAs found were retail shop, cooked food vending, selling used clothes, local brews, charcoal and firewood, fishmongers, and nursery school. The results indicate that 78% of borrowers and 56% of non-borrowers started IGAs to supplement family income and source of employment respectively. About 54 % of borrowers and 68% non-borrowers used less than Tshs 100 000 as capital to start IGAs from MFIs whereas non-borrowers from own savings and relatives. Gross Margin analysis showed that, incomes earned by 40 % of borrowers and 56% of non-borrowers range between Tshs 50 000 – 100 000. T-test analysis indicated that, borrowers' income was significantly higher than the non-borrowers ($p < 0.05$). On average borrowers spent T.shs 63 620; 17 801 and 3 715.33 per month to purchase family food; pay school fees and health services respectively. Non-borrowers spent Tshs 34 020, 8 280 and 1 980 per month for the same items. This complies with alternate hypotheses that MFIs contribute towards poverty alleviation in selected items. Furthermore, competition among similar business, lack of education on business management, high income tax and lack of capital were identified as factors affecting the performance of IGAs. The study recommends MFIs should provide sufficient credit to their clients; group lending should be revised; provide training to borrowers.

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DECLARATION

I, Blandina Joseph Marijani, do hereby declare to the Senate of Sokoine University of Agriculture, that the work presented here is my own creation and had not been submitted for any degree award in any other University.

Blandina J. Marijani (MA. Candidate)	Date

The above declaration is confirmed

Prof. M. E. Mlambiti (Supervisor)	Date

DEDICATION

Much are due to my husband Protas for taking care of family during the study period; and my children Nancy, Patricia, Hubert and Pendo for their love and patience, and my brothers and sisters for their encouragement and moral support.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF APPENDICES

LIST OF ABBREVIATIONS

ADB	African Development Bank
CBOs	Community Based Organisations
FAO	Food and Agriculture Organisation
FINCA	Foundation for International Community Assistance
FWA	Financial Women Association
GDP	Gross Domestic Production
HIPC	Highly Indebted Poor Countries
HIV	Human Immune Virus
IFAD	International Fund for Agriculture Development
IGA	Income generating activities
ILO	International Labour Organisation
IMF	International Monetary Fund
NMB	National Microfinance Bank
NPES	National Poverty Eradication Strategy
NSGRP	National Strategy for Growth and Reduction of Poverty
PRSP	Poverty Reduction Strategy Paper
SACCOS	Savings and Credit Cooperatives Societies
SAP	Structural Adjustment Programme
SPSS	Statistical Package for Social Sciences
TGNP	Tanzania Gender and Network Programme
Tshs	Tanzanian Shillings
UDEC	University of Dar es Salaam Entrepreneurship Centre
UNDP	United Nations Development Programme

UNFPA	United Nations Population Fund
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNICEF	United Nations International Child Fund
UNIFEM	United Nations Fund for Women
URT	United Republic of Tanzania
WDF	Women Development Fund

CHAPTER ONE

1.0 Introduction

Microfinance is defined as a set of innovative and alternative financial services to the poor who do not have access to formal financial institutions (UNDP, 2003). It provides services like micro credit, micro serving and micro insurance to individuals, groups, and institutions, NGO's for the purpose of development. (Doocy *et al.*, 2003).

In general the primary purpose of all credit programs for small and micro-enterprises is to raise the living standards of beneficiaries, their families and their communities through improved production in their businesses (Basu, 2005). Furthermore, Kayunze *et al.*, (2005) added that credit enables poor people to get capital to undertake production and service provision in the process of poverty alleviation.

However, Holt and Ribe (1992) argued that microfinance is not a panacea for poverty and related development challenges, but rather an important tool in the mission of poverty eradication. Similarly Mahajan (1998) as cited by Kayunze *et a.l*, (2005), argues that credit should not be given to the very poor individuals; instead it should be given to the less poor and non poor who can undertake medium and large scale enterprises, and give wage employment to the very poor who may not need credit but need steady wage employment either on or off farm to meet their daily family requirements. UNICEF (2000) argued that there are certain misconceptions about the poor people that they need loan at subsidized rates of interest on soft terms, as they lack education, skills, and capacity to serve, credit worthiness and therefore are not bankable.

Micro finance Institutions (MFIs) therefore, evolved in the world as a response to fight against poverty and the overarching objective of MFI's in the Millennium Development

Goals is to halve global poverty by the year 2015 (Basu, 2005). According to UNDP (2003), the field of microfinance was pioneered by specialized non-governmental organizations (NGOs) and banks such as Bank Rakyat Indonesia (BRI), Unit Desa (Indonesia), Grameen Bank (Bangladesh), Kenyan Rural Enterprise Programme (K-REP), Fundación para la Promoción Desarrollo de la Microempresa (PRODEM) and Banco Solidario (BancoSol) of Bolivia (Littlefield *et al.*, 2003).

Today there are a growing number of successful microfinance institutions (MFIs) worldwide (UNDP, 2003). There are about 10,000 microfinance institutions in the world, whereas in the developing countries there are 7000 microfinance institutions and in Tanzania there are 1620 Savings and Credit Cooperatives Societies (SACCOS), 28 Credit and Savings Associations (SACCAS), 8 banks and 95 Government programs (BOT, 2001).

1.1 The concept of poverty

Poverty has been conceptualized in many different ways, and is associated with a diverse terminology (Mtatifikolo, 1999). For example income or consumption poverty, human under-development, social exclusion, ill-being, lack of capability and functioning, time poverty, vulnerability, unsustainable livelihoods, lack of basic needs and relative deprivation. Thus, poverty should be seen as a process leading to deprivation and vulnerability (Mwazmadzingo, 2002).

Poverty according to URT (1999) is defined as a state of deprivation, prohibitive of decent human life as a result of many and often mutually reinforcing factors, including lack of productive resources to generate material wealth, illiteracy, prevalence of diseases, discriminative socioeconomic and political systems, and natural calamities such as drought, floods, HIV and man made calamities such as wars.

Poverty therefore is a problem facing majority of the world's people and nations, and it is estimated that, half the world population (nearly three billion people) live on less than two dollars a day (Shah, 2004). Globally, about 90 percent of the world's poor are in Asia and Sub Saharan Africa (SSA) (Mbeche, 2002). Indeed Sub Saharan countries are poverty stricken, and it is estimated that by the year 2010, half the people of the SSA will be in total poverty if the present trends of globalized free market continues (Iguisi, 2002). Of the total number of poor people living below a $ per day, 75 percent (0.9 billion), live and work in the rural areas (Malunda, 2005). Other studies also state that rural poverty is higher in most African countries than other developing countries of the world where about one half to two thirds of the Africans live in a state of permanent and deep poverty and most of them are women (Wegeyahu, 2004; Malyamkono, 1997). Furthermore, Iguisi (2002) asserted that poverty in Africa is pervasive. For example, United Nation's Human Development Report of 2003 reported that Africa is the poorest inhabited continent in the world and it is, on average, poorer than it was 25 years ago (Bryceson, 2004). Also out of 175 countries reviewed, about 25 African nations ranked lowest (Wikipedia, 2004). In Tanzania, poverty remains overwhelming in rural areas where 87 percent of the population lives (URT, 2005a).

Generally, Poverty is a multi-dimensional problem, embedded in a complex and interconnected political, economic, cultural, and ecological system (Littlefield, 2003).

In order to understand poverty therefore, it is essential to examine the economic and social context of the respective countries including institutions of the state, markets, communities and the households (Khan, 2006).

Poverty leads to poor health with its associated costs and low productivity, poor education and wasted minds (Shah, 2004). Also poverty leads to miserable lives and crimes, unacceptable choices, such as educating one group over another (for example children against adults), or addressing causes of poverty at the expense of those presently in poverty (Hartmann, 2004).

According to the World Bank report of 2001 it is claimed that, even after four decades of independence Tanzania still remains one of the 10 poorest countries in the world (World Bank, 2003). Recent poverty indicators suggest that deprivation is on the increase, with more than 56 percent of the population is below the basic needs of poverty line (URT, 2000a). According to the Tanzania Household Budget Survey of 2000/01 the proportion of the population below the national food poverty line is 18.7 percent and that below the national basic needs poverty line is 35.7 percent (URT, 2005a).

Poverty in Tanzania is characterized by low income and expenditure, high mortality and morbidity rates, poor nutritional status, low educational attainment, vulnerability to external shocks and exclusion from socio-political processes (Issa, 2004).

However, the consequences of poverty as discussed above obviously go beyond the deficits of food, shelter, education and ill health (Matovu, 2006), though since independence in 1961, the Government of Tanzania was only preoccupied with three development problems as ignorance, diseases and poverty (URT, 2000b).

1.2 Women and poverty

The number of women living in poverty in most developing countries, for the past decade has increased disproportionately to the number of men (Women watch, 2005; Malyamkono, 1997). In Tanzania however, about 60 percent of women live in absolute poverty majority of them being in the rural areas (UNESCO, 2005a). World wide the poorest of the poor are usually women because discrimination cuts off their escape routes from poverty, education, health services, equal pay, employment and access to land and finance (UNFPA, 2002).

Studies conducted worldwide indicate that, generally women's poverty is directly related to the absence of economic opportunities and autonomy, lack of access to economic resources, including credit, land ownership and inheritance, lack of access to education and support services and their minimal participation in the decision making process (Women watch, 2005; UNESCO, 2005a).

1.3 Problem Statement and Justification

Although a commendable job has been done in Tanzania by a number of Non Governmental Organizations (NGOs), Government institutions, donor organizations and others to provide credit to women, still the impact towards development is yet minimal indicating that more emphasis is still needed (Mwaipopo-Ako, 1995). This may be due to the fact that few women receive credit from such institutions because most of them lack collateral, knowledge on how to process the loans, long distance of banking services from the rural women and costs involved in terms of time for processing the loans (Makombe *et al.*, 1999).

About 90% of the rural women in Tanzania are increasingly turning to micro-enterprise business in order to fill their income gap by engaging themselves either in groups, individual projects or sometimes in multiple projects (Mbughuni, 1994). Likewise, the advancement of women in different fields of development has been constrained by lack of direct access to resources, such as capital and credit (Meena, 2005). In order for rural women therefore to pull themselves out of poverty, Government, donors and NGOs, should take various forms of interventions towards poverty alleviation (Mtatifikolo, 1999). However, despite these measures being taken by the government and NGOs to relieve the situation, poverty is still a problem, and the income of most women in Tanzania are still very low (Kashuliza *et al.*, 1998).

Studies done by Kasanga, (2005) and Mongi, (2005) on assessing general performance of Credit Institutions in micro enterprise development in Mvomero and Arumeru districts respectively, revealed that credit helps to reduce poverty at household level. However, most of the women beneficiaries complained against MFIs in that they provide little amount of credit coupled with short repayment periods and high interest rates. Same observations were given by Nakame (personal communication, 2006).

So far no study has ever been done in Kilosa district to reveal how rural women meet their credit needs in the process of poverty alleviation. This particular study therefore, intends to assess the contribution of MFIs operating in Kilosa district in poverty alleviation with respect to Women Income Generating Activities (WIGA).

It is expected that the findings of this study can be used as a baseline for making recommendation to either the government, non-governmental organizations (NGOs), and community based organizations (CBOs) on how to be gender sensitive in the provision of loans and allocation of other resources. Gender sensitivity will make women's income generating activities more sustainable and hence poverty alleviation.

1.4 Objectives of the study

1.4.1 General Objective

To assess the contribution of microfinance /credit institutions in Kilosa district (Morogoro region) in poverty alleviation through women income generating activities.

1.4.2 Specific Objectives

1. To identify the micro finance institutions (MFIs) operating in the study area
2. To identify common income generating activities operated by women in the study area.
3. To assess the role or contribution of MFIs (credit) towards poverty alleviation (in selected items).
4. To analyze factors affecting the performance of women's income generating activities in Kilosa district.

1.5 Research Hypothesis

1.5.1 Null hypothesis:

There is no MFIs operating in Kilosa district.

1.5.2 Null hypothesis

There are no IGAs operated by women in Kilosa district

1.5.3 Null hypothesis

There is no contribution of MFIs (credit) towards poverty alleviation (in selected items).

1.5.4 Null hypothesis

There are no factors affecting the performance of women's income generating activities in Kilosa district.

1. 6 Definition of common terms

(i) Microfinance institutions: Monetary institutions that provide credits and savings services to low income customers.

(ii) Poverty alleviation: Increased monetary value of produced items and services provided by borrowers and non borrowers.

(iii) Income generating activities: Activities in addition to agriculture and livestock keeping carried out in rural areas.

(iv) Income: Earnings of household generated from IGAs.

(v) Education: Years of schooling of household members

(vi) Health services: Availability of health services to household members

1.6.1 Conceptual framework

According to Katani (1999), conceptual framework binds facts together and provides guidance towards collection of realistic data and information. Background variables mentioned in appendix 1, such as age, education level, marital status and house hold level have an effect on the accessibility of an individual to micro finance services (credit). Likewise, any change in the independent variables such as microfinance institutions, credit and income generating activities either increasing or decreasing, affects directly the dependent variable by alleviating or not alleviating poverty respectively.

CHAPTER TWO

2.0 LITERATURE REVIEW

This chapter reviews different literature on possible causes of poverty, and state of poverty among women in Tanzania, poverty and poverty alleviation strategies, poverty alleviation approaches, role of women in poverty alleviation, women participation in IGAs, characteristics of women IGAs, informal sector, women and informal sector, financial sector reforms and formation of MFIs in Tanzania, MFIs operating in Tanzania, women and MFIs

2.1 The state of poverty in Tanzania

After four decades of independence, Tanzania still remains one among the 10 poorest countries in the world (Basu, 2005). This classification is based on a wide range of monetary indices like Gross Domestic Product (GDP) and Gross National Product (GNP), per capita income and population living on less than 1 US$ a day (URT, 2003).

In 2001 it was found that, more than one third of the Tanzanian population could not satisfy their basic needs and nearly 18 percent could not afford to attain food requirement for healthy living (URT, 2002).

In Tanzanian context, we have “absolute poverty” referring to that fraction of the population whose income expenditure is not sufficient to acquire the basic necessities of life (Banturaki, 2000). The absolute poor are condemned to living in degrading conditions prevalent with low literacy, high disease incidences and malnutrition (Kayunze, 2002).

2.1.1 Poverty measurement

There are two major ways of measuring poverty, the first one is by means of basic and social needs that use non-monetary indicators and the second is by means of poverty lines defined in monetary terms (Hemmer, 1987).

2.2 Possible causes of poverty in Tanzania

Poverty has different causes and dimensions depending on whether the poor live in rural or urban area, whether they live within extended family structures, in nuclear family or alone (Münkner, 1996).

Major causes of poverty in Tanzania include fiscal and monetary policies that do not support the leading economic sector of agriculture (Kurwijila and Due, 1991). The poor performance of the agricultural sector has put a significant number of people in the rural areas in a poor economic situation, also long term socialist development agenda, corruption and misallocation and use of the government revenue, resulting in a decline in living condition for most Tanzanians (Malunda, 2005). Furthermore, according to URT (2005a), poverty has many dimensions, often caused by underlying unequal distribution of resources, incomes and opportunities. According to URT (1999), other causes of poverty are not direct for example tradition and norms that hinder effective resources utilization and participation in income generating activities. Structural adjustment is another cause of poverty in Tanzania, World Bank prescribed structural adjustment policies as condition for loans and repayment, in addition, the country is required to open her economy to compete with other countries and even with more powerful and established industrialized nations (Shah, 2004). However, Münkner (1996) pointed out that it is extremely impossible to distinguish clearly between problems, symptoms and causes of poverty.

2.3 Poverty and poverty alleviation strategies

Poverty alleviation refers to lifting the poor out of poverty (Makombe *et al.,* 1999). Poverty is undesirable condition that should be alleviated and eradicated (Kayunze and Kihiyo, 2000). Therefore, poverty alleviation is conceived as a strategy for achieving a sustained increase in productivity and an integration of the poor into the process of growth (Hartmann, 2004).

Globally, poverty alleviation was considered an issue to discuss and deal with since after World War II (Women watch, 2005). Due to the above fact therefore, poverty alleviation has become topical issue among researchers and policy makers worldwide (Luvanga, 1997). Efforts towards alleviating poverty have been disappointingly slow in many developing countries and the relative gap between the richest and the poorest countries has continued to widen (Mwazmadzingo, 2002). A major task for the developing world, including Tanzania, is to build development strategies for alleviating poverty especially in the rural areas, where the majority of poor people live (Banturaki, 2000).

The government of Tanzania has been more concerned with poverty alleviation since independence (Johnson, 2003). To achieve this, various strategies have been launched including state intervention to reduce economic and social inequalities in resource distribution and control (Agenda 21, 2003).

In the recent times Tanzania has developed a range of strategy papers and policies to guide it in the efforts of poverty reduction (Likwelile, 2004). However, Makombe *et al.*,

(1999) argued that poverty is a menace in Tanzania and the proportion of the poor compared to the total population is growing in spite of measures being under taken to alleviate it. For example, it is observed that the incidence of poverty appeared to have declined during the years between 1983- 1991 and 1991 -1993, however, the situation rose again in period 1993-1998 (Issa, 2004).

In 1986 the government embarked on a Structural Adjustment Programme (SAP), that included trade liberalization, public sector reform, elimination of price control and most state monopolies, multi-party system and good governance (Mtatifikolo and Mabele, 2005).

These strategies were suggested by the international community and set as a condition of getting loans and any other assistance (Malunda, 2005). A noticeable feature of SAPs was people losing jobs and declining levels in their real purchasing power, an indication of increasing poverty (Luvanga, 1997). The most pronounced effects of SAPs have resulted in industrial fold ups, and ripped outward in the economy in multiplier effect (Malunda, 2005). Furthermore the introduction of SAPs has resulted in drastic declines in the quality and quantity of social services hitherto financed by government, neglect of grassroots population and increasingly high levels of unemployment among the retrenched, high school graduates and unskilled labour including university graduates for whom there are no immediate job opportunities (Iguisi, 2002; Luvanga, 1997).

The National Poverty Eradication Strategy (NPES) was adopted in 1997 and aimed at providing guidance to all stakeholders in identifying, formulating, implementing and evaluating the state of poverty in Tanzania (Likwelile, 2004). In line with the NPES, the government identified priority areas for public expenditure in the context of the Medium Term Expenditure Framework (MTEF) whose implementation was monitored under the Annual Public Expenditure Review (APER) process involving a wide range of stakeholders (URT, 2005b).

In June 1999, the government of Tanzania issued “Poverty and Welfare Monitoring Indicators” a document intended to provide the basis for monitoring the implementation and evaluation of the impact of poverty eradication programmes (Malunda, 2005). Recently the country is implementing National Strategy for Growth and Reduction of Poverty “MKUKUTA” (URT, 2005). One of the “MKUKUTA” goals under Growth and Reduction pf Poverty is to reduce income poverty of women in rural areas through increased sustainable off farm income generating activities (URT, 2005b).

Despite all these efforts, the situation of poverty in Tanzania is worse than it was in the 1970s (Mtatifikolo and Mabele, 2005). Moreover URT (1998), as cited by Kayunze and Kihiyo (2000) added that in 1997, 50% of all Tanzanians were poor and 36% of the population was very poor, almost 60 % of the rural population was poor compared to 39% of urban population. Also in the course of implementation of poverty alleviation strategies and policies, the Government of Tanzania, in collaboration with key stakeholders has formulated gender development policy, which lays down mechanism for women achievement, gender equality and protection of women rights and interests (URT, 2000b).

2.4 Poverty alleviation approaches

According to Mtatifikolo (1994) and Makombe *et al*., (1999), two approaches toward poverty alleviation concerned with poverty issues were developed. One approach was poverty alleviation through growth and the second is through redistribution. In growth approach it has been assumed that governments should concentrate on growth policies and the results of growth will ‘trickle down’ to the poor through primary and secondary incomes hence poverty alleviation (Makombe *et al.*, 1999; Mtatifikolo, 1994).

Whereas in the redistribution approach, poverty is to be alleviated through special programmes and donor projects Makombe *et. al.*, (1999). Furthermore, Mwazmadzingo (2002) added that as for the effectiveness of the two approaches, the practical problem of growth and its “trickle down” effect makes the redistribute strategy to be more practical for alleviating poverty. Therefore for alleviation of poverty, economic growth in terms of income and its even distribution amongst communities is a suitable global approach that is highly recommended worldwide (Mtatifikolo and Mabele, 2005).

So far in Tanzania, both approaches of poverty alleviation have been implanted and the provisions of credits through MFIs fall under the framework of redistribution approach (Makombe *et al*., 1999). Furthermore, Mayoux (1997) and Meena (2005) argue that the main producers in the rural sector are the small holders whose access to productive improved technology is narrowed down by the lack of capital of their own. Therefore credit facilities are crucial for rural people to pull out of poverty through increased production and productivity (Doocy *et al.,* 2003)

2.5 Role of women in poverty alleviation

Poverty like many social problems has become of great concern for the global community in recent years (Malunda, 2005). Worldwide, the issue of women and poverty requires a special consideration because women and girls of poor rural households bear a disproportional high share of the burden of poverty (FWA, 2002).

Worldwide, women contribute more to the household economy and in combating poverty through both remunerated and unremunerated work at home (Women Watch, 2005). In the Third world countries various policies and strategies are being adopted to reduce or alleviate poverty (Mwazmadzingo, 2002). However African Development Bank (ADB) (1996) asserted that poverty reduction can be attained by improving women's situation as they are the majority of the poor, and this will have an impact on the various segments of the economy. UNFPA (2002) argued that because women have been identified as poor social group they deserve all assistance to alleviate/mitigate their poverty and ultimately improve their well being to attain the Millennium Development Goals and Poverty Reduction Strategy targets.

Apart from their involvement in cash and food crop production, they continue to perform other numerous and vital productive and reproductive roles (TGNP, 1993). In Africa, studies have indicated that women have been contributing more time in the agricultural cycle than men (Meena, 2005). For example, on the study of the world economic crisis and its impact to women, it was estimated that women in Africa contribute up to 30 percent of labour in ploughing, 50 percent labour in planting, 60 percent labour in weeding, 85 percent labour in processing and preserving food, while performing up to 95 percent of all domestic chores (Meena, 2005). Furthermore, women carry the burden of their domestic responsibilities such as collecting fuel wood, fetching water, cooking family food, caring for their own children and looking after the elderly and sick persons in the family (UDEC, 2002).

Women's economic contributions should include home production of non-marketed goods and services that support the economic participation, health and well being of the family members (Stevenson, 2000). Despite contribution of women to economy, they are not acknowledged by policy makers because such potential is undervalued because it is home-based, unpaid and un-priced (Women watch, 2005). Therefore, concern for women in poverty alleviation efforts in Tanzania is important because women constitute over half of the total population that represent a big labour force (URT, 2002).

Despite their important contribution to national development, literature indicates that women have less access to resources such as land, capital, credit and other production related services (Meena, 2005). They are also deprived of control of their own labour (TGNP, 1993).

In the process of poverty alleviation most women face several constraints; major constraint that reduces the efforts of women towards poverty alleviation is lack of direct access to resources such as land, capital, credit and information that affects their productivity (Nkurlu, 2000). Also due to low education levels, their knowledge and skills on how to manage their time and work is generally low, coupled with poor technology, which consume more of their time and energy (Shayo, 1995).

Women reproductive roles can be a hindrance to poverty alleviation; TGNP (1993) observed that women's reproductive responsibilities related to childbirth and childcare cause absenteeism and lower participation in income generating activities and employment for those women who have wage employment. Therefore, any poverty alleviation efforts, are destined to failure unless they promote the advancement of women as producers in their own rights and as direct beneficieries (IFAD, 1993).

2.6 Women participation in income generating activities in Tanzania

During the 1980s and 1990s, most African states (Tanzania included) witnessed a proliferation of women's income generating projects (Meena, 2005). The growing importance of IGAs in Tanzania is evidenced by its increasing size in the national economy (Nkurlu, 2000).

Income generating activities are important for creating employment, production of locally needed commodities, income generation, growth of farm activities and poverty alleviation (Washa, 2002). Apart from creating employment, these activities are important in their contribution to food security and raising household income through selling of products (Minde, 1988; UDEC, 2002). The income generated from these operations may be small, but it plays a significant role in buying clothing for babies and children, paying for school fees and health care (IFAD, 2000). For example a study conducted in Taiwan in 1995 found that, after holding per capita household income constant, women's income share has a significant and positive effect on household budget shares of staples and education and negative effect on budget shares allocated to alcohol and cigarettes (FAO, 2005). In addition women are now building houses, pay house rent and maintain house as a whole (Washa, 2002).

Traditionally, women of Tanzania confine themselves in agricultural activities and not in waged labour until after independence in 1961 (Makombe *et al.,* 1999). For example, in 2000/2001 agriculture was the main activity involving 63 percent women, as reduced from 77 percent in 1991/92 (Issa, 2004).

However the situation changed in the 1980s and 1990s when women became increasingly involved in income generating activities than in agriculture (Makombe *et al.,* 1999).

Perhaps, this was caused by the fact that women especially in rural areas did not control the income gained from agricultural production, therefore this made them turn to other economic activities to enable them earn independent incomes in order to fulfill their obligations (Nkurlu, 2000). Similarly, real crop prices dropped, compelling peasants and their offspring to either diversify income sources by engaging in income generating activities within the rural areas or migrating to the urban centers (UDEC, 2002).

According to IFAD (2000), women concentrate in income generating activities like charcoal selling, handcraft business such as basket weaving and petty trading. Other activities include tie and dye and batik, local beer brewing, food processing, pottery and food vending as an extra source of income for women (UDEC, 2002).

Generally, engagement of women in income generating activities is a way of finding alternative sources of income and also is a means of supplementing their low incomes from agricultural production (Meena, 2005). Despite the alleged lack of growth of dynamics, women enterprises have still played an important role in the communities and nations at large not only in terms of profiling gender roles of women but also in actual economic terms by way of value added and tax contribution (Mdoe *et al.*, 1998).

IGAs undertaken by women, may provide more chances for women to become visible workers, perceive and identify themselves as economic beings, become more organized, and their activities being linked to the mainstream of the national economy and receive pay directly and control their earning (UDEC, 2002).

Despite women's engagement in income generating activities, they still face problems of lack of capital, business skills, time and modern technologies (Nkurlu, 2000). Therefore, these facts make the study worth studying to enable women alleviate poverty.

2.6.1 Characteristics of women's income generating activities

Women usually conduct income generating activities of one kind or another, sometimes duplicate businesses, that may lead to problem of considerable competition for market and lack of business sustainability (IFAD, 2000). Majority of these are traditional, low capital input and labour intensive while the returns accruing to them, by comparison tend to be low (Women watch, 2005).

According to ILO (2000a), women tend to concentrate in the least rewarding income generating activities, production that usually covers a fairly narrow range of consumer goods for example garments, woven goods, food processing and hand crafts. Moreover women tend to keep their businesses close to home to minimize conflict between their many roles as wage earners, mothers and homemakers. For examlpe, a cross regional study of women in the informal sector in Zimbabwe found that about 64 percent of women run their businesses close to their home (Holt and Ribe,1992).

Generally women IGAs have the following characteristics:

Simple technology, low capital investment, no fixed place of business, quasi-legality or lack of registration; with little record keeping (UDEC, 2002).

2.7 Informal sector

O' Riordan *et al*., (1997) defined informal sector as the sum total of income generating activities outside modern contractual relationships of production.

Informal sector comprises of economic activities not regulated by laws such as environmental, labor or taxation, but is subject to the regulations of the local authorities for orderly business operations (Raja and Lal, 2006). Since1980s the informal economy has grown in all regions of the world- in developing as well as developed countries (ILO, 2000b). Due to a lack of employment opportunities in the public sector and in the private formal sector many people are forced to join the informal sector to earn a living (UNESCO, 2005b).

In many developing countries, informal sector activities are often the leading source of employment opportunities for the people with limited access to formal-sector wage employment, women in particular (Mbeche, 2002). Informal sector is an important sector in most developing nations of Africa, Latin America and Asia and around 70 percent, of the population are self – employed, while in developed countries, wage employment dominates (Sutheraman, 1997). For example, informal employment makes up 48 percent of non-agricultural employment in North Africa, 51 percent in Latin America, 65 percent in Asia, and 72 percent in Sub-Saharan Africa (Mbeche, 2002).

Recently, Raja and Lal (2006) in the assessment of the informal sector in 110 countries found that, in year 2000, the average size of the informal sector economy as a percent of the Gross National Income (GNI) was 41% in the developing countries.

Informal sector activities are often the leading source of employment, particular for women in many developing countries (O' Riordan *et al.*, 1997). The role of informal sector is not only the source of employment, it is also a device against poverty and its goods and services cater for some of the basic needs of low income consumers (Mbeche, 2002).

In Tanzania the origin of informal sector was a marginal part of the previously state run economy, that lies on the closure and privatization of large number of public owned large enterprises and the reduction in the payroll of the government, following the Economic Recovery Programme (USAID, 2006). Given the shrinkage of the formal wage employment and erosion of real wages, the country has envisaged the informal sector as one of the priority development policies towards poverty alleviation (Agenda 21, 2003).

The National Informal Sector Survey showed that, there were about 2,370,000 people engaged in production of goods and services at any time of the year (USAID, 2006). Furthermore, the importance of informal sector is its contribution towards poverty alleviation and the existence of significant employment and income opportunities in the sector (Agenda 21, 2003). The growth of informal sector, coupled with its increasing importance to marginal groups, such as women and the landless, presents a unique opportunity to modify current imbalances in favour of these less privileged groups (O' Riordan *et al.*, 1997).

The informal sector therefore, is characterized by the following: easy of entry, reliance of indigenous resources, family ownership of enterprises, small scale of operation, skills are acquired outside the formal school system, unregulated and competitive markets, with a relatively low level of capital (Sutheraman, 1997).

2.7.1 Women and informal sector

For many social, cultural and economic reasons, women have continued to account for the greater share of informal sector employment (Raja and Lal, 2006). The majority of new jobs are created in the informal economy and, in most countries; the proportion of women working in the informal economy is significantly higher than the proportion of men (ILO, 2000c). As discussed above, the informal sector activities are often the leading source of employment opportunities for people with limited access to formal-sector wage employment, in particular for women (Sutheraman, 1997).

According to ILO (1998), the growing informalization of the economy has caused a rise in the number of women who work in the informal sector for example, 80 percent in Lima (Peru); 65 percent in Indonesia; 72 percent in Zambia, and 41 percent in the Republic of Korea.

Generally in Africa, women participation to informal sector employment is everywhere higher than 50 percent (and often more than 60 percent), except in Burkina Faso 41.9 percent ((O' Riordan *et al.*, 1997). Women constitute a bulk in the large informal sector of the developing world (ILO, 2000a). Naturally, they represent the bulk of the informal-sector labour supply and work at a low wage rate less than what is received by the male workers for the same work (Mbeche, 2002).

2.8 Financial sector reforms and formation of microfinance institutions in Tanzania

Since 1991, the Government has been implementing financial sector reforms aimed at putting in place a competitive, efficient and effective financial system (Rubambey, 2002). The principal elements of the financial sector reforms were liberalization of interest rates, the restructuring of state owned financial institutions, the establishment of private banks (both local and foreign owned), strengthening of the Bank of Tanzania's role in regulating and supervising financial institutions and strengthening of Savings and credit Cooperative Societies (SACCOS) as grass root providers of financial services (Microned, 2006).

The reforms started with the enactment of the Banking and Financial Institutions Act, which, among other things, permitted the establishment of private sector-owned banks and provided for a structure for regulation and supervision of the financial sector (World Bank, 2003). The reforms brought about recognition of the need for autonomy of the central bank, not only in the formulation of monetary policy, but in the regulation and supervision of the financial sector as well (Satta, 2000a).

Moreover the policy statement of those reforms was to allow banking institutions to operate on commercial basis, making business and management decisions free from outside interventions but within norms of prudential supervision (URT, 2000a). The financial sector is headed by the central Bank of Tanzania (BOT) that was established in January 1966 after the dissolution of the East African Currency Board (EACB) (Kimei, 1987).

Tanzania Rural Development Bank (TRDB) was formed in 1971 and later into Cooperative and Rural Development Bank (CRDB) in 1984, it was meant to issue loans to farmers for development of farm machinery to meet the expenses of crop and livestock production in Tanzania (Kimei, 1987). The reforms resulted in the establishment of Banking and Financial Act of 1991 when Savings and Credit Cooperatives (SACCOS) act of 1991 was formed (URT, 1998). So far, BOT is responsible for the regulation and supervision of formal financial institutions, including community and cooperative banks (URT, 2000a). However, supervision and regulation of SACCOS is the responsibility of the Registrar for Cooperatives, who operates through the Regional and District Cooperative Departments (Mtatifikolo, 1999).

The entrance of private banks has resulted in more competition and the development of financial markets with new and more efficient financial services (World Bank, 2003). So far this competition induced development of new and more efficient financial services (URT, 2000a).

Although reforms bring about great good changes in the financial sector, there are also some negative impacts of reforms (Msambichaka *et al.,* 2000). Restructuring of the commercial banks led to the closure of several branches in the rural areas, this reduced the services available to the majority of rural population (Satta, 2000b; ICA 2001; Ponte 2002). Similarly, Rubambey (2002) added that although the reform program has had reasonable success in bringing about the growth of a competitive and efficient mainstream-banking sector, it has not brought about the increased access to basic financial services by the majority of Tanzanians; particularly those in rural areas. Apart from closure of branches of the commercial banks in rural areas, these formal institutions found it difficult to deal with small farmers because of the latter's lack of collateral, high incidence of defaults and high transaction costs associated with the issuing of small credits (Kashuliza *et. al*., 1998).

In order to overcome this situation the Government realized that in order to have an efficient and effective financial system, additional focus must be placed on the expansion of financial services to the low-income segment of the population, and that the microfinance sector must be an integral part of the country's financial system (Kimei, 1994; World Bank, 2003). Therefore the Government of Tanzania established National Microfinance Policy in 2000 (BOT, 2001).

Focus of the policy is therefore, on the provision of financial services to low-income households and their enterprises both in rural and urban areas (Rubambey, 2002).

The vision of Tanzania’s national micro-finance policy is to provide financial intermediation without necessarily relying on injections of external donors or government funds (URT, 2000b). The policy caused Non-Governmental Organizations (NGOs) to start micro-finance operations in Tanzania (BOT, 2001). In this policy the Government vowed to create supportive macroeconomic settings such as inflation control, allowing interest rates to be set free, banking supervision, developing rural infrastructure and to provide regulatory environment within the framework of the established financial institutions including the rural SACCOS (URT, 2000a).

Along with banking de-regulation, the Cooperative’s Act of 1991, which authorized the re-structuring of the Cooperative movement and permitted the establishment of the Savings and Credit Cooperatives (SACCOs); Non-Governmental Organizations (NGOs) also started micro-finance operations in Tanzania (Msambichaka *et. al*., 2000; BOT, 2001). One of the banks that has the widest branch network is the National Micro-finance Bank, established by the government to specifically provide micro-finance services (Rubambey, 2002). However, Chirojiga and Cassimon (1999) argued that the actual number of microfinance institutions is unknown.

Despite their progress, MFIs face problems, including their dependency on donor funds to cover operational costs (BOT, 2001). Also attempts to extend micro-finance services to remote clients in Tanzania have been largely unsuccessful (URT, 2003). This is largely due to problems associated with extending centrally managed and governed system for providing financial services to sparse populations in remote areas (URT, 2003). Furthermore, MFIs face the problem of coordination, tracking of different operation systems, weak financial control and lack of effective supervision (URT, 2000a).

2.8.1 Microfinance Institutions (MFIs) Operating in Tanzania

Known MFIs that currently provide credit to micro enterprises in Tanzania include: Women Development Fund (WDF), Presidential Trust Fund (PTF), Promotion of Rural Initiatives and Development Enterprises (PRIDE - Tanzania), Finance and Advances in Development Association (FAIDA). Others include, Foundation for International Community Assistance (FINCA), Savings and Credit Cooperatives Societies (SACCOS) and Small Enterprises Development Agency (SEDA) (Makombe *et al.,* 1999).

2.8.2. Impact of microfinance services on women income generating activities

The Micro credit Summit Campaign reports that 14.2 million of the word’s poorest women now have access to financial services, accounting for nearly 74 percent of the 19.3 million poorest served by microfinance (Kuhn and Cheston, 2000).

Sharma (2000) pointed out that many MFIs services in Africa and Asia target women on assumption of empowering women and targeting services to them could leads to better allocation and use of household resources. Simply getting cash into the hands of women can lead to increased self esteem, control and empowerment by helping them achieve greater economic independence and security, which in turn, gives them the chance to contribute financially to their households and communities (Kuhn and Cheston, 2000).

It is widely assumed that micro-finance services will have a positive impact on women's livelihood in:

i) Leading to higher income that will help women to better perform their reproductive role as brokers of the health, nutritional, and educational status of other household members,

ii) Increasing women's employment in micro enterprises and in improving the productivity of women's income-generating activities, and

iii) Enhancing their self-confidence and status within the family as independent producers and providers of valuable cash resources to the household economy (ILO, 1998).

Impact assessments provide evidence of the positive effects of micro-finance on the livelihood of poor women. World Education found that the combination of education and credit put women in a stronger position to ensure more equal access for females and children to food, schooling and medical care (Kuhn and Cheston, 2000).

Credit to women has positive effects on the schooling of girls; it increases women's asset holdings (except land) and is a significant determinant of total household expenditure (ILO, 1998).

Also a study done in Sri Lanka found that, loans contributed to women's independent income, giving them more bargaining power in their relation with male family members (Mosley and Hulme, 1996). Women have become the preferred clients of the microfinance institutions, as they tend to be better borrowers (ILO, 1998). This is supported by the evidence that women borrowers' average delinquency rates tend to be lower than men's especially for micro loans. For example, a recent study conducted by Inter-American Development Bank and UNIFEM concluded that, NGO in Ecuador, with the lowest delinquency rate has the highest percentage of women clients (ILO, 1998).

Similarly Grameen targets women on the basis that they are better repayers than men and that loans extended to women benefit all the household members more with improved level of food intake, health and education (Mkandawile and Soludo, 2003). In Africa in particular, a large proportion of people (the majority of whom are women) are poor and has very limited access to income, resources, education, health care and nutrition (Mtatifikolo and Mabele, 2005).

2.8.3 Microfinance institutions and poverty alleviation

Poverty is multidimensional, and in providing access to financial services, MFI plays an important role in the fight against poverty (ILO, 1998). FAO (2005) reported that providing access to micro-finance is considered a precondition for poverty alleviation, but also for women's empowerment.

Microfinance has become much of favoured interventionist strategy among international development agencies in the alleviating of poverty (Matovu, 2006). MFIs provide credit and saving services to self-employed poor, enable them to initiate or expand small IGAs

(Mkandawile and Soludo, 2003). MF brings the power of credit to the grassroots without requirement of collateral or previous credit record (UNICEF, 2000).

It makes a huge difference when poor people have access to broad range of financial services, where by they can invest in income producing activities and meet their vital needs such as health, education and nutrition (Goher, 2000). Similarly FWA, 2002 reported that access to credit allows poor people to take advantage of economic opportunities for their homes, their domestic environment and their communities. Furthermore, Matovu (2006) concluded that microfinance is therefore considered as a vital tool that breaks the viscous circle of poverty that is characterized by low incomes, low savings and low investments.

CHAPTER THREE

3.0 METHODOLOGY

3.1 Overview

This chapter describes the methodology used in this study. It covers the description of the study area, research design, sampling procedures, pilot study, data collection procedures, instrumentation and tools for data processing and analysis.

3.2 Description of the study area

The study was conducted in Kilosa district, in Morogoro region.

The district is one of 6 districts of Morogoro region; others include Mvomero, Morogoro rural, Ulanga, Kilombero and Morogoro Urban. Kilosa district is located 100 km northwest of Morogoro region. It lies between latitudes 6° 8’ South and longitudes 36° 30’ west. (The map in figure 1). Tanga and Arusha Region border the district on the North Morogoro, on the Eastern side, whereas Kilombero district and Iringa Region on southwest, while Dodoma Region borders it on the west (URT, 2002).

The district occupies total area of 14 245 square kilometers. According to Tanzania National census (2002), Kilosa district has a population of 489 513 comprised of 244 201 males and 245 312 females with an average household size of 4.6 person.

Administratively the district is divided into 9 divisions, 37 wards and 161 registered villages. Divisions include: Kilosa Urban, Kidete, Masanze, Nongwe, Kimamba, Ulaya, Mikumi, Gairo and Magole.

Existing literature reveal that, no such study has ever been conducted in Kilosa district though many women are engaged in various income generating activities and reasonable numbers of them have access to various MFIs operating in the study area.

Majority of the people in the study area are agriculturalists and a few pastoralists. Both annual and perennial crops are grown including maize, paddy, sweet potatoes, cassava, beans, sorghum and some horticultural crops such as spinach, onions, tomatoes and cassava leaves. The main cash crop is cotton while livestock kept include cattle, sheep, goats, pigs and chicken.

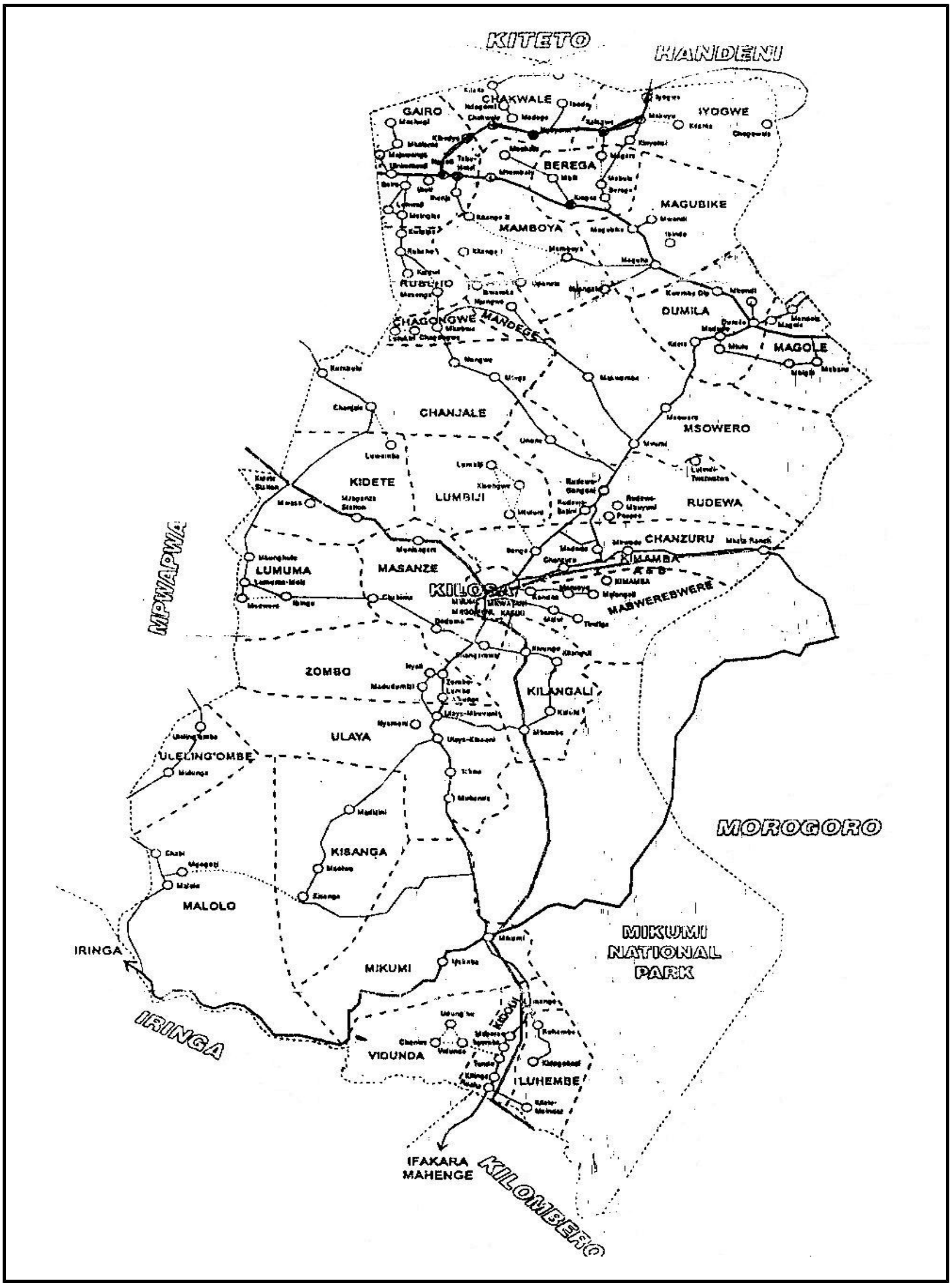

Figure 1: Map of Kilosa district

3.3 Research design

A cross-sectional survey method was used to collect data at a single point in time from a selected sample of respondents. This design is most appropriate for simple descriptive interpretations as well as determination of relationship between and among variables (Babbie, 1990).

3.4 Sampling procedure

In order to obtain the desired population, purposive sampling technique was used to obtain four wards with MFIs. The technique is suitable in Social Science Research because it focuses directly to an area intended for the study. Likewise, when the sample elements are to fulfill a certain criterion or possess certain characteristics the technique allows ways to handle the variations appropriately (Mbilinyi, 1992).

3.3.1 Sampling methods

In this study 3 sampling methods were employed. These included Purposive Sampling (PS), Simple Random Sampling (SRS) and Stratification methods.

Purposive Sampling was used to consult and collect data from the MFIs officials/ or agencies in the study area. The method was also used to select the wards. Selected wards therefore were Magomeni, Kasiki, Kimamba and Mikumi, whereas stratification method was used to stratify the two groups of borrowers and non-borrowers women found in each ward. Then respondents in each group were selected randomly using random numbers.

3.3.2 Sampling unit

The target groups representing the sampling unit for this study are women who were borrowers from MFIs that operate IGAs in Kilosa District. Women who were non-borrowers to MFIs and operate IGAs were involved for comparison purpose.

3.3.3 Sample size

According to Bailey (1994), thirty sampling units are considered the minimum for a meaningful statistical computation, as inadequate resources will limit selection of larger samples. In this study the total sample size selected was 100 respondents of which 50 are borrowers of MFIs and operate IGAs and 50 women are non-borrowers but operate IGAs. The choice of this sample size was based on the financial limitation and need to ensure that sufficient numbers of respondents are included for meaningful analysis.

3.4 Pilot study

It is wise to assess reliability and validity of indicators before carrying out the actual study (Yin, 1994). Therefore, a pilot study was conducted prior to the main study to pretest the questionnaires where 15 respondents were interviewed. Pilot study was meant to assess the time planned for completing the interview and to observe reaction of respondents as they respond to certain questions. The results of the pilot study help to make necessary corrections and modification of the questionnaire. This was done in the first week of November 2006.

3.5 Data collection

3.5.1 Primary data collection

Primary data were collected by interviewing respondents who were borrowers from MFIs and operate IGAs, followed by non-borrowers. Two types of questionnaires for both MFIs borrowers and non-MFIs borrowers were constructed (Appendix 2 and 3).

A checklist for MFIs officials (Appendix 4) aimed at gathering information about MFIs operations was used. Important questions like number of beneficiaries served, and amount of credit disbursed, procedures of obtaining credit, repayment procedures and other credit related problems were asked.

3.5.2 Secondary data collection

Secondary information was also obtained from relevant document both published and unpublished from Sokoine National Agriculture Library (SNAL), Microfinance Institutions, websites and Kilosa District Executive Director's (DED) office.

3.5.3 Instrumentation

Structured questionnaires (Appendix 2&3) were designed in order to obtain both quantitative and qualitative information. The questionnaire composed of closed and open-ended questions. Closed questions aimed to give the respondent limited freedom to choose among options offered while open ended questions gave respondents freedom to exploit /give her views.

3.6 Data analysis

Data were sorted, coded, summarized and analyzed by using Statistical Package for Social Science (SPSS version 11) Computer Software. Based on the objectives of the study, both descriptive and quantitative analyses were done. Descriptive analysis included frequencies, percentages and means. Quantitative analysis involved Gross Margin (GM) analysis, T – test and Chi –square. T-test was used to evaluate the difference between two groups while Chi-square was used to measure the correlation between variables.

Gross Margin analysis was done to estimate income generated from IGAs operated by two groups of respondents (i.e. borrowers and non-borrowers). Gross Margin analysis was also done to establish monthly profitability between the selected women groups. Total GM of all enterprises has to cover the total costs and provide a profit or net returns/ loss (Senkondo, 1988). Gross Margins were obtained using the following formulae:

Profit = total revenues less all costs.

GM = TR - TVC

Where: GM = Gross margin of IGAs

TR = average total revenue of IGAs (T.shs /month)

TVC = average total variable costs. (T.shs /month)

3.6.1 Advantages of Gross Margin Analysis

Gross margin technique is easy to calculate and understood and, it shows logical interrelations of economic and technological parameters and its ability of rational variants for operational structure of an enterprise (Selejio, 2002). In addition GMA is an easy way to understand profitability of an enterprise as it shows how effectively management can bring profits from sales and how an enterprise has to withstand downturn and fend off competition (McClure, 2004). Furthermore, gross margin analysis is useful for examining alternative IGAs and provides a guide to IGA performance given similar environments (Hassall, 2003).

3.6.2 Disadvantages of gross margin analysis

Gross margin analysis is not an exact estimate and reliable point of reference of an enterprise’s pricing strategy and predicting profit but it does give a good indication of financial direction (Hassall, 2003).

Gross Margin is static and not dynamic, that is in calculating gross margin one uses current statistics thus cannot be used when time changes. Furthermore, gross margin analyses do not include fixed or overhead costs such as depreciation, machinery purchases, or permanent labour costs and comparison can be misleading (Hassall, 2005). Therefore the technique fails to make allowance for complimentary relationship between enterprises (Selejio, 2002).

CHAPTER FOUR

4.0 RESULTS AND DISCUSSION

4.1 Overview

This chapter presents the results obtained in this study and its discussion. The chapter is organized in the following sections: MFIs found in the study area, background information of the Foundation for International Community Assistance (FINCA), Women Development Fund (WDF), National Microfinance Bank (NMB), demographic characteristics of borrowers and non borrowers, types of IGAs undertaken by the respondents, amount and source of initial capital to start IGAs, IGA ownership and reasons for starting IGAs, training for operating and managing income generating activities, levels of income generated by women IGAs, credit related matters for the borrowers, contribution of income from IGAs, expenditure patterns of respondents, factors affecting performance of IGAs, conclusion and recommendations of the study.

4.2 Microfinance institutions found in the study area

Table 1 comprises the list of MFIs found in Kilosa district and the respective number of respondents that received credit for the period starting January to November 2006. The results indicate that, FINCA has the highest number of borrowers who received credit. More than half (66%) of the respondents received their credit from FINCA, while 23% from WDF, and 11% from NMB. A total of 509 clients received credit from the three MFIs indicated above during the year 2006.

Table 1: Kilosa district: Number of borrowers according to MFIs for the period Jan – Nov. 2006 (n = 509)

Name of MFI	Number of credit recipients	Percent
FINCA	337	66.0
WDF	117	23.0
NMB	55	11.0
Total	**509**	**100.0**

Source: Research data 2006.

The study also revealed that majority of the borrowers preferred FINCA due to its favourable loan/ credit pre-conditions as compared to the other MFIs. Difficult loan conditions for example lack of collateral were observed to be a major limiting factor to most women rendering them unable to secure credit in other MFIs. Therefore, credit conditions imposed were the determinant factor for borrowers in deciding which MFI to go for a credit.

4.2.1 Number of female and male clients received credit from identified MFIs

Table 2 shows number of male and female clients who received credit from the identified MFIs. The results indicate that, FINCA for the period January – November 2006 disbursed credit to 99% and 5% of female and male clients respectively. Whereas WDF disbursed credit to female clients only because the mission of the institution is to offer credit to women and invest in IGAs in order to improve their standards of living. On the other hand NMB provided credit to 11% and 89% female and male clients respectively.

Table 2: Kilosa district: Microfinance institutions with their relative number of female and male clients for the period Jan – Nov. 2006

Name of MFI	Number of credit recipients			
	Females		**Males**	
	Frequency	Percent	Frequency	Percent
FINCA	332	99.0	5	1.0
WDF	117	100.0	0	0.0
NMB	6	11.0	49	89.0
Total	**455**		**64**	

Source: Research data 2006.

4.2.1.1 Foundation for International Community Assistance (FINCA)

FINCA is a company established in Tanzania in 1998. Officially it started to offer credit to women income generating activities in Kilosa district in 2002. FINCA was once sponsored by United States Agency for International Development (USAID) but currently it operates on its own.

4.2.1.2 The Mission of FINCA

FINCA's mission is to provide access to micro credit and savings to economically disadvantaged groups especially women and support asset accumulation in order to alleviate poverty.

4.2.1.3 Lending conditions and procedure

Lending in FINCA is open to both poor females and males living in the study area. Before a borrower is given a loan she/ he has to fulfill the following credit conditions:

(i) Reside in the area where FINCA is operating.

(ii) Confirmation letter from Ward Executive Officer (WEO)

(iii) Applicant's age should be above 18 years

(iv) Applicant should possess a viable income generating activity that group members must make a visit for verification and approval.

(v) Credit applicant should pay entrance fee of Tshs 10 000 and mandatory savings not less than Tshs 1 000 per week. The amount of savings determines the amount of loan to be given.

(vi) Applicants should form a group of at least 5 -10 people which act as a guarantor.

(vii) The group should open a joint bank account

4.2.1.4 Services offered, number of recipients and credit delivery mechanism

FINCA offers both financial and non-financial services with the major focus on provision of micro and small loans to families trapped into poverty especially women. Other services are compulsory savings and 5 weeks training on business management.

FINCA has replicated Grameen bank modal of group lending mechanism. Group lending is emphasized loan security purpose. It lends to groups of five to ten self-selected and self guaranteed members. The lending policy of FINCA is to help groups or individuals to improve an existing IGAS rather than to finance the starting of new IGAs.

During the time of data collection in Kilosa, FINCA had a total number of 337 clients, of whom 99% were females and only 1% males with a total disbursed credit/loan of Tshs 100 000 500. The loan size ranged from Tshs 50 000 to 1 000 000 per person. About 15% of clients got credit less than Tshs 100 000 and forty percent (40%) of clients received credit ranging from Tshs 100 000 - 200 000 while 45% received credit that was above Tshs 200 000. Variable interest rates were charged where 4% was charged per month and 16% per circle of four months (quarterly), while 48% was charged per annum.

Its officials reported that, from January to November 2006, FINCA loan repayment trend was above 75% and number of borrowers was increasing significantly. (Appendix 5 shows a sample of interviewed FINCA borrowers and their respective repayment records).

4.2.2 Women Development Fund (WDF)

WDF is a credit agency established in Tanzania in 1996 by the Government of Tanzania through the Ministry of Community Development Women and Children affairs. It started to offer credit for women income generating activities in Kilosa district in 1998. At the district level it was reported that the fund is supposed to be supervised by the Coordination Unit that is known as WDF District Committee. The Coordination Unit comprised of the District Executive Director (chairperson) and District Community Development Officer as secretary. The major function of this unit is to monitor and to verify the utilization of funds, delivery and recovery of credit from the recipients.

4.2.2.1 Mission of WDF

WDF mission is to raise the economic status of women by assisting them to invest in income generating activities in order to improve their standards of living hence alleviating poverty.

4.2.2.2 Lending conditions and procedure

Women Development Fund provides credit to its clients in cash form through Community development department. WDF conditions for loan include:

(i) Applicant should be above 18 years

(ii) Applicants should form a group of at least 5 to 10 women

(iii) Applicants should have a group guarantor or referee

(iv) Confirmation letter from Ward Executive Officer should be submitted to MFIs prior loan processing.

4.2.2.3 Services offered, number of recipients and credit delivery mechanism

WDF offers financial services with a major focus on provision of micro loans to women only. It provides loan to groups of five to ten self-selected and self-guaranteed members. During the study period, WDF had a total number of 117 female clients with a total of Tshs 13 100 000 disbursed credit. Credit officials reported that the loan size usually ranges from Tshs 200 000 to 300 000 per group of five, each group member receives initial loan of Tshs 40 000. Eighty percent of clients received credit less than Tshs 50 000 whereas 20% received above Tshs 50 000 with an interest rate 10% per annum. (Appendix 6 shows sample of interviewed WDF borrowers and their respective repayment records)

Operations reports provided by WDF officials indicate that it was successful at 60% -69% based on number of borrowers which was referred to as good. However, they claimed to face a big problem of poor credit repayment rate which resulted to shortage of funds as it was meant to be a self revolving fund. Usually the success of any revolving fund depends on how faster/efficient the repayment system works. (Appendix 6 shows a sample of interviewed WDF borrowers and their respective repayment records).

4.2.3 National Microfinance Bank (NMB)

The National Microfinance Bank (NMB) was formed in 1997. It started its services of offering credit to women income generating activities in Kilosa district in 2000.

4.2.3.1 Mission of NMB

NMB’s mission is to provide financial services to those areas and persons who would not otherwise have access to financial services.

4.2.3.2 Lending conditions and procedure

In National Microfinance Bank, lending is open to both poor rural and urban females and males. In order for a borrower to get a loan she/he has to fulfill the following conditions:

(i) Age of an applicant should be above 18 years.

(ii) Applicant should live within a radius of 25 kilometers to the NMB office

(iii) Confirmation letter from Ward Executive Officer (WEO)

(iv) Applicant should possess a viable IGA that loan officers must make a visit for verification, conduct business appraisal and evaluation of intended investment and the collateral like Tvs, fridge and other valuable assets. Loan officer is required to take photos of those assets and applicant is required to submit to the loan officers her business license

(v) The applicant should open bank account.

(vi) A Penalty of 10% per month for late repayments

4.2.3.3 Services offered, number of recipients and credit delivery mechanism

NMB provides banking services to poor individuals, micro enterprises, savings and cooperative societies, associations and community banks. The bank, unlike other MFIs prefers to provide credit to individual client rather than groups. Therefore collateral was a necessary credit pre-condition to be met by any credit applicant.

NMB as a microfinance institution during the study period had a total number of 55 clients, out of whom 89% and 11% were males and females' clients respectively. Total amount of credit disbursed up to November 2006 was Tshs 630 000 000 with a loan size ranging from Tshs 300 000 to 3 000 000 per person. Sixty five percent of the clients received credit less than Tshs 500 000 while 33% received Tshs 500 000 -100 000 000 and 2% received above Tshs 100 000 000. Monthly interest rate of 2% and 24% per annum was charged on the loans.

During the study period it was reported that NMB was operating at 60% to 69% successful based on number of borrowers and loan repayment (this was referred to as good). Appendix 7 shows a sample of interviewed NMB borrowers and their respective repayment records.

The three MFIs (FINCA, WDF and NMB) were found to face almost common problems, which threatened the provision of services. The major cited problem was failure of clients to repay the loan on time. For example WDF loan officers admitted that, they are facing a big problem of poor credit repayment rate which resulted to shortage of funds as it was meant to be a self revolving fund. The defaulting on the repayment of WDF clients, the credit officials reported that was caused by the misconception among the borrowers that credit from the state was provided as a grant therefore there is no need to payback.

Credit officials also reported that, there are actions or penalty taken to clients who fail to repay their loans. These penalties include taking members collaterals such as fridge, sofa sets and house that were put as collateral during loan application.

4.3 General characteristics of respondents

Table 3 shows the distribution of respondents according to their personal characteristics such as age, marital status and education level.

Table 3: Kilosa District: General characteristics of respondents

Variable	Group

	Borrowers (n = 50)		Non-Borrowers (n = 50)		Total Frequency	Chi-square value	P- value
	Frequency	%	Frequency	%			
Age (years)							
Less than 25	4	8.0	9	18.0	13	8.783	0.032
25 –35	17	34.0	25	50.0	42		
36 – 45	16	32.0	12	24.0	28		
Above 46	13	26.0	4	8.0	17		
Marital status							
Married	26	52.0	19	38.0	45	4.459	0.216
Single	12	24.0	22	44.0	34		
Divorced	8	16.0	6	12.0	14		
Widow	4	8.0	3	6.0	7		
Total	50	100.0	50	100.0			
Education level							
Primary	32	64.0	33	66.0	65	1.488	0.685
Secondary	9	18.0	7	14.0	16		
No education	8	16.0	10	20.0	18		
College and above	1	2.0	0	0.0	1		
Total	50	100.0	50	100.0			

Source: Research data 2006

4.3.1 Age

The sample consisted of 50 borrowers and 50 non-borrowers. Thirty four percent of the borrowers fall in the age group of 25-35 years and 32% between 36-45 years, whereas in the non-borrowers group, 50% fall in the age of 25-35 and 24% fall in age of 36 -45 years. This implies that 42% of borrowers were below 35 years of age while 68% of non-borrowers were also below 35 years. This implies that the percentage of non-borrowers that were below 35 years were many than borrowers of the same age. It however indicates that, as long as both groups belong to the same age, and they are able to decide whether to borrow or otherwise.

Furthermore, the study revealed that, majority of respondents (both borrowers and non-borrowers) were mature and fall within the economically active and productive age.

Similar observations were made by Ishengoma, (1998) who reported that; women at their middle age are regarded as the most active, participative and productive segment of the rural population.

4.3.2 Marital status of respondents

Table 3 indicates that, 52% of borrowers were married, while single, divorced and widow formed 24%, 16% and 8% respectively. In case of non-borrowers, results showed that 38% were married while single, divorced, and widow formed 44%, 12% and 6% respectively. The results however show that, there is no statistical difference between means of marital status of borrowers and non- borrowers (since $p>0.05$).

4.3.3 Education level of respondents

The survey results revealed that majority of respondents had completed primary education as their highest level of education. It was observed that 64% of borrowers and 66% of non-borrowers had completed primary school, while 18% of borrowers and 14% of non-borrowers were secondary school leavers. The data also revealed that 2% of borrowers had attained college education while none of respondents of non-borrowers group had attained college education. However, a mean difference in education levels between borrowers and non-borrowers is not significant (since $p >0.05$).

These findings show that, credit was given to women who know how to read and write therefore, they have a better knowledge about the role of credit, benefits, understand the procedures of getting credit and meeting repayment obligations.

Similar observation was commented by Kayunze and Twamala (2000) who argued that credit should be given to sufficiently educated borrowers given that the activities they were doing needed little expertise. In addition Kuhn and Cheston (2000) reported that combination of education and credit can put women in a stronger position to ensure equal access to food, schooling and medical care.

Furthermore, the results indicates that majority of the rural women (both borrowers and non borrowers) have low level of education. These results conform to World Bank Report (1996), that both rural dwellers; females and males are found to be poorly educated as compared to their fellow urban dwellers.

4.3.4 Household size

Table 4 shows the respondents' household size. Out of 50 borrowers, 38%, 36% and 26% had household size of more than four, one to two and three to four persons per household respectively. On the other hand, non-borrowers, 58%, 34% and 8% of them had household size of one to two, three to four and more than four, persons per household respectively. The household size of the borrowers range from 1 – 12 people with a mean of 5.3; whereas that of non-borrowers size ranges from 1 – 10 people with an average of 4 people.

The observed household size for borrowers was significantly higher than that of non-borrowers ($P < 0.05$); likewise higher than the national average household size of 4.9 persons, and that of Kilosa district, which is 4.6 persons (URT, 2003). However, in most rural areas of Tanzania, having more family members and dependants means more labor force and cheap labor for different development activities. Availability of cheap labour force in income generating activities, if properly utilized means more profitability. On the other hand having big household size means more money is needed to meet for food and other family necessities instead for IGAs development. This may result to more burden therefore, poverty increase.

In a study carried out in Dar es Salaam by Mbapila (2006) argued that, having more family members and dependants per household means more demand for money to purchase food and other requirements that may connote more poverty in the household.

Table 4: Kilosa District: Distribution of household size

Variable	Group				Chi-square value	P-value
	Borrowers (n =50)		Non borrowers (n =50)			
	Frequency	Percent	Frequency	Percent		
Household size						
1-2	18	36.0	29	58.0	2.819	0.006
3-4	13	26.0	17	34.0		
More than 4	19	38.0	4	8.0		
Total	50	100.0	50	100.0		

Source: Research data 2006

4.3.5 Occupation of respondents

The study observed that 82% of the borrowers were small farmers whereas 18% had formal employment. Comparatively, 96% of the non-borrowers were small farmers and 4% had formal employment. In general all the respondents interviewed in this study were categorically small farmers.

4.4 Women's income generating activities

4.4.1 Types of income generating activities operated by borrowers and non-borrowers

Table 5 shows the respondents' income generating activities. Of the 50 borrowers 46%, 16%, 8%, 8%, 6%, and 4% said that they were engaged in retail shop business, selling charcoal and firewood, selling local brew, selling used clothes and fishmongers respectively. Other minor activities mentioned by some respondents were: hairdressing 2%, bar business 2%, guesthouse business 2%, and none of the respondents in this group reported to be engage in pottery and weaving.

Comparatively, out of the 50 non borrowers 18%, 14%, 12%, 10%, 8% and 8% were engaged in tailoring, retail shop, selling local brew, selling charcoal and firewood, fish monger and raw food vending respectively. Other minor activities for non borrowers include: bar business 2%, guesthouse business 2% and none of the respondents reported to engage in nursery school. The most prominent activity mentioned was cooked food vending where 34% of the borrowers and 24% of non-borrowers were engaged in. The finding of this study however, shows that, the most prevailing income generating activity for the borrowers was retail shop business. According to the borrowers shop business was more profitable though it requires high capital investment, and other taxes. Furthermore, the study revealed that, non-borrowers group involved more in cooked food vending because the activity requires little amount of initial capital, traditional feminine with little skills. Similar observations were documented by ILO, (2000), Chiduo (2001) and UDEC (2002), who reported that women tend to concentrate in the least profitable income generating activities usually related to tasks that are traditionally performed by them, such as garments, processed food and woven goods.

Table 5: Kilosa District: Income generating activities operated by borrowers and non-borrowers

Types of IGA	Borrowers (n =50)		Non-Borrowers (n =50)	
	Frequency	Percentage of responses	Frequency	Percentage of responses
Retail shop	23	46.0	7	14.0
Cooked food vending	17	34.0	12	24.0
Selling charcoal and firewood	8	16.0	5	10.0
Tailoring	4	8.0	9	18.0
Raw food vending	4	8.0	4	8.0
Selling used clothes	3	6.0	2	4.0
Selling local brew	2	4.0	6	12.0
Fish monger	2	4.0	4	8.0
Nursery school	2	4.0	0	0
Hair dressing saloon	1	2.0	2	4.0
Bar business	1	2.0	1	2.0

Guest house business	1	2.0	1	2.0
Pottery and weaving	0	0	3	6.0

* As some of the respondents gave more than one opinion, percentage would not necessarily add to 100 (data set was based on multiple responses)

4.4.2 Size of initial capital used to start IGAs

Table 6 shows the size of initial capital that borrowers and non-borrowers had incurred to start up their income generating activities. The results revealed that more than half (54%) of the borrowers started their income generating activities with capital less than Tshs 100 000 while 12% of the borrowers started their income generating activities with initial capital of over Tshs 200 000 and 11% started their IGAs with initial capital ranging between Tshs 100 000 to 200 000. In the case of non-borrowers, more than two thirds (68%) said that they started income generating activities with an initial capital of less than Tshs 100 000 while 18% had initial capital ranging from Tshs 100 000 to 200 000 and 14% with initial capital of above Tshs 200 000.

The study results show that, borrowers had slightly higher initial capital than non-borrowers in terms of magnitude. However, cross tabulation results showed that there was no statistical significance of means between initial capital that borrowers and non-borrowers used to start up IGAs (at $p>0.05$). This was caused by the fact that majority of MFIs did not offer credit to their clients as start up capital but clients were required to have had on going income generating activities.

Table 6: Kilosa District: Size of initial capital used to start IGAs by group (Tshs)

Range	Group				Chi-square value	P-value
	Borrowers (n =50)		Non borrowers (n =50)			
	Frequency	Percent	Frequency	Percent		
<100 000	27	54.0	34	68.0	2.319	0.314
100 000 – 200 000	11	22.0	9	18.0		
>200 000	12	24.0	7	14.0		

Source: Research data 2006

4.4.3 Source of initial capital

Table 7 shows source of initial capital of respondents. Out of 50 borrowers, 40% and 24% obtained their initial capital from MFIs as credit and relatives respectively; whereas, husbands and own saving contributed an equal percentage of initial capital of 12% each. Only 8% and 2% obtained their initial capital from friends and donors respectively. On the other hand, (non-borrowers) it was found that 28% acquired their initial capital from relatives, 28% from husbands and own savings. Few, 16%, 4% and 2% obtained their initial capital from friends, donors and pension respectively.

The study results show that most of the borrowers (64%), obtained their initial capital from MFIs as credit and relatives while the non-borrowers 76% was contributed by relatives, husbands and own savings. These results are in agreement with Sharma and Zeller (1998) who reported that in most countries with exception of Ghana and Malawi informal moneylenders e.g. friends' relatives, neighbors and informal groups provide bulk of loans to poor rural households.

This study however reveals that, only 40% of the borrowers obtained their credit from MFIs indicating few individuals had access to get credit. The reason behind could be the difficult conditions set by MFIs for clients to qualify for a loan. These findings are supported by the study done in Mvomero by Kasanga (2005), who observed that credit agencies required loan applicants to have had a business already in operation, before applying for a loan.

Table 7: Kilosa Disrict: Source of initial capital by group

Source of initial capital	Borrowers (n =50)		Non-Borrowers (n =50)	
	Frequency	Percentage of responses	Frequency	Percentage of responses

Credit (MFIs)	20	40.0	0	0
Relative	12	24.0	10	20.0
Husband	6	12.0	14	28.0
Own saving	6	12.0	14	28.0
Friends	4	8.0	8	16
Donor	1	2.0	2	4.0
Pension	1	2.0	1	2.0
Total	50	100.0	50	100.0

Source: Research data 2006

4.4.4 IGA ownership and reasons for starting IGAs

Results in Table 8 below indicate that, 78% and 22% of the borrowers started IGAs in order to supplement family income and as source of employment to the individuals respectively. Whereas, 56% and 42% of the non-borrowers on the other hand, started IGAs as a source of employment and to supplement family income respectively, while fellow women influenced 2%.

If therefore we compare the reasons for undertaking IGAs between the two groups (borrowers and non-borrowers) the following are observed: First, majority of borrowers (78%) reported that they did IGAs in order to supplement family income compared to 56% of non-borrowers. Second reason, 22% of the borrowers said that they started IGAs as a source of employment compared to 42% of the non-borrowers. Thirdly, only 2% of non-borrowers said that IGAs was started due to the influence of other women while there were none in the borrowers group.

The study indicates that majority of the rural women lack formal employment and due to low income from agricultural activities causing poor women to engage in IGAs as source of employment and income. The results conform to that of Biswalo and Baartjies (2001) who found that in Swaziland IGAs operated by women are major sources of employment and income.

Similarly, the results in Table 7 reveal that 88% of borrowers owned their IGAS while 12% reported to own IGAs in-group and family. During data collection of the present study it was observed that despite MFIs efforts to encourage women to form and work in groups, majority of the borrowers were reluctant to have joint IGAs. This could be due to the fact that IGAs were small in size and lack of trust among group members.

Table 8: Kilosa District: IGAs ownership and reasons for starting IGAs

Variable	Borrowers (n =50)		Non-Borrowers (n =50)	
	Frequency	Percentage	Frequency	Percentage
Reason to start IGAs				
Supplement family income	39	78.0	28	56
Source of employment	11	22.0	21	42.0
Influence of fellow women	0	0	1	2.0
Total	50	100	50	100
IGAs ownership				
Idividual	44	88.0	41	82.0
Group	3	6.0	7	14.0
Family	3	6.0	2	4.0
Total	50	100	50	100

Source: Research data, 2006

4.4.5 Training for operating and managing income generating activities

The results presented in Table 9 reveal that, less than half (44%) of the borrowers reported to have received training for managing IGAs before receiving credit while 56% said no. On the other hand 74% of non-borrowers reported to have no training to operate IGAs while 26% said yes. Considering the willingness of respondents for being trained, 94% of borrowers and 100% of non-borrowers were willing to be trained on how to operate and run IGAs. It was however observed that, none of the MFIs except FINCA that had a training programme. The training explains rules of membership, savings requirement, repayment procedures, and penalties for late repayment and very few aspects of operating IGAs. This implies that training conducted by the MFIs to operate IGAs for both groups is inadequate and insignificant ($P > 0.05$) according to cross tabulation results.

For grass roots women to operate IGAs profitably they need to have certain fundamental skills. In order for credit to influence income generating activities and hence poverty alleviation, education and training have to be addressed Boitumilo *et al.*, (1995) as cited by Makombe *et al.*, (1999).

However, among the MFIs consulted in Kilosa district, only FINCA has a training programme of five weeks in which a few aspects of operating IGAs were provided to borrowers. NBC and WDF officials admitted that they concentrate only in the provision of credit and making follow-ups to ensure credit repayments.

Table 9: Kilosa District: Training on how to operate and manage IGAs

Variable	Groups				Chi-square value	P-value
	Borrowers (n =50)		Non borrowers (n =50)			
	Frequency	Percent	Frequency	Percent		
Training on IGAs						
No	28	56.0	37	74.0	3.560	0.59
Yes	22	44.0	13	26.0		
Total	50	100.0	50	100.0		

Source: Research data, 2006

4.5 Credit related matters for borrowers

4.5.1 Reasons to look for credit

Table 10 indicates that 80% of the borrowers took credit from MFIs in order to expand their business, while 16% took credit in order to get initial capital and only 4% of respondents reported that they took credit from MFIs due to the influence of other individuals.

4.5.2 Entitled credit receiver

Table 10 also shows that 81% of the sampled respondents received credit from MFIs jointly in various groups. The remaining 18% received credit from MFIs independently or as individuals. The study also revealed that, MFIs preferred to provide credit on a solidarity group-lending basis without collateral rather than individuals. Similar observations were given by Matovu, (2006) and Makombe *et. al.,* (1999). Groups provide more guarantee to loan repayment.

4.5.3 When IGAs started

The results in Table 10 indicate that 60% of respondents started IGAs before receiving credit whereas 40% started IGAs after receiving credit. However, during data collection it was revealed that, in order for the applicant to qualify for credit she has to have a well-established IGA and therefore, the credit is meant for further development.

Table 10: Kilosa District: Credit related matters for borrowers (n = 50)

Reasons to look for credit	Frequency	Percentage
Get initial capital	8	16.0
Expansion of business	40	80.0
Influence of other individuals	2	4.0
Total	50	100.0
Entitled credit receiver		
Group	41	82.0
Individual	9	18.0
Total	50	100.0
When IGA started		
Before getting credit	30	60.0
After getting credit	20	40.0
Total	50	100.0

Source: Research data, 2006

4.5.4 Amount of credit received by respondents from MFIs

The data in Table 11 show that 62% of borrowers received credit of value more than Tshs 200 000 whereas, 20% and 18% received Tshs 100 000 – 200 000 and bellow 100 000 Tshs respectively. This implies that, majority of borrowers received credit that was above Tshs 200 000.

Table 11: Kilosa District: Amount of credit received from MFIs (n = 50)

Variable	Frequency	Percentage
Credit received (Tshs)		

<100 000	10	20.0
100 000 -200 000	9	18.0
>200,000	31	62.0

Source: Research data 2006

4.5.5 Interest rate charged per disbursed credit

Interest rates varied depending on the type of organization and the amount of credit offered. Results presented in Table 12 show that 56% of respondents from FINCA reported that, they were charged an interest rate of 16%, per circle of four months and 48% per annum whereas 32% of the respondents from WDF stated that they were charged interest rate of 10% per annum and 12% of the respondents from NMB were charged 24% interest rate per annum.

Table 12: Kilosa District: Interest rates charged per annum by MFIs

Name of MFI	Interest rate	Number of credit recipients	Percentage
FINCA	48%	28	56.0
WDF	10%	16	32.0
NMB	24%	6	12.0
Total		50	100.0

Source: Research data 2006

4.5.6 Credit repayment procedures

Results in Table13 show that, 56% of borrowers from FINCA reported to start paying back their credit only one week after receiving credit; whereas 32% from WDF paid back three months after receiving credit and 12% from NMB paid back one month after receiving credit. The study results reveal that FINCA had the shorter period of time for loan repayment compared to others however has the highest number of female clients. Infact, this period was considered very short by the majority of the clients for the project to produce enough money to sustain it and start to repay. Likely, this could also be a contributing factor for the non-borrowers group not to go for the credit.

Table 13: Kilosa District: Credit repayment periods and procedures (n = 50)

Repayment period	Frequency	Percentage
After one week	28	56.0
After three months	16	32.0
Following month	6	12.0
Total	50	100

Source: Research data 2006

4.5.7 Income levels of borrowers and non-borrowers

Table 14 indicates that, about 40% of the borrowers got a gross margin ranging from Tshs 50 000 – 100 000 per month whereas, 34% of the same group indicated that, they earned a gross margin of Tshs 101 000 to 200 000 per month. Furthermore, 14% and 12% reported to earn a gross margin of less than Tshs 50 000 and more than 200 000 per month respectively.

The non-borrowers group, data showed that, 56% reported to earn a gross margin of less than Tshs 50 000 per month, while 32% earned between Tshs 101 000 and 200 000 per month. Only 6% reported to earn a gross margin of more than Tshs 200 000 per month. Cross tabulation results revealed that, the monthly income level between borrowers and non-borrowers was highly significant ($P < 0.05$). It therefore implies that, the provision of credit improves significantly the levels of income of borrowers compared to that of non-borrowers. (Appendices 8 and 9 show calculations of gross margin of borrowers and non-borrowers respectively).

Table 14: Kilosa District: Comparison of income levels between borrowers and non-borrowers (GM/ month)

Variable	Group				Chi-square value	P-value
	Borrowers (n =50)		Non borrowers (n =50)			
	Frequency	%	Frequency	%		
<50,000	7	14.0	28	56.0	23.844	.000

50,000 -100,000	20	40.0	16	32.0
100,001- 200,000	17	34.0	3	6.0
>200,000	6	12.0	3	6.0

Source: Research data 2006

This could be due to the fact that borrowers had access to MFIs thus credit offered contributed to raising their working capital and invest into more lucrative income generating activities such as retail shop business that resulted to more income hence poverty alleviation. Furthermore, non-borrowers had low initial capital compared to borrowers thus they were forced to invest in income generating activities that required low initial investments. As a result, low income was generated from income generating activities.

4.6 Expenditure patterns of respondents

Table 15 shows the expenditure pattern of respondents on various items, the analysis revealed that 98% of the respondents in the borrowers group used some of their income for purchasing family food, whereas 96% of the same group used to pay for health services, while 90% used it to for school fees. Other uses of the income were: expanding the same business (74%), savings (56%), and construction of new house (20%). A few borrowers, 18% and 10% reported to use the income generated from IGAs in agricultural activities and starting new business respectively.

Table 15: Kilosa District: Expenditure patterns of respondents

Item	Borrowers (n =50)		Non-Borrowers (n =50)	
	Frequency	%	Frequency	%
Family food	49	98.0	41	82.0
Health services	48	96.0	39	78.0
School fees	45	90.0	35	70.0
Business (maintenance)	37	74.0	27	54.0
Savings	28	56.0	5	10.0
Construction of new house	10	20.0	6	12.0
Agricultural activities	9	18.0	4	8.0

New business	5	10.0	7	14.0

* As some of the respondents gave more than one opinion, percentage would not necessarily add to 100 (data set was based on multiple responses)

On the other hand, the non-borrowers used the income for purchasing family food 82%, health services 78%, school fees 70% and maintaining the same IGAs 54%. However, 14% of non-borrowers reported to start new IGAs, 12% used to construct new houses, while 10% used as savings and only 8% in agricultural activities.

Generally, the results indicate that majority of respondents used their income for purchasing family food, health services, paying school fees, maintenance of IGAs, savings and construction of new houses. Therefore, it can be concluded that, the extra income from IGAs, assisted the respondents to increase their ability to pay for the basic household needs and therefore contributing in alleviating poverty.

4.6.1 Income from IGAs that was used in selected items (in Tshs)

Table 16 shows the household expenditure pattern on family food, school fees and health services. The analysis shows that borrowers used an average of Tshs 63 620 per month to purchase family food while non-borrowers used an average of Tshs 34 020 for the same item per month, the variation that was statistically significant ($P < 0.05$).

On education, an average of Tshs 17 801.66 was used per month by the borrowers as school fees while non-borrowers spent Tshs 8 280.00. The variation between borrowers and non-borrowers was however insignificant ($P > 0.05$). On average Tshs 3 715.33 was used by the borrowers for health services per month whereas the non-borrowers used Tshs 1 980 per month. This is highly significant difference ($P < 0.05$).

However, it was also observed that, majority of respondents used Community Health Fund (C.H.F) card when someone was sick. One of the conditions of this fund is that family heads were required to contribute Tshs 5 000 per year in order for all family members to get health services from Kilosa district government hospital.

Also it was observed that borrowers used more income on health services than non-borrowers. This was due to the fact that, the borrowers had a higher average household size than non-borrowers. Therefore more money was needed to pay for health services and meet other costs.

Table 16: Kilosa District: Comparison of the use of the average income generated from IGAs for selected items

Item	**Group**		**T- value**	**P-value**
	Borrowers (n = 50)	**Non-Borrowers (n =50)**		
Average profit from IGAs used on food per month (Tshs)	63 620.00	34 020.00	2.098	0.039
Average profit from IGAs used on school fees per month (Tshs)	17 801.66	8 280.00	1.869	0.069
Average profit from IGAs used on health services per month (Tshs)	3 715.33	1 980.00	3.059	0.003

Source: Research data 2006

4.7 Hypothesis testing

Basing on the study results, T-test was used to determine the validity of the hypothesis regarding the contribution of MFIs on poverty alleviation. Indicators of poverty include income levels, food security, education and health services. This test was used to confirm if income, expenditure patterns on food, health services and education were significantly different between borrowers and non-borrowers.

T-test revealed significant variation for income, food and health services and non-significant for education ($P<0.05$) between borrowers and the non-borrowers as shown in Tables 14 and 16. It therefore suggests that, MFIs (credit) had an impact on borrowers' income and expenditure patterns on food and health services. In this way it can be concluded that, income generated from IGAs improved the living standard of borrowers and therefore, MFIs contributed to poverty alleviation.

4.8 Contributing factors for the non-borrowers not to participate in MFIs

Table 17 summarizes limiting factors that caused non-borrowers not to participate in MFIs services. According to this study, lack of information about presence of MFIs in the study area was the major problem reported by majority (32%). About 26% of the same group reported that lack of collateral was another problem. Other problems mentioned include; difficult conditions set by MFIs for loan (22%), lack of assets for mortgage or collateral (22%), lack of initial capital (20%) women workload (18 %), lack of education (14%) and lack of time (12%).

These findings show that the majority of non-borrowers lack reliable and proper information about existence of MFIs in the study area. Similar observations were reported by FWA (2002) that, women in most rural areas lack information on Microfinance institutions that offer credit in their respective areas.

Table 17: Kilosa District: Factors that caused non-borrowers not to participate in MFIs (n = 50).

Problem	Frequency	Percentage
Lack of information	16	32.0
Lack of collateral	13	26.0
Difficult conditions	11	22.0
Lack of assets	11	22.0
Lack of initial capital	10	20.0
Women workload	9	18.0
Lack of education	7	14.0
Lack of time	6	12.0
Fear of indebtedness	4	8.0
Don't know	3	6.0
Restricted mobility	3	6.0
No MFIs in respective area	1	2.0

* As some of the respondents gave more than one opinion, percentage would not necessarily add to 100 (data set was based on multiple responses)

4.9 Factors affecting performance of IGAs

The results in Table 18 indicate that 70% of borrowers reported that competition for the same business was a major factor that affects the performance of IGAs, while 68% reported that lack of education on business management as another factor. A higher tax is another factor mentioned by 40% of borrowers. Sixteen percent of borrowers reported that lack of reliable market for their products is another factor that affects performance of IGAs. Unlike the borrowers, 68% of the non-borrowers stated that they lack initial capital while 62% said competition for the same business as the second major problem. In addition 30% of non-borrowers reported that, high taxes affected performance of IGAs; however 14% of the respondents reported lack of education on business management and other 14% give lack of reliable market for their products. Malambugi (1991) also reported that, poor women tend to duplicate business activities, on assumptions that, since such activity was successful to neighbour, then the same will happen to her. This leads to considerable competition for market and lack of business sustainability.

Table 18: Kilosa Factors affecting performance of IGAS

Factors	Borrowers (n =50)		Non-Borrowers (n =50)	
	Frequency	%	Frequency	%
Competition	35	70.0	31	62.0
Lack of education on business management	34	68.0	7	14.0
Tax	20	40.0	15	30.0
Lack of market	8	16.0	7	14.0
Lack of initial capital	8	16.0	34	68

*As some of the respondents gave more than one opinion, percentage would not necessarily add to 100 (data set was based on multiple responses).

4.10 Suggestions given by borrowers

Table 19 shows the suggestions given by the borrowers for the purpose of improving services provided by MFIs. The results show that 64% of respondents argued that, the amount of credit should be increased to at least Tshs 100 000. Likewise about 56% of borrowers suggested that training on how to manage IGAs and credit should be enforced to clients because majority of them claimed that they have no/ or little knowledge on how to manage IGAs or use the credit effectively. Forty four percent (44%) of the sampled respondents suggested that credit should be given to individuals rather than groups. This suggestion aimed at reducing the problem of penalty to the whole group in case one of the group members fails to pay back the loan or is somehow lazy. Increasing the grace period was another suggestion noted by 24% of the respondents, whereas 20% of the borrowers suggested that interest rate should be reduced at least to 15% per annum.

Table 19: Kilosa District: Suggestions given by borrowers in order to improve services provided by MFIs (n = 50).

Suggestion	Frequency	Percentage
Increase amount of credit at least to Tshs 100 000	32	64.0
Increase training on management of IGAs	28	56.0
Credit should be provided to individuals rather than groups	22	44.0
Increase grace period to three months	12	24.0
Reduce interest rate at least to 15% per annum	10	20.0

* As some of the respondents gave more than one opinion, percentage would not necessarily add to 100 (data set was based on multiple responses)

CHAPTER FIVE

5.0 CONCLUSION AND RECOMMENDATIONS

The main objective of this study was to assess the contribution of MFIs in poverty alleviation through women income generating activities in Kilosa district. Specifically the study aimed to identify micro finance institutions operating in the study area, common income generating activities, assess the role or contribution of MFIs (credit) towards poverty alleviation (in selected items) and analyze factors affecting the performance of women's income generating activities in Kilosa district. Likewise, the study aimed at providing some recommendation on how to improve MFIs services to the rural women in order to increase productivity of IGAs and ensuring their sustainability in the process of poverty alleviation.

5.1 Findings of the study and conclusion

The following MFIs were found to operate in the study area (Kilosa), FINCA, NMB and WDF. FINCA was however observed to have the highest number of borrowers followed by WDF and NMB. Likewise, the study observed that each MFIs had a set of credit conditions for the clients in order to qualify for the loans. These include payments of entrance fee, formation of a group, possession of an on-going business, living within radius of 25 kilometers to the MFIs office, having group guarantor, opening a joint bank account, age above 18 years, confirmation letter from WEO and paying penalty for defaulters.

The study also revealed that 66% of the respondents received credit from FINCA, while 23% from WDF, and 11% from NMB. During the year 2006 (Jan- Nov) all MFIs disbursed credit to 455 female clients and 64 male clients, with loan sizes ranging from Tshs 200 000 to 300 000 per group of five women, Tshs 300 000 to 3 000 000 per client and Tshs 50 000 to 1 000 000 per client in WDF, NMB and FINCA respectively.

FINCA charges a fixed interest rate of 4% per month and 16% per circle (of four months), while 48% is charged per annum whereas; WDF charged a fixed interest rate of 10% per annum and NMB interest rate charged is 2% per month and 24% per annum.

It was also revealed that, majority of the borrowers and non-borrowers were below 35 years of age where 64% of borrowers and 66% of non-borrowers had completed primary education. It also revealed that the non-borrowers had small household size compared to borrowers group.

The common IGAs found in Kilosa are retail shop business, selling charcoal and firewood, selling local brew, selling used clothes, fishmongers, hairdressing, bar business and guesthouses. Seventy eight percent of borrowers started IGAs in order to supplement family income while 56% of non-borrowers started IGAs as a source of employment that were family and individually owned.

Training for operating and managing IGAs was only offered to few borrowers and non-borrowers. Thus it can be concluded that training offered by MFIs was insufficient due to the fact that, only FINCA had a training programme of five weeks in which few aspects of operating IGAs were offered. On the other hand NMB and WDF officials admitted that they concentrate only in the provision of credit and making follow-ups to ensure credit repayments are fulfilled.

Regarding the initial capital, it is observed that, less than 68% and 54% of the respondents (borrowers and non-borrowers) started their IGAs with Tshs 100 000 respectively with the main source of initial capital for non-borrowers being relatives while borrowers obtained from microfinance institutions.

Gross margin analysis showed that 40% of the borrowers had incomes ranged between Tshs 50 000 – 100 000 whereas 56% of non-borrowers had income was less than Tshs 50 000. T- test results also indicated that income variation between borrowers and non-borrowers was statistically highly significant ($p< 0.05$). This implies that provision of credit improves significantly the levels of income of the borrowers.

The income from IGAs according to this study had alternative uses. The study revealed that both borrowers and non-borrowers purchased family food worth an average of Tshs 63 620 and Tshs 34 020 respectively. On education, borrowers and non-borrowers used an average of Tshs 17 801 and Tshs 8 280 respectively. It was also observed that borrowers spend Tshs 3 715 on health services whereas non-borrowers used an average Tshs 980. T-test results have revealed that, there was a significant difference in income and expenditure patterns on food and health services between borrowers and non-borrowers.

Factors that affect the performance of IGAs were also identified in this study. The study observed that 70% of borrowers stated competition as the major factor that affected the performance of their IGAs whereas lack of initial capital was stated by 68% of non-borrowers.

5.2 Recommendations and policy implications

- MFIs services are the major source of capital for the majority of people for both starting and expanding their IGAs and if properly utilized and managed MFIs can bring about a considerable increase in income that may help to alleviate poverty. It is recommended therefore that, MFIs must look for the possibilities of revising some of their conditions observed to be most limiting to clients as well as providing credit according to their clients' demand in order to invest into more productive IGAs.

- Similarly, the groups lending approach as a loan requirement that is used by the majority of MFIs favours these institutions/ organizations and not the clients. It is therefore recommended that MFIs should be flexible, that is in both group and or individual lending be allowed.

- The study found 94% of borrowers and 100% of non borrowers were willing to be trained on how to keep records of their IGAs, how to establish markets of their products, how to compete with other IGAs, and how to create new profit making IGAs. Therefore, Government should encourage NGOs and MFIs to review their policies and incorporate training component as part of the credit package.

- The potential productivity of IGAs depends not only on credit but also to a larger extent on management through training. Simple basic knowledge should be provided to women like business management, elementary book keeping, stock control and sales promotion. The skills will help women to access relevant business information, articulating their needs as well as dealing with regulatory and other business challenges or even changing the business if situation needs too.

5.3 Suggestions for future research

The study covered only the contribution of MFIs in poverty alleviation through women income generating activities by using selected items. It is therefore suggested that, future research should cover the contribution of MFIs in poverty alleviation through women's IGAs by using various indicators of poverty in other areas to compare the results.

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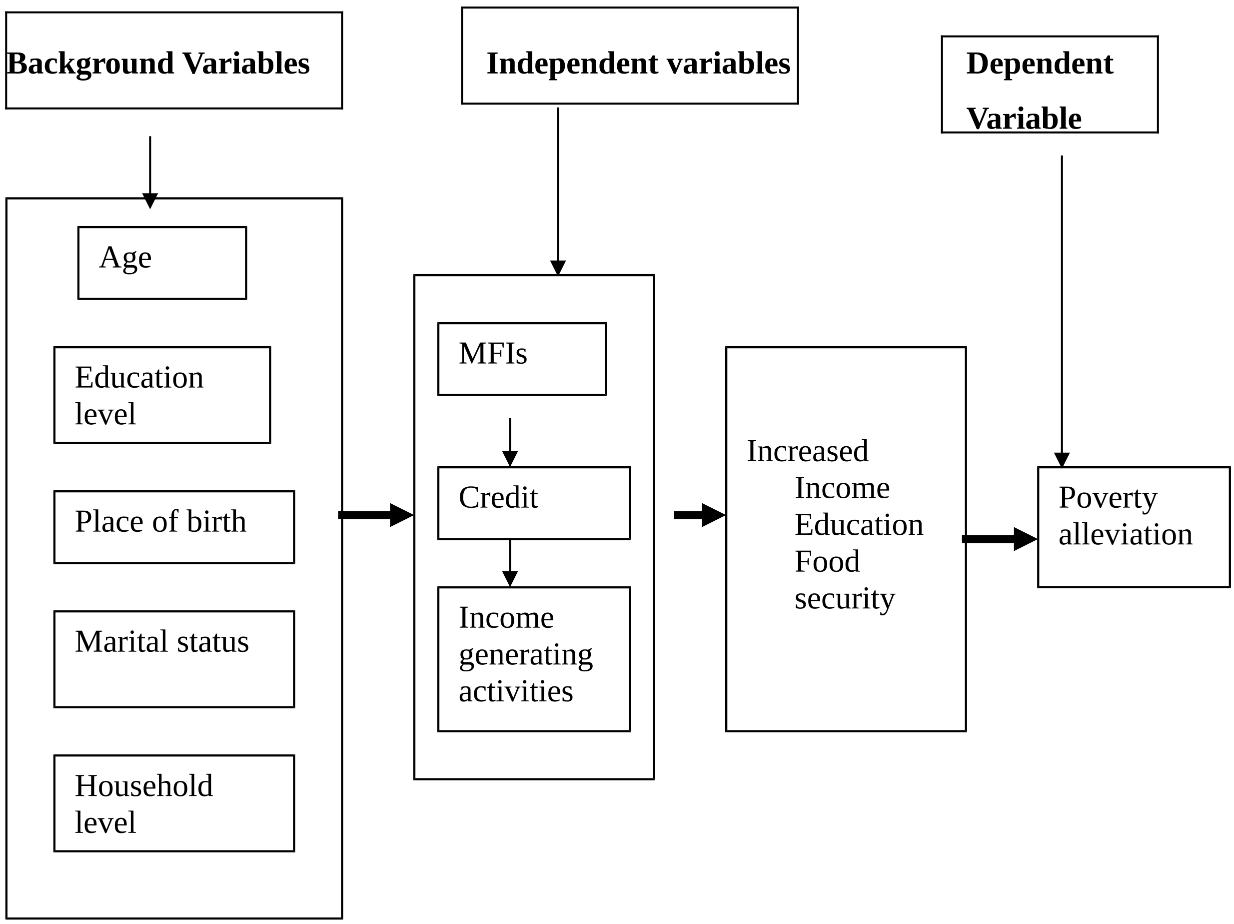
APPENDICES

Appendix 1: Conceptual framework for the contribution of micro finance institutions in poverty alleviation



Appendix 2: Questionnaire for borrowers

Questionnaire August 2006

A study of contribution of Micro Finance Institutions in Poverty Alleviation through Women's income generating activities in Kilosa District, Morogoro – Tanzania

(a) Questionnaire for borrowers

A: General information

1. Name of respondent --------------------------------------
2. Ward ------------------------- Village: ----------------------
3. Age ---------------------
4. Marital status (a) married ☐ (b) never married ☐ (c) widow☐

(d) divorced ☐

5. Do you have formal employment? 1. yes 2. no

6. Education level (a) no education (b) primary ☐ (c) secondary

(d) Others (specify) -----------------------------------

7. Household size -----------

B: Income generation activities issues

8. What are the income generating activities do you do using the credit provided?

(a) -----------------------------

(b) -----------------------------

(c)-----------------------------

9. How much initial capital was used to start up your IGA?--------------------

(ii)Where did you get that capital?

(a)Friends (b) Husband (c) Donor (d) Other (Specify)

10. Did your income generating activity start before or after receiving loan/ credit?

(a) Before ☐

(b) After ☐

(c) Other sources (specify) --------------------------------------

11. IGA ownership
    - (a) Individual ☐
    - (b) Group ☐
    - (c) Family ☐
    - (d) Others (specify) --

12. Reasons for starting income generating activity
    - (a) Source of employment ☐
    - (b) To supplement family income ☐
    - (c) Others (specify) --

13. Did you undergo basic training of running IGA/ an enterprise before starting yours?

    (a) Yes (b) No

14. (a)If yes, where and how long was the training? --

    (b) Do you need more training related to IGAs

C: Credit Related Matters

15. Which credit institution you normally get your loan? -------------------------------

16. What reasons made you to look a loan/credit?
    - (a) To get initial capital ☐
    - (b) To expand the business ☐
    - (c) Influence of other individuals/ beneficiaries ☐
    - (d)Others (specify) ---

17. (i) Did you receive loan as individual or as a group

    (ii) If as an individual, when did you receive the current credit? ----------------

    (iii) Amount received Tshs----------

    (iv) If as a group, when did your group receive the current credit? ----------------

    (v) Amount received Tshs----------

    (vi) If as a group, how many are you in the group? Give the total number------

18. (i) What was the average loan size to individual group member? Tshs-------

    (ii) Please may I know your repayment record?

19. What are the necessary conditions of MFIs that a woman or a group must meet before getting a credit?
    - (a) --
    - (b) --
    - (c) --
    - (d) --

20. What are the basic requirements for a woman to join your group?

(a) --

(b) --

(c) --

(d) --

(e) --

21. Do you still want to get loan from such Credit Institutions?

(a) Yes ☐ (b) No ☐

22. Do you normally receive the amount of credit applied for? (a) Yes ☐ (b) No ☐

23. If no, the amount given is:

(a) Less than the amount requested ☐

(b) Above your requirements ☐

24. How frequent do you pay back the loan according to micro finance regulations?

(a) Weekly ☐

(b) Monthly ☐

(c) After three months ☐

(d) Yearly ☐

(e) Others (specify) ------------------------

25. What rate of interest is charged on your credit per annum? ----------%

F: Income generated from IGAs and expenditures

26. (i) On average, how much monthly income has your IGA (s) created so far since July 2005 –July 2006 Tshs----------

(ii)What are the approximate costs of running IGA (s) monthly? Tshs--------------

27. On what issues do you normally spend the profit you get from IGA? (You can select more than one option)

(a) Business

(b) Buying family food and clothes

(c) Starting new enterprise

(d) House construction

(e) Paying for children's education

(f) Paying for health services

(g) Agricultural activities

(h) Others (specify)-----------------------

28. On average how much you spend profit obtained from IGA (s) on the following items:

Item	Average cost per month
Family food	
Children education (fees)	
Health services	

29. Do you think the credit received has helped you to improve the living standard?

(a) Yes ☐ (b) No ☐

30. If "Yes" how?

(a) --

(b) --

(c) --

31. What are limiting factors that affect the performance of your IGA (s)?

(a) --

(b) --

(c) --

32. What is your general comments regarding MFIs services?

(a) --

(b) --

(a) --

Thank you very much for your co-operation

Appendix 3: Questionnaire for non borrowers

A: General information

1.Name of respondent ------------------------------------

2.Ward ------------------------ Village: ---------------------

3.Age --------------------

4.Marital status (a) married ☐ (b) never married ☐ (c) widow ☐

(d) divorce☐

5. Do you have formal employment? 1. yes ☐ 2. no ☐

6. Education level

(a) no education (b) primary (c) secondary

(d) Others (specify) ----------------------------------

7. Household size -----------

B: Income generation activities issues

8. What are the income generating activities do you engaged in?

(c) ----------------------------

(d) ----------------------------

(c)-----------------------------

9. How much initial capital was used to start up your IGA?-------------------

10. How do you operate your IGA

(a)Individual ☐

(b)Group ☐

(c)Family

(d) Others (specify) --

11. (i)Please can you recall the amount of capital you have had before starting IGA (s) Tshs-----

(ii)Where did you get that capital?

(a)Friends (b) Husband (c) Donor (d) Other (Specify)

12. Reasons for starting income generating activity

(d) Source of employment ☐

(e) To supplement family income ☐

(f) Others (specify) --

13. Have you ever received any training on how to operate your IGA/ an enterprise?

(a) Yes (b) No

14. If yes, where and how long was the training? ---

C: Credit Related Matters

15. Are you aware of existence of MFI in the district? (a) yes (b) no

16. Can you mention some few MFI you know?

(a) ----------------------

(b) ----------------------

(c) ----------------------

(d) ----------------------

17.Do you have membership to any MFI? (a) yes (b) no

F: Income generated from IGAs and expenditures

18. (i) On average, how much monthly income has your IGA (s) created so far since July 2005 –July 2006 Tshs----------

(ii)What are the costs of running your IGA (s)

19. On what issues do you normally spend the profit you get from IGA? (You can select more than one option)

(a)Business

(b)Buying family food and clothes

(c)Starting new enterprise

(d)House construction

(f)Paying for children’s education

(g)Others (specify) --

20. On average how much you spend profit obtained from IGA(s) on the following items:

Item	Average cost per month
Family food	
Children education (fees)	
Health services	

Thank you very much for your co-operation

Appendix 4: Checklist for microfinance institutions officers

CHECKLIST FOR MICROFINANCE INSTITUTIONS OFFICERS

1. Please may I know your designation?

2. When did your agency started officially?

3. When did your agency started to offer credit for women income generating activities?

4. Please may I know the total number of beneficiaries (females and males) in Kilosa District so far?

5. Please may I know the mission of your scheme?

6. What are the procedures for obtaining credit?

7. What are the criteria for deciding on whom to give loan?

8.Please may I know the amount of the advanced credit disbursed so far?

9. (i) To what extent the scheme succeeded in this district?

(a) Excellent (above 75% (b)Very good (70%- 74%).

(c)Good (60%- 69%) (d) Fair (50%- 59%)

(e) Failure (below 50%) (f) Other (Specify)

(ii) On what factor is this range of ratio is based?

(a) Loan repayment (b) improved income (c) beneficiaries record keeping

(b) Current loan holder (e) Others specify

10. (i) What is the loan repayment procedure and interest rate charged per month?

(ii)What is the repayment trend for the last year?

(iii)Is there any involved action or penalty for beneficiaries failing to repay their loan? (a) yes (b) no

(If yes; what action/ penalty involved?

(ii) What sort of penalties is imposed to loan beneficiaries for late repayment?

11. What are major credit r elated problems?

Thank you very much for your co-operation

Appendix 5: Sample of FINCA's borrowers and their respective repayment records for the period Jan- November 2006.

Client	Amount borrowed	Interest rate/annum	Principal + Interest	Amount paid	Amount unpaid	Percent of unpaid loan
1	50 000	8 000	58 000	0	58 000	100.0
2	50 000	8 000	58 000	3 625	54 375	93.7
3	50 000	8 000	58 000	58 000	0	0
4	50 000	8 000	58 000	54 375	3 625	6.25
5	50 000	8 000	58 000	36 250	21 750	37.5
6	50 000	8 000	58 000	14 500	43 500	75
7	50 000	8 000	58 000	32 625	25 375	43.75
8	50 000	8 000	58 000	54 375	3 625	6.25
9	50 000	8 000	58 000	58 000	0	0
10	50 000	8 000	58 000	14 500	43 500	75
11	50 000	8 000	58 000	54 375	3 625	6.25
12	80 000	12 800	92 800	58 000	34 800	37.5
13	80 000	12 800	92 800	92 800	0	0
14	80 000	12 800	92 800	92 800	0	0
15	80 000	12 800	92 800	92 800	0	0
16	80 000	12 800	92 800	92 800	0	0
17	80 000	12 800	92 800	92 800	0	0
18	100 000	16 000	116 000	7 250	108 750	93.75
19	100 000	16 000	116 000	72 500	43 500	37.5
20	150 000	24 000	174 000	87 000	87 000	50
21	100 000	16 000	116 000	94 250	21 750	18.75
22	150 000	24 000	174 000	87 000	87 000	50
23	100 000	16 000	116 000	116 000	108 750	93.75
24	500 000	80 000	580 000	253 750	326 250	56.25
25	500 000	80 000	580 000	398 750	181 250	31.25
26	500 000	80 000	580 000	36 250	543 750	93.75
27	500 000	80 000	580 000	290 000	290 000	50
28	500 000	80 000	580 000	507 500	72 500	12.5

Appendix 6: Sample of WDF's borrowers and their respective repayment records for the period Jan- November 2006.

Client	Amount borrowed	Interest rate/annum	Principal + Interest	Amount paid	Amount unpaid	Percent of unpaid loan
1	50 000	5 000	55 000	0	55 000	100.0
2	50 000	5 000	55 000	0	55 000	100.0
3	50 000	5 000	55 000	0	55 000	100.0
4	50 000	5 000	55 000	0	55 000	100.0
5	200 000	20 000	220 000	220 000	0	0
6	200 000	20 000	220 000	220 000	0	0
7	200 000	20 000	220 000	0	220 000	100.0
8	200 000	20 000	220 000	0	220 000	100.0
9	50 000	5 000	55 000	0	55 000	100.0
10	50 000	5 000	55 000	0	55 000	100.0
11	50 000	5 000	55 000	0	55 000	100.0
12	50 000	5 000	55 000	30 000	25 000	45.5
13	50 000	5 000	55 000	0	55 000	100.0
14	50 000	5 000	55 000	0	55 000	100.0
15	50 000	5 000	55 000	0	55 000	100.0
16	300 000	30 000	330 000	50 000	280 000	84.8

Appendix 7: Sample of NMB's borrowers and their respective repayment records for the period Jan- November 2006.

Client	Amount borrowed	Interest rate/annum	Principal + Interest	Amount paid	Amount unpaid	Percent of unpaid loan
1.	500 000	120 000	620 000	51 666.70	56 333.30	91.66
2.	1000 000	240 000	1 240 000	1 240 000	0	0
3.	1000 000	240 000	1 240 000	0	1 240 000	100.0
4.	600 000	144 000	744 000	744 000	0	0
5.	600 000	144 000	744 000	62 000	682 000	91.66
6.	500 000	120 000	620 000	620 000	0	0

Appendix 8: Calculations of gross margin for borrowers

Group	Total revenue minus variable costs		Gross margin per IGA Tshs
Borrowers	Average monthly revenue	Average monthly variable costs	Gross margin per IGAs (Tshs)
1	150 000	70 000	80 000
2	200 000	120 000	80 000
3	460 000	300 000	160 000
4	200 000	120 000	80 000
5	300 000	240 000	60 000
6	220 000	320 000	-100 000
7	115 000	50 000	65 000
8	600 000	500 000	100 000
9	180 000	150 000	30 000
10	200 000	150 000	50 000
11	280 000	150 000	130 000
12	350 000	200 000	150 000
13	500 000	150 000	350 000
14	450 000	350 000	100 000
15	300 000	200 000	100 000
16	120 000	70 000	50 000
17	300 000	200 000	100 000
18	250 000	150 000	100 000
19	340 000	175 000	165 000
20	250 000	50 000	200 000
21	275 000	130 000	145 000
22	300 000	150 000	150 000
23	200 000	110 000	90 000
24	200 000	90 000	110 000
25	200 000	100 000	100 000
26	450 000	200 000	250 000
27	95 000	50 000	45 000
28	390 000	200 000	190 000
29	200 000	150 000	50 000
30	200 000	80 000	120 000
31	300 000	100 000	200 000
32	650 000	400 000	250 000
33	115 000	80 000	35 000
34	500 000	350 000	150 000
35	320 000	160 000	160 000
36	150 000	100 000	50 000
37	300 000	200 000	100 000
38	400 000	300 000	100 000
39	154 000	40 000	11 4000
40	170 000	40 000	130 000
41	120 000	90 000	30 000

42	600 000	400 000	200 000
43	400 000	120 000	28 000
44	1 050 000	250 000	800 000
45	800 000	700 000	100 000
46	150 000	110 000	40 000
47	1 440 000	1 000 000	440 000
48	250 000	150 000	100 000
49	120 000	50 000	70 000
50	1 500 000	1 320 000	180 000
Total	17 764 000	10 935 000	6 829 000

Appendix 9: Calculations of gross margin for non borrowers

Group	Total revenue minus variable costs		Gross margin per IGA (Tshs)
Non borrowers	Average monthly revenue	Average monthly variable costs	
1	80 000	30 000	50 000
2	500 000	650 000	-150 000
3	15 000	7 800	7 200
4	75 000	50 000	25 000
5	280 000	20 000	80 000
6	50 000	25 000	25 000
7	275 000	180 000	95 000
8	80 000	40 000	40 000
9	120 000	50 000	70 000
10	85 000	45 000	40 000
11	150 000	50 000	100 000
12	30 000	5 000	25 000
13	75 000	50 000	25 000
14	100 000	60 000	40 000
15	95 000	70 000	25 000
16	150 000	75 000	75 000
17	390 000	300 000	90 000
18	150 000	100 000	50 000
19	500 000	300 000	200 000
20	25 000	10 000	15 000
21	55 000	30 000	25 000
22	300 000	100 000	200 000
23	12 000	8 000	4 000
24	50 000	30 000	20 000
25	2 000 000	800 000	1 200 000
26	75 000	50 000	25 000
27	15 000	110 000	40 000
28	150 000	100 000	50 000
29	240 000	170 000	70 000
30	1 200 000	700 000	500 000
31	65 000	30 000	35 000
32	160 000	50 000	110 000
33	40 000	20 000	20 000
34	150 000	100 000	50 000
35	50 000	35 000	15 000
36	200 000	100 000	100 000
37	75 000	39 000	36 000
38	100 000	55 000	45 000
39	600 000	45 000	555 000
40	300 000	250 000	50 000
41	215 000	130 000	85 000

42	45 000	30 000	15 000
43	90 000	75 000	15 000
44	45 000	20 000	25 000
45	45 000	30 000	15 000
46	150 000	130 000	20 000
47	130 000	100 000	30 000
48	85 000	30 000	55 000
49	100 000	60 000	40 000
50	150 000	100 000	50 000
Total	10 252 000	5 824 800	4427 200