RURAL- URBAN COMPLEMENTARITIES (RUC) IN TANZANIA: ANALYSIS OF SAVINGS AND CREDIT SERVICES AT KIBAIGWA IN KONGWA DISTRICT

BY

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ABSTRACT

The study was carried out in Kibaigwa Township and immediate hinterlands at Kongwa district. The specific objective of the study were to: identify and characterize savings and credit services in the study area; assess rural-urban linkages between Kibaigwa emerging urban centre and immediate rural areas and to determine the role of savings and credit on development of Kibaigwa urban centre. Primary data were collected using structured questionnaire administered to 120 respondents. Microfinance institutions present includes: KIFISSACOS; UMAKISSO; KAMCOs and Cargo porters. These institutions are important instrument helping microenterprises and farmers to access savings and credit services. Credit and savings to poor enterprises create potential for the growth of business investments and help in rural-urban linkages which leads to emergency of Kibaigwa Township. Based on the findings of this study the following recommendations were made: The government in collaboration with various development partners should consider the possibility of establishing credit institutions to provide specific credit and savings needs to small farmers and small businesses; Land registration by the government must be immediately carried out to allow the majority of poor farmers to have legal land ownership rights and be able to use it as collateral when they apply for credit from formal financial institutions. The government should instate policy that creates favourable conditions and investment opportunities in urban areas through: Improving and increasing roads, health centers, primary schools and secondary schools, rural electrification; water services and transportation services between villages and townships.

DECLARATION

I **MKUBYA RAPHAEL WAMBURA** do hereby declare to the Senate of Sokoine University of Agriculture that this dissertation is the result of my own original work and that it has neither been submitted nor being concurrently submitted in any other institution.

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DEDICATION

To my family members for their patience, moral support and assistance during study period. I believe the period they missed me will not be considered as wasted and useless, but remain to be fruitful and challenge to this academic advancement. It is my hope that the whole family will now join me in enjoying a new prosperous life through this achievement.

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LIST OF ABBREVIATIONS

ASDP	–	Agricultural Sector Development Support Program
BOT	–	Bank of Tanzania
CIA	–	Central Intelligence Agency
FINCA	–	Foundation for National Community Assistance
GNP	–	Gross national product
IFAD	–	International Fund for Agricultural Development
IFPRI	–	International Food Policy Research Institute
KIFISSACCOs	–	Kibaigwa Financial Services Servings and Credit Cooperative Society
KAMCOS	–	Kibaigwa Agricultural Marketing Cooperative Society
KISACCOS	–	Kimara Savings and Credit Cooperatives
MFI	–	Microfinance Financial Institution
NBS	–	National Bureau of Statistics
NGOs	–	Non-Government Organisations
NMB	–	National Microfinance Bank
NSGRP	–	National Strategy for Growth and Reduction of Poverty
PRIDE	–	Promotion for Rural Initiative Development Enterprise
ROSCAS	–	Rotating Savings and Credit Associations
RUC	–	Rural Urban Complementarities
SACCOs	–	Savings and Credit cooperatives
SPSS	–	Statistical Package for Social Science
UMAKISO	–	Horticultural Crops Sellers at Kibaigwa Market
UN	–	United Nations

UNCHS   –   United Nations Central for Human Settlement

URT   –   United Republic of Tanzania

WB   –   World Ban

CHAPTER ONE

INTRODUCTION

1.1   Background Information

Since independence, the Tanzanian government in collaboration with donors has designed and implemented various development strategies/polices with the aim of reducing poverty. The most recent strategies include the Poverty Reduction Paper of 2002 that provide the framework for poverty reduction in Tanzania and National Strategy for Growth and Reduction of Poverty (NSGRP), which is a revised version of the former strategy that was released in 2000. The 2007 household budget survey shows that 34% of Tanzanians fall below the basic needs poverty line (NBS, 2008). Poverty reduction in rural and urban areas requires an integrated approach which, on the one hand, provides rural population with access to urban opportunities such as: Urban markets; urban services and urban employment opportunities for Urban and rural population this called rural urban complementarities (UN, 2004). Inadequacy savings and credit services have been cited as one of the main factors that constrain poverty reduction initiatives in both rural and urban areas (Kuzilwa, 2002).

 It is estimated that there are around 800 institutions providing some kind of financial services to low- income groups in Tanzania (Harper, 2006). However a very small proportion of the population in rural and urban areas has access to formal banking systems (Higgot, 2000). Studies by International Food Policy Research Institute **(**IFPRI**)** 2006 and Diyamett *et al*, 2001 have shown that often people moving to urban areas maintain both social and economic relationship with their original rural area and these relationships tend to be symbiotic.   As Owuor (2006) demonstrates, urban-rural relationships benefited both the rural and urban populations in Kenya.

Tibaijuka (2003) also note that it is important to understand the rural- urban linkages since the strength of these linkages would determine the living conditions of people in both urban and rural areas.

Small and medium-sized towns can play an important role in the urbanization process by absorbing rural-urban migrants (UN, 2001). Moreover, these towns also contribute to the development of the rural areas thereby reducing rural-urban migration through utilization of available opportunities such as microfinance institutions (Garforth, 2005). Microfinance enables many poor people to get access to small loans (Harper, 2006). However millions of needy borrowers are still not reached with any form of sustainable or reliable financial institutions and many of the existing institutions are dependent on subsidies (Bikki, 2008). Commercial banks and other formal institutions fail to cater for the credit needs of smallholders, mainly due to their difficult lending terms and conditions (Rosemary, 2001).

A study by Chijoriga (2000) in Tanzania have shown that, there are over 50 registered microfinance institutions located in urban centres but whose overall performance has been poor. Small number of members and borrowers; poor infrastructures and low household income levels have been the main constraints that limit the performance of the microfinance (Harper, 2006). Many of these microfinance institutions have no clear mission and objectives (Fratern, 2006). Moreover microfinance institutions including Non-Governmental Organizations (NGOs) and Savings and Credit Cooperatives (SACCOs) are now offering various forms of credit to small scale farmers who were hitherto considered un bankable (Chijoriga, 2000). These institutions aim at providing small loans to poor people who

need capital to finance their small scale farming businesses and other micro-enterprises (Khalid, 2006). Furthermore Fratern (2006) points out that for SACCOs to work successful clients need tailor-made courses to acquire skills that are required to reduce both transaction costs and risks associated with their investments.

SACCOs have contributed to alleviate poverty in Dodoma region (Microbank, 2009). Despite the importance of micro finance in poverty alleviation, few farmers and business owners in urban areas have access to, and benefit from credit (Lykke, 2002). Therefore this study will offer new knowledge on improvement of savings and credit services in supporting rural-urban complementarities in Kongwa district.

1.2   Problem Statement

The main focus of the Tanzanian government and donors has been to address rural and urban poverty separately (URT, 2003). Efforts to reduce rural poverty have focused on transformation of the agricultural sector through promoting the adoption of new technologies and improved practices (CIA, 2010). This strategy has been stipulated in many development related policy documents including the Poverty Reduction Strategy Paper, Agricultural Sector Development Strategy as well as the current "*Kilimo Kwanza*" resolutions (URT, 2003). Efforts to reduce urban poverty have focused among other things on environmental issues, employment and housing. Very little attention has been given to the role of rural- urban complementarities in reducing poverty in both areas (Cecilia, 2003). The World Bank estimates that less than 20% of Tanzania's working population in both rural and urban areas has access to the mainstream formal banking, which translates into 13 million people not having access to the banking services (Microned, 2005). Different microfinance institutions

and organizations have adopted various strategies to ease access to capital among poor people with the objective of improving living standard of people (Wright and Dondo, 2001). This objective cannot be achieved if there is no flow of resources between urban and rural areas.

Flows of resources between rural and urban areas, including human resource (labour), physical resource and financial resource and their impact on livelihoods have been analysed in some case studies in Tanzania (Tibaijuka, 2003; Mehta, 2007). However, many approaches to development have persistently considered rural and urban areas separately without considering rural-urban linkages (Collier, 2007). As such, interventions to address rural poverty and urban poverty have been developed to address many of the urban and rural constraints separately (Mehta, 2010). The purpose of the proposed study is therefore to assess the role of savings and credit in supporting rural-urban complementarities (RUC) in Kongwa district.

1.3   Justification

It is important to understand the rural- urban linkages since the strength of these linkages determine the living conditions of people in both areas. This study is on rural-urban complementarities in emerging urban centres. This focus has generally been missing in previous research agenda and therefore it is expected to contribute new knowledge on possible interventions in reducing urban and rural poverty. This study will specifically inform policy makers, microfinance institutions and the rural and urban community on rural urban complementarities. It is anticipated that policy makers and planners will assimilate policy recommendations emanating from this study when planning for rural and urban development. With improved and easy to

implement rural and urban development policies, more rural and urban community will be able to access and benefit from services of microfinance institutions.

1.4   Objectives

1.4.1   Overall objective

To assess the role of savings and credit in the development of rural-urban linkages

1.4.2   Specific objectives

The specific objectives of this study were to:

  i.   Identify and characterize savings and credit services in the study area.

  ii.   Assess rural-urban linkages between Kibaigwa emerging urban centre and the immediate rural areas.

  iii. Determine the role of savings and credit in the development of Kibaigwa urban centre.

1.5   Research Questions

 i.   Which institutions provide savings and credit services in the study area?

 ii. How do the identified savings and credit perform their functions?

 iii. What are the roles of savings and credit services in the development of rural-urban linkage?

 iv. What are the roles of savings and credit in the emergency of Kibaigwa urban centre?

1.6   Research hypothesis

Ho: Saving and credit services have no role in the development of Kibaigwa

urban centre

CHAPTER TWO

LITERATURE REVIEW

This chapter reviews literature on various concepts that are related to the topic under investigation. This review is needed to conceptualize the problem and devise a theoretical and analytical framework to guide modelling and data analysis. Concepts covered in this review include agricultural development; poverty and poverty reduction; rural livelihood; rural-urban complementarities; savings and credit and modelling access to credit.

2.1   Rural livelihood

Majority of the rural people in Tanzania depend on farming, therefore access to land and capital are important in determining which groups are more likely to engage in farming, non-farm activities, migration, or multiple activities (Tacoli, 2003). The rich and elderly with access to land can rely on crop production, while the rich and the young landless and young landowners can derive their incomes from several sources including those which are more rewarding than crop production. Likewise, the poor with land can engage in both farming and low-return non-farm activities (Tacoli, 2004). However, poor men and women in Tanzania can only engage in less remunerative non-farm activities (Antony, 2000). Survey data on employment patterns in southern Tanzania show that 67 % of the respondents living in villages and in the intermediate town are engaged in more than one income-generating activity, including both farm and non-farm activities (Salmana, 2003).

2.2   Rural -Urban Complementarities

Rural–urban linkages include flows of agricultural and other commodities from rural based producers to urban markets, both for local consumption and on wards supply to other regional, national and international markets; On the other hand rural urban linkages involve flows of manufactured and imported goods from urban centres to rural settlements (Tacoli, 2004). The linkage also includes flows of people moving between rural and urban settlements, either commuting on a regular basis, for occasional visits to urban-based services and administrative centres, or migrating temporarily or permanently (Robert, 2004). To date, most development theories and practices have focused on either urban or rural issues with little consideration of the interrelations between the two (Hammer, 2000).

2.2.1   Migration

Evidence suggests that migration is only contributing to 17 % of urban population growth in mainland Tanzania, against an average 25 % for Africa (NBS, 2008). In other words 83 % of the growth of cities is natural growth or re-classification (UN 2002). Rural-urban migration reduces population pressure in the rural areas and, thereby, should improve economic conditions and reduce rural poverty (UN, 2001). However, disparities between urban and rural areas in terms of income and employment and the availability of basic infrastructure and services persist (World Bank, 2000). Urban areas offer more and better opportunities for socio-economic mobility of the poor thereby encouraging rural-urban migration (UNCHS, 1999). Therefore efforts are needed to ensure that the urban areas can absorb the growing population and that urbanization will not result in poverty (Robert, 2004). The movement of people and goods between rural and urban centres is attributable to

information flow between these ends, especially information on market change such as price fluctuations and changes in consumer preferences and on employment opportunities for potential migrants (UNCHS, 1999).

2.2.2 Flow of goods

Financial flows include remittances (from migrants to relatives and communities in areas of origin) and transfers such as pensions among migrants returning to their rural homes. Other flows include investments in areas of origin, mainly by the urban-based migrants, which could partly be an outcome of better employment opportunities and/access to services that are not available in the rural areas (Owuor, 2006). Within the economic field, many urban enterprises rely on demand of goods from rural consumers, and access to urban markets and services is often crucial for agricultural producers (Hammer 2000). In addition, the livelihoods of many households in both urban and rural areas rely on the combination of agricultural and non-agricultural activities (Owuor, 2006). However, agriculture is assumed to be the principal activity of rural populations whereas urban dwellers are thought to engage primarily in industrial production and services (Rakodi *et al*, 2002).

2.2.3   Importance of rural-urban linkages

Rural-Urban linkages represent a powerful strategy for enhancing incomes, increasing productivity, alleviating poverty and promoting employment in the rural areas. Cities provide certain goods and services for rural areas because of the dynamic economic landscape that emphasize secondary production and services (Oluwasola, 2008). Such symbiotic relationship though beneficial to both sides, is expected to specifically provide the necessary impetus for improving the economic

prospects of the rural areas. In turn, rural areas are advantaged in providing certain goods and services, mainly agricultural products and labour for urban centres (Chan, 2004). About 77 % of the population in the urban areas is literate, against 57 % of the rural population (UNCHS, 2000). People living in close proximity to urban centres are likely to have better access to infrastructure and markets than those living in more remote rural areas (Oluwasola, 2008). There is a consensus that people living close to urban areas are more likely to be engaged in non-agricultural activities than those living in more remote areas. However, this involvement may diminish as one move away from the centre of an urban area (Thompson, 2004), and the decline is not as gradual as it would be expected in the presence of strong urban-rural linkages (UNCHS, 2000).

2.2.4   Factors influencing rural urban linkages

The high price of inputs is one of the constraints that limit farming, and hence limiting the linkages between urban and rural areas (Tacoli, 2003). Lack of information on the price of goods, poor road networks and the high cost of transportation lead to declining returns from agricultural produce marketing, which in turn limits the flows of goods from rural to urban areas (Hammer, 2000). Producers require capital to augment their livelihoods and to enhance linkages. Poor access to finance is another constraint to farming and to non-farm activities in rural areas as well as trade, service and urban agriculture in towns (Hammer, 2000). Villagers also acquire limited amounts of money from traders and from the credit and saving institution in town (Mohamed, 2007). The emerging urban-based regional credit and saving institution is, however, not accessible to the poor due to high interest rates charged and lack of support services on credit application and use

(Robert, 2004). Non-farm activities, particularly trade, in rural settlements are not well developed due to low level of investments on such activities in the rural areas (Tacoli, 2003).

2.3 Microfinance in Tanzania

Microfinance institutions operate under the co-operative society's Act of 1991 and are responsible for offering savings and credit services to members (Severine, 2006). Their legal mandates are also stipulated in the banking and financial institutions Act, of 1991 (BOT, 2008). As savings based institutions, MFI must comply with regulations and be supervised and monitored closely to ensure that they reach more than a small group of members. These institutions should not be tempted to solicit more funds for lending and undermine incentives to promote savings. Their pricing police should promote savings and allow sufficient interest rate for the profitable operations. To date the responsibility for the supervision of SACCOS has been placed in the hands of the Ministry of Agriculture and Cooperatives (Hulme, 1998). The banking and financial institutions Act of 1991 provides for the bank of Tanzania to have overall responsibility for financial sector regulation (BOT, 2008). In the process of strengthening SACCOS, it is important that they are linked to professionally managed financial institutions (Kashuliza, 1998). Thus, it was envisaged that stronger SACCOS would evolved into community banks, join together to form cooperatives banks or form alliances with other financial institutions (Kombe, 2000).

In many agricultural based economies including Tanzania, formal credit to smallholder farmers has been seen as an ideal way to stimulate agricultural growth

and development (URT, 2004). Microfinance institutions enable enterprise owners to develop their micro and small enterprises, which enhance their income earning capacity, and hence enjoy an improved living standard (Mosley, 2001). The existence of microfinance institutions enable the potential clients to access the services provided by the institutions. These services give the clients opportunities to support their enterprises, economic activities as well as their household financial management and consumption needs (Tom, 2005).

To date, majority of the very poor still lack access to formal credit that fulfils their needs (IFAD, 2005). As the financial sector continues to grow, there is an increasing concern that majority of the rural population, which constitutes 70-80% of the total population and 90% of all the poor in Tanzania, have not benefited from credit services (Tom, 2005). There is therefore a need to enhance access to financial services among the poor in general, but with greater emphasis to the rural poor. This can only be achieved through the provision of appropriate microfinance products (World Bank, 2004).

2.2.4 Importance of credit and savings in rural areas

Understanding the nature of demand for credit in the rural areas is even more important because of the increasing role placed by micro-credit in both the poverty eradication action plan and the plan for modernization of agriculture (Harper, 2006). Access to micro-credit is important for investors to increase agricultural productivity and support off-farm enterprises (Afab, 2005). Many people, particularly in the rural areas have limited access to the formal financial institutions and the situation is even

worse in the rural areas where people are detached from other support services and utilities (Bikki, 2008).

Consequently, many interventions to provide smallholder agricultural producers with affordable credit have been initiated by the government, non-governmental organizations, the private sector and the local self-help organizations (Harper, 2006). These can include NGOs (local and foreign), self-help member organizations, savings cooperatives and rotating savings and credit associations (ROSCAs) (Ariel, 2008).

2.5   Modeling access to credit

Discriminant analysis has been used in some studies (study by Kashuliza 1996 and Temu, 1994) to evaluate access to formal credit where a multivariate discriminate function is used to establish characteristics of farmers with and without access to credit. Kashuliza (1996) found that characteristics of borrowers and non borrowers are different with respect to: awareness; borrowing history; farm size; expected farm income and education level. Temu (1994) used a Discriminant function to discriminate users and non users of financial institutions and found variables such as cash income from crops, age, total non-farm income and education as statistically different between the two groups.

Regression analysis can also be used to evaluate the relative importance of social economic factors hypothesized to influence access to financial services. Anjali (2005) adopted this modelling approach to evaluate the probability of having bank account as a function of several explanatory variables and found that geographical

location, type of building, income and education level are the most important explanatory variables.

Mpuga (2008) estimated the demand for credit, using: age; education; gender; marital status of the individual; household size; distance to district centre; and main activity of the individual. Other variables include value of household assets; dwelling characteristics; and location in the rural area. The author found that age; education; gender; marital status of the individual; household size; distance to district centre; main activity of the individual and value of household assets were significant.

Potts 2007 used logistic model to identify important variables in explaining access to credit such as: Maize business which was a significant variable in logistic model; interest rates which imposes considerable constraints for banks to advances small loans since they prevent banks to incorporate the additional administrative cost involved in processing loans and Household's income. Other variables that can potentially influence people access to credit are; Migration status which determine one's social networks and ownership of assets and resources such as land (Ariel, 2008). Migration status can also affect credit allocation as lenders may be able to distinguish prior recourses for migration (Ariel, 2008).

Logistic regression model can be used to determine factors that influence one's individual's ability to access loan from formal and informal financial institutions (Mukta, 2005). The model is similar to a linear regression model but it is more suited to a case where dependent variable is dichotomous. Also the logistic regression coefficient can be used to estimate adjusted odds ratios for each of the independent variables in the model (Joseph, 2004).

According to Williams (2005), logistic regression has several advantages: It is more robust: the independent variables don't have to be normally distributed, or have equal variance in each group. Logistic regression may handle nonlinear effects as well as interaction and power terms. Unlike the classical regression, there is no assumption of homogeneous variance, also logistic regression does not require the independents to either be interval or unbounded. However the weakness of logistic regression is that it violates many assumptions of linear regression such as homoscedacity- which means that there is constant variance for all errors (Khalid, 2003). Also the model requires much more data to achieve meaningful results (Joseph, 2004).

2.6 Summary

This section has reviewed literature on livelihood, rural-urban linkages and savings and credit as well as modeling access to credit. This review is important to identify research gaps which explained that many approaches to development have persistently considered rural and urban areas separately without considering rural-urban linkages. Such, interventions to address rural poverty and urban poverty have been developed to address many of the urban and rural constraints separately. This was presented in the problem statement and evaluates alternative modeling approaches. A methodology to guide this study is presented and justified in Chapter Three.

CHAPTER THREE

METHODOLOGY

This chapter describes the methodology adopted in this study. The section describes the study area, sampling and sample size and the model used to analyse data. This description is needed to: Identify urban and rural settings and how these areas are linked; establish a sampling protocol and properties of sample statistics and specify analytical tools.

3.1   Description of the Study Area

The study was conducted at Kibaigwa Township which is one of the administrative wards in Kongwa district of the Dodoma region. The Township has a population of 15 426 people with 14 sub-villages. The area has been selected because of its rapid development into an urban centre that is largely attributed to the establishment of maize market. Kongwa district (Fig. 3.1) is located at 6°12′00″S 36°25′01″E, and is one of the 5 districts of the Dodoma Region of Tanzania. It is bordered to the North by the Manyara Region, to the East by Morogoro Region, to the South by Mpwapwa District and to the West by Dodoma Rural District. According to the 2002 Tanzania National Census, the population of the Kongwa District was 249,760. The district has 3 divisions (Kongwa, Mlali and Zoissa); 14 wards; 67 villages; and 167 sub-villages. Kibaigwa Township is within Kongwa district which is along the main road to Dodoma in Mlali division. Other wards along the main road to Dodoma in the district are: Pandambili (in Mlali division); Mtanana and Sejili (in Kongwa division).
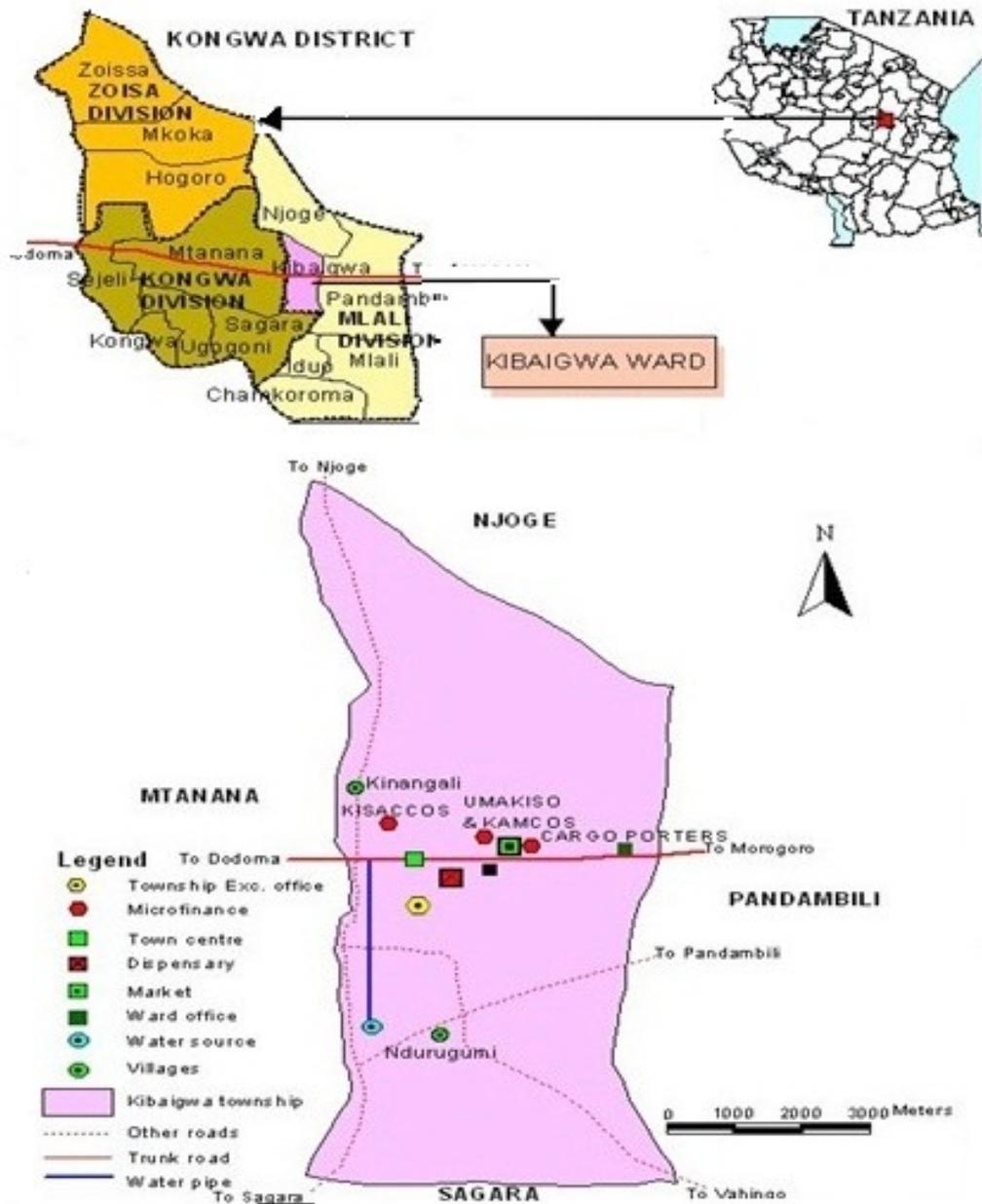
Figure 3.1:   Location of the study areas

Source: SUA GIS (2010)

3.2   Kibaigwa Township Authority

Kibaigwa township authority is a fast growing township in terms of population growth as well as economic activities. The township is located in Mlali division

(Figure 1). Geographically, Kibaigwa lies between latitude 6^0 01' South of Equator and also between longitudes 36^035' and 36^041' East of Greenwich. The township has the total area of 45 square kilometres. Administratively, the township is a result of a transformation of Kibaigwa ward from hitherto a rural to Township status. The leadership of Kibaigwa Township Authorities include: the chairpersons of the sub-villages within the township; not more than three members appointed by the district council, including at least one woman as described in Tanzania Government Act of 1982. The township is divided into 14 sub-villages, Karume; Nyerere; Kawawa; Majengo; Mpakani; Msimbazi; Chang'ombe; Berega; Sabasaba; Tanesco; Mlimwa; Kazamoyo; Muongozo; and Rufikiri.

The topography of the township is basically characterized by elevated land terrain with portions of the Pandambili hills at the eastern part of the township and low laying land forms in western parts of the township extending to the northern part from the water source at Ndurugumi to Kinangali area (Kibaigwa Township profile, 2007). Kibaigwa township authority centre lies on an elevated land terrain which slopes gently on the western direction.

The township is mostly semi-arid due to low and erratic rainfall. Rainfall falls in single rainy season between November/December and April/May. The annual rainfall is between 500mm and 700mm.

The economy of Kibaigwa Township depends to a large extent on small business and agricultural sector. Therefore despite its growth into a township rainfall is still an important climatic factor in the economy. Two main types of crops are grown: Cash

crops (Maize, groundnuts, sesame and sunflower); and food crops (millet and cassava).

Temperature in the township varies according to altitude but generally the average maximum and minimum for December are 31°C and 18 °C respectively. In June-August temperature difference between day and night may be very high with hot afternoon going up to 35°C which can drop to 20°C during cool night.

3.3   Population Size and Composition

According to the national population census in 2002, Kibaigwa township had a population size of about 15 345 people, whereby males were 7 474 and females were 7,871 and its annual growth rate was 3% (Kibaigwa township profile, 2008). The social economic survey conducted in June 2007 indicates that the town population had increased to 21 679 with a total number of 3 385 households (Household survey, 2007). If compared with Dodoma regional with the annual growth rate of 2.3%, it is evident that the town has relatively high growth rate. In general, there has been rapid population growth due to natural annual growth rate and immigration (Kibaigwa township profile, 2008).

3.4   Research Design

The research design for this study entailed three stages. In the first stage a pilot study was undertaken to pre-test the questionnaires. This stage was followed by a preliminary survey, main data collection as second and third stage respectively. The study used both qualitative and quantitative data. Primary and secondary sources of data were also used in this study. The key informant respondents included

Microfinance officers, Township executive officer (TEO), Village executive officers (VEOs), and Kibaigwa market manager provided additional information through check list.

3.5 Sampling design

The sampling procedure involved multistage sampling technique which is more flexible than one stage sampling because there is a chance of selecting smaller sample which appears more efficient moreover this technique is convenient for a large number of sampling units (Kothari, 2004). The technique was conducted in two stages:

Stage 1: Purposeful selection of two sub-villages within Kibaigwa Township and two villages neighbouring Kibaigwa (outside the township) based on their potential in maize production and access to infrastructure and opportunities at Kibaigwa centre. At Kibaigwa Township the sub villages selected was: Nyerere and Kawawa while at immediate hinterlands the villages selected was Pandambili and Mtanana.

Stage 2: A random selection of 30 farmers in each of the four villages covered during the study to make the sample unit of 120 farmers. The selection of farmers was based on wealth ranking. Wealth ranking conducted by categorising farmers according to the size of land the owned during a focus group discussion such as: Relatively wealth farmers own ample land more than 40 acres, medium wealth farmers own a land of less than 40 acres and poor wealth farmers own a land less than 22 acres. Additional information on other aspects under investigation was collected from key informants (that is, people who were knowledgeable to provide relevant information, ideas and insights on aspects related to credit and savings,

including: traders, officials, and other individuals not included in the study sample) who were selected using snowball technique. After interviewing a respondent, the researcher asked him/her to recommend other respondents considered very knowledgeable about the study subject. Using snowball technique 40 respondents were identified and interviewed.

3.6 Data collection Method

Data was collected during the main survey by means of questionnaires and checklist (Appendix 2). Questionnaires were used to collect primary data from farmers during the interviews conducted by the researcher and three research assistants; whereas checklists were used to collect primary data from key informants to supplement and verify information collected using the questionnaires. Moreover note book were used to collect wealth ranking data during focus group discussion.

3.7   Data Processing and Analysis

3.7.1   Data processing

The data from farmer's questionnaire were coded for analysis. The data from key informants were summarized and used along with descriptive and inferential statistics computed from household data.

3.7.2   Data analysis

Data were analyzed using computer program called Statistical Package for Social Science (SPSS)

Analysis of objective 1

The techniques of analysis used in this study were mainly qualitative and where possible descriptive statistics including frequencies, means, and range were adopted to evaluate performance of financial institutions (e.g. SACCOs).

Analysis of objective 2

The method of analysis involved descriptive statistics techniques including frequency counts; means and range.

Analysis of objective 3

The logistic regression was used to analyze objective three because the model is widely used for analyzing multivariate data involving binary responses. To asses demand for credit, this model was adopted due to the fact that there were rural and urban financial institutions in the study area which are sources of credit (Mapunga, 2008). This model measures both the decision to apply for credit and success of loan application. This model assumes that an individual is faced with two alternatives, to take credit or not from the available provider. Logistic regression can be used to predict a dependent variable on the basis of continuous and categorical independents and to determine the percentage of variances in the dependent variable explained by the independent variables (Garson, 2007).

Logistic regression applies maximum likelihood estimation after transforming the dependent into a logit variable. In this way logistic regression estimate the probability of a certain events occurring. According to Chan (2004), maximum likelihood parameter estimation is obtained through the determination of the parameters that maximize the probability (likelihood) of the sample data. This method is considered to be more robust and yields estimators with good statistical properties. In other words, Maximum likelihood estimation methods are versatile and

apply to logistic regression models and to different types of data. In addition, the method is efficient in quantifying uncertainty through confidence bounds.

Prior expectations for the signs of parameter coefficient

The coefficient β_1 in the model represent marginal change in odd ratio due to unit change in amount of maize sold, that is, the amount of credit facilitated by collateral the farmer has and capacity of production. Large amount of maize sold by farmers increases the size of capital and enhance access to large amount of loan. Therefore the sign of coefficient β_1 was expected to be positive.

The coefficient β_2 in the model represent marginal change in odd ratio due to unit change in interest rate charged. High interest rates charged are affordable to relatively wealth populations while low interest rate can be afforded by poor, medium and relatively wealth population. Low interest rate in access to credit allows poor people to borrow and venture in various economic opportunities. Therefore, the sign of coefficient β_2 was expected to be positive.

The coefficient β_3 in the model represents a marginal change in the odd ratio due to a change in the household income. This means that individuals with large income levels are expected to borrow more than individuals with low income levels presumably because their investment are likely to be relatively huge than those with less income. Therefore, the sign of coefficient β_3 was expected to be positive.

The coefficient β_4 in the model represents marginal change in the odd ratio resulting from migration status. It is expected that credit will be allocated in favour of those migrants who stay permanently in respective area who are also more likely to be

aware of the availability of microfinance services around the area. Therefore, the sign of coefficient β_4 was expected to be positive.

The coefficient β_5 in the model represents a marginal change in the odd ratio due to unit change in duration since the times of migration. Most of the available credit schemes have eligibility criteria which may favour residents and migrants who have stayed in the area for many years. Therefore, the sign of coefficient β_5 was expected to be positive.

The logistic regression model is stated in terms of the probability that $Y = 1$, which is referred as. P and $Y = 0$ is refer as 1-P

$$L^n \left(\frac{p}{1-p} \right) = \beta_0 + MB\beta_1 + INT\beta_2 + HI\beta_3 + MS\beta_4 + DY\beta_5 + \varepsilon$$

Y   = Access to credit

β_0 = Constant

β_i = Parameter coefficients

MB = Amount of maize sold (Kg)/ year

INT = Interest rate charged on credit

HI   = Household income

MS   = Migration status of HH- head (zero if native, one otherwise)

DY = Duration of years since when migrated to the area

ε = Random error

3.9 Theoretical and Methodological Framework

The core theoretical question in this research is how economies of emerging (small) urban centres exercise a symbiotic relationship with rural economies. The focus is on

the rural-urban linkages between Kibaigwa Emerging Urban Centre (EUC) and the immediate rural hinterlands and the identification of the role of microfinance services in the support of these linkages. Local dynamics of rural- urban linkages are often studied in the context of livelihood practices with a particular focus on mobility and migration (Tacoli, 2006, de Haan and Zoomers, 2005; Scoones, 2009). In economic terms the exchange of money and goods between rural and urban areas (in the form of both personal and collective remittance practices) is increasingly being acknowledged as an important means for both household reproduction and reproductive investment (Deshingkar and Daniel, 2003; Deshingkar and Grimm, 2005; Agergaard, 2009). Non-farm employment, livelihood diversification and multi-spatial household arrangements have also been emphasized as local level aspects of rural-urban linkages (Ellis 2000; Bryceson, 2002; Rigg, 2006).

Rural-urban linkages are influenced by national macro-economic policies linked to reform and structural adjustment. The economic functions and the potential of urban centres are also framed by their setting in national and regional priorities for investments and administrative position (Rakodi and Jones, 2002). Different priorities imply differentiated impacts on how small urban centres serve rural areas that are connected to them. National and local governments may also be deceived in agricultural savings and credit facilities available in small urban centres (Mitlin, 2008). With the global trends towards market- led strategies for economic development, market integration is a crucial factor in the development of rural-urban dynamics (Gough *et al*., 2009). Given the adequate policy mix, market integration (including world market integration) has the potentials of stimulating urban centres

development and thereby improving the livelihoods of poor households in rural and urban areas (Agergaard *et al*., 2009).

The research seeks to understand these interlocking economic and social dynamics in order to examine the role of savings and credit on the complimentary function of rural and urban settlements for poverty reduction. The research focus on rural urban complementarities was developed through links of migration, assuming that population growth of emerging urban centres predominantly stems out of migration from rural areas (either nearby hinterland or far away rural areas). It is anticipated that saving and credit facilities would stimulate rural urban complementarities by enhancing the ability of rural people to migrate to the emerging urban centres; supporting the economic and social activities of these migrants in the emerging urban centres and stimulating productive investments in the rural areas. Overall, it is believed that these dynamic relationships would contribute to poverty reduction both in rural and urban areas. The summary of theoretical framework is presented in Figure 2 below.
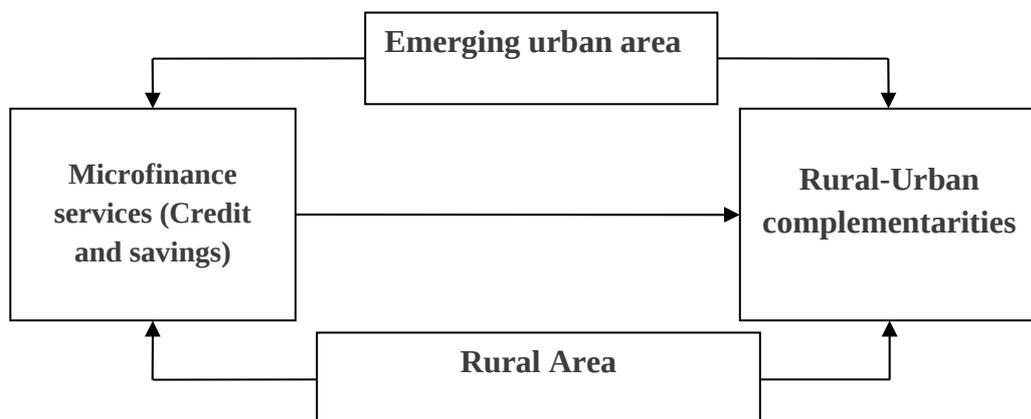
Figure 2: Schematic diagram of theoretical and methodological framework

CHAPTER FOUR

RESULTS AND DISCUSSION

This chapter presents the major findings and interpretation of the data related to rural-urban complementarities analysis of savings and credit, the case study of Kibaigwa Township in Kongwa district. The findings in this chapter were examined from the perspective of the implication for development of both rural and urban.

4.1   Social economic characteristics of respondents

4.1.1   Sex of the respondents

It was assumed that there was no difference in participation between males and females in rural and emerging urban centres. The two sexes benefit equally from rural urban complementarities and MFIs. The findings are given in Table 1.

Table 1: Sex of respondents

Sex	Kibaigwa township (n=60)		Immediate hinterlands (n=60)	
	Frequency	%	Frequency	%
Males	30	51	37	61.7
Females	30	49	23	38.3
Total	60	100	60	100.0

Data in Table 1 show that in Kibaigwa Township males and females were 51 % and 49 % based on sample respondents respectively. In the immediate hinterlands males and females were 61.7 % and 38.3 % based on sample respondents respectively. In urban areas, female are significantly more likely to be poor than males for the reason that women who migrate to towns are less able to maintain access to and control over land and labour.

4.1.2   Age

Age was expected to influence agricultural activities and acquisition of loans from financial institutions. The findings are given in Table 2.

Table 2 Age of respondents

Area	N	Min	Max	Mean	Std. Deviation
Kibaigwa township	60	25	80	33	0.800
Hinterland	60	21	76	30	0.857

Data in Table 2 show that the mean age for respondents from Kibaigwa Township is 33 years with a minimum age of 25 years and a maximum age of 80 years. While at the hinterlands the mean age is 30 years with 21 years minimum and 76 years maximum. Table 3 shows that many respondents (45%) at Kibaigwa Township and (38.7%) of the respondents were between 36 and 53 years. A *t-test* to test for age difference between Kibaigwa and immediate hinterland show that the difference between mean ages is statistically significant at 95% level of significance. According to Tacoli (2004) in Northern Tanzania, the levels of multi-activity amongst younger generations are as high as 80 %, against 50 per cent for older respondents. Older women still shoulder much of the agricultural work as well as the domestic chores. This implies that, in effect, most (45%) and (38.7%) of the respondents in Kibaigwa township and the immediate hinterlands were in their productive age which should have a positive impact on farm size and earnings. Having many respondents in young age also implies that most of them would like to live near the township where they can have access to basic social services.

Table 3: Age of respondents

Age	Kibaigwa township (n=60)		Immediate hinterlands (n=60)	
	Frequency	%	Frequency	%
0 -35	26	43.3	11	18.3
36-53	27	45.0	22	38.7
54 - 70	4	6.7	23	36.3
71 - 80	3	5.0	4	6.7
Total	60	100.0	60	100.0

4.1.3 Marital status

The assumption was that both urban married and un-married respondents would equally benefit from rural- urban complementarities, credit from microfinance, and farming activities. The findings are given in Table 4.

Table 4: Marital status of respondents

Marital status	Kibaigwa township (n=60)		Immediate hinterlands (n=60)	
	Frequency	%	Frequency	%
Married	58	96.7	56	93.3
Not married	2	3.3	4	6.7
Total	60	100	60	100.0

Table 4 shows that 96.7% of the respondents (58 respondents) at the township were married while 3.3% were not married. At the hinterlands 93.3% of the respondents were married and 6.7% were not. The study by Aftab (2005) found that the majority (65%) of the respondents in the sample, both males and females, were married. This implies that there is similarities between married respondents in immediate hinterlands and Kibaigwa township means that most (96.7% and 93.3%) of married respondents they don't shift permanently from their original home to other areas.

4.1.4 Education level

The extent to which urban dwellers were educated was expected to influence their ability to gain benefit from rural urban complementarities, good farming practices and loans from MFIs. The findings presented in Table 5 show that the majority (75

%) and (83.3 %) of the respondents from Kibaigwa and the immediate hinterlands respectively, had primary education. Also the results of the *t-test* show that there is no statistical difference between means of education of respondents between Kibaigwa urban and the immediate hinterlands at $\alpha = 0.05$ level of significance. According to UN (2006) there are differences in the magnitude of available education services in different market zones. A large number of nurseries, pre-primary and primary levels of education facilities are even available in the rural areas, especially along the highways, but the quality of education is very poor. Thus, the people of the rural areas either commute daily or temporarily migrate to the urban areas for higher or quality education. This means that education can help in communication when it comes to starting business, farmers can easily understand the market situations by reading and making contracts. This is a reflection of Tanzanian effort of universal primary education. These findings generally show that the distribution of literacy level in both rural and urban respondents is absolutely similar.

Table 5: The highest formal education level attained

Education level	Kibaigwa township (n=60)		Immediate hinterlands (n = 60)	
	Frequency	%	Frequency	%
None	13	21.7	8	13.3
Standard seven	45	75.0	50	83.3
Post secondary	2	1.4	2	3.3
Total	60	100	60	100.0

4.2   Economic characteristics

The six main indicators namely characteristics of houses; economic activities; sources of income; involvement in maize production; and ownership of land for farming and wealth ranking were used as proxy indicators of poverty.

4.2.1   Characteristics of houses

The assumption was that both urban and rural respondents would build different types of houses depending on the income of the households, therefore providing an indication of the poverty level of the household. The results are given in Table 6.

Table 6: Characteristics of houses owned by respondents

House	Kibaigwa township (n=60)		Immediate hinterlands (n =60)	
	Frequency	%	Frequency	%
Cement wall with cement floor and iron sheet (Good houses)	41	68.3	7	11.7
Cement wall with mud floor and iron sheet	10	16.7	9	15
Mud wall with cement floor and iron sheet	5	8	13	21.7
Mud wall with mud floor and iron sheet	4	7	10	16.7
Mud wall with mud floor and grass roof (very poor houses)	0	0	21	35
Total	60	100	60	100

The findings given in Table 6 show an estimated 68.3 % of the respondents in townships owned houses with Cement wall; cement floor and iron sheet, 16.7% owned houses with Cement wall with mud floor and iron sheet and no house with mud wall, mud floor and grass roof. While at the hinterlands 35% of the respondents owned houses with mud wall, mud floor and grass roof and 13% had houses with mud wall; cement floor and iron sheet. Good houses reflect low poverty level and Poor houses reflect high poverty level of households. For example, individuals owning houses thatched with grass would reflect extreme poverty as opposed to

individuals with house with iron sheet roofing material. Based on the findings, poverty level at immediate hinterlands was higher (35% very poor houses for poor respondents) compared to the poverty level in Kibaigwa urban due to the fact that the types of houses in the township (68.3% good houses for relative reach respondents) were better than the houses in the immediate hinterlands.

4.2.2 Main economic activity

The type of economic activities undertaken by residents of the EUC respondents were expected to influence these people's access to credit, migration benefits and other aspects of livelihoods. Thus, the respondents from Kibaigwa EUC and the immediate hinterland were therefore asked about the economic activities they were undertaking for their livelihoods. Data in Table 7 show that 66.7 % of the respondents at Kibaigwa Township and 95% of the respondents at the immediate hinterlands were involved in farming. Data also show that about 33.3% and 5% of the respondents at Kibaigwa Township and the immediate hinterlands were involved in both farming and nonfarm businesses, respectively. This implies that farming is an important economic activity for both respondents living in Kibaigwa Township and immediate hinterlands.

Table 7: Main economic activities

	Kibaigwa township (n=60)		Immediate hinterlands (n=60)	
Economic activity	Frequency	%	Frequency	%
Farming	40	66.7	57	95.0
Farming and business	20	33.3	3	5.0
Total	60	100.0	60	100.0

4.2.3   Household Cash Income

The respondents were asked to give their average, annual income arising from their involvement in various economic activities identified above. The findings are given in Table 8.

Table 8: Average annual income (Tshs)

Area	N	Min	Max	Mean
Income from farming				
Kibaigwa township	60	80 000	4 800 000	848 442
Hinterland	60	90 000	2 400 000	530 417
Income from Non farming				
Kibaigwa township	60	60 000	3 000 000	1 470 000
Hinterland	60	40 000	1 500 000	770 000

The data for farming activities in Table 8 show that at Kibaigwa township, the respondents obtained a minimum of 80 000 and maximum of 4 800 000 Tshs per year with an annual average of   848 441.96 Tshs compared to a minimum of 90 000 Tshs and maximum of 2 400 000 Tshs with an average of 530 417 Tshs in the immediate hinterland. Also for non-farming activities at Kibaigwa township, the respondents obtained a minimum of 60 000 and maximum of 3 000 000 Tshs per year with an annual average of   1 470 000 Tshs compared to a minimum of 40 000 Tshs and maximum of 1 500 000 Tshs with an average of 770 000 Tshs in the immediate hinterland. The *t-test* statistics results based on these findings show that the difference in the means of average annual income between immediate hinterlands and Kibaigwa urban dwellers was not significant at 95% level of significance. It implies that the significance differences of income between farmers is due to the

reason that farmers in Kibaigwa township have more access to different activities and improved facilities which help to improve income generating activities compare to farmers at immediate hinterlands

4.2.4 Involvement in maize crop business

Maize crop and marketing at Kibaigwa EUC is believed to have contributed to the growth of the immediate hinterlands to its current status. It was therefore necessary to assess the involvement of the respondents in maize crop business. Table 9 shows that in Kibaigwa Township 95% of respondents were involved in maize business, 5% were not involved in maize business. While at the immediate hinterlands about 100 % of the respondents were involve in maize business.

Table 9: Maize farm business (in the year 2010)

| Maize business | Kibaigwa township (n=60) | | Immediate hinterlands (n=60) | |
	Frequency	%	Frequency	%
Involved	57	95	60	100
Not involved	3	5	0	0
Total	60	100	60	100

Table 10 shows that 23% of the respondents were maize retail traders, 15% were labourers in farms, 18.3% were transporting maize between Kibaigwa Township and immediate hinterlands. While at the immediate hinterlands about 31% of the respondents were maize retail traders and 28% were transporters from immediate hinterlands to emerging urban market. About 35% of the respondents would be wholly dependent on brokerage/trading of crops, others are involved in other income generating activities especially in agriculture and in non-farm business.

Table 10: Maize farmer's activities (% shown in multiple responses)

Involvement in maize	Kibaigwa township (n=60)		Immediate hinterlands (n=60)	
	Frequency	%	Frequency	%
Kibaigwa township importers of maize from immediate hinterlands	11	18.3	17	28.0
Transporter from emerging urban centre to other regional markets	3	5.0	0	0
Loading and unloading (maize) emerging urban centre	2	3.3	0	0
Broker at the emerging urban market	3	5.0	0	0
Retail traders in emerging urban centre	14	23.3	19	31.0
labourer in (Maize) farms in emerging urban centre	9	15.0	7	11.0

Also Table 11 show that at in the year 2010 Kibaigwa Twonship respondents obtained a minimum maize yield of 3000 kg/acre and maximum of 50 000 kg/acre per year with an annual average of 5 387 kg/acre compared to a minimum of 2000 kg/acre and maximum of 10 000Kg/acre with an average of 2 747 kg/acre in the immediate hinterland. Also maize sold in the year 2010 at Kibaigwa township, the respondents obtained a minimum of 2000 kg and maximum of 48000 kg with an annual average 3 903 compared to a minimum of 1000 kg and maximum of 5000 kg with an average of 1 498 kg at the immediate hinterland. This implies that Kibaigwa urban centre plays a role as a centre for maize trade carried out at Kibaigwa market. Activities carried out by both wholesale and retail traders dealing with maize trade

create a lot of employment opportunities. An assurance of maize marketing at Kibaigwa encourages many farmers to produce more maize. More economic interactions activate more rural-urban linkages.

Table 11: Average maize produces obtained (Kg/Acre) and maize sold (Kg) in the year 2010

Area	N	Min	Max	Mean
Maize produced in 2010 (Kg/acre)				
Kibaigwa township	60	3 000	50 000	5387
Hinterland	60	2 000	10 000	2747
Maize sold (Kg) in 2010				
Kibaigwa township	60	2 000	48 000	3903
Hinterland	60	1 000	5 000	1498

4.2.5   Ownership of land for farming

In the study, the respondents were asked to state, on average, the ownership of land as a means of facilitate farming as a major economic activity. The findings are given in Table 12.

Table 12: Average ownership of land and renting the land in 2010

Area	N	Min	Max	Mean
Ownership of land (acres)				
Kibaigwa township	60	3	60	13.4
Hinterland	60	2	40	10.7
Renting the land (T shillings)				
Kibaigwa township	60	50000	600000	325 000
Hinterland	60	30000	200000	120666.7

The data in Table 12 show that the average land owned by respondents at Kibaigwa Township was 13.4 acres with a minimum of 3 acres and maximum of 60 acres. While at the immediate hinterlands the mean land ownership was 10.7 acres with a minimum of 2 acres and a maximum of 40 acres. Table 11 also show that in the year

2010 Kibaigwa Township respondents renting the land for the minimum of 50 000 Tshs and maximum of 600 000 Tshs per year with an annual average 325 000 compared to a minimum of 30 000 Tshs and maximum of 200 000 Tshs with an average of 120 666.7 Tshs in the immediate hinterland. This implies that renting the land was very important to increase production to farmers. Owners of ample land like to rent more land for more production (business farming) while others who have small land they rent the land for subsistence farming and small business farming. Kibaigwa maize market activate farmers in Kibaigwa township to cultivate more and increase the size of land due to availability of modern facilities for agriculture e.g tractors and enough capital to increase production. Farmers in immediate hinterlands have relatively less access to improved inputs and farm machinery such as tractors. Farmers in the hinterlands also have relatively less capital to invest in agriculture compare to farmers in emerging urban centre.

4.2.6   Wealth ranking

The wealth at Kibaigwa and immediate hinterlands was ranked according to the size of agricultural land owned by individuals. Agriculture plays a major role in the livelihood strategies of the town population. Through sales of crops, agriculture has been a good source of income to individuals and contributes substantial amount to the tax revenue collection at the Kongwa District Council. Generally, the production of maize in Kibaigwa was highly commercialized as many farmers were using improved seeds. Extension services for agricultural activities are available and are provided to farmers in order to improve production. The wealth ranking is shown in Table 13

Table 13: Wealth ranking

		Kibaigwa township (n=60)		Immediate hinterland (n=60)	
Wealth	Acre	Frequency	%	Frequency	%
Poor	2 - 21	50	83.3	57	95.0
Medium	22 - 40	7	11.7	3	5.0
Relative rich	>40	3	5	0	0
Total		60	100	60	100

This study found that many (83.3%) of the respondents at the township were categorized as poor while 11.7% were relatively better off and very few people only 5% were relatively rich. Majority of the respondents from the hinterlands (95%) were poor while only 5 percent of them were relatively better off and no respondent was perceived to be relatively rich. This implies that those with land shortages were the poor farmers and those with enough land were the rich farmers. Respondents with relatively small land areas were mainly young and migrants from different areas and were engaged in nonfarm business. Ownership of land was dependent on capital of the respondents. Individuals with high income own large lands compared to individual with low income.

4.3 Characteristics of savings and credit

The trends and characteristics of savings and credits were examined in four main categories namely: Savings and credit services; investments after getting credits; financial institutions and credit and savings facilities available at Kibaigwa Township.

4.3.1 Financial institutions

Different microfinance institutions in Kibaigwa Township are shown in Table 14

Table 14: Financial Institutions and its members

Microfinance	Kibaigwa township (n=60)		Immediate hinterland (n=60)	
	Frequency	%	Frequency	%
KIFISSACCOs	18	30	10	16.7
UMAKISO	2	3.3	4	6.7
Cargo porters	2	3.3		
N.M.B	2	3.3	3	5
FINCA	2	3.3	3	5
PRIDE	1	1.7		
Not members	33	55	40	66.6
Total	60	100	60	100

The financial services provided by microfinance institutions are mainly in the form of loans and savings, while the non-financial services provided by microfinance institutions are business advice and business training. Microfinance services involved in issuing loans at Kibaigwa Township as identified by key informants and farmers include KIFISSACCOs, UMAKISO, and Cargo porters. Other microfinance services operating at Kibaigwa but based at Kongwa district and Dodoma municipality are NMB, FINCA, and PRIDE. At Kibaigwa Township, 30% of the respondents were members of KIFISSACCOs and 3.3% were members of UMAKISO (Table 14). While at the immediate hinterlands, 16.6% of the respondents were members of KIFISSACCOs and 6.7% of the respondents were members of UMAKISO. This implies that financial facilitation of MFIs in providing loans to small and medium enterprises indirectly influences the development of agricultural sector. For example KIFISSACCOS offer different types of credit services. Those credit services and its interest rate charged per month are (a) agricultural loan 3% (b) business 3% (c) emergency 10% (d) crop storage 3% (e) social 3% (f) fixed inputs do not have fixed amount of interest rate. The criteria used to determine credit disbursement to

customers are (a) savings (b) collateral (c) loans are channeled through village executive officers and (d) loans are channeled through loan committee. The actions taken by KIFISSACCOs to ensure money safety and security such as: proper management to run microfinance services; auditing; insurance coverage; and fixed asset e.g. building.

Many actions taken by UMMAKISO and KAMCOS to ensure money safety and security such as: uses of cheque; auditing; and insurance coverage. The SACCOs offer different types of credit services those are: Agricultural loans with an interest rate of 10% per 10 months; emergences loan with an interest rate of 10% per 10 months; and small business loans with an interest rate of 20% per 6 month. The criteria used to determine credit disbursement to customers are (a) a customer should be a member (b) savings (c) a customer should have share (d) a customer should have three referees. The microfinance put more priority and support on agricultural and small scale non agricultural business.

Cargo porter's cooperative society: The cooperative get money through their customers after loading; offloading; and security and distribute the money to their members at the end of the year. Members are allowed to borrow money to the cooperative in case of emergency. All members of the organization are males due to the nature of the cooperative activities that it need people who are powerful to lift the cargo or to push heavy load from one position to another.

4.3.2 Savings and credit services

Microfinance institutions are an important instrument in helping small farmers and micro- entrepreneurs access savings and credit services. Membership to microfinance

institutions among the respondents and the amount of credit borrowed are shown in

Tables 15 and 16

Table 15: Membership in savings and credit

	Kibaigwa township		Immediate hinterlands	
Microfinance institutions	**Frequency**	**%**	**Frequency**	**%**
Members	27	45	20	33.3
Not a members	33	55.0	40	66.7
Total	60	100	60	100.0
Receiving loans				
Difficult	50	83.3	55	91.7
Not difficult	10	16.7	5	8.3
Total	60	100	60	100
Reasons not to get loans				
Lack of collateral	15	25	10	17
Lack of education	10	17	20	33
High interest rates	30	50	20	33
Bureaucracy	5	8	10	17
Total	60	100	60	100

Data in Table 15 show that 45% of the respondents at Kibaigwa Township were
members of microfinance institutions. While about 33.3% of the respondents
from the immediate hinterlands were members of microfinance institutions.
Also 50% of the respondents at Kibaigwa Township were face difficulties in
receiving loans. While about 55% of the respondents from the immediate
hinterlands were facing difficulties in receiving loans. Moreover in Kibaigwa
Township the reasons for a farmer not to get any credit were; lack of enough
collateral 25%; lack of education 17% and high interest rate 50%. While at
immediate hinterlands the reasons for a farmer not to get any credit were;
lack of enough collateral 17%; lack of education 33% and high interest rate
33%.

Data in Table 16 also show that the in the year 2010 the mean credit borrowed by the

respondents from Kibaigwa Township was 737 143 Tshs per year with a

minimum credit of 100 000 Tshs and a maximum credit of 3 000 000 Tshs

per year. On the other hand, at the immediate hinterlands the mean borrowed

average was 273 333 per year with a minimum credit of 60 000 and a

maximum credit of 1 000 000 Tshs per year. Also in the year 2010 both

Kibaigwa Township and immediate hinterlands borrowers charged an interest

rate by microfinance institutions for the minimum of 3% and maximum of

15% Tshs per week with a weekly average of 7.08%. This implies interest

rate in weekly basis; lack of enough collateral and lack of education

discourage borrowing for farming and non farming activities. Microfinance

services in Kibaigwa Township were far fewer than the current population of

farmers around Kibaigwa Township and the immediate hinterlands leading to

limited availability of credit and savings services to majority of farmers (55%

at Kibaigwa Township and 66.7 % at immediate hinterlands who were not

members of microfinance shown in Table 15). This undermined rural micro-

enterprise activities, due to lack of capital for investment which had

prevented farmers from adopting improved farming practices because of their

inability to purchase the necessary inputs required in the production.

Table 16: Average amount of Credit borrowed and interest rate charged

Area	N	Min	Max	Mean
Credit borrowed				
Kibaigwa township	31	100 000	3 000 000	73 7 143
Hinterland	15	60 000	1 000 000	273 333
Interest rate charged				
Kibaigwa township	60	0.03	0.15	0.0708

Hinterland	60	0.03	0.15	0.0708

4.3.3   Investment after getting credit

MFIs were expected to contribute to poverty reduction of credit recipients. Credit beneficiaries were therefore been requested to indicate location of their business investment after receiving loans from MFIs. Table 17 shows that at Kibaigwa Township 41.7% of respondents took loans and 3.3 % didn't took loans while at immediate hinterlands 31.7% of respondents took loans and 1.7% of respondents didn't took loans. The source of credit were formal microfinance institutions whereby at Kibaigwa township 30% of respondents borrowed from KIFISSACOs and 3.3% borrowed from UMMAKISO and N.M.B while at immediate hinterlands 16.7% of respondents borrowed from KIFISSACOs and 5% borrowed from FINCA.

Furthermore the findings show that at Kibaigwa Township about 30 % of respondents borrowed and invested on farming and 8.3 % built residential house. While at the immediate hinterlands 23.3 % of respondents borrowed and invested on farming and 3.3 % built residential house. Moreover Table 17 show that at Kibaigwa Township about 33 % of respondents were invested in Kibaigwa Township and 8.3 % were invested in immediate hinterlands. While at the immediate hinterlands 16.7 % of respondents were invested Kibaigwa Township and 15 % were invested in the immediate hinterlands.

Table 17: The way borrowed money were used by respondents (Investment)

Activity	Kibaigwa township (n=60)		Immediate hinterland (n=60)	
	Frequency	**%**	**Frequency**	**%**
Members took loans				
Took loans	25	41.7	19	31.7
Members not taking loans	2	3.3	1	1.7
Not members of microfinance and they are not taking loans	33	55	40	66.6
Total	60	100	60	100
Source of credit				
KIFISSACCOs	18	30	10	16.7
UMAKISO	2	3.3	4	6.7
Cargo porters	2	3.3		
N.M.B	2	3.3	3	5
FINCA	2	3.3	3	5
PRIDE	1	1.7		
Members not took loans	2	3.3	1	1.7
Not members not took loans	33	55	40	66.6
Total	60	100	60	100
Uses of Borrowed money				
Invested in farming	18	30	14	23.3
Built a residential house	5	8.3	2	3.3
Established shop for consumer products	2	3.3	2	3.3
Sent child to school	2	3.3	2	3.3
Not invested	33	55	40	66.7
Total	60	100	60	100
Area of investment				
At Kibaigwa township	20	33.3	10	16.7
At immediate hinterlands	5	8.3	9	15
Members not take loans	2	3.3	1	1.7
Not members	33	55	40	66.6
	60	100	60	100

Also Table 18 show that in the year 2010 respondents from Kibaigwa Township borrowed a minimum of 50 000 Tshs and maximum of 3 000 000 Tshs per year with an annual average of 1 525 000 compared to a minimum borrowed amount of 30 000 Tshs and maximum of 1 000 000 Tshs with an average of 515 000 Tshs in the immediate hinterland. This implies that the weekly payment of interest and part of the principle of the loan has been a constraint to farmers' business investment from further expansion and decreases the number of loan borrowers. Small Credit and savings, to poor enterprises and households, reduce the potential for the growth of business investments and failed to safeguard poor households against extreme vulnerability (poverty).

Table 18: Amount of money borrowed (year 2010)

Area	N	Min	Max	Mean
Kibaigwa township	60	50 000	3 000 000	1 525 000
Immediate hinterland	60	30 000	1 000 000	515 000

4.4   Rural- urban linkage

Rural urban linkages were examined in seven main parts which involve: Members of households who move out of the respective area, immigration status, the time for settlement, migrant settlement, and the main reason for migration, contact with original home and the type of linkages with the immediate hinterlands

4.4.1   Immigration status

Kibaigwa maize market attracts immigrants from different wards and villages around the Kongwa district and other regions, leading to an increase in the number of people and human activities. There are lots of non-agricultural businesses at the study area.

There are also other important services such as police station, schools, electricity, food, and water services which catalyse growth of Kibaigwa Township. Table 19 shows that about 65% of people in Kibaigwa Township, migrated from different areas, while at the hinterlands, 51.7% of the people migrated from different areas. Migrants were moving from the immediate hinterlands to Kibaigwa Township searching for jobs, education, and other services.

Also Data in Figures 3 and 4 shows that among the first members of household who migrated, 15% of young households migrated from Kibaigwa Township to immediate hinterlands while 34.5% of young households migrated from the immediate hinterlands to Kibaigwa Township. Moreover, among the second member of household who migrated, 18.2% of young households migrated from Kibaigwa Township to immediate hinterlands while 32.9 % of young households migrated from the immediate hinterlands to Kibaigwa Township.

Migration from the immediate hinterlands to Kibaigwa urban centre increases local opportunities for income generation, and decrease pressure on larger towns. It is obvious that rural as well as urban areas offer different opportunities to migrants. Potential rural migrants are increasingly being facilitated and supported by relatives already residing in urban areas by providing them information on potential opportunities, shelter and food, and facilitate access to sources of income or employment generation largely in the informal sector. A person engaged in rural-based search usually acquires such specific information about jobs through communication channels such as friends and contacts from previous migrants from the same rural location. This implies that good communication network, development of infrastructure, business opportunities and employment opportunities

attract many rural dwellers to shift to Kibaigwa Township for permanent settlement. Moreover, young females shifted from rural areas to Kibaigwa Township for marriage and small business. Furthermore, young males had shifted in high rate from immediate hinterlands to Kibaigwa Township for the purpose of finding employment and business opportunities.

Table 19: Migration status

	Kibaigwa township (n=60)		Immediate hinterland (n=60)	
Immigration status	Frequency	%	Frequency	%
Native/non migrant	21	35	31	51.7
Migrants	39	65	29	48.3
Total	60	100	60	100
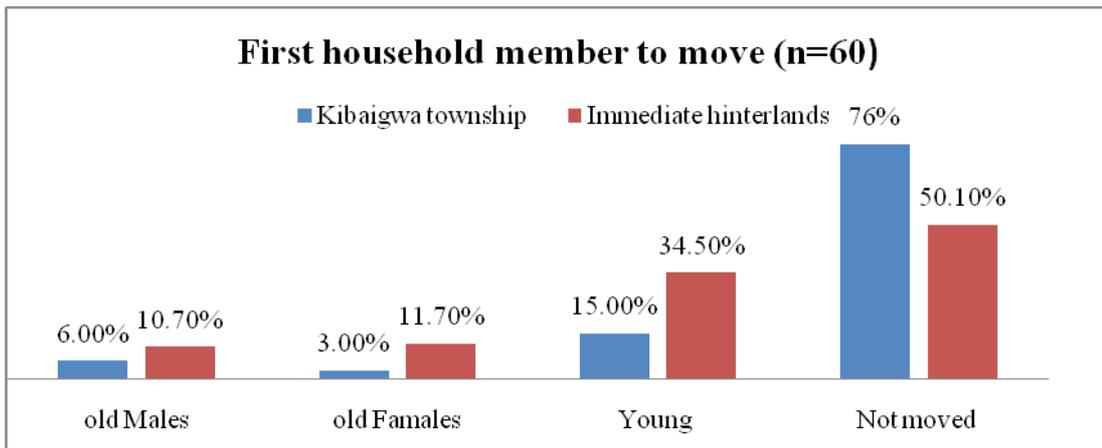
Figure 3: 1ˢᵗ household member to move from this area
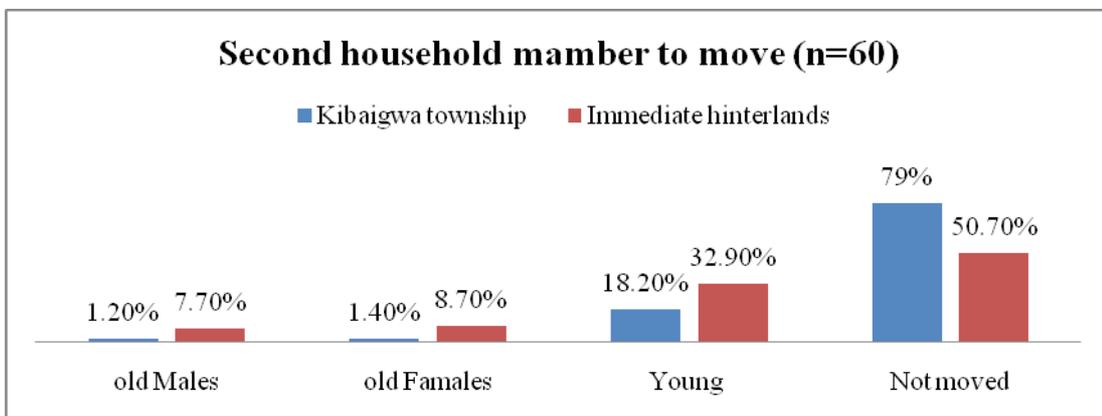
Figure 4: 2ⁿᵈ household member to move from this area

4.4.2 The time for settlement

Traditional approaches to migration have relied on the notion of push- pull factors as the main explanatory elements which consider the time migrants stay in the areas migrated into. The time for settlement of migrants at Kibaigwa Township and the immediate hinterlands is shown in Table 20

Table 20: Time for settlement (in years)

Area	N	Min	Max	Mean	Std. Deviation
Kibaigwa township	60	1	64	19	14.989
Hinterland	60	10	63	30.00	13.916

The data in Table 20 show majority of migrants at Kibaigwa Township have settled for an average of 19 years. While at the immediate hinterland migrants have settled for an average of 30 years. Individuals with the same ethnic groups often settle in the Kibaigwa Township where most of the people from their own areas of origin have already settled. These settlement patterns have helped to consolidate ethnically based association networks which are instrumental in keeping abreast with their rural areas. Decisions to move and stay permanently at Kibaigwa township are made at an individual level. Rural people migrate and stay for a long time in urban area in order to benefit from comparative advantages in the areas of destination. Individuals rationally decide to migrate from rural areas and settle in Kibaigwa urban because they are attracted by the opportunities resulting from commercial farming and expansion of non-farm business

4.4.3 Migrants settlements

The assumption is that in Kibaigwa Township and in the immediate hinterlands land markets are subject to competitive pressure as Kibaigwa urban centre expands. The main factors which trigger migration are shown in Table 20.

Table 21: Factors that influencing migration to Kibaigwa Township

Factors that necessitated migration	Kibaigwa township (n=60)		Immediate hinterland (n=60)	
	Frequency	%	Frequency	%
No land to cultivate in the original home	17	28.3	12	20.0
No capital to establish any business in the original home	4	6.7	3	5.0
Relatives live better life in the township than in original home	8	13.3	9	15.0
There is very low productivity and returns from the available land in the original home	14	23.3	15	25.0
No specific reasons	15	25	21	35
Total	60	100	60	100

Table 21 shows that many migrants at Kibaigwa Township (28%) and at the immediate hinterlands (20%) had no land to cultivate at the original home also 14% and 15% of the respondents from both areas reported of very low productivity and returns in the available land in the original home. As Shells (2009) observes, in Nigeria more than 35% of the migrants migrated due to lack of fertile land at their

villages; 40% of the small producers migrated because of lack of land, water, or capital. In the same vein at Kibaigwa Township, productive household activities were not necessarily confined to agriculture but often they included non-farm activities in order to diversify income and meet household needs. This implies that a large part of migration in the immediate hinterlands have been linked to stagnation and unpredictability of agriculture. The growth rates in agricultural production and income has been noted to be low, unstable and disparate across immediate hinterlands due to low productivity and returns from available land, resulting in lack of livelihood opportunities in rural areas. This has led to out-migration from immediate hinterlands areas, most of the migrants being absorbed within Kibaigwa Township informal economy has they employed in non agricultural sector.

4.4.4   The main reasons for migration

The migration status of the EUC respondents was expected to influence their (respondents') access to credit, migration benefits and other aspects of livelihoods. Data in Figures 5 and 6 show the main reasons for migration for the respondents from both Kibaigwa EUC and the immediate hinterland. The data show that 56% and 29 % of the respondents from Kibaigwa Township and the immediate hinterlands respectively, reported that the main reasons for migration as the need of getting access to economic opportunities at Kibaigwa Township and in the immediate hinterlands; 21% and 50% of the people migrated because there were relatives and friends in both areas; 9% and 8% of the respondents migrated because the township and the immediate hinterlands were closer to their original homes, respectively. Moreover other qualifications of individuals such as work skills; business skills; and

administrative skills were important in determining their abilities to meet new challenges at Kibaigwa Township.
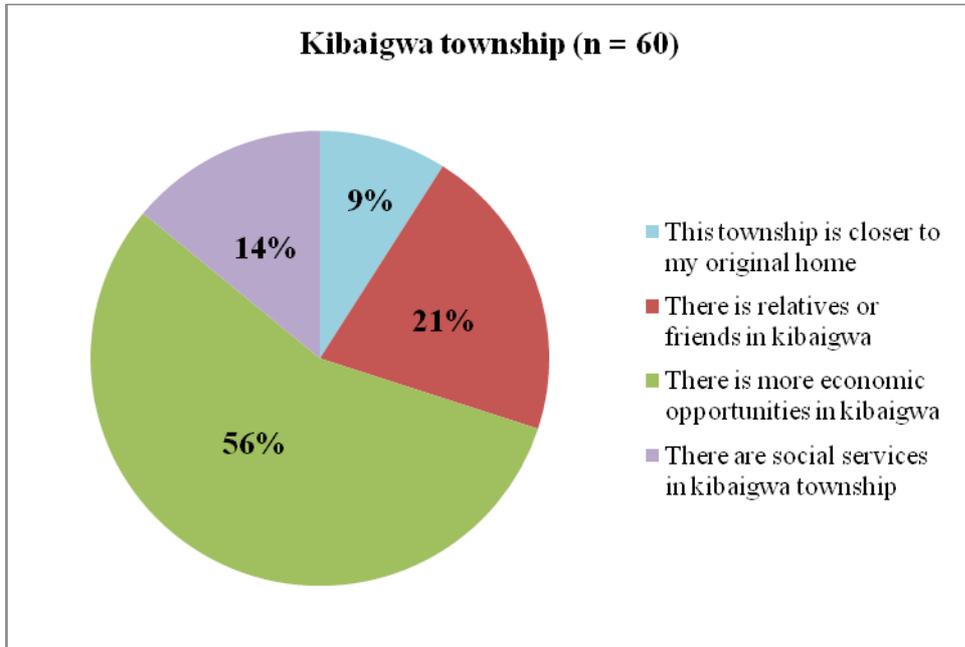
Figure 5: Reason for migration by Kibaigwa township respondents
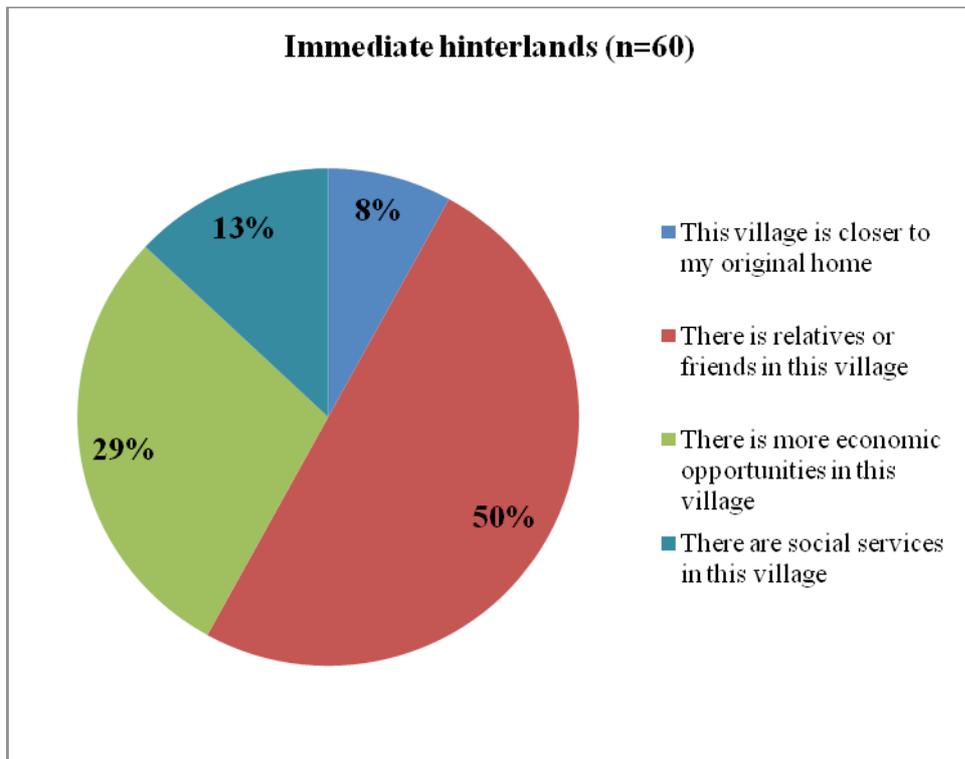
Figure 6: Reason for migration by immediate hinterlands respondents

4.4.5   Contacts with original home

It was assumed that migrants would have a contact with their original home. The findings are given in Table 22.

Table 22: Respondents' Contacts with original home

Contacts	Kibaigwa township (n=60)		Immediate hinterland (n=60)	
	Frequency	%	Frequency	%
Own house in original home village	15	25	14	23.3
Own farm in original home village	14	23	18	30
Own business in original home village	3	5	2	3.3
Part of family live in village	28	47	26	43.3
Total	60	100	60	100

Data in Table 22 show that 25 % of Kibaigwa township respondents own houses in their original home, 23 % own farms, 5% own businesses, and 47 %, have some family members living at their original home. While at the immediate hinterlands 23.3 of the respondents own houses at the original home others (30 %) own farms; 43.3% have some family members living in the home villages, and 3.3% own small business in the home villages. This implies that most of the migrants have some contact with their original home due to the fact that some of their family members live there. These trend catalyses rural urban complementarities because some of the family members would pay frequent visits to their relatives living at the Kibaigwa Township and permanent migrants would visit their family in rural areas at different times.

4.4.6   Remittances

It was expected that remittances from household members stay at urban was an important income source for the family members remain at the rural areas. Data in Table 23 show that 55% of household members move to Kibaigwa Township sent back remittances to their relatives remained in their original home at immediate hinterlands. While 38% of household members move to immediate hinterlands sent back remittances to households members remain in Kibaigwa Township. Others migrants depends remittances from their relatives in their original home whereby 33% of household members remain in Kibaigwa township sent remittances to their relatives moves and stay at immediate hinterlands. While 17% of household's members in immediate hinterlands sent remittances to their household member's moved and stay in Kibaigwa Township.

Remittances sent from Kibaigwa township respondents to their relatives at original home in immediate hinterlands were: cash money (21.7%) and consumer items (30%) respectively. While remittances sent from relatives at immediate hinterlands to their original home relatives in Kibaigwa Township were: Food item (16.7%) and cash money (6.7%). Moreover other household's members migrated to other areas but still they were poor and depends remittances from original home. Household's members from Kibaigwa township respondents sent remittances to their relative moved to immediate hinterlands as follows: Cash money (15%) and Food items (5%). While household remain in immediate hinterlands sent remittances to their relatives moved to Kibaigwa Township as follows: cash money (5%) and food items (6.7%).

Table 23: Types of remittance sent and received between household members

Remittance	Kibaigwa township (n=60)		Immediate Hinterlands (n=60)	
	Frequency	%	Frequency	%
Household members move				
Bringing back remittances to	33	55	23	38
original home				
Not bringing back remittances	27	45	37	62
	60	100	60	100
Household members remain				
in original home				
Sent remittance to household	20	33	10	17
members move to other areas				
Not sent remittances	40	67	50	83
	60	100	60	100
Type of remittances sent by				
household members moved				
Cash money	13	21.7	4	6.7
Food items	2	3.3	16	16.7
Building material			1	1.7
Consumer items	18	30	2	3.3
Not sent remittances	27	45	37	71.7
Type of remittances sent by				
original home to household				
members moved				
Cash money	9	15	3	5
Food items	5	8	3	5
Building material	3	5	4	6.7
Consumer items	3	5		
Not sent remittances	40	67	50	83.3
	60	100	60	100

Also results in Table 24 show that the average value of remittances sent from
Kibaigwa Township to immediate hinterlands were 265 000 Tshs with minimum of
30 000 Tshs and maximum of 500 000 Tshs per year while the average remittances
received from household members at immediate hinterlands to their relatives at
Kibaigwa township were 127 000 Tshs with minimum of 15 000 Tshs and maximum
of 240 000 Tshs per year. Moreover average cash money sent from Kibaigwa

Township to immediate hinterlands were 425 000 Tshs with minimum of 50 000 Tshs and maximum of 800 000 Tshs per year while the average cash money received from relatives at immediate hinterlands to their household members at Kibaigwa township were 160 000 Tshs with a minimum of 20 000 Tshs and maximum of 300 000 Tshs per year. According to Oluwasola (2008) explained that remittances considerably improve the welfare of recipient. Thus it is conceivable for remittance recipient to be better off than those without remittances. Chan (2004) also argued that, remittances from urban areas help in development of rural areas. In other case people left behind in villages often look forward to remittances from urban areas for their support. This implies that the contribution of households in immediate hinterlands towards development of their area of origin is revealed in average of remittances remitted by various household stay in Kibaigwa Township. Remittances improve the relationship of relatives from both areas by providing necessary impetus for improving living standards of households. Most of remittances (21.7% cash money and 30% consumer items) from Kibaigwa Township sent to immediate hinterlands households. This means that the regular and irregular sending of remittances impacts the development of poorer households whose main source of income might be cash transfer, because remittances support combined malt- spatial activities which is the source of livelihood to the households in original home.

Table 24: Average value of remittance and Money sends and received by household members

Area	N	Min	Max	Mean
Average value of remittance				
Sent remittances from Kibaigwa township to immediate hinterland	60	30 000	500 000	265 000
Receive remittances from immediate	60	15 000	240 000	127 500

hinterlands

Average amount of money

From Kibaigwa township to immediate hinterland	60	50 000	800 000	425 000
From immediate hinterlands to Kibaigwa	60	20 000	300 000	160 000

4.5 Role of microfinance in rural urban complementarities

Logistic model

Logistic regression analysis was conducted by combining factors such as time spent in the area; ownership of land; household income; maize business; interest charged; reason for migration and migration status.

a) Time spent in the area

The results indicated that the time spent in the area was not significant. This finding suggests that time spent in the area had no any influence on access to credit from formal financial institutions. Credit institutions need committed farmers and business people with enough resources as collateral.

b) Ownership of land

Ownership of land was significant and had a positive coefficient, implying that farmers owning large areas of land had more access to credit and savings because land is used as collateral.

c) Household income

The relationship between household income and access to credit was significant but the coefficient was negative implying that those with low income had better chances to access credit from microfinance institutions. Most of the available credit schemes had eligibility criteria favouring people with medium income at Kibaigwa Township and the immediate hinterlands.

d) Amount of maize sold

The relationship between amount of maize sold and access to credit was significant but the coefficient was negative. This implying that people with low amount of maize sold at Kibaigwa Township and immediate hinterland had an opportunity to access credit and savings services in microfinance institutions.

e) Interest rate charged

The relationship between interest rate and access to credit was not significant. This implies that the rate of interest rate charged did not influences access to credit from formal microfinance institutions. High Interest rates charged in weekly basis and monthly are not affordable by poor people at Kibaigwa Township and immediate hinterlands. Microfinance's charge rates high enough for covering the running costs. This is an essential practice for any business enterprise that intends to continue its operations beyond the short term. Ceiling costs should be introduced on microcredit interest rates to ensure that poor households access affordable microcredit.

f) Migration status

The relationship between migration status and access to credit was not significant and the coefficient was positive. This implies that access to credit does not

determine migration status. Farmer's have equal opportunities to take loans provided they meet credit borrowing conditions from the microfinance institutions

Table 25: Results of logistic regression on role of credit and saving

Variables	B	S.E.	Sig.
Time lived in the area	-0.346	0.434	0.626
Ownership of land	0.924	1.487	0.034
Household income	-1.826	3.231	0.049
Amount of maize sold	-0.296	1.023	0.042
Interest rate charged	5.937	8.093	0.223
Migration status	2.544	6.462	0.999
Constant	-1.417	0.279	0.0000

* Significance at 5% Level

4.7 Summary

The financial facilitation on MFIs in providing loans to small and medium enterprises indirectly influences the agriculture sector. 45% and 33.3% of the respondents were members of microfinance institutions at Kibaigwa Township and immediate hinterlands. The weekly payment of interest and part of principle of loans has been constraint to farmers business invest from further expansion and decrease number of loan borrowers. Good communication network, development of infrastructure, business opportunities, employment opportunities and microfinance services attract many rural dwellers to shift to Kibaigwa Township. Moreover Migration from immediate hinterlands to Kibaigwa Township increases local opportunity for income generation and decrease pressure to large towns. Remittances obtained from household members migrated to Kibaigwa Township was an important income sources for family members remain at immediate hinterlands. The regular and irregular sending of remittances impacts the development of poorer

households at immediate hinterlands. Furthermore the results from logistic regression show that among the six dependent variables used to analyse access to credit from microfinance institutions three were significance (ownership of land; household income and value of maize sold)   and other three were not significance (Time lived in the area; migration status and interest rate charged)

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

This chapter presents the conclusion of the study and makes recommendations for further consideration, arising out of the research findings. The recommendations to this study are intended to provide practical mechanisms to policy makers in modifying policies regarding rural-urban complementarities and improving microfinance services.

5.1 Conclusion

i. Savings and credit services in Kibaigwa and immediate hinterland

Financial facilitation of microfinance institutions in providing loans to medium and small enterprises assist on development of agricultural sector to farmers in Kibaigwa and immediate hinterlands. But majority of respondents (55% and 66.6%) at Kibaigwa Township and immediate hinterlands were not members of microfinance institutions due to the effect of weekly basis interest rate charged; lack of enough collateral and lack of enough education. Moreover the factors that prevent rural financial markets from operating efficiently are recognized to be broader and include institutional features, and specific constraints related to intermediation in rural areas. It is difficult for microfinance institutions to provide business advices and business training and to follow the performances of the business and uses of loans for agriculture especially in remote areas. There is difficulties also in providing money safety and security due to problems like: borrowers failed to return loans in time; lack of experienced staff; difficult in estimation of collateral and theft.

ii. Rural urban linkages

Kibaigwa urban centre plays a key role as a centre for trading. Farmers migrate from immediate hinterlands to Kibaigwa Township due to the presence of many income generating activities which promote more business and investments. Seasonal rural-urban migration is not limited to the poor rural community members; even middle income and rich peasants take part in the seasonal migration during agricultural season as a means of maximizing income opportunities. Rural and urban permanent migration at Kibaigwa will continue as long as economic and social economic imbalances between the immediate hinterlands and the Township still exist. The major limitation of rural-urban complementarities is poor infrastructure and communication system especially for the immediate hinterlands far from the tarmac roads to Dodoma and Kibaigwa Township.

iii. Role of savings and credit on development of Kibaigwa

The study managed to establish six socio-economic factors which are important in influencing individuals' chances in accessing credit from formal microfinance institutions, and these include, time spent in the area, ownership of land, household income, amount of maize sold, interest rate charged and migration status. The ownership of land of an individual was an important factor in influencing an individual's chance of accessing credit as evidenced by the borrowers group in the study because land is used as collateral. Household income was mentioned to be a major factor which influences access to credit facilities from microfinance institutions, household with high income and low income both would access from microfinance institution. Moreover more maize sold at Kibaigwa market by a farmer influences individuals' access to credit facilities from microfinance institutions.

Other variables such as migration status and time spent in the area have no any influence in credit and savings while interest charged by microfinance institutions did not influences access to credit to farmers around Kibaigwa Township and the immediate hinterlands.

5.2 Recommendations

To increase efficiency of microfinance services the following recommendations are suggested. It is recommended that marketing research should be done by commercial banks in order to capture Kibaigwa market. More education should be imparted to rural population by both extension workers and microfinance institutions staffs on how to use financial services. The government in collaboration with various development partners should consider the possibility of establishing credit institutions to provide specific credit and savings needs to small farmers and small businesses. However, an appropriate mechanism should be explored in coordinating the various disjointed credit systems existing in Kibaigwa Township. This will make microfinance institutions more efficient in their basic operations in supporting agriculture and small business sector.

The problem of rural-urban permanent migration will be reduced by the government to instate policy that creates favourable conditions and investment opportunities in urban areas through: Improving and increasing roads, health centers, primary schools and secondary schools, rural electrification; water services and transportation services between villages and townships. Contractions of big markets in villages will encouraging more entrepreneurs to be engaged in enter- trade of goods from farming practices and non-farming practices this will causes the economy of immediate

hinterlands to be improved and more people will tend to be engaged in employment opportunities created in the original home and not migrated to Kibaigwa township.

Lastly in the role of credit and savings, the current existing credit policy in promoting informal credit institutions and in bringing about closer linkage between formal and informal institutions should be improved by the policy makers in order to mobilize savings and credit in both rural and urban population by reducing interest rate charged in weekly basis and monthly basis. Moreover, Land registration by the government must be immediately carried out to allow the majority of poor farmers to have legal land ownership rights and be able to use it as collateral when they apply for credit from formal financial institutions.

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ANNEX

General characteristics of SACCOs in Kibaigwa Township

There are Kibaigwa financial services and credit cooperative society (KIFISSACCOS); Horticultural Crops Sellers at Kibaigwa Market SACCOS (UMMAKISO); Cargo porter's cooperative society; Kibaigwa Agricultural Marketing Cooperative Society (KAMCOS). All SACCOs offer different types of credit services, these are: Agricultural loans; Emergences loan; Social loan; Inputs loan and Crop storage loan. The criteria used to determine credit disbursement to customers are (a) savings (b) collateral (c) loans are channeled through village executive officers and (d) loans are channeled through loan committee. The interest rate charged for different types of credits per month are (a) agricultural loan 3% (b) business 3% (c) emergency 10% (d) crop storage 3% (e) social 3% (f) fixed inputs do not have fixed amount of interest rate.

It was noted that majority of women they don't have enough collateral to support borrowing requirements in the SACCOs. The microfinance put more priority and support on agricultural and small scale non-agricultural business. The difficulties faced by microfinance in approving loans to client are (a) most of them are not educated (b) many people have less durable collateral which cannot persist for a long (c) farming business is very risky due to climatic change, rainfall season absolutely change, and in some season it can not to support agricultural crops which contribute to farmers failure to return loans. The initial capital investment obtained from retains earning and shares from members. Actual numbers of 19 villages are saved by SACCOs both in Kibaigwa Township and immediate hinterlands.

APENDICES

Appendix 1

QUESTIONNAIRE FOR FARMERS
CONFIDENTIAL
QUESTIONNAIRE: Personal Interviews
RESPONDENTS : Farmer
TOPIC: Rural - Urban Complementarities (Ruc) in Tanzania: Analysis of Savings and Credit Services at Kibaigwa in Kongwa District

SECTION 1: Respondent Identification

	DISTRICT: Kongwa	DIVISION:
REGION: Dodoma		
WARD	VILLAGE:	
DATE OF INTERVIEW		

1.1 Emerging Urban Centre ………. (1) Resident ……… (2) None resident …

1.2 Name……………………. No…………………….

1.3 Sex……………………………

1.4 Age…………………………………

1.5 Marital Status………………. (1) Married (2) Single

1.6 Household size ……...……... (Total number of people leaving)

1.7 Literacy level………………. (1) Can read (2) cannot read & write

1.8 Highest formal Education level attained……………………………..

SECTION 2: Economic Activities

2.1 Do you own a house that your household leaves in? Yes …….. No………

If your answer to question 2.1 is no go to question 2.4

2.2 What type of house do you own (Tick what is applicable)?

HOUSE	TICK(√)
a) House with corrugated iron sheet roof	
b) House with grass thatched roof	
c) House with burned brick walls	
d) House with cement block walls	
e) House with mud walls	
f) House with cement/tiles floor	
g) House with mud floor	

2.3 How did you get access to the house

    a) Rented house

    b) Company (employer) house

    c) Inherited house

    d) Other specify

2.4 What is your main (that which earns you most income) economic activity

……………………………………………….

2.5What is your average monthly/annual earnings from your main economic

activity?

....

2.6. Are you involved in maize business (Yes/ No)

2.7. What is the yield obtained last year? ....kg

2.8 How many kg of your maize sold last year……………… kg

2.9 How mach income did you got from the maize business last year …. Tsh

2.10 What is your involvement in the (maize tomato, sugarcane or tea) sub

ACTIVITY	TICK(√)
a) Farmer in the village/ emerging urban centre	
b) transporter from hinterland village to emerging urban market	
c) transporter from emerging urban centre to other regional markets (e.g Dodoma, Dar-es-salaam)	
d) loading and unloading (maize tomato, sugarcane or tea) at the village/ emerging urban centre	
e) (maize tomato, sugarcane or tea) broker at the emerging urban market	
f)(maize tomato, sugarcane or tea) whole sale trader village/ emerging urban centre	
g) (maize tomato, sugarcane or tea) retail trader in village/ emerging urban centre	
h) labourer in (maize tomato, sugarcane or tea) farms in village/ emerging urban centre	

sector? {more than one possible answer)

2.11 Do you hold your own land or you used to rent the land from other people?

(Yes/No)

2.12 If you rent the land for farming what is the rate charged per year?

……………………..

SECTION 3: Trends and characteristics of the village /Emerging Urban Center

3.01 Were you born in this village/emerging urban centre (mention the village/sub village)? (Yes/ No)

3.02 If you were not born in this village/ emerging urban centre what is your original home village? ....

3.03 Which year did you leave your original home village? ....

3.04 When (year) did you permanently settle in the current (give name) village/ emerging urban centre …………?

3.05 If you were not born in this village/ emerging urban centre what are the main factors that facilitated your movement

    a) Returns I got from farming (tomato, sugarcane, tea, maize)

    b) Credit from Institutions

    c) Credit from relatives

    d) Salary from employment

3.06 If you were not born in this village/ emerging urban centre what are the main factors that made it possible for you to settle in this area

    a) Returns I got from farming (tomato, sugarcane, tea, maize)

    b) Credit from Institutions

    c) Credit from relatives

    d) Salary from employment

    e) Returns from non-agriculture business (specify)

3.07 If you were not born in this village/ emerging urban centre why did you leave your original home village?

    a) I did not have land in the original home village to cultivate

    b) I did not have capital to establish any business in the original home village

c) I noted that relatives/friends who left the original home village had better life than mine

d) I have land to cultivate but very low productivity and returns to agriculture in my original home village

If you were not born in this village/ emerging urban centre why did you move to this village/ emerging urban centre and not to any other village/ emerging urban centre? …………………..

a) This village/ emerging urban centre is close to my original home village

b) There were relatives/friends in this village/ emerging urban centre that invited me

c) There are more economic opportunities in this village/ emerging urban centre than any other

d) There are more social services in this village/ emerging urban centre compared to others that I know

3.08 How long have you lived in the current village/ emerging urban centre? …………………….. (Years).

3.09 Do you have contacts with your original home village/ emerging urban centre? 1=Yes   2=No

If your answer to question3.09 is no go to question 3.11

3.10 What kind of contacts do you have with your home village/ emerging urban centre? [Read through the list and tick what applies]

a) Own house in village/ emerging urban centre

b) Own farm in village/ emerging urban centre

c) Own business (e.g. shop) in village/ emerging urban centre

d) Buy goods (agricultural products) from village/ emerging urban centre

e) Buy goods (consumer) from village/ emerging urban centre

f) Part of family/household live in village/ emerging urban centre

g) Other specify……………………………

SECTION 4: To identify Savings and Credit services at two villages within Kibaigwa township and two villages neighbouring Kibaigwa.

4.1 Are you a member of any savings and credit (financial) institution (e.g. NGO, SACCOS, coop or solidarity group)? Yes   No

If your answer to question 4.1   is no go to question 4.3

4.2 What are the names of the savings and credit (financial Institutions that you are a member (both formal & informal)

a) KIFISSACOS

b) UMAKISO

c) KAMCOS

d) Cargo porters

c) Others (Specify)

4.3 Have you ever had any credit? Yes ………… No

If your answer to question 4.3 is no go to question 4.8

4.4What was the source of credit?

4.5How much money did you get as credit last year? ....

4.6 Where did you invest the money that you received as credit last years?

    a) Rural village

    b) Emerging urban centre

    c) Other specify……….. (e.g. bought a car travelling between rural and
       emerging urban centre

4.7 How did you use the money that you got as credit?

    a) Invested in farming (cultivation of sugarcane, maize, tomato or tea)

    b) Bought farm land

    c) Built a residential house

    d) Built commercial house (guest house, or house for renting out)

    e) Bought a car

    f) Bought farm implement/equipment (tractor, power tiller)

    g) Established marketing agricultural products (tomato, maize,)

    h) Established shop for consumer products (sugar, salt, soap etc)

    i) Established farm (specify crop sugarcane, tea, maize, rice, tomato)

    j) Established timber harvesting business

    k) Sent child to school

    l) Spent on health services

4.8 What are the reasons for you not getting any credit? …………..

    a)

    b)

    c)

    d)

4.9 Do you face any difficulties on receiving loans? (Yes/No)

If yes, what are they?

1) ………………………………………………………………

2) ………………………………………………………………

3) ………………………………………………………………

4) ………………………………………………………………

4.10 As client what are your suggestion to the microfinance institutions in order to

improve on the services

1. …………………………………………………………

2. …………………………………………………………

3. …………………………………………………………

4. …………………………………………………………

SECTION 5: Rural-urban linkages between Kibaigwa emerging urban centre and immediate rural areas.

5.01 Do you have a member of your household who moved out of this village/ emerging urban centre?

Yes ……… No………..

If your answer to question 5.1 is no go to question 5.6

5.02 How many members of your household moved out of this village? ....
(Give number).

5.03 What is your relationship with the first household members who moved out of this village?

a) Father

b) Mother

c) Son

d) Daughter

e) Other specify……………….

5.04 To which village/district did the first household members who moved out of this

village moved to……………………

5.05What is your relationship with the second household member who moved out of

this village?

a) Father

b) Mother

c) Son

d) Daughter

e) Other specify……………….

5.06 To which village/district did the second household member who moved out of

this village moved to? ……………………

5.07 Do any of the members of your household that moved out of this village/

emerging urban centre bring in remittances? Yes------------No.

If your answer to question 5.7 is no go to question 5.10

5.08 What kind of remittances did you get last year from the members of your

household that moved out of this village/ emerging urban centre? (tick what

applies)

a) Cash money

b) Food items

c) Clothes, shoes, etc

d) House building materials

e) Consumer items (e.g soap, match boxes, kerosene)

8. On average last year how much cash money did you receive monthly/ annually from the members of your household that moved out of this village/ emerging urban centre?.........................

5.09 On average last year what was the value of goods that you received monthly/ annually from the members of your household that moved out of this village/ emerging urban centre?........................

5.10 Do you send any remittances to the members of your household who moved out of this village/ emerging urban centre? Yes …….. No ………….

If your answer to question 5.10 is no go to question 5.14

5.11 What kind of remittances did you send last year to the members of your household that moved out of this village/ emerging urban centre? (tick what applies)

a) Cash money

b) Food items

c) Clothes, shoes, etc

d) House building materials

e) Consumer items (e.g soap, match boxes, kerosene

5.12 what was the average value of the remittances that you sent to the members of

your household that moved out of this village/ emerging urban centre

Tsh………. /month /year

5.13 On average how much cash money did you sent to the members of your

household that moved out of this village/ emerging urban centre

Tsh…………… /month /year

5.14 What are the reasons for you not to send any remittances to the members of

your household that moved out of this village/ emerging urban centre

SECTION 6: The role of savings and credit on development of Kibaigwa urban

center.

6.1 Do you access savings and credit from microfinance institution? (Yes/No)

6.2 Do you have any business activities in urban area? (Yes/No)

6.3 Is your business registered? (Yes/No)

6.4 In your business do you have people who work for you? (Yes/No)

If yes how do you pay your employees?

a) In cash

b) In kind

c) Both

d) Do not pay

7.5 If you pay your employees in cash, how do you do that?

a) Bank deposit

b) Cash

c) Cheque

6.6 Where do you get capital for starting business?

a) Owner net worth i.e. salaries/ pensions

b) Outside equity e.g. inheritance relatives and friends

c) Loan from microfinance institutions

      a) Less than one month

      b) One month

      c) Two month

      d) Three month

      e) More than three months

6.7 Why did it take that long?

      a) …………………………………………………………………
..

      b) …………………………………………………………………
.

      c) …………………………………………………………………

      d) …………………………………………………………………..

6.8 Which type of loans did you receive from microfinance Institution?

a) Agricultural loans

b) Business loans

c) Emergences loan

d) Social loan

e) Inputs loan

f) Crop storage loan

6.9 Is the loan received from microfinance institution sufficient? (Yes/No)

6.10 What are the uses of income (revenue) attained?

a) Able build own house

b) Able to meet all basic requirements i.e. food, shelter, clothes

c) Able to pay for medication

d) Other (specify)………………………………………………

e) All of the above

6.11 How much interest rate did you charged when you borrow from microfinance

institution………...

6.12. How   much income did you borrow last year? ………………………….

Appendix 2

CHECKLIST

PART 1: To identify savings and credit services at Kibaigwa

1. When did your microfinance institution start to offer credit to small holder farmers? ....

2. Please can we know the total number of loan beneficiaries in your ward so far? ………………………

3. How many times there is contact between your microfinance institution and customers? ....

4. What measures / actions are taken to insure money safety /security?

   a) ………………………………………….

   b) ……………………………………………

   c) ………………………………………….

   d) ……………………………………………

   e) ………………………………………….

5. How many members does the society have? ………………………………………….

6. How many members are targeted to save in your microfinance per year? …………………….

7. How many village saved by your microfinance institution? ……………………………..

8. What types of credit services do your MFI offer?

   a) …………………………………………..

   b) ……………………………………………

   c) ……………………………………………

   d) …………………………………………..

   e) ………………………………………….

9. What are the criteria used to determine credit disbursement to the customers?

a) ………………………………………………

b) …………………………………………………..

c) ………………………………………………….

d) …………………………………………………..

10. How many microfinance institutions around the ward?
…………………………..

11. What is the trend of male and female for the past five years?
………………………………………………………………………

12. What is the kind of business does microfinance institution first priority and support?

a) …………………………………...

b) …………………………………...

c) …………………………………….

d) …………………………………….

e) …………………………………….

13. How do you monitor and evaluate the use of loans as taken by clients?

…………………………………………………………………………..

14. What is your suggestion about your future improvement to support SMEs?

a) …………………………………..

b) …………………………………….

c) …………………………………….

d) …………………………………….

e) …………………………………….

15. Which techniques used by Microfinance to support SMEs?

a) ………………………………………….

b) ………………………………………….

c) ………………………………………….

d) …………………………………………………

16. What difficult do you face in the process of approving loans to the clients?

a) …………………………………………..

b) ………………………………………….

c) …………………………………………..

d) …………………………………………

PART 2: Rural-Urban between Kibaigwa emerging Urban center and immediate rural area

1. Can you explain how urban offer social mobility to poor?

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

2. Can you explain why rural and urban areas their economies increase interconnected?

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

3. What measures do policy makers take into accounts rural-urban linkages?
a……………………………………………………………………………
……………b………………………………………………………………
……………………………c…………………………………………………
…………………………….…………
d………………………………………………………………………………
……………..

4. How this town start to developed?

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

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

5. Why government favour rural population than urban population?
…………………………………………………………………………………………
…………………………………………………………………………………………
…………………………………………………………………………………………
…………………………………………………………………………………………
…………………………………………………………………………………………
…………………………………………………………………………..

6. What is the obstacles of poor rural- urban migration?
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…………………………………………………………………………………………
…………………………………………………………………………………………
…………………………………………………………………………………………
…………………………………………………………………………………………
………………………………………………………………………

7. What is the nature of link maintained within the rural area…………………………………………………………………………………
…………………………………………………………………………………………
…………………………………………………………………………………………
……………………………………………………

8. Explain how government improve transport and communication to your ward?
…………………………………………………………………………………………
…………………………………………………………………………………………
…………………………………………………………………………………………
…………………………………………………………………………………………
…………………………………………………………………………………………
………………………………………………………………………

9. How far from the village to closest all weather roads by walking………………………….

10. How far from the village to closest tarmac road by walking………………………………

11. What factors attract farmers to sell their crops at Kibaigwa market?
…………………………………………………………………………………………
…………………………………………………………………………………………
…………………………………………………………………………………………
…………………………………………………………………………………………

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

12. Why people move from village to town

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

13. What is the contribution of credit and services in supporting rural urban
linkages?

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

14. How different form of migration and residual moves results in establishment
of rural social networks?

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

**PART 3: Role of savings and credit on development of Kibaigwa urban
center.**

1. Mention source of initial capital investment

No	Source	Amount

2. Indicate interest rate charged for different types of credits

No	Credit type	Duration and interest charged in percentage		
		2007/2008	2008/2009	2009/2010
1				
2				
3				
4				

3. What are the non-farm businesses supported by microfinance institutions

    a) …………………………………………..

    b) ………………………………………….

    c) ………………………………………….

    d) ……………………………………

    e) …………………………………………..

4. How can microfinance facilitate on development of agricultural marketing?

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

5. What is the trend of the general household income in your ward for five years?

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

6. Can you explain how credit and savings affect rural- urban migration?

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