**IMPACT OF MICROFINANCE INSTITUTIONS ON POVERTY REDUCTION: A CASE OF MICROFINANCE BENEFICIARIES IN URBAN WEST REGION IN ZANZIBAR, TANZANIA**

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (FINANCE) OF THE OPEN UNIVERSITY OF TANZANIA**

**2017**

# **CERTIFICATION**

The undersigned certifies that he has read and hereby recommends for acceptance a dissertation titled; “Impact of Microfinance Institution on Poverty Reduction. A Case of Microfinance Beneficiaries in Urban West Region, Zanzibar, Tanzania***,*** that was done under my supervision and guidance for submission to Open University of Tanzania for the award of the Master of Business Administration in Finance.

………………………………….

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I, Suleiman Juma Hamad, do hereby declare that this dissertation is my own original work and it has not been and will not be submitted for any degree award in any other institution.

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………………………

Date

**DEDICATION**

This dissertation is dedicated to my family for their encouragement and continuous moral support during the whole period of my study.

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**ABSTRACT**

The objective of the study was to examine the impact of Microfinance Institution on Poverty Reduction, a case of Micro finance beneficiaries in Urban West Region – Zanzibar. The study was justified based on the fact that poverty level and microfinance services change continuously and therefore a lot remains to be desired. Descriptive as well as multiple linear regression methods were used in this study which involved a sample of 92 beneficiaries of microfinance services. Microfinance services and entrepreneurial skills were independent variables and poverty reduction was the dependent variable. Data analysis was done using Statistical Package for Social Sciences (SPSS). The findings revealed that microfinance services contribute 60 percent of poverty reduction indicating the strong impact of MFIs in poverty reduction given that the loans are invested in income generating activities. MFIs beneficiaries have increased their income, improved social services and employed themselves. It was further revealed that MFI provide entrepreneurial skills although at a very small rate and the training provided means to create member’s awareness of terms and conditions of loans and savings and creating business skills. It was recommended that microfinance services provision be expanded to include large number of clients, introduce entrepreneurial training and ensure simultaneous provision of microfinance services and entrepreneurial skills for effective poverty reduction.

**Key words:** *microfinance institutions, poverty reduction and microfinance beneficiaries.*

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**LIST OF ABBERVIATIONS**

ADB Asia Development Bank

APRs Annual progress reports

BRAC Building Resources Across Communities

CGAP Consultative Group to Assist the Poorest

GB Grameen Bank

HIPC Heavily Indebted Poor Countries

IMF International Monetary Fund

M&E Monitoring and evaluation

MDGs Millennium Development Goals

MFB/MFBs Microfinance Beneficiary/Microfinance Beneficiaries

MFI/MFIs Microfinance Institution/Microfinance Institutions

NSGRP National Strategy for Growth and Reduction of Poverty

PRIDE Promotion of Rural Initiatives and Development Enterprises

PRS Poverty Reduction Strategy

PRSPs Poverty Reduction Strategy Papers

SMEs Small and medium enterprises

SPSS Statistical Package for Social Sciences

TZS Tanzania Shillings

URT United Republic of Tanzania

ZPRP Zanzibar Poverty Reduction Plan

# **CHAPTER ONE**

# **1.0 INTRODUCTION**

# **1.1 Overview**

This chapter gives the introduction to this study by describing the background information, statement of the problem, objectives of the study with both general and specific objectives as well as the research questions. Also, significance of the study and the scope has been explained in this chapter.

# **1.2 Background of the Study**

Zanzibar is a part of the United Republic of Tanzania. It comprises of two islands of Unguja and Pemba while Tanganyika is a part in the African continent which is 22 miles West of Zanzibar Indian Ocean coast. Tanganyika united with Zanzibar to form the United Republic of Tanzania on the 26th April, 1964.Presently, Tanzania has two central governments namely the Union Government and the Revolutionary Government of Zanzibar.

Poverty is defined by several authors as the situation of having not enough money to meet the basic needs of human beings Hulme and Paul (1997) as cited by Haji, H. Y (2013). Poverty is general scarcity or dearth or state of one who lack a certain amount of material possession or money (Wikipedia). It is multifaceted concept which includes social, economic and political elements. Poverty may be defined as either absolute or relative. Absolute poverty is when people do not have enough money to meet the basic threshold that is needed for survival. People fall below this line and do not have enough money to buy food, shelter, and clothing. On the other hand, relative poverty is when people are poor when compared to others around them, but may still have enough money to survive. It is based on the cultural environment around them, not on a basic amount necessary for all humans to survive.

According to relative poverty definition, if one lives in an expensive neighborhood, and she/he has everything she/he needs to get, but does not own luxurious things, she/he could still be said to be in poverty when compared to the people around her/him, even though she/he has everything she/he needs. Poverty reduction is a set of measures, both economic and humanitarian that is intended to permanently lift people out of poverty? Poverty reduction is a major goal and issue to many international organizations such as United Nation and the World Bank. Who lives in poverty? Absolute (destitution) poverty refers to the lack of means necessary to meet basic needs such as food, clothing and shelter.

**Table 1.1: Indicators of Global Poverty Lines by (World Bank)**

|  |  |  |  |
| --- | --- | --- | --- |
| Poverty line/day | US$ 1 a day | US$ 1.25 a day | US$ 1.9 a day |
| Years | 1996 | 2005 | 2015 |

**Source:** World Bank

Relative poverty takes into consideration in individual social and economic status compared to the rest of the society. Who lives in poverty varies according to who is doing the measuring, be it the World Bank, government, aid agencies, nongovernmental organizations or people who live in conditions of poverty. A common measure of poverty is that of “poverty lines”. Poverty lines typically provide a monetary cut-off; falling “bellow the line” indicates poverty. Where the poverty line is drawn depends on how poverty has been defined. Table 1.1 highlights the indicators of poverty lines as described by the World Bank.

Microfinance is a source of financial services for entrepreneurs and small businesses lacking access to banking and related services. There are two main mechanism for the delivery of financial services to such clients, the relationship based banking for individual entrepreneurs and small businesses; and group based models, where several entrepreneurs come together to apply for loans and other services as a group (Wikipedia).MF is a movement whose object is a world in which as many poor and near poor households as possible access to an appropriate range of high quality financial services.

Microfinance means the provision of loans to the poor households to establish income generating projects. (Elahi & Rahman, 2006). Microfinance can provide a range of benefits that poor households highly value such as a long-term increase in income and consumption (URT, 2000). Microfinance enables the poor to develop micro and small enterprises, which enhance their income earning capacity and improve life standard (Moseley, 2001: ADB, 2000).Also the poor use credit to build assets such as buying land which gives them future security (Bastelaer, 2000). Normally MFIs do not offer credit for direct consumption but for income generating activities.

According to common definition such as definition from ADB (2000), microfinance is the provision of a broad range of financial services such as credit, saving, insurance and money transfer for low-income individuals or households. In 2000, the United Nations drew up a list of millennium goals which aim to spur development and eradicate extreme poverty. In 2002, Murdoch and Haley were authorized to determine the impact the microfinance has on the realization of the seven millennium goals. in an, better nutrition and health, the opportunity to achieves higher education, a decrease in vulnerability to economic shock, greater empowerment, and in some cases, the ability to completely lift themselves and their families out of poverty.

The Poverty Reduction Strategy (PRS) approach was initiated by the IMF and the World Bank in 1999 in the context of the Heavily Indebted Poor Countries (HIPC) Initiative, with countries preparing poverty reduction strategy papers (PRSPs) and annual progress reports (APRs) as a basis for poverty reduction. PRSPs were introduced in 1999 by the World Bank and the IMF as a new framework to enhance domestic efforts, a means to enhance the coordination of development assistance between governments and development partners.

The Tanzanian National Strategy for Growth and Reduction of Poverty (NSGRP) is a second national organizing framework for putting the focus on poverty reduction high on the country’s development agenda. The NSGRP is informed by the aspirations of Tanzania’s development vision (Vision 2025) for high and shared growth, high quality livelihood, peace, stability and unity, good governance, high quality education and international competitiveness. It is committed to the Millennium Development Goals (MDGs), as international agreed targets for reducing poverty, hunger, disease, illiteracy, environmental degradation and effective participation of civil society, private sector development and fruitful local and external partnerships in development and commitment to regional and other international initiatives for social and economic development.

Since 1964, Zanzibar has taken various measures to address the three main development challenges - ignorance, disease and poverty. In 2000, Zanzibar launched the Zanzibar development vision 2020 which gives social, political, cultural and economic philosophy up to the year 2020.The thrust of the vision is eradication of absolute poverty and attain sustainable development in line with that. In the first three years, after Zanzibar Poverty Reduction Plan (ZPRP) was launched in 2002, some significant achievements were recorded after its implementation. A component of microfinance has been one of the major focuses in this plan. Considering the microfinance objectives in poverty reduction, microfinance has been widely recognized as a crucial tool for poverty alleviation and socioeconomic wellbeing.

The Uganda microfinance has a positive impact on the rural clients “*households*” income diversification and assets accumulation (Morris and Barnes, 2005).Based on retrospective data gathered from Guatemala, India, and Ghana microfinance instructions, the impact of microfinance was shown to be positive on borrowers’ households as well as businesses (Mcintosh, Villaran, and Wydick, 2008). Microfinance has positive impact on the borrowers’ income especially in urban areas in India (Imai, Arun, and Annim; 2010).

Other scholars, (Wright, 2000; Simanowitz and Walter, 2002; Cherston and Kuhn, 2002), also argued that microfinance contributes to increased income, consumption smoothing better health and nutrition improvement in school attendance and invariable have a positive effects on the others. The combined enhancement in all areas of life brings a marked increase in living conditions for the poor and a new massage of hope and for eventually reduction of poverty. However, according to David (2000:79), although some scholars support that microfinance has positive economic and social impact on the poor, other argue that microfinance has negative impacts on the poor clients. There are also in between who supports the positive impacts, but not necessarily for the poorest, as claimed. Therefore, this research contributes on this debate.

The study on the contribution of micro finance institutions (MFIs) and determination of their effectiveness in reducing poverty was conducted in South District of Zanzibar by Haji, H. Y (2013) and it was revealed that Microfinance Institutions (MFIs) have changed the life of poor people in positive way. Microfinance Institutions clients have increased their incomes, capital invested and expansion of their businesses.

Urban West Region is one of the six region of Zanzibar located on the island of Unguja and the selection of this region as a study area seems applicable as Zanzibar city is within this region and the region attracts a good number of various sizes of microfinance services. Most of the Microfinance beneficiaries of MFIs are obtained in this region in particular the Urban district. In most cases MFIs serves the SMEs of the small to medium sizes, organized groups and individuals to help them to improve from poverty.

# **1.3 Statement of the Research Problem**

One of the primary goals of establishing microfinance services in financial institutions worldwide was to reduce poverty. This has also been the case in Tanzania in general and in Zanzibar in particular. However, there has been a dilemma on whether there has been a positive or negative impact of microfinance institutions on poverty reduction. Little is known on the assessment of the impact of microfinance institutions on poverty reduction for the case of Zanzibar and, hence, this research intends to systematically investigate the impact of microfinance institutions on poverty reduction specifically in Zanzibar Islands with a case study of microfinance beneficiaries in Urban-West Region of Unguja.

# **1.4 Research Objectives**

This section presents the general and specific objectives that are intended to be achieved to accomplish the goal of this research work.

# **1.4.1 General Research Objectives**

The general objective of this research was to examine the impact of microfinance institutions on poverty reduction in Zanzibar with a case of microfinance beneficiaries in Urban-West Region.

# **Specific Research Objectives**

This research has the following specific objectives: -

1. To examine the services provided by microfinance institution in poverty reduction to the Urban West Region people;
2. To examine the capacities of microfinance institution towards community support in poverty reduction to the microfinance beneficiaries at Urban West Region; and
3. To examine factors that positively and negatively promotes or hinders the microfinance institution on community support in poverty reduction in Urban West Region people.

# **1.5 Research Questions**

The general and specific questions that are intended to be answered in this research work are sectioned as in 1.4.1 and 1.4.2

# **General Research Questions**

The general research questions were “What is the impact of microfinance institutions on poverty reduction in Zanzibar?” and a case of microfinance beneficiaries in Urban-West Region was used.

# **Specific Research Questions**

This research had the following research questions: -

1. What are the services provided by microfinance institution in poverty reduction to the Urban West Region people?
2. What are the capacities of microfinance institution towards community support in poverty reduction to the microfinance beneficiaries at Urban West Region?
3. What are the factors that positively and negatively promote or hinder the microfinance institution on community support in poverty reduction in Urban West Region people?

# **1.6 Relevance of the Research**

The study intends to reveal the contribution of microfinance institutions beneficiaries and microenterprises in Zanzibar particularly the Urban West Region. The study is expected to be of value to a number of people as follows: -

The study has provided insight that will help in exploring the role of microfinance institutions in improving the life standards and income generation of beneficiaries and microenterprises and poor households.

From the study findings, it is expected that the MFIs will benefit from the information that will help them to improve their services provided to their clients.

The findings will help researchers to identify viable areas for further research. Also it will be used as a reference to the researchers on the impact of microfinance institutions to the households and enterprises.

The study findings will help the policy makers and MFI managers to understand the existence of the problem of access to microfinance and how to assist Microfinance beneficiaries.

The findings of the study will also help Microfinance beneficiaries to be aware of various sources of fund, ways and means of accessing and investing microfinance funds, and how it can help them to become more successful.

# **1.7 Scope of the Study**

The study is expected to be carried out at Urban West Region. The targeted population is expected to be the MFIs beneficiaries and MFIs (e.g. Microfinance Banks, SACCOSS, BRAC, PRIDE).Purpose to choose these institutions and their clients are to study the types of services provided by these institutions, and the impact of these services provided by them to microenterprises and MFIs beneficiaries. The impact of microfinance institutions on poverty reduction has just reflected the impact in Zanzibar and might not have fit for other areas with different cultural and social characteristics. The study has been more into financial and economic impacts rather than other impacts like political impacts.

# **1.7 Organization of the Dissertation**

After this chapter on introduction, chapter two deals with literature review where empirical and theoretical reviews have been discussed. Chapter three is on research methodology where research design, population and sampling matters are addressed. In addition, chapter three has also dealt with research instruments, the techniques on data collection and on data analysis. Chapter four is onresearch findings and discussion. Chapter four also discusses the results and analysis. **C**onclusions and recommendations are presented in Chapter five.

**CHAPTER TWO**

**2.0 LITERATURE REVIEW**

**2.1 Overview**

This chapter presents the theoretical literatures review concerning the concept of Microfinance, microfinance institutions, poverty reduction, SMEs development and socio development as well as some scholarly works done within and out of Tanzania.

# **Opearational Definitions**

Microfinance: Microfinance means the provision of a broad range of financial services such as deposits, loans, payment services, money transfer, and insurance to poor and low-income households and their micro enterprises. It is a range of innovative financial arrangements designed to attract the poor as either borrowers or savers (Mkono, 2015). Microfinance does not only cover financial services but also non-financial assistance such as training and business advice. Microfinance institution: Microfinance institution is the provision of a broad range of financial services such loans, payment services, money transfer and deposit to poor households and their micro enterprises. Microfinance does not only cover financial services but also non-financial assistance such as training and business advice. (Severine S.A.Kessy & Fratern M. Urio 2006).

**Poverty:**Poverty at its broadest level can be conceived as state of deprivation prohibitive of decent human life (URT, 1998). Poverty in its most general sense is the lack of necessities like basic food, shelter, medical care, safety which are thought necessary based on shared values of human dignity (Sen., 1999). According to PRSP (2000) and NSGRP (2010) Reports.

**Poverty Reduction:** Poverty reduction refers to a process involving some strategies aimed at reducing the levels of poverty in a given society. Poverty reduction can be dealt with through economic growth approach and income redistribution approach (Kihombo, 1999).

***SMEs:*** There is a wide range of definitions for SMEs, but for the purpose of this study, SMEs is defined as a productive activity either to produce or distribute goods and or services, mostly undertaken in the informal sector. A typical micro enterprise employs fewer than five workers, usually family members and has very limited fixed assets. A small enterprise on the other hand, employs more than five workers and most of them are in a formal sector with much higher fixed assets compared to micro enterprise. Small enterprises are formal undertakings engaging between 5 and 49 employees, or with capital investment ranging from Tshs. 5 million to Tshs. 20 million (URT, 2003).

**Financial Credits*:*** Financial credits refer to loans provided to the poor who are left out from conventional banking system. These loans are utilized for various productive purposes which prevent them from exploitation of the money lenders and hence contribute a lot to “poverty alleviation by ensuring income generation and economic growth” (Yunus, 2003). According to him credit must be used in income generating activities and strictly prohibited to use in direct consumption.

# **Critical Review of Supporting Theories**

## 2.3.1 Economic Modernity Theory

Focusing on economic development, the classical modernization perspective considers increases in democracy and human choice as a direct outcome of economic development (Hulme and Mosley, 2000)**.** In relation to gender equality, this approach holds that economic development is central to increasing the pool of women eligible for positions of social power. Hulme and Mosley (2000) established that increased economic development associates with a broader based distribution of educational and occupational resources. Greater access to educational and occupational resources increases women chances of professional development, creating a larger pool of women eligible for power positions such as political offices.

## 2.3.2 Cultural Theory

Cultural theories explain poverty in the traits of the poor themselves. These theories assert poverty as the valuation, attitudinal and behavioral patterns of the poor which prevent them from being socially mobile (David, 1970). Pertaining to this theory, poverty is created by the transmission over generations of a set of beliefs, values and skills that are socially generated but individually held. Individuals are not necessarily to blame because they are victims of their dysfunctional subculture or culture. In traditional Africa, culture created title deeds, making men the sole owners of land, thereby rendering women economically weak. Women consequently were overburdened with running homes, making them economically unstable. Microfinance can make a contribution to empowerment of women. Access to savings and credit facilities strengthens women in economic decisions. It also improves their skills, knowledge and support networks as well as enhancing their status in the community (Robinson, 2001).

## 2.3.3 Structural Theory

In contrast to cultural theory, structural theories explain poverty in terms of the conditions under which the poor live: unemployment, underemployment, poor infrastructures, poor education and poor health (David, 1970). Structural theorists fully accept the cultural theorists' characterization of the poor; they merely place another interpretation on it. Theorists in this tradition look to the economic, political and social system which causes people to have limited opportunities and resources with which to achieve income and wellbeing. Poverty is said to be caused by structural barriers that prevent poor from access to social services and accomplishment in key socials institutions includes jobs, education, housing, healthcare, safety and political representation (Maliyamkono, 2006)**.**

## 2.3.4 Transaction Cost Theory

The theoretical literature review for this study based on transaction cost theory. Transaction cost approach to the theory of the firm was created by Coase (1960), his theory states that: “In order to carry out a market transaction it is necessary to discover who it is that one wishes to deal with, to conduct negotiations leading up to a bargain, to draw up the contract, to undertake the inspection needed to make sure that the terms of the contract are being observed, and so on. The transaction cost can be conceptualized as a non-financial cost incurred in credit delivery by the borrower and the lender before, during and after the disbursement of loan.

The cost incurred by the lender include; cost of searching for funds to loan, cost of designing credit contracts, cost of screening borrowers, assessing project feasibility, cost of scrutinizing loan application, cost of providing credit training to staff and borrowers, and the cost of monitoring and putting into effect loan contracts. On the other hand, the borrowers that is MSEs for this case may incur cost ranging from cost associated in screening group member (group borrowing), cost of forming a group, cost of negotiating with the lender, cost of filling paper work, transportation to and from the financial institution, cost of time spent on project appraisal and cost of attending meetings, etc. (Bhatt and Tang; 1998, 2002). The parties involved in a project will determine the transaction cost rate. They have the sole responsibility to reduce the risk they may come across.

## 2.3.5 The Link between Micro Finance Institutions and Poverty Alleviation

MFI schemes were initiated to meet different objectives. The most commonly mentioned objectives include: poverty alleviation and improved living standards, offering financing to the poor (Harper, et al. 1999), women’s empowerment, Rahman (1991) and the development of the business sector as a means of achieving high standards and reducing market failure, (Chijoriga and Cassimon, 1997). Empirical evidences and surveys give mixed results on the performance of MFIs. In some cases debacle stories have been reported, yet there have been success stories. In other cases the reasons for failures or successes have not been well documented.

Linking MFIs with other interventions such as poverty alleviation often complicates the functioning of MFIs by pushing them to areas not considered sustainable. This implies that there is a conflict in measuring financial performance and poverty alleviation. Most of sustainability indicators focus on the MFI as a profitable institution (loan repayment, profitability and degree of subsidization). Thus for MFI to meet the microfinance best practices, as given by Consultative Group to Assist the Poorest (CGAP), and be financially sustainable, it has to regard itself as a business venture. As a consequence of this and especially in the rural areas, very few people qualify for a business loan.

# **Empirical Analysis of Relevant Studies**

## 2.5.1 Contribution of Microfinance Institutions

Hassan and Renteria-Guerrero (1997) made another empirical contribution in this area (Microfinance contributions). In their work “The experience of the Grameen Bank (GB) of Bangladesh in community development”, they examined the GB experience with a purpose of understanding the essential elements of its operations and the factors that enabled GB to reach the poor. This study revealed that the GB has established its credentials as an institution that aims at providing credit to the landless and asset less poor in rural areas. GB credit gives the recipients the power of entitlement to society’s productive goods and services with immediate effect, unlike most of the other programmes for the poor that tend to create the unintended negative effect of dependency on the service providers.

However, it was observed the credit by itself is an insufficient factor to improve poverty conditions, and thus the GB devotes a substantial amount of resources to the improvement of the social wellbeing of its members. The GB uses an unambiguous eligibility criterion which ensures that only the poor or very poor can participate. It motivates their clients to organize themselves into groups of five like-minded members. Each group elects one group leader among themselves. Every six groups form a “centre” which serves as the basic operating unit of the GB. It is at the centre that weekly meetings are conducted to openly discuss loan applications proposals and to accept weekly repayments and compulsory savings deposits. While the loans are made to individual members, the group as a whole is expected to be responsible for the regular repayments of the loans of all their members. This form of grassroots organization not only promotes solidarity and participation among the members, at the group and centre levels, but also promotes mutual support and peer pressure to ensure that the loans are properly utilized and repayments made promptly.

In concluding their work, Hassan and Renteria-Guerrero assert that the GB’s approach seems to be an effective tool for rural poverty reduction despite minor criticism that has never given alternative solution for poverty alleviation. The program supplies credit to improve the physical productive capacities of the poor and in addition, it provides the disadvantaged with human development inputs to improve their overall productive and living standards. The success of the GB is not free from the influence of external factors. To be effective and sustainable, a credit delivery system also needs a supportive national policy framework for it to remain autonomous and free from political influence. Despite the fact that this work was just an experience and not a research work, we acclaim its contribution in the area of microfinance practices.

## 2.5.2 Cross Country Studies

Some of the studies, which add a significant contribution, include the study by Mosley (2001). In this study on MF and poverty reduction in Bolivia Mosley accessed the impact of MFIs on poverty .the study was conducted through small sample survey of four MFIs two in urban and two in rural, using range of poverty concepts such as income ,asset holdings and diversity, and various measures of vulnerability. All the institutions studied had on balance, positive impacts on income and asset levels; with income impacts correlating negatively with income on account of poor households choosing to invest in a low risk and low return assets. This study revealed also that in comparison with others antipoverty measures; MF appears to be successful and relatively cheap at reducing poverty to those close to poverty line.

## 2.5.3 Experience in Africa

Irobi (2008) investigated microfinance and poverty alleviation in Nigeria, the study employed questionnaire in data collection and found that microfinance intervention has a positive impact on alleviation of poverty among the women of this association. Interestingly, this study found that most women in this association experienced increased income and therefore, improved their economic status, political and social conditions after receiving the loans.

Provident and Zacharia (2008) investigated critical look at the role of microfinance banks in poverty reduction in Tanzania, the study based on questionnaires, semi structured interviews, observations and documentary reviews. The main findings of their study showed that majority of the poor do not access microfinance services loans because they lack guarantors, assets, businesses, salaried employment, savings account in banks, ability to make pre-loan weekly deposit on Special Savings Account which are required as collaterals.

## 2.5.4 Experience in Tanzania

Kuzilwa (2005) combining case studies with a sample survey of businesses that gained access to credit from Tanzanian government financial sources. A substantially increased output is observed following access to credit. The findings reveal that the enterprises whose owners received business training and extension advice perform better than those that did not. The study further shows that many of the problems faced by the entrepreneurs are not related to capital, but rather arise as a result of macroeconomic and institutional constraints.

**Table 2.1: Summary of the Empirical Studies**

| **Variables** | **Country** | **Methodology** | **Findings** | **Authors** |
| --- | --- | --- | --- | --- |
| * Microfinance * Community development. | Bangladesh | Observation | * Effective tool for poverty reduction. * Ensure only poor or very poor can participate. | Hassan &Renteria- Guerrero(1997) |
| * MFIs * Poverty reduction | Bolivia | Survey methods | * Positive impact on poverty reduction | Mosley(2001) |
| * Microfinance * Poverty alleviation. | Nigeria | Questionnaire | * Positive impact * Increase income * Improved economic status. | Irobi (2008) |
| * MFI * Poverty reduction | Tanzania | Questionnaires, interview. | * Positive changes * High interest rate charged. | Kessy & Urio(2006) |
| * Microfinance Institutions * Poverty reduction | Tanzania | * Questionnaires * Semi structured interviews * Observations * Documentary review. | * Poor do not access MFIs services loan because they don’t have collateral e.g salary, account, assets etc. | Provident & Zacharia(2008) |

# **Source:** researcher, 2017

In a study conducted by Kessy & Urio (2006) on contribution of Microfinance Institutions (MFIs) on poverty reduction in Tanzania, the researchers covered four regions of Tanzania, which are Dar es Salaam, Zanzibar, Arusha and Mwanza. Primary and secondary data were collected, primary data were collected from 352 MSEs through questionnaires, and interviews were also conducted. PRIDE which is a MFIs were used a case study so as to get the insight of MFI operations. The study findings pointed out that to large extent MFI operations in Tanzania has brought positive changes in the standards of living of people who access their services. Clients of MFIs complained about high interest rates charged, the weekly meetings could be used to other productive activities. The study recommended MFI to lower its interest rate, increase grace period and proper training to MSEs.

# **Research Gap Identified**

As per Naimu (2011) study, TASAF based studies have concentrated on contribution of community development initiatives on poverty reduction while other studies, as per Haji (2013), have considered the South District where concentration of MFIs is not significant and, hence, according to literature reviewed, there has been found that there is no reported research that has been encountered that assess the impact of microfinance institutions on poverty reduction for the case of Urban-West Region, Zanzibar.

# **Analytical/Conceptual Framework**

## 2.7.1 Conceptual Framework

Kombo & Tromp (2006) defined a conceptual frame work as a research tool intended to assist a researcher to develop awareness & understanding of the situation under scrutiny and to communicate this .MFIs has been used as an independent variables and poverty reduction as dependent variables, when microfinance services increases then the poverty level or status decreases ,therefore poverty reduction depends on Micro credit whereby the effort may change when intervened with education level and entrepreneurship skills.

## 2.7.2 Conceptual Model

Conceptual model is physical object with composition of concepts or variables used to help people to understand the subjects that represents the model .In order to uncover the contribution of microfinance institutions on poverty reduction ,the study shows key variables which are presented by the model below which are intervened by intervening variable.

Dependent Variables

Independent Variables

Intervening Variables

* Clients education level
* Entrepreneurship skills
* Training on utilization of loan

MFIs

* Loan size
* Savings
* Business

**POVERTY REDUCTION**

* Increased income
* Increased savings
* Improved access to social services
* Food security

## 

**Figure 2.1: Conceptual Framework on the Impact of MFIs on Poverty Reduction**

# **Theoretical Framework**

The theoretical framework developed from conceptual framework’s structure sheds the light for the methodology of this study. The conceptual framework developed to reflect the outcome of MFIs on poverty reduction. This is due to the assumption that appropriate loan size, savings, and business, result into an increase of income, savings, improved access to social services, and food security and, hence an overall standard of living since the profit obtained from the beneficiaries’ activities enable them to meet their living expenditure, hence create a possibility of poverty reduction.

# **Summary**

In this chapter, a review has been done in terms of theoretical and empirical studies. Conceptual definitions have been given as well as the critical review of supporting theories and empirical analysis of relevant studies. Further, the research gap has been identified and analytical/conceptual framework along with theoretical framework has been explained.

# **CHAPTER THREE**

# **3.0 RESEARCH METHODOLOGY**

**3.1**

# **Overview**

This chapter describes the methodology used for this study. It outlines the research design, population and sampling, area of the study, sampling size, data collection strategy, data processing and analysis techniques and ethical consideration of the study.

# **Research Strategies**

The study adopts descriptive and exploratory research strategy and it involves both primary and secondary source of data. The data gathered is crucial to make reasonable arguments. The primary data include MFIs beneficiaries, MFI and other stakeholders, while the secondary data includes theories of previous literatures, books, journals, reports and internet sources. The MFIs beneficiaries are those who acquire loans from various MFIs such as SACCOS, PRIDE, BRAC and Microfinance Banks etc. Also structured and unstructured interview and observation within sample population has been used. Basically, the MFIs beneficiaries have been guided by asking them to answer questions in a questionnaire set both, opened and closed, in a semi structured format.

This is a descriptive research with the case study MFIs beneficiaries in Urban West Region in Unguja. It is descriptive study in the sense that, it provides simple summaries about our population and sample in hand through calculated descriptive statistics. Only one microfinance institution is selected and the intense analyses helped in making general conclusion in relation to the contribution of MFIs to the development of MFIs beneficiaries in Zanzibar.

# **Survey Population**

The targeted populations in this study were MFIs employees and Microfinance Institutions Beneficiaries of PRIDE, Zanzibar Branch totaling to 120.

# **Area of the Research or Survey**

The area of this study is Urban West Region Unguja – Zanzibar which includes Microfinance Institutions Beneficiaries and also MFIs employees. The study has concentrated into just one microfinance institution which is PRIDE (Zanzibar Branch). The reasons for selecting this institution include the fact that PRIDE is common and more experienced in the activities of providing loans to the clients in Urban West Region in Unguja. The area was among the areas in which MFIs were concentrated their operations and it is among the area where MFIs are highly needed so it is for the researchers to obtain the data with a minimum of inconvenience.

# **Sampling Size**

As per Kothari (2004), the mathematical formula used to obtain sample size was as follows:-



Whereby;

n = Sample size for a finite population

N = Size of the population which is the number of selected beneficiaries in PRIDE, Zanzibar Branch = 120

P = Population reliability or frequency estimated for a sample size where the value of p = 0.5 which is taken for all developing countries population and p+q=1

e = margin of error considered is 5 percent for this study

Zα/2 = Normal reduced variable at 0.05 level of significance, Z=1.96

Given the data above, sample size was calculated as follows,



So the sample size used was 92 beneficiaries.

Since the survey was fully administered, the sample for this study comprised a total of 92 with response rate of 100% making the number of respondents equal to the number of sample size. This was fetched from among the MFI Beneficiaries and MFIs employees in Urban West Region Unguja, Zanzibar. Convenient sampling technique was employed to select the 92 respondents. The researcher decided to use the sample of 92 respondents as it serves the purpose for data collection of the entire population. These were approached through questionnaires and the respondents were counseled to make sure that they understand the questions for the purpose of getting correct response and minimizing the possibility of having missed responses.

# **Variables and Measurement Procedures**

For the analyses of the relationship between various independent and dependent variables, multiple regression analysis has been used because multiple regression analysis seems to be more agreeable. It allows explicit control for many other factors affecting the various dependent variables at one time. It is also important to note that, multiple regression models can accommodate many explanatory variables that may be correlated. We can therefore hope to infer causality in cases where simple regression analysis would be misleading. (Wooldridge, 2003). Another justification for the use of multiple regression models is that, they are still the most widely used vehicle for empirical analysis (Wooldridge, 2003).

# **Methods of Data Collection**

The required information in this study has been collected using both primary data sources though the use of administered questionnaire and also through secondary data collected through documentary review.

# **Data Processing and Analysis**

The data has been entered into Statistical Package for Social Sciences (SPSS) software and processed. The results have been analyzed using a simple descriptive statistics, the frequency and cross tabulation have also been employed on some variables. Microsoft Spread sheet has also been used to generate the bar charts and pie charts. Mean and standard deviation have been among the extracted results from the data analysis.

**3.9** **Expected Results of the Study**

The study is expected to provide findings leading to a conclusion on the relationship between MFI services and poverty reduction whereby a positive impact of MFIs is expected on poverty reduction on the Microfinance beneficiaries in the Urban West Region in Zanzibar.

**CHAPTER FOUR**

# **4.0 RESEARCH FINDINGS AND DISCUSSION**

# **4.1 Overview**

This chapter presents and discusses the results of the study that assess the impact of microfinance institutions on poverty reduction in Zanzibar specifically for the microfinance beneficiaries in Urban-West Region. Basically the results presented rely heavily on the information obtained from sample respondents that were interpreted from the statistical analysis. This chapter is divided into five main sections. Besides this section, section 4.2 explains the characteristics of the sample respondents while section 4.3 examines the capacity of microfinance institution towards community support in poverty reduction to the microfinance beneficiaries at Urban West Region. Section 4.4 describes the finding obtained from the examined services provided by microfinance institution in poverty reduction and the last section, section 4.5, explains the identified factors that positively and negatively promote or hinder the microfinance institution on community support in poverty reduction to Urban West Region people.

# **4.2 Characteristics of Sample Respondents**

The researcher at this part was interested in seeing the respondent’s characteristics in relation to the research topic and its objectives for the sake of revealing the results as inquired by the researcher. The sample respondents of the study are presented per respondents deemed variable as were stated as follows:-

# **4.3.1 Sex of the Respondents**

Results as described in Tables 4.1 show that, majority of sample respondents were female, compared to male respondents. This implies that most of the microfinance beneficiaries and those who have microfinance membership are female.

**Table 4.1.: Sex of the Respondents**

|  |  |  |
| --- | --- | --- |
| **Sex of the Respondents** | **Frequency** | **Percent** |
| Female | 62 | 67.4 |
| Male | 30 | 32.6 |
| **Total** | **92** | **100.0** |

**Source:** Researcher (2017)

The table 4.1 shows that, among the respondents, a total of 67.4 per cent was female while only 32.6 per cent was represented by male respondents.

# **4.3.2 Age Group of the Respondents**

Table 4.2 shows the age distribution of the respondents which was drawn while the preferring age group was the fundamental variable on determining the response of the respondents.

**Table 4.2: Age Group of the Respondents**

|  |  |  |
| --- | --- | --- |
| **Age group** | **Frequency** | **Percent** |
| 18-25 | 8 | 8.7 |
| 26-35 | 41 | 44.6 |
| 36-45 | 39 | 42.4 |
| 46+ | 4 | 4.3 |
| **Total** | **92** | **100.0** |

**Source:** Researcher (2017)

The overall results show that the majority respondents relied on age group of 26-35 in closely related to the age group of 36-45 that much differ in small number to the age group of 18-25 as well as 46 and above. This means that the most popular MFI beneficiaries were those who had already completed their secondary school or graduates and possibly at the street who were about to begin a new life in trying to do every aspect of life’s opportunities. The other part which was also majority were already in family and taking all family responsibilities which were decided being entrepreneurs as a part of life career.

# **4.3.3 Education Level of the Respondents**

Table 4.3 shows the distribution of educational level of the respondents. The overall results from the table show that majority of the respondents possessed with secondary education at 53.3% which were close related to primary level.

**Table 4.3: Education Level of the Respondents**

|  |  |  |
| --- | --- | --- |
| **Education level** | **Frequency** | **Percent** |
| Not schooled | 3 | 3.3 |
| Primary | 29 | 31.5 |
| Secondary | 49 | 53.3 |
| Collage (Higher learning) | 11 | 12.0 |
| **Total** | **92** | **100.0** |

**Source:** Researcher (2017)

The findings also reveal that, at least 3.3% have no formal education.

# **4.3.4 Marital Status of the Respondents**

Table 4.4 presents the marital status of the respondents. While the researcher intended to find out the marital status and its implication to the microfinance beneficiaries and its relation to the poverty reduction. While only 9 out of 92 respondents, making only 9.8% were single, majority of respondents were married.

**Table 4.4: Marital Status of the Respondents**

|  |  |  |
| --- | --- | --- |
| **Marital status** | **Frequency** | **Percent** |
| Married | 70 | 76.1 |
| Single | 9 | 9.8 |
| Divorced | 13 | 14.1 |
| **Total** | **92** | **100.0** |

**Source:** Researcher (2017)

The overall result from the table indicates that, the married respondents make a sum of 76.1% followed by the divorced with lower percentage of 14.1.

# **4.1.5 Dependency Status of the Respondents**

Table 4.5 describes the dependency status of the respondents. The researcher was impressed to understand at what dependant level the respondents were whether depended by parents, depended by family, depended by both, depend on family, depend on parents or depends on him/her self. While 41 respondents (44.6%) were depended by parents, 38 (41.3%) of them were depended by both, family and parents. Those who depend on family or parents were 7 out of 92 respondents while only 6 depend on themselves.

**Table 4.5: Dependant Status of the Respondents**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dependant status** | **Frequency** | **Percent** | |
| Depended by parents | 41 | | 44.6 |
| Depended by both, family and parents | 38 | | 41.3 |
| Depends on family/parents | 7 | | 7.6 |
| Depends on him/her self | 6 | | 6.5 |
| **Total** | **92** | | **100.0** |

**Source:** Researcher (2017)

The general results from the table indicate that, most sample respondents were depended by their parents in very closely related with those depended by both family and parents.

# **4.1.6 Status of Activity Conducted by Respondents**

Table 4.6 indicates the result obtained from the study while the researcher requested to understand whether the respondents of microfinance beneficiaries were at a group or individuals and the response shows that majority amounting to 85.9 % of the 92 respondents were performing at individual basis while the rest totaling to 14.1% were in groups.

**Table 4.6: Status of activity Conducted by Respondents**

|  |  |  |  |
| --- | --- | --- | --- |
| **Status of activity conducted** | **Frequency** | | **Percent** |
| Group | 13 | 14.1 | |
| Individual | 79 | 85.9 | |
| **Total** | **92** | **100.0** | |

**Source:** Researcher (2017)

The overall results from the table reveal that most of the respondents were individually operating their activities that much differed with those who were organized in groups.

# **4.1.7 Duration of Activity Conducted by Respondents**

Table 4.7; presented describes the duration of activity conducted by respondents. The researcher was interested to understand at what duration of activity conducted by respondents.

**Table 4.7: Duration of Activity Conducted by Respondents**

|  |  |  |
| --- | --- | --- |
| **Duration of activity conducted** | **Frequency** | **Percent** |
| 1-3 years | 27 | 29.3 |
| 4-6 years | 50 | 54.3 |
| 7+ years | 15 | 16.3 |
| **Total** | **92** | **100.0** |

**Source:** Researcher (2017)

The general results from the table indicate that most sample respondents were 4-6 years of conducting income generating activities under the membership of MFI with far related to those aged 1-3 years and more far percentage to those having more than 7 years of conducting activities.

# **4.1.8 Income Level of the Respondents per Month**

Table 4.8 reveals the results brought from the study while the researcher inquired the respondents in order to know the actual level of income the respondents monthly earn from their activities. The overall result from the table reveals that most of the respondents were monthly earning between TZS 100,000 and 300,000.

**Table 4.8: Income Distribution of the Respondents per Month**

|  |  |  |
| --- | --- | --- |
| **Income distribution (000)** | **Frequency** | **Percent** |
| 100'-300' | 56 | 60.9 |
| 400'-700' | 23 | 25.0 |
| 800'+ | 3 | 3.3 |
| **Total** | **92** | **100.0** |

**Source:** Researcher (2017)

This result differed in higher percentage to those earning around TZS 400,000-700,000 per month, which much differed with those few ones who earn below TZS 100,000 and those who earn big income of above TZS 800,000 per month.

# **4.1.9 Monthly Expenditure Level of the Respondents**

Table 4.9 shows the distribution level of monthly expenditure of the respondents.

**Table 4.9: Expenditure Level of the Respondents**

|  |  |  |
| --- | --- | --- |
| **Expenditure level** | **Frequency** | **Percent** |
| <5,000 | 10 | 10.9 |
| 6,000-10,000 | 51 | 55.4 |
| 15,000+ | 31 | 33.7 |
| **Total** | **92** | **100.0** |

**Source:** Researcher (2017)

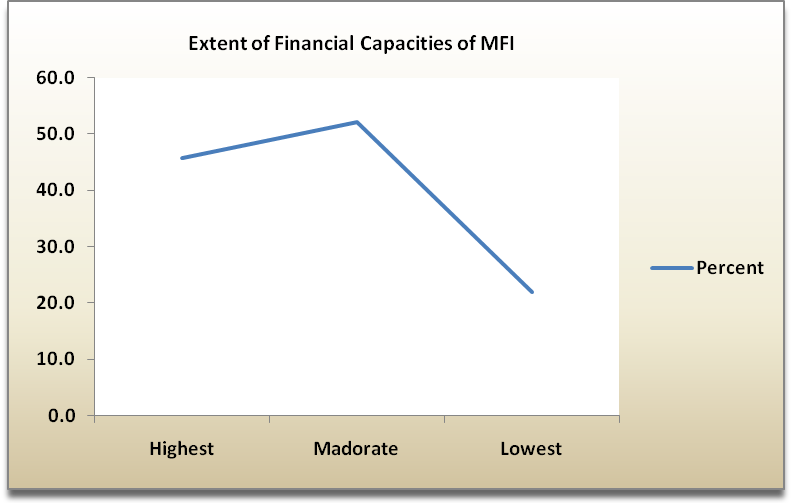
The overall results from the table show that, majority of the respondents were spending about TZS 6,000-10,000 compared to those who were spending more than TZS 15,000 with had less percentage to those spending below TZS 5,000 daily

# **4.2 Capacity of Microfinance Institution towards Community Support**

In this section, the researcher was interested to understand the capacity of MFI towards serving the beneficiaries in realizing their business growth and increase their level of income. Various variables were used by the researcher to examine the actual capacity of the MFIs including the financial capacity, managerial capacity, capacity to provide other services as well technological and advertisement capacity. These were examined and elaborated as the following subsections.

# **4.2.1 Financial capacity of Microfinance Institution**

Figure 4.1 presents the finding brought from the respondents while researcher examined the extent of financial capacity of MFIs in supporting the beneficiaries towards improving their livelihood through income generating activities. The MFIs’ financial capacities examined included the power to provide capital, loan or credit, development support to the communities such as Sports Bonanza, artists and sports talent rising star as well as developing other investments. The overall results from the table found out that most of respondents realized that MFI’s has moderate capacity rather than the few ones argued they have highest and lowest capacity.



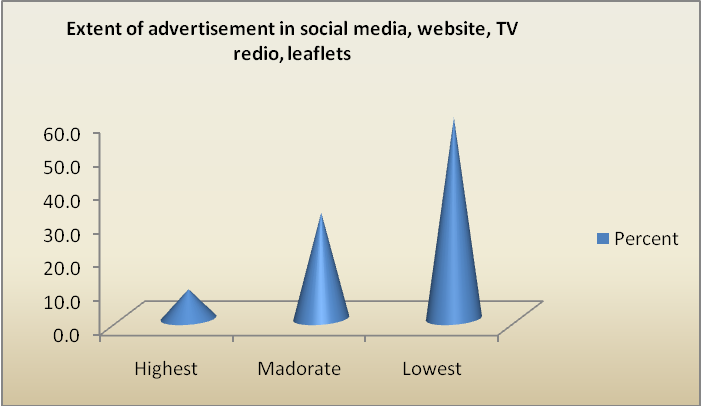
**Figure 4.1: Extent of Financial Capacity of MFI’s**

**Source:** Researcher (2017)

These findings meant that MFI’s yet performed at very best level to its program where the respondents or community were at medium level of recognition to MFI’s

# **4.2.2 Extent of Advertisement Capacity of MFIs**

The researcher was deemed to know the applications of several modern advertisement tools that MFIs apply for the quickest and more conversant to reach community all around Zanzibar and occasionally should attract large number of community to become members of MFIs for loan/credit or other support. Among the advertisement mechanism used by researcher to request the respondents included social Medias such as Instagram, WhatsApp, and Twitter also through radio, Television, newspapers, leaflets and the likes. The overall results from Table 4.2 show that majority of sample respondents urged that MFIs have the lowest advertisement enforcement or capacity.



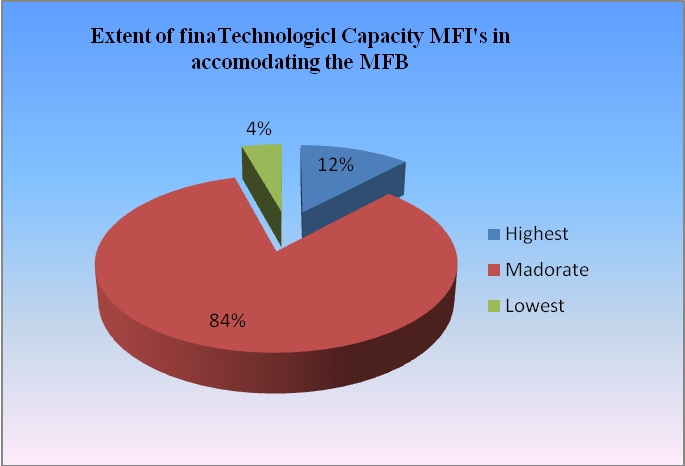
**Figure 4.2: Extent of Advertisement Capacity of MFI’s**

**Source:** Researcher (2017)

This means that, the community joined the MFIs regarding their peer communication and not mainly through MFIs advertisement. This finding was supported by Dinuja Perera (2010) on his study of Commercial Microfinance on Strategy to reach the poor, who add that the business people were blinded on operating cost as they wish to get huge profit without incurring cost during project running.

# **4.2.3 Extent of Technological Capacity of the Microfinance Institution**

The researcher in this section was interested to examine technological capacity of the microfinance institution in assisting the MFB towards poverty reduction. The overall results from Figure 4.3 state that, the most respondents argued that MFIs have very low technological capacity in contrast with few respondents who suggested that they have moderate technological capacity with the very few who replied that they have high technological capacity.



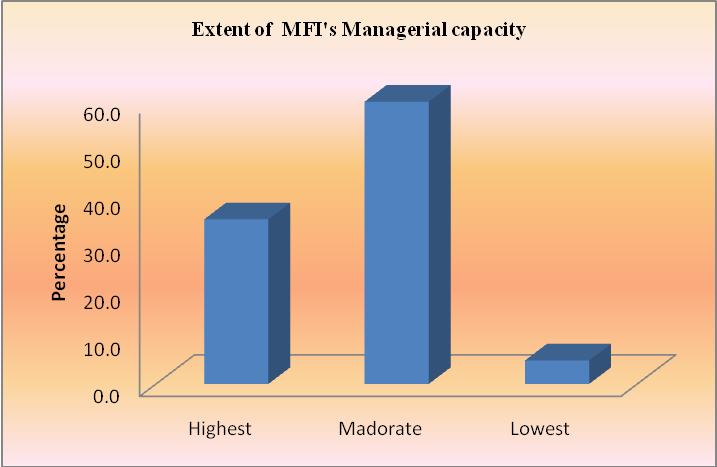
**Figure 4.3: Extent of Technological Capacity of the Microfinance Institution**

**Source:** Researcher (2017)

Most of the areas observed that the technological capacity for MFIs included provision of Visa Cards, mobile services, money transfer and the likes. The overall results from the Figure shows that, majority of respondents admit that they moderately applied the technological facilities for advertisement with very few ones who admit that they were usage at highest level.

# **4.2.4 Extent of MFIs’ Managerial Support**

Figure 4.4 shows the findings that the researcher got from the respondents while interrogating on MFIs’ managerial capacity on supporting the beneficiaries towards improving their livelihood through income generating activities. The MFIs’ managerial capacity examined included the competency of the staff, number of staff, and operating facilities.



**Figure 4.4: Extent of MFI’s Managerial Support**

**Source:** Researcher (2017)

The overall results from the Figure have found out that most of respondents realize that MFIs’ managerial capacity has moderate support compared to the few ones who urged that they have highest ones. This finding means that, the beneficiaries were not really satisfied with the support brought by the MFIs either from the staff or managerial point of view.

# **4.3 Services Provided by Microfinance Institution towards Poverty Reduction**

During the study, the researcher intended to find out the type of services provided by the MFIs to their beneficiaries. The various questions were used to ask the respondents that test the existence of particular services. The subsections below illustrate findings of this research in relation to services provided by microfinance institution towards poverty reduction.

# **4.3.1 Microfinance Services**

The overall results from Table 4.10 show that majority of respondents at 50% (moderate) claimed that the most services that were brought from the MFIs were deposit and withdrawal. This means that it was the leading services provided from the MFIs which were caused by most of them especially of the income at TZS 100,000-300,000 which mainly used to deposit and withdraw the funds. The results were followed by the majority respondents who denied the availability of customer care services which seemed to be among the crucial role played to the MFI’s.

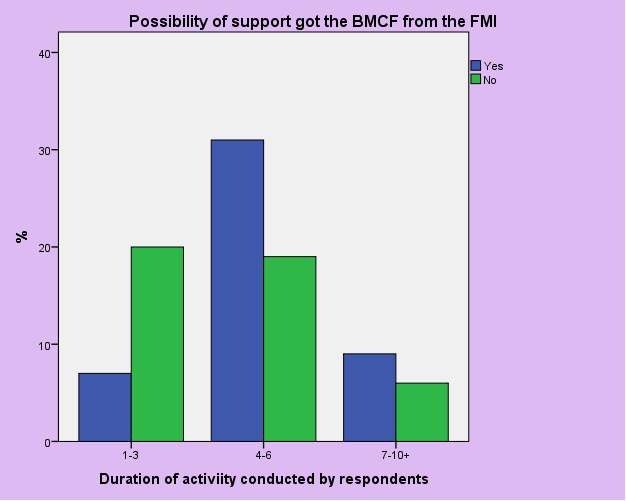
**Table 4.10: Services Provided by Microfinance Institution in Poverty Reduction**

| **The MFI’s services** | **Categories of variable** | **Extent level of providing services** | | | | **Total** |
| --- | --- | --- | --- | --- | --- | --- |
| **100%** | **75%** | **50%** | **25%** |
| Extent of deposit and withdrawals of financial services | <100,000 | 0(0.0) | 1(1.1) | 4(4.3) | 5(5.4) | 10(10.9) |
| 100,000-300,000 | 8(8.7) | 14(15.2) | 31(33.7) | 3(3.3) | 56(60.9) |
| 400,000-700,000 | 6(6.5) | 12(13.0) | 4(4.3) | 1(1.1) | 23(25.0) |
| 800,000-1,000,000 | 3(3.3) | 0(0.0) | 0(0.0) | 0(0.0) | 3(3.3) |
| **Total** |  | **17(18.5)** | **27|(29.3)** | **39(42.4)** | **9(9.8)** | **92(100)** |
| Extent of loans and credit services provided | 1-3 | 0(0.0) | 2(2.2) | 12(13.0) | 13(14.1) | 27(29.3) |
| 4-6 | 16(17.4) | 19(20.7) | 12(13.0) | 3(3.3) | 50(54.3) |
| 7+ | 7(7.6) | 4(4.3) | 4(4.3) | 0(0.0) | 15(16.3) |
| **Total** |  | **23(25.0)** | **25(27.2)** | **28(30.4)** | **16(17.4)** | **92(100)** |
| Extent of capacity building provided | 1-3 | 0(0.0) | 1(1.1) | 20(21.7) | 6(6.5) | 27(29.3) |
| 4-6 | 0(0.0) | 4(4.3) | 21(22.8) | 25(27.2) | 50(54.3) |
| 7+ | 0(0.0) | 1(1.1) | 10(10.9) | 4(4.3) | 15(16.3) |
| **Total** |  | **0(0.0)** | **6(6.5)** | **51(55.4)** | **35(38.0)** | **92(100.0)** |
| Extent of customer care services provided | 1-3 | 0(0.0) | 0(0.0) | 0(0.0) | 27(29.3) | 27(29.3) |
| 4-6 | 0(0.0) | 0(0.0) | 2 (2.2) | 48 (52.2) | 50 (54.3) |
| 7+ | 0(0.0) | 0(0.0) | 2(2.2) | 13(14.1) | 15(16.3) |
| **Total** |  | **0(0.0)** | **0(0.0)** | **4(4.3)** | **88(95.7)** | **92(100.0)** |

**Source:** Researcher (2017)

**4.3.2 Support to Microfinance Beneficiaries**

In this section, the researcher intended to examine the various support provided by the MFIs to MFBs. The Figure 4.5 indicates the findings while the researcher wished to understand the possibility for the MFBs to get any support from the MFI’s. The majority sample respondents highly for those who had 4-6 years membership from the MFIs as well as ranged from 7+ years and above admit that they were getting support at higher percentage compared with a few ones who argued that they did not have any support together with those respondents ranged from 1-3 years of MFIs membership. The results reveal that, to get the MFIs support, it needs some times based on the process and procedure that the clients obliged to fulfill.

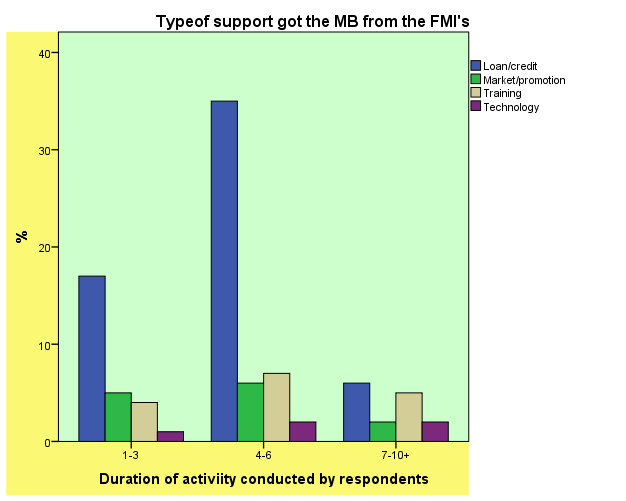


**Figure 4.5: Present Support got the Microfinance Beneficiaries from the MFI’s**

**Source:** Researcher (2017)

The PRIDE Manager states that “Most of the clients have been complaining for the delay or bureaucracy of having support from the organization, including loan and other services, but the problem always remained on their sides for failing to complete the required conditions. Various factors were used to test at what extent the microfinance beneficiaries were enhanced from the support of these institutions. The following were among them.

**Types of Support that MFBs get from MFIs:** In this section, the researcher deemed to understand the type of the support that the MFBs get from the MFIs. The overall results from Figure 4.6 indicate that, most of the sample respondents at both age group realize that loan or credit was the most common and the highest support they get from the MFIs compared to others such as training, market promotion and providing technological support which were at very low levels.



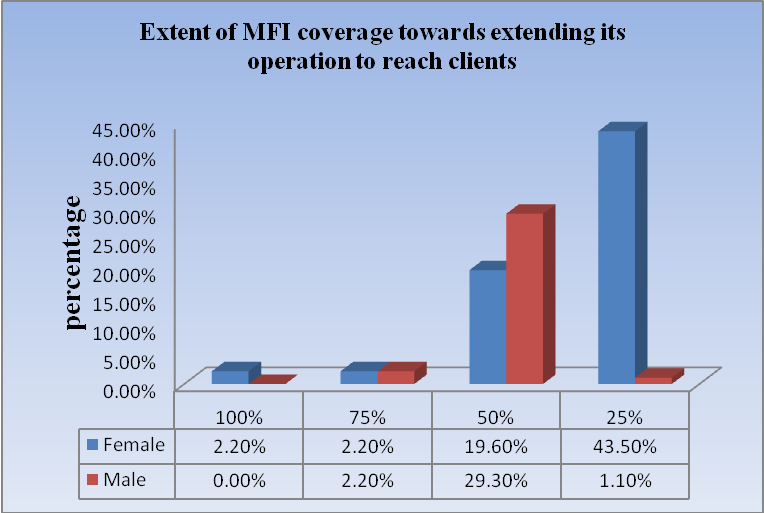
**Figure 4.6: Types of Support that MFB got from the MFIs**

**Source:** Researcher (2017)

The results imply that the MFIs are the profit oriented institutions that they always look into how to maximize profit rather than spending a lot of money for promotion, advertising or sensitizing the community in the sense that they did not have guarantee if their loan and credit will be sustained and returned.

* + 1. **Extent of Coverage for MFIs Extending Operation of its Business**

**T**he overall results from Figure 4.7 show that most of the respondents, mainly female, at very low percentage argued that there were very low level for MFIs extending its operation services closely to their areas of influence that might encourage them to reach more easily and get effective and efficient services as planned. The results differ from the majority of male who realize that, the MFIs were moderately close for them to access.



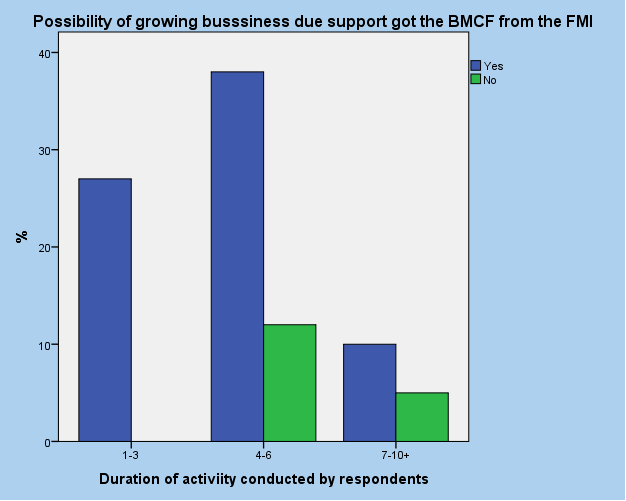
**Figure 4.7: Extent of Coverage for MFI’s Extending Operation of its Business**

**Source:** Researcher (2017)

This means that, most female would be very easy to join the MFIs, but being a little bit far it might be difficult for them to access the services. This might have resulted from the incidence that most of them were married so it would be not easy to get frequent permission from their husbands.

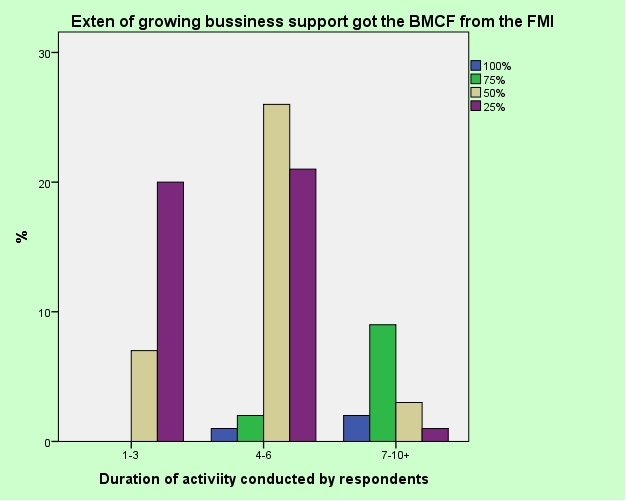
* + 1. **Extent of Growing the Business of Microfinance Beneficiaries**

In this part, the researcher examined the respondents in order to understand the progress of MFB business. The overall results from Figure 4.8 (a) realize that, there was gradual growth of their business. On further inquiry the researcher was also interested to understand the extent of its growing where Figure 4.8 (b) shows that the majority respondents state that there were moderate level of growing for about 50% followed by the majority of them who also admit that the business grows at very low percentage.



**Figure 4:8: Extent of Growing of MFB business**

1. **Gradual Level of** **Growing**



1. **Moderate Level of Growing**

**4.4** Impacts of MFIs to the Development of MFBs on Poverty Reduction

The Table 4.11: Presented below indicate the answer that researcher got from the respondents while examining the consequences of the MFI’s to normal lively hood situation of the respondents. The overall result from this table describe that most of the respondents precisely who were depended by both parents and family urged that that there we very low income earned compare to those who has only depended by parents. This meaning that those who were depended by both have big consumption rate that why need more income.

**Table 4.11: Impacts of the MFI to MFB on Poverty Reduction**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **variable** | **Categories of variables** | **Dependant status of respondents (%)** | | | | | **Total** |
| **Depended by:-** | | | |  |
| **family** | **parents** | **Both** | **family/parent** | **Depend him/herself** |
| Income earned due to the MFI support | Highest | 1(1.1) | 2(2.2) | 2(2.2) | 0(0.0) | 1(1.1) | 6(6.5) |
| Moderate | 7(7.6) | 22(23.9) | 1(1.1) | 3(3.3) | 0(0.0) | 33(35.9) |
| Lowest | 13(14.1) | 6(6.5) | 30(32.6) | 4(4.3) | 0(0.0) | 53(57.6) |
| **Total** |  | **21(22.8)** | **30(32.6)** | **33(35.9)** | **7(7.6)** | **1(1.1)** | **92(100.0)** |
| social economic improvement | Yes | 15(16.3) | 23(25.0) | 27(29.3) | 7(7.6) | 0(0.0) | 72(78.3) |
| No | 6(6.5) | 7(7.6) | 6(6.5) | 0(0.0) | 1(1.1) | 20(21.7) |
| **Total** |  |  | **21(22.8)** | **30(32.6)** | **33(35.9)** | **7(7.6)** | **1(1.1)** |
| Extent of social economic improvement due to the MFI support | 100 | 1(1.1) | 0(0.0) | 3(3.3) | 0(0.0) | 0(0.0) | 4(4.3) |
| 75 | 2(2.2) | 1(1.1) | 5(5.4) | 0(0.0) | 0(0.0) | 8(8.7) |
| 50 | 13(14.1) | 29(31.5) | 7(7.6) | 3(3.3) | 0(0.0) | 52(30.4) |
| 25 | 5(5.4) | 0(0.0) | 18(19.6) | 4(4.3) | 1(1.1) | 28(56.5) |
| **Total** |  | **21(22.8)** | **30(32.6)** | **33(35.9)** | **7(7.6)** | **1(1.1)** | **92(100.0)** |
| Extent of accommodating domestic purposes due to the MFI support | 100 | 0(0.0) | 1(1.1) | 1(1.1) | 0(0.0) | 0(0.0) | 2(2.2) |
| 75 | 2(2.2) | 0(0.0) | 5(5.4) | 1(1.1) | 1(1.1) | 9(9.8) |
| 50 | 12(13.0) | 29(31.5) | 5(5.4) | 4(4.3) | 0(0.0) | 50(54.3) |
| 25 | 7(7.6) | 0(0.0) | 22(23.9) | 2(2.2) | 0(0.0) | 31(33.7) |
| **Total** |  | **21(22.8)** | **30(32.6)** | **33(35.9)** | **7(7.6)** | **1(1.1)** | **92(100.0)** |
| saving due support from the FMI | Yes | 17(18.5) | 21(22.8) | 28(30.4) | 6(6.5) | 0(0.0) | 72(78.3) |
| No | 4(4.3) | 9(9.8) | 5(5.4) | 1(1.1) | 1(1.1) | 20(21.7) |
| **Total** |  | **21(22.8)** | **30(32.6)** | **33(35.9)** | **7(7.6)** | **1(1.1)** | **92(100.0)** |
| Extent of keeping saving | 100 | 2(2.2) | 1(1.1) | 2(2.2) | 0(0.0) | 0(0.0) | 5(5.4) |
| 75 | 1(1.1) | 1(1.1) | 4(4.3) | 2(2.2) | 0(0.0) | 8(8.7) |
| 50 | 11(12.0) | 28(30.4) | 1(1.1) | 3(3.3) | 0(0.0) | 43(46.7) |
| 25 | 7(7.6) | 0(0.0) | 26(28.3) | 2(2.2) | 1(1.1) | 36(39.1) |
| **Total** |  | **21(22.8)** | **30(32.6)** | **33(35.9)** | **7(7.6)** | **1(1.1)** | **92(100.0)** |

**Source:** Researcher (2017)

On further enquiring the researcher also found out that most respondents added that they moderately (50%) able to accommodate their social economic activities like health care, pay for education build their houses as well as domestic purposes such as pay power bills, water services and likes.

4.5 Clients View on Impact of MFIs on Poverty Reduction

Table 4.5 gives a summary of responses concerning impact of MFI on poverty reduction.

**Table 4.12: Descriptive Statistics**

|  |  |  |  |
| --- | --- | --- | --- |
|  | N | Mean | Std. Deviation |
| Extent of income earned due to the MFI support | 92 | 2.4130 | .57707 |
| Extent of accommodating domestic purposes due to the MFI support | 92 | 3.4130 | .57707 |
| Extent of loans and credit services provided to the small people | 92 | 3.1522 | .69432 |
| Extent of deposit and with drawals of financial services to the respondents | 92 | 2.4348 | .90547 |
| Valid N (list wise) | 92 |  |  |

**Source:** Researcher (2017)

Four variables were tested to obtain view of MFBs whereby the findings indicate that, the mean score in income earned was 2.413 and SD was 0.57707. This result indicates that the MFBs agreed that income has increased as a result of use of MFIs. The view concerning extent of accommodating services recorded a mean score of 3.4130 and SD of 0.5770 which indicates that the MFBs agreed that domestic purposes support has increased due to the MFI support. Also, the extent concerning loans services provided to the small business recorded a mean score of 3.1522 and SD of 0.69432 indicating that the MFBs agreed that credit services provided to them are satisfactory towards poverty reduction. The results on the extent of deposit and withdrawal show that, the respondents have accepted on increasing of deposit with the factors on recorded mean score of 2.4348 and SD of 0.90547

**Table 4.13: Client Views on Impact of Loans Services on Poverty Reduction**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Extent of loans and credit services provided to the small business | | Provides higher community awareness | Improve customer care services towards | Keep low interest rates | Wider coverage operation |
| N | Valid | 92 | 92 | 92 | 92 |
| Mean | | 3.4130 | 3.4130 | 3.4130 | 3.4130 |
| Std. Deviation | | .57707 | .57707 | .57707 | .57707 |

**Source:** Researcher (2017)

Table 4.13 shows the beneficiary responses concerning the impact of MFIs’ loans services on poverty reduction. Four variables were tested to obtain view of microfinance beneficiaries on which the findings indicate that, as the loan services are provided the mean score increased in community awareness to 3.4113 and SD was 0.57707.Therefore, according to these results, the beneficiaries agreed that community awareness has increased as a result of using MFIs services.

The views concerning customer care services were recorded with a mean score of 3.4113 and a SD of 0.57707. This indicates that, beneficiaries agree that MFIs services have contributed to improve their customer care services that result into poverty reduction. For the case of extent of keeping low interest rate, it was observed that mean of 3.4113 and a SD of 0.57707 was found. This also indicates that, beneficiaries strongly agree that MFIs services have contributed to keep low interest rate, thus, reduce level of poverty. The coverage of distribution of services is one of the impact on poverty reduction and it also has a mean score of 3.4113 and a SD of 0.57707.

4.6 Testing the Assumptions of Multiple Linear Regression Models

4.6.1 Multicolinearity Test on Independent Variables

To determine whether there is similarity between independent variables in a model, it is necessary for multicolinearity test to be conducted. Similarities between the independent variables will result in a very strong correlation. In this study, the tolerance rate and variation inflation factors (VIF) were used to detect multicolinearity between explanatory variables. If the VIF value lies between 1 and 10, then there is no multicolinearity and if the VIF<1 or >10, then there is multicolinearity.

4.6.2 Results of Multicolinearity test on Independent Variables

As depicted in Table 4.14, based on the coefficient output, colinearity statistics obtained, VIF of 1.002 and 1.002 meaning that the VIF value obtained is between 1 to 10 it can be concluded that there is no Multicolinearity symptoms.

**Table 4.14: Results of Multicolinearity test on independent variables**

|  |  |  |
| --- | --- | --- |
| **Model** | **Colinearity Statistics** | |
| **Tolerance** | **VIF** |
| Extent of the loan and credit capacity providing to the respondents | .998 | 1.002 |
| Extent of keeping saving due to the MFI support | .998 | 1.002 |

\*Dependent Variable: Income level of the respondents per month

**Source:** Researcher (2017)

Therefore, the associated regression coefficients are clearly estimated and reliable.

4.6.3 Correlation between MFIs and Poverty Reductions

Correlation is a statistical technique that can show whether and how strongly pairs of variables are related. The coefficient may range from -1 to +1that indicate the perfect relationship between the variables. Correlation coefficient -1.00 represents a perfect negative correlation while a correlation coefficient +1.00 indicates a perfect positive correlation. A value of 0.00 means no relationship between the values being tested. Pearson coefficient correlation matrix, as in Table 4.14 was used given a two tailed test (2 tailed) to indicate the relationship between MFIs and the poverty reduction which is sensitive only to linear relationships between the two variables.

**Table 4.17: Pearson Correlation Matrix**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Extent of income earned due to the MFI support | Possibility of social economic improvement due support got the BMCF from the FMI | Extent of keeping saving due to the MFI support |
| Extent of income earned due to the MFI support | Pearson Correlation | 1 | -.525\*\* | .720\*\* |
| Sig. (1-tailed) |  | .000 | .000 |
| N | 92 | 92 | 92 |
| Possibility of social economic improvement due support got the BMCF from the FMI | Pearson Correlation | -.525\*\* | 1 | .213\* |
| Sig. (1-tailed) | .000 |  | .021 |
| N | 92 | 92 | 92 |
| Extent of social economic improvement due to the MFI support | Pearson Correlation | .720\*\* | .213\* | 1.000\*\* |
| Sig. (1-tailed) | .000 | .021 | .000 |
| N | 92 | 92 | 92 |
| Extent of keeping saving due to the MFI support | Pearson Correlation | .720\*\* | .213\* | 1 |
| Sig. (1-tailed) | .000 | .021 |  |
| N | 92 | 92 | 92 |

**Source:** Researcher (2017)

Table 4.6.3 shows the analysis to test the linear relationship between the variables. In order for the researcher to achieve the objective, correlation matrix was used to establish on whether the variables were linear or not linear. Relationships of variables are linear if the difference between correlation coefficient and non linear correlation is small. The probability associated with correlation coefficient between income earned and social economic improvement is 0.000 and correlation coefficient is -0.5250 .This indicates that the relationship between incomes earned and social economic improvement is negative relationship between the two variables. The relationship between income earned and the extent of keeping savings where the correlation coefficient is 0.720 and the probability value is 0.000 indicating that there is linear relationship and, therefore, a positive relationship between variables in the model.

4.6.4 Test of Autocorrelation Assumption (Durbin Waston Test)

**Table 4.16: Test of Autocorrelation Assumption**

**Model Summaryc,d**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Model | R | R Squareb | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
| 1 | .946a | .894 | .892 | .75719 | 2.074 |

1. Predictors: Extent of keeping saving due to the MFI support,

Considering the extent of the loan and credit capacity provided to the respondents, Table 4.16 illustrates the results of the test of independent variables of the observations. The test was done using Durbin Watson test .Multiple linear regression assumes that errors are independent and there is no serial correlation, Errors are differences between the actual score for a case and the score estimated using the regression equation. No serial correlation implies that the size of the residual for one case has no impact on the size of the residual for the next case. To test the presence of serial correlation among the residuals, Durbin Watson statistics are used. Durbin Watson statistical values range from 0 to 4 as a general rule of thumb. An acceptable range is 1.5 to 2.5, thus the residual value are not correlated if the Durbin Watson statistics is approximately 2. The result in Table 4.16 shows that Durbin Watson statistics is 2,074 which falls within the acceptable range. Therefore, the model was correctly specified since there is no serial correlation of errors.

**4.7** Factors that Promote MFIs on Attributing MFBs on Reducing Poverty

At this part the researcher was interested to understand the factors that either positively or negatively affects the MFIs on attributing the MFBs towards promoting their income generating activities for the sake of poverty reduction. Based on this, these two observed aspects were presented as follows:-

4.7.1 Positive Factors

Table 4.17 indicates the results brought from the respondents while researcher asked the respondents on the positive ways that convinced them at lager number to join the MFIs and enjoy the services that purposely targeted to improve their business and reduce the poverty level. The overall results from the table show that majority sample respondents who had membership of about 4-6 years have argued MFI to improve customer care services towards extending its business to comfort their clients where 50% or moderate level encourage the MFBs to highly join to MFIs. This result also closely related with the factor of having no bureaucracy towards extending its business to comfort their clients while the respondents were asked to see at what extent that having no bureaucracy might convince them to be attracted and join the MFI’ for support and other services.

**Table 4.17**: Positive Factors that Promote MFIs

| **Variables** | **Categories of variables** | **Duration of the MFB membership to the MFI’s** | | | **Total** |
| --- | --- | --- | --- | --- | --- |
| **1-3** | **4-6** | **7+** |
| Extent of MFI”s keep low interest rates towards extending its business attract more clients | 100% | 0(0.0) | 3(3.3) | 0(0.0) | 3(3.3) |
| 75% | 3(3.3) | 5(5.4) | 2(2.2) | 10(10.9) |
| 50% | 14(15.2) | 19(20.0) | 9(9.8) | 42(45.7) |
| 25% | 10(10.9) | 23(25.0) | 4(4.3) | 37(40.2) |
| **Total** |  | **27(29.3)** | **50(54.3)** | **15(16.3)** | **92(100.0)** |
| Extent of MFI improve customer care services towards extending its business to comfort their clients | 100% | 0(0.0) | 17(18.5) | 0(0.0) | 17(18.5) |
| 75% | 2(2.2) | 2(2.2) | 3(3.3) | 7(7.6) |
| 50% | 15(16.3) | 42(45.7) | 9(9.8) | 66(71.7) |
| 25% | 10(10.9) | 27(29.3) | 3(3.3) | 40(43.5) |
| **Total** |  | **27(29.3)** | **50(54.3)** | **15(16.3)** | **92(100.0)** |
| Extent of MFI having no bureaucracy towards extending its business to comfort their clients | 100% | 10(10.9) | 28(30.4) | 4(4.3) | 42(45.7) |
| 75% | 17(18.5) | 20(21.7) | 9(9.8) | 46(50.0) |
| 50% | 0(0.0) | 2(2.2) | 2(2.2) | 4(4.3) |
| 25% | 0(0.0) | 0(0.0) | 0(0.0) | 0(0.0) |
| **Total** |  | **27(29.3)** | **50(54.3)** | **15(16.3)** | **92(100.0)** |
| Extent of MFI strengthen promotion and rewarding towards extending its business to comfort their clients | 100% | 1(1.1) | 3(3.3) | (0.0) | 4(4.3) |
| 75% | 0(0.0) | 3(3.3) | 2(2.2) | 5(5.4) |
| 50% | 16(17.4) | 19(20.0) | 9(9.8) | 44(47.8) |
| 25% | 10(10.9) | 25(27.2) | 4(4.3) | 39((42.4) |
| **Total** |  | **27(29.3)** | **50(54.3)** | **15(16.3)** | **92(100.0)** |
| Extent of MFI being user friendly towards extending its business to comfort their clients | 100% | 1(1.1) | 3(3.3) | 0(0.0) | 4(4.3) |
| 75% | 0(0.0) | 5(5.4) | 2(2.2) | 7(7.6) |
| 50% | 17(18.5) | 19(20.0) | 9(9.8) | 45(48.9) |
| 25% | 9(9.8) | 23(24.7) | 4(4.3) | 36(39.1) |
| **Total** |  | **27(29.3)** | **50(54.3)** | **15(16.3)** | **92(100.0)** |
| Extent of MFI provides higher community awareness towards attracting community joining the MFI | 100% | 0(0.0) | 4(4.3) | 2(2.2) | 6(6.5) |
| 75% | 0(0.0) | 4(4.3) | 1(1.1) | 5(5.4) |
| 50% | 17(18.5) | 17(18.5) | 9(9.8) | 43(46.7) |
| 25% | 10(10.9) | 25(27.2) | 3(3.3) | 38(41.3) |
| **Total** |  | **27(29.3)** | **50(54.3)** | **15(16.3)** | **92(100.0)** |

**Source:** Researcher (2017)

The results show that the respondents who were at age group of 4-6 years of membership, at high percentage admit that, being no bureaucracy highly attributed them to join the MFIs. Among other factors that have them closely percentage include providing higher community awareness towards attracting community joining the MFI, being low interest rates towards extending its business to attract more clients. These finding meant that the MFBs were less convinced through those factors that were tested in sense that the MFIs has failed to take possible efforts to convince the MFBs at highest level where it found out that most of them just joined for their own knowledge and not based on strategic efforts of the MFIs.

4.7.2 Negative Factors

This parts describe those challenges that faced the MFIs for not operating attentively as per expected. Various factors were tested and examined to see at what extent did the MFIs failed to win maximum number of community to join the MFIs. The overall results from Table 4.18 indicate that, high interest rate was the leading factor making the MFIs get low number of clients. This result is nearly linked with having higher bureaucracy, where most of them at highest percentage realize that having bureaucracy negatively affects to join them. It looks like, the clients expect to get the quickest services without unnecessary delay that was thought to be experienced and practiced by the MFIs.

Another factor that negatively affects the MFBs was the fear of their properties being seized once failed to pay or return the loan/credit given. This means that the MFIs were referred as the exploitative organization where they have higher concentration of maximizing profits and not to improve and promote the community.

**Table 4.18:** **Negative** Factors that Hinder MFIs

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Variables** | **Categories of variables** | **Duration of the MFB membership to the MFI’s** | | | **Total** |
| **1-3** | **4-6** | **7+** |
| Extent of MFI’S keep high interest rates towards extending its business to attract more clients | 100% | 10(10.9) | 28(30.4) | 4(4.3) | 42(45.7) |
| 75% | 17(18.5) | 20(21.7) | 9(9.8 | 46(50.0) |
| 50% | 0(15.2) | 2(2.2) | 2(2.2 | 4(4.3) |
| 25% | 0(0.0) | 0(0.0) | 0(0.0) | 4(4.3) |
| **Total** |  | **27(29.3)** | **50(54.3)** | **15(16.3)** | **92(100.0)** |
| Extent of MFI having high bureaucracy towards extending its business to comfort their clients | 100% | 0(10.9) | **27(29.3)** | 3(3.3) | 40(43.75) |
| 75% | 16(2.2) | 19(20.7) | 9(9.8) | 44(47.6) |
| 50% | 0(0.0) | 2(2.2) | 2(2.2) | 4(4.3) |
| 25% | 1(1.1) | 2(2.2) | 1(1.1) | 4(4.3) |
| **Total** |  | **27(29.3)** | **50(54.3)** | **15(16.3)** | **92(100.0)** |
| Extent of MFI’s bad customer care services towards extending its business to comfort their clients | 100% | 1(1.1) | 3(3.3) | 0(0.0) | 4(4.3) |
| 75% | 0(0.0) | 3(3.3) | 2(2.2) | 5(5.4) |
| 50% | 16(17.4) | 19(20.0) | 9(9.8) | 44(47.8) |
| 25% | 10(10.9) | 25(27.2) | 4(4.3) | 39((42.4) |
| **Total** |  | **27(29.3)** | **50(54.3)** | **15(16.3)** | **92(100.0)** |
| Extent of MFI seized properties for those failed return the loan or credit on time | 100% | 10(0.0) | 23(25.3) | 3(3.3) | 36(6.5) |
| 75% | 17(18.5) | 19(4.3) | 8(1.1) | 44(5.4) |
| 50% | 0(0.0) | 5(18.5) | 3(3.3) | 8(46.7) |
| 25% | 0(0.0) | 3(3.3) | 1(3.3) | 4 (41.3) |
| **Total** |  | **27(29.3)** | **50(54.3)** | **15(16.3)** | **92(100.0)** |

**Source:** Researcher (2017)

# **CHAPTER FIVE**

# **5.0 CONCLUSIONS AND RECOMMENDATIONS**

**5.1 Overview**

This chapter summarizes what has been done by the researcher on Impact of Microfinance Institutions on Poverty Reduction in Zanzibar to the Microfinance Beneficiaries specifically in Urban-West Region. This chapter includes conclusions and recommendations.

**5.2 Conclusions**

The conclusions made from the study are based on the findings and the objectives that have guided the researcher on collecting data that led to the result given. Based on the objectives and the research questions raised, the following subsections underline the basic conclusions made in this research.

**5.2.1 Services Provided by Microfinance Institutions in Poverty Reduction**

Specific objective one in this research has examined the services provided by microfinance institutions in poverty reduction to Urban West Region people. Based on the results from the findings, it has been concluded that the MFIs commonly services they did provide to MFB were mainly the deposit and withdrawals compared to other where there were not directly benefited such as market promotion, providing technology, community support and the likes. Also, it seems that the MFB have slightly got positive impact from the MFI support including accommodating the domestic purposes, social economic activities, keep serving even at moderate level.

**5.2.2 Capacity of Microfinance Institutions towards Community Support**

From specific objective two, this research intended to examine the capacity of microfinance institutions towards community support in poverty reduction to the microfinance beneficiaries at Urban West Region. The findings from the presented objective give the whole picture that the MFIs have moderate capacities toward providing support to the MFBs and improving their business to the level of eradication of poverty. The study has found out that, there are slight differences between the capacity that MFIs have including promotion, providing services, advertisement and wider coverage to reach the clients and the expectation that community and the country expect from them. Extent of financial capacity, extent of advertisement capacity, extend of technological capacity, and extend of managerial capacity have been examined in this research. There have been moderate to high concentration in almost all the extents.

**5.2.3 Factors Promoting or Hindering Microfinance Institutions**

Factors that positively and negatively promote or hinder the microfinance institution on community support in poverty reduction to Urban West Region people have been examined in specific objective three whereby, based on the analysis, it has been clearly shown that there are both positive and negative factors that promote or hinder the MFBs to be attracted by MFIs including moderate interest rate, moderate and user-friendly services and the likes. Others are wider coverage for distribution of services, good customer care service and awareness, and best customer promotion.

**5.3 Recommendations**

In the view of major findings of the study and the above conclusions, the following recommendations are made in order to promote entrepreneurship capacity to social economic development in Zanzibar.

Government Initiates Comprehensive Efforts for Entrepreneurs’ Development

The central government should regularly facilitate the review of the entrepreneur’s policies of the country to assure that those necessary areas were considered in realizing that major stakeholders both public and private including financial institutions, whereby their duties and responsibilities should be clearly addressed and assured are well and successful implemented.

Ministry Responsible For Entrepreneurs and Economic Empowerment

These responsible institutes should prepare proper managerial planning with M&E framework that will assist monitoring and evaluating of the entrepreneurs progress towards developing their activities. The Ministry should also establish a special forum that will be used to put the entrepreneurs and related stakeholders together for sharing experiences as well as discussing the problem facing entrepreneurs and the way to overcome. Also, this forum will be used to discuss the opportunities that might be used by the entrepreneurs to improve their activities towards social economic development.

1. Micro Finance Institutions

MFIs must ensure awareness and wider coverage of their services to reach larger geographical locations instead of concentrating only in town areas. They must also reduce the interest rates and make it fair to be affordable and to benefit the customers more than it does at the moment. Customer care and customer training should be enhanced by MFIs.

1. Microfinance Beneficiaries

Based on the study finding, it was suggested that the entrepreneurs should be very committed to their activities by having high business discipline. They are supposed to apply all the skills and knowledge acquired or to increase knowledge from appropriate institutions, advertise themselves or conduct publicity sessions as well as advocacy programs to the community. The entrepreneurs should be very innovative to use social media to assure the information related to entrepreneur’s products and services are highly transferred to many places and reach more people at once. Entrepreneurs should also apply scientific approaches such as strategic marketing research and having business plan, to be specialized on certain activities that are familiar with and have its knowledge.

## 5.2.1 Recommendation for Further Research

This study has focused on the impact of MFIs on Poverty Reduction by using microfinance services such as loans, savings and business skills. There is a need for further research to be done in the following areas:-

1. Assessing the role of microfinance services toward women empowerment and poverty reduction in Zanzibar rural areas;
2. Devising a mechanism for interest-free loans from MFIs to the low income earners; and
3. MFBs-to-MFBs loan scheme to enhance the income of MFBs.

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**APPENDIX**

**QUESTIONNAIRES**

The objective of this study is to find out the impact of Microfinance Institutions on Poverty Reduction in Zanzibar with a case of Microfinance beneficiaries in Urban West Region. This is a research study intended for MBA (Finance) and the results will solely be used for the said purpose. I, therefore, kindly request your assistance to make the exercise successful by providing responses to the following questions. All information collected will be strictly confidential and exclusively be used for academic purpose. I thank you in advance for your cooperation in the whole exercise.

(Lengo la utafiti huu ni kutafuta athari za taasisi za kifedha zenye kutoa mikopo midogo midogo katika kupunguza hali ya umasikini Zanzibar. Mkoa wa Mjini-Magharibi unatumika kama sehemu ya utafiti huu. Kwa hisani kubwa naomba mashirikiano yako katika kufanikisha zoezi hili. Kutokana na sababu hizo tunaomba ushirikiano wako katika kujibu maswali yafuatayo. Taarifa zote zitakazokusanywa zitakua ni siri na kutumika kwa ajili ya utafiti huu tu. Nakushukuru sana kwa ushirikiano wako. Ahsante).

**Section 1: Personal Information (Maelezo binafsi)**

**(Tafadhali weka alama katika jibu lako)**

1. Gender (Jinsia)
2. Female (M’ke)
3. Male (M’me)
4. Age in years (Umri kwa miaka)
5. 18-25
6. 26-35
7. 36-45
8. 45+
9. Marital status of respondent. (Hali ya ndoa ya mhusika)
10. Single/Not married (Sijaoa/Sijaolewa)
11. Married (Nimeoa/Nimeolewa)
12. Widow (Nimefiwa)
13. Divorced (Nimeachika/Nimeacha)
14. Level of education (kiwango cha elimu)
15. No formal education (Sijasoma rasmi)
16. Primary level (Msingi)
17. Secondary level (Sekondari)
18. College or university (Chuo)
19. Income status per month.
20. Less than 100,000/=
21. 100,000 – 300,000/=
22. 400,000 – 700,000/=
23. 800,000 – 1000,000/=
24. More than 1000,000 (Zaidi ya 1000,000)
25. Types of income generating activity.
26. Group
27. Individual
28. Dependency status.
29. Depended by my family
30. Depended by my parents
31. Depended by both family and parents.
32. Depend on family/parents
33. Depend on him/her self
34. Duration of entrepreneurship’
35. (1-3)Years
36. (4-6)Years
37. (7-10)Years
38. 10+ Years
39. Earning level per day
40. Less than10,000/=
41. 10,000-20,000/=
42. 30,000-50, 000/=
43. 60,000-100,000/=
44. Is your business registered ( Jee biashara yako imesajiliwa)?
45. Yes
46. No
47. Expenditure level per day
48. Less than 5,000/=
49. 6,000-10,000/=
    1. 15,000-20,000/=
    2. 30,000-50,000/=
    3. 60,000-100,000/=
    4. 100,000/=+

**Section 2: Services Provided By Microfinance Institution**

**What are the services provided by microfinance institution in poverty reduction to the Urban West Region people?**

1. **MFI capacity**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1. Extent of Financial deposit and withdrawals | 100% | 75% | 50% | 25% |
| 1. Loan | 100% | 75% | 50% | 25% |
| 1. Extent of loan provided to the big business people | 100% | 75% | 50% | 25% |
| 1. Extent of loan provided to the medium business people | 100% | 75% | 50% | 25% |
| 1. Extent of loan provided to the small business people | 100% | 75% | 50% | 25% |
| 1. a.capital | 100% | 75% | 50% | 25% |
| b.Support SME market | 100% | 75% | 50% | 25% |
| 1. Community Awareness on financial colsultancy | 100% | 75% | 50% | 25% |
| 1. Customer care services | 100% | 75% | 50% | 25% |

B.)**Microfinance Beneficiaries Capacity**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1. Have you got support from MFI ? | | Yes | | | | | | | No | | | | | | | | | | | |
| 1. If yes what type of support? | Loan/credit | Market/promotion | | | | | | | Training | | | | | | | Technology | | | | |
| 1. Does your business grow since you got MF support? | | Yes | | | | | | | No | | | | | | | | | | | |
| 1. If yes at what extent | 100% | 75% | | | 50% | | | | | | | | | | 25% | | | | | |
| 1. Extent of income earned soon after the MF support? | | | | | | High | | | | | moderate | | | | | | | | Low | |
| 1. Does MFI support attribute to social economic improvement | | | | | | | | | | | | Yes | | | | | | | | No |
| 1. . If yes at what extent | 100% | | 75% | | | | 50% | | | | | | 25% | | | | | | | |
| 1. At what percentage used to accommodate the domestic purposes | | | | 100% | | | | 75% | | | | | | 50% | | | | 25% | | |
| 1. Since you got MFI support does your able to make saving? | | | | Yes | | | | | | | | | | No | | | | | | |
| 1. . If yes at what extent | | | | 100% | | | | | | 75% | | | | 50% | | | 25% | | | |

**Section 3: Capacities of microfinance institution towards community support**

**What are the capacities of microfinance institution towards community support in poverty reduction to the microfinance beneficiaries at Urban West Region?**

|  |  |  |  |
| --- | --- | --- | --- |
| 1. Extent of Financial capacities | Highest | moderate | Lowest |
| a.Capital | Highest | moderate | Lowest |
| b. loan | Highest | moderate | Lowest |
| c. development support | Highest | moderate | Lowest |
| d.Re investment | Highest | moderate | Lowest |
| 1. Extent of advertisement | Highest | moderate | Lowest |
| 1. Social media | Highest | moderate | Lowest |
| 1. Websites | Highest | moderate | Lowest |
| 1. Redio /television/newspapers | Highest | moderate | Lowest |
| 1. Printing materials (bronchures, leaflets etc) | Highest | moderate | Lowest |
| 1. Technological capacities | Highest | moderate | Lowest |
| 1. ATM at what extent | Highest | moderate | Lowest |
| 1. VISA CARD at what extent | Highest | moderate | Lowest |
| 1. Mobile services at what extent | Highest | moderate | Lowest |
| 1. Money transfer | Highest | moderate | Lowest |
| 1. Extent of Managerial capacities | Highest | moderate | Lowest |
| 1. Competant staffs | Highest | moderate | Lowest |
| 1. Number of stafss | Highest | moderate | Lowest |

**Section 4: Factors that Hindering or Promoting Microfinance Institutions**

**What are the factors that positively and negatively promote or hinder the microfinance institution on community support in poverty reduction in Urban West Region people?**

**Positive Factors**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1. Wider coverage for distribution of services | 100% | 75% | 50% | 25% |
| 1. Low interest rates | 100% | 75% | 50% | 25% |
| 1. Good custermer cares services | 100% | 75% | 50% | 25% |
| 1. No bureacrasy | 100% | 75% | 50% | 25% |
| 1. Promotion and rewarding for best customer | 100% | 75% | 50% | 25% |
| 1. User friendly | 100% | 75% | 50% | 25% |
| 1. Higher community awareness, SME’s knowledge & skills | 100% | 75% | 50% | 25% |
| **Negative Factors** | 100% | 75% | 50% | 25% |
| 1. Higher interest rates | 100% | 75% | 50% | 25% |
| 1. Bad custermer cares services | 100% | 75% | 50% | 25% |
| 1. Higher bureacrasy /selfishness | 100% | 75% | 50% | 25% |
| 1. Higher penalty seized of properties of those failed return the loan | 100% | 75% | 50% | 25% |
| 1. Lowest community awareness and lack of SME’s knowledge & skills | 100% | 75% | 50% | 25% |
| 1. Community failed return their loan | 100% | 75% | 50% | 25% |

xxxxxxxxxxxxxxxxxxxx THANKS FOR COOPERATION xxxxxxxxxxxxxxxxxxxx