

**AN ASSESSMENT OF SAVINGS AND CREDITS GROUPS ON POVERTY
REDUCTION: A CASE OF RURAL HOUSEHOLDS IN NORTH UNGUJA**

YAHYA MOHAMMED SHAURI

**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS
ADMINISTRATION OF THE OPEN UNIVERSITY OF TANZANIA**

2014

CERTIFICATION

The undersigned certifies that he has read and hereby recommends for acceptance by the Open University of Tanzania a dissertation titled, *“An Assessment of Savings and Credit Groups on Poverty Reduction: A Case of Rural Households in North Unguja”*, in partial fulfilment of the requirements for the degree of Master of Business Administration (MBA) of the Open University of Tanzania.

.....
Dr. Salum Soud Mohamed

(Supervisor)

.....
Date

COPYRIGHT

No part of this dissertation may be reproduced, stored in any retrieval system, or transmitted in any form by any means, electronic, mechanical, photocopying, recording or otherwise without prior written permission of the author or the Open University of Tanzania in that behalf.

DECLARATION

I, **Yahya Mohammed Shauri**, do hereby declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other university for a similar or any other degree award.

.....

Signature

.....

Date

DEDICATION

This piece of work is dedicated to my family

ACKNOWLEDGEMENT

I express my heartfelt thanks and appreciation to those who, in one way or another contributed a lot to the successful completion of this dissertation. Special thanks should go to my supervisor, Dr. Salum Soud for his critical guidance, support, during the entire study period.

I would also thank my Lecturers for, among other things, their lifelong support in my academic studies. My personal words of appreciation should go to class mates, for being my strong supporters throughout my studies, and not least Mr. Khamis A. Shauri for his constructive inputs in data analysis which proved so useful in completing this work.

Lastly, I acknowledge the contributions and support of all who gave me constructive ideas and participated during the whole process especially data collectors. I thank them all.

ABSTRACT

The study was conducted in North Unguja, Zanzibar focussing on informal rural groups, formed by the community members to reduce poverty at the household level. The study used a sample of 204 respondents, and used a cross sectional research design. The specific objectives of the study were to determine the uses of financial services provided by the groups, the impact of shares on total household income and challenges faced by the group members in the fight against poverty. Using two regression models, multiple linear and logistic regressions, the research found out that Saving and Credits Groups (SACGs) benefit the community in terms of increase in the levels of income. A larger number of households who got loans from informal institutions were able to competently manage their businesses. For instance, SACGs funds used for paying children fees, solving household expenses and replenishing other loans among other uses. Challenges faced by the households were types of investment to operate shortage of funds experienced by SACGs, poor infrastructure (road, network, and commercial activities) affecting communication. Others were the increased formal micro credit institutions, posing competitions to informal institutions. Taken into one, this proves that informal financial institutions play an important role in poverty reduction in the rural areas. Developing and improving, these groups can be an effective alternative to formal commercial banks. All in all, if run properly with structured coordination and seriousness these groups can act as good mechanisms for poverty reduction in the rural communities in Zanzibar.

TABLE OF CONTENTS

CERTIFICATION	ii
COPYRIGHT	iii
DECLARATION.....	iv
DEDICATION.....	v
ACKNOWLEDGEMENT	vi
ABSTRACT	vii
LIST OF TABLES	xii
LIST OF FIGURES	xiii
LIST OF APPENDICES.....	xiv
LIST OF ABBREVIATIONS.....	xv
CHAPTER ONE.....	1
1.0 INTRODUCTION.....	1
1.1 Background to the Problem.....	1
1.2 Statement of the Research Problem.....	2
1.3 Objectives of the study	2
1.3.1 General Objective.....	2
1.3.2 Specific Objectives.....	2
1.4 Research Questions	3
1.4.1 General Research Question	3
1.4.2 Specific Research Questions	3
1.5 Significance of the Study	3
1.6 Scope of the Study.....	4

1.7	Organization of the Dissertation.....	4
CHAPTER TWO		5
2.0	LITERATURE REVIEW.....	5
2.1	Introduction	5
2.2	Conceptual Definitions.....	5
2.2.1	Informal Institutions	5
2.2.2	Poverty.....	7
2.2.3	Poverty Reduction	14
2.3	Theoretical Literature Review.....	15
2.3.1	Collective Action Theory	15
2.3.2	Social Identity Theory	17
2.4	Empirical Literature Review	18
2.4.1	Global Context	18
2.4.2	African Context	22
2.4.3	Tanzanian Context.....	25
2.5	Research Gap.....	27
2.6	Conceptual Framework	27
2.7	Theoretical Framework	28
CHAPTER THREE		31
3.0	RESEARCH METHODOLOGY	31
3.1	Introduction	31
3.2	Research Design	31
3.3	Study Area.....	32
3.4	Study Population	32

3.5	Unit of Analysis.....	33
3.6	Choice of Variables	33
3.6.1	Household Income.....	33
3.6.2	Household Employment.....	33
3.6.3	Education.....	33
3.6.4	Age and Gender.....	34
3.7	Sample Size and Sampling Techniques.....	34
3.8	Sources of Data Collection.....	35
3.9	Reliability and Validity of Data	37
3.10	Data Analysis	39
3.11	Diagnostics Tests	40
	CHAPTER FOUR.....	41
4.0	PRESENTATION AND DISCUSSION OF FINDINGS	41
4.1	Introduction	41
4.2	Demographic Variables.....	41
4.2.1	Marital Status	41
4.2.2	Educational Background	42
4.2.3	Occupation.....	43
4.2.4	Educational Levels of Respondents by Occupation	44
4.2.5	Educational Levels of Respondents by Marital Status.....	44
4.2.6	Correspondents Income Information.....	45
4.3	Usefulness of Financial Services Provided by Savings and Credits Groups (Objective 1).....	46
4.3.1	Household Income Constrains Regarding Group Services	47

4.3.2	Descriptive Analysis.....	49
4.4	Impact of Savings and Credits Groups' Shares on the Household Income (Objective 2).....	51
4.5	Challenges facing rural Savings and Credits Groups (Objective 3).....	54
	CHAPTER FIVE.....	64
5.0	SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....	64
5.1	Introduction	64
5.2	Summary of the Main Findings.....	64
5.3	Implications of the Findings.....	67
5.4	Conclusion.....	69
5.5	Recommendations	70
5.6	Limitations of the Study	71
5.7	Suggested Areas for Future Research	71
	REFERENCES	72
	APPENDICES	82

LIST OF TABLES

Table 4.1: Marital Stat.....	42
Table 4.2: Educational Background.....	42
Table 4.3: Occupation	43
Table 4.4: Educational Levels of Respondents by Occupation.....	44
Table 4.5: Educational Levels of Respondents by Marital Status	45
Table 4.6: Income Information	46
Table 4.7: Analysis of the Uses of Financial Services Offered	47
Table 4.8: Likert Scale Analysis of the uses of Financial Services Offered.....	48
Table 4.9: Descriptive Analysis	51
Table 4.10: Summary of Regression Analysis	53
Table 4.11: Extraction Method: Principal Component Analysis	56
Table 4.12: Rotated Component Matrix.....	57
Table 4.13: Result of Logistic Regression Analysis	57
Table 4.14: Estimated Coefficients	58
Table 4.15: Household Constrains of Savings and Credits Groups Services	60

LIST OF FIGURES

Figure 2.1: Conceptual Framework..... 28

Figure 2.2: Theoretical Framework..... 29

Figure 4.1: Economic Activities Operated by Members of the Group 48

LIST OF APPENDICES

Appendix 1: Selected Tables Raised from Statistical Package for Social Science... 82

Appendix 2: Data Collection Tool (Interview Guide) 84

Appendix 3: Proposed Time-Frame 87

Appendix 4: Determination of Sample Size..... 88

LIST OF ABBREVIATIONS

ANOVA	Analysis of Variance
HBS	Household Budget Survey
HDI	Human Development Index
ILFS	Integrated Labour Force Survey
RGZ	Revolutionary Government of Zanzibar
ROSCA	Rotating Saving and Credit Association
SACCOS	Saving and Credit Cooperative Societies
SACGs	Savings and Credits Groups
SPSS	Statistical Package for Social Science
TZS	Tanzania Shillings
UNDP	United National Development Programme

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background to the Problem

Rural households have continuously devised various methods to fight poverty. Such methods include the development of village financial systems (Rural Poverty Report, 2001). There are differences though as per countries, within particular areas and among populations. Studies conducted in South Central America (Bolivia, Nicaragua and Colombia), Asia (India and Vietnam), and East Africa (Uganda) conclude these methods are not enough, but a much broader and more carefully differentiated extension strategies are required for poverty reduction (Farrington, 2002). Such strategies include income generation; access to food and shelter (Amélie, 2012). But the most fundamental one is the creation of community based initiatives for the poor to acquire income in the form of family micro-enterprises (Orr and Orr, 2002).

Poverty reduction strategies have also of late faced several challenges, prompting the intervention of organisations such as CARE International to devise income generating models (Noah, 2009). The CARE model is popular because it offsets strident conditions attached to loans provided by formal financial institutions (e.g. commercial banks). In the CARE model, informal money lenders, pawn brokers and rotating saving credit associations are used as important avenues for channelling credit services to the borrowers' needs (usually members) on short notice and with little or no control (Noah, 2009). Therefore, this research assessed the role and economic impact of SACGs in reducing poverty at the community level (Rural North Unguja, Zanzibar).

1.2 Statement of the Research Problem

The inadequate financial service is a serious handicap to the fight against poverty in many developing countries (Krahn, 1995). In Zanzibar, majority of people do not have enough household items and income to sustain decent life styles (RGZ, 2010). Available data indicates that North Unguja has a very poor household income (RGZ, 2010). Statistics further show that only 2.7% of households own television, 5.2% have electricity connections, average number of persons per sleeping room stands at 2.3%, and the basic needs poverty headcount is 42.25% (Todd, 2001).

Improving the range of financial services on offer would be important in reducing poverty. For this to be achieved, promoting the established informal financial institutions to provide easy financial services to members would be a big step in the fight against poverty at the community level (Bank, 1996). No qualitative or quantitative research have however, been conducted on the role of SACGs in Zanzibar. Therefore, this study attempted to obtain this vital information based on an inferential analysis of SACGs' role at the household level.

1.3 Objectives of the study

1.3.1 General Objective

The study assessed SACGs' role in the fight against poverty at the household level in North Unguja, Zanzibar.

1.3.2 Specific Objectives

Specifically, the study intended to:

- (i) Identify the usefulness of SACGs' financial services.

- (ii) Analyze the impact of SACGs' shares on the household income.
- (iii) Determine the challenges facing rural SACGs.
- (iv) Assess the household constraints facing SACGs services.

1.4 Research Questions

1.4.1 General Research Question

What is the role of SACGs in the fight against poverty?

1.4.2 Specific Research Questions

- (i) What are the uses of SACGs Financial Services?
- (ii) To what extent have SACGs Shares Impacted Household Income?
- (iii) Are there Challenges Facing Rural SACGs?
- (iv) What are the Household Constraints Facing SACGs Services?

1.5 Significance of the Study

The study highlights the contribution of SACGs towards poverty reduction. Overall, it contributes to general knowledge on the role of informal micro financial institutions in the country's economic development. This study also identifies the impact of SACGs on the household income, forming the basis for its implementation in Tanzania. The findings are also important to policy makers in understanding the involvement of community savings in the lives of the people. In addition, the findings are relevant for policy advocacy and influence governing credit accessibility among the poor households. All these factored together may lead to a more flexible financial availability to the poor people.

1.6 Scope of the Study

The study covered only data from household residents of North Unguja, one of the poorest areas in Zanzibar where SACGs operate. Focussing only on informal financial institutions and poverty reduction, four areas were deemed appropriate for the research. The role of SACGs in poverty reduction, uses of financial services offered by SACGs, impact of shares provided by SACGs in the community, and the household constraints facing SACGs services.

1.7 Organization of the Dissertation

The study is organized into five chapters. Chapter one lays out the study background including statement of the problem and study objectives. Chapter two details the theoretical and empirical literature reviews. Chapter three tackles the research methodology. Chapter four presents the study findings with reference to the objectives highlighted in chapter one. Chapter five summarises the research findings, giving conclusion and recommendations.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

A literature review summarises, interprets, and critically evaluates existing "literature" (or published material) in order to establish knowledge on a particular subject (Review of literature, 2006). The purpose of a literature review is to resolve a controversy, develop knowledge, establish the need for additional research, and/or define a topic of inquiry (McKinney, 2008). This section comprises of conceptual definitions of key variable terms, theoretical and empirical reviews, research gap, and a conceptual framework, relating to the role and impact of SACGs at the household level.

2.2 Conceptual Definitions

A Conceptual definition is a critical element to the research process and involves scientifically defining a specific concept (also known as a variable), or construct, so it can be systematically measured (McKinney, 2008). The conceptual definition is considered to be the (scientific) textbook definition. The construct must then be operationally defined to model the conceptual definition (Romie F., 2002).

2.2.1 Informal Institutions

Institutions refer to structures that provide rules, constraints and incentives that are instrumental to the governance of exchanges (Lazzarin, 2001). Institutions can also be defined as the humanly devised constraints that shape human interaction (Lazzarin, 2001). As such the term institution is used to describe social practices that

are repeated and are sanctioned and maintained by social norms. Institutions are “patterns of behaviour” or “regularised patterns of behaviour”. They shape human behaviour but are also shaped by the actions of individuals and groups (Lazzarin, 2001). These institutions can either be formal or informal in nature (North, 1990). Formal institutions denote rules that are readily observable through written documents or are determined and executed through formal position, such as authority or ownership. Formal institutions, thus, include explicit incentives, contractual terms, and firm boundaries as defined by equity positions (Ostrom, 1986). They are the rules by which people have dealings (or not) and relate to each other.

Informal institutions on the other hand specify rules based on implicit understandings, being in most part socially derived and therefore not accessible through written documents or necessarily sanctioned through formal position. Thus, informal institutions include social norms, routines, and political processes (Lazzarin, 2001). Knowles (2005) defines informal institutions as social capital. Social capitals are features of social organizations such as trust, norms and network that can improve the efficiency of the society (World Bank, 1998 and Van Bastelaer *et al*, 2006). They are often resilient structures, often informal and the rules that govern these structures are usually unwritten (Ostrom, 1986).

In most developing countries, informal institutions are community based, local, social or grass-roots institutions, such as micro-credit schemes and groups formed for the purpose of managing common pool of resources (Ostrom, 1990). There are many informal institutions operating in Tanzania. Rural Savings and Credit Groups

(SACGs), operating in North Unguja, Zanzibar are examples of an informal, indigenous savings and credit institutions.

SACGs were created by self-mobilized and self-administered individuals or community groups who mobilize their savings at agreed intervals, and make them available and accessible to their members through credit (Ashe, 2002). The savings support members financially to start or improve their small businesses, acquire productive assets, or buy life enhancing consumer durables such as blankets, bicycles, house hold utensils and children's school uniforms (Van den Brink *et al*, 1997). Interests charged on those loans contribute to building the group's fund. Members who access these savings pay back the principal with interests at an agreed period of time (Micro Finance Africa, 1991).

These groups are important to households primarily because they are a form of informal finance which has significant implications for welfare through its role in savings. At the same time, they are also interesting institutions to analyze because they are a social construct, determined entirely by the social relations of the group members (Van den Brink *et al.*, 1997). In many parts of Africa, they are economically productive in encouraging cooperation and reduction of poverty (Micro Finance Africa, 1991).

2.2.2 Poverty

Poverty is the state of being "*poor*" with little or no income (Stephen, 2004). UNDP measures income in terms of resources such as assets, income in kind and subsidies to public services and employment. People are poor when they are deprived of

income and other resources needed to obtain the conditions of life—the diets, material goods, amenities, standards and services—that enable them to play the roles, meet the obligations and participate in the relationships and customs of their society (UNDP, 2002).

Foster and Sen (1997) defined poverty in different ways based on countries. In Ghana (West Africa), men associate poverty with a lack of material assets, whereas for women, poverty is defined as food insecurity. In Madagascar (Southern Africa), poverty is neglect of Malagasay traditions and norms, lack of motivation among certain classes and groups of people, price liberalization and devaluation, lack of education and absence of governance. In Philippines (Asia), in the Mindanao region, poverty is lack of food and money. In Armenia (Eastern Europe), seasonal changes, lack of savings and immediate cash needs interact to keep people poor. In Guatemala (Caribbean), people are said to be poor when they don't have enough money, lose hope, lack food, don't have a place to live or the means to pay rent. In Kenya (East Africa), poverty is symbolized in leaking roof houses, poor utensils and torn our clothes.

In Latvia (Central Europe), Poverty is humiliation, the sense of being dependent on them, and of being forced to accept rudeness, insults, and indifference. These interlocking dimensions of poverty come out clearly in the criteria poor people use to differentiate between categories of rich, average, and poor, as well in discussions of vulnerability. In these countries, poverty is seen by lack or inadequate material well-being, food security, employment, psychological well-being, power and voice, assets, infrastructure, and capital.

The European Commission *Joint Report on Social Inclusion (2004)* defined the poor as people whose low income levels and inadequate resources are considered unacceptable in the society. Because of their poor state, they experience multiple disadvantages through unemployment, low income, poor housing, inadequate health care and barriers to lifelong learning, culture, sport and recreation. They are also often excluded and marginalized from participating in activities (economic, social and cultural) that are the norm for other people and their access to fundamental rights may be restricted. This is a line of definition highlighted by Foster and Sen (1997) (2001) where poverty is defined in terms of assets ownership and accessibility to socio-economic facilities. What a household owns as a resource determines the household's ability to produce.

According to the *European Union Report (2009)* poverty can also be defined in relative and absolute terms. In relative income terms, each household's income, adjusted for family size, is compared to median income. (The median is the "middle" income: half of people have more than the median and half have less). Those with less than 60 per cent of median income are classified as poor. The absolute poverty is used to denote a poverty level that does not change over time, in terms of the living standard that it refers to. It stays the same even if society becomes more prosperous. An absolute poverty line thus represents a certain basic level of goods and services, and only rises with inflation to show how much it would cost to buy that package.

Further clarification is given in Peter (1962) of poverty as a condition in which people lack satisfactory material resources (food, shelter, clothing, housing), are

unable to access basic services (health, education, water, sanitation), and are constrained in their ability to exercise rights, share power and lend their voices to the institutions and processes which affect the social, economic and political environments in which they live and work. The poor are individuals – men and women, children, youth, old people, those with disabilities – who may live alone but who, more commonly, live together in households. Poor households are those whose income is insufficient to satisfy the needs of all members. Often the various household members combine their efforts in a multiple livelihood strategy that can include food and cash crop production, wage labour on farms or in enterprises, and entrepreneurial activities in micro and small enterprises.

The most frequently used income measurements criteria are the head count poverty index given by the percentage of the population that live in the household with a consumption per capita less than the poverty line; poverty gap index which reflects the depth of poverty by taking into account how far the average poor person's income is from the poverty line; and the distributional sensitive measure of squared poverty gap defined as the mean of the squared proportionate poverty gap which reflects the severity of poverty (Foster, 1984).

According to Hazell and Haddad (2001) poverty consists of two interacting deprivations- physiological and social. Physiological deprivation describes the inability of individuals to meet or achieve basic material and physiological needs which can be measured either as a lack of income, which limits access to food and to education, health, housing, water and sanitation services or by the failure to achieve desired outcomes, such as a high quality diet rich in micronutrients, health status,

educational attainment and the quality of health, water and sanitation services received. Social deprivation refers to an absence of elements that are empowering, such as autonomy, time, information, dignity and self-esteem. Lack of empowerment is also reflected in exclusion from important decision-making processes, even when the outcomes are of considerable importance to the poor- for example, decisions about public investment in the local community, management of common properties and priorities for agricultural research and extension.

The importance of the measurement of poverty is to know who is poor, how many people are poor, and where the poor are located. Levy (1991) stresses that in measuring poverty two tasks have to be taken into consideration: a poverty line which is set at \$275 and \$370 per person a year for the extreme poor and for the moderate poor respectively must be determined¹; and the poverty level of individuals have to be aggregated. He furthermore stated that to determine the poverty line two methods are employed: the use of nutritional intake which is set at 2500 calories per head per day; and the use of certain list of commodities considered essential for survival, for instance, food, housing, water, health care, education vis-à-vis income.

Recently, the use of income as a basis for determining the poverty line has lost much of its relevance since the method of calculation was not adapted to the new economic trends resulting from high rate of inflation and the prevailing high increase in interest rate and exchange rate devaluation, thus consumption-expenditure at household level is now advocated.

Studies by UNDP (1998) advocated the use of Human Development Index (HDI) in measuring poverty. According to UNDP (1998), HDI combine three components in the measurement of poverty: life expectancy at birth (longevity); educational attainment and improved standard of living determined by per capita income. The first relates to survival - vulnerability to death at a relatively early age. The second relates to knowledge—being excluded from the world of reading and communication. The third relates to a decent living standard in terms of overall economic provisioning.

According to the World Bank (2001), poverty has various manifestations which can be linked to the lack of income and assets to attain basic necessities of life, such as, food, shelter, clothing and acceptable levels of health and education; the sense of voicelessness and powerlessness in the institutions of the state and society, which subjects the poor to rudeness, humiliation, shame, inhumane treatment and exploitation in the hands of the people in authority; absence of rule of law, lack of protection against violence, extortion and intimidation and lack of civility and predictability in interaction with public officials, lack of economic opportunities, threats of physical force or arbitrary bureaucratic power that makes it difficult for the people to engage in public affairs; and, vulnerability to adverse shocks and disruptions linked to an inability to cope with them. Example of such shocks and disruptions are when people live and farm on marginal lands with uncertain rainfall, when people live in crowded urban settlements where heavy rain can wipe out their houses, when people have precarious employment in the formal or informal sector, when people are faced with higher risk of diseases, such as malaria and tuberculosis,

civil conflicts and wars, when people are at risk of arbitrary arrest and ill treatment at the hands of local authorities and when people most especially women and the minorities are at risk of being socially excluded and victims of violence and crime.

Discussing the consequences of poverty, Von Hauff and Kruse (1994), highlighted three major consequences of poverty: consequences for those affected, i.e. for the people affected, poverty leads to physical and psychological misery, caused inter alia by inadequate nourishment, lack of medical care, a lack of basic and job related education and marginalization in the labour market; consequences for the national economies of countries affected arising through the formation of slums in cities, a worsening of ecological problems, particularly as a result of predatory exploitation in the agricultural sector and through the failure to use the available human resources; and consequences for the political and social development of the countries affected. That is, mass poverty tends to preserve or reinforce the existing power structures and thus also the privileges of a minority of the population. In some cases, this involves corrupt élites. These privileged minorities in the population are not generally interested in structural changes for the benefit of the poor population. As a consequence, mass poverty tends to inhibit the development of democratic structure and a higher level of participation in decision-making.

According to Narayan (2000) cited in Handley (2009), most households are crumbling under the weight of poverty. While some households are able to remain intact, many others disintegrate as men, unable to adapt to their failure to earn adequate incomes under harsh economic circumstance, have difficulty accepting that women are becoming the main breadwinners that necessitates a redistribution of

income within the households. The result is often alcoholism and domestic violence on the part of men and a breakdown of the family structure. Women in contrast, tend to swallow their pride and go out into the streets to do demeaning jobs, or in fact, to do anything it takes to put food on the table for their children and husbands. That is why Narayan *et al.* (2000) symbolizes poverty as helplessness, dependence and lack of opportunities, basic material needs and resources. All these are attributes that define the people of Unguja.

2.2.3 Poverty Reduction

To reduce poverty in rural communities, some internal mechanisms should be initiated by the community concerned. An *online dictionary (Ask.com)*, defines poverty reduction as a process involving some strategies aimed at reducing the levels of poverty in a given society. This is done by increasing the availability of basic human needs or increasing disposable income required to provide for these needs. Basic human needs in this case include health care, clean water, food and education. North (1990) argues that effective traditions of hard work, honesty and integrity can be methods to reduce poverty. Households' incomes are seen as a major determinant to poverty reduction (Matthew, 2007). This is true because what an individual or household earns determines their expenditures and savings.

It has been established that in order to overcome poverty the poor households must help themselves (Chambers, 1983). The rural groups therefore should create and increase financial services accessibility to poor households to either alleviate poverty or slow it down (Ashe, 2002). Rural groups are known for providing useful sums of money to the poor households to start income generating activities and or improve

their businesses (Ashe, 2002). The revenue generated is used to pay back the loan, cater for household basic needs and general improvement of people's living conditions. Loans also help members manage their life cycle events such as education, marriage, birth and home making; widowhood, old age and death (Micro Finance in Africa, 1991). This research used the SACGs initiated in Unguja, as a poverty reduction strategy.

2.3 Theoretical Literature Review

Theoretical framework is the structure that can hold or support a theory of a research study (McKinney, 2008). Theories are formulated to explain, predict, and understand phenomena and, in many cases, to challenge and extend existing knowledge, within the limits of the critical bounding assumptions (Asher, 2013). This section introduces and describes the theories explaining the rationale behind the research problem. From a theoretical perspective savings and credit groups can be used to reduce poverty at the household level. This is explained using collective action theory and social identity theory.

2.3.1 Collective Action Theory

Marshall (1988) defines collective action as an action taken by a group (either directly or on its behalf through an organization) in pursuit of members' perceived shared interests'. McCarthy (2004) defined collective action as a joint action for the same goal and actions to achieve a common objective, when the outcomes depend on interdependence of members. SACGs represent such groups because their main idea is to assist the poor in group-based financial initiatives (Ruth, 2004). They do it through regular meetings that allow members to pay shares, receive some portion of

money, and monitor others' conduct. The amount received can be applied to various needs: consumer goods, durable goods, personal savings accumulation, funding for small economic activities, travel, or emigration (McCarthy, 2004).

Besley (1993) also demonstrate that SACGs are more efficient in improving the individual welfare of those excluded from formal credit markets. Van den Brik (1997) explain SACGs' success by context of application. In theory, SACGs are characterized by dense networks, and are preferred by rural households over other formal structures. This is so because SACGs tend to distribute funds or reinvest within the community. Thus SACGs succeed not only because they are more accessible but because they provide efficient borrowing, saving and social solutions.

SACGs also provide rewards and address social problems such as poverty through two main characteristics that are typical of collective action: complementarities and coordination. Positive complementarities in SACGs mean more money is available to participants, because greater individual effort produces greater collective benefits. Coordination also is fundamental, because each member renounces part of his or her freedom (i.e., not managing money) to achieve a common objective that offers long-term benefits for all participants.

Moreover SACGs can discourage free-riding through group self-selection and mutual monitoring. Unlike formal credit markets, social sanctions, rather than economic ones, play the main role in preventing defection (Ardener, 1964). Collective action theory was adopted over other theories as it reflects two main motivations. First, it implied a better understanding of those factors that increase

coordination and cooperation at the community level. Second, the positive role played by SACGs in developing countries likely is linked to access to financial services and poverty reduction. The structure and performance of SACGs represent successful experiences of collective action, and an efficient solution for the coordination and interdependence problems (Ostrom, 1990).

2.3.2 Social Identity Theory

Internet Encyclopaedia of Philosophy defines social identity theory as a conglomeration of views on the relationship between mind and body. It holds that some types (or kinds, or classes) of mental states are, as a matter of contingent fact, literally identical with some types (or kinds, or classes) of brain states. Armstrong (1968) claimed that all mental states (including intentional ones) are identical with physical states, that philosophers of mind divided themselves into camps over the issue. In this case, the theory seems to concur that members of SACGs are identical in physique and mind.

Using social identity theory SACGs members identify with and commit to the group. Other research however, suggests that cooperation is more calculated, borne from extended interaction and reciprocal commitments between group members (Annie, (2011). Partners prove their trustworthiness to one another over time, enabling group members to commit to the benefits of the whole, a self-reinforcing commitment (Anthony, 2005). But a greater majority of studies have shown that repayment rates are somewhat better when less-connected community members are grouped together than self-selected groups or same-family and same-church groups. Social ties may be a hindrance if they lead to more "forgivingness" toward defaulters (Abbink *et al*,

2006). Furthermore, repayment rates are associated with communities characterized by high levels of social capital, where more attention is given to shared values and opinions and where mutual trust levels are higher (Van Bastelaer, 2006). Peer groups create a mechanism for better enforcement and more reliable repayment of loans. As a result, social identity theory entails programs that require the formation of small groups of borrowers from the same community before money is lent. These identical groups serve as a collective source of collateral.

2.4 Empirical Literature Review

An empirical literature review reports research based on actual observations or experiments (Berrett-Koehler, 1997). The research may use quantitative research methods, which generate numerical data and seek to establish causal relationships between two or more variables (*A Dictionary of Nursing, 2009*). Thus the analysis in this section attempted to provide this missing link, which proved to be biased against one gender.

2.4.1 Global Context

Andrea (2011) explored the relationship between social capital (poverty reduction) and ROSCA (SACGs) participation using individual-to-community-level determinants models in Indonesia. Findings indicated that the endowment of social capital (poverty reduction methods) at the village level correlated positively with individual ROSCA participation (Sowmya, 2004). This was premised on the understanding that community social capital provided individual members with the resources needed to overcome self-selection and foster coordination. This reinforces the role of social capital for fostering collective action on community-driven

development (poverty reduction), supported by collective action theory. It proves further that the presence of community social capital, which in turn is based on networks of reciprocity and a culture of cooperation, can act as an avenue for poverty reduction.

This relationship acknowledges that social capital enhances the level of trust at the village level, which is essential for the functioning of SACGs (i.e., based on auto-selection, mutual monitoring, and social sanctioning). Proxies for social capital (citizen participation in community projects, number of family planning posts, and presence of convention hall) significantly helped explain why people participate in SACGs. Therefore, it is not only individual characteristics but also the context in which people live that influences their participation in this traditional form of collective action. Even if the link between social capital and collective action has been well developed, its contribution to poverty reduction has only been partially linked, and thus this study offers new empirical findings in support of collective action theory.

Swadeshi Jagaran Foundation (2004) looked at the development of social and human capital through micro enterprise development work towards poverty alleviation. He found out that the growing commercialisation of rural economy, increasing dependence of agriculture on external inputs, mobilizations of savings towards construction and the growing education opened up new vistas for the micro-enterprise development. The experience in promoting micro enterprises in the regions of poverty suggests that markets are dynamic and for enterprises to be sustainable, the entrepreneurs must be able to understand the behaviour and character

of markets and respond appropriately to the challenges of competition. The study showed that financial groups infused certain synergy among its members to move up in the socio-economic ladders from passive onlooker into an active partner/stakeholder in the development process. The study however, did not show much involvement of community people in the formation and running of savings and credit groups. To be successful, it has to be run and initiated by the people, with a focussed agenda and a sense of identity of ideas, as captured in the social identity theory.

Grooteart (1998) in Europe and Prasenjit (2012) in India studied the loans taken by the members from Self-Help Groups to draw a link between income generation and poverty reduction. Their studies examined the nature of loans provided by financial groups and found out that the amount of loans provided under the programme to its members was too small to help them cross the poverty line. The loans were utilised mainly for consumption purposes, followed by expenditure on current productive activities. Thus, there were only a few capital investments. And these capital investments were not enough to provide the members full employment opportunity and sufficient income to cross the poverty line. It was seen that the members go either to the money lenders or to the banks for higher amount of loan. Moreover, a large segment of the financial groups closed down. The closing of the financial groups was found more in case of those formed under bank (formal) related initiatives.

And more likely, did not involve the local community in its establishment. Successful groups are formed and owned by the local community. This is an area

that this researched looked into and came out examined the role of SACGs towards poverty reduction.

IFAD (2005) studied a project that gave women a unique opportunity to start their own businesses by setting up a series of savings and credit associations and providing business skills training in Gaza, Palestine. Poverty had increased by at least 45 per cent in September 2000, following the *intifada* (uprising). An innovative element of the project was the Women's Livelihood Support component, which empowered women by setting up Savings and Credit Associations (SCAs) with the support of the Palestinian Agricultural Relief Committees (PARC). These "village banks" provided women with access to credit and other services, thus paving the way for them to establish their own businesses. The IFAD project covered 176 locations and villages with 7,383 members, registering a total amount of over US\$2.6 million in savings and shares, and a total current portfolio of over US\$3.1 million. Since 2000, the overall credit portfolio has reached over US\$10.1 million. Findings showed that although women were reluctant to use formal credit institutions and lack collateral, they actively participated in savings and credit schemes. This again agrees with the collection action theory, and social identity (Palestinians), but was only biased on the female gender, a situation which this study corrected by targeting all the genders.

Veruschka (2008) studied savings mobilization projects for rural women in Peru. The project encouraged the habit of using a bank account (withdrawing and depositing funds) as well as regular savings among women, thus encouraging the creation of monetary assets, which enabled them to dispose of resources for emergencies and/or

for business opportunities. The women learnt the culture of savings from the projects. Results learnt were that 7400 women accumulated financial capital which enabled them to respond to emergencies, and also take advantage of business opportunities. By the end of October 2007, each woman had approximately 550 USD in her bank account. This improved their position within the family, and their role within the communities, since many of them had developed leadership capacities.

The women groups got women to know each other better and contributed to the creation of social networks. In many cases, they served as basis for the development of income generation activities, and a genuine culture for saving. The draw back is that the focussed only on women and formal institutions like the banks, a scenario ably corrected this research.

2.4.2 African Context

Mwalughali (2013) analysed the impact of community savings and investment program (COMSIP) on household income and credit in Central Malawi. COMSIP groups mobilized communities to save and/or invest their resources into income generating initiatives. They also provided credit. Results showed that COMSIP groups' membership had a strong effect on household income and credit. Estimates indicated an increase of 88% income per capita and 96% increase in credit per capita of relatively poor participating households. The study agreed with the findings of this research that savings and credit groups in the rural areas are useful strategies for ensuring improved household income and credit, hence reduced poverty in the long-run.

Katarwa (2009) conducted a study on Community Based Savings Micro Finance And Household Income Poverty Eradication in Uganda. The research revealed that ROSCAs helped women by availing credit facilities. With these credit services, women were able to invest in many ventures, send their children to school and either repaired or constructed new homesteads. It is obvious that in the context of the local economy, these women were above average income earners. It also found out that variables such as private and public investment had high positive impact on growth rate of per capita income. This implies that investment in informal institution increases community income, and thus helps reduce poverty.

Nalyaali, (1998) assessed poverty reduction strategies targeting the contribution of Ochwo Community Based Savings Micro Finance Initiative towards poverty reduction in Tororo district, Uganda. The group's initiative contributed greatly to improving people's standard of living.

Many poor people were encouraged to join the group. In one example, a certain Charles joined the group and saw the need for bicycles and spare parts and started a shop with that merchandize in, to which he added a hire purchase service for two motorcycles (*bodaboda*) boys who lacked lump sums of money to purchase their own. Charles encouraged small daily repayments for 2 to 3 months, and a 20,000/= premium (interest) was added up to the principal loan of 60,000/= (equivalent to US 30 \$). After they had paid off the loan, most *bodaboda* boys continued to make daily small saving deposits with him. He maintained a ledger book and invested the excess money. Sometimes he would give savers loans at interest rates ranging from 10% - 25% depending on the terms negotiated. Charles and many more examples were able

to increase their household incomes thereby reducing the level of poverty in their community.

Mamadou (2010) analysed a survey conducted in 500 villages in Segou, Mali, on the activities of Savings for Change (SFC). Findings showed that women relied on family, friends and neighbours for credit, even when formal credit is available. To avert this, group loans were introduced to voluntary members for income-generating activities (IGA). The savings group served as a crucial buffer against crises and short-term income fluctuations. The group loans provided created a more stable financial platform for women and their families. This financial buffer helped women to save regularly.

Informal financial services such as ROSCA, loans from neighbours, village banks, and collective labour projects were effectively exploited. This did not clearly show how poverty was reduced, but using collective savings and credit groups, the link is clearly seen.

Hulme and Mosley (1996) note that credit gives poor people a means of investing and breaking out of the “vicious circle” of poverty. He notes that credits have the potential of improving credit user’s income and savings and as consequence enhance investment and reinforce high incomes. This argument is highly supported by the findings of Kashuliza (1998) who observe that income of the credit users are significantly higher than the income of non-credit users in the Southern highlands areas of Tanzania.

2.4.3 Tanzanian Context

Makombe (1999) examined credit schemes and women's empowerment for poverty alleviation in Tanga region. The study assessed the extent of empowerment of low income women at household level as a result of loans given for starting income generating activities (IGAs) or micro enterprises. The target population were mostly households with clients of the credit scheme i.e. clients and their husbands where applicable. Findings showed that the respondents had a wide perception of poverty as evidenced through the range of proposed solutions to get out of poverty. Women's efforts in alleviating poverty through the credit scheme are affected by various factors such as imperfect markets, stiff competition, inadequate loans, and poor weather conditions. In spite of the problems, control over resources and freedom to use own time showed positive impact in bringing about improved gender relations and poverty alleviation.

Hendricks (2011) used CARE's Village Savings and Loans Associations (VSLAs) to analyze how village savings and loans created a pathway to financial inclusion for Africa's Poorest Households in Tanzania. The project built members' financial assets base and skills through savings. VSLA members diversified their activities, planted additional crops and added new income generating activities. They also saved and borrowed in ways that allowed them to smooth cyclical household consumption patterns. The project succeeded in installing the saving culture, and ended up creating additional income that helped in eradicating poverty.

Mwakajumilo (2011), in highlighted the importance of mobilizing savings by providing low-income to people from financial services through Savings and Credit

Cooperative Societies (SACCOS) in Tanzania from 1961-2008. He discovered that SACCOs are a better alternative to formal banks. He suggested that with improved SACCOs many households would be able to increase income and help reduce poverty levels. His study was given more impetus by Ahlen (2012) who assessed members' perceptions about the impacts of the rural member-based microfinance institutions (MFIs), Savings and Credit Cooperative Societies (SACCOS) and Village Community Bank (VICOBA), on members' socio-economic situation as well as their perceptions on the contribution to poverty reduction and potential obstacles in Babati district, Tanzania.

Findings supported the idea that MFIs have positive impacts on their socio-economic situation. The results showed that it helps to meet consumption needs, pay school fees, run small businesses, increase and diversify the income and the majority also believed that it can be a useful tool for poverty reduction. However, it doesn't lead to poverty reduction automatically as other factors such as how the loans are used should be factored. The study identified several obstacles for SACCOS and VICOBA to be more effective and contribute more to poverty reduction such low repayment status, lack of capital and entrepreneurial education. This gap is exhausted in the section regarding ways of poverty reduction.

Khalid (2003) reviewed the operational mechanism of the existing formal and quasi-formal credit arrangements in Zanzibar with the view to assessing their performance in serving micro-enterprise sector with particular reference to smallholder farmers and artisanal fishermen. Findings showed inadequate flow of credit to the farming and fishing sub-sectors in Zanzibar as the existing formal banks such as National

Bank of Commerce (NBC), People's Bank of Zanzibar (PBZ) and Tanzania Postal Bank (TPB) completely avoided providing credit facilities to agricultural and micro-enterprise sectors. Other formal structures such as government institutions and donor-funded development projects were thus enticed to extend piecemeal credit services to farmers and artisanal fishermen. Available evidence showed these sources were inadequate, and at best targeted specific groups that promoted specific technologies (Conner, 2010).

2.5 Research Gap

The link between Savings and Credit Groups and poverty reduction was not sufficiently proven in the reviews. Empirical reviews tended to be biased towards women led associations, overlooking the managerial skills offered by the male gender. In addition, only well organised formal structures from government based or available banks, were picked. This was seen as a gap, and thus the research involved all households without regard to gender. The set up was also considered with only groups established under informal structures where the ideas and operations coming from the community members themselves, not initiatives from government as the examples in Palestine, Armenia, Philippines showed in the empirical reviews.

2.6 Conceptual Framework

Figure 2.1 presents a conceptual framework explaining the inter-connections between different independent variables (constraints to SACGs), dependable variables (poverty reduction) and intermediate variables (financial services of SAGCs).

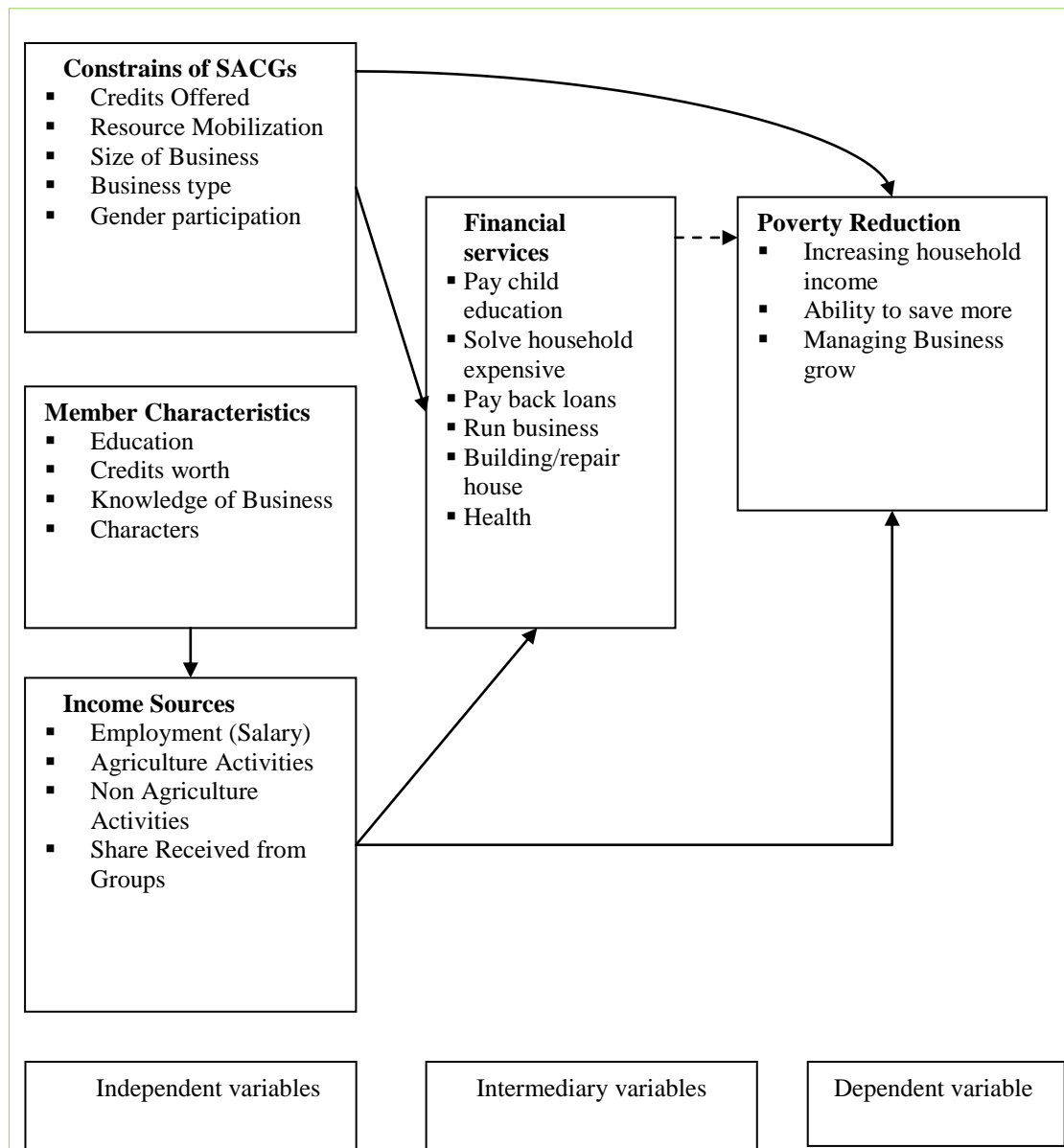
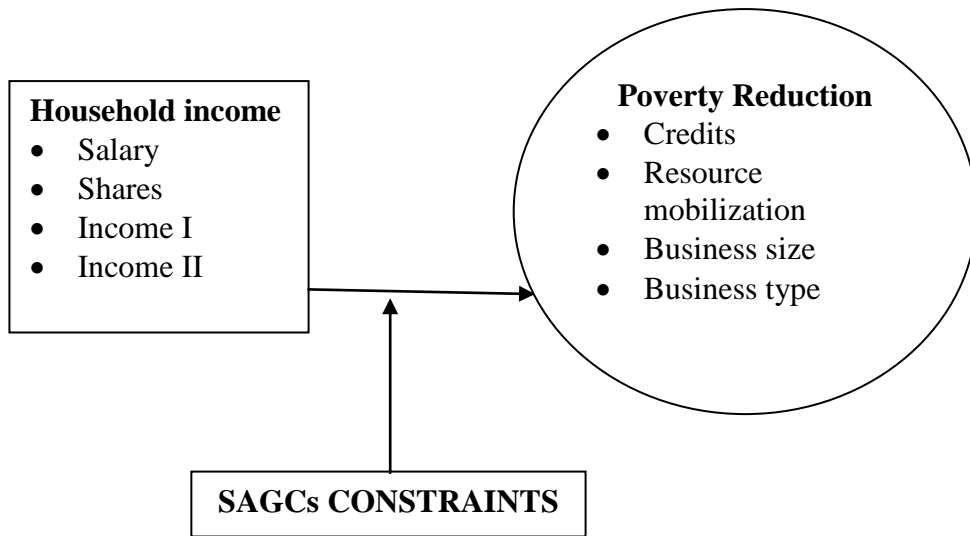


Figure 2.1: Conceptual Framework

Source: Research data (2014)

2.7 Theoretical Framework

Figure 2.2 illustrates the theoretical models based on two models. The first model is a multiple linear regression that analyzes the household income as dependent variable against independent variables, indicated by the below graphic:



Independent variable Moderating variables Dependent variables

Figure 2.2: Theoretical Framework

Source: Research data (2014)

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 \dots\dots\dots 1$$

Where, Y is the household income and the independent variables β_0 is constant term, β_j is the estimated coefficient of parameters for j = 1, 2, 3 and 4

The independent variable - Tanzania Shilling (TZS/=) defined as:

- i) $X_1 = \text{Salary in Cash received by household}$
- ii) $X_2 = \text{Share received from the groups}$
- iii) $X_3 = \text{Household incomes received from agriculture activities}$
- iv) $X_4 = \text{Household incomes received from non agriculture activities}$

The second is a logistic model which analyzes constrains of SACGs as independent variables against poverty reduction as dependent variables.

$$\text{Logistic } (p) = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 \dots\dots\dots 2$$

The dependent variable Logistic (p) is a binary response measuring whether household income and saving increase =1 and 0 = otherwise the variables X_j for $j = 1, 2, 3, 4$ and 5 as defined below:

X_1 is the credit offered

X_2 is resource mobilization

X_3 is size of business

X_4 is the business type

X_5 is the gender participation

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

Chapter three presents the methodology of the study. It covers the study type, area, and population. It also shows the unit of analysis, choice of variables, sample size and sampling techniques, sources of data, data collection methods, reliability and validity of data, and finally analysis of the gathered data.

3.2 Research Design

The goal of a formal research design is to answer the research questions posed (Kohlbacher, 2005). The research design therefore, expresses both the structure of the research problem and the plan of investigation used to obtain empirical evidence on relations of the problem (Creswell, 2003).

In planning for the research study, the researcher considered the need to have a well articulated research design. Such a research design is desirable for the objective of data collection that will be useful in addressing the research questions. It is therefore a veritable guide for primary data collection.

The research strategy adopted in this study is the survey technique. This strategy was chosen because of the nature of the research topic which demands the collection of significant amount of data from a meaningful population size in an efficient manner. Because this method is well understood and perceived as authoritative by people in general, it was most appropriate for its adoption.

The research study was both exploratory and formal. The study was exploratory because it has the objective of discovering future research tasks. It was equally formal because it further extends the exploratory work by answering the research questions asked. The research tries to find out the relationship between membership of SACGs (income generation) and poverty reduction which made it a descriptive study in one hand. On the other hand, the study was causal in the sense that attempt was made to find out the causal relationships among variables such as constraints of SACGs, member characteristics, income sources, financial services and poverty reduction strategies identified in the conceptual model.

3.3 Study Area

The study was conducted in Northern Unguja, Zanzibar. Data was collected from the area residents who formulate income generating groups known as Savings and Credit Groups. The reasons for the choice of this area were various, but three of these became so compelling. First, the researcher is a resident of the above area, making collection of primary data from known respondents easier. Two, the area rank as one of the poorest in Zanzibar comprising mostly of farmers, and it was the intention of the research to identify ways the residents and other stake holders are using to reduce poverty in the area. Lastly, Northern Unguja has some Savings and Credit Groups with memberships coming from the area. The researcher's role was to examine whether these groups are helping in poverty reduction through their services.

3.4 Study Population

A population comprises of any set of persons or objects that possess at least one common characteristic (Kothari, 1990). The study population of interest were

members of households who had joined different Savings and Credit Groups in Northern Unguja, Zanzibar.

3.5 Unit of Analysis

In this study, members of the group were taken as the unit of analysis because they are the ones that generate resources, organize and manage various economic activities.

3.6 Choice of Variables

3.6.1 Household Income

Income represents a very important area of consideration when characterizing poverty reduction. The level of income is important not only for the households, but its distribution among household members and various socio-economic groups.

3.6.2 Household Employment

There are several indicators that determine household employment. Within this array of indicators, economists focus on the rate of participation in the labour force, the real rate of unemployment, and job changes. The study took employment as the household member who is paid salary on a monthly basis.

3.6.3 Education

Education is an important dimension of the non-homogeneity of labour. High educational attainment may imply a greater set of employment opportunities and specifically in the rural context, This study took level of education in the context of no education, completed primary level, completed secondary level and completed college or university levels.

3.6.4 Age and Gender

The study took variable age as the completed year of birth. The variable gender in this study was taken as the biological species of male or female.

3.7 Sample Size and Sampling Techniques

The study used a confidence level of 95 percent ($Z_{\alpha/2}$ is 1.96), with an error margin (e) of 0.614, variance stood at 9.3 and population estimated at 3282. The sample size of finite population was derived by:

$$n = \frac{Z^2 \cdot N \cdot \sigma^2}{(N - 1)e^2 + Z^2 \cdot \sigma^2}$$

$$n = \frac{(1.96)^2 * 3282 * 21.289}{(3282 - 1)0.614^2 + (1.96)^2 * 21.289}$$

$$n = 204$$

This study covered 50% ($0.5 * 25 = 13$ *Shehias*) of the *Shehias* allocated in *North Unguja* and a systematic sampling technique was used to select the representative *Shehia*. This was necessary in order to avoid the problem of sample selection bias and also the possibility of picking respondents that could not provide relevant data to the research data. The main advantage of using systematic sampling is its simplicity. It allows the researcher to add a systematic element into the random selection of subjects, yet it is very easy to do. Another advantage of systematic sampling is that the researcher is guaranteed that the population is evenly sampled. Example:

$$k = \frac{T}{t}$$

$$k = \frac{25}{13} = 1.923$$

Hence, k^{th} ratio rounded yielded (2unit) and every k^{th} element, a Shehia was picked (Annex C). Then, selection of group was done proportionally.

$$S_b = \frac{n_r}{Nv} * 35$$

In which

Selected groups (S_g) in Shehia r

Total number of groups (n_r) in Shehia r

Total number of groups (Nv) in all Shehia and

*50% ($0.5*70=35$) of total number of groups in all selected Shehias*

Finally, a group that was interviewed and respondent from each selected was drawn purposively. There are many advantages as to why purposive sampling was adopted. Those people who were unsuitable for the sampling study or who did not fit the bill were eliminated, so only the most suitable candidates were retained. As the most appropriate respondents for the study were selected, the process became a lot less time consuming. With fewer time constraints and more accurate subjects, the costs for carrying out the sampling project were also greatly reduced. In most cases, the results of purposeful sampling are usually expected to be more accurate than those achieved with an alternative form of sampling (Adcock, 1997).

3.8 Sources of Data Collection

Both primary and secondary were used. Primary data are those which are collected a fresh and for the first time and thus happen to be original in character, this can be done through surveys, census, observation or through observation or through direct communication with respondents in one form or another or through personal

interviews (Mwakajumilo, 2011). The method of collecting primary and secondary data differs since primary data are to be originally collected, while in case of secondary data the nature of data collection work is merely that of compilation (Mwakajumilo, 2011). Primary data was collected using both open and closed ended questions in the questionnaire.

According to Dervin, and Dewdney (1986), open-ended questions are those questions that solicit additional information from the inquirer, and sometimes called infinite response or unsaturated type questions. They are broad and require more than one or two word responses. These questions allowed the respondents to answer questions that demanded explanations. On the other hand, closed ended questions are those questions, which can be answered finitely by either “yes” or “no.” They are also known as dichotomous or saturated type questions. Closed-ended questions can include presuming, probing, or leading questions. The questions are restrictive and can be answered in a few words. These questions were to restrict the respondents towards a particular line. The following are selected relevant questions that formed part of the questions asked:

- (i) What is the main occupation of the household's head?
- (ii) What is the approximately household earning from all sources in a month?
- (iii) Does a household income increase after joining SACGs
- (iv) Does a household savings increase after SACGs
- (v) Does a household have enough ability to manage a business?
- (vi) Does a household have the business knowledge?
- (vii) What is the approximate savings per month?

(viii) What is the approximate household spending per month?

Secondary data are those which have already been collected by someone else and which have been passed through the statistical process. The researcher will have to select one or other method of data collection (Mwakajumilo, 2011). Thomson, *et al*, (2003) recognized the importance of secondary data, especially where comparisons are made in order to answer research questions and address the research objectives. It is therefore imperative to address the research questions using a combination of secondary and primary data. The secondary data consulted include both quantitative and qualitative data. The sources of secondary data were ascertained through literature review informal discussions with experts, colleagues, seminars and conferences as well as published guides. Other relevant data from the internet using search engines such as *www.google.com*, *www.yahoo.com*. Etc was incorporated. The data searched addressed theoretical and empirical data areas relevant to the study objectives.

3.9 Reliability and Validity of Data

The issue of the creditability of research findings was seriously considered in the research design. Reducing the possibility of doubting the creditability of research findings informed why attention was paid to the issue of reliability and validity. Two critical questions the researcher tried to address in the cause of carrying out this study as noted by Kothari (2004) were whether the methods adopted yielded the same result on different occasions, and whether similar observations were made by different researchers on different occasions.

Kracauer (1952) identified four threats to reliability of research results to include subject error, subject bias, and observer error and observer bias. The researcher was aware of the potential problems extraneous influences will have on respondents in offering valid and candid answers to questions asked during the field of study. Consequently, elaborate steps were taken to ensure confidentiality and anonymity of respondents to questionnaires and to ensure that the data derived from the study are valid and relevant to the research objectives.

According to Mwakajumilo, (2011), certain steps ought to be taken to ensure that proper things were done as it relates to the following:

- (i) Identification, of the research population: Efforts were made to ensure that the choice of the population was logical to guarantee generalizations to be made across the whole population.
- (ii) Data collection: Concerted efforts were also made to ensure that the processes adopted to collect data yielded valid data.
- (iii) Data interpretation: Appropriate theoretical frameworks were chosen in data interpretation. This implies that conclusions were drawn from both existing facts and valid reasons given by respondents to questions asked.
- (iv) Development of conclusions: The researcher was conscious of the need to ensure that conclusions made should stand up to the closest scrutiny.

Joppe, (2000) observed that research design may be said to be valid if it enable the researcher elicit the correct responses from the sample subjects. In this study, the research was considered valid based on the fact that the desired responses were

gotten from sample population. Furthermore, the content validity was determined by ensuring that all the questions asked in the questionnaire fully address the research objectives.

3.10 Data Analysis

The data resulting from the study could be both quantitative and qualitative and as such, need processing and analysis. The essence is to put the data in contextual form to enable the researcher answer the research questions as well as address the research objectives. Consequently, quantitative analysis using simple tables, bar charts, percentage distributions and statistical analysis were carried out in order to establish the relationships between various variables.

Mwakajumilo, (2011) noted the need to ensure that the following steps were taken:

- (i) That the tables and diagrams have brief and clear descriptive title.
- (ii) That the units of measurement are clearly stated.
- (iii) That the sources of data used are clearly stated.
- (iv) That notes to explain abbreviations and legends are clearly stated.
- (v) The size of the sample on which the values in the table are based is stated.
- (vi) That table had clear column and row leadings.

The analysis carried out enabled the researcher establish the relationships between variables *a*.

The instruments used in the collection and gathering of data include questionnaires, personal interviews, library desk while such as the statistical package were utilized in

the regression analysis. Moreover, tables, graphs and charts were also be utilized. For the purpose of regression, statistical packages namely Social Scientists Statistical Packages (SSSP) was employed to run regression and draw regression related charts. Frequency tabulations were used for cleaning and data so entered was validated. Different techniques such as F-test, ANOVA, t-test and Chi –Square test were employed based on the nature of the model.

3.11 Diagnostics Tests

The study undertook the following diagnostics test during the analysis to make sure that data met all assumptions and conditions of the regression models. The tests that were done were proportional to sample size, and relied on the dependent and independent variables.

CHAPTER FOUR

4.0 PRESENTATION AND DISCUSSION OF FINDINGS

4.1 Introduction

This chapter presents the findings that were obtained with reference to the study objectives indicated in chapter one. It attempts to analyze data generated from the study which include qualitative and quantitative information collected from the respondents. The first part is based on descriptive statistics derived from measurement of central tendency. The second part details inferential statistics describing the results derived from regression analysis.

4.2 Demographic Variables

The information presented below is a descriptive analysis of the demographic variables used in the research. The demographic variables given in this section include, gender, marital status, educational background and income levels.

4.2.1 Marital Status

Marital status surveyed showed 28.4% of male are married, 5.4% widowed and 2% single. On female side, information obtained revealed that 45.6% are married, 15.2% widowed and 3.4% were never married. On the whole, these findings deduced that 74.0% of the respondents are married, 20.6% widowed and 5.4% single. Table 4.1 shows the marital status of both sexes, male and female at the surveyed area. This confirms that the study was not biased towards a particular gender, but considered all sexes.

Table 4.1: Marital Stat

Correspondents on Marital Status Basis		Marital Status			Total
		Married	Widowed	Never Married (Single)	
Sex	Male	58 28.4%	11 5.4%	4 2.0%	73 35.8%
	Female	93 45.6%	31 15.2%	7 3.4%	131 64.2%
Total		151 74.0%	42 20.6%	11 5.4%	204 100.0%

Source: Field Data (2013)

4.2.2 Educational Background

One of the parameters used to access human capital was education. Thus educational level of the household was deemed important. The result shows 3.4% of male and 9.8% of female do not have any formal education. 17.2% of male and 30.9% of female possess primary education and 15.2% of male and 23.5% of female completed only secondary education. From that angle, 13.2% of the respondents do not have any recognizable level of education, 48.0% are primary education level drop-outs and 38.7% have secondary level education. . This indicates a reasonable level of education to understand participation and benefits of SACGs. The rest of the results are displayed in Table 4.2.

Table 4.2: Educational Background

Correspondents on Level of Education Basis		Education Level			Total
		None	Primary	Secondary	
Sex	Male	7 3.4%	35 17.2%	31 15.2%	73 35.8%
	Female	20 9.8%	63 30.9%	48 23.5%	131 64.2%
Total		27 13.2%	98 48.0%	79 38.7%	204 100.0%

Source: Field Data (2014)

4.2.3 Occupation

The research was very interested in capturing the information on occupation. This was done purposively to access the source of income of the household. The findings shows that 8.3% of male are involved in business, 4.9% civil servants, 3.4% employed in the private sector, 12.7% peasant farmers and the remaining 6.4% are involved in other activities, making the total sample population of male to be 35.8%.

On the side of female the result shows that 19.6% of female are involved in business, 2.5% civil servants, 4.9 are employed in the private sector, 23.5% peasants farmers and the remaining 13.7% doing other activities, making total sample population of female to be 64.4%. In total the result shows that 27.9% of people are involved in business, 7.4% civil servants, 8.3% employed in the private sector, 36.3% peasant farmers and 20.1% doing other activities.

From the trend of the findings, 27.9% of people are involved in business, 7.4% civil servants, 8.3% are employed in the private sector, 36.3% are peasant farmers and 20.1% do other activities.

Table 4.3: Occupation

Correspondents on Type of Occupation Basis	Main Occupation					Total
	Business	Civil Servant	Employed in Private Sector	Peasant Farming	Others	
Male	17	10	7	26	13	73
Sex	8.3%	4.9%	3.4%	12.7%	6.4%	35.8%
Female	40	5	10	48	28	131
	19.6%	2.5%	4.9%	23.5%	13.7%	64.2%
Total	57	15	17	74	41	204
	27.9%	7.4%	8.3%	36.3%	20.1%	100.0%

Source: Field Data (2014)

4.2.4 Educational Levels of Respondents by Occupation

The relationship made between educational level and occupation distribution shows that 13.2% of illiterate respondents are engaged in different occupations, 48.8% of primary and 38.7% of secondary levels of education are engaged in the analyzed occupations (private sector, civil servants, business etc).

Table 4.4 shows the relationship between educational level and occupational distribution. 13.2% of those who do not have any level of education are engaged in different occupations, 48.8% of primary and 38.7% of secondary level education holders are engaged in different occupations. Therefore many primary level education respondents are engaged in skilled occupations in contrast to their level of education.

Table 4.4: Educational Levels of Respondents by Occupation

Correspondents on the basis of education level and type of occupation		Main Occupation					Total
		Business	Civil Servant	Employed in Private Sector	Peasant Farming	Other	
Education Level	None	3 1.5%	1 0.5%	3 1.5%	11 5.4%	9 4.4%	27 13.2%
	Primary	36 17.6%	6 2.9%	5 2.5%	37 18.1%	14 6.9%	98 48.0%
	Secondary	18 8.8%	8 3.9%	9 4.4%	26 12.7%	18 8.8%	79 38.7%
Total		57 27.9%	15 7.4%	17 8.3%	74 36.3%	41 20.1%	204 100.0%

Source: Field Data (2013)

4.2.5 Educational Levels of Respondents by Marital Status

The Table 4.5 shows the relationship between marital status and level of education of the sampled respondents. The result shows 74.0% of the respondents with different

levels of education are married, and 20.6% widowed, and 5.4% never got married at all(single). Therefore, there are many married persons on the sampled population compared to other statuses, e.g. widows and singles.

Table 4.5: Educational Levels of Respondents by Marital Status

Correspondents on the basis of education level and marital status		Marital Status			Total
		Married	Widowed	Never Married (Single)	
Education Level	None	16 7.8%	10 4.9%	1 0.5%	27 13.2%
	Primary	81 39.7%	13 6.4%	4 2.0%	98 48.0%
	Secondary	54 26.5%	19 9.3%	6 2.9%	79 38.7%
Total		151 74.0%	42 20.6%	11 5.4%	204 100.0%

Source: Field Data (2013)

4.2.6 Correspondents Income Information

Table 4.6 shows income distribution of the sampled households that joined SACGs and later introduced into businesses. According to the findings many households that joined SACGs benefited as can be seen in the increase in their incomes. In the findings, 54.4% benefitted, leaving out 45.6% which did not benefit. On the same vein, 66.2% of households increased their saving and the remaining 33.8% of households' savings did not increase.

It is therefore concluded that a larger number of households are able to manage their businesses with 69.6%, compared to those who are not able, standing at 30.4%. On the knowledge on businesses, the table above shows that about 100% of the households are educated with formal and informal trainings.

Table 4.6: Income Information

Variables	Yes	No
Household income increased since you joined with SACGs	111 (54.4%)	93 (45.6%)
Household saving increased since you joined with SACGs	135 (66.2%)	69 (33.8%)
Household has enough ability to manage business	142 (69.6%)	62 (30.4%)
Household has a knowledge of business	204 (100%)	

Source: Field Data (2013)

4.3 Usefulness of Financial Services Provided by SACGs (Objective 1)

The importance of the usefulness of informal groups was measured by likert scale based on certain conditions. The assumption was made on the basis of the higher the score the more important are the variables as evaluative criteria. Four point scales were used to measure the importance of variables in such a way that mean score could be calculated to determine the importance of those variables. With four point scale, the intervals for breaking the range in measuring each variable are calculated as $4 - 1/4 = 0.75$: It means that the scores falling between the following ranges could be considered as:

4.25	– 5.00	Most Important
3.49	– 4.24	High Important
2.73	– 3.48	Important
1.97	– 2.72	Less Important

Data was collected through questionnaires and processed by SPSS for mean and standard deviation derivations. The result of the Likert scale analysis is shown below in Table 4.7.

Table 4.7: Analysis of the Uses of Financial Services Offered

Variables	Mean	Std. Deviation	Important Level
Pay children for education	1.96	0.979	Less Important
Solve household expenses	3.00	0.782	Important
Pay back loan to others	3.21	0.754	Important
Run business to get more income	3.13	0.376	Important
For building/ repair house	2.82	0.817	Less Important
For health expenses	3.04	0.319	Important

Source: Field Data

Table 4.7 shows the uses of financial services by the groups to their members. Paying school fees for the children and building/repairing houses from the money got from the groups is less important according the study findings based on a large standard deviation of between 0.979 and 0.817. Items which appeared important according to the findings include solving household expenses, paying back loan to others, running business to get more income, and covering health expenses.

4.3.1 Household Income Constrains Regarding Group Services

Likert scale analysis was also used to measure the importance of key services offered to the household members that joined SACGs. The assumption was made on the basis of the higher the score, the more important are the variables as evaluative criteria. Four point scales were used to measure the importance of variables in such a way that mean score could be calculated to determine the importance of those variables. With four point scales, the intervals for breaking the range in measuring each variable were calculated as follows:

$$5-1/5= 0.8$$

It means that the scores falling between the following ranges could be considered as:

4.20 – 5.00 Very Major Constrain.

3.40 – 4.19 Major Constrain

2.60 – 3.39 Moderate Constrain

1.80 – 2.59 Minor Constrain

1.00 – 1.79 Very Minor Constrain

The data that gathered through questionnaires were processed in SPSS for mean and standard deviation. The results of the likert scale analysis are shown in Table 4.8.

Table 4.8: Likert Scale Analysis of the uses of Financial Services Offered

Variable	Mean	Std. Deviation	Constrains Level
Credit offered	2.16	1.327	Minor Constrain
Resource mobilization	3.85	1.263	Major Constrain
Size of business	3.43	0.937	Major Constrain
Type of business	4.67	0.678	Very Major Constrain
Gender Participation	3.03	1.055	Moderate Constrain

Source: Field Data

According to the findings, household income constrains regarding group services on which the credit is offered and resources mobilized registered minor constraints. Size of business and type of business registered major constrains, and gender participation registered major constrains.

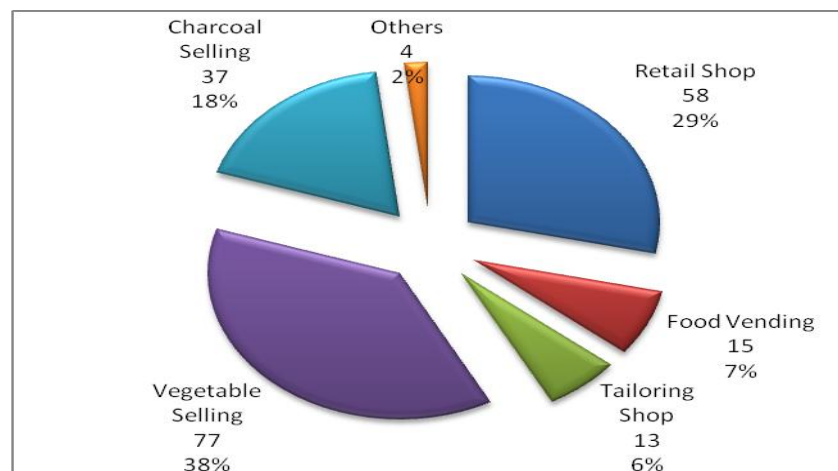


Figure 4.1: Economic Activities Operated by Members of the Group

Source: Field Data (2013)

Figure 4.1 shows different activities of the households of North Unguja. It can be seen that 18% of the households are engaged in charcoal activities, and 4% are engaged in other activities. A large number of households of about 38% and 29% deal with retail shops and vegetable selling respectively. Furthermore, 7% of the households are in food vending and the remaining 6% are involved in tailoring activities.

4.3.2 Descriptive Analysis

Descriptive analysis contains different statistics drawn such as total household income, total salary of the household, household income from agriculture activities, and total household income from non agriculture activities, and a share of the household income received from SACGs after completing the cycle. Table 4.9 provides the details. The final part is a share of the household income received from the informal SACGs after completing the cycle.

The result indicated that on average the household income per month received was TZS. 191,526.2/= with a standard deviation of 21,237.4, signifying that the income of each household deviated from their mean income. The value of standard deviations is very small compared to the value of mean and this shows that the income of the household is relatively close to each other.

On the other side, the mode presents the frequency in which the households that earn the same amount stood at TZS. 188,933.5/= per month. The results also display the maximum income of the household which equals TZS. 302,333.5/= per month and the minimum income is TZS. 140,400.0/=. From that perspective, the range between

a person who receives a maximum income and minimum income is TZS. 161,933.5/=

On side of salary many people are on average earning TZS. 168,667.0/= as their salary per month with the same median. The result reveals that the maximum salary is TZS. 220,000.0/= and the minimum salary is TZS. 130,000/= with minor differences. This makes a difference of TZS. 90,000/= between the person who receives the maximum and the minimum salary.

Using the result of descriptive statistics as presented in table 4.9, the contribution of agricultural activities is significant. It displays that the mean, median and mode of income due to agriculture does not have major differences. It indicates TZS. 34,071.9/= even if the individual money due to agriculture deviate highly from their mean. Due to this situation, differences between the person who receives the maximum income and the minimum income are therefore TZS. 291,500.0/= when the minimum income is TZS. 8,500/= and the maximum income is TZS. 300,000/=

From non-agricultural results, it gives the information that the mean per month is TZS. 349, 77.9/= and the standard deviation of 22,690.0, signifying that the individual household non-income is closely related to each other. The maximum income is TZS. 95,000/= and the minimum is TZS. 10,000/= indicating a very high range of about TZS. 85,000/=. This is influenced by different activities performed by the population.

Finally, the results further show that households receive an average share of TZS. 31,709.2/= with a standard deviation of 7,676.4. This indicates that households

which engaged in SACGs have TZS. 53,073/= per month as the maximum income and TZS. 17,000/=, as the minimum income, after round one.

Table 4.9: Descriptive Analysis

Statistic	Income	Salary	Agriculture	Non	
				Agriculture	Share
Mean	191,526.2	168,666.9	34,070.9	34,977.9	31,709.2
Median	190,716.3	168,667.0	34,071.0	28,000.0	32,500.0
Mode	188,933.5	168,667.0	34,071.0	18,000.0	34,200.0
Std. Dev.	21,237.4	11,116.9	25,501.0	22,690.0	7,676.4
Range	161,933.5	90,000.0	291,500.0	85,000.0	36,073.0
Minimum	140,400.0	130,000.0	8,500.0	10,000.0	17,000.0
Maximum	302,333.5	220,000.0	300,000.0	95,000.0	53,073.0

Source: Field Data (2013)

4.4 Impact of SACGs' Shares on the Household Income (Objective 2)

Liner Multiple Regression analysis was used to analyse this question. A sample of 204 members was taken to assess the impact of SACGs' shares on the household income. An assumption that shares received from the group have no impact was taken as null hypothesis while the alternate one was assumed that the share received has significant impact. A regression model was formulated with other sources of household income such as salary, income from agricultural activities and non-agriculture activities.

The study also surveyed other variables which had statistical significance on the objectives. Table 4.10 shows the results that were obtained from the regression analysis. After applying different techniques for the variables to meet the criteria for regression both dependent and independent variables were then transformed into natural logarithm.

The result shows that the value of R-square is 0.444. This indicates that the independent variables of salary, agriculture and non agriculture income and share explained the dependent variable of total household income by 44.4% only and, 55.6 is explained by other variables which are not in the model.

All variables in this model show a statistical significance level of 1%, meaning that there is an impact on each variable in determining the income of the household. The estimated coefficients of the variables are all positive, implying a positive correlation between the independent and dependent variables. This implies that when the independent variables change per unit the dependent variable also changes by respective value (coefficient of parameter) of exogenous.

The estimated coefficient of variable salary was 0.4839536 and the standard error was 0.0856143 while its t-value was 5.65. The implication of this result is that per unit change of TZS in salary the percentage of household income also increases to 48.4 when other variables are held constant.

However, in other variables, the result shows that the estimated coefficient of variable agricultural income, non-agriculture income and shares stand at 0.0882091, 0.0686007, and 0.0669576 respectively. The standard errors were 0.0099681, 0.0096057, and 0.0228474 respectively while t-value was 8.85, 7.14, and 2.93. This signifies the same result as in salary showing that per unit change of TZS in agriculture income the percentage of household income increases to 8.8 per unit change of TZS.

For non-agriculture income the percentage of household income increases to 6.8 per unit change of TZS. For shares received the percentage of household income increases to 6.7 taking into account the determination of one variable, while other variables held constant.

Moreover, the variable constant (β_0) also shows a 1 % level of significance, with coefficient estimated at 4.030948, a standard error of 1.074775 and t-value of 3.75. This value signifies that taking into account no impact of those independent variables, the household still remains with income. This normally makes assumption from other sources not initially mentioned in the regression model.

Table 4.10: Summary of Regression Analysis

Source	SS	df	MS
Model	1.05556656	4	0.263891639
Residual	1.32088658	199	0.006637621
Total	2.37645313	203	0.011706666

Source: Field Data (2013)

Income	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
lnsalary	.4839536	.0856143	5.65	0.000	.315126 .6527812
lnagr	.0882091	.0099681	8.85	0.000	.0685524 .1078659
lnnon_agr	.0686007	.0096057	7.14	0.000	.0496586 .0875427
lnshare	.0669576	.0228474	2.93	0.004	.0219036 .1120116
_cons	4.030948	1.074775	3.75	0.000	1.911538 6.150357

Source: Field Data (2013)

<i>Number of obs</i>	=	204
<i>F(4, 199)</i>	=	39.76
<i>Prob > F</i>	=	0.0000
<i>R-squared</i>	=	0.4442
<i>Adj R-squared</i>	=	0.4330
<i>Root MSE</i>	=	0.08147

4.5 Challenges facing rural SACGs (Objective 3)

The third research objective was to find out challenges facing rural SACGs in the fight against poverty. To analyze this objective, a combination of logistic regression analysis, factor analysis, factor extraction method and total variance explained and rotated compound matrix was applied. Logistic Regression Analysis determined the three challenges facing rural SACGs on poverty reduction and the factors that hindering rural informal SACGs. The dependent variable Logit (p) is a binary response measuring whether household income and saving increase is equal 1 or 0.

At the household level especially those that joined the group, the assumption was to assess whether poverty would reduce at the household level whenever income level increased, and the respondent is able to save. Otherwise when a household failed to fall in this category, they are treated as being poor. The estimated model is presented as:

$$\text{Logit}(p) = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 \dots\dots\dots 2$$

Where the variables X_j for $j = 1, 2, 3, 4$ and 5 are defined as X_1 is the credit offered, X_2 is resource mobilization, X_3 is size of business, X_4 is the business type, and X_5 is the gender participation. To get these interrelationships, factor analysis was adopted. Factor analysis is a statistical method which can be used to address the problem of analyzing the structure of the interrelationships (correlations) among a large number of variables by defining a set of common underlying dimensions, known as factors.

It is important to note that in factor analysis, the varieties are formed to maximize their explanation of the entire variable set, not to predict a dependent variable(s).

However, there are other objectives of using factor analysis when we do data analysis but the main objective of performing factor analysis here was to group the data by summarizing the important information contained in the five variables based on their relative importance.

To achieve that, Principal Component Analysis (PCA) was employed rather than Common Factor Analysis (CFA). Compared to or through analysis of the other extraction methods, Principal Component Analysis was chosen as the best considering the purpose of the study. The criteria that was used to determine the number of factors to be extracted was Latent Root Criterion and it was taken that only the factors having latent roots or eigen values greater than 1 were considered significant and selected. All factors with latent roots less than 1 were considered insignificant and disregarded. The exercise resulted in extraction of three factors from the five variables. The rationale for the latent root criterion is that any individual factor should account for the variance of at least a single variable if it is to be retained for interpretation.

Table 4.11 displays the Extraction Sums of Squared Loadings and Rotation Sums of Squared Loadings in term of percentage variability and cumulative which was explained by each factor in rank of order of three value for each factor in the matrix. Component one and two were defined by two variables.

For principle components, the percentage of variance of Extraction Sums of Squared Loadings for factor one was 28.688, factor two was 22.142 and factor three was 20.353. On the cumulative % of variance the figure was 28.688, 50.830 and 71.183

respectively. The result of percentage variance for Rotation Sums of Squared Loadings for factor one was 26.308, factor two was 23.872 and factor three was 21.003. The cumulative percentage was 26.308, 50.180 and 71.183 respectively.

However, the principle component analysis was purposively used to extract the information into factors. There were three factors generated where factor one was formulated by two variables size and type of the business known as Investment type. Factor two was extracted with resource mobilization and gender participation known as Operational type, and factor three was extracted by credits offered by the rural informal SACGs to its members known as Business Capital.

Table 4.11: Extraction Method: Principal Component Analysis

Component	Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.434	28.688	28.688	1.315	26.308	26.308
2	1.107	22.142	50.830	1.194	23.872	50.180
3	1.018	20.353	71.183	1.050	21.003	71.183

Source: Field Data (2013)

Table 4.12 shows the result of the VARIMAX rotated component Matrix. Information of extracted factors based on the variables used is shown. Rotation was performed in order to redistribute the variances more evenly so that the factor loading pattern becomes more meaningful and interpretation simpler. The results show that in the first Column (Factor one) the variable which has greater than 0.6 was size of the business and business type. In the second Column (factor two) the variable which has greater than 0.6 was resource mobilization and gender participation, while

in the last third Colum (factor three) the variable which has greater than 0.6 was credit offered by the group to the household member who joined the group.

Table 4.12: Rotated Component Matrix

	Component		
	Factor One	Factor Two	Factor Three
Credit	.010	.035	.957
Resource	-.027	.811	-.086
Size	.827	.032	-.212
Type	.785	.072	.252
Gender	.121	.727	.135

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 4 iterations.

Source: Field Data (2013)

4.5.1 Results of Logistic Regression Analysis

Table 4.13 presents the summary of the parameters and its estimated values known as log likelihood, Cox & Snell R Square and Nagelkerke R Square. The estimated values were 248.222 for log likelihood, 0.041 for Cox & Snell R square and for Nagelkerke R Square the value was 0.058.

Table 4.13: Result of Logistic Regression Analysis

-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
248.222 ^a	0.041	0.058

a. Estimation terminated at iteration number 4 because parameter estimates changed by less than .001.

Source: Field Data (2013)

Table 4.14 presents the estimated coefficient of the logistic regression analysis by type of constrains. The coefficient of constrain on investment type was 0.204, the estimated coefficient on the operational parameter was 0.368, while constrain of business capital has -0.203. However, in this research the only variable which has significant impact on the dependent variable was discussed leaving out the variables that did not have any significant impact.

The standard error of each estimated parameters were also presented in which the investment type indicates 0.159, operational type shows 0.162 and the business capital depicts 1.591. The variables that revealed a statistical significance of 5% level was operational type. Investment type and business capital of 0.199 and 0.207 respectively did not have any statistical significance.

Table 4.14: Estimated Coefficients

	B	S.E.	Wald	Sig.	Exp(B)
Investment type	0.204	0.159	1.653	0.199	1.226
Operational type	0.368	0.162	5.170	0.023**	1.444
Business Capital	-0.203	0.161	1.591	0.207	0.817
Constant	-0.776	0.155	25.021	0.000	0.460

**significant level at 5%

Source: Field Data (2013)

In summary, a number of challenges were identified as affecting the smooth operations of SACGs. There were the obvious challenges of investment type which found out that the type of investment the rural households were engaged in did not realise the expected returns as the majority tended to invest in substance agriculture. There were also problems of operational type, and the business capital being insufficient.

On top of these, other problems identified by the respondents through open ended questions, and short conversations had with the researcher yielded the following challenges:

Shortage of funds as the groups formed depended on shares bought by members. The Community organizations do not have alternative sources of capital. Infrastructure in terms of road, network, and commercial activities in the rural areas was noted. Communication problems and service delivering to group members become inadequate. Poverty in rural areas hinders community members not to join groups, because they lack money to buy Shares. Many rural residents depend on agriculture and fishing which is mostly affected by weather conditions.

Increase of formal micro credit institutions raises competition to the activities of SACGs due to emerging of culprits who join the groups and at the same time have credits from other credit institutions. Entering into cycles of indebtedness often contributes to feelings of helplessness and powerlessness among poor people.

4.6 Household Constrains of SACGs Services (Objective 4)

Likert scale analysis was household constraints of key SACGs services. The assumption was made on the basis that the higher the score, the more important are the variables as evaluative criteria. Four point scales were used to measure the importance of variables in such a way that mean score could be calculated to determine the importance of those variables. With four point scales, the intervals for breaking the range in measuring each variable were calculated as follows:

$$5-1/5= 0.8$$

It means that the scores falling between the following ranges could be considered as:

4.20 – 5.00 Very Major Constrain

3.40 – 4.19 Major Constrain

2.60 – 3.39 Moderate Constrain

1.80 – 2.59 Minor Constrain

1.00 – 1.79 Very Minor Constrain

The data that gathered through questionnaires were processed in SPSS for mean and standard deviation. The results of the likert scale analysis are shown in Table 4.15.

Table 4.15: Household Constrains of SACGs Services

Variable	Mean	Std. Deviation	Constrains Level
Credit offered	2.16	1.327	Minor Constraint
Resource mobilization	3.85	1.263	Major Constraint
Size of business	3.43	0.937	Major Constraint
Type of business	4.67	0.678	Very Major Constraint
Gender participation	3.03	1.055	Moderate Constraint

Source: Field Data (2013)

According to the findings, household constrains of SACGs services on which the credit is offered and resources mobilized registered minor constraints. Size of business and type of business registered major constrains, and gender participation registered major constraints. This indicates that type of business is a major constraint to acquiring credit from SACGs. The choice of business thus determines the success of the credit, savings and poverty reduction mechanism.

4.7 Discussion of the Findings

Objective one identified several uses of the usefulness of SACGs' financial services in *North Unguja*. Most notable ones are payment of school fees for the children, building/repairing houses, solving household expenses, paying back loan to others, setting up businesses, and covering health expenses. It further indicated the economic activities of the people of Unguja are charcoal burning activities, retail shops, and vegetable selling. Other activities are food vending and tailoring activities. This ties up with the project done by IFAD (2005), in Gaza, Palestine where women obtained money from Credit groups and set up small businesses. The women of Peru also used their group money to respond to emergencies and solving household requirements (Veruschka, 2008).

As can be seen, this research identified more activities that the group can use the money for, initially not mentioned in the previous studies. Ahlen (2012), showed financial association funds helps meet consumption needs, pay school fees, run small businesses, increase and diversify the income and the majority also believed that it can be a useful tool for poverty reduction. Hulme and Mosley (1996) note that credit gives poor people a means of investing and breaking out of the "vicious circle" of poverty. Prasenjit (2012) found that loans were utilised mainly for consumption purposes, followed by expenditure on current productive activities

Objective two analyzed the impact of SACGs' shares on the household income. The findings confirmed that households that joined SACGs and later introduced into businesses benefited as seen in increase in their incomes. A larger number of households were able to competently manage their businesses and were literate to

run successful economic activities. This supports the findings done by Mwalughali (2013) in Malawi that found increase in household income as a result of Savings and Credit Groups.

In Uganda, Nalyaali (1998) also was able to find a number of people had increased income and properties from their financial associations. When used properly, the funds obtained from the group can change income levels and lives of many people. This is something previous studies did not get into. Provision of trainings the recipients as advocated by IFAD (2005) can prioritise the intention of the funds, as also observed by Hendricks (2011), who noted that the funds when used properly can increase the skills of the recipients in investment and savings. Mutuerandu (1999) found that with the credit services, women were able to invest in many ventures, send their children to school and either repaired or constructed new homesteads. But also Prasenjit (2012) found loans obtained were too small to make any meaningful impact.

Objective three determined the challenges facing rural SACGs in North Unguja. There were obvious challenges of investment type operational type, and the business capital. Others were Shortage of funds for the SACGs, poor infrastructure (road, network, and commercial activities) affecting Communication. Others were high poverty level, and Increase of formal micro credit institutions raises increasing competition. Makombe et al (1999) identified imperfect markets, stiff competition, inadequate loans, and poor weather conditions. Khalid (2012) also showed that funds rendered were inadequate, at best targeted to specific groups and to the promotion of specific technologies.

Objective four assessed household constraints facing SACGs services. According to the findings, household constraints facing SACGs services on especially credit and resources mobilizations were minor, but significant. Size of business and type of business registered major constraints, and gender participation registered major constraints. This indicates that type of business is a major constraint to acquiring credit from SACGs. The choice of business thus determines the success of the credit, savings and poverty reduction mechanism. IFAD (2005) found lack of business and saving skills among the recipients are crucial to business success. Most studies previously conducted targeted only one gender, women. This is seen in IFAD (2005) and Veruschka (2008) among others.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The previous chapter covered presentation and discussion of the study findings. This chapter presents the conclusions and recommendations as well as suggestions for further research.

5.2 Summary of the Main Findings

The purpose of this study was to assess the village SACGs on poverty reduction. Thus, the study was guided by four objectives that enabled the researcher to link between the informal community groups and poverty reduction strategies.

SACGs benefit the community. Information on income that was captured from the sample of 204 households which joined SACGs shows that many households that joined SACGs benefited due to increase in their incomes. Findings confirmed that households that joined SACGs and later introduced into businesses benefited as seen in increase in their incomes. A larger number of households were able to competently manage their businesses and were literate to run successful economic activities.

SACGs help improve business and saving skills. Similarly, it was discovered majority of households have enough ability to manage their businesses. Most households have the required formal and informal levels of education to run businesses. Information obtained revealed that paying children for education and building/repairing houses

are less important. Financial services were also used to solve household expenses, pay back others' loans, run businesses to get more income, and pay health expenses.

Information on constrains regarding group services were also captured. The variables used were well defined in the previous chapters three and four. The finding shows that credits offered and resource mobilizations are moderate constrain, size and type of business are major constrains, with gender participation recorded as a very major constrain.

On accessing the impact of shares received by the household who joined SACGs a sample of 204 members was taken. An assumption was made that the shares received from the group has no impact as null hypothesis, while the share received has significant impact was the alternate hypothesis. A regression model was formulated with other sources of household income namely salary, income from agricultural activities and income from non-agriculture activities.

The logistic regression model was employed to determine and analyze constrains that hinder efforts made by the household on poverty reduction. At the household level especially those who had joined SACGs an assessment was made on poverty reduction in the household whenever income level increased and the household was able to save. When a household failed to fall within this criterion they are treated as still poor.

Factor analysis analyzed the structure of the interrelationships (correlations) among numbers of variables by defining a set of common underlying dimensions, known as

factors. The varieties are formed to maximize their explanation of the entire variable set, not to predict a dependent variable(s). However, there is other objective of using factor analysis when data analysis is done, but the main objective of performing factor analysis in this study was to group the data by summarizing important information contained in the five variables based on their relative importance.

In this study, Principal Component Analysis (PCA) was used rather than Common Factor Analysis (CFA). This was selected based on the objective of the study and compared to or through analysis of the other extraction methods; it was found appropriate to apply. The criterion that was used to determine the number of factors to be extracted was Latent Root Criterion and it was taken that only the factors having latent roots or eigen values greater than 1 were considered significant and selected. All factors with latent roots of less than 1 were considered insignificant and disregarded. The exercise resulted in extraction of three factors from the five variables. The rationale for the latent root criterion was that any individual factor accounted for the variance of at least a single variable if it was to be retained for interpretation.

However, the principle component analysis was purposively used to extract the information into factors. There were three factors generated, and factor one was formulated by two variables size and type of the business known as Investment type. Factor two was extracted with resource mobilization and gender participation known as Operational type where by factor three was extracted by credits offered by the rural informal SACGs to the members known as Business Capital.

The result of the VARIMAX rotated component Matrix revealed the information of extracted factors based on the variables used (Mean). Rotation was performed in order to redistribute the variances more evenly to raise meaningful factor loading pattern and simpler interpretation.

The result showed that in the first column (Factor one) the variable which had greater than 0.6 was business size and type. In the second column (factor two) the variable which had greater than 0.6 was resource mobilization and gender participation while in the last third column (factor three) the variable which had greater than 0.6 was credit offered by the group to the household member who joined the group.

The result of logistic regression that was obtained showed that the estimated values known as log likelihood, Cox & Snell R Square and Nagelkerke R Square. The coefficient of constrain on investment type value was 0.204; the estimated coefficient on the operational parameter was 0.368 while constrain of business capital value revealed -0.203. The study, however, only discussed the variables which had significant impact on the dependent variables. The standard error of each estimated parameters were also presented in which the investment type were 0.159, operational type 0.162 and business capital 1.591.

5.3 Implications of the Findings

Findings show the majority of households have the required formal and informal levels of education for their businesses. This implies that they are able to use the loans obtained from their groups, and also save.

The research discovered that loans from informal financial institutions are used for offsetting expenses such as paying children for education and building/repairing houses, solving household expenses and paying back loan to others, run businesses to get more income, and for health expenses. Effort should therefore be made on the productive activities involving capital accumulation, than on household items. This implies that poverty cannot be reduced because people use the money on consumable goods, not capital goods.

Findings further show that credits offered and resource mobilizations are moderate constrain, size and type of business are major constrains, with gender participation recorded as a very major constrain. This again indicates the kind of society Zanzibar is, with women not offered the same economic opportunities as men.

Descriptive analysis indicates that salary is still low in Zanzibar with the average household income per month received being TZS. 191,526.2/= with a standard deviation of 21,237.4, signifying that the income of each household deviated from their mean income. The value of standard deviations is very small compared to the value of mean and this shows that the income of the household is relatively close to each other. This will imply that funds received from the group will be used to supplement the household income.

The impact of shares received by the household who joined SACGs was significant. A regression model was formulated with other sources of household income namely salary, income from agricultural activities and income from non-agriculture activities. The implication of this result is the same as in salary, showing that per unit

change of TZS. In agriculture income the percentage of household income increases to 8.8, per unit change of TZS. For non-agricultural income the percentage of household income increases to 6.8 and per unit change of Tanzania shillings.

For shares received the percentage of household income increases to 6.7 taking into account one variable other, variables remaining constant. Moreover, the variable constant (β_0) also shows a 1 % significance level and coefficient estimated at 4.030948 with a standard error of 1.074775 and t-value of 3.75. This value signifies that with no impact of those independent variables, the household

5.4 Conclusion

Informal financial groups play an important role in poverty reduction in the rural areas. Their challenges especially on gender biasness, insufficient funds and high poverty levels in the villages make many people to use their fund not for capital accumulation, but for consumption. From a micro perspective, individuals acquiring adequate financial services would be able to improve their household income, through accumulating larger lump sums, for school, medicines, houses, stationary etc. which can increase human capital, the individuals 'productivity and ultimately contribute to poverty. An essential element is making financial services available for as many people as possible. Developing and improving, saving and credit groups can be one effective alternative to formal banks.

These groups are reaching low-income people with financial services. If improvements are made and regulations are recognized they could operate as an intermediating institution, allocating resources between low income savers and borrowers.

The financial ideal would be available, widespread formal services, resulting in the whole population having the opportunity to take part in the formal economic activities. Then there would be no use for an informal sector. But at present formal banks are far from having the capacity to offer financial services to the majority of Tanzania's population, i.e. people with low income.

In general, savings and credit groups in Tanzania have problems for financing their activity. The groups are short of funds as the majority rely on the group members buying shares amidst the high poverty levels of the members incapacitating their ability. But all in all, these groups if run properly with structured coordination and seriousness can be a very good mechanisms for poverty reduction in the rural areas.

5.5 Recommendations

The recommendation that were laid down based on the result found in this study. The results apply only at the time when the research was conducted since it is inadvisable to generalize the findings from this study to other enter areas of Zanzibar. Household members who joined informal groups can perform well if their household incomes are channelled SACCOS where their individual economic businesses can be competently managed.

Gender biasness should be eradicated because poverty bites all gender without any consideration. There should therefore be the involvement and participation of all gender in running businesses. The study also recommends more information on the impact of SACGs in the fight against poverty should be made available. In addition, more variables should be used to setting the criterion for poverty indicators.

5.6 Limitations of the Study

The research encountered limitations that could have affected the research results. First is that many people lacked enough knowledge on the operations of Savings and Credit groups. Responses obtained from the members of the group may not reflect the entire Zanzibar as lots of people in other places have never had or seen savings and credit groups in their areas. Second, the majority of researches on which the empirical studies were linked were conducted outside Tanzania, save for a few that did not directly address the issues raised in the theoretical reviews. This could also be a handicap. Lastly, time was of essence as carrying out a full range of the items involved in the final outcome of this research needed more time than was available.

5.7 Suggested Areas for Future Research

Prospective researchers could in the future try to look at the leadership of these savings and credit groups, proving their ability in management and mobilization. This is important in attesting to their contribution to the mass collapse of these groups in many parts of the entire Tanzania. Another area worth studying is the comparisons between formal and informal institutions in poverty reduction in the country. Many formal institutions have reduced interest rates, and operating more like informal structures. A comparison would shade more like and help increase the scarce academic materials in this area.

REFERENCES

- Abbink, K., Bernd I. and Elke R. (2006). "Group Size and Social Ties in Microfinance Institutions" *Economic Inquiry* 44 (4), 614-628.
- Adcock, C. J. (1997), Sample size determination: A review. *Statistician*, 46 (2), 261–283.
- Ahlén, M. (2012). Rural Member-Based Microfinance Institutions – A field study assessing the impacts of SACCOS and VICOBA in Babati district, Tanzania. Södertörn University | School of Life Sciences Bachelor's Thesis 15 ECTS | Spring Semester 2012. Environment and Development Educational Programme. On <http://sh.diva-portal.org/smash/get/diva2:544512/FULLTEXT01.pdf>.
- Amélie Solal-Céligny (2012). Financial Services Associations, available on Programme d'Appui au Développement Rural (PADER 2007 – 2012); Microfinance and Marketing Project (PROMIC 1999-2006)<http://rpr.ifad.org/node/593>.
- Andrea, L. and Eleonora, L. (2011), Participation in Rotating Savings and Credit Associations in Indonesia: New Empirical Evidence on Social Capital. WP 5/2011 Serie: *Economia e-Politica economica*, http://swrwebeco.econ.unipr.it/RePEc/pdf/I_2011-05.pdf, retrieved June, 2014.
- Annie, B. (2011), Transforming lives: Can Savings and Credit Group membership work for people affected by HIV/AIDS? A South African Case Study. Universitas Forum with partial funding from FinMark Trust.file:///C:/Users/Znz/Downloads/annie_barber_paper.pdf, June, 2014.

- Anthony, D. (2005). "Cooperation in Microcredit Borrowing Groups: Identity, Sanctions, and Reciprocity in the Production of Collective Goods" *American Sociological Review* 70 (3), and Arvind Singhal. 1992 "The Diffusion of Grameen Bank in Bangladesh: Lessons Learned About Alleviating Rural Poverty" *Knowledge* 14 (1), 7-28.
- Ardener, S. (1964). "The Comparative Study of Rotating Credit Associations." *The Journal of the Royal Anthropological Institute of Great Britain and Ireland* 94:21-29.
- Armstrong, D.M. (1968). *A Materialist Theory of the Mind*, London, Routledge.
- Ashe, J. (2002). *Journal of micro finance*, volume 4r, number two Fall Marriot School at Birmingham young, University Hawaii Lai, USA.
- Asher, HB. (2013), *Theory-Building and Data Analysis in the Social Sciences*. Knoxville, TN: University of Tennessee Press.
- Berrett-Koehler, (1997), *Human Resource Development Handbook: Linking Research and Practice*. pp. 114-137; San Francisco, available on <http://libguides.usc.edu/content.php?pid=83009&sid=618409>. Retrieved on 25th June, 2014.
- Besley, T., Stephen, C. and Glenn, L. (1993). "The economics of rotating savings and credit associations." *American Economic Review* 83:792-810. 1994. "Rotating Savings and Credit Associations, Credit Markets and Efficiency." *The Review of Economic Studies* 61:701-19.
- Catherine Butcher (2007). Understanding the role of informal institutions in social accountability, available on http://siteresources.worldbank.org/INTEMPowerment/Resources/Ethiopia_Understanding_Role_of_Institutions.pdf. Retrieved on 25th June, 2014.

- Chambers, R. (1983). *Rural Development: Putting the last first*, Longman group UK Limited Essex, England.
- Christine, F. (2009). *Community Based Savings Micro Finance And Household Income Poverty Eradication in Uganda: A Case Study of Busimbi Sub County, Mubende District. A Thesis Submitted in Partial Fulfilment of the Requirement for the A Ward of the Degree of Master of Arts In Social Sector Planning and Management of Makerere University, Kampala.*
- Conner Brannen, (2010), *An Impact Study of the Village Savings and Loans Associations (VSLA) Program in Zanzibar, Tanzania. Bachelor of Arts Economic thesis.*
- Creswell, John W. (2003), *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches* (2nd ed.). Thousand Oaks: Sage.
- Dervin, B., & Dewdney, P. (1986). Neutral questioning: A new approach to the reference interview. *Research Quarterly*, 25 (4), 506-513.
- Farrington, J.; Christoplos, I.; A. D. Kidd; & Beckman, M. (2002), *Can Extension Contribute to Rural Poverty Reduction? Synthesis of a Six-country Study.* ODI, Agricultural Research and Extension Network, paper no. 123. London.
- Foster, B and Sen, Z. (1997); and Lipton, M and Ravallion, P (1995), *Various quantitative methods for measuring poverty*, available on <http://siteresources.worldbank.org/INTPOVERTY/Resources/335642-1124115102975/1555199-1124115187705/ch2.pdf>. Retrieved on 25th June, 2014.
- Foster J (1984), *A Case of Decomposable Poverty Measures.* *Econometrica*, 52: 761-765.
- Grootaert C, Braithwait J (1998). *Poverty Correlates and Indicator, Based Targeting in Eastern Europe and Former Soviet Union.* World Bank Policy Research Working Paper. No 1942.

- Hazell P, Haddad L. (2001). Agricultural Research and Poverty Reduction. International Food Policy Research Institute. Food, Agriculture and the Environment Discussion Paper No. 34.
- Hendricks, L. (2011). Village Savings and Loans: A Pathway to Financial Inclusion for Africa's Poorest Households. Global Microcredit Summit Commissioned Workshop Paper, November 14-17, 2011 – Valladolid, Spain.
- Hulme, D and Mosley, P (1996). Finance Against Poverty, volumes 1 and 2, London: Routledge.
- IFAD, (2005), Five Year Strategic Plan for the Network of Saving and Credit Association in Gaza and the West Bank, http://www.ifad.org/operations/projects/regions/pn/infosheet/IS10_GazaWBank.pdf. Retrieved on 25th June, 2014.
- Joppe, M. (2000), The Research Process. Retrieved February 25, 2014, from <http://www.ryerson.ca/~mjoppe/rp.htm>. Retrieved on 25th June, 2014.
- Kashuliza, A. K., Hella, P., Magayane, F.F., Mvena, Z.S.K. (1998). *The Role of Informal and Semi-formal Finance in Poverty Alleviation in Tanzania: Results of a field study in two regions of REPOA*. Research Report No 98.1.
- Makombe, I. (1999). Credit schemes and women's empowerment for poverty alleviation: the case of Tanga Region, Tanzania. Research report 99.1. Dar es Salaam: REPOA.
- Khalid Mohamed (2003). Access to Formal and Quasi-Formal Credit by Smallholder Farmers and Artisanal Fishermen: A Case of Zanzibar. *Research Report No. 03.6*, Ministry of Agriculture, Natural Resources, Environment and Cooperation, Zanzibar, Tanzania. REPOA, Tanzania.

- Knowles, S. (2005), "The Future of Social Capital in Development Economics"
 Research paper Presented at the WIDER Jubilee Conference. Searched on
 August 25, 2012 from. (<http://www.wider.unu.edu/conference/conference-2005-3/conference-2005-3.htm>). Retrieved on 25th June, 2014.
- Kohlbacher, F. (2005), The Use of Qualitative Content Analysis in Case Study
 Research [89 paragraphs]. *Forum Qualitative Sozialforschung / Forum:
 Qualitative Social Research*, 7(1), Art. 21, <http://nbn-resolving.de/urn:nbn:de:0114-fqs0601211>. Retrieved on 25th June, 2014.
- Kothari, C. R. (1990), *Research Methodology: Methods and Techniques*. 2nd Edition.
 New Delhi: Wishwa Prakashan (A Division of Wiley. Eastern Limited).
- Kracauer, S. (1952). The challenge of qualitative content analysis. *Public Opinion
 Quarterly*, 16(4), 631-642.
- Krahnert, P.; Schmidt, Reinhard, H (1995). On the Theory of Credit Cooperatives:
 Equity and on Lending in a Multi-Tier System— A concept paper.
 —Working paper No. 11, || International Labour Office: Enterprise and
 Cooperative Development Department: Geneva.
- Lazzarini, S. G., Miller, G. J., & Zenger, T. R. (2001). Order with a little bit of law:
 Complementarity vs. substitution between formal and informal arrangements,
working paper, Olin School of Business, Washington University.
- Levy, S. (1991). *Poverty Alleviation in Mexico*. World Bank Policy Research
 Working Paper No.679.
- Makombe, I., Temba E. and Kihombo A. (1999). *Credit Schemes and Women's
 Empowerment for Poverty Alleviation: The Case of Tanga Region*. Institute
 of Development Management (IBM) Mzumbe, Research Report No. 99.1,

- REPOA, Tanzania. http://opendocs.ids.ac.uk/opendocs/bitstream/handle/123456789/1807/Research_Report_No_99_1.pdf?sequence=1. Retrieved on 25th June, 2014.
- Mamadou, J. (2010). IPA/BARA Baseline study ("Baseline Study of Saving for Change in Mali: Results from the Segou Expansion Zone and Existing SfC Sites"). Bureau of Applied Research in Anthropology (University of Arizona).
- Matthew, R. (2007). The Promise of Microfinance for Poverty Relief in the Developing World. <http://www.csa.com/discoveryguides/microfinance/review2.php> retrieved on 25th 2014.
- McCarthy, N, Dutilly-Diané, C & Drabo, B, (2004). Cooperation, collective action and natural resources management in Burkina Faso. *Agricultural Systems* 82(3), 233– 55.
- Micro Finance in Africa (1991). Combining the best practices of traditional and modern microfinance approaches towards poverty alleviation, Calagagovski.
- Mwalughali, O. (2013). The Impact of Community Savings And Investment Promotion Program on Household Income and Credit Market Participation In Kasungu District, Central Malawi. Collaborative Master of Science (Agricultural and Applied Economics) Thesis, University of Malawi Bunda College of Agriculture.
- Nalyaali, C. (1998). "Uganda Microfinance Union", *mimeo presented at Microfinance Best Practices*.
- Narayan, D. (2000). *Voices of the Poor-Can Anyone Hear Us?* New York: Oxford University Press.
- Noah, Y., Gafar T., and Muftau, A. (2009). *Informal Financial Institutions and Poverty Reduction in the Informal Sector of Offa Town, Kwara State: A*

Case Study of Rotating Savings and Credit Associations (ROSCAs).
Department of Sociology, ²Department of Economics, ³Department of Accounting and Finance, University of Ilorin, Ilorin, Nigeria

North, D. (1990). *Institutions, Institutional Change and Economic Performance*, Cambridge: Cambridge University Press.

North, D. C. (1990). *Institutions, institutional change and economic performance*. Cambridge: Cambridge University Press, UK.

Orr, A. and Orr, S. (2002). *Agriculture and Micro Enterprise in Malawi's Rural South*. ODI, AgREN Network Paper No. 119. London.

Ostrom, E. (1986). "An agenda for the study of institutions." *Public Choice* 48:3-25.

Ostrom, E. (1990). *Governing the Commons: The Evolution of Institutions for Collective Action*. Cambridge: Cambridge University Press, London.

Peralta, O. (2003). *The Role of Finance Sector in Poverty Reduction*, UNEP F1 Global Roundtable, Tokyo

Peter, T. (1962). *The Meaning of Poverty*. *The British Journal of Sociology*, Vol. 13, No. 3 (Sep., 1962), pp. 210-227, Blackwell Publishing on behalf of The London School of Economics and Political Science Stable URL: <http://www.jstor.org/stable/587266>. Retrieved on 25th June, 2014.

Poverty and Inequality in the EU (January 2009). The EAPN Social Inclusion Working Group with the collaboration of Hugh Frazer. European Anti Poverty Network Reseau Europeen Des Associations De Lutte Contre La Pauvrete Et L'exclusion Sociale Square De Meeus 18 – 1050 Bruxelles. http://www.eapn.eu/images/docs/povertyexplainer_en.pdf. Retrieved on 25th June, 2014.

- Prasenjit, B. (2012). Impact of Micro-Finance on Poverty: A Study of Twenty Self-Help Groups in Nalbari District, ASSAM. NIRD, Hyderabad. *Journal of Rural Development*, Vol. 31, No. (2) pp. 223 – 234.
- Quantitative research: *A Dictionary of Nursing*. Oxford University Press, (2008), *Oxford Reference Online*. Oxford University Press. University of La Verne. 25 August 2009.
- Review of literature (2006). UW-Madison Writing Centre, <http://www.wisc.edu/writing/Handbook/ReviewofLiterature.html>. Retrieved on 25th June, 2014.
- RGZ (2010). *Zanzibar Strategy for Growth and Poverty Reduction (MKUZA II)*, Ministry of Finance and Economic Affairs, Government Printers, Zanzibar.
- RGZ, (2010). The Zanzibar Household Budget Survey Report (2004/5), Integrated Labour Force Survey (2008), (2009/2010), Household Budget Survey (2009/2010), Office Of Chief Government Statistician, Zanzibar.
- Romie F. Littrell (2002). *A Literature Review: Critically Analysing Information Sources*. IBW-Fachhochschule Aalen, Germany.
- Rural Poverty Report (2001), *The Challenge of Ending Rural Poverty*, courtesy of International Fund for Agricultural Development. Oxford University Press Inc., New York, United States, Available on <http://www.ifad.org/poverty/ch.cont.pdf>, retrieved on 14th May, 2014.
- Ruth Meinzen-Dick, Monica Di Gregorio, and Nancy McCarthy (2004). *Methods for Studying Collective Action in Rural Development*. CAPRI WORKING PAPER NO. 33, International Food Policy Research Institute, Washington, D.C. 20006 U.S.A. <http://ageconsearch.umn.edu/bitstream/50062/2/CAPRIWP33.pdf>. retrieved on 14th May, 2014.

- SAHLINS, M. (1988). "Cosmologies of Capitalism: The Trans-Pacific Sector of the 'World System'". *Proceedings of the British Academy*, LXXIV:1-51.
- Social Capital Initiative Working Paper No.1, The World Bank, April 1998
- Stephen, L. (2011). *The Role Of Informal Microfinance Institutions In Saving Mobilization, Investment And Poverty Reduction. A Case of Savings and Credit Cooperative Societies (SACCOS) In Tanzania from 1961-2008*. Thesis Submitted As Full Requirements for the Award of Doctor of Philosophy Degree (PhD) of St. Clements University, Turks and Caicos Islands of British West Indies, 2011. St. Clement University, Turks and Caicos Islands 2011.
- Kirama, SL. (2004). *Determinants of Poverty in Tanzania. A Household Level Analysis*. Master of Arts Economic thesis.
- Stewart, M. (2008). *CSU Learning Skills: your link to success. Academic writing. Writing a literature review*, <http://www.csu.edu.au/division/studserv/learning>
- Swadeshi Jagaran Foundation (2004). *Effectiveness of Women Self Help Groups in Micro Enterprise Development in Rajasthan and Tamil Nadu*, NATIONAL COMMISSION FOR WOMEN 4, Deen Dayal Upadhyaya Marg, New Delhi-110002.
- Swadeshi Jagaran Foundation (2004). *Empowering the Nation. Effectiveness of Women Self Help Groups In Micro Enterprise Development In Rajasthan And Tamil Nadu*. National Commission for Women 4, Deen Dayal Upadhyaya Marg, New Delhi-110002, India.
- Thomson, R., Plumridge, L. and Holland, J. (eds.) (2003). "Longitudinal Qualitative Research" (Special issue), *International Journal of Social Research Methodology - Theory & Practice*, 6 (3).

- TODD R. ZENGER et al (2001). Informal and Formal Organization in New Institutional Economics, John M. Olin School of Business, Washington University, USA. <http://apps.olin.wustl.edu/faculty/zenger/advances6u.pdf>
- Unguja Island: Http://www.fightingmalaria.org/pdfs/AFM_Zanzibar_March08.pdf. Retrieved on 14th May, 2014.
- United Nation Development Programme, (2002), Annual Report.
- United Nations Development Programme (UNDP)(1998), Nigeria: Human Development Report 1998.Lagos: UNDP.
- UNSPECIFIED (2004). *Joint report on social inclusion 2004*. [EU Commission - Working Document].
- Van Bastelaer, Thierry, and Howard Leathers (2006). "Trust in Lending: Social Capital and Joint Liability Seed Loans in Southern Zambia" *World Development* 34 (10), 1788-1807.
- Van den, B. and Gerard J. (2007). "An Economic Analysis of Exclusion Restrictions for Instrumental Variable Estimation," IZA Discussion Papers 2585, Institute for the Study of Labour (IZA).
- Van den, B., Rogier, P. and Jean-Paul C. (1997). "The Microeconomics of an Indigenous African Institution: The Rotating Savings and Credit Association." *Economic Development and Cultural Change* 45:745-72.
- Veruschka Zilveti (2008). Promoting Women Savings in Regulated Financial Institutions Overview, IFAD, available on <http://rpr.ifad.org/node/553>.
- Von HM, and Kruse B (1994). Conceptual Bases for a Consistent Poverty-Oriented Policy. *Economics*,49/50: 41-55.
- World Bank, (2000/2001). World Development Report: Attacking Poverty, Washington, D.C.

APPENDICES

Appendix 1: Selected Tables Raised from SPSS

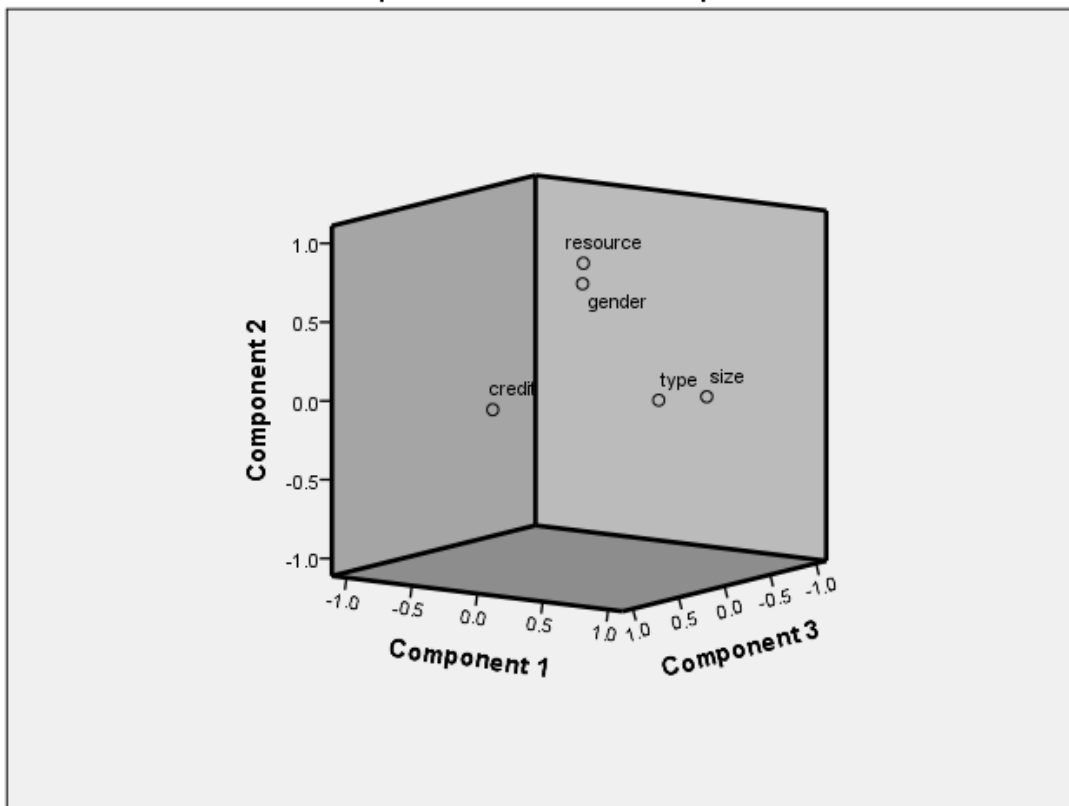
Component Matrix^a

	Component		
	1	2	3
credit	.233	.389	.843
resource	.416	.552	-.433
size	.632	-.554	-.149
type	.722	-.321	.248
gender	.535	.490	-.188

Extraction Method: Principal Component Analysis.

a. 3 components extracted.

Component Plot in Rotated Space



Component Transformation Matrix

Component	1	2	3
1	.799	.563	.214
2	-.598	.702	.387
3	.067	-.437	.897

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Component Transformation Matrix

Component	1	2	3
1	.799	.563	.214
2	-.598	.702	.387
3	.067	-.437	.897

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Classification Table^{a,b}

		Observed	Predicted		Percentage Correct
			LogP		
			No	Yes	
Step 0	LogP	No	138	0	100.0
		Yes	66	0	.0
		Overall Percentage			67.6

a. Constant is included in the model.

b. The cut value is .500

Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	8.615	3	.035
	Block	8.615	3	.035
	Model	8.615	3	.035

Appendix 2: Data Collection Tool (Interview guide)

The purpose of this interview is to get the information about your groups on my research title: *an assessment of Savings and Credits Groups on poverty reduction: A Case of Rural Farmers in North Unguja*. The information provided will be used purely for academic purpose, and will be treated confidentially. So I modestly request you to provide the information truthfully as possible

A: GENERAL INFORMATION

A1: Date and time of interview

A2: Name of the respondent (option)

A3: Shehia

B: DEMOGRAPHIC INFORMATION

B1: Sex 1=Male; 2=Female

B2: Marital Status 1=Married, 2=Widowed, 3=divorced/separated, 4= Single (Never married)

B3: Education Level: 1=none, 2= Primary, 3=Secondary 4= College (certificate/diploma), 5=University

B4: how many member live in your house?

C: INCOME INFORMATION

QC1: What is the main occupation of household's head?

(1)Business (2) civil servant (3) employed in the private sector (4) Peasant farming (5) Other (Specify)_____

QC2: Approximately how much does household earn from all sources in a month?

a) From Salary.....

b) From Agriculture Activities

c) From Non Agriculture Activities

d) From Groups as share

QC3: Does a household income increased since you joined with SACGs

Yes1 No2

QC4: Does a household saving increased since you joined with SACGs

Yes1 No2

QC5: Does a household has enough ability to manage business

Yes1 No2

QC6: Does a household has a knowledge of business

Yes1 No2

QC7: If yes, what type of business?

(1) retail shop (2) food vending (3) Tailoring shop (4) Vegetable
selling(5) Charcoal selling (6) Other (Specify)

QC8: Approximate how much do you save per month.....

QC9: Approximate how much your household does spend per month

D: SACGs INFORMATION

(1=not very important; 2= not important; 3=important; 4= very important)

	Uses of Financial Services Offered	1	2	3	4
1	Pay children for education				
2	Solve household expenses				
3	Pay back loan to other				
4	Run business to get more income				
5	For building/repair house				
6	For health expenses				

(1=very minor constraint; 2=minor constraint; 3=moderate constrain; 4= major constraint, 5=very major constraint).

	Constraints of SACGs	1	2	3	4	5
1	Credits offered are not sufficient					
2	Resource mobilization are not well managed					
3	Size of business is very low					
4	Type of business not provide high benefit					
5	Participation of Gender					

Appendix 3: Proposed Time-Frame

s/n	Activity	To be completed by Month					
		1	2	3	4	5	6
1	Proposal writing and Literature Review						
2	Data collection						
3	Data analysis						
4	Writing report and presentation						
5	Report dissemination						

APPENDIX 4: Determination of Sample Size

	WILAYA YA KASKAZINI "B					Sg
s/n	MAHONDA	Male	Female	Total	Year Started	
1	Yarabi tujaalie	4	26	30	2008	
2	Yarabi tupe salama	11	19	30	2008	
3	Atowae ni Mola	7	17	24	2008	
4	Yarabi tupebaraka	2	19	21	2008	
5	Tujikomboe	6	24	30	2008	
6	Neema Mola	0	22	22	2008	
7	Masikini hachoki	5	20	25	2008	
8	Tujikaze	2	19	21	2008	
9	Tupendane	6	24	30	2008	
10	Achekwae ...	6	24	30	2008	
11	Sisi kwa sisi	2	20	22	2008	
12	Kitambuliwe	3	14	17	2008	
13	Tumuombe mungu	6	10	16	2008	
14	Sote sawa	3	20	23	2008	
15	Atowae Mungu	4	14	18	2009	
16	Tusife moyo	7	21	28	2009	
17	Hatukosani	3	22	25	2009	
18	Siri Moyoni	2	19	21	2009	
19	Imarika	4	19	23	2009	
20	Hatutaki ugomvi	6	13	19	2009	
21	Tusigombane	3	22	25	2009	
22	Tunaweza	5	23	28	2009	
23	Umoja ni nguvu	6	24	30	2009	
24	Nia njema hairogwi	2	26	28	2010	
25	Tujalie salama	10	20	30	2010	
26	Tupeni nafasi	6	20	26	2010	
27	Hakiba haozi	8	13	21	2011	
1	Total	129	534	663		9
	MBALENI					
1	Riziki yetu	3	20	23	2008	
2	Nia njema	7	19	26	2008	
3	Mwanzo mgumu	7	15	22	2008	
4	Njota njema	13	5	18	2008	
5	Penye nia	6	15	21	2008	
6	Ujirani mwema	9	8	17	2008	
7	Umoja ni nguvu	2	13	15	2008	
2	Total	47	95	142		
	KINDUNI					
1	Hatuna ubaguzi	8	21	29	2008	
2	Mwanzo mwema	6	12	18	2008	
3	Nia safi	6	24	30	2008	
4	Tunaomba Mungu	6	16	22	2008	
5	Masikini hachoki	4	17	21	2008	
6	Tupendane	6	18	24	2010	
7	Tushikamane	10	16	26	2010	4
3	Total	46	124	170		
	MATETEMA					
1	Tujikomboeni	14	3	17	2008	
2	Fitina si mwenzetu	9	10	19	2008	
3	Yarabi tupe Salama	7	18	25	2009	

4	Mungu Tuwezeshe	10	15	25	2009	
5	Mtoaji Mungu	7	12	19	2009	
6	Ukweli uwepo	5	24	29	2009	
7	Njota njema	8	22	30	2010	
8	Mwanzo mgumu	6	15	21	2010	
9	Umoja ni nguvu	13	16	29	2010	
4	Total	79	135	214		
	KIOMBA MVUA					
1	Mema yapo	0	21	21	2008	
2	Mkorofi si mwenzetu	3	22	25	2009	
3	Mwanzo mgimu	6	14	20	2010	
4	Mola tuwezeshe	2	28	30	2010	2
5	Total	11	85	96	2008	
	MGAMBO					
1	Jitenge	6	22	28	2010	
2	Total	6	22	28		
	KITOPE					
1	Hiari yashinda utumwa	10	20	30	2008	
2	Kudanganywa hakuna	14	15	29	2008	
3	Hatukati tama	13	16	29	2009	
4	Umoja ni nguvu	2	16	18	2009	
5	Mwanzo mgumu	15	15	30	2009	
6	Mwanzo mgumu	2	19	21	2009	
7	Salama tu.	2	18	20	2009	
8	Uongo mbaya	15	6	21	2009	
9	Tumaini	14	16	30	2009	
10	Ukweli mihimu	9	21	30	2009	
11	Nia njema	10	20	30	2009	
12	Tubadilike	6	22	28	2011	
13	Umoja ni nguvu	8	19	27	2011	
7	Total	120	223	343		7
	ZINGWEZINGWE					
1	Nia ni moja	10	20	30	2009	
2	Kwa Mungu hakunakubwa	5	20	25	2009	
3	Penye nia pana njia	9	21	30	2009	
4	Tupendane	6	23	29	2009	
8	Total	30	84	114		
	DONGE					
	D/mnyimbi					
1	Sisi kwa sisi	11	18	29	2008	
2	Masikini nae mtu	8	22	30	2008	
3	Kupata si nguvu	10	12	22	2009	2
9	Total	29	52	81		
	D/Mbiji					
1	Tusichoke	5	22	27	2009	
2	Mwanzo mgumu	7	23	30	2010	
3	Nia njema	4	14	18	2011	
10	Total	16	59	75		
	D/Karange					
1	Tupendane	8	16	24	2009	
2	Tuko imara	9	12	21	2010	1
11	Total	17	28	45		
	D/Mchangani					
1	Kudanganyana hakuna	7	22	29	2009	

2	Subira ina malipo	10	17	27	2009	
3	Muhali hakuna	8	15	23	2010	
4	Jambo nia	6	14	20	2010	
12	Total	31	68	99		
	D/MUANDA					
1	Mwerevu hatufai	5	11	16	2008	
2	Tabianjema	6	9	15	2008	
3	Hatutaki kelele	4	13	17	2009	2
13	Total	15	33	48		
	D/vijibweni					
1	Tuko imara	1	14	15	2009	
2	Hatutaki ugomvi	0	15	15	2009	
3	Mtoaji ni manani	3	15	18	2009	
4	Tuko pamoja	0	30	30	2009	
5	Tujikaze	3	27	30	2009	
6	Sisi kwa sisi	2	20	22	2009	
14	Total	9	121	130		
	UPENJA					
1	Assaa kheri	6	24	30	2009	1
2	Total	6	24	30		
	KILOMBERO					
1	Umoja ni nguvu	6	14	20	2009	
2	Tuaminiane	8	13	21	2009	
3	Tushikamane	2	18	20	2009	
4	Majungu si mtaji	6	24	30	2009	
5	Tumeamua	5	19	24	2010	
6	Imani ni nguzo	8	17	25	2010	
15	Total	35	105	140		
	PANGENI					
1	Tumaini	4	18	22	2009	1
2	Total	4	18	22		
	FUJONI					
1	Nyota njema	12	16	28	2009	
2	Maendeleo	2	16	18	2009	
3	Tusiyumbishwe	7	17	24	2009	
4	Mtoaji ni Mungu	10	14	24	2009	
5	Safari njema	6	22	28	2010	
6	Nia njema	8	16	24	2010	
17	Total	45	101	146		
	BUMBINI					
	B/Kidaazini					
1	Nia njema	6	14	20	2009	
2	Kheri liwe	8	22	30	2009	
3	Subira	5	25	30	2009	2
18	Total	19	61	80		
	B/Makoba					
1	Hatutaki maneno	9	15	24	2009	
2	Ridhaa ya moyo	5	24	29	2009	
3	Mkorofi si mnzetu	7	14	21	2010	
4	Hatubaguani	8	17	25	2010	
5	Yarabi tuwezeshe	0	24	24		
6	Nusura ina malipo	3	20	23		
19	Total	32	114	146		
	B/Mafufuni					
1	Subira yavuta kheri	6	19	25	2009	1

2	Total	6	19	25		
	B/Misufini					
1	Tusichekane	5	14	19	2009	
2	Total	5	14	19		
	VUGA MKADINI					
1	Masikini Hachoki	5	23	28	2009	
2	Pia ni kheri	4	14	18	2009	
3	Umoja ni nguvu	6	22	28	2009	
4	Mlezi hana kinyongo	7	16	23	2010	2
22	Total	22	75	97		
	MANGAPWANI					
1	Hatuchoki	7	22	29	2009	
2	Hatuchekani	4	26	30	2009	
3	Mwenda pole	5	23	28	2009	
4	Umoja ni nguvu	11	19	30	2009	
5	Mwenye kusubiri hajuti	7	20	27	2009	
6	Mwanzo mgumu	6	12	18	2010	
7	Uchumi kazi	8	19	27	2010	
23	Total	48	141	189		
	PANGA TUPU					
1	Tunaomba kheri	9	17	26	2009	1
2	Total	9	17	26		
	KIWENGWA					
1	Nia njema	6	24	30	2009	
2	Nia safi	6	20	26	2009	
3	Tuvumiliane	4	26	30	2010	
4	Kweupe	8	20	28	2010	
25	Total	24	90	114		
	Grand Total	840	2442	3282		35

Sample Size taken

s/n	MAHONDA	Male	Female	Total	M	F	T
1	Yarabi tujaalie	4	26	30	1	6	7
2	Yarabi tupebaraka	2	19	21	0	4	5
3	Masikini hachoki	5	20	25	1	5	6
4	Achekwae ...	6	24	30	1	6	7
5	Tumuombe mungu	6	10	16	1	2	4
6	Tusife moyo	7	21	28	2	5	6
7	Imarika	4	19	23	1	4	5
8	Tunaweza	5	23	28	1	5	6
9	Tujalie salama	10	20	30	2	5	7
	KINDUNI				11	42	53
1	Hatuna ubaguzi	8	21	29	2	5	7
2	Nia safi	6	24	30	1	6	7
3	Masikini hachoki	4	17	21	1	4	5
4	Tushikamane	10	16	26	2	4	6
	KIOMBA MVUA	28			6	18	24
1	Mema yapo	0	21	21	0	5	5

2	Mwanzo mgimu	6	14	20	1	3	5
	KITOPE				1	8	9
1	Hiari yashinda utumwa	10	20	30	2	5	7
2	Hatukati tama	13	16	29	3	4	7
3	Mwanzo mgumu	15	15	30	3	3	7
4	Salama tu.	2	18	20	0	4	5
5	Tumaini	14	16	30	3	4	7
6	Nia njema	10	20	30	2	5	7
7	Umoja ni nguvu	8	19	27	2	4	6
	D/mnyimbi				17	28	45
1	Sisi kwa sisi	11	18	29	3	4	7
2	Kupata si nguvu	10	12	22	2	3	5
	D/Karange				5	7	12
1	Tuko imara	9	12	21	2	3	5
	D/MUANDA				2	3	5
1	Mwerevu hatufai	5	11	16	1	3	4
2	Hatutaki kelele	4	13	17	1	3	4
	UPENJA				2	6	8
1	Assaa kheri	6	24	30	1	6	7
	PANGENI				1	6	7
1	Tumaini	4	18	22	1	4	5
	B/Kidaazini				1	4	5
1	Nia njema	6	14	20	1	3	5
2	Subira	5	25	30	1	6	7
	B/Mafufuni				3	9	11
1	Subira yavuta kheri	6	19	25	1	4	6
	VUGA MKADINI				1	4	6
1	Masikini Hachoki	5	23	28	1	5	6
2	Umoja ni nguvu	6	22	28	1	5	6
	PANGA TUPU				3	10	13
1	Tunaomba kheri	9	17	26	2	4	6
35					2	4	6
	Total	269	647	888	55	149	204