

**THE CONTRIBUTION OF MICROFINANCE INSTITUTIONS TO POVERTY
REDUCTION AMONG WOMEN: A CASE STUDY OF ROMBO DISTRICT,
KILIMANJARO REGION, TANZANIA**

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE DEGREE OF MASTER OF ARTS IN RURAL
DEVELOPMENT OF SOKOINE UNIVERSITY OF AGRICULTURE.**

MOROGORO, TANZANIA.



05 MAR 2014

2013

ABSTRACT

Microfinance institutions can be a critical element of an effective poverty reduction strategy, especially for developing countries. Credits provided by these institutions can enable the poor in alleviating poverty. This study examined how the credit obtained by women was used. Then it determined the monthly income from the businesses conducted by women who had borrowed cash from SACCOS. The study also examined whether they were able to repay the loan on time and how sustainable their businesses were after repaying. In addition, the study examined the obstacles women faced in alleviating poverty and the contribution of microfinance institutions to household standard of living among women. The data were collected by using the questionnaire survey method, whereby, 60 women from Mashati SACCOS were selected. Following the information collected from SACCOS officials and women who had borrowed from SACCOS, it was revealed that microfinance institutions had brought very little changes to the lives of those poor women. Also the study has revealed that most of the women failed to continue with their business activities after repaying the credit. Despite the limitations to the poor women to access credit, results show that those who had accessed credit faced many obstacles and as a result they failed to meet their objectives. It is recommended that, credit obtained must be used effectively to meet the required objectives, microfinance institutions should minimize the interest rates and provide enough information about other services given by these institutions such as savings to increase chances of obtaining enough capital. Also proper education for running business should be given to borrowers so that their businesses can be sustainable. Financial institutions should also find alternative ways to reduce obstacles which women face in obtaining and using credits so as to improve their household's standard of living.

DECLARATION

I, BEATRICE GASPER TARIMO, do hereby declare to the Senate of Sokoine University of Agriculture, that this dissertation is my own work done within the period of registration and that it has neither been submitted nor being concurrently submitted for degree award to any other institution.

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ACKNOWLEDGEMENTS

This study would not have been accomplished without the technical and moral assistance of many persons. Appreciations are extended to all those who, in one way or another contributed to the success of this study.

In the first place, I am very grateful to my supervisor, Dr. E. E. Chingonikaya, of Development Studies Institute (DSI) for his tireless guidance, constructive advice, overall encouragement and assistance throughout the research part of my M.A (Rural Development Degree Programme). Without his educational ideas and moral support this study would not have been accomplished.

My appreciation also goes to my beloved parents Mr. Gasper Tarimo and Mrs. Priscilla Gasper ,who laid down the foundation of my education. I am very grateful for their encouragement, moral support and prayers throughout the period of my studies.

I also acknowledge my lovely husband Mr. Mengi Togwa who provided both financial and moral support throughout the research part of this study. Special thanks go to my beloved sons Joshua Mengi and Joel Mengi who accepted my stay in the classroom and the being far from them to late hours and weekends in order to accomplish this study.

Lastly, but not less important, my appreciation goes to the staff and colleagues in Development Studies Institute (DSI) for their constant encouragement throughout the course of this study. I remain solely responsible for any errors in content or design inherent in this dissertation.

DEDICATION

This dissertation is dedicated to the Almighty God and Jesus Christ my Lord and my personal Saviour, my beloved parents Mr and Mrs Gasper Tarimo who tirelessly laid down the foundation of my education with a lot of sacrifices and efforts; to my lovely husband Mengi Togwa and my beloved sons Joshua Mengi and Joel Mengi.

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LIST OF ACRONYMS

BoT	Bank of Tanzania
CRDB	Cooperative Rural Development Bank
GDP	Gross Domestic Product
HBS	Household Budget Survey
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
MAFSC	Ministry of Agriculture, Food Security and Cooperatives
MDGSS	Millennium Development Goals
NGOs	Non Governmental Organizations
NMB	National Microfinance Bank
NSGRP	National Strategy for Growth and Reduction of Poverty
ROSCAs	Rotating Savings and Credit Associations
SACCOS	Savings and Credit Cooperative Societies
SPSS	Statistical Package for Social Sciences
Tsh	Tanzania Shilling
UN	United Nations
URT	United Republic of Tanzania
USD	United States Dollar

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background Information

Since the early 1990s, the Government of Tanzania has been reforming the financial sector in order to create an effective and efficient financial system. As a result, there has been an increase in the number of banks and other financial institutions, which provides competitive lending services in the industry. The services provided by microfinance institutions can enable the poor to smoothen their consumption, manage their risks better, build their assets gradually, develop their micro enterprises, enhance their income earning capacity and enjoy an improved quality of life.

The positive development of these banks and other financial institutions has not resulted into corresponding widespread increase in services available to the majority of the people, many of whom are poor and live in rural areas, mostly away from formal financial Institutions. This dichotomy therefore called for the need to consider other approaches that would ensure more widespread provision of financial services. Among other things in 1991, the Government opted to promote the development of microfinance institutions such as SACCOS (URT, 2000). This situation, therefore, calls for an in depth review of programmes and policies that would provide efficient, effective and widespread provision of micro financial services.

Financial lending institutions differ significantly from each other in terms of their types of clients, institutional frameworks and funding arrangements. Generally, however, they may be categorise into three major groups namely formal ones; for example commercial banks; semi- formal ones, for example NGOs as well as savings and credit cooperative societies

(SACCOS); and informal ones like Rotating Savings and Credit Associations (ROSCAs) (Zeller, 1994).

Currently, there are financial and non- financial institutions together with government line agencies providing micro credits or loans and other assistance to most needy people, especially, women. The increase in these institutions target women who as many researchers suggest, are a disadvantaged group in terms of access to credit (Yunus, 2004; Due and Kurvijira, 1991 and Makombe *et al.*, 1999).

To date, 40% of people in the world are in extreme poverty with three-quarters of them living in the rural areas. The rural poor live far away from towns and so they cannot get many of the services they need, such as safe water and health services, which the urban people and the rich get. In Africa, a large proportion of people, majority of whom are women, have very limited access to productive resources, education, health care and nutrition (Poverty Facts and Statistics, 2013). In Tanzania, poverty is still widespread and acute especially among rural people. Incidences of poverty are highest in rural areas with about 33% of the population living below poverty line of one USD per day (World Bank, 2007).

The role of micro finance institutions (especially SACCOS) is basically to provide small loans to their clients, creation of employment opportunities, capacity building to borrowers by offering different skills such as use of credit, entrepreneurship and managerial skills. It is acknowledged that rural financial institutions reaffirmed their support in helping some disadvantaged groups in rural areas, especially women. Studies indicate that the efforts done by these institutions allow some women in rural areas to get credit services (Jonna and Alison, 2004 and Sharma and Zeller, 1997).

By May 2006, the number of SACCOS was 2028 and the number of members of SACCOS was 291 368. In 2007; the number of SACCOS reached 3469 and the number of members increased to 590 169. By 2008, the number of SACCOS reached 9397 whereas, the number of SACCOS members reached 8 632 672. Despite the substantial increase, most of the members (64%) were performing poorly (79% of them being women) in terms of improved livelihoods, repayment, savings and running their income generation activities (MAFCS, 2009).

1.2 Problem Statement

Though the government, NGOs and other financial institutions have done a lot to support women who are disadvantaged because of social, economic, gender and other factors, the majority of those who get access to credit services fail to achieve their goals and objectives. As a result poverty remains a major development challenge among women.

Despite many efforts that have been made by the Government to alleviate income inequality and poverty in Tanzania, about 68% of the rural populations still live with income below the poverty line of one USD per day, with farming as the main occupation (Poverty Facts and Statistics, 2013). Furthermore, less, so far, is known on the contribution of financial institutions to empowering poor rural women in poverty reduction. The Government, through researchers, therefore, needs to examine further how best poverty can be reduced by using different forms of income, particularly, from non-farm activities.

Rombo District, which is located in Kilimanjaro Region, contains a large number of very poor women. The majority of men in this area live in towns while their wives remain at home in the village as heads of their families, hence, they suffer as other women in

accessing microfinance credits. It is further noted that those accessing microfinance credits are unable to achieve their primary objectives of the credit or loan. However, the reasons for their failure and the extent to which they fail to achieve their primary (planned) objectives are not well established. In addition there is scant information on the contribution of microfinance institutions, especially SACCOS, to poverty reduction among rural women.

1.3 Problem Justification

This study is an attempt to fill in this gap of knowledge using the case of Rombo District in Tanzania. The findings from this study are intended to inform policy and decision makers on the contribution of financial credit services to poverty reduction among very poor women, and to accentuate strategies that can help to move the very poor women out of poverty in the Rombo District and similar areas.

In Tanzania, financial and credit institutions, beside aiming at poverty reduction also operate on the targets of the National Strategy for Growth and Reduction of Poverty (NSGRP), commonly known as MKUKUTA in Kiswahili, and other relevant government policies and programmes such as National Microfinance Policy of 2000, Tanzania Gender Policy of 2000 and Small and Medium Enterprises Development Policy of 2003. Also, the institutions complement the effort of other global players in development such as Millennium Development Goals (MDGs) Vision of 2025. Of the eight MDGs, Tanzania has adopted five as priorities in its major policy documents and national action plans. These include Education, Health, Agriculture, HIV/AIDS, Water and Infrastructure. Environment and Gender are treated as cross cutting issues (URT, 2004). All these are efforts done by the Government and other stakeholders to poverty reduction.

1.4 Research Objectives

1.4.1 General objective

The main objective of this study was to determine the contribution of credit services to poverty reduction among women.

1.4.2 Specific objectives

The specific objectives of the study were the following:

- (i) to establish how the obtained loans were used;
- (ii) to determine the monthly income from the businesses conducted by women;
- (iii) to examine whether the women who borrowed from microfinance institutions are able to repay the loans on time and, sustainability of businesses after repaying;
- (iv) to find out the obstacles they face in alleviating poverty; and
- (v) to examine the contribution of financial institutions to households standards of living.

1.5 Research Questions

- (i) What have women done with the loans they obtained from microfinance institutions?
- (ii) To what extent has the monthly income from the businesses conducted by women increased.
- (iii) Are the women who borrowed from the microfinance institutions able to repay the loans on time? What is the sustainability of businesses after repaying?
- (iv) What are the obstacles women faces in poverty alleviation?
- (v) What are the improvements in living standards after financial credit services?

CHAPTER TWO

2.0 LITERATURE REVIEW

For a long time provision of micro finance services to low income earners has been hindered by lack of collateral for small borrowers. Across the world, the evolution of micro finance institutions in 1980's has made it possible to deliver financial services to majority of ordinary people previously excluded by formal financial institutions (Szabo, 1996). Currently, microfinance institutions in Tanzania as in other developing countries exist in many forms: credit union or financial cooperatives, commercial banks, Non-Governmental Organizations (NGOs) and specialised non-banking financial institutions.

Even though women have been identified as the neediest group, they have so many difficulties accessing micro credits from various institutions. Reasons for these difficulties comprise both social and economic factors such as income, religious affiliation, sense of women to take micro credits, types of economic activities to generate income, education level, employment status, marital status, physical assets such as collateral, harassment for defaulters and others (Randhawa and Gallardo, 2003).

2.1 Financial Institutions in Tanzania

According to Randhawa and Gallardo (2003) and MAFSC (1999) the formal financial institutions consist of licenced commercial banks as well as savings credit cooperatives societies. The commercial banks available are: CRDB, NMB, Akiba Commercial Bank, Barclays Bank, Tanzania Postal Bank, Standard Chatard Bank, Stanbic Bank, Access Bank Tanzania etc.

Regional and rural unit banks include: Kilimanjaro Co-operative Bank, Mwanga Community Bank, Dar-es-salam Community Bank, Mufindi Community Bank and Mbinga Community Bank. Savings and credit cooperative societies (SACCOS) seem to dominate the industry especial in the rural areas. Records by Bank of Tanzania (BOT) indicated that in 2005 Tanzania had a total of 1899 microfinance institutions, out of which 1635 were SACCOS (Kuzilwa, 2005). The number of SACCOS has been increasing significantly, from 2028 in 2006, 3467 in 2007 to 9397 in 2008 (MAFSC, 2009).

2.2 Concept of Poverty

Before the industrial revolution, almost about 1.7 billion people live in poverty worldwide. Poverty reduction has historically been a result of economic growth. Increased levels of production and modern industrial technology, made more wealth available for those who were otherwise too poor to afford them. Also, investment in modernizing agriculture and increasing yields is considered the core of the antipoverty effort to farmers. Today continual economic developments constrained by the lack of economic freedoms. Economic liberalization includes extending property rights especial to land, to the poor, and making financial services notably credits and savings accessible (Ashemed and Haki, 2004).

Being poor means one spends the little they have on essential products and services like food, shelter, medical services and fuel. If a larger expenditure or investment opportunity arises and there is no cash or savings available, which may be a likely situation, individuals' credit is needed (Rutherford, 2003). Among other ways of reducing poverty, such as economic liberalization, capital, infrastructure and technology, aid and good institutions, empowering women also has helped some countries increase and sustain

economic development. When availed of more rights and opportunities, women begin to receive more education, thus increasing the overall human capital of the country.

2.3 Women and Poverty Alleviation

The concern for women in poverty alleviation efforts in Tanzania is important because women continue to be the most disadvantaged group (Misana; 1995; URT/ UNICEF, 1990). Globally the issue of women and poverty requires special consideration because women and girls of poor rural households bear a disproportionately higher share of the burden of poverty. This is manifested in the nature of women's work in agriculture which exposes them to certain health hazards, time devoted to work and women's equal access and control over cash and its implications in poverty alleviation and the nature of women's domestic and reproductive work (Baltiwala, 1983). According to IFAD, (2000), the majority of food producers in Tanzania are women. Moreover women are not only the main contributors in the production of food, but they are also in charge of all sorts of their productive tasks. African women are generally responsible for preparation and procurement of food, children care taking, gathering fuel wood, fetching water, cooking, cleaning and other domestic chores. Many studies have shown that women use their income to take care of their families as the earnings of so called breadwinners. Therefore, any poverty alleviation effort promotes the advancement of women as producers of their right and direct beneficiaries (Financial Mail, 2002).

2.4 Poverty and Poverty Alleviation in Tanzania

Poverty is pervasive in the world. It is more severe in developing countries and less in developed countries (Kayunze, 1998). Poverty can be further conceptualized as a standard of living whereby one lives below a minimum acceptable level. Apparently, poverty is more persistent in rural areas, than in urban areas, which are characterised of the absence

of basic physical, economic, social and financial institutional infrastructures and services. These situations prevent the poor from taking initiatives towards non-farm income generating opportunities and from gaining access to productive assets (Mtatifikolo, 1994).

In the Tanzanian context, we have "absolute poverty" referring to that section of population whose income or expenditure is not sufficient to ensure acquisition of the basic necessities of life (Banturaki, 2000). Literature describes a section of population that is a marginal group or a marginalized group as a cluster of households representing common interests and living close to a limit below or beyond which it is hard or impossible to meet the minimum basic subsistence needs out of the given resource base of the households. Such clusters combine the uneducated, the illiterate, the landless peasants, the very small holders, the artisans, the rural women and farm youth.

The URT, (2000) accounts that in rural areas poor people are located in areas where arable land is scarce and agriculture productivity is low, rainfall is unreliable, physical infrastructures are poor and people have poor access to the markets. According to Feige, 1990, basic needs rural poverty incidence is estimated at 57 % and food poverty is about 32 %. Tentative estimates for the year 2000 suggest that the incidence of poverty in rural areas may have increased (URT, 2000). Therefore, it will be observed that, the different aspects of the definition of poverty mentioned above typically characterize the situation of majority of Tanzania women (URT/ UNICEF, 1990); Misana 1995; Makombe *et al.*, 1999).

Poverty alleviation refers to lifting of the poor out of poverty. Poverty alleviation is sometimes known as attacking poverty. According to Mtatifikolo (1994) there are two approaches towards poverty alleviation that have received the attention of those concerned

with poverty issues. One approach is poverty alleviation through growth and second is through redistribution. In the growth approach it has been assumed that the government should concentrate on growth policies and the result of growth will “trickle down” to the poor through primary and secondary incomes hence alleviate poverty. In the redistribution approach, it is assumed that poverty will be alleviated through special programmes and donor projects. As for the effectiveness of the two approaches, the practice problems of the growth and its “trickle down” effect makes the redistribution strategy to be more practical for alleviating poverty (Makombe *et al.*, 1999). In Tanzania both approaches of poverty alleviation have been used on credit schemes of low income women who are within the framework of the redistribution approach.

2.5 Gender and Poverty

Women produce a staggering 60 % of all food, run 70 % of small scale businesses and make up a third of the official labour force, in addition to caring for families and homes. Their status however, rarely reflects this enormous and vital contribution. By any measure; income, education, health, land ownership, legal rights or political power, women get a raw deal. The poorest of the poor are usually women because discrimination cuts off their escape routes from education, health services, equal pay employment, and access to land and finance (Sidney, 2007).

It is becoming increasingly clear, however, that there will only be sustainable development in the third world when women play one equal part in decision making. No developing country can afford to ignore women’s existence and their potential economic contribution or their pivotal role in determining the health and welfare of a nation’s children. All the evidence points to one conclusion; economic growth and improvement in the quality of life for everyone are fostered in areas where women’s status is higher

(Women watch, 2005). More women and men live in poverty and the disparity has increased over the past decade particularly in developing countries. Reducing the “gender gap” in health and education reduces individual poverty and encourages economic growth. While economic growth and rising incomes reduces gender inequality, they do not break down all barriers to women’s equality in basic legal and human rights. Women need access to or control of land and their resources, equitable employment and earnings as well as social and political participation (Women Watch, 2005). Power, nutrition, health and time allocation may be more important than income in determining the differences in well being between men and women. A survey by the World Bank shows that women work longer hours than men in nearly every country and that at least one half of women’s total work time is spent on paid work. Much of this work is not included in national accounting systems. This invisibility translates into incapacity; what countries do not count, they do not support. Women in developing countries are a tremendous force for change in their families, villages, cities and countries. They can and do make a difference if they are empowered and when they get chance (World Bank, 2001 and Hopkin, 2003).

2.6 The Role of Microfinance Institutions to Poverty Alleviation among Women

Microfinance institutions in Tanzania do not formally discriminate women. However few women have received credits from such institutions because they lack collateral, knowledge on how to process the credit, long distance of microfinance services from the rural women and high costs of processing the loans. Although credit scheme for women in Tanzania started in the early 1970’s, the poverty situation of most women has not changed much (Makombed *et al.*, 1999).

(Baltiwala, 1983) argues that in discussing the impact of credit schemes on women, it is commonly assumed that credit is self empowering. Credit has to be issued to women as a

means of economic development. Empowering women on the other hand is and has been an articulated goal of development strategies. It is assumed that the borrower is the one being empowered but the case can be opposite if there is no deliberate effort by the lending institution to promote empowerment, and the borrower's direct involvement in the funded activities (Makombe *et al.*, 1999). Organizations that wish to empower women should thus, design their program through well defined and observable empowerment tasks and evaluation criteria. Credit is assumed to be very important for enabling the women to get capital to undertake production and service provision activities for poverty alleviation. Currently, there are strategies at the national and international level to increase credit to the poor women for income generating activities to reduce poverty.

Providing efficient micro-finance to the poor is important for many reasons. First, efficient provision of savings, credit and insurance facilities can enable the poor to smoothen their consumption, manage risk better, gradually build assets, develop micro enterprises, enhance income earning capacity, and generally enjoy an improved quality of life. Second, efficient micro-finance services can also contribute to improvement of resource allocation, development of financial markets and system, and ultimately enhance economic growth and development. Third, with improved access to microfinance institutions, the poor can actively participate in and benefit from development opportunities (Kuzilwa, 2005).

2.7 Credit

Credit refers to a loan taken with an obligation to be paid back with or without interest (Kashuliza *et al.*, 1998). Berthod (1996) defines credit as money lent to somebody with the idea that the borrower will pay back as agreed and that the interest will be paid in some sort of "rent" use or the price of borrowing the money. Micro credit has been recognized as a source of employment and income in many countries of the third world. It increases

the GDP of the country. A study conducted by (Banturaki, 2000) in five countries of Sub-Saharan Africa estimated that SMEs provided employment to over 40 percent of the total increase in labour force in these countries.

Disadvantages of microcredit may include the following. First; they are viewed as not a proper tool for poverty alleviation. Participation in credit schemes can lead to indebtedness that is unmanageable, simply because there are no sufficiently profitable income-earning activity in which to invest. In such situation, women may end up being even more dependent than they were before. In this perspective, women are used by financial institutions to make profit for those institutions thus becoming loan dependants. (Levitisky, 1993) noted less marginal profits amongst micro-entrepreneurs receiving microcredit. He noted this to be caused by different factors which include disbursement lag, amount of loan received and technical skills. Other studies have shown that women lost their assets after failing to repay credit.

2.8 Conceptual Framework

It is expected that for a woman who is poor, when she gets access to credits, she will be able to improve her standard of living. This is only possible if such woman will be given proper education (entrepreneurial skills) on how to use that credit beneficially and also reliable information concerning financial institutions so that she can increase her capital by means of saving and crediting. Proper education on how to use the credits effectively will give this woman a chance to plan and decide on how she can use the credits accordingly including investing or earning a living. In the same way, this woman will be able to meet her demands such as financial needs, food, school fees for her children, buying furniture, contributing for health services and different social welfare hence reducing poverty.

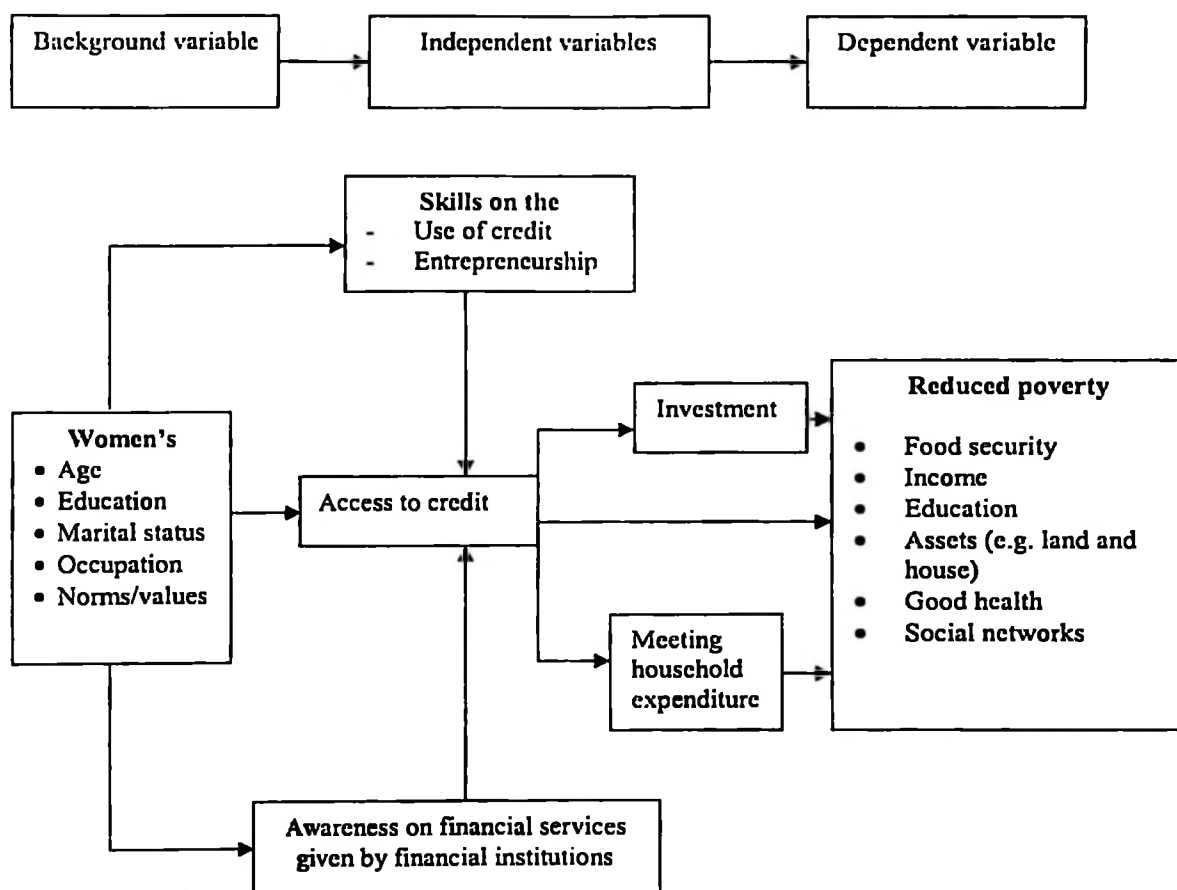


Figure 1: The conceptual framework for rural microfinance institutions and their impact on poverty reduction among women

The dependent variable was reduced poverty among the poor rural women, which means having enough food at all the time for the family, being able to pay school fees for children, having assets such as house and land; ability to pay for health services for herself and children, and having a business and being able to maintain it. However, the ability of these institutions in reducing poverty depends direct on the skills given to, credit accessibility and awareness of these women about other services given by the microfinance institutions.

CHAPTER THREE

3.0 METHODOLOGY

3.1 Study Area

This study was conducted in Rombo District, one of the six districts of the Kilimanjaro Region which is located in the Northern part of Tanzania. The study was conducted in the District because the District has so many women who live independently as heads of families. Administratively, the District is divided into five divisions namely Mengwe, Mkuu, Mashati, Useri and Tarakea. The socioeconomic activities conducted by people in this District are Agriculture, livestock keeping and local trade. Most women in this district engage in agriculture and local trade.

3.2 Research Design

The cross-sectional research design was used in this study. The design allows data to be collected at once as described by Babbie (1990). It was considered to be useful because of both time and resource limitations. In addition, the nature of study objectives required the adopted research design.

3.3 Sampling Procedure and Sample Size

To obtain the desired sample, purposive sampling method was used to get one appropriate SACCOS. This was obtained by consulting the District Cooperative Officer who provided the number of SACCOS and their members. In this case, Mashati SACCOS was found to have a large number of female members, the fact which made it to be selected as the study area. A simple random sampling technique was used to select 60 women (clients) who borrowed from the SACCOS. This method has generally been recommended in social researches, as it gives every member an equal chance of being selected.

3.4 Data Collection

3.4.1 Primary data collection

Primary data for this study were collected using the questionnaire survey method. The questionnaire consisted of closed and open ended questions. Personal approach was applied during the administration of the questionnaire (Appendix 1).

The questionnaire designed focused on collecting information on socio-economic and socio-cultural characteristics, how the loan obtained was used and determining the monthly income from the businesses conducted by women who borrowed from SACCOS. Questions in the questionnaire were designed to examine whether women borrowers were able to repay the loan on time, sustainability of their businesses after repaying the loans, to find out the obstacles they faced in alleviating poverty and the contribution of microfinance institutions to households' standard of living among women. Key informant interview was also used. It was guided by a checklist of questions to obtain information from SACCOS officials and ward and village development officials (Appendix 2).

3.4.2 Secondary data collection

Secondary data were gathered through various sources such as Rombo District Council documents, SACCOS documents as well as the university library, journals, websites and other sources with useful information. The key informants were Mashati SACCOS tellers, body chairman and the treasury.

6.5 Data Analysis

Data from the respondents were verified, compiled, coded and summarized before being analyzed by using the Statistical Package for Social Sciences (SPSS) windows software. Descriptive statistical analysis was employed to get frequencies and percentages.

Qualitative data both from recipient women and key informants were summarized and reported.

CHAPTER FOUR

4.0 RESULTS AND DISCUSSION

4.1 Background characteristics of respondents

This section discusses the background variables of respondents. Variables involved are demographic which include age and marital status while social variables take an account of education, occupation and household size. The information obtained is of great importance in determining the functional roles of individuals and how they influence their level of wellbeing. These variables were analysed and discussed in sub-sections as follows:-

4.1.1 Age

The age of an individual can affect productivity because the ability to carry out daily economic activities depends on age. Four age categories were considered for women involved in this study (Table 1). The highest frequency of age of the women involved in this study was 33 years and ranged from 25 to 34 years. In most cases, especially in African countries, age is normally an important factor which influences decisions that one makes. Old women are less likely to adopt some technologies whereas young women are more likely to adopt new technologies, because they have attended school or perhaps they have been exposed to new ideas as migrant labourers. Assumption here was that old women and very young women would tend to put less weight on the objectives planned while taking credit.

This range of 25 to 34 years represents the active age, which means these are women involved in social economic activities in order to meet their family day to day requirements. The range of 25 to 34 years represents 55% of all women involved in this

study. Literature shows that age is an important demographic factor when determining social economic status of an individual (Bailey, 1994). It has been observed in this study that women at the middle age between 25 to 44 years (this is 75% of the women involved in this study) are the most engaged group in socioeconomic activities compared to the other groups.

Table 1: Age of respondents

Age	Frequency	Percent
15-24	6	10.0
25-34	33	55.0
35-44	12	20.0
45 and above	9	15.0
Total	60	100.0

4.1.2 Marital status

The study investigated whether the marital status of the respondent had any association with taking credit. Out of 100% respondents, 60% were married, while 10%, 15% and 15% were single, widow and divorced individuals respectively (Table 2). The findings give an impression that most of women involved in this study were mature enough and married, thus, they had obligations of taking care of their families. In the study area, Rombo District, which is located in Kilimanjaro Region, a large number of women are left alone by their husbands to take care of their families. The majority of men in this area live in towns, while their wives remain at home as the heads of the families.

Table 2: Marital status of respondents

Variable	Frequency	Percent
Single	6	10.0
Married	36	60.0
Widow	9	15.0
Others	9	15.0
Total	60	100.0

4.1.3 Education level

A person's education background is an important factor in determining acceptance and proper application of the new technologies. This study shows that women's education has a positive influence on the activities they do using the credits. Missana, (1995), in her study, she showed that households of individuals with less formal education are less likely to succeed in economic activities. In this study, the results show that individuals with primary education level accounted for about 65% (Table 3) of the women involved, whereas, 20% had not gone to school at all, 5% had secondary education level, while 10% had attained post secondary education. Literatures show that, literate women succeeded more than illiterate ones did (Missana, 1995).

It is a fact that education level among women influences their wellbeing (URT, 2000). Considering the ability of using the credit and improving wellbeing, the results show that the higher the education level, the higher the possibility of improving wellbeing of an individual and their families. The findings implies most of respondents have formal primary education, which is important in exposing the person to life skills and innovation uptake for the person to adopt good management practices/new technologies and thus to fight against poverty and consequently to raise household income.

Table 3: Education of respondents

Education level	Frequency	Percent
None	12	20.0
Primary	39	65.0
Secondary	3	5.0
Post Secondary	6	10.0
Total	60	100.0

4.1.4 Main occupations of the respondents

Most of the respondents (70%) were business women followed by farmers who formed 25% while 5% of the respondents were civil servants (Table 4). These results revealed that most of female respondents used their credit, as the source of employment; which means most of their income comes from the activities done using the credit. Understanding the occupation of the population is important as it may determine dependency level of the income obtained using the credit.

Table 4: Occupation of respondents

Occupation	Frequency	Percent
Farmer	15	25.0
Civil servant	3	5.0
Business	42	70.0
Total	60	100.0

4.1.5 Number of household members

The household size ranged from 1 to 11 with the highest frequency of 27 which lies between 7 and 9 persons (Table 5). The household size reported in this study is slightly bigger compared to that reported in 2012 in the National Population Census which indicated that the National average household size was 4.8 while the average for Kilimanjaro Region was 4.3 persons per household.

Household size is a determinant of many functions. According to Bailey, (1994), consumption and expenditure patterns are lined with the size of households. This has a reflection on the distribution of the household income. In terms of adult equivalent, it determines income per capita, which is one of the strongest measures of income poverty. Some studies use household size to distinguish between the poor and the rich (Barret and Swallow, 2005 and Bernad, 1994). This study supports other studies notion that large

households are poor, but in reality the household size may not be a measure of determining the poverty level of a household.

Table 5: Household size

Number	Frequency	Percent
1-3	3	5.0
4-6	24	40.0
7-9	27	45.0
Above 9	6	10.0
Total	60	100.0

4.2 The Use of the Obtained Credits

4.2.1 Income generation activities done through credit

Income generation activities indicated in this study reflect the direct contribution of the activities done using the credit to the livelihoods of the individual women and their families. The level of income in this case was the estimates earned per month by using the credit acquired. It is expected that, the supported respondents would earn higher levels of income by using the credit obtained. The activities included for the study were business, farming and livestock keeping. This study revealed that, mostly the income generation activities performance was poor. As stipulated (Table 6), 65% of the activities done provided low profit (below 1600 Tsh per day). The level of effectiveness is reported in terms of livelihoods of the women respondents including food availability, profit, clothes, education to children and others.

Table 6: Performance of income generation activities per month

Variable	Frequency	Percent
Highest (above 150 000)	6	10.0
Higher(50 000-150 000)	9	15.0
Moderate (30 000-50 000)	6	10.0
Low (below 30 000)	39	65.0
Total	60	100.0

4.2.2 Reasons for taking credits and the performance of the activities done

Results in this study show that most of the women involved in the study (80%) took the credit for the purpose of improving the business and, among those, 65% aimed to start a new business (Table 7), the remaining (20%) of the respondents aimed at livestock keeping, farming, education, food and shelter. However, besides the large number of respondents who aimed at starting and improving the existing businesses, results show that only 5% succeeded, while 95% of them failed. Literature shows that 64% of the members who took credit (most of them were women) performed poorly in improving their livelihoods, repayment, savings and running their income generating activities (MAFSC, 2009).

Table 7: Reasons for taking credits and the performance of the activities done

Variable	Comments	Frequency	Percent
Improving existing business	Applied	48	80.0
	Total	60	100.0
Starting new business	Applied	42	65.0
	Total	60	100.0
Performance	Able	3	5.0
	Not able	57	95.0
	Total	60	100.0

4.3 Income from the Businesses Conducted in the Period of Six Months

4.3.1 Amount of money (profit) obtained in the period of six months in TSHs

The majority of poor rural women who accessed credit services from microfinance institution did not achieve their objectives; this is evident in the low profit they gained from their economic activities. Results in this study show that, profit obtained in the period of six months was very little, and those who had access to credit services failed to achieve their goals and objectives. As a result, poverty remains a major development challenge among rural women (Table 8).

Table 8: Amount of money (profit) obtained in the period of six months in TShs

Amount	Frequency	Percent
50 000	6	10.0
80 000	6	10.0
100 000	12	20.0
150 000	15	25.0
170 000	3	5.0
200 000	6	10.0
230 000	3	5.0
350 000	3	5.0
500 000	6	10.0
Total	60	100.0

4.4 Credit Repayment and the Status of the Business after Repay

4.4.1 Business sustainability

The majority of the business activities were unsustainable after the repaying of the credit. Results show that 95% (Table 9) of the activities were unsustainable while 5% only were sustainable. Due to the obstacles encountered by the respondent women; majority failed to repay the credit on time and, sometimes, they had to pay penalties (returning more money than initially required). Sustainability can be created by the lender and the borrower through effective and efficient management of the credit which can be provided by the provision of enough capital, reasonable interest rates in collaboration with the efficient services such as savings and education. Providing efficient micro-finance to the poor is important for many reasons. First, efficient provision of savings, credit and insurance facilities can enable the poor to smoothen their consumption, manage risk better, gradually build assets, develop micro enterprises, enhance income earning capacity, and generally enjoy an improved quality of life. Second, efficient micro-finance services can also contribute to improvement of resource allocation, development of financial markets and system, and ultimately economic growth and development. Third, with improved access to micro-finance institutions, the poor can actively participate in and benefit from development opportunities. The provision of credits to women is regarded not only as an

instrument for poverty reduction to their households, but also as a social and potential development of woman's businesses (Sharma and Zeller, 1997).

Table 9: Ability to repay the credit on time and sustainability after repay

Comment	Frequency	Percent
Unsustainable	57	95.0
Sustainable	3	5.0
Total	60	100.0

4.4.2 Keeping records of income generation activities

This study analysed weather records for income generation were kept or not. The findings show that only 15% of the respondents kept records of their income generation activities while the rest (85%) did not keep records (Table 10). Some of the reasons as to why these women did not keep records and two reasons were ignorance and negligence. Lack of education was pointed out as a major factor for these two reasons. It is assumed that the borrower is the one being empowered but the case can be different if there is no deliberate effort by the lending institution to promote empowerment and the borrower's direct involvement in the funded activities (Makombe *et al.*, 1999). Thus, the organization that wishes to empower women should design their programmes through well defined and observable empowerment tasks and evaluation criteria. Apparently, the person doing the business without keeping records cannot evaluate if the business is going up or down.

Table 10: Keeping records of income generation activities

Comments	Frequency	Percent
Records not kept	51	85.0
Records kept	9	15.0
Total	60	100.0

4.4.3 Training to run economic activities

Table 11 shows responses for training to run economic activities using credit, it was noted that 70% had attended no training, while only 30% of all respondents attended the training. Given the small number of attendance (30%), the study also investigated the level of attendance, whereby, five levels of attendance was given. As a matter of fact, 5% had a highest level of attendance and 5% had a higher level while 5% had a moderate level of attendance. In addition results show that 15% had a low level of attendance and 70% had a very low level of attendance.

Table 11: Training to run economic activities and the frequency of attendance

Variables	Comments	Frequency	Percent
Attendance	Not attending	42	70.0
	Attending	18	30.0
	Total	60	100.0
Frequency of attendance	Highest	3	5.0
	Higher	3	5.0
	Moderate	3	5.0
	Low	9	15.0
	Very low	42	70.0
	Total	60	100.0

An efficient financial institution is very important to women in poverty alleviation through the following aspects:

- i) Through giving the necessary training women can be good leaders not only to their families but also to the entire community with which they live.
- ii) Giving credit with education is a means of disseminating information to the community.
- iii) To build up confidence of women through giving necessary credit. This is shown by the involvement of the women in the community activities.
- iv) Microfinance can lead to income generation for most of these women (McKee, 1989).

4.4.4 Reasons for not attending training

Results in this study do not give clear reasons as to why these women did not attend training while it was available, however the reasons given were negligence (15%), and unawareness of the training (55%) as, some informed that no training was given and the remaining (30%) were busy doing their home affairs (Table 12). Literatures have indicated that women play a vital role in development as a result training became an important tool in their day to day activities. Women in the third world countries produce a staggering 60 percent of all food, run 70 %t of small scale businesses and make up a third of the official labour force in addition to caring for families and homes. Yet their status rarely reflects this enormous and vital contribution. By any measure; income, education, health, land ownership, legal rights or political power, women get a raw deal. The poorest of the poor are usually women because discrimination cuts off their escape routes from poverty, education, health services, equal pay employment, and access to land and finance (Due and Kurwijira, 1991).

Table 12: Reasons for not attending training

Reason	Frequency	Percent
Negligence	9	15.0
No training given	33	55.0
Busy	18	30.0
Total	60	100.0

4.5 Obstacles Faced by Women to Alleviate Poverty

Analysis of the obstacles has shown that all participants faced difficulties while struggling to perform their day to day activities. However, the degree and level of their difficulties differed significantly depending on their awareness, geographical position, nature of their income generation activities and their levels of their wellbeing before the engagement in credit services. These results point out that lack of enough capital hindered those women

in performing their activities in an efficient manner; this is confirmed by 30% of the interviewed women (Table13). According to this study, high interest rate (25%) charged by the financial institutions was a serious problem faced by the women in performing their activities. Apparently, a largest percent of the profit obtained using the small capital was used to pay for the high interest rate charged, leaving the borrowers with nothing after credit repay. Besides lack of enough capital and higher interest rates charged, other obstacles included poor transport system, lack of entrepreneurship education, absence of rain, high price of insecticides and low profit accounted for 15%, 10%, 10%, 5%, 5% respectively. In these results, some of the borrowers who were engaged in other activities such as agriculture also faced some obstacles; poor transport system, lack of rainfall and high price of farm inputs. Other businesswomen faced lack of entrepreneurship skills and low profit. In general, all these obstacles led to these women's failure to achieve their goals.

Table 13: Obstacles in performing day to day activities

Obstacle	Frequency	Percent
Lack of entrepreneurship education	6	10.0
High interest rates	15	25.0
Absence of rain	6	10.0
Poor transport systems	9	15.0
High price of insecticides	3	5.0
Lack of enough capital	18	30.0
Low profit	3	5.0
Total	60	100.0

4.5.1 Awareness of women on other services provided by microfinance institutions apart from credit services

Besides credit services, financial institutions also provide other services such as savings, deposits, education, short and long term loans and house construction. However, majority of these women who borrowed from these microfinance institutions know very little about

the other services provided. The result in Table 14 show that, 55% were aware of savings and 25% were aware of education as the other services provided by the financial institutions. Other services such as deposits, short and long term loans, emergence loan and house construction loan were not known at all. Having been ignorant of the other services provided by financial institutions, the majority of women failed in their struggle to alleviate poverty. Makombe *et al.* (1999) observes that although the credit scheme for women in Tanzania started in the early 1970's, the poverty situation of most women has not changed much.

Table 14: Awareness of other services provided by financial institutions

Variables	Comments	Frequency	Percent
Savings	Known service	33	55.0
	Unknown service	27	45.0
	Total	60	100.0
Deposit	Unknown service	60	100.0
Education	Known service	15	25.0
	Unknown service	45	75.0
	Total	60	100.0
Emergency loan	Unknown service	60	100.0
Short term loan	Unknown service	60	100.0
Long term loan	Unknown service	60	100.0
Building/ house loan	Unknown service	60	100.0

4.5.2 General obstacles faced by women in performing their activities using credit

This study analysed three main problems encountered by women when performing their day to day activities using credits. The majority of the respondents faced all of these problems at different levels. Problem number one was the highest interest rates charged by the financial institution; almost 85% of these women faced this problem. The study further discovered that 75% of the respondents lacked analysis of their income generation activities (knowledge and skills to control the credit), while 65% (Table 15) failed to manage the profit obtained because of the high dependency ratio of family members. Majority of African families are extended families with fewer independent persons

Financial Mail, 2002). Again some of the respondents complained about too small credit size. This was indicated by some SACCOS clients who said that to get credit was too costly and difficult as it took so long to get enough credits. Also repayment period was a problem among the respondents as it ranged from six months for small credits to thirty six months for larger credits. This is a short period, especially for those who were supposed to pay within six months. Therefore repayment of interest rates and part of the principle amount of the credit limits many of MSEs from growth.

Table 15: Problems in performing day to day activities

Variable	Comments	Frequency	Percent
High interest rates	Problem	51	85.0
	Not a problem	9	15.0
	Total	60	100.0
Lack of capital	Problem	45	75.0
	Not a problem	15	25.0
	Total	60	100.0
Difficult to visit SACCOS offices	Problem	39	65.0
	Not a problem	21	35.0
	Total	60	100.0

4.5.3 Interest rates charged per annum and the lack of enough capital

In this study the analysis shows that interest charged varies with the size of the loan, larger amount attracted lower interest rates and vice versa. The study also shows that about half of all the respondents were charged interest rates ranging from 16% to 24% per annum. According to the modality of SACCOS, the size of the credit depends on how much the person has saved in the account, however, the majority of the respondents interviewed had their credit size ranging from Tshs 50 000 to Tshs 500 000. According to this study, most of women were unable to obtain large amount of credits, consequently, and as a result they were charged repayment in a short period with high interest rates. Based on it these findings, is clear that the interest rates charged by these institutions and other direct and

indirect costs, such as registration fee and credit application fee, were too costly to the extent that most of the income obtained by the borrower went back to the lender (Table 16).

Table 162: Interest rates charged per annum and the lack of enough capital

Interest rates (%)	Frequency	Percent
5 – 10	3	5.0
11 – 15	18	30.0
16 – 24	30	50.0
Above 25	9	15.0
Total	60	100.0

4.5.4 Difficulty in visiting SACCOS offices

This study also sought to investigate what made these women lack entrepreneurial skills which they could learn from the SACCOS officers. The study examined if there was any difficulty visiting the SACCOS offices. Results show that 90% (Table 17) of the respondents faced some difficulties visiting the financial institution officials, while only 10% of the remaining women had no difficulty on this. This study also revealed that there were other limitations, whereas, 45% of the respondents pointed out that being busy was the reason for their not visiting the SACCOS officers to seek advice and entrepreneurial skills. Moreover, the remaining respondents pointed out other hindrances such as lack of transport, long distances and unavailability of these officials in their offices, while some had no reasons at all. However, if the average distance from households to the SACCOS offices was two to five kilometers, these effects could not be notified since there was no any fatigue experienced as a result of distance covered in visiting SACCOS offices.

Table 17: Difficult to visit SACCOS offices and the reason for these difficulties

Difficulty	Comments	Frequency	Percent
	No	6	10.0
	Yes	54	90.0
	Total	60	100.0
Reasons for difficulty	No reason	6	10.0
	Very far	12	20.0
	Lack of transport	9	15.0
	Officers not available	6	10.0
	Busy	27	45.0
	Total	60	100.0

4.6 Contribution of Financial Institutions to Household Standard of Living

4.6.1 Income

The study analyzes the situation of income obtained from different sources before credit and after credit (credit including other sources) and observation showed that there was a slight change of the income with little improvement compared to the expected income. In this case, 70% of the respondents continued to live with the income of 1 200 000 Tshs or less per annum (Table 18). These results imply that the credit provided by the financial institutions especially SACCOS failed to bring changes in the lives of the poor women and their households in general.

Findings from this study suggest that there were little changes on the income gained by the women before they got credit and after the credit. It was observed in this study that half of the respondents had no changes in their income despite the fact that they had got credits. This is probably due to the small amounts of credit they got and, as a result the costs of obtaining credit consumed all the capital. Other obstacles the study respondents encountered were farmers risk aversion for investment, poor infrastructures and lack of stable markets.

A relationship between the level of education and an increase in income was observed whereby, those with higher levels of education succeeded more than those having lower levels of education. Moreover, clients faced some difficulties including higher interest rate set by financial institutions which did not favor lower income earners. The interest rate were claimed to be too high up 48% per year and where the interest rate was moderate still there were other non-refundable fees to pay before securing credit. According to Missana, (1995) education is considered to be an important factor for ones' behavioral changes. It is believed that education broadens horizons beyond habits, traditions and also encourages individuals' involvement into development activities.

Table18: Income before and after credit

Income	Income(Tshs)	Frequency	Percent
Before credit	1 800 000	3	5.0
	1 200 000	30	50.0
	Less than 1 000 000	27	45.0
After credit	2 400 000	3	5.0
	1 800 000	12	20.0
	1 200 000	27	45.0
	Less than 1 000 000	18	30.0
	Total	60	100.0

4.6.2 Food security

Food security is an important factor for determining the improvement of wellbeing of an individual. In accordance with IFAD (2000), the majority of food producers in Tanzania are women, IFAD portrayed a food secured household as having assurance of sets of entitlement from food production, cash income, reserves of food or assets and/or assistance from Government programmes such that in times of need they will be able to maintain sufficient nutrients intake for their physical well-being. Based on this study, food security refers to the adequacy of food around the year. In this study, improvement in food security is shown only by 10% (most adequate) of the respondents. However, the

study shows moderate change (from 40% to 60%) which is not enough according to the expectations of the women. It is suggested that food security for this study was either by the availability of most adequate food in 10-12 months or at least adequate food in 6-9 months (Table 19).

Table 19: Food security before and after credit

Food security	Variable	Frequency	Percent
Before credit	6-9 months (adequate)	12	20.0
	4-5 months (moderate)	24	40.0
	1-3 months (not adequate)	24	40.0
	Total	60	100.0
After credit	10-12 months (most adequate)	6	10.0
	6-9 months (adequate)	9	15.0
	4-5 months (moderate)	36	60.0
	1-3 months (not adequate)	9	15.0
	Total	60	100.0

4.6.3 Housing

The study analysed the types of the houses which were used by the women before and after obtaining credits. Results illustrated below Table 20 show the slight change of the houses which were used by these women. Among all the respondents interviewed in this study, it was observed that only 10% shifted from satisfactory houses to good houses, whereas, 5% of the women shifted from bad houses to satisfactory houses. About 18% out of 27% of the women were not able to make any changes in their houses before and after taking credits. Apparently majority of women failed to access large credits because they lived in rented houses which they could not use as collateral.

Table 20: Type of house before and after credit

Type of house	Variable	Frequency	Percent
Before credit	Good	6	10.0
	Satisfactory	27	45.0
	Bad	27	45.0
	Total	60	100.0
After credit	Good	12	20.0
	Satisfactory	30	50.0
	Bad	18	30.0
	Total	60	100.0

4.6.4 Health services

According to this study, health service refers to ability of a person to access health services all the time. However, results show that only 5% (Table 21) of all respondents accessed health services whenever possible, while 75% accessed health services occasionally and the remaining (20%) could not access health services at all.

Table 21: Affordability of health services after credit

Response	Frequency	Percent
Easily affordable	3	5.0
Sometimes affordable	45	75.0
Not affordable at all	12	20.0
Total	60	100.0

4.6.5 Education for children

Education helps an individual to become more critical of the need and scope for social change. Despite education being an important factor for development, results show that there were slight changes with an increase from 5% to 10% for those acquiring secondary school education, 60% to 70% for primary school education and decrease from 35 to 20% for those who never attended school at all (Table 22).

Table 22: Education for children before and after credit

Education	Variable	Frequency	Percent
Before credit	Secondary school	3	5.0
	Primary school	36	60.0
	Never attended school	21	35.0
	Total	60	100.0
After credit	Secondary school	6	10.0
	Primary school	42	70.0
	Never attended school	12	20.0
	Total	60	100.0

4.6.6 Clothes

The study analysed the condition of clothes after receiving credit and the results shows an improvement of only 5%. By these results, it was clearly observed that the profit obtained was not enough even for the basic needs such as clothes.

Table 23: Number of clothes after credit

Comments	Frequency	Percent
Increased	3	5.0
Remain the same	39	65.0
Decreased	18	30.0
Total	60	100.0

4.6.7 Business

From the beginning, business seemed to be the main activity through which respondents gained their income by using the credit borrowed from financial institutions. However, results show so little changes of businesses performed using the credits. From the analysis, only 10% were successful, on the other hand, businesses which were satisfactory decreased from 30% to 25%. In this case, businesses which were unsuccessful showed the slight positive changes which accounted for 5% of all respondents. Literature shows that, although credit schemes for women in Tanzania started in the early 1970's, the poverty situation of most women has not changed much (Makombe *et al.*, 1999). Majority of the

women interviewed had no collateral because for the Chagga tribe the properties are owned by men, for that reason majority of women interviewed forced to take little credits. This condition hindered some small business owners from accessing larger credits and which lead to their inability to expand their businesses. The sample of the collateral required includes house, land, cars and some expensive durable assets like TV and refrigerators which most low income earners cannot afford.

Table 24: Business before and after credit

Business	Comments	Frequency	Percent
Before credit	Successful	3	5.0
	Satisfactory	18	30.0
	Unsuccessful	39	65.0
	Total	60	100.0
After credit	Successful	9	15.0
	Satisfactory	15	25.0
	Unsuccessful	36	60.0
	Total	60	100.0

4.6.8 Assets owned as a result of credit acquired

Household assets are the component of the household physical capital and can be used to measure livelihood improvement. Therefore, determining the respondents' household assets was crucial for understanding the household assets owned by the sampled respondents. Respondents were asked to mention the type of assets they owned. Assets owned were used to assess women's access to resources and their engagement in different poverty reduction strategies. According to the study, the analysis was done using different assets such as television, radio, bed, table, land, house, bicycle, motorcycle and others. However, the results show that even after the use of the credit those who owned these assets were about 25% while 75% did still not own those assets despite the importance of these assets in daily life.

Table 25: Asset owned after credit

After credit	Frequency	Percent
Asset owned	15	25.0
Asset not owned	45	75.0
Total	60	100.0

4.6.9 Economic improvement

An individual is described to be economically improved if they can spend a portion of their earnings from primary or secondary sources on necessities for their wellbeing. Economic soundness of an individual is one among indicators for someone to make a choice on how to use the resources. Higher economic stability of an individual with respect to financial situation articulates good performance of certain activities and vice versa. Therefore, if the financial position of an individual is bad, accomplishment of their objectives becomes difficult due to resource unavailability. This study analysed the reasons for the negative improvement in economic activities as 35% of the respondent pointed out that the collapse of their businesses was the reason for negative improvement (Table 26). Also 45% of women pointed out that they got little profit and 20% of them were affected by dependence in their families.

Table 26: Reasons for negative improvement in economic status

Reason	Frequency	Percent
Business collapses	21	35.0
No profit	27	45.0
All the money used to meet family needs	12	20.0
Total	60	100.0

CHAPTER FIVE

5.0 CONCLUSIONS AND RECOMMENDATIONS

The theme of this study was to determine the role of microfinance institutions in poverty reduction among women. From the analysis of the extent to which these microfinance institutions had empowered women borrowers for poverty reduction the following conclusions were drawn.

5.1 Conclusions

- i. The majority of rural women were poor, and in this case the credit services were important for poverty reduction. However, credits were insufficient and majorities were only able to access small amounts of money which seemed to be not enough in solving their existing problems. Due to this situation, majority of the women lacked focus and as a result they failed to pursue their primary objectives in taking credit, hence, poverty persisted.
- ii. The monthly income for women who were interviewed in this study seemed to be very little. Considering that most of the women had engaged themselves in business, in this study income means general profit obtained per month. In this case, the profit obtained was too little to cater for life expenses and human basic needs such as food, clothing, shelter, school fees for children and other demands. Due to the little profit obtained, most of women ended up misusing their business capitals in order to meet their basic needs, hence, the collapse of their businesses. The ability to repay the credits on time and business sustainability seemed to have little progress. Apparently, most of the borrowers failed to repay the credits on time and some were penalized. At this juncture, most of businesses faced retarded growth soon after repayment.

- iii. There have been different challenges facing women in poverty alleviation and in one way or the other; those challenges have affected their efforts to reduce poverty. In this study different challenges were observed. These included small amounts of capital and high interest rates. In addition to that, other challenges were poor transport, lack of entrepreneurial skills and low amount of rainfall as well as unavailability of agricultural inputs for those who engaged in agricultural activities. These challenges differed in level based on business awareness, surrounding environment, economic activities after getting credit and life standard before getting credit. Majority of those who achieved access to credit services failed to achieve their goals and objectives, different constraints hampered them as a result they failed to perform as per their objectives. All these challenges led to little profit obtained.
- iv. Besides the entrepreneurial skills being an important tool for the development of the management of entrepreneurial activities, it was not given the priority; neither by these institutions nor by the borrowers accordingly. The borrowers failed to manage their income in terms of keeping records, management and other administrative activities.
- v. However, there is clear evidence that most women were familiar with financial institutions, nevertheless, they knew very little about other services provided by these institutions including savings, training, short and long term loans and many others. Lack of this crucial information hindered their ability to perform well in their income generation activities using the credit obtained. Therefore standard of living for women did not change much before and after credit.

5.3 Recommendations

- i. Since the majority of micro credit recipients are constrained by low capital thus engaged in unplanned projects such as food and clothing projects, it is recommended that, microfinance institutions should empower credit recipient in terms of training on operational and management skills and increase in credit funds so as to enable micro entrepreneurs acquire sufficient amounts of credit to sustain their activities. Both microcredit recipients and officers from microfinance institutions should avail themselves of business management skills. This can be done through cost sharing between the credit recipient and microfinance institutions.
- ii. Detailed information on other services offered by microfinance institutions may certainly help the women to emancipate themselves from poverty. For instance, in a SACCOS one can save little by little before she decides to take the credit. If this little amount will be saved for a longtime, then it will become a large amount and this will help the borrower to borrow large amounts, hence, enough capital. In this case the borrower may be able to reach her goals by doing the intended business.
- iii. The provision of enough capital, reduction of interest rates, entrepreneurship education and business management skills should be encouraged so as to alleviate poverty. Microfinance institutions reduce some conditions so as to attract as many women as possible to borrow, while ensuring maximum supervision of competence and performance in their works as the other financial institutions. Policy makers should be involved in making proper and effective financial institutional policies which will reduce obstacles to poor women in their efforts to alleviate poverty.

- iv. Microfinance institutions should design monitoring and evaluation mechanisms of credit recipient's projects. Officers in those institutions should be equipped with project management skills which will enable smooth monitoring and evaluation of credit recipient's projects. The government should form a micro-finance board, which shall oversee of microfinance in the country. The board shall have the task of approving credit procedures proposed by each organization venturing into micro-finance. The tasks included here are such as monitoring of reasonable interest rates and lending procedures to facilitate quick access to credit services with reasonable interest rates. Provision of less conditional credits to the poor, especially women, should continue to be improved with regard to the already established researches so that these financial services would be effective.
- v. The contribution of microfinance institutions to poverty alleviation in the lives of poor women who borrowed from those microfinance institutions seems to be very low but, in general, if the credits will be given with few conditions then most women will be able to benefit and thus alleviate poverty.

5.3 Areas for Future Research

In view of the aforementioned conclusions and recommendations, there are several areas which microfinance institutions experience substantial credit defaults and failure to improve the livelihoods of poor women in rural areas. There is a need to carry out a study concerning the capacity of the present microfinance institutions to deliver credit services that will improve income among poor women in rural areas. The study will inform policy makers of critical design features for effective credit delivery.

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APPENDICES

Appendix 1: Questionnaire for women who borrowed from SACCOS**A: Socio-Economic characteristics:**

A1: Name.....Village.....
 DivisionDistrict.....Region

A2: House hold size and composition:

Person	Characteristic
Sex	
Age	
Education level	
Marital status	
Main occupation	
Household head	
No. of household members	

Sex	Age	Education level	Marital status	Main occupation
1. Male	1. 15-24	1. None	1. Single	1. Farmer
2. Female	2. 25-34	2. Primary	2. Married	2. Civil servant
	3. 35-44	3. Secondary	3. Widow	3. Self employed
	4. Above 45	4. Post secondary	5. Divorced	4. Others
		5. Other	6. Other	

Household head	No. of household members
1. Adult male	1. 1-3
2. Adult female	2. 4-6
3. Other	3. 7-9
	4. Above 9

B. Performance of income generation activities done by using credit

B1. Give the source of income and amount in Tshs. obtained per month before and after obtaining credit

Source(Tick)	Amount	
	Before	After
Bank		
Saccos		
Roscas		
Other (Specify)		

B2. Give the purpose /objective of the credit obtained

Put 1 for most applied, 2 for not/ least applied.

Purpose	Comment
Farming	
Livestock keeping	
Business	
Education	
Health	
Food	
Shelter/Building	
Others (Specify)	

B4. On what items do you normally spend profit from activities undertaken using credit?

Tick the correct answer

Improving the existing business	Improved	Not improved
Buying family food and clothes	Managed	Not managed
Starting new business	Able	Not able
House construction	Managed	Not managed
Paying for children's education	Managed	Not managed
Paying for health facilities	Managed	Not managed
Saving	Improved	Not improved
Farming	Improved	Not improved
Livestock keeping	Improved	Not improved
Others (specify)	Improved	Not improved

B5. What are income generation activities (IGA's) do you do by using the credit.

Put 1 for very effective, 3 for effective, 2 for moderate effective and for least effective

Income generation activity	Comment
Farming	
Livestock keeping	
Business	
Others (Specify)	

B6. What do you consider to be the biggest obstacles in performing your day to day activities? Please indicate the problems in order of your priorities, Put 1 for the biggest problem, 2 for the big problem, 3 for the medium problem and 4 for the small problem.

- (1)
- (2)
- (3)
- (4)

B7. Will your activities be sustainable after paying back the credit

- a) Yes
- b) No

B8. If no, please give a reason for this. (Put 1 for the correct answer and 2 for incorrect answer.

Reason	Comment
There was no profit	
The business was done for loss	
All the money was used for family consumption	
Negligence	
Others (Specify)	

B9. Is there any form of keeping records of your income generating activities?

- a) Yes
- b) No

B10 (a) If yes how?

B10 (b) If no why?

C. Awareness of women towards financial institutions on the services provided.

C1. Where did you get the first information about credit from the financial institutions?

Put v for correct statement and x for incorrect statement.

Family member	
Friend	
Neighbour	
Personal experience	
Credit officer	
Others (Specify)	

C2. Have you attended any training on how to manage and run economic activities using the credit?

a) Yes

b) No

C3. If yes what is the frequency of your attendance.

Put 1 for the highest frequency, 2 for the higher frequency, 3 for moderate /high frequency, 4 for low frequency and 5 for very low frequency.

Every month

After two years

Once for every six month

Others (Specify)

Once per year

C4. If no why?

a) Negligence

b) No training given

c) Busy

d) Other (specify)

C5. Regarding services/ Products provided by financial institutions how well do you know about other services provided by financial institutions besides credit services. Put 1 for the services you know and 2 for the services you don't know.

Services	Comment
Savings	
Amana	
Education	
Emergency loans	
Short term loan	
Long term loan	
Building /house loan	
Other type (Specify)	

D. Factors hindering women to achieve their objectives through the credit they have obtained

D1. What constraints hindered you towards achieving your objectives of the credit.

Put 1 for the correct statement and 2 for the incorrect statement.

Constraint	Remarks
High interest rates	
Lack of education in running your day to day activities	
Dependency of family members	
Lack of focus in the use of credit	
Others (specify)	

D2. Are there any deficiencies of credit provision regarding your gender?

- a) Yes
- b) No

D3. If yes what are they?

- (a) Lack of collateral
- (b) Low level of education
- (c) Gender inequality
- (d) Others (specify)

D4. Do you find it difficult to visit the credit providers from financial institutions?

- a) Yes
- b) No

D5. If Yes, why

- a) It is very far from home
- b) Lack of transport facilities
- c) Officers are not available (busy)
- d) I am busy doing home affairs

D6. What were the conditions attached to the credit you got

- a)
- b)

D7. Were the conditions good or bad (put 1 for good and 2 for bad).

D8. If bad, why?

D9. What is the interest rate that is charged per annum on the credit that you got?

- a) 2%
- b) 3 - 5%
- c) 6 - 10%
- d) 11 - 15%
- e) Above 15%

D10. Was there any grace period before starting repaying the credit

- a) Yes
- b) No

E. The contribution of financial institutions to household standards of living in terms of income, food security, access to education, health services, assets (clothing) and business performance.

E1. Having obtained the credit, how would you compare your level of poverty before and after getting credit

INDICATORS	BEFORE	AFTER
Income		
Food security		
Housing		
Health services		
Education		
Clothing		
Business (Profit)		

Income in Tshs (per annum)

(Food security (availability of food yearly))

- | | |
|------------------------|------------------------------|
| 1. 2,400,000 | 1. 10-12 month most adequate |
| 2. 1,800,000 | 2. 6- 9 month adequate |
| 3. 1,200,000 | 3. 4-5 month satisfactory |
| 4. Less than 1,000,000 | 4. 1-3 month not adequate |

Business

1. Most successful profit of more than 5000Tshs per day
2. Successful profit of 3000Tshs per day
3. Satisfactory profit of 1000Tshs per day
4. Unsuccessful profit of less than 1000Tshs per day

Housing

1. Very Good – Bricks + Iron Sheet Painted 4 Rooms Self Contained
2. Good – Bricks + Iron Sheet 3 Room Panted
3. Satisfactory – Bricks + Iron Sheet + 2 Room
4. Bad – Mad Walls + Iron Sheets

Health services

1. Easily affordable
2. Sometimes affordable
3. Not affordable at all

Clothing

1. Increased
2. Remain the same
3. Decrease

Education for children

1. Post secondary school education
2. Secondary school education
3. Primary school education
4. Not been school at all.

F2. What assets did you own before and after getting credit.

Put v for the assets owned and x for the assets not owned

Assets	Remarks	
Land		
Radio		
Table and chairs		
House		
Television		
Bicycle		
Motorcycle		
Others (Specify)		

F3. Has your household income and expenditure increased / decreased after using credit?

Income

Expenditure

Increased

Increase

Decrease

Decrease

F4. Has credit helped you to raise your level of well being? Yes / No.

F5. If Yes, how?

F6. If No, how?

F7. Has the credit helped you improve your economic situation?

a) Yes

b) No.

F8. If Yes, how has it helped you?

.....

F9. If No why?

.....

.....

F10. After repaying the credit do you remain with some cash?

a) Yes

b) No.

F11. If yes, how much?Tshs.

Appendix 2: Checklist for SACCOS officials.

1. Name

2. What is your official title

3. How long have you been with this office at this title

(years).....

4. When did you start to offer credit to women in Rombo District.....

5. Please can we know the largest amount which can be give per person.....

6. What is the percentage of women beneficiaries compared to men

7. To what extent has your institution succeeded.

- Excellent > 75
- Very Good 70 - 74
- Good 60 - 69
- Fair 50 - 59
- Failure < 50%

8. Objectives of your institution. Put 1 for a correct objective, put 2 an incorrect objective

Objective	1 or 2
Poverty reduction	
Women empowerment	
Economic empowerment to members	
Financial access to the poor	
Others specify	

9. The purposes of credit application by members, Put 4 for the most applied, 3 for the more applied, 2 for average applied 1 for least applied, 0 for not applied.

Purpose	Frequency
Agriculture	
Business (SME's)	
Education	
Health	
Food	
Shelter	
Others (specify)	

10. What category (from the mentioned above) managed to repay back the credit timely and effectively

11. What do you think would be the reason for that.....

12. How long will the scheme take

Is there any involved action or penalty for those failing to repay their loan in time

Yes/ No

Appendix 3: Indicators of reduced poverty

Food security means adequacy of own produced food year round

1. Most adequate = 10 – 12 months
2. Adequate = 6 – 9 months
3. Medium = 4- 5 months
4. Inadequate= 1- 3 months

Education means number of years children spent in school

1. Higher = children – post secondary school level
2. High = children – secondary school level
3. Medium = children- primary school level
4. Low = Children not attending school

Housing

- 1= Very good (brick +iron sheet + painted)
- 2= Good (brick + iron sheet)
- 3= Satisfactory (mad walls + iron sheet)
- 4= Poor (mad walls + thatched roof).

Good health = Accessibility of health services all the time.

- 1= Health services can be easily afforded
- 2= Health services cannot be easily afforded
- 3= Health services are not afforded at all

Income: Amount earned in Tshs

1. Very High = Income of above 2 400 000 per year.
2. High = Income of 1 800 000-2 300 000 per year
3. Medium = Income of 1 200 000-1 700 000 per year
4. Low = Income of 1 200 000 and below that per year.

Knowledge /skills = frequency of attending seminars and meeting.

1. High = frequently attend seminars/ meetings
2. Medium = Sometimes attend seminars/ meetings
3. Low = Not attending seminars/ meeting

Social net work – An interaction with other members of the community

1. High – frequently interact with other member of the community.
2. Medium – Sometimes interact with other members of the community.
3. No interaction.

Appendix 4: Key words used and their operational definitions

Variable	Operation definition
Education level	Highest level of formal schooling attained by the respondent
Entrepreneurship skills	Refers to the training/skills on how to run income generation activities
Accesses to credit	Women with access to credit are in better position to raise capital for economic activities
Norms/values	In some ethnic and religious group women are not allowed to participate in business outside their living areas
Marital status	Refers to the current state of marriage of the respondent
Age	Number of years of the respondent
Occupation	The type of economic activities taken by women determine the economic scale of production
Awareness	The level of awareness of the woman towards services provided by financial institutions