

**SOUTHERN NEW HAMPSHIRE UNIVERSITY
&
THE OPEN UNIVERSITY OF TANZANIA**

**MASTER OF SCIENCE IN COMMUNITY
ECONOMIC DEVELOPMENT
(2007)**

**ENHANCING ACCESSIBILITY AND UTILIZATION OF
MICRO CREDIT AMONG WOMEN AND YOUTHS IN
VALESKA AND MALULA VILLAGES,
ARUMERU DISTRICT, ARUSHA REGION.**

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**ENHANCING ACCESSIBILITY AND UTILIZATION OF MICRO CREDIT AMONG
WOMEN AND YOUTHS IN VALESKA AND MALULA VILLAGES,**

ARUMERU DISTRICT, ARUSHA REGION.

A PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIRMENTS

FOR THE DEGREE OF MASTER OF SCIENCE IN COMMUNITY ECONOMIC

DEVELOPMENT IN SOUTHERN NEW HAMPSHIRE UNIVERSITY AT

THE OPEN UNIVERSITY OF TANZANIA

BY,

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SEPTEMBER 2007

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SUPERVISOR (S) CERTIFICATION

I, **Joseph Kiangi Mwerinde**, hereby certify that I have read the project titled "Enhancing accessibility and utilization of micro credit among women and youths in Valeska and Malula villages, Arumeru district, Arusha region" and found to be in a form acceptable for submission.

Signature.....



Date:

12-10-07

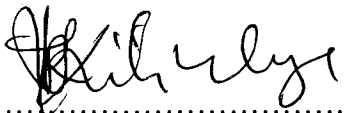
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DECLARATION

I **Kihulya, Rose Joseph**, declare that this project is my original work and that it has never been submitted for the same or similar degree in any other University or Higher Learning Institution.

Signature 

Date 15-10-2007

DEDICATION

This project paper is dedicated to my beloved husband, Mr. Helmut Walter Nyoni, My son Helmut Kevin and my daughter Leocadia for their moral, material, and financial support in my academic progress. Also to my late father Mr. Joseph Mwinula Mathew Kihulya, my beloved mother Mrs. Kihulya and the late Professor Andrew Zuakuu Kiondo for their long time encouragement. May God bless you all!

ABSTRACT

This project paper examines the project, which was implemented during the life span of CED program September 2005 to January 2007 in collaboration with Business Entrepreneur Support Unit (BEST) the host organization. The project title is “Enhancing accessibility and utilization of micro credit among women and youths in the two villages of Valeska and Malula, Arumeru district, Arusha region”. The survey was conducted in collaboration with BEST. The sample size was 89 respondents from Malula and Valesca villages, 4 staff from MFIs, 2 staff from Arumeru DCDD and 3 staff from BEST.

The methodology used include structured interviews, direct observation, focus group discussions, key informants interviews, questionnaires, documentation and field visits.

The main findings revealed the following as the main causes of inadequate/lack of micro credit in the two villages: -Most micro credit institution are not attracted to provide services in the rural areas due to higher risks related to rural activities; Remoteness of the villages that causes longer transport distances, travel costs due to poor infrastructures; High operational costs which force the interest rate to be very high, ranged from 20% to 40% for MFIs and 10% per year for the government funds. Therefore, micro credit institutions and the government credit funds should reach in the villages to cater for the poor people and not to concentrate in urban and semi urban. By doing so the women and youths will be able to run profitable business and improve their well-being.

This project paper presents a comprehensive range of issues useful for purpose of policy formulation and practical interventions in the rural areas for micro credit institutions.

ACKNOWLEDGEMENT

Many people devoted long days and weeks to advice and support me during the process of preparation, data collection, accomplishment and compilation of this project paper. The work is collective minds of many people who worked to ensure that the work was a success. I would like to thank the following individuals, instructors, organisations and members of government and my colleagues for their heartfelt contributions:-

- The individuals and community members in each of the two villages of Malula and Valeska who spared their time for interviews and discussions.
- To the women and youths in the villages who, given their heavy workload but still found the time to assist the survey team.
- To WODSTA who contributed part of the tuition fee, stationery and other material to enable me pursue the MSc in CED. In addition, the support and advice of the Management team Mrs. Lyne Ukio and Mrs. Lydia Joachim and all the WODSTA staff is highly appreciated. Thank you and God bless you all.
- To my supervisor Mr. Joseph Kiangi Mwerinde for his tireless efforts, positive and constructive criticism, as well as critical assessment of this work to make it appear as a presentable work. Thanks.
- To my family, particularly my beloved husband Mr. Helmut Nyoni, my son Helmut Kevin Junior and my daughter Leocadia for their moral and material support, prayers, love and care have been always a source of my strength and encouragement to my academic achievement. They sacrificed a lot, God bless you all. To my lovely mother Mrs. Kihulya and my brothers Mathew, Andrew and Mayunga for their encouragement and support. Thank you all.

- To my instructors Mr. Michel Adjibodou and Felician Mutasa who directly supported the process of this project work from the inception of the program. Thank you very much.
- The role played by BEST the host organization cannot be overemphasized. The staff tirelessly supported me at all stages of the survey and field activities up to the final report production. I would like specifically to thank Mrs. Praise Ngowi the Programme Manager of BEST and Paschal Kinyage the Programme Officer.
- Gratitude is also given to my colleagues specifically Kingu Hamisi. Malima Regina, Banzi Mshinwa, Lotta Jacob and Katule Robinson for their positive suggestions, good and lovely cooperation which they gave during my project work, not to forget their encouragement during the course since 2004 up to 2007. Also my colleague and brother in law Mr. Edgar Masunga Nyoni I appreciate his advice and support during the whole period of the ICED program.
- It is not possible to forget the entire ICED students for their cooperation, support and happy moments we have been sharing. Thank you, you are appreciated and saluted.
- My gratitude should be conveyed to all my instructors and ICED staff members for their prolific contribution to my academic progress.

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ACRONYMS AND ABBREVIATIONS

ACIST	Arusha Community Initiatives Support Trust.
AGM	Annual General Meeting
AWDF	African Women Development Funds
BDS	Business Development Service
BEST	Business Entrepreneurship Support Tanzania
BoT	Bank of Tanzania
CED	Community Economic Development
DCDD	District Community Development Department
IGAs	Income Generating Activities
JKT	Jeshi la Kujenga Taifa
MFI	Microfinance Institutions
NGO	Non-Governmental Organization
NGO-MFIs	Non-Government Micro-Finance Institutions
PRIDE	Promotion of Rural Initiative and Development Enterprises
ROSCAs	Rotating Savings and Credit Associations
SACCOS	Saving Associations and Credit Co-operative Societies
SEDA	Small Enterprise Development Agency
TRIAS	Belgian NGO
WADEC	Women and Development and Environmental
WEGCC	Women Economic Groups Coordinating Council
WODSTA	Women Development for Science and Technology Association

EXECUTIVE SUMMARY

Micro credit is the extension of very small loans to unemployed, poor entrepreneurs and other living in poverty that are not bankable. These individuals lack collateral, steady employment and a verifiable credit history and therefore cannot meet even the most minimum qualifications to gain access to traditional credit. Micro credit is a part of micro finance, which is the provision of financial services to the very poor; apart from loans, it includes savings, micro insurance and other financial innovations. (Wikipedia, the free encyclopedia, 2006).

Four main categories of institutions that are engaged in the delivery of micro credit in Tanzania were identified. It is possible that these categories are found in other countries. These are:- 1. Non Governmental Organisations Micro-finance institutions (NGO-MFI); 2. Government and Public sector sponsored micro-finance programmes; 3. Saving Associations and Credit Co-operative Societies (SACCOS); 4. Formal financial institutions that offer micro – credit services. However, Non-Government Micro-Finance Institutions (NGO-MFI) category dominates the micro -finance industry in Tanzania. Most NGO-MFIs started operations during or after 1995 and operate in urban and peri-urban areas. The urban bias is prompted by the high transaction costs in financing rural based undertakings. This means that they do not reach the poor of the poor who are mostly in rural areas. All appear to have received capital injection mostly from foreign sources.

Similarly access to credit for business and for farming, after the collapse of the cooperative movement in the 90's, has become marginal. The few remaining savings and

credit cooperatives tend to be dominated by elder male coffee farmers. Some women are grouped in “Kibati” a traditional form of rotating savings and credit group. Most operate with a limited amount of capital raised from internal savings (ACIST report: 2004).

Therefore, the problem of inadequate credit facilities associated with business development services for the poor women and youths still exists. The poor women and youths are hampered by low skills in business management of entrepreneurs and traders. Therefore, it reduces their purchasing power. Rural communities in Arumeru have essentially no access to quality Business Development Services. They have no collateral to access credit in other micro-finance institutions, which are most located in urban areas. However, there were many problems contributing to causes of low income among poor women and youths, the project addressed one-problem i.e. inadequate credit facilities through provision of advice and support.

This problem affected 90.1 % of the rural farmers who are living in most grass root areas and have the least access to financial services (CED student survey report: 2005). Women and youths were the most vulnerable in the district. If the problem left, unsolved poverty rate will increase among the poor women and youths and their felt needs.

The target community for the project was the two villages of Malula, King’ori ward and Valeska village, Mbuguni ward of Arumeru district, Arusha region.

The overall objective of the project was to improve the livelihood of women and youths through accessibility and utilization of micro credit in the two villages of Arumeru district.

CHAPTER I.

COMMUNITY NEEDS ASSESSMENT

1.1. Community profile

1.1.1. Profile of the host organization - Business Entrepreneur Support Unit

Tanzania (BEST).

Business Entrepreneurship Support Tanzania (BEST) is a not for profit Non Governmental Organization (NGO) based in Arusha and was registered in 2001 with the aim of promoting and supporting small-scale entrepreneurs in Arusha and Arumeru districts, through the provision of quality client-centred financial and non-financial business development services.

BEST' Vision Statement: A community of equal opportunities empowered to manage economic and social development activities sustainably.

Mission Statement: BEST is committed to socio-economic empowerment of small-scale entrepreneurs through business management training and consultancy, gender awareness rising and provision of credit.

Overall Goal:

BEST's overall goal is to alleviate poverty through social economic empowerment of female entrepreneurs in Arusha region.

Specific Goals:

- To strengthen the capacity of female entrepreneurs to manage their productive activities.
- To increase the income of female small-scale entrepreneurs by providing business development services to improve their living standards.
- To promote networking with other development actors for sharing experiences and securing support.
- To promote gender awareness for increased participation of women and other low-income earners in business entrepreneurial development.
- To improve the institutional capacity of BEST for effective and efficient delivery of services.

Specific objectives of the Organizations:

- Provision of financial and non-financial business development services in form of business loans and training/advice on business management skills with the aim of reducing poverty among small-scale entrepreneurs.
- To stimulate and support small scale enterprises in Arusha and Arumeru districts
- To provide training for business entrepreneurs
- To create gender sensitivity within the population of Arusha and Arumeru

Person involved in the Project:

BEST is governed by the Board of Directors comprising of nine members and the management is run by employed staff led by a Manager. Currently the organization has six staff, which comprises of 3 women and 3 men. The staff adheres to gender balance

and comprises of the Programme Manager, two Programme Officers/Trainers, Driver, Security Guard cum Messenger and Secretary Cum Accounts Assistant.

Location:

BEST is located at Themu Hill within Nane Nane Show Ground near Jeshi la Kujenga Taifa (JKT) House. P.O. Box 13099, Arusha. Telephone: 027 2509397. E-mail: best@habari.co.tz. Contact person: Programme Manager.

Funding:

BEST is funded by one donor TRIAS-Tanzania, a Belgian NGO, which is financing all the programme activities, however BEST accesses funds from other donors both local and international. When the intervention started TRIAS promised to continue funding BEST for the second phase of the programme but unfortunately the donor policy changed and TRIAS ended its financial support to BEST programmes. The organization is currently mobilizing funds for sustainability purposes.

Plans for future funding:

The organization has a plan to diversify sources of funds through fundraising both internal and external and search information for potential donors and write programme/project proposals to different donors for organizational and programme sustainability purposes. BEST staff and volunteers will continue to develop project

proposal that are demand driven and responding to local realities to address critical community needs and issues. CED student contributed a lot in this area through advice and support such as writing concept papers and proposals. The organization is in critical conditions seeking for donors to fund its programmes.

1.2. COMMUNITY NEEDS ASSESSMENT

BEST is operating in Arumeru district therefore, it was important to discuss the profile of the district.

1.2.1. Community Profile – Arumeru District

1.2.2. Geographical location

Arumeru is one of the six districts in Arusha Region, other districts are Ngorongoro, Arumeru, Monduli, Karatu, Arusha and the newly established Longido district. It is bordered to the north and west by the Monduli District, to the east by Kilimanjaro Region and to the south by Arusha District and Monduli District. The district is in rural area and one of the densely populated district in Arusha region, located between latitude 36.5° and 37.5° east of Greenwich Meridian and between longitude 3.5° and 3.7° South of Equator. The district has a total area of 2,966 square kilometers, covering about 3.6% of Arusha region whose total area is 82,428 square kilometers.

1.2.3. Administrative unit

The Arumeru District is administratively divided into 6 division, 37 wards and 144 villages as shown in the table below.

Table 1: Administrative units in Arumeru district

NAMES OF DIVISIONS	NUMBER OF WARDS	NUMBER OF VILLAGES
1. Poli	8	34
2. Moshono	6	21
3. Enaboishu	8	31
4. King'ori	6	21
5. Mukulat	6	14
6. Mbuguni	3	23
Total	37	144

Source: Tanzania national website (2003)

1.2.4. Climate and altitude

Arumeru is one of the five district of Arusha region, situated in the Northern-East of Tanzania. Arumeru district lies between 800metres and 4500metres above the sea level. The amount of rainfall is between 500mm and 1500mm per annum. The district has temperature ranging from 20° c to 28° c per annum.

Table 2: Climatic factors in Arumeru district

Rainfall	Annual	100 – 1200mm
	Short rains	October – December
	Long rains	February – January
Temperature		16 – 30 Celsius
Evaporation per year		150 – 200mm

Source: Conservation agriculture case study (2006)

1.2.5. Population Dynamics

According to the United Republic of Tanzania population and housing census of 2002 Arumeru has a total population of 514,651 out of this 251,687 are male which is 49 percent of the total population and 262,964 are female who accounts 51 percent.

1.2.6. Ethnic and religious groups

Arumeru is composed of two ethnic groups, which are Maasai/Waarusha and Wameru. The two groups have strong culture that insists on high level of moral standards, human respect and dignity. No ethnic conflicts have ever been recorded in recent years; all tribes are friendly and there is a high degree of intermarriage among them.

There are major religious groups in Arumeru i.e. Christian being the dominant and the Muslims a minority.

1.2.7. Economic activities

According to Arumeru district office records, arable farming and livestock keeping are the main economic activities for the majority rural residents. More than 90% of the people are engaged in agriculture producing both cash and crops. Most farmers practice rain – fed cropping only. Arumeru also hosts other economic activities like trade of goods between Kenya and Tanzania, tourism and mining industries (mainly Tanzanite). The gross domestic product (GDP) for the district is Tshs. 2,787,500,000 with a per capital income of Tshs. 64,716 per annum.

The main on farm sources of income for smallholder farmers include field crop sale, sale of small animals and livestock merchandise sales. The main off farm sources of income for small holders are labour in the farms, implement repair as artisans, renting animals for power, groceries and trading, and salaries/wages.

1.2.8. Markets

There are several urban centres Ngaramtoni, Oldonyosambu, Kisongo, Tengeru, USA River, Maji ya Chai, Kikatiti and Kilimanjaro International Airport. Most of the food crops produced is sold at weekly open markets in the urban centres within the district, while coffee, flowers and vegetables from the large-scale farms are sold and marketed through private buyers or cooperatives (DALDO, 2005). Informal networks and establishments quite heavily drive the marketing system.

Most often small-scale farmers sell their produce at farm gate prices to traders and expected to bargain for an appropriate price for their goods. According to farmers, crops

like onions and tomatoes are sold at cheap prices since the farmers lack knowledge of storage techniques and usually need cash urgently for household use. This gives the trader an upper hand in bargaining. Seeds for cover crops especially lab-lab is mainly available from institutions practicing conservation agriculture, after harvesting lablab farmers fetch a price of \$120 per a bag of 120 kg.

Table 3: Difference of prices after harvesting

CROP	SELLING PRICE	
	During harvesting time	Towards planting season
Maize	Tshs. 10,000 – 12,000 per 100kg	Tshs. 18,000 per 100kg
Lab lab	Tshs. 40,000 – 50,000 per 120kg	Tshs. 100,000 per 120kg

Source: Conservation agriculture case study (2006)

In Arumeru, farmers lack an organized manner to market their produce, this necessitates middlemen to follow them to the farms and make farmers sell their produces at very low prices. In addition, access to inputs by farmers in remote areas is problematic as stockists are mainly found in the urban and semi-urban areas.

1.2.9. Basic infrastructure and communication

In Arumeru, most of the roads are not tarmacked and some areas are difficult to penetrate. Interior villages are seriously affected by inaccessibility of roads caused by poor maintenance and damage during heavy rains; but they are relatively accessible during dry seasons. Tractors, ox-cart, donkeys, pick-up, trucks/lorries, handcarts and

wheelbarrows are the most common forms of transport used by farmers during harvest. Most farmers hire tractors, pick-ups and lorries, since majority cannot afford to buy them.

1.2.10. Social Services

Compared to other districts in Arusha Region, Arumeru district is fairly developed in terms of social services.

1.2.10.1. Access to Education

There are about 164 pre and primary schools out of which 145 belong to the government while 19 are privately owned. The district has 214 primary schools (195 Government schools and 19 private schools). The number of pupils in both government and private schools is 147466 (Boys 74579 and girls 72887). Conservation agriculture case study (2006).

The public Primary schools have 110,602 pupils with 2,022 teachers. The number of pupils in a classroom stands at 78, exceeding the Government standard of 45 pupils by more than 70%. This causes congestion of pupils in classrooms bringing the teacher: pupil's ratio at 1:54 thus affecting very negatively the quality of education offered. (Arumeru District Council: 2005).

There are 43 Secondary schools in the district (26 publicly and 17 privately owned). Out of these, 25 were constructed through community contributions and later handed over to the government.

Despite its relatively high overall literacy rate (72%), Arumeru District runs Adult Education Programme whereby it has a total of 167 Adult Education Centers with total

enrolment of 55,029 (male 24,446 and female 30,583). According to Population and Housing Census of 2002, literacy rates for males and females is 75% and 70% respectively.

1.2.10.2. Access to Health Services

Arumeru district has three (3) hospitals two of which, are privately owned and one belongs to the public. Other health facilities include six (6) health centers 79 dispensaries (34 public ones, 9 owned by Institutions, 30 owned by NGOs and 6 are privately owned). In addition, there are 54 Mother and Child Health (MCH) Clinics which provide services throughout the district.

Like most places in Tanzania the condition of health facilities and services rendered are generally poor. However, the availability of medicines and drugs has improved greatly with the introduction of cost sharing.

1.2.10.3. Access to Water

Arumeru district is estimated to have a total of 92 water projects supplying clean and safe water to 318,445 people equivalent to 61.9% of the whole population. There are 84 gravity schemes, 4 short boreholes 13 deep boreholes, 6 Dams, 10 water charcos and 18 rainwater harvesting tanks. In addition, there are 44 Water funds with a total of Tshs. 55,000,000/= and each village has a Water Committee responsible for organizing the operation and maintenance of the water supply systems.

1.2.10.4. Access to Food

Currently the food situation in the district is generally fair. However, the 2003/2004 cropping season was negatively affected by bad weather condition. As a result, there was general food shortage in the district. For example, maize production amounted to only 25% of the expected level while only 10% of beans production was realized. For the 2003/2004 season shortage of grains amounted to 56,396 metric tons while that for pulses summed up to 18,818 metric tons. As a consequence of this shortage, the market prices of maize shot up from Tshs. 2,000/= to Tshs. 5,000/= per 20 kg tin while that of beans increased from Tshs. 5,000 to 12,000/= for the same volume. In total, about 71,485 people in 14,297 households were seriously affected and they had to receive 6,860 tons of grains and 2000 tons of pulses as food relief from the government. (Arumeru District Council: 2005).

1.3. Community profile of Valeska and Malula villages

Valeska and Malula villages were the target group for the study and BEST programmes. According to the 2002 population census, the wards of King'ori and Mbuguni has a population of 20,670 and 14,880 respectively as shown in table 1. According to the baseline, survey done in 2004 the three villages (Malula, and Valeska) has population of 8556 people as shown in table 4 below:

Table 4: Population by sex

WARD	MALE	FEMALE	TOTAL
1. King'ori	10,361	10,309	20,670
2. Mbuguni	7,853	7,027	14,880

Source: Best Baseline survey report 2001

Table 5: Villages Population distribution

VILLAGES	MALE	FEMALE	CHILDREN	TOTAL
1. Malula	402	550	1001	1953
2. Valeska	1025	1817	3760	6602
Total	1427	2367	4761	8556

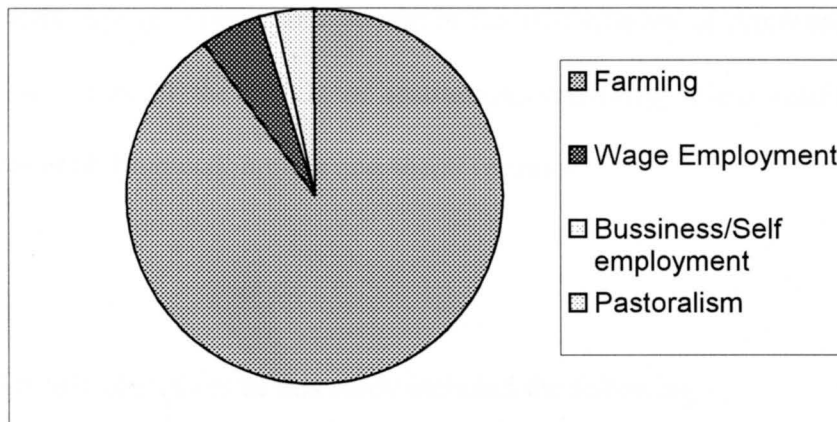
Source: Best Baseline survey report 2004

King'ori border with Kikatiti wards in southwestern side, Hai district in Eastern side, Leguruki ward in the northern side. Mbuguni division borders with Maji ya chai in the northern part, Nduruma in the western side, Majengo in the eastern side and Kiteto district in the South. The altitude of the area ranges from 800 to 4500 meters. The area is mostly semi-arid with highland zones and flat rolling plains. The climate is sub-tropical with a cool season between May and August. There is warm climate in the low altitude and cool climate in high altitude areas. The average temperature range is 20° C and 35°C with short rains between October and December and long rains between March and May. However, in both seasons the rainfall is not reliable. The amount of rainfall ranges from 400mm to 900mm in the highlands.

1.3.1. Major Occupation

Major occupation of the Valeska and Malula community includes farming (90.1%), wage employment (5.3%), business/self-employed (1.3%) and pastoralism (3.3%) as shown in figure 1 below. This contributes to the household income.

Figure 1: Major Occupation



Source: Survey findings, Arumeru district 2006.

1.3.2. Social Factors

- Beliefs, customs and habits

The major tribes in Valeska and Malula villages are Maasai/Waarusha and Wanyiramba. According to baseline survey (2004) done by BEST it was found that perception of culture is similar. This was in terms of elements like clothing, eating habits, respect and recreation. These traditional and customs portray both positive and negative effects to the community members both women, men and children. Traditional like Female Genital Mutilation, early marriages, male domination in decision-making, ownership over resources, alcoholism were regarded as outdated and the general feeling is that they should be abolished. They create women subordination and retarded development.

1.4. Survey

1.4.1. Survey design and Sampling

1.4.2. Objectives

The main objective of the survey was to assess the accessibility and utilization of micro credit among women and youths in the two villages of Arumeru district. This involved assessment of the NGOs or institutions providing micro credit in terms of physical, material, financial, human and social resources.

Specific objectives of this study included the following:-

1. To examine the perceived level of access, demand and utilization of micro credit by rural women and youths.
2. To explore the diversity and size of economic activities undertaken by women and youths.
3. To examine the factors which contribute to inadequate micro credit in the three villages
4. To investigate constraints that prevents poor women and youth in accessing and utilizing micro credit.

1.4.3. Survey design

A survey design is the way in which its environment is controlled. When designing a survey the main concerns was when is the survey is to be given, how often, and the number of groups to be surveyed. For this study, the surveyor used both cross-sectional and longitudinal design to collect data. A cross – sectional design is the most design in research it provides a portrait of things as they are at a single point in time. The survey involved 80 respondents randomly selected who are villagers, nine staff from BEST, Government, and MFIs, making a total of 89 respondents. Participatory method were used which included personal interview, focus groups discussion and direct observations.

Longitudinal or trend design were used to find out about changes and data collected over time. The longitudinal design explored to assess the perceived level of access, demand and utilization of micro credit by rural women and youths over the past five years, that is 2001, 2002, 2003, 2004 and 2005 involving a random sample of 100 respondents by using self-administered questionnaires disseminated and supervised by CED student the researcher.

1.4.4. Reliable and valid instruments

Whatever methods of data collection are used, data collected must meet two conditions to be considered accurate: they must be valid and reliable. Respondents were tempted to answer questions in ways that they thought were expected of them or that do not place them in jeopardy. The researcher explored some steps to ensure that they have obtained

the most accurate (i.e., valid and reliable) responses in the field. Data collection item (such as a question on a questionnaire) was used in measure what it claims to measure.

The table below was used to assess the performance of instruments used as follows:-

Table 6: Validity table

TYPE OF VALIDITY	CHARACTERISTICS	COMMENTS
1. Face	Casual review of how good an item appears	Checking for face validity was done through giving the instrument to another person for review.
2. Content	Formal expert review of how good an item appears	Individuals with expertise on micro credit were assessed.

Source: Survey findings, Arumeru 2006

Reliability is an assurance that the instrument or measure is consistent. The surveyor provided the same questionnaire, administered to the same person twice in a short period of time and yielded similar responses. Consistent responses suggested reliability, and consistent responses to different items that sought to measure the same knowledge or behavior provided a greater confidence that the questionnaire was reliable. A measure is reliable to the degree that its meaning is stable. A reliable item or set of items on a questionnaire would lead to similar responses by the same respondent (in an unchanging situation) each time the item was asked. Also see the table below, which shows the type of reliability, which was explored in the survey as follows:-

Table7: Reliability table

TYPE OF RELIABILITY	CHARACTERISTICS	COMMENTS
1. Test - Reset	Measures the stability of the responses over time, typically in the same group of respondents.	Administration of survey to a sample at two different and appropriate points in time was done.
2. Intraobserver	Measures the stability of responses over time in the same individual respondents.	The completion of a survey by individual respondents was done at two different and appropriate points in time.

Source: Survey findings, Arumeru 2006

1.4.5. The Questions that structure survey designs

1.4.5.1. The Survey Aim

The aim of the survey centred upon the following areas:-

- To identify and describe the NGOs or institutions providing micro credit in rural areas in terms of physical, material, financial, human and social resources.
- To describe the factors that contributes to inadequate micro credit in the rural areas.
- To examine the main problems facing women and youth in the process of accessing micro credit
- To compare the different micro credit in terms of reaching the poor women and youths in the villages
- To predict the future investment of micro credit in the rural areas
- To assess the accessibility and utilization of micro credit among women and youths

1.4.5.2. Eligible Participants in the Survey

The following participants participated in the survey as follows:-

- The host organization Business Entrepreneur Support Unit (BEST)
- Micro credit Institutions/Organizations (SEDA, WEGCC, Mount Meru SACCOS, PRIDE, EARDP-CI)
- Women, men and youths
- Government extension workers from the Community Development Department and Trade.
- Other NGOs/ CSOs who had the stake on micro credit
- Village/community leaders.

1.4.6. The characteristics, benefits and concerns of the design

1.4.6.1. Cross – sectional design (data collected at one point in time)

A cross-sectional design collects information at one point in time only. The survey used a cross-sectional approach as it felt to offer the benefits of-

1. being more timely in providing impact information, making it immediately useful to program managers
2. being less expensive and resource intensive because it requires only one round of data collection
3. the data collected in a cross-sectional approach can serve as a base line for later use.

1.4.6.2. Longitudinal design

In this design, data collected over time comparing each year's results with the others. The survey explored this method partially as it used trend data to assess the performance of micro credit in rural areas through existing records. However in Arumeru district there is no current data concerning the MFIs. The existing data is as from 2003.

1.4.7. The internal and external validity of the survey

Internal and external validity is the two primary criteria for assessing the “goodness” of a study.

1.4.7.1. External Validity

When examining the external validity of a study, we are asking, “If the study were carried out again under slightly different conditions, would I expect to find the same results?” External validity has to do with the replicability (i.e., repeatability) of a study under conditions that vary in some way from the way in which the original study was carried out. In this sense, the study quarantined the results of the survey from the respondents because extensive pilot testing and choosing the participatory methods that is most precise and accurate such as interviewing were explored. Also the use of questionnaires, which hides the respondent identity and enable to improve the validity of the study due to confidentiality.

1.4.7.2. Internal Validity

In the simplest case, internal validity concerned with whether the study had demonstrated a meaningful relationship between the variables under investigation. The study guaranteed internal validity by making sure that the target groups women and youths participate fully in the whole process of survey and other CSOs/NGOs who had the stake in the study. The sample was representative from the entire population of the community.

1.4.8. Survey Sampling: Probability and Non-probability Sampling Methods

1.4.8.1. Probability Sampling

The survey explored probability sampling because each person in the population had equal chance of being selected. The resulting sample was representative. Women and youths had an equal chance of being selected. Simple random sampling was used by choosing a sub set of respondents at random from the population in each village until the required number was obtained. The Reason for choosing the sample was that it is a simplest method and easy to conduct.

1.4.8.2. Non – Probability sampling

The method included those, which acquired by accidents such as the government extension workers and staff from the micro credit institutions.

1.4.8.3. Purposive samples

The survey used a purposive sample that is assuming that with good judgment were able to select the women, youths and BEST staff as the sample due to the virtue of their positions in the study.

1.4.9. Quota sampling

Quota sampling method was applied, which is a sample size of a sub – group. It is sometimes useful to establish a quota to ensure that the sample is accurately reflects relevant sub-groups in the target population. For example, men and women had somewhat different opinions in many areas. To ensure that the survey accurately reflect the general population's opinions, the percentage of men and women/youths reflected.

1.4.10. The Survey Response Rate

A response rate in survey research was calculated simply by dividing the number of completed interviews by the number of individuals who were selected to participate in the research, i.e. the sample. Therefore, the estimated response rate was as follows:-

100% for BEST staff ($\frac{3}{3} \times 100 = 100\%$), micro credit institution or CSOs ($\frac{2}{2} \times 100 = 100\%$), Government extension workers ($\frac{2}{2} \times 100 = 100\%$) and for the target group the response rate were $\frac{90}{108} \times 100 = 83\%$.

1.4.11. Research Questions

There are four research questions developed as follows:-

1. Are there any institutions providing micro credit in your village?
2. What are the main causes of inadequate micro credit facilities in Malula and Valeska Villages?
3. What are the main problems facing women and youths in the process of accessing to and utilizing micro credit facilities?
4. What should be done to address the problem of inadequate/lack of micro credit in the rural areas?

1.5. Characteristics of the survey

1.5.1. Type of survey instruments

The main type of survey instruments used was the questionnaire, which targeted the BEST staff, Mount Meru SACCOS staff, Community Development Officer, SEDA staff and the beneficiaries. The other instrument used was interview checklist, which applied to micro finance institutions beneficiaries, focus group discussion and key informant interview. Therefore, two types of data collection were explored i.e. Primary data and Secondary data.

1.5.1.1. Primary data

Data was collected afresh for the first time and the following methods used to collect:-

- **Observation methods**

This is the most commonly used in studies related to behavioural sciences. It analyzes behaviour of the community and attitudes. The information sought by the investigators direct by observing without asking answers to the respondents. Observations enabled the team of researchers to gather sufficient information even before the start of interview. In many key locations visited, it was possible to observe women and youth directly as well as interactions between them. Consequently, through this method the researcher was able to systematically observe existing behaviour, income-generating activities of women and youths, social and economic activities undertaken in the villages.

- **Interview method**

This method concerns presentation of oral, verbal stimular under reply in terms of oral/ verbal responses. The interview was done through-

Interview through telephone was done by contacting the respondents however, it is not quite widely used but due to time constraints the method was explored to contact different respondents working in micro credit institutions especially those living within the district, in the rural settings, the method was not practical.

Personal interview/ face to face contact with the respondents in a structured way

(Structured interview) because of the use of predetermined questions and highly standardized techniques of recording it has rigid procedure because the questions were organized and logically set. The interview approach was friendly and informal.

- **Questionnaire** is the most popular method of data collection particularly in cases where the research is dealing with a large enquiry/community area. Questionnaires were the heart of the survey operational so in this case it was carefully constructed because the survey was bound to fail if were not careful set. The forms for the questionnaire were closed handed i.e. “Yes” or “No” type of questions and open ended i.e. invitation for free response (the respondents they expressed themselves). When structuring the questionnaires the easy questions come first and some open questions that put too great astrainer on the memory of the respondent were avoided. Such questions as of personal character, wealth etc.

The questionnaires were administered to purposively selected 89 respondents in the two villages covered. The questionnaire was used in order to gather quantifiable data, which provided information about micro credit facilities, socio economic information of the respondents and the like.

- **Interviewing key informants**

Most of key informants were identified by virtue of their positions specifically on their knowledge in the area of micro credit. In depth, discussions were conducted in a structured manner with individuals who were carefully chosen because of their knowledge about micro credit facilities. The interview assisted the team researchers to target the study. The key informants included Community Development Officers, Trade Officer, and Officers from the micro credit institutions, village executive officers and village chairpersons. They were also important for giving information that sometimes would not be obtained by other means, as they had a good idea of what went on in their respective areas.

- **Focus group discussions**

Focus groups with beneficiaries from Valesca and Malula villages were conducted. A focus group discussion was held between five and ten participants who represented one particular group. All were selected because they had certain characteristics in common that relate to the topic under discussion i.e. micro credit. Group members were invited and share their ideas, views, skills and knowledge on micro credit. Group discussions were organized at different times with similar types of participants to identify trends and patterns in perceptions. Answers from the group were representing a consensus or different opinions, not facts or specific data. Focus groups discussions enabled tapping information through discussions with heterogeneous groups in the community such as adult men and women, female youth and male, opinion leaders and village leaders. Discussions were held with two or more combinations of such groups. Focus group

discussion was very instrumental in unfolding hidden information mostly related with “how” and “why”.

- **Problem tree**

Problem tree was used in summarizing community discussions. Problems, causes and effects were arranged in the format of a tree. Causes are the roots of the tree, the problem is the trunk, and the effects are the leaves of the tree. The exercise was very easy to carry out, and it was used to summarize and analyze information from the community. The problem tree reminded the target group that the caused of a problem are rarely visible.

1.5.1.2. Secondary Data Collection

Secondary analysis used in this study, which involved the use of existing data, collected for the purposes of a prior study, in order to pursue a research interest on micro credit, which is distinct from that of the original work; this was a new research question or an alternative perspective on the original question. This part explored the explanation of what other scholars have argued concerning the problem. It is extracted literature such as progress reports/activity reports, reports, survey, documents, publishes statistics on micro credit and electronic sources on micro credit. In addition, information was studied from official documents such as the National Population census of 2002, district socio economic profiles of areas under study. This review of the existing literature was an eye opener regarding what is already known on micro credit in Tanzania and outside Tanzania, and identified missing gaps of knowledge as well as information useful to

establish/support BEST interventions. This provided useful background knowledge and thereby helped to focus on the research problem at hand more sharply.

1.6. Contents

1.6.1. Number of questions

Questions in the questionnaire were 47 and interview checklist consisted of 20 questions, this helped to remind the respondents of some issues they might have forgotten. Therefore, the total number of questions consisted of 67, which were addressed to beneficiaries of micro credit, women and youth in the two villages, staff of micro credit institution, Community Development Officers and Trade Officer, BEST staff (Host organization) and community leaders. The structure of the questions of this survey centred upon the following areas:-

- To describe the NGOs or institutions providing micro credit in terms of physical, material, financial, human and social resources.
- To describe the factors that contributes to inadequate micro credit in the rural areas.
- To compare the different micro credit institutions in terms of reaching the poor women and youths in the villages.
- To predict the future investment of micro credit in the rural areas, assess the accessibility and utilization of micro credit among women and youths.
- To compare, examine the perceived level of access, demand and utilization of micro credit by rural women and youths in the villages

1.6.2. Adequacy of Validity for survey's uses

The survey instruments used made to be very detailed and covered a large number of respondents. The survey explored a cross-sectional approach as it is felt to offer the benefits of: - being more timely in providing impact information, making it immediately useful to program managers; and being less expensive and resource intensive because it requires only one round of data collection; the data collected in a cross-sectional approach can serve as a base line for later use.

1.6.3. Adequacy of description and method for establishing validity

The survey used method for establishing validity such as questionnaires, focus group discussion, direct observation, record review and key informants interview. The data collection methods were highly scrutinized and pre-tested.

1.7. Administration

1.7.1. Characteristics of survey administrators

The survey involved three administrators as stipulated in the table 8 below:-

Table 8: Characteristics of survey administrators

ADMINISTRATOR	LEVEL OF EDUCATION	FIELD OF SPECIALIZATION /EXPERIENCE	WORKING EXPERIENCE
1. CED Students	MSc in ICED aspirant	Gender and Development, entrepreneurship skills, income-generating activities for women, skills and experience in participatory and community based development approaches.	7 years
2. Community Development Officer	Advanced Diploma in Community Development	Entrepreneurship skills, skills and experience in participatory and community based development approaches. Facilitation skill on business management and marketing.	5 years
3. Business Administrators	Diploma in Business Administration	Facilitation skill on business management, marketing, and entrepreneurship skills.	4 years

Source: Survey findings, Arumeru district 2006

Note: CED Student did data processing, editing and classification.

1.7.2. Characteristics of quality assurance methods of the survey

The survey used quality assurance methods to ensure that the survey was administered and interpreted in a uniform way by everyone who administered it as follows:-

- Pre- test of the questionnaires, which enabled the researcher to assess the frequency of errors, and the accuracy of the data, provided.
- The instrument was precoded to minimize time and error in data processing after the data are gathered
- Participatory approaches of data collection such as focus group discussions, in person interview etc.

1.8. Survey methods

1.8.1. Design

1.8.1.1. Experimental or descriptive

The survey design was descriptive and cross sectional not experimental. Descriptive Survey design, which produced information that described the current situation of micro credit i.e. access and utilization among women and youth as well as eliciting factors/reasons that had led to the current problem of inadequate credit facilities.

Only one organization provides credit in the two villages of Arumeru district. Cross sectional where data were collected once.

1.9. Limits on Internal and External Validity

1.9.1. Limits on Internal Validity

The study guaranteed internal validity by making sure that the target groups women and youths participate fully in the whole process of survey and other CSOs who had the stake in the study. In addition, the interview were carefully structured and questionnaires in order to be consistent and precise. However, due to low level of education (82% of respondents' were standard seven leavers) some questions were not clear and required time to explain and fill the questionnaires.

1.9.2. Limits on External Validity

External validity has to do with the replicability (i.e., repeatability) of a study under conditions that vary in some way from the way in which the original study was carried out. In this sense the study quarantined the results of the survey from the respondents due to the fact that extensive pilot testing and choosing the participatory methods that is most precise and accurate i.e. interviewing. Also the use of questionnaires, which hides the respondent identity and enable to improve the validity of the study due to confidentiality. Therefore the external validity were based on response rate which was 70 out of 86 i.e. 81% for villagers.

1.10. Sample

1.10.1. The Population

The survey population was 3794 male and female sub population i.e. excluding the children as shown below:-

Table 9: The sub – population of Malula and Valeska

Villages	Population per village (M&F)
	Sub-population
1. Malula	952
2. Valeska	2842
Total	3794

Source: Survey findings, 2006 Arumeru district.

1.10.2. The sample selection

The size of the sample was eighty nine (89) respondents, it consisted of women, men and youth from Malula and Valesca villages (80) through Simple random sampling which used by choosing a sub set of respondents at random from the population in each village until the required number obtained. Every member had an equal chance to be selected. The Reason for choosing the sample was that it is a simplest method and easy to conduct. Four staff from Micro credit institutions, two staff from Community Development department and three staffs from BEST (the host organization) their selection used purposive sample that selected due to the virtue of their positions in the study.

1.10.3. How the Sample was chosen

Eighty respondents out of 3794 (male and female excluding children) sub population.

Table 10: Sample size

Villages	Population per village (M&F) Sub-population	Sampling Fraction	Number of people selected
1. Malula	952	0.021	20
2. Valeska	2842	0.021	60
Total	3794		80

Source: Survey findings, 2006 Arumeru district.

- Three people out of seven BEST staff, four micro credit institutions staff and two extension worker from the government - Community Development department (Purposive sampling).
- The convenient sample had chosen through random selection from the groups.

1.11. Data processing and analysis

The data gathered were processed and analyzed both quantitatively and qualitatively. The analysis of data from survey was done manually, involved tallying and averaging the responses looking at their relationships and comparing them sometimes over time. In addition, quantitative data was processed by using the SPSS programme and analyzed by

using percentages, frequencies and tabulations. Therefore, the survey used the following techniques to analyze data:-

- Descriptive statistics that is mean, mode, median, numbers, percentages, range and standard deviation. These was be used to analyze both descriptive and numerical attributes of respondents such as sex (female or male), age, literacy, income level etc.
- Correlation Analysis explored to analyze the relationship between the income levels of women and men in the community.
- Comparative analysis to compare different independent groups of people in the villages, this is the rank sum test and Mann – Whitney U-test used.

1.12. Methods of data presentation

Several techniques were used to present survey data. These include reproducing a summarized version of the questionnaire, its responses, tables, charts, bar, and line graphs and drawings as described below:-

- Tabular presentation: Data was presented by using both simple tables and cross tables methods especially for descriptive attributes such as sex, age and occupation of respondents.
- Graphs: Both simple and compound graphs were used to present data related to problems of micro credit.
- Charts: The data was presented by using the pie chart and bar charts when considering descriptive attributes especially those related to the profile of respondents such as sex and literacy.
- Drawing pictures: This will involve use of map to display the surveyed areas.

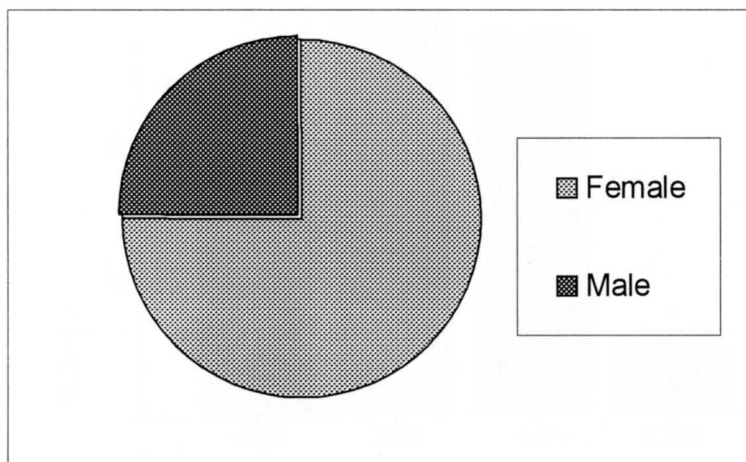
1.13. Survey results and discussions

1.13.1. Respondents profile

- **Percentage distribution of respondents by sex (n = 89)**

The study involved 89 respondents (n = 89), which consisted 67 (75) female respondents and 22 (25) male respondents as shown in the pie chart below:-

Figure. 2: Number of respondents by sex

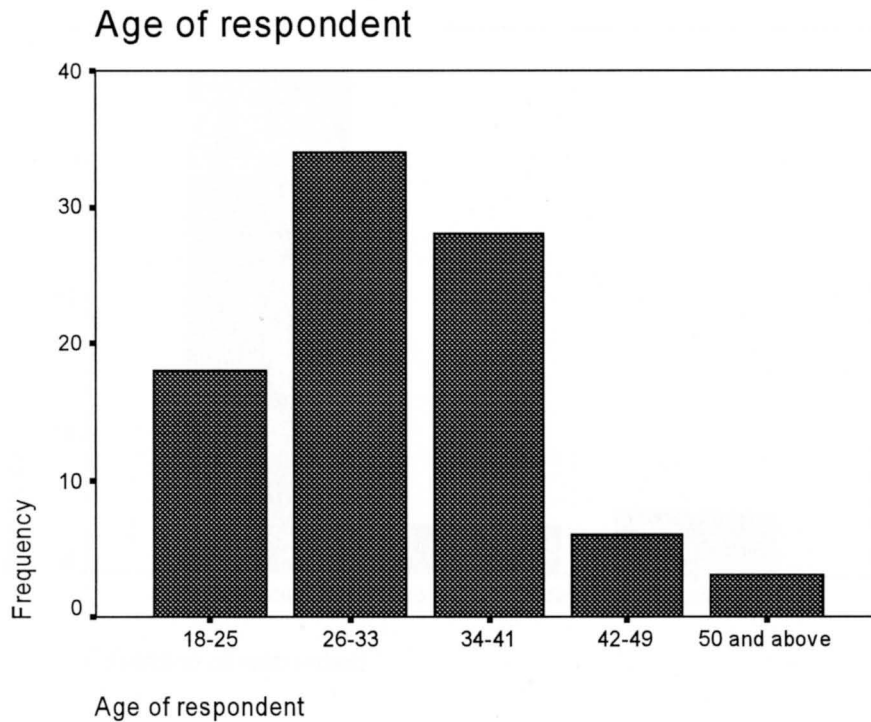


Source: Survey findings, Arumeru district 2006

The figure above shows that the majority of the respondents were females. That means females were the larger part of the respondents interviewed as compared to males.

1.13.2. Age of respondent

Figure 3: Percentage distribution of respondents by age (n = 89)

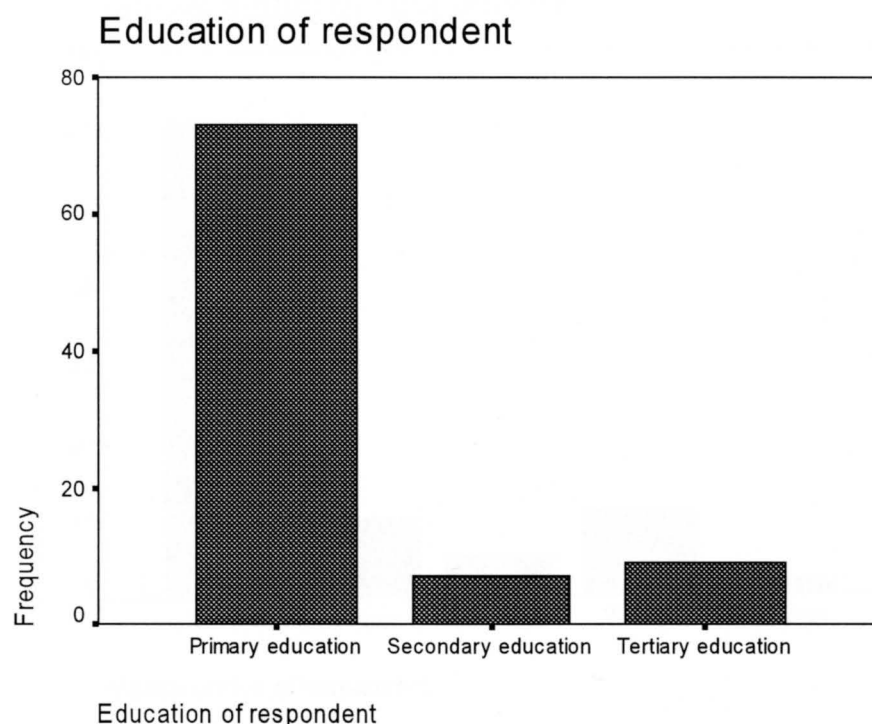


Source: Survey findings, Arumeru district 2006

The figure shows that 89.9 percent of all respondents were between the ages of 18 to 41 followed by very few respondents, (11%) were of 42 – 49 and 50 and above. This means that the active members who are women and youth in the village were interviewed. In addition, it was revealed that most of these groups are married and had families to take care of. Therefore, accessibility and utilization of micro credit is of paramount to them.

1.13.3. Respondents education level

Figure 4: Percentage distribution of respondents by education levels (n = 89)

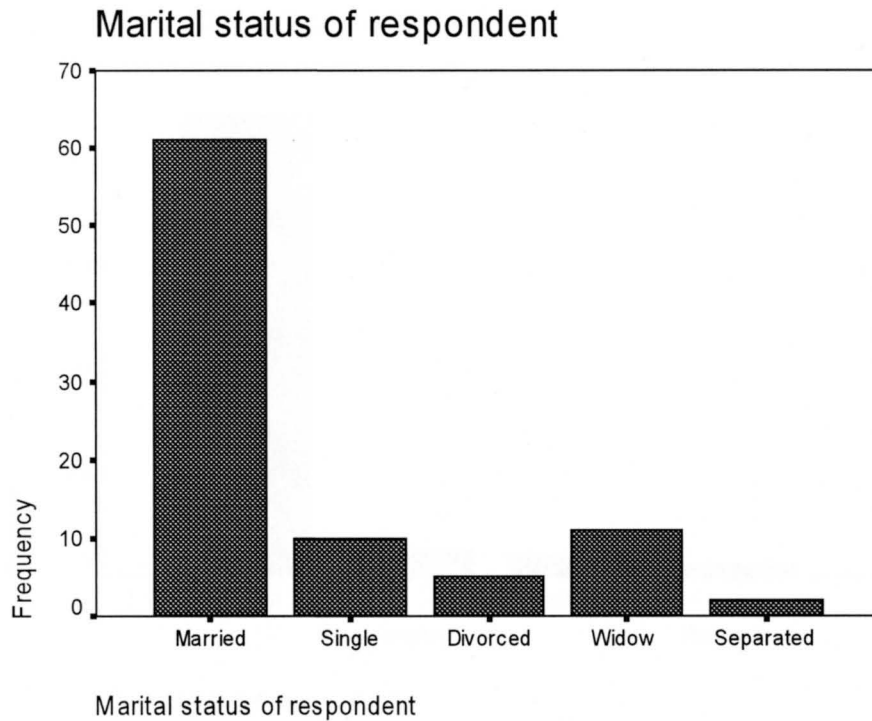


Source: Survey findings, Arumeru district 2006

The figure above shows that 82 percent of all respondents have only primary education. This shows that with exception of BEST staff, government officers and MFIs respondent interviewed, low level of education exists and can be a hindrance in women and youth creativity when conducting their businesses. They tend to run stereotype businesses and takes long to expand or diversify.

1.13.4. Respondents by marital status

Figure 5: Percentage distribution of respondents by marital status (n = 89)

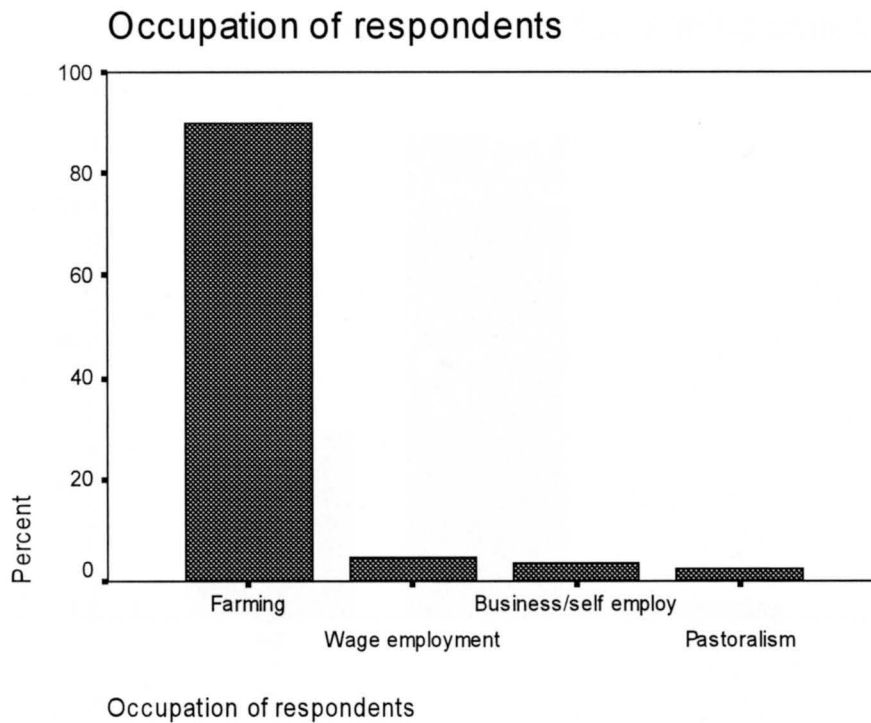


Source: Survey findings, Arumeru district 2006

The figure shows that 68.5 percent of the respondents interviewed were married, followed by 12 percent widows and the rest divorced and separated. This shows that majority of married women and youth engage in businesses in order to support their families. So micro credit facilities and business development services is crucial to them.

1.13.5. Occupation of respondents

Figure 6: Percentage distribution of respondents by occupation (n = 89)

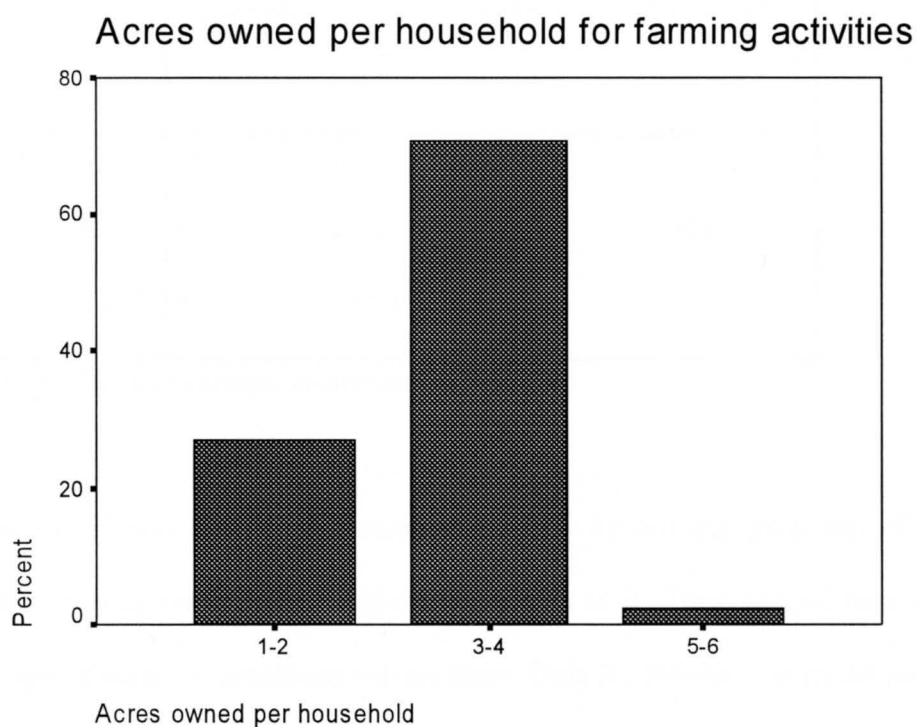


Source: Survey findings, Arumeru district 2006

The figure above shows that majority of respondents are engaged in farming activities (89.9%), wage employment (4.5%), business/self employment (3.4%) and pastoralist (2.2%). Therefore, micro credit facilities are crucial for women and youth to access and utilize for farming and business activities. This will contribute to increased income and poverty reduction in Valeska and Malula villages.

1.13.6. Number of acres owned by the households

Figure 7. Percentage distribution of number of acres owned per household.



Source: Survey findings, Arumeru district 2006

The figure above shows that 70.8% of respondents own 3 – 4 acres per household, 27% of respondents own 1-2 acres per household and 2.2% of respondent own 5-6 acres. This mean that majority of the villagers are small-scale farmers. Therefore, micro credit facilities are very crucial for them to expand their farming activities.

1.13.7. Profit obtained out of agricultural activities

Table 11: Percentage distribution by profit obtained out of agricultural activities

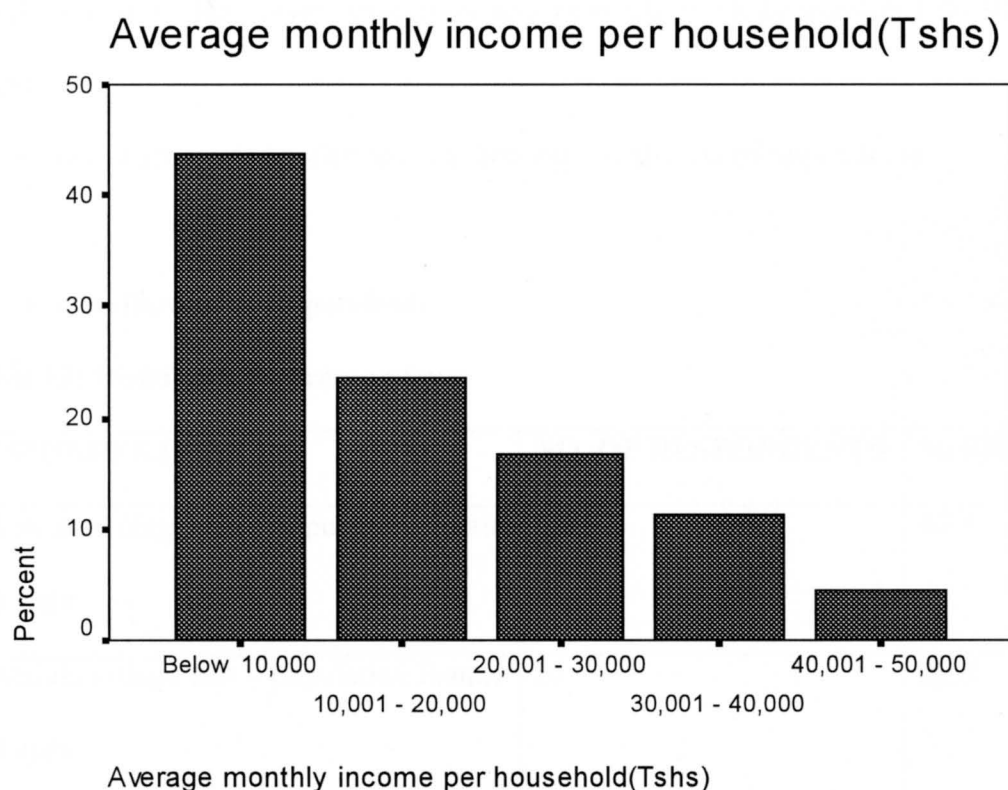
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	20	22.5	22.5	22.5
No	69	77.5	77.5	100.0
Total	89	100.0	100.0	

Source: Survey findings, Arumeru district 2006

Table 11 shows that 77.5 of respondents they do not get profit out of the agricultural activities performed due to higher risk related to it. They depend on rainfall therefore; change of weather conditions affects them. Only 22.5% they get profit out of agricultural activities. However, the profit obtained cannot be saved but used to fulfill their family needs.

1.13.8. Respondents average income per households

Figure 8: Percentage distribution of average monthly income per household



Source: Survey findings, Arumeru district 2006

Figure 8 indicates that, the average income of the households is very low, as one would expect from most rural people in Tanzania. In fact more than half (67.4%) of the households are getting a monthly income of below 20,000 Tshs. An equivalent of 15 US Dollar. 16.9% ranges from 20,001 – 30,000, 11.2% ranges from 30,001 – 40,000 and 4.5% ranges from 50,000 Tshs and above. In such a small amount of income, it was only 15.6% of the households at least could meet their basic needs (food, school fees etc). therefore micro credit facilities are very crucial to increase income of women and youth in the villages.

1.14. Main observations from the survey

The questionnaires and interview checklist revealed a variety of observations/information which related to the survey objectives and research or study questions as stipulated below:-

The survey instruments applied to the following distribution of respondents.

1.14.1. Distribution of respondents

Table 12: Distribution of respondents

RESPONDENTS NAME	NO. OF RESPONDENTS	% DISTRIBUTION
1. Valeska village sub – population female and male	60	67.4
2. Malula village sub – population female and male	20	22.5
3. BEST staff (Host organization)	3	3.4
4. Government extension staff	2	2.2
5. Staff from the Micro credit institutions	4	4.5
Total	89	100

Source: Survey findings, Arumeru district 2006

The study did not involve equal number of respondents because the population of Valeska village (2842) was very high as compared to Malula village (952). The staff from micro credit institutions and host organization was selected on the virtue of their positions.

1.14.2. Low level of education

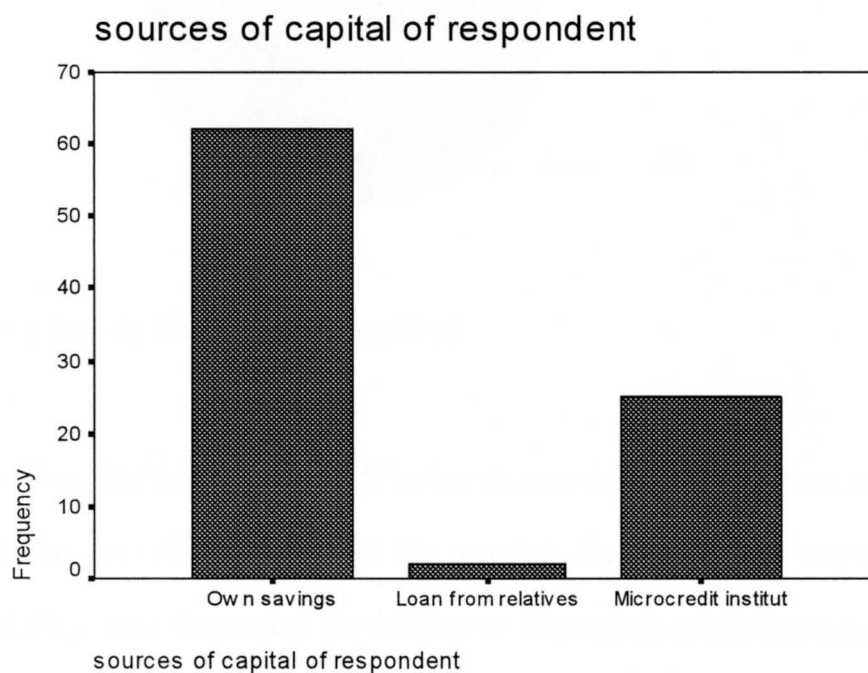
It was revealed that 82% of all the respondents are primary school leavers most of them are women, 10.1% tertiary education (BEST staff, government personnel and MFIs officers) and 7.9 percent are secondary school leaver majority being male. The low level of education accelerated them to fail to be creative to develop strategic and sustainable businesses. However, to know how to read, write and simple arithmetic is an important input, which may enable local women and youth to be aware, understand and adopt new technologies more easily.

1.14.3. Sources of Capital

The study revealed the following sources of capital as shown in the figure5 below:

Figure 9: Percentage distribution of respondents by sources of capital for

business/farming activities



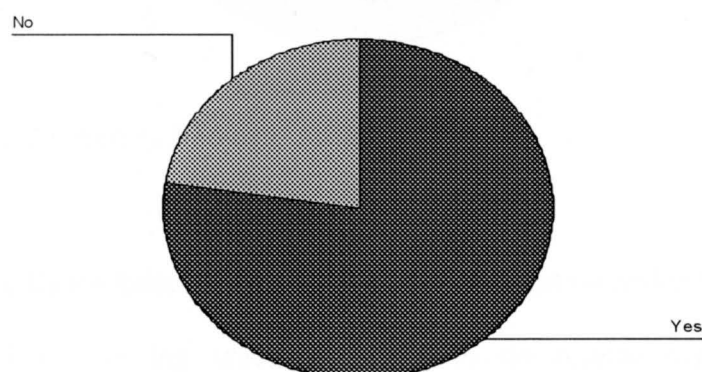
Source: Survey findings, Valeska and Malula villages, Arumeru 2006

The figure above shows that 80% of the respondents sources of capital were from their own savings, 2 percent loan from relatives and 17% from NGO-MFI WEGCC. 100% of respondents revealed that there is only one institution providing micro credit in the two villages for women and youth economic groups with ten to fifteen members i.e. Women's Economic Groups Coordinating Council (WEGCC).

1.14.4. Micro credit institutions

Figure 10: Percentage distribution of respondents showing presence of micro credit institutions in the villages (n = 89)

Presence of micro credit institution in the villages

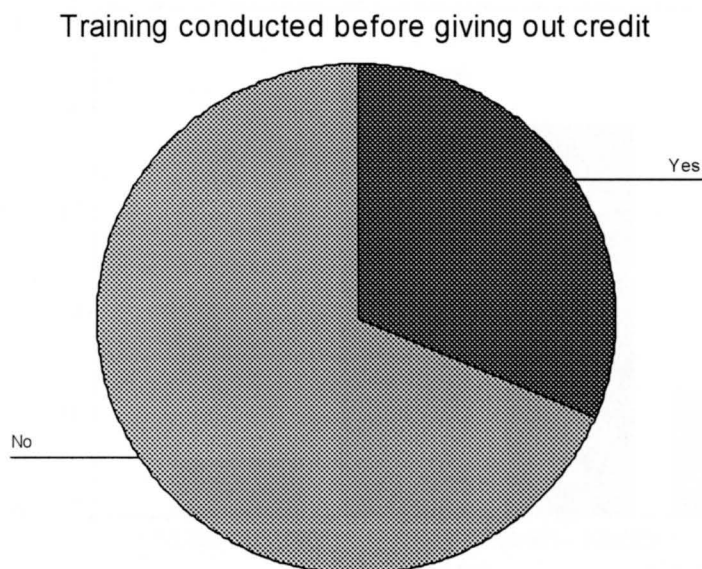


Source: Survey findings, Arumeru 2006

The above figure shows that 77.5% of respondents said that there was no any micro credit institutions in villages and the 22.5% revealed that there is only one micro credit NGO (WEGCC). This shows that the problem of inadequate credit facilities exists. Therefore the intervention to focus on micro credit provision is of paramount important.

1.14.5. Training conducted by micro credit institution before provisions of loan

Figure 11: Percentage distribution of respondents by training conducted by micro credit institution before provision of loan

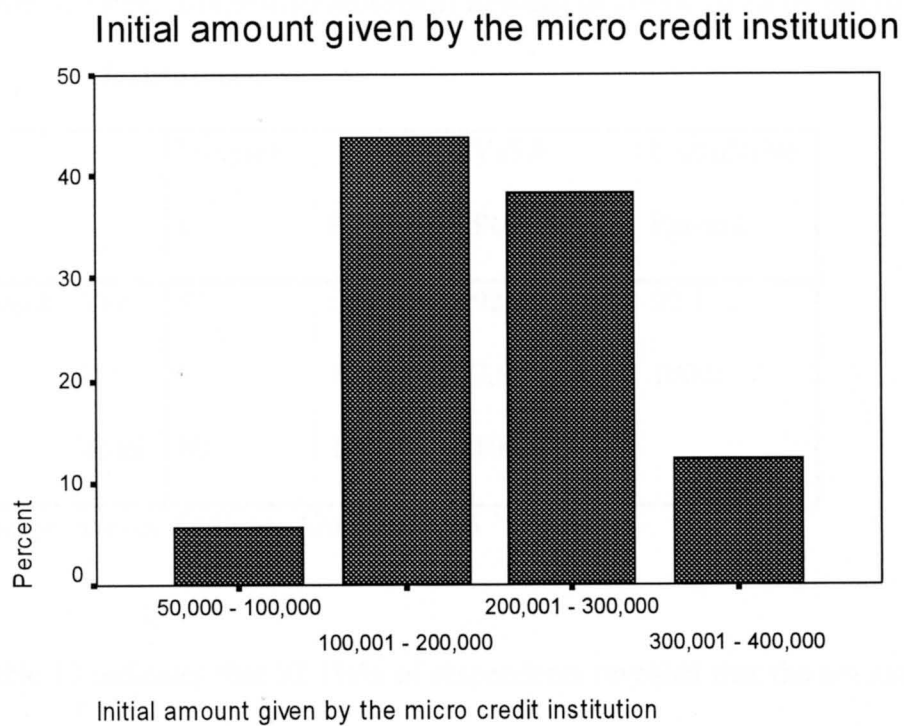


Source: Survey findings, Arumeru 2006

The figure indicates that 68.5% of respondents revealed that they do not get any training before receiving credit while 31.5% do receive training before credit. The only organization which is providing micro credit commissioned BEST to conduct capacity building on loan management and business management skills. Therefore, training before endorsing credit is very crucial to facilitate high repayment rate among women and youths.

1.14.6. Amount of credit given of respondent

Figure 12: Percentage distribution of amount of credit given to respondents (n = 89)



Source: Survey findings, Arumeru 2006

1.14.7. Adequacy of the amount of credit given for respondents' farming/business activities

Table 13: Percentage distribution of amount of credit given by micro credit institutions.

		Frequenc y	Percent	Valid Percent	Cumulative Percent
Valid	Yes	82	92.1	92.1	92.1
	No	7	7.9	7.9	100.0
	Total	89	100.0	100.0	

Source: Survey findings, Arumeru 2006

Table 13 indicates that 92.1%% of respondents revealed that the amount of credit given to women and youth ranges from Tshs. 100,001 to 300,000. This means that the amount given is not adequate to run profitably their farming and business activities. The situation caused by the fact that only one organization (WEGCC) gives out micro credit of Tshs. 100,000.00 to a tune of Tshs. 300,000.00. This amount is provided to the whole group not individuals. This makes difficult for women and youth to expand their business or run profitable business, which needs high capital investment. Therefore, the inadequate capital and micro credit is great roadblock to the growth of their petty businesses and farming activities.

1.14.7. Economic activities/business activities performed by the villagers

Table 14: Percentage distribution of economic activities/businesses performed by the villagers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Doing petty business	59	66.3	66.3	66.3
	Buying and selling grains	15	16.9	16.9	83.1
	Buying and selling livestock and by products	11	12.4	12.4	95.5
	Selling there goods (specify)	4	4.5	4.5	100.0
	Total	89	100.0	100.0	

Source: Survey findings, Arumeru 2006

The table above shows that 66.3% of respondents are performed petty businesses, 16.9% buying and selling grains, 11% buying and selling livestock and its by products and 4.5% selling other goods. Therefore micro credit facilities are crucial for women and youth to access and utilize for their economic activities/business activities.

1.14.8. Uses of credit obtained form micro credit institutions

Table 15: Percentage distribution showing the uses of credit from micro credit

Institutions.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Educating children	30	33.7	33.7	33.7
	Health services	10	11.2	11.2	44.9
	Housing and domestic expenditure	40	44.9	44.9	89.9
	Others (Specify)	9	10.1	10.1	100.0
	Total	89	100.0	100.0	

Source: Survey findings, Arumeru 2006

The table above shows that 44.9% of respondents spent the income generated from credit acquired from micro credit institutions on housing and domestic expenditure, 33.7% educating their children, 11.2% health services and 9% other consumption. The money spent on issues, which are important for poverty eradication.

1.14.9. Priority of micro credit funds

Table 16: Priorities of micro credit funds delivery towards capital

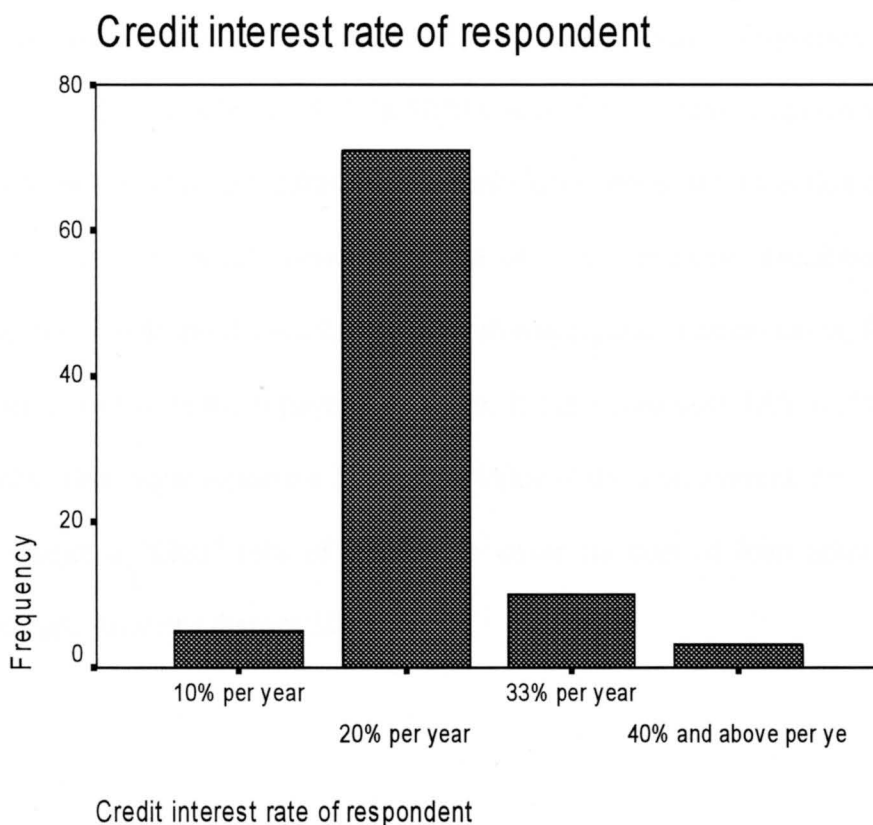
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Working capital for on going business	75	84.3	84.3	84.3
	Capital for start up business	14	15.7	15.7	100.0
	Total	89	100.0	100.0	

Source: Survey findings, Arumeru 2006

Table 16 shows that 84.3% of respondents revealed that micro credit institutions provide funds for working capital for on going business only and very few NGOs –MFIs provide capital for start up capital/business. This needs change of mind for the people to form SACCOS, which finance any activity including start up capital.

1.14.10. Credit interest rate of respondent

Figure 13: Credit interest rate of respondents



Source: Survey findings, Valeska and Malula villages, Arumeru 2006

The interest rate ranges between 10% to 40%. The figure shows that majority of the respondents revealed that the NGO, which is providing credit, charges the interest rate of 20% per year. 79.8% of respondent said so because only one NGO-MFI (WEGCC) is providing micro credit facility in the village.

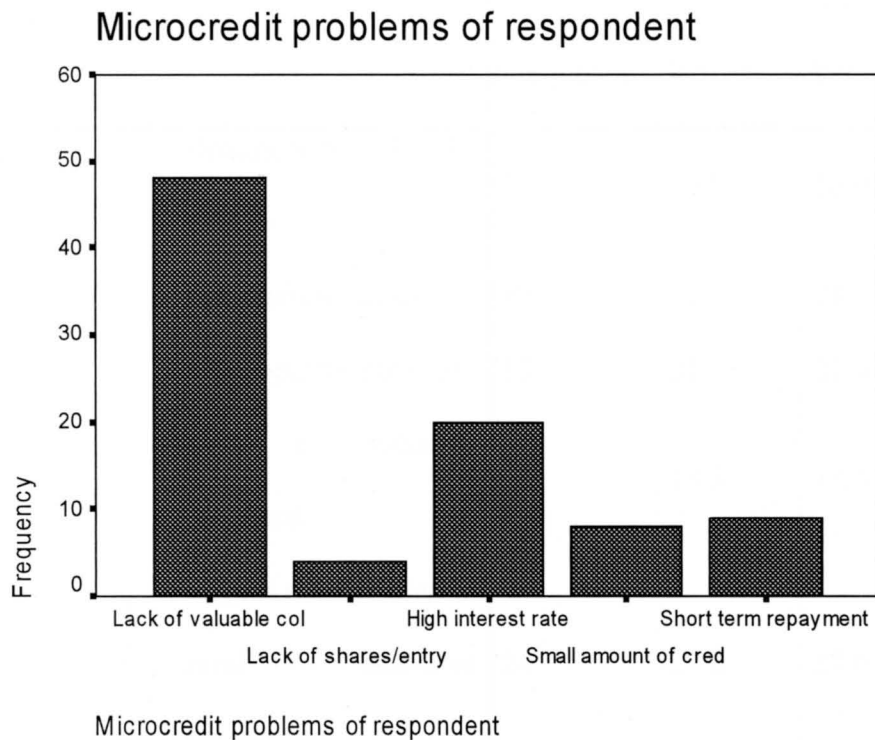
Why do Micro finance Institutions charge such high interest rates to poor people?

One respondent from micro credit institution narrated the following story:-

“Providing financial services to poor people is quite expensive, especially in relation to the size of the transactions involved. This is one of the most important reasons why banks do not make small loans. A TZS 50,000 loan, for example, requires the same personnel and resources as a TZS 2,000,000 thus increasing per unit transaction costs. Loan officers must visit the client's home or place of work, evaluate creditworthiness based on interviews with the client's family and references, and in many cases, follow through with visits to reinforce the repayment culture. It can easily cost TZS 12,500 to make a micro credit. This might represent 25% of the value of the loan amount, and force the institution to charge a “high” rate of interest to cover its cost of loan administration.”(Survey findings, Arumeru district 2006).

1.14.11. Micro credit problems of respondent (n = 89)

Figure 14: Micro credit problems of respondents



Source: Survey findings, Arumeru district 2006.

The figure above shows that main micro credit problems faced by respondents are as follows:- 53.9% lack of valuable collateral; 22.5% high interest rate of MFIs which ranges from 20% to 40% per year with the exception of government funded credit which is 10% per year; 10.1% short term repayment (the average credit repayment period for nearly all the MFIs is 30 days) and the rudimentary repayment schedule effects adversely on the borrowers this forces to use other income to service their loans; 9% small amount of credit given, which makes difficult for women and youths to diversify or expand their businesses.

1.14.12. The main causes of inadequate micro credit in Malula and Valeska

Table 17: The main causes of lack or inadequate micro credit institution in villages

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Remoteness of the village	15	16.9	16.9	16.9
	Poor infrastructure	19	21.3	21.3	38.2
	High operational costs	19	21.3	21.3	59.6
	Lack of valuable collateral	12	13.5	13.5	73.0
	Higher risks related to rural activities (agriculture)	24	27.0	27.0	100.0
	Total	89	100.0	100.0	

Source: Survey findings, Arumeru district 2006

The table above revealed the following as the main causes of inadequate micro credit 27% of respondents revealed that most micro credit institution are not attracted to provide services in the rural areas due to higher risks related to rural activities i.e. agricultural activities, which are more prone to climatic risks, 16.9% remoteness of the villages that causes longer transport distances, travel costs, 21.3% high operational costs, which force the interest rate to be very high.

The study observed that the interest rate ranges from 20% to 40% for micro credit institutions per year and 10% per year for the government funds from the Community Development Department, 13.5% lack of valuable properties and 21.3% poor infrastructure (roads, electricity, communication etc)

1.14.13. The main problems facing women and youths in the process of accessing micro credit facilities.

Table 18: Main problems facing women and youth in the process of accessing and utilizing micro credit in rural areas

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Lack of valuable properties	45	50.6	50.6	50.6
High interest rates	14	15.7	15.7	66.3
Short term repayment period	9	10.1	10.1	76.4
Lack of shares/entry fees	10	11.2	11.2	87.6
Small amount of credit given	11	12.4	12.4	100.0
Total	89	100.0	100.0	

Source: Survey findings, Arumeru district 2006

Table 18 indicates that 71% of respondents said that lack of collateral (valuable properties), 19% - lack of entry fees and shares. The women and youth in groups have to pay a certain amount before receiving credit and 10% unfriendly micro credit procedures and conditions such as must be a member of a group, guarantors, bureaucracy filling many forms before receiving the credit, loan insurance fund before the loan is disbursed, loans are extended to individuals organized in groups of five to fifteen members only and not directly to individuals.

1.15. Conclusions

1.15.1. Summary of important points

It is a reality that access to credit for business and also for farming is of paramount importance for women and youth in the two villages of Arumeru district in the process of alleviating poverty and improving the well being of the family and community at large. Therefore, micro credit institutions and government credit need to reach in the villages and cater for the poor people (women and youth being the most disadvantaged) and not to concentrate in urban and semi urban. By doing so the women and youths will be able to expand their businesses, run profitable businesses and improve their well-being.

1.15.2. Comparative analysis

Makombe et al (1999) agrees that financial institution in Tanzania not formally discriminate against women. However, few women have received credit from institutions because they lack collateral and adequate knowledge on how to process loans, long distances of banking services from the rural and high cost of processing the loan.

Although the credit scheme for women in Tanzania started in 1970 but the number of women who receive loan is still very low especially in the rural areas.

Makombe et al (1999) argued that it has been observed that credit is a key element in economic empowerment because it assures the productivity of the enterprise being financed. However, a credit scheme may fail to empower women depending on how it is managed and its components or packages.

Also there is no amount of credit even at the most reasonable rates can guarantee higher productivity or income among credit recipient unless it is accompanied by other packages such as infrastructures, agricultural subsidies, supportive services, credit policies as well as the management of credit scheme itself.

Basu, Santonu (1997) examines why institutional credit facilities remain unable to extend credit to the rural poor. Its analysis indicates that poor peasants at best can offer an entitlement set as a mortgage, comprised only of future shares of their harvest, which itself is subject to risk. Consequently, lenders cannot advance loans without risking extensive loss of loanable funds. As property owners' income is subject to the same risk as that of peasants, they advance loans to ensure that their own income is not affected by peasants' financial situation. An extension of institutional credit to peasants results only in subsidization of property owners.

CHAPTER II.

PROBLEM IDENTIFICATION

2.1. Problem Statement

The economy of King'ori and Mbuguni divisions in Arumeru district is predominantly based on subsistence agriculture, with about 80 percent of household relying on farming (BEST Baseline report: 2004). According to the baseline survey of 2004, 90.1% of people in the two villages of Malula and Valeska are engaged in farming and the rest in a diversity of occupation such as animal grazing (3.3%), wage employed (5.3%) and business or self employed (1.3%).

In mountainous areas, increasing land scarcity per household engendered the intensification of agriculture and land use. However it is also caused by serious environmental degradation and land depletion. There is low level of livestock keeping and crop yield is too low. Diseases in both livestock and crops is increasing. Many peasants cannot afford modern fertilizers and chemicals as well as medicines for their animals. There is also poor sanitation conditions, which lead to high prevalence of epidemic and other communicable diseases. (BEST Baseline report: 2004). This situation accelerates low productivity and increases poverty in the area.

Access to credit facilities for small business as well as farming after the collapse of Cooperative movement in 90s has become marginal. Elder male coffee farmers dominate the few existing savings and credit services. (ACIST Report, 2005).

Women and youths were mostly grouped in “Kibati” a traditional form of rotating savings and credit or Mary do round which started in US. Most of them operate with a limited amount of capital raised from internal savings. Therefore, the problem of low income and inadequate credit facilities associated with business development services for the poor women exists.

Poor women and youths are hampered by low skills in business management as well as low income and credit facilities, hence reduce their purchasing power and contribution to economic activities and contribute to increase level of poverty to women in rural areas.

If the problem is left unsolved poverty rate will increase among poor women and youths and their felt needs will be affected. As a result, people will not realize a decent and durable level of well being in material (food and income) and immaterial sense (confidence, social interaction, communication etc).

Causes of low income for poor women and youths were revealed during the needs assessment, it was discovered that they were caused by several factors as follows: -

- Inadequate credit facilities:- most micro finance institution were not attracted to provide services in the rural areas due to higher risks related to rural activities which were agricultural activities, that are more prone to climatic risks such as drought, diseases, and market fluctuation. Also risks in losses during storage, transportation etc.; Remoteness of the villages which causes longer transport distances, travel costs and operational costs.
- Poor government policy to support agriculture sector.

- Lack of legal property rights and collateral security. The most serious one is rural collateral, namely land, this is so because ownership is sometimes hard to prove and women were in a disadvantaged position, as they did not own land. Also absence of formal registration of the assets.
- Low level of education and entrepreneurship skills
- Inadequate market for their products
- Agriculture production: - Low productivity due to rainfall dependency, small farms and use of rudimentally tools such as Adam's hoe!

However many problems contributed to causes of low income among poor women and youths. The project addressed the issue of inadequate credit facilities. Micro credit provision was the best tool to increase income of women and youths and it contributes to poverty reduction. The project responded to the real needs of the community. The needs assessment, which was carried out by WODSTA in Arumeru district on fruits and vegetable processing and preservation, revealed that a large number of participants about 55 percent of women were living below the poverty line which is less than one dollar a day. Also a survey conducted by CED student in collaboration with BEST staff in 2006, revealed the following as the main causes of inadequate micro credit facilities in the two villages:-

- Most micro credit institution were not attracted to provide services in rural areas due to higher risks related to rural activities i.e. agricultural activities, which is more prone to climatic risks (drought). The study revealed that 99% of micro credit is extended

to urban and semi urban areas because of ease in communication and other support services. This clearly meant that the very poor were not served.

The credit supplied was mostly to those with ongoing businesses in order to ensure loan recovery. Little credit was not going to start up business, meaning that the borrowers must have their own resources first to set up a business before benefiting from credit. This was an indication that poor rural women and youth could not benefit due the fact that institutions are not attracted to access them funds due to:-

- Remoteness of the villages that causes longer transport distances, travel costs
- High operational costs, which force the interest, rate to be very high. The study revealed that the interest rate ranges from 20% to 40% for micro credit institutions per year and 10% per year for the government community development funds for women and youth from the Ministry of Community Development Gender and Children.

In the same way, 100% of respondents revealed that, they were concerned with the unfriendly conditions and procedures for micro credit institutions such as being a member of a group, guarantors, bureaucratic procedure in filling many forms before getting the credit etc.

- Poor women and youths are hampered by low skills in business management as well as low income and credit facilities, hence reduce their purchasing power and contribution to economic activities. This also contributes to increase level of poverty to women and youths in rural areas.

The problem of inadequate/lack of micro credit facilities among women and youth was selected because BEST NGO is working to address the problem of lack of financial and non-financial business development services in the form of business credit and training. BEST has a limited capacity on resource mobilization and fundraising skills to enable it to continue supporting the existing and new programmes; inadequate capacity on project/programme planning, monitoring and evaluation. In order to change the situation the project emphasized on capacity building for BEST staff on resource mobilization and fundraising skills and capacity building on project planning, monitoring and evaluation. Different donors were identified and a proposal and concept letter/letter of inquiry was written and sent to identified donors to support the existing and new programmes for organizational and programme sustainability purposes.

2.2. Target community

The first target community is BEST the host organization, which will implement the project and second, is women and youths from two villages of Malula, King'ori ward and Valeska, Mbuguni ward of Arumeru district, Arusha region. In order to realize the desired output, objectives and smooth running of the planned activities, participation of the local communities in project planning, implementation, monitoring and evaluation was vital. Community participation enabled sustainability of the project.

2.3. Stakeholders

The major players who had a stake in this project were as follows: - The Government at the district, ward and village levels. Women Economic Groups Coordinating Council (WEGCC), which provided credit to the target group. However, the amount of credit provided was very low to meet the demand of the target group. TRIAS Tanzania provided funds and capacity building to BEST in order to implement the planned activities. . TRIAS expect from BEST to get accurate progress report on time, monitored implementation, accurate financial report and professionalism. TRIAS will benefit as it also tallies with their desire to support collaborative approaches and sustainable interventions.

BEST is not associated with any organization. TRIAS Tanzania is associated with TRIAS Belgium, which channel funds through TRIAS Tanzania to the implementing partner including BEST. Similarities and differences are that BEST do not provide funds and Credit direct to the target group (commissioned Mount Meru SACCOS) to provide micro credit. Generally stakeholder's role include support and advise, credit provision, capacity building through trainings, consultancy. The stakeholders expect efficiency and effectiveness of the implemented projects for sustainability purposes.

Networks on regional, national and international level include Arusha NGO Network (ANGONET), Tanzania Association of NGOs (TANGO), Tanzania Gender Networking Programme/Intermediary Gender Network Northern Zone, and informal network with TRIAS Tanzania. They expect from the project collaboration, sharing of information, experiences, challenges and successes, joint effort in lobbying and advocacy on pertinent

issues, which occurs in the country such as gender budgeting initiatives etc, payment of subscriptions and attending meetings, workshops and trainings. In turn, they will assist in giving ideas and exposure to the NGO and community in general.

2.4. Project goal

The overall goal of the project was to help improve the socio-economic status of women and youths in Malula and Valeska villages by the end of 2007, promote their participation and integration in national development, and contribute toward poverty reduction.

2.5. Project overall objective and specific objectives

2.5.1. Project overall objective

To improve the livelihood of women and youths through accessibility and utilization of micro credit facilities in the two villages of Valeska and Malula, Arumeru district, Arusha region.

2.5.2. Project specific objectives

The project specific objectives were as follows:-

1. Assess the accessibility and utilization of micro credit among women and youth
2. Increase the number of women and youths undertaking income-generating activities by 40% .
3. Increase skills and knowledge of 120 women and youths on group dynamics and business management skills

4. Increase accessibility and utilization of micro credit facilities among women and youths by 30%
5. Strengthen BEST financial resource base to effectively achieve the set objectives and targets of the organization
6. Develop monitoring and evaluation system for BEST programs.

2.6. Host Organization

The host organization was a Business Entrepreneurship Support Tanzania (BEST) based in Arusha, Tanzania. BEST is a not for profit Non Governmental Organization (NGO). It was officially registered in 2001 with the aim of promoting and supporting small-scale entrepreneurs in Arusha and Arumeru districts, through the provision of quality client-centred financial and non-financial business development services. The type of project is service oriented not profit.

BEST Vision Statement: A community of equal opportunities empowered to manage economic and social development activities sustainably.

Mission Statement: BEST is committed to socio-economic empowerment of small-scale entrepreneurs through business management training and consultancy, gender awareness raising and provision of credit.

The specific objectives of the Organizations included:

- Provision of financial and non-financial business development services in form of business loans and training/advice on business management skills with the aim of reducing poverty among small-scale entrepreneurs.
- To stimulate and support small scale enterprises in Arusha and Arumeru districts
- To provide training for business entrepreneurs
- To create gender sensitivity within the population of Arusha and Arumeru.

2.7. Person involved in the Project

The Board of Directors comprising nine members govern BEST and the management runs by employed staff led by a Manager. Currently the organization has six staff, which comprises of three women and three men. The staff is gender balance and include the Programme Manager, two Programme Officers/Trainers, Driver, Security Guard cum Messenger and Secretary Cum Accounts Assistant.

2.8. Job description of CED student in the organization

The job designated to report the Programme Manager. Specific duties include: -

- Advices, contributes and to the planning, implementation, monitoring and evaluation of programme activities
- Provide creativity for resource mobilization
- Participate in planning and facilitate training at the grassroots level
- Develop Monitoring and Evaluation System for specific programme
- Follow up/monitoring and evaluation of programme activities.

CHAPTER III.

LITERATURE REVIEW

3.1. Introduction

This part reviews the information of what other scholars argued that would lead to an understanding of the subject matter of micro credit facilities. The review of literature is divided into three parts. The first part is theoretical literature, which is based on concepts, principles, legal framework and theories underlying micro credit. The second part is empirical literature, which explores analysis, and synthesis/projects dealing with similar cases and the third part is policy review, which explores different policies related to micro credit.

3.2. Theoretical framework

The concept of micro credit can be traced back during the Marshall Plan at the end of WWII in the middle of the 20th century or even back to the 1800s and New York's Providence Fund. However, in its most recent incarnation and with its current momentum and success it can be linked to several organizations starting in the 1970s and onward.

What is Micro credit

Micro credit is the extension of very small loans to unemployed, poor entrepreneurs and others living in poverty that are not bankable. These individuals lack collateral, steady employment and a verifiable credit history and therefore cannot meet even the most minimum qualifications to gain access to traditional credit. Micro credit is a part of microfinance, which is the provision of financial services to the very poor; apart from loans, it includes savings, micro insurance and other financial innovations.

Micro credit is a scheme for low income especially for unemployed youth who do not have any source of income and want to generate their income.

Micro credit is a financial innovation which originated in developing countries where it has successfully enabled extremely impoverished people (mostly women) to engage in self-employment projects that allow them to generate an income and, in many cases, begin to build wealth and exit poverty. Due to the success of micro credit, many in the traditional banking industry have begun to realize that these micro credit borrowers should more correctly be categorized as *pre-bankable*; thus, micro credit is increasingly gaining credibility in the mainstream finance industry and many traditional large finance organizations are contemplating micro credit projects as a source of future growth. (Wikipedia, the free encyclopedia, 2006).

The mythology of micro-credit

Micro-credit has become a panacea for poverty worldwide, from the paddy fields of Bangladesh to the urban sprawl of Los Angeles. It is also politically fashionable.

The greatest pioneer of micro-credit, Muhammed Yunus, the founder of Bangladesh's multi-billion dollar Grameen Bank, has a guru-like celebrity following rivaling that of the Dalai Lama. His idea of lending small amounts of money to poor people, mostly women, to enable them to set up micro-enterprises has won plaudits across the world. It is the stated intention of donor organisations and leading NGOs to extend credit to 100 million poor households world-wide in the next few years. (Cordeiro Stacey: 2004)

In his drive to expand micro-credit, Yunus dispensed with notions of job-creation and education as the focus of development and instead has concentrated on trying to enable the poor to pull themselves out of poverty. In the Grameen model, instead of relying on collateral to secure loans, credit is secured by peer groups, which are required to ensure that no member defaults on repayments. Consequently, micro-credit is a dream come true for donors and non-governmental organisations (NGOs). Repayment rates are well above the banking sector norm, while at the same time, loans are invested in pre-existing survival skills, enabling the poorest to be magically transformed into entrepreneurs. That way, micro-credit's supporters' claim, lending to the poor shows that capitalism can benefit all, not just the rich. (Cordeiro Stacey: 2004)

However, the rapid expansion of credit to the poor fails to address the structural causes of poverty and often increases the vulnerability of the poor. The problem inherent in micro-credit is that progress is predominantly measured in terms of the number of participants, money saved, repayment rates and other easily quantifiable factors. The end result in

terms of qualitative poverty alleviation has taken a back seat in the drive for micro-credit growth, while the dubious practices adopted by some lenders are ignored. (Cordeiro Stacey: 2004)

The 90-95 per cent repayment rates boasted by the Grameen Bank come at the cost of heightened conflicts within families and communities. Aggressive recovery tactics employed by debt collectors in micro-credit schemes have included stripping tin roofs off the homes of indebted households who are unable to meet their payments. NGOs involved in micro-credit are acting less like agents for economic development and more like loan sharks. For instance, in Bangladesh, micro-credit schemes often charge borrowers up to 40 per cent interest – a rate that is far higher than market rates.

The effectiveness of micro-credit in permanently alleviating poverty is also doubtful. Where credit actually improves the productive capacity of micro-entrepreneurs, the sustainability of their operations is not guaranteed. In the developing world, market forces and macro-economic policies profoundly affect cottage industries, which find it hard to compete with mass-produced products. Globalization has exposed poor countries to a harsh, highly competitive environment in which small producers have been crushed. Therefore, it seems baffling to encourage poor people to engage in informal economic activities, such as milk production or handicrafts, which are increasingly under threat from larger, more efficient producers owing to liberalization. (Cordeiro Stacey: 2004)

According to Fernandez: (1997), micro credit is defined as “any credit extended to a borrower, whether an individual or legal entity, or to a group of borrowers assuming joint and several liability for loan repayment, aimed at financing small-scale production, marketing or services activities, where the main source of payment of the loan are the proceeds of sales or income generated by such activities, as adequately verified by the lending institution of the financial system.”

The National Support Program for Urban Micro enterprises, developed by the *Grupo Sophia* research center, defined the concept of micro credit taking into account that such micro credit was aimed at micro entrepreneurship, not including those earmarked for construction or companies. They considered this because they were trying to analyze micro credit as an alternative or an instrument for the alleviation of poverty and unemployment existing in Argentina. Thus, they stated that “a micro credit is a small size loan (not exceeding Arg.\$1,000) that may be given out to people directly or through groups, without creating a mortgage or a pledge, and without the need of a security interest in real or personal property. It is used to develop production, commercial or service-oriented micro entrepreneurship, with short and medium term repayment (ranging from three to twelve months) with an interest rate freely agreed upon and generally higher than the rates effective in the formal banking market (between 20% and 45%). Reimbursements operate weekly or monthly and the amount of installments is related to the micro entrepreneur’s repayment capacity; that is to say, it has a relation with the income generated by the economic activities developed within the framework of the financed micro entrepreneurship.” (Fernandez: 1997)

In the different concepts of micro credit outlined above it is possible to observe that there are certain peculiarities, which are common to all the definitions of this financial product, namely:

- Micro credit has a main purpose, which is independent from and does not change with the different types of micro enterprises, micro entrepreneurs, etc. found in each legislation.
 - The definition makes special emphasis on the sources from where the monetary stream for the repayment of principal proceeds, which shall originate in the net sales, generated by the production, commercial or services activity carried out, therefore excluding wage-earners. We thus intend to make a clear distinction of micro credit as opposed to consumer credit, where the latter is not aimed at developing any productive activity, but rather to the immediate satisfaction of individual needs.
 - It is said that micro credits are small size loans, since the economic activities triggered by the funds are small-scale activities.
 - The clients of micro credit institutions are different from those of traditional financial institutions. Generally, microfinance borrowers are low-income micro entrepreneurs, earning such income from the exploitation of family-owned businesses that are unsophisticated or rudimentary. Since there is no credit information available in relation to the borrowers of the microfinance system, the implied risk attached to these borrowers is significantly higher than that of the clients of large financial institutions.

According to the above, we can refer to two types of micro credits, as follows:-

1. Subsistence-oriented micro credit

It refers to micro credit sought with the objective of maintaining an ongoing micro enterprise in the best possible manner, but without any expectation whatsoever of growth. The loan amounts requested are generally not very high, since they depend on the pace of the economic activity of the micro business.

2. Development-oriented micro credit

It refers to all micro loans extended with the aim of developing an action or activity within the micro enterprise, which is oriented to the growth of the micro enterprise. It generally corresponds to an investment in fixed assets (equipment, machinery, stores, supplies, etc.) In this case, the repayment amounts and terms are generally higher than in the previous case.

- Micro credit is a system of small loans, usually less than \$1000, provided to small entrepreneurs who would like to invest in capital
- Due to poor infrastructure and government bureaucracy, government and commercial loans are often not accessible to the poor because of high agency costs
- Microfinance Institutions (MFIs) are necessary in Tanzania because of high unemployment (22%). 55% of employed people work in the informal sector and have little to no access to formal banking structures.

According to Khan, Rao (1992) the objectives of rural finance provided by banks are to bring about improvement in the economic status of the rural poor, a good rate of repayment to the banks and increasing saving potential for further growth. In developing countries, the majority of the population depends on agriculture and rural activities, and is comprised of a large number of small farmers. There are few borrowers from the rural areas who can make good use of credit and derive benefits from it, because of their low level of literacy, consumption needs, poor access to various services and lack of marketing skills. They are often tempted to sell their assets due to urgent needs. However, employment possibilities in the rural areas are decreasing, particularly with seasonality. Credit is one of the inputs that can be used to achieve the objectives of agricultural development, although credit alone cannot act as the prime mover. Banks and financial institutions have to provide finance by mobilizing local resources to transfer savings for investment, or the public sector needs to mobilize agricultural surpluses by fiscal and commercial policies to invest in both the agricultural and non-agricultural sectors.

3.3. Empirical review

This section covers a review of similar projects dealing with similar project in Tanzania and other projects outside Tanzania.

3.3.1. The Tanzanian Experience

According to the study conducted by Professor Prof. J.M. Lusugga Kironde (2003).

Micro-finance institutions (MFIs) can be defined as those institutions that offer loans and other financial services to Micro and Small Enterprises (MSEs). Loans are usually small, in addition, the conditions to get access to credit are usually not as stringent as those demanded are by formal financial institutions (FFIs).

The realization of the importance of micro-finance lending has increased in recent years on account of a number of reasons including:

- The need to tackle poverty which is prevalent and in some cases increasing in both the rural and urban areas.
- The declining role of the public sector, and the increasing role of Micro and Small Enterprises (MSEs) in promoting economic growth and development, offering employment and reducing income disparities;
- The realization that the increased participation and contribution of MSEs leads to an increased need for financial services, particularly credit, to support their initiatives;
- The unwillingness of the Formal Financial Institutions (FFIs) to offer credit to the poor or small business undertakers. In any case, the latter would find it difficult to meet the conditions set by the FFIs to extend credit to their operations;
- Economic liberalization which has seen many FFIs streamlining their operations and concentrating on profitable ventures, thus leaving out rural areas and the poor.

Micro-Finance Institutions (MFIs) in Tanzania

Categories of MFIs in Tanzania:- Four main categories of institutions that are engaged in the delivery of micro credit in Tanzania can be identified. It is possible that these categories are echoed in other countries. These are:

1. Non Governmental Organisations micro -finance institutions (NGO-MFI)
2. Government and Public sector sponsored micro - finance programmes
3. Saving Associations and Credit Co-operative Societies (SACCOS)
4. Formal financial institutions that offer micro credit services.

We consider each category in turn. Non-Government Micro - Finance Institutions (NGO-MFI) category dominates the micro-finance industry in Tanzania. Most NGO-MFIs started operations during or after 1995 and operate in urban and peri-urban areas. The urban bias is prompted by the high transaction costs in financing rural based undertakings. This means that they do not reach the poor of the poor who are mostly in rural areas. All appear to have received capital injection mostly from foreign sources. Legally, MFIs in Tanzania are not allowed to mobilize savings but many of the NGO-MFIs engage in the mobilization of “savings” in the guise of “loan insurance funds”. All provide loans to ongoing businesses and only very, few provide start-up capital. None of them directly provide loans for other purposes such as consumption, education or health. Some provide credit to women only. In any case, some 77% of all the loans from NGO-MFIs are received by women.

Most NGO-MFIs in Tanzania only lend to individuals in groups. Few use both group lending and loans to individuals and very few only lend to individuals. Nearly 90% of the NGO-MFIs require some collateral. This takes the form of compulsory saving (i.e. the loan insurance fund) before the loan is disbursed. Interest rates are generally higher than those charged by FFIs (i.e. between 17-30%).

Most NGO-MFIs offer their clients complementary services including the preparation of business plans. Most of the staff in NGO-MFIs engaged in credit delivery have some form of training, mainly short term training. However, the majority of the staff in NGO-MFIs not involved in credit delivery receive no training mainly as a result of high costs. Looking at the Tanzania scene, it is realized that over 80 percent of the loan portfolio of all NGO-MFIs is dominated by four institutions namely PRIDE, MEDA, SEDA, and FINCA International Inc. We look at these in turn, get a glimpse of the activities and reach of NGO-MFIs as shown below:-

- **PRIDE (Promotion of Rural Initiatives and Development Enterprise)** PRIDE started in 1994 with the aim of testing the applicability of the Grameen Bank micro lending model in Tanzania. Despite its name, it operates only in urban or peri-urban environments whose population must exceed 100,000 people. Currently it has a network of 23 branches and 3 sub-branches located in 16 major urban centres in the country.

The initial capital for PRIDE was provided by capital injection of US\$ 1.2m from the Norwegian Agency for Development (NORAD), which injected another US 3.4m for the expansion of PRIDE's micro credit services. However, PRIDE also collects from its clients "loan insurance funds" which are used to augment its lending capacity. In effect

PRIDE is mobilizing services, which is not allowed by law. The fund also acts as collateral for loans and had accumulated to over Tshs 6.5bn/= in 2000. Loan provided range from Tshs 50,000/= to Tshs 5,000,000/= and beneficiaries are those with ongoing businesses only. Over 80% of the borrowers are women. Loans are only provided to individuals in groups. Loans are graduated. The lending rate is around 30%.

- MEDA (Mennonite Economic Development Associates)

MEDA started operating in Tanzania in 1987 with a start-up capital of US \$300,000 from Canada. It became an NGO-MFI in 1993. Loans are provided to both individuals directly and to individuals organized in groups. The borrower must have an ongoing business and must contribute 20% of the loan value as a loan insurance (collateral). The loan size ranges from Tshs 50,000/= to Tshs 150,000/=. The lending rate is 48% and charges for technical services is 12% for the first round but falls to zero by the third round of borrowing.

- SEDA (Small Enterprises Development Agency)

Initially started as a department of World Vision, SEDA got subsequent capital injection from the Ford Foundation and USAID. It became an NGO-MFI in 1996. Loans are available for ongoing business with a minimum loan of 50,000/=. More than 77% of the loans are made to women. The lending rate is 24%. In addition, 13% of the loan value is charged as cost of processing the loan and training the beneficiaries. SEDA lends only to individuals who must first form a ROSCA group of not less than 10 members and contribute 20% of the loan amount in advance. Loans are graduated.

- **FINCA (Foundation for international Community Assistance)**

This is a non-profit making organization, which started working in Tanzania in 1998 with a capital injection of US\$ 1 million from USAID. It operates in both rural and urban areas and attempts to reach the poorest of the poor women, so that they can create jobs for themselves, raise household income and improve their standard of living. Loans are only available to women with ongoing business. Training is provided. Borrowers are required to have a savings in a group account with an FFI. Groups must not be less than 30 members. As of 2002, FINCA had disbursed loans worthy Tshs 10bn/=. The minimum loan size is Tshs 100,000/= and the maximum, Tshs 2.5m/=. The loan term is between 4 and 6 months.

- **Government and Public Sector Institutions and Funds**

These are sponsored by the government or other public institutions. They include the Small Industries Development Organization (SIDO), the Presidential Trust Fund (PTF), the Youth Development Fund (YDF) and the Women Development Fund (WDF). The latter two are of special interest to this forum, since they are anchored within local government authorities.

- **Small Industries Development Organization (SIDO)**

SIDO began operations in 1974 and is a majority government-owned MFI. It has received capital injection from the government and from donors. Borrowers are serviced with both start-up capital and working capital loans of between Tshs 50,000/= and Tshs 6.5m/=. It

uses both the individual and group lending approaches. The interest rate charged is 30% p.a. Training, business write-ups and advocacy services are provided.

- The Presidential Trust Fund (PTF)

PTF was set up in order to give micro credits services for self-reliance in 1985 with the government contributing the start-up capital. Loans of between 50,000/= and 600,000/= are provided to ongoing businesses only. The main target is women. Loans are extended to individuals organized in groups of five members that may federate with others to form a credit centre. Borrowers must first contribute 5% of the loan amount as collateral.

- The Youth Development Fund and Women Development Fund

The government has supported two micro credit funds. These are the Youth Development Fund (YDF), under the Ministry of Labour and Youth Development and the Women Development Fund (WDF) under the Ministry of Community Development, Women Affairs and Children. The funds were instituted in 1993/94 and are administered by local authorities. Both started with government funding and were supposed to be topped up by local authorities contributing 10% of their annual local collections to these funds.

The YDF was meant to enable the youth to get access to credit for economic activities. They must be organized in groups of 20 members. The WDF was meant to target women who are farmers organized in groups and living in villages. WDF set a lending rate of 24%. Beneficiaries were expected to be trained before credit delivery.

The success of these two funds has been very limited. The volume of fund has been too small compared to the needs. The groups are too big and the amount obtained by the

individual borrowers too small (average Tshs 30,000/=). Loans have been urban biased, lack follow up and in some cases have eluded the targeted groups. The funds too are considered to have been too politicized accounting for poor loan repayment. The latter is also accounted for by lack of staff trained in micro -finance, and institutional framework for credit delivery and enforcement of loan repayment at the level of the local authorities.

A live example of the operation of this fund is Kinondoni Women and Youth Development Fund (KWYDF) set up by the Kinondoni Municipal Council in the city of Dar es Salaam, which, between April 1998 and December 2000 gave out loans to 644 groups and 318 individuals totaling Tshs 241.8m/=. Repayment of the borrowed money has proved to be a problem, so much so that as of May 2001, only Tshs 67.5m/= had been paid back. Many borrowers do not repay on time, or fail to repay at all, rising fundamental problems of sustainability of the Fund.

At the National level, many local authorities have failed to remit their required contribution for the Fund. Between 1996 and 2000 only Tshs 2.8bn/= was contributed out of the expected Tshs 9.8bn/=. This is only 29% of the expected contribution. During that period, the central government contributed Tshs 790.1m/=. Loans of up to Tshs 100,000/= have been given out to qualifying groups. Many of the borrowing groups lack training, advice and expertise. Many of the loans are not repaid back, so much so that between 1996-2000 only 35% of the expected loans were repaid back (URT 2001d). The government has now required local authorities to assist borrowers to prepare viable project write-ups, to organize training courses, and to make a close follow up to ensure

that projects succeed and loans are repaid. Meanwhile, although local authorities have been required to continue with their contributions, the Ministry has suspended the further giving out of loans until a new system is worked out and repayment improves.

Some success has been realized with respect to the Dar es Salaam City Council whose programme has been transformed into a Community Development Bank, which has recently started operations, with a major aim of providing micro-finance services to SMEs.

Makombe and others; (1999) agrees that financial institution in Tanzania does not formally discriminate against women. However, few women have received credit from institutions because they lack collateral and adequate knowledge on how to process loans, long distances of banking services from the rural and high cost of processing the loan.

Although the credit scheme for women in Tanzania started in 1970's the number of women who receive loan still very low especially in the rural areas.

Makombe et al (1999) argued that it has been observed that credit is a key element in economic empowerment because it assures the productivity of the enterprise being financed. However, a credit scheme may fail to empower women depending on how it managed and its components or packages.

Also there is no amount of credit even at the most reasonable rates can guarantee higher productivity or income among credit recipient unless it is accompanied by other packages such as infrastructures, agricultural subsidies, supportive services, credit policies as well as the management of credit scheme itself.

Rotating Savings and Credit Associations

Within Tanzania, as in many other countries, ROSCAs are mainly utilized by women. They are also more common in urban than in rural areas, and usually formed for specific purposes, and comprise people from a similar status and background with assured and regular incomes (Mlowe; 1994.) The urban preponderance is in the main due to the need for geographic closeness of people with a common need or requirement, and the need for regular income, in order that the periodic payment is made. The predominance of women may be seen as a response to their lack of access to other sources of credit, which their male counterparts have access to.

One international NGO in Arusha has developed a programme using the ROSCA concept, having piloted this for a year. The Small Enterprise Development Agency (SEDA) was initially rural based, but expanded into the town. Their client is a group of size thirty, and interestingly, they offer life insurance at five percent of the loan. Ironically, though SEDA began their operation within the rural community, they have decided to abandon this, as they could not operate it economically.

Gender and Financial Facilities within Tanzania

The social environment in Tanzania as elsewhere has produced a set of structures that place women in a second-class or subjugate position. The level of such patronization is noted by Von Bulow *et al* (1998 p86), who found that within the social structures of the area in Northern Tanzania, women and 'youths' (of age 40 or more) have been treated as dependants of their husbands, fathers or local authorities. This subjugation manifests

itself in the many different facets of rural life, from inheritance practices through to the creation of alternate financial structures, such as ROSCAs. While some inroads are being made in legislation and government interventions, much of this is more evident in the urban areas than in the rural, as greater levels of inter-community interaction, education, training and communication disseminate gender concepts more efficiently.

At a government and institutional level, much has and being propounded about gender equality and the elimination of discrimination. For example, in interviews with institutions such as the Co-operatives Department and COOPNET, reference made to the fact that the 1992 Co-operatives Act prohibits discrimination against women. However, what further emerged was that propagation and dissemination of this act has been less than widespread, and the resources necessary to implement change have not been forthcoming. It was found out that in interviews at village level that some of the participants were still operating under the 1982 act, and were unaware of the existence or the detail of the newer act, which exemplifies the gap between legislation and social/cultural practices.

There are some general statements that may be made about gender and financial services within Tanzania. For example, Mkwizu (1992) points out that Tanzanian woman have a trait of saving more than men. She suggests that as this is the case, greater levels of savings could accrue if more income were available to women. Kashuliza and Kydd (1996) found that there were levels of discrimination against women in terms of access to formal credit. Their study concluded that female farmers, who were household heads,

were relatively discriminated from formal credit facilities because of the prevailing socio-cultural framework prevalent in many rural areas in Tanzania.

Under traditional law in Tanzania, women do not own land. This has resulted in the nominal membership of a number of women in crop marketing co-operatives, despite the fact that it is the women who carry out most of the tasks of handling the crop.

While some NGOs are attempting to redress the imbalance in women's access to financial resources, their efforts remain mainly confined to the urban population. As was mentioned, in a case where one NGO was involved in a rural programme, they withdrew from this involvement because it proved uneconomic.

Levels of female participation are very high among alternative financial services provider. There is a strong demand for financial services among women in Moshi district that manifests itself in the membership levels of local NGO micro financing institutions, which are predominantly female. For example, Mwananchi Informal Sector Development Association (MISDA) has an eighty percent rate of female membership. MISDA say that they are trying to encourage men to join, but that there is a perception that it is a 'women's' society. While MISA (Poverty Africa) claims not to promote one gender over another, ninety-five percent of their members are women. Promotion of Rural Initiatives and Development Enterprises (PRIDE, Moshi) has a female membership level of seventy-five percent. Small Enterprise Development Agency (SEDA) membership appears to be exclusively female. However, most of these NGOs are urban-based, and enterprise-focused, and while some attempts are being made at outreach to the smaller

towns and villages, these attempts are small in scope. They are having no significant impact on the rural female population.

The existing institutions such as SACCOS, by perpetuating male-biased allocation rules, are reinforcing gender inequities. They are offering some services to women, but largely only savings services. These services are unquestionably of benefit to women. However, by effectively restricting the level of services available to women, these practices can be seen as promoters of inequity, reinforcing existing gender prejudices, rather than being a means of advancing their position.

Several factors have led to increased interest in micro credit in promoting growth with greater equity. There has been a growth in the recognition of the importance of empowering all people by increasing their access to all the factors of production, including credit. In addition, the value of the role of non-governmental organizations in development is receiving more attention.

It is in that context that micro credit has recently assumed a certain degree of prominence. It is based on the recognition that the latent capacity of the poor for entrepreneurship would be encouraged with the availability of small-scale loans and would introduce them to the small-enterprise sector. This could allow them to be more self-reliant, create employment opportunities, and, not least, engage women in economically productive activities. Currently, there are estimated to be about 3,000 microfinance institutions in

developing countries. These institutions also help create deeper and more widespread financial markets in those countries.

3.3.2. Worldwide experience

A study conducted in Ethiopia by Zenebework, Eshetu, and Konjit, (2002) shows that the women who were beneficiaries of micro credit admitted that their lives have improved. They specifically mentioned that they were able to pay their house rent, fulfill other basic needs, cover health expenses, send their children to school, and they were empowered to negotiate in the household.

Another study sponsored by AEMFI revealed that the women's decision making power in relation to saving, credit receiving, repayment and utilization has increased; their income has improved and their businesses expanded; there is also improvement in the women's asset base as well as their self-confidence (WABEKBON Consult, 2006).

According to the State of the Micro credit Summit Campaign Report 2005. As of December 31, 2004, 3,164 micro credit institutions have reported reaching 92,270,289 clients, 66,614,871 of whom were among the poorest when they took their first loan. Of these poorest clients, 83.5 percent, or 55,622,406 million, are women. Seven hundred eighty-one of these institutions submitted an Institutional Action Plan in 2005. Together these 781 institutions account for 90 percent of the poorest clients reported. Assuming five persons per family, the 66.6 million poorest clients reached by the end of 2004 affected some 333 million family members.

Gender has been viewed as a mitigating factor in development, with much focus being given to the financial empowerment of women, in the hope that such financial empowerment may reflect on their overall empowerment. Within the context of the provision of facilities in Tanzania, the means by which this is addressed may be an enabling or a disabling factor, or both, as will be discussed.

Financial transactions in rural areas imply a high number of small amounts, which formal institutions avoid, because of the 'fixed-cost' nature of finance (Koning; 1998.) Informal finance providers' transaction costs are typically low. The ability of informal providers to sustain their service is also critical. Informal financial services providers in rural areas keep default rates low through operating within constrained geographies, where reliable information supports their operation. Linkages with input providers and produce buyers support this information gathering system. This availability of good quality information has a risk-reducing effect. It has been found that lenders will then attempt to counteract such costs by looking to longer maturity loans with greater returns (Baydas *et al* ;1993). This in turn has been compared with formal institutions, which do not have such informational opportunities (Herath; 1996).

According to Adams, Dale W. (1995) Forty years ago, credit was thought to be a critical part of a package of inputs needed to boost agricultural production. Initial results of donor and government efforts to expand agricultural credit were so encouraging that by the early 1950s some experts felt they could transplant credit programmes from developed countries that would succeed in most low-income countries. Optimism persisted for several decades until the early 1970s when problems began to surface in

numerous credit programmes. The gravity of these problems became more apparent and pessimism grew until in the late 1980s major donors began to abandon agricultural credit efforts and instead increasingly focused on rural finance. This contribution discusses the evolution of agricultural credit into rural finance. It gives also an explanation for why this evolution occurred, and then summarizes the lessons that have been learned along the way. The paper concludes by outlining the major challenges for future financial infrastructure building in rural areas.

Basu, Santonu (1997) examines why institutional credit facilities remain unable to extend credit to the rural poor. Its analysis indicates that poor peasants at best can offer an entitlement set as a mortgage, comprised only of future shares of their harvest, which itself is subject to risk. Consequently, lenders cannot advance loans without risking extensive loss of loanable funds. As landlords' income is subject to the same risk as that of peasants, they advance loans to ensure that their own income is not affected by the peasants' financial situation. An extension of institutional credit to peasants results only in subsidization of landlords.

Micro credit in India

About 70% of India's population lives in villages, but many companies still focus on urban areas, where competition is intensifying as the economy expands and profit margins are thin. "For many fast-moving consumer good companies, the bottom of the pyramid is not marginal anymore -- that's where the market is," says C.K. Prahalad, a professor at the University of Michigan's Stephen M. Ross School of Business, Ann Arbor, Mich., and an author of several books on rural marketing. "It's not about making cheap stuff, or being nice to poor people. Western markets are saturated." When executives at Hindustan Lever were plotting how best to reach untouched markets in rural India in 1999, they noticed that dozens of agencies were lending micro credit funds to poor women all over the country. These would-be micro entrepreneurs, the company thought, needed businesses to run.

Women are also having a hard time with the bureaucracy involved - they get frustrated and confused when they have to fill out multiple forms and visit multiple counters to do their banking. Women have work in the home, work outside of the home, education and training programs, and now micro credit. This is just adding one more thing to their lists of obligations.

Micro credit is one part of micro-enterprise the most important part is education for the right to exercise our rights. Women need to do advocacy for public policies - at local and bigger levels. Need for women to have experiences locally and globally and balance the two.

Soma: they have done a study on micro credit. Some of the points:

- Only 30% of banks have given loans to savings groups more than 2 years old (see my post on SEWA for explanation of savings groups). This means the bank is sitting on 70% of this money, revolving it out and making more money on it. They should be using it for development purposes.
- Literate women tend to be leaders in credit and savings groups, but organizations are not doing literacy training. 50% of those going for training are already literate, when only 30% of women overall are literate. (Coredeiro, S.; 2004)

3.3. POLICY REVIEW

The first Micro credit Summit was held on February 2-4, 1997. More than 2,900 people from 137 countries gathered in Washington, D.C. to participate at the Summit. It was the largest microfinance gathering that had ever yet been organized, and both leaders of the microfinance industry and Heads of State participated. This Summit launched a nine-year campaign with the defined goal of “working to ensure that 100 million of the world’s poorest families, especially the women of those families, are receiving credit for self-employment and other financial and business services by the year 2005.”

Tanzania National Microfinance Policy

Tanzania has a microfinance policy and law which view poor people as vital contributors to their local and national economies, supported by guidelines which seek to unleash a new wave of micro entrepreneurship - the powerful assets which can give poor and low-income people a chance to build better lives.

The National microfinance policy passed with re-affirms the importance of such financial institutions in the provision of rural financial services to low income people. The objective of the policy is to establish a basis for the evolution of an efficient and effective micro-financial system that serves low-income segment of the society and thereby contribute to economic growth and reduction of poverty. SACCOS recognized by this policy as one of the providers of micro-finance services in the country especially in the rural areas. The enactment of the Micro Finance Policy in Tanzania, which pays great attention to the poor who are the principal beneficiaries of rural micro credit, can be termed as the birth of sustainable Microfinance Industry in Tanzania.

While the Bank of Tanzania (BoT) deserves kudos for relaxing some operational rules to allow microfinance institutions to accept deposits, supervision needs to be seriously enhanced.

Concerns are mounting over the mushrooming of bogus MFIs, which seem more intent to cash in on ignorance and the passion of the poor people for enrichment. Even before BoT had provisionally allowed MFIs to take on deposits, there were ample coveted instances of clever persons who set MFIs but operated as banks, taking deposits other than those for micro loan repayments.

Complaints abound about some people, who were lured into making deposits as part of the condition for securing loans from dubious MFIs, but ended obtaining none and found it difficult to withdraw their deposits.

Though the law is very clear about measures which govern the sector overall, lack of public awareness about them is one of the reasons which make dubious financial institutions thrive. In addition, this can be achieved through well-focused social marketing campaigns to be undertaken by BoT or its agents.

At least people should be made to know that any MFI must have an office, meets start-up capital requirements, and most importantly, a genuine license from BoT, which permits someone to run money-lending business. The law precludes any institution not licensed from soliciting deposits.

These precautions are being raised because the primary aim of the UN is to increase public awareness about the reliability of microfinance clients, especially women, in repaying loans, managing household incomes, building assets and enterprises and contributing to the economy.

National Strategy for Growth and Poverty Reduction (NSGRP)

Moreover, Tanzania has set an ambitious course to alleviate poverty through the National Strategy for Growth and Poverty Reduction (MKUKUTA) in line with the UN's Millennium Development Goal of cutting in half, by 2015, the proportion of people living on less than one dollar a day. Microfinance is a powerful tool to help us get there.

Some of the licensed MFIs have commendably provided valuable service to the poorest of the poor, men and women whose lack of any collateral makes banks shun away from them.

Also National Strategy for Growth and Poverty Reduction (NSGRP) addresses the importance of micro credit for women and youth as shown in the document in cluster1; growth and reduction of income poverty Goal 3: which states that improved food availability and accessibility at household level in urban and rural areas shows the operational targets that increased off farm income generating activities. Cluster strategies are: 1. to increase access to rural micro financial services for subsistence farmers, particularly targeting youth and women; and promote off farm activities with particular focus to supporting establishment of agro processing SMEs; Promote and sustain community based savings and credit scheme such as SACCOS and revolving funds. 2. to enhance life skills and entrepreneurship training for rural population particularly women and youths.

The General Assembly, in its resolution 52/194 of 18 December 1997, noted that, in many countries micro credit programmes have proved to be an effective tool in freeing people from poverty and have helped to increase their participation in the economic and political processes of society. Among other provisions, the Assembly called upon the relevant organs, organizations and bodies of the United Nations system, in particular its funds and programmes and the regional commissions, as well as relevant international and regional financial institutions and donor agencies involved in the eradication of poverty, to explore including the micro credit approach in their programmes as a tool for the eradication of poverty. The assembly requested the Secretary-General, in collaboration with relevant organizations of the United Nations system, including funds and programmes and the World Bank, to submit to it at its fifty-third session a report on the role of micro credit in the eradication of poverty.

The World Summit for Social Development, held in Copenhagen in March 1995, also underlined the importance of improving access to credit for small rural or urban producers, landless farmers and other people with low or no income, with special attention to the needs of women and disadvantaged and vulnerable groups. Governments were called upon to review national legal, regulatory and institutional frameworks that restrict the access of people living in poverty, especially women, to credit on reasonable terms; to promoting realistic targets for access to affordable credit, providing incentives for improving access to and strengthening the capacity of organized credit systems to deliver credit and related services to people living in poverty and vulnerable groups; and

to expanding financial networks, building on existing networks, promoting attractive opportunities for savings and ensuring equitable access to credit at the local level

Policy changes may be needed to allow an appropriate portion of the European Union's and the banking sources of funding into the CITs. The amount of aid for foreign counseling and advice should be decreased and financial funds should be provided for credit guarantee schemes for start-up entrepreneurs. Micro credit programmes should serve as a policy alternative to unemployment benefits and job training programmes, because they contribute to self-employment and economic self-reliance of poor and low-income families.

SACCOS ACT IN TANZANIA

The Tanzania Government has realized the need for establishment of institutions that will enable or that will support local efforts in harnessing the abundant resources to generate development of the individual and the national community at large. One such effort has been the promotion of savings and credit cooperative societies (SACCOS) as engines for economic development.

The SACCOs are registered under the Cooperative Act 1991. The Annual General Meeting (AGM) of members is the supreme body. The AGM elects a Board, consisting of a Management Committee, Credit Committee and a Supervisory Committee. Some SACCOs have a (paid) clerk. Supervision and regulation of SACCOs is the responsibility

of the Registrar for Cooperatives, who operates through the Regional and District Cooperative Departments.

There are at least 646 SACCOS registered in Tanzania, of which 61 percent are rural SACCOS and 39 percent urban SACCOS (Mutesasira.L, 1999)

SACCOS is a prevalent saving device in Tanzania. A SACCOS is a member driven, self-help, and non-profit driven cooperation. The idea is a democratic cooperation where the members have influence. Members are supposed to be both the owners and the users of the services available. The shares/ savings function as an instrument of ownership, and a basic feature is that the SACCOS should be capable of running on the financial resources of the membership alone. In Tanzania the average membership in a SACCOS is 209 persons. The general structure of a SACCOS is a board of directors and a small number of committees, usually that is a loan and credit committee, an executive committee and a supervisor committee. These members work voluntarily and usually never get paid for their responsibility. Most SACCOS cannot afford hiring staff. A prevalent problem though is that the members responsible seldom have any education, which easily makes financial and general management weak. The saving and credit cooperatives are to some extent regulated by law, which makes (International Co-operative Alliance, 2001)

CHAPTER IV.

IMPLEMENTATION

4.1. Introduction

Project implementation was conducted by CED student in collaboration with BEST staff to address the recommendations that came out from the survey. In October 2005 the first needs assessment was conducted using key informant interview, meetings, focus group discussion, documentary review and questionnaires. Soon after the participatory needs assessment there followed a process of resource mobilization and fundraising for the existing and new programmes of BEST. In June 2006 and October 2006, survey method was explored. In October 2006 SWOT, analysis and stakeholders' analysis conducted to analyze the internal and external environment of BEST. All of this input helped to identify focus areas and strategies to achieve the goal of supporting women and youth in Valeska and Malula villages. The identified needs were incorporated in proposal and concept letters written for organizational and programme sustainability purposes.

4.2. Products and Outputs within the three years of project implementation from September 2005 – September 2007

- 1) Survey on accessibility and utilization of micro credit among women and youths conducted and the findings disseminated.
- 2) Increased number of women and youths undertaking income generating activities by 40%

- 3) Eight economic groups for women and youths were formed.
- 4) Five new income-generating activities were identified and explored by women and youths.
- 5) Increased skills of 150 women and youths on group dynamics, leadership skills and communication skills, constitutions formulation and business management skills in Valeska and Malula villages by September 2007.
- 6) 150% of women and youths are applying the skills and knowledge of business management (business plan, customer care, record keeping, cost, pricing and profit analysis, marketing), democratic elected leaders who know their roles, constitution formulated and followed by the group members.
- 7) Increased accessibility and utilization of micro credit facilities among women and youths by 30%
 - Two micro credit institution identified for women and youths to access and utilize
 - The eight established women and youths economic groups linked to micro credit institutions i.e. EARDP – CI and Arumeru district Community Development department to access the funds from Women Development Fund and Youth Development Funds.

8) BEST Established savings and credit scheme for women and youths to access and utilize.

- The seal money from Mount Meru SACCOS was returned to BEST and the management of the Savings and Credit scheme started.

9) Strengthened BEST capacity on resource mobilization/fundraising skills

- Two proposals were written and sent to two donors (African Women Development Fund (AWDF) and McKnight Foundation, one concept paper sent to USAID and two letters of inquiry sent to The African Development Foundation and OAK Foundation to address the issue of micro credit and business development services for women and youths.

10) Two Monitoring and Evaluation plan/system for BEST programme were developed.

11) Six copies of final project document were submitted and disseminated to selected stakeholders.

4.3. Project planning

Participatory planning done by involving three staffs from BEST, six representatives from the two villages and CED students. The following is a list of activities implemented to accomplish each objective and includes responsible person, time frames and sources of funds required as shown in the table below.

Table 19: Project implementation matrix for CED project

EXPECTED OUTPUTS	ACTIVITIES	INDICATORS	RESPONSIBLE PERSON	TIME	INPUTS	
					PERSONNEL	FUND
						AMOUNT (TSHS)
1. Conducted survey on accessibility and utilization of micro credit among women and youths.	1.1. To conduct survey on accessibility and utilization of micro credit among women and youths.	Survey conducted.	CED student and BEST staff	March 2006	Ward Community Development Officer.	1,500,000
2. Increased number of women and youths undertaking income generating activities.	2.1. To sensitize leaders and community on the importance of women and youths to form economic groups and participate in IGAs.	60 leaders sensitized and 100 community members sensitized and started to support women and youths initiatives.	CED student and BEST staff	July 2006	Ward Community Development Officer.	2,500,000

	2.2.To mobilize women and youths to form economic groups	-Eight women and youths economic groups formed in Valeska and Malula villages by January 2007.	CED student and BEST staffs	Jan – March 2006	Ward Community Development Officer	1,500,000
	2.3. To conduct training on group dynamics, leadership skills, communication skills and constitution formulation	-150 women and youth trained on group dynamics in the two villages by January 2007. -The eight formed groups formulated constitutions and operational.	CED student and BEST staff	April, May, and June 2006	Ward Community Development Officer.	2,900,000
	2.4.To identify income generating activities for women and youths to explore.	-Five new income generating activities identified and women and youths started to utilize.	CED student and BEST staff	June – July 2006	Ward Community Development Officer.	1,900,000

3.Increased skills of women and youths on business management skills	3.1.To conduct training on business management skills	150 women and youths trained on business management skills and started to apply the skills and knowledge acquired of marketing, business plans, keeping business record, cost, price and profit analysis.	CED student and BEST staff	Oct – Nov 2005 and Feb, Apr, Sept and Oct 2006	Ward Community Development Officer	2,900,000
4.Increased accessibility and utilization of micro credit among women and youths	4.1.To identify micro credit institutions for women and youths to access and utilize	Two micro credit identified for women and youths to access and utilize by January 2007	CED student and BEST staff	Dec 2006 to Jan 2007	Ward Community Development Officer	1,000,000
	4.2.To link women and youths with the micro credit institutions	Eight women and youths groups linked to micro credit institutions	CED student and BEST staff	Dec 2006 to Jan 2007	Ward Community Development Officer	500,000

	4.3.To establish savings and credit scheme for women and youths to access and utilize.	BEST seal money transferred and established savings and credit scheme for women and youths to access and utilize.	CED student and BEST staff	DEC 2006 -	Mount Meru SACCOS	
5.Strengthened BEST capacity on resource mobilization to effectively achieve the set objectives and targets of the organization	5.1.To conduct training on fundraising skills/resource mobilization	-Six session of training on fundraising skills/resource mobilization conducted by the end of December 2007 -Four BEST staff attended and started to apply the skills and knowledge to mobilize funds for existing and new programmes	CED student	Feb 2006 – Jan 2007	BEST staff	2,900,000
	5.2.To identify potential donors for BEST programme on micro credit provision and business development services.	Two potential donors identified	CED student	March 2006 – Jan 2007	BEST staff	

	5.3. To write at least two proposals and concept paper on micro credit and business development services for women and youths.	Two proposals and concept letter written to different donors to address the issue of micro credit and business development services for women and youths	CED student	May 2006 Jan 2007	BEST staff	
6.Developed monitoring and evaluation plan/system for BEST programmes	6.1. To conduct training for BEST staff on how to develop monitoring and evaluation plan/systems for BEST programmes	-Three session on how to develop monitoring and evaluation plan/system conducted for BEST staff -Three staff participated in the session	CED student	One session per quarter Jan, April, July and Oct. 2006	BEST staff	
	6.2.To develop monitoring and evaluation plan/system	Two monitoring and evaluation plan/system developed	CED student	Sept 2006 – Dec 2006	BEST staff	

7.Final report document written and submitted	7.1. Writing final report and submission	Final document finalized and submitted to different selected stakeholders	CED student	Oct 2006 - Jan 2007	Supervisor	
		Total				12,800,000

Source: Survey findings, Valeska and Malula villages, Arumeru 2006

Note: The CED student volunteered to conduct all the planned activities and the amount to be paid for facilitation were saved for follow up/monitoring of the implemented activities.

4.4. The project evaluation frame of the operational year september 2005 to september 2008

Table 20: Project evaluation frame September 2005 – September 2008

EXPECTED RESULTS	PLANNED ACTIVITIES	ACHIEVEMENTS	REALISED ACTIVITIES	REMARKS
1. Conducted survey on accessibility and utilization of micro credit among women and youths	1.1. To conduct survey on accessibility and utilization of micro credit among women and youths	Survey conducted and the results started to be used by BEST as a bench mark when writing proposals.	Conducting survey on accessibility and utilization of micro credit among women and youths in Valeska and Malula	
2. Increased number of women and youths undertaking income generating activities	2.1. To sensitize leaders and community on the importance of women and youths to form economic groups and participate in IGAs.	60 leaders sensitized and 100 community members sensitized and started to support women and youths initiatives.	Sensitizing leaders and community on the importance of women and youths to form economic groups and participate in IGAs.	

	2.2.To mobilize women and youths to form economic groups	-Eight women and youths economic groups formed in Valeska and Malula villages by January 2007.	Mobilizing women and youths to form economic groups	
	2.3. To conduct training on group dynamics, leadership skills, communication skills and constitution formulation.	-150 women and youth trained on group dynamics in the two villages by January 2007 -The eight formed groups formulated constitutions and operational	- Conducting training on group dynamics, leadership skills, communication skills and constitution formulation.	-More capacity building trainings required and close follow up to the trained people
	2.4.To identify income generating activities for women and youths to explore	-Five new income generating activities identified and women and youths started to utilize.	Identifying income generating activities for women and youths.	Close follow up needed to ensure smooth implementation of the new identified income generating activities (to support and

				advice)
3.Increased skills of women and youths on business management skills.	3.1.To conduct training on business management skills	150 women and youths trained on business management skills and started to apply the skills and knowledge acquired of marketing their products, developing business plans, keeping business records, cost, price and profit analysis.	Conducting training on business management skills	The training need to be repeated to enable women and youths run profitable businesses and expand their businesses
4.Increased accessibility and utilization of micro credit among women and youths.	4.1.To identify micro credit institutions for women and youths to access and utilize	Two micro credit identified for women and youths to access and utilize by January 2007	Identifying micro credit institutions for women and youths to access and utilize	This is a continuous process to enable women and youths access and utilize funds for business and farming purposes

	4.2.To link women and youths with the micro credit institutions	Eight women and youths groups linked to micro credit institutions	.Linking women and youths with the micro credit institutions	Continuous process to enable women and youths access and utilize funds for business and farming purposes.
	4.3.To establish savings and credit scheme for women and youths to access and utilize	BEST seal money transferred and established savings and credit scheme for women and youths to access and utilize by the end of 2008	Partially done	-Close follow is needed to enable recovery of the BEST seal money and transfer to the organization. Still in the process.
5.Strengthened BEST capacity on resource mobilization for effectively achieve the set objectives and targets of the	5.1.To conduct training on fundraising skills/resource mobilization	-Six session of training on fundraising skills/resource mobilization conducted by the end of December 2007 -Four BEST staff attended	Conducting training on fundraising skills/resource mobilization	Continuous process for organizational and programme sustainability

organization.		and started to apply the skills and knowledge to mobilize funds for existing and new programmes.		
	5.2.To identify potential donors for BEST programme on micro credit provision and business development services.	Two potential donors identified	Identifying potential donors for BEST programme on micro credit provision and business development services.	Continuous process for organizational and programme sustainability.
	5.3. To write at least two proposals and concept paper on micro credit and business development services for women and youths.	Two proposals and concept letter written to different donors to address the issue of micro credit and business development services for women and youths.	Two proposal and concept papers written as planned and send to donors.	Continuous process for organizational and programme sustainability.

6.Developed monitoring and evaluation plan/system for BEST programmes.	6.1. To conduct training for BEST staff on how to develop monitoring and evaluation plan/systems for BEST programmes.	-Three session on how to develop monitoring and evaluation plan/system conducted for BEST staff -Three staff participated in the session.	Conduct training for BEST staff on how to develop monitoring and evaluation plan/systems for BEST programmes.	
	6.2.To develop monitoring and evaluation plan/system	Two monitoring and evaluation plan/system developed.	Developing monitoring and evaluation plan/system.	The monitoring and evaluation plan/ system needs review on regular basis.
7.Final report document written and submitted.	7.1. To write final report and submission.	Final document finalized and submitted to different selected stakeholders.	Final report written and disseminated	To be completed in February 2007

Source: Survey findings, Valeska and Malula villages, Arumeru 2006.

4.5. Training programme for capacity building conducted for women and youths in Valeska and Malula villages.

4.5.1. Introduction

This capacity building training programme is a result of the felt needs identified during the survey conducted by the CED student in Arumeru district, 2005/2006.

The programme was designed to equip participant with knowledge and skills on group dynamics, group constitution, leadership skills, business management skills and Fundraising tips/ grants for BEST Programme, which are deemed important in the execution of their day-to-day-agricultural managerial duties for efficiency and effectiveness purposes. The program designed to enable the participant be able to access and utilize the micro credit facilities. This will enable them to expand and run profitable businesses.

4.5.2. Justification

For any activity or programme/project to be relevant, effective and efficiency, it must be dynamic, flexible and responsive to the changing conditions in terms of social, cultural, economic, political, environmental and psychological realms.

Therefore, such a situation was subject to constant or periodical training after every specified period. This helped to cater for the identified needs of women and youths; at it increases confidence and competence in their day-to-day programme activities implementation. Similarly on the part of BEST the process-increased capacity to mobilize or raise fund for organizational and programme sustainability purposes.

4.5.3. Objectives of the capacity building trainings

The general objectives of the training program were to equip participants with the basic knowledge and skills on how to carry out their development programme in a more sustainable way.

The programme specifically intended to do the following:

- To provide skills and knowledge on group dynamics
- To enable formulation and application of group constitution
- To increase skills on group leadership
- To increase knowledge and skills on business management (record keeping, marketing, cost analysis and pricing)
- To increase knowledge and skills for BEST staff on fundraising tips/ grants for BEST Programme.

4.5.4. Target group

A number of 150 participants' women and youth with or no business was involved. These were the target groups of BEST the host organizations in Arumeru district.

4.5.5. Duration of the training

The training program used to take place for five days of the week. Every month 10 days were used to conduct training as specified in the objectives. The follow up/monitoring was an inbuilt process during the implementation of the programme.

4.5.6. Methods of facilitation

The trainings were mainly used the participatory methods including plenary, group presentation, case studies, role plays, brainstorming, pictures, group assignments and exercises and buzz session.

4.5.7. Training contents

The training programme included the following themes:-

1. Group Dynamics

- Definition of concepts
- Types of groups
- Animal codes related to human behaviour that can exist within the group
- Essentials of group formation; Stages of groups development
- Characteristics of groups; Factors affecting group development

2. Group Constitution

- Definition of concepts
- Types of constitutions; Characteristics of constitutions
- Procedures and rules of constitution formation

3. Leadership Skills

- Definition of leadership
- Types of leaders; Style of leadership; Leadership roles and responsibilities
- Qualities of good leadership skills

4. Constitution formulation

- Definition of constitution
- Procedures and conditions on how to formulate the constitutions
- Steps in Constitution formulation

5. Business Management Skills

- Definition of concepts
- How to plan and manage income generating activities
- Essential qualities of successful trader; Stages of business formulation
- Customer care services; Business plan
- Marketing mix; Cost benefit analysis; Pricing; Record keeping
- Importance of keeping records
- Procedures and rules in record keeping/bookkeeping
- Elementary booking; Types of transaction

6. Fundraising tips/ grants for BEST Programme

- Fundraising strategic planning
- Overview of the grants seeking process
- What is your problem in project design process
- From problem to solution: goal and objective
- Designing Project Interventions: Components (Output) and Activities (Inputs)
- Indicators; Means of Verification; Assumptions or risks
- Logical Framework (Log Frame)

- Guide for the Implementation Plan worksheets; Timelines
- The Budget and the Budgeting Process

4.5.8. Facilitators

The facilitators for all the trainings were BEST staff and CED student.

4.6. Training follow up/monitoring and evaluation

After training of the participants (women and youths), BEST staff in collaboration with CED student had a task to carry out monitoring and evaluation exercise in order to assess the progress and highlight any difficulties and challenges experienced by the facilitated groups. It also focused on assessing the benefit, relevance and impact of training to the group and community in general. The exercise was carried out in collaboration with local government extension officers and the beneficiaries through regular site visits to meet with the groups for spot check on group activities, plans, problems and challenges.

CHAPTER V.

MONITORING, EVALUATION AND SUSTAINABILITY

5.1. Monitoring

Monitoring was an inbuilt process throughout the project period. Each step in the implementation of the planned activities involved an element of monitoring. Monitoring helped to analyze current situation, identify problems and solutions, keep project activities on schedule, measure progress towards objectives, revise future goals and objectives, and make decisions about human, financial and material resources. Monitoring plans was developed to ensure the study performance meets set goals and objectives.

5.1.1. Research methodology used in monitoring

During the process of follow up/monitoring of the implemented activities the following research methods were used:-

- Field visit – was the main method used to validate results of implemented activities through direct observation. Field visits were frequently used as a monitoring mechanism. Involved assessment of progress, results and problems and included visit for the project management team i.e. joint visit. Project management team monitored the aspect of implementation at the project level for accountability purposes. The regular interactions with project staff and stakeholders provided sufficient details on implementation , problems, activities, inputs and expenditure related to the project on micro credit.

- Feedback was a process within the framework of monitoring and evaluation by which information and knowledge were disseminated and used to assess overall progress towards results or confirm the achievements of results. Feedback consisted of findings, conclusions, recommendations and lessons from experience. It used to improve performance and as a basis for decision making and promotion of learning in the organization on issues of micro credit.

- Use of flexible monitoring instruments such as project reports, work plans, stakeholders meetings etc on a periodic basis to support performance measurement. These tools helped the organization to determine which interventions contributed to result and which strategies contributed to success of the implemented project/activities.

- Interview with beneficiaries and village leaders in the villages to see if they have noticed any changes in the financial situation of women and men. Also awareness of different micro credit institutions in Arumeru district and Arusha region in general.

5.1.2. Findings and discussions.

Therefore the monitoring process first focused on:-

1. Monitoring the input as distinguished below:-

- Finance – financial information was gathered and processed in a bookkeeping system.

Monitoring question: How much did we spend on materials over the last two weeks?

- Equipment – The deployment, use and performance of equipment such as vehicles were kept in several recording systems and monitored.

Monitoring question: How many days per month have the cars been fully utilized for transportation of learning materials in the field?

- Materials – The use of material, in quality and quantity and the monitoring question: What is the average quantity of materials used?
- Human resources, which are deployed. Monitoring questions: How many days on average have been spent in training 30 people? How many women and youth participate in the training?

2. Monitoring of activities (actions) and processes. This included track on the extent to which the activities were executed.

3. Monitoring of results (products and out puts). It concerned with goods and services realized with the participation of the target group for example training of women and youths on business management skills and group dynamics, selection of village committee to monitor the implemented activities. The interest was on whether the planned results are being achieved, in quantitative and qualitative terms and the quality of the training.

4. Monitoring of reaction (level of project purpose, effects). It was important to know the reaction of the target group in utilizing the realized products shows whether these outputs are in line with the wishes and needs of the beneficiaries. For example of monitoring question: What is the percentage of women and youths trained applying the skills acquired on business management?

5. Monitoring of impact (level of overall objectives). Finally after the use of the services provided by the project to the target group (women and youth), a certain change in living conditions of the target group have observed (attitude of savings increased among women and youth) in the two villages. Example of monitoring question: What is the change in attitude of analyzing costs and keeping business record among women and youths comparing past years?

5.2. Information for monitoring project progress

Table 21: Information for monitoring project progress

CATEGORIES	WHAT TO MONITOR	WHAT RECORDS TO KEEP	WHO COLLECTS DATA	WHO USES THE DATA	HOW TO USE INFORMATION	WHAT DECISIONS CAN BE MADE
1. Work plan Activities	-Timing of activities - Availability of personnel resources and participants	-Monthly or quarter work plans -Attendance register -Activity reports	BEST staff and CED student	-Project Manager -Donor	Ensure staff and other resources are available	Re-planning the activities and deployment of resources as needed
2. Costs and Expenditure	Budget Vs expenditure of activities implemented	- Receipts -Budget category -Bank transactions -Cash books -Reports to donor	BEST staff and CED student	-Project Manager - Donor -Auditor -Other stakeholders	Ensure funds are available to execute the planned activities	- Make budget and project revisions -Authorize expenditures
3. Staff and Supervision	-Knowledge, experience and skill of staff -Educational level	-Job descriptions -Performance reviews -Feedback from	-CED student -Programme Officers and Field Officers	-Programme Manager - CED student -Programme Officers	-Motivate staff - Advice staff on career development	- Placement -Training needs -Disciplinary action

	of staff -Job performance	training attended		and Field Officers - Donor		
4. Commodities	-Procurement regulations	- Invoices -Field worker reports	Secretary Cum Accounts Assistant	-Programme Manager - Donor	-Ensure availability of commodities in place and distribute/disseminate to target groups	- Quantity to order - When to order - Amount to keep in reserve for emergency
5. Results	-Number of activities implemented - Characteristics of person served or received trainings	-Attendance register -Activity reports - Client cards or forms	CED student, Programme officers and Field Officers	Programme Manager, Donor agency, CED student and BEST staff.	-Ensure objectives are realistic -Assess quality of activities implemented	-Revise objectives - Retrain staff -Revise project strategies

Source: Survey findings, Arumeru district 2006

5.3. Evaluation

5.3.1. Formative vs. Summative Evaluation

Formative evaluation is a process of ongoing feedback on performance. Formative evaluation is separated into two sub-categories i.e. implementation and progress evaluation. Implementation evaluation answered the questions such as participants' selection and involvement in the whole process of the project, different activities, activities matching the project plan, strategies matching the project plan, staff members hiring and training, material and equipment possession, timeline, appropriateness of personnel and the development and fulfillment of the management plan. Progress evaluation answered questions such as participant progress towards outline goals, activities and strategies aided the participants to reach predetermined goals. Generally the purposes were to identify aspects of performance that need to improve and to offer corrective suggestions.

Summative evaluation is used to access the project success after the project has ended. Summative evaluation is meant to evaluate the project at its conclusion and will attempt to determine: the success of the project, goals being met, participants' satisfaction and benefits, effectiveness, end results versus cost and whether the project should be repeated or replicated. However there was only one evaluation conducted i.e. formative evaluation and it had some elements of summative evaluation. Many activities were completed and few were continuing to be implemented. Adjustments for projects schedule were required in some of the project components and some areas needed improvement.

5.3.2. Research Methodology

This study was participatory from the grass root level. The main methodology used during the evaluation included the following:-

- Structured interview with beneficiaries and leaders were used as a data collection tool using close-ended questionnaires, one type of questionnaire was used with the aim of testing knowledge and attitude on using credit facilities among women and youths.
- Focus group discussion was used. This was formal but unstructured participatory method that was used in collecting data to validate the real problem of micro credit in the two villages of Malula and Valeska.. A set of prepared questions to guide the discussion were used among selected representatives of the Malula and Valeska members and other groups. The vast knowledge and experience already available in the community helped to relate the topic under discussion.
- Field visit, which included in depth interviews with key actors of the project (women, youth, government personnel and other active actors in the area such as WEGCC and WADEC).
- Direct observation during field visits to see the businesses conducted by women and youths; record keeping and individual discussion with members from the villages on issues of micro credit facilities in general. The villagers was selected according to several criteria such as representative of the village/groups, duration of the intervention in the village and number of previous visits during the monitoring exercises.

5.3.3. Performance indicators

Performance indicators fall somewhere between general project statistics and formative/summative evaluations. A performance indicator system is a collection of statistics that was used to monitor the ongoing status of a project against a set of targets and metrics. Going beyond descriptive statistics, performance indicators begin to provide information that was measured against a set of goals and objectives. Indicator systems were typically used to focus policymakers, beneficiaries in the villages, micro credit institution and the host organization on (1) key aspects of how micro credit program is operating, (2) whether progress is being made, and (3) where there are problems in provision of micro credit in rural areas. Because performance indicators focus on tangible results, they often go beyond traditional reviews of project expenditures and activity levels. For example of performance indicators used: increase in micro credit volume by 53% i.e. change in lending practices of MFIs toward micro and small business borrowers, increase in first time borrower rate by 60% i.e. change in the number of borrowers receiving credit who had no previous exposure to formal micro credit market; decrease in collateral requirements by 40% i.e. change in the perceived risk of lending to the small and micro sector especially women and youths and increased use of cash flow and other non-collateral lending techniques in the villages., access to credit among women and youths.

5.3.4. The discussions and findings

Evaluation will be done twice that is the mid – term evaluation which was already conducted. Evaluation was the major reflection in which all the stakeholders participated.

The mid – term evaluation assessed the project’s efficiency, effectiveness, long term impact, to see whether the objectives have been achieved or not; to learn from experience and how to improve future activities and cross cutting issues (gender, environment and HIV/AIDS):-

- Efficiency – assessed whether the human, physical and financial resources have been properly used to realize the activities and results or outputs as planned. The actual utilization of resources was compared to the plan and budget. Efficiency focuses on how the results are realized and not on their effects. For example most of the training foreseen in the project were executed by experts trainers/facilitators including the CED student on voluntary basis.
- Relevancy – in order to answer the question of relevancy the evaluation team which comprised of BEST staff and CED student tried to find out if the project was really tackling the right issue in order to contribute to poverty eradication through micro credit provision of the beneficiaries (women and youths). In addition, to see if the project was not duplicating what others were already doing
- Impact – assessed the wider effects, which have been caused by the intervention. Positive effects observed such as change of behavior that women and youth are keeping business records and preparing simple business plans. All people interviewed were very enthusiastic of the interventions; however, the real economic impact is still limited due to remoteness of the villages. In addition, a lot of committee is set up by the project. These have an impact on the organizational capacities within the areas for sustainability purposes.

Table 22: Monitoring and Evaluation results

I. OBJECTIVES	II. ACTIVITIES	III. INDICATORS	IV. DATA SOURCE	V. METHODS/TOOLS	VI. PERSON RESPONSIBLE	VII. TIME FRAME
1. Assess the accessibility and utilization of micro credit among women and youth	1.1. Conduct survey on accessibility and utilization of micro credit among women and youths	-One document of survey findings produced and in use -Three micro credit institutions identifies for women and youths to access	Survey report	Survey, focus group discussions, questionnaires, observation	CED student	2005/2006
2. Increase the number of women and youths undertaking income generating activities	2.1 To sensitize leaders and community on the importance of women and youth to participate in income generating and activities and formation of economic groups	- 60 leaders, women, men and youths attended the sensitization meetings -100 community members sensitized and started to support women and youth in terms of capital (cash) and advice. -60% of community	-Activity reports -Register attendance	-Participatory methods	BEST staff and CED student	Oct. – Dec. 2005

		<p>members supported and sensitized women and youths to form groups.</p> <p>-Increased the number of women and youths taking credit by 53%</p> <p>-Increase in first time borrower rate by 60%</p>				
	2.2. To mobilize women and youths to form economic groups	<p>- 150 women and youths attended the meeting</p> <p>-8 women and youths economic groups formed</p> <p>- Increase income levels of women and youths by 30% through created alternative non-farm income opportunities.</p>	<p>-Activity reports</p> <p>- Attendance register</p>	Participatory i.e. meetings, workshops, seminars	BEST staff and CED student	Oct. – Dec. 2005
	2.3. To conduct training on group dynamics, leadership skills communication skills and constitution formulation	<p>- 150 women and youths attended in each training</p> <p>- Eight groups had elected leaders who</p>	<p>- Progress reports</p> <p>- Attendance register</p>	Participatory i.e. meetings, workshops, seminars	BEST staff and CED student	Jan – June 2006

		know their responsibilities - Eight constitution formulated and operational	-Constitution document			
	2.4.To identify income generating activities/opportunities	- Five income generating activities identified - All the five income generating activities are implemented by the women and youths	- Activity report - Five IGAs	- Interview -Focus group discussion -Questionnaire - Field visit	BEST staff and CED student	July – August 2006
3. Train women and youths in each village on business management skills	3.1. To conduct training on business management skills	- 150 women and youths attended the training on business management skills - 65% of women and youth groups are running profitable businesses. - 70% of the groups are keeping records of their businesses.	- Progress reports - Attendance register	Participatory meetings, workshops, seminars	BEST staff and CED student	January 2006 – November 2006

4. Increase awareness of women and youths on the existence micro credit in the district	4.1. To identify micro credit institution for women and youths to access and utilize	<ul style="list-style-type: none"> - Three micro credit institutions identified - 150 women and youths started to accesses and utilize micro credit facilities from EARDP-CI, WEGCC and Government funds -Decrease in collateral requirements of MFIs by 40% 	Progress report	Field visit and meetings	BEST staff and CED student	January 2006 to November 2006
	4.2. To link women and youths with the micro credit institutions	- 150 women and youths linked to micro credit institutions	Progress report	Field visit and meetings	BEST staff and CED student	January 2006 to November 2006
5. Increase capacity of BEST on programme resource mobilization	5.1. To conduct training on resource mobilization/fundraising skills	<ul style="list-style-type: none"> - Eight meetings with BEST staff conducted - Three staff attended 	<ul style="list-style-type: none"> - Meeting reports -Register attendance 	Meetings	BEST staff and CED student	January 2006 to January 2007.
	5.2. To write proposal on	-Two proposals written	-Proposal	-Website search	BEST staff	January 2006

	micro credit and business development services for women and youths	-Two proposal is in process to get funded by MRDF and Global Fund for Women.	documents	and consultation meeting with other organization and CED students	and CED student	to January 2007
	5.3. To identify potential donors for BEST programme on micro credit and business development services	-10 potential donors identified, letter of inquiry/concept paper written.	-Compiled data bank for donors	Website search and consultation meeting with other organization and CED students	CED student	January 2006 to January 2007
7. Submit CED professional document	6.1. Writing final report	Data collected, analysis conducted and report in place	-Final document -Power point presentation	Desk review, field work, SPSS and manual for data and information analysis	CED Student	December 2006 to January 2007

Source: Research findings, Arumeru district 2006.

5.4. Sustainability of the project

Sustainability was a major consideration guiding the strategy, approaches and set up of the project. This relates on how the project ensured the capacity of continuation regardless of changes in external funding. To achieve sustainability the project puts substantial effort for into individual, community and institutional capacity building and networks to enable the continuity and needed activities and even a response to changing situations and arising needs. The sustainability strategies were/will be deployed by the project:

5.4.1 Financial sustainability

- The project emphasized on cost sharing or community contributions. The community was able to buy their own training material, cover transport expenses and provide venue for free. In addition, the emphasis was put on volunteering and use of available local resources from the community to enable future sustainability of the implemented activities.
- Cost sharing with other organization working in the village such as sharing vehicles when going to the field.
- BEST provided consultancy services on business management and entrepreneurship
- One multi purpose hall built at BEST premises. The funds accumulated through the hall hire are used to support BEST activities in the field.
- Management of credit funds transferred to BEST from Mount Meru SACCOS. The interest charges will contribute towards organizational and programme sustainability.

- Increased locally generated income by BEST and use it in programme implementation.
- Fundraising and mobilizing resources internally and externally was done and will continue through writing proposal and organizing fund raising events.

5.4.2. Institutional/Programmatic sustainability

- BEST will continue employing competent staff to implement the activities in the field and build capacity of the existing staff to enable efficiency and effectiveness of the implemented activities
- Performance review conducted on quarterly basis.
- Participatory approach of the project explored, whereby project activities planned, implemented and reviewed with the beneficiaries.
- Management of activities was gradually transferred to community structures, supported by needed capacity building
- Continuous follow-up/monitoring of the implemented activities. The organization was able to analyze the current situation, identify problems and find possible solutions. Also were being able to revise the activities, measure progress towards the objectives etc.
- Networking with other stakeholders in the intervention areas to complement each other's efforts and avoid duplications of activities. During the implementation close collaboration established between WEGCC, Via Vias , WADEC and government extension officers from the community development department at district and ward levels.

- Intensive capacity building on group dynamics of the groups and linking them to credit facilities was a major element to enable further growth of their income generating activities.
- Formalization the collaboration with the district council and other stakeholders for sustainability purposes.

5.4.3. Political sustainability

- BEST will continue collaborating with the government authorities at the regional, district, ward and village levels.
- Participation of the target group in all stages of the project execution for sustainability purposes was emphasized i.e. project planning, implementation, monitoring and evaluation in order to gain community support.
- One committee formed per village to supervise project activities.
- Lobbying and advocacy for MFIs to invest in the villages. The organization has contacted Arumeru district Community Development department to enable women access and utilize the funds from WDF.
- Credit is one of the inputs that can be used to achieve the objectives of agricultural development, although credit alone cannot act as the prime mover. Banks and financial institutions have to provide finance by mobilizing local resources to transfer savings for investment, or the public sector needs to mobilize agricultural surpluses by fiscal and commercial policies to invest in both the agricultural and non-agricultural sectors.

CHAPTER VII.

CONCLUSIONS AND RECOMMENDATIONS

6.1. Conclusions

In conclusion, the project overall goal was to improve the livelihood of women and youths through accessibility and utilization of micro credit facilities in the two villages of Valeska and Malula. Project goal and objectives did not change over the life of the project due to the strategies employed, which will ensure/ensured sustainability of the project. Many activities were implemented as planned and few activities will continue to be implemented by BEST e.g. fundraising through proposal writing, linking women and youths to MFIs and capacity building trainings. The stakeholders attempting similar project ensured participation in the intervention area for sustainability purposes. Therefore, the government in collaboration with other MFIs should collaborate to address inadequate or lack of micro credit facilities in the rural areas, which will help the small-scale entrepreneurs (poor women and youth with low income, with or without business experience to run and expand their businesses and ultimately contribute to reduce poverty in the targeted areas. The government is called upon to promote realistic targets for access to affordable credit, providing incentives for improving access to and strengthening the capacity of organized credit systems to delivery credit and related services to poor people living in poverty and vulnerable groups such as women and youths.

6.2. Recommendations

Basing on the findings of this research, the study recommends the following:-

- A Credit scheme targeting women and youths should be initiated in Arumeru district.
- The amount of credit provided should be increased to enable women and youths to become entrepreneurship not only petty traders and the project has to address the issues of fundraising and VICOBA/SACCOS for sustainability purposes.
- The Micro Finance Institutions should reduce the interest rate and plan to reach the poor women and youths in the rural areas.
- Training on business management skills and marketing should continue to be conducted before endorsing loan.
- The government should mobilize funds to reach the poor people in the villages due to interest rate being low i.e. 10% per year as compared to other MFIs (20% - 40%).
- The project should emphasis on the culture of savings among women and youths to enable them get capital to run and expand their businesses.
- The research and learning experiences should be documented and shared widely so the CSOs/NGOs, MFIs involved in micro credit provision can learn from each other and join hands in order to reach the poor women and youths in the rural areas.
- Credit is one of the inputs that can be used to achieve the objectives of agricultural development, although credit alone cannot act as the prime mover. Banks and financial institutions have to provide finance by mobilizing local resources to transfer savings for investment, or the public sector needs to mobilize agricultural surpluses by fiscal and commercial policies to invest in both the agricultural and non-agricultural sectors in rural areas.

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