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Tanzanian micro enterprises and micro finance; the role and impact for poor rural women

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Abstract

This paper explores the nature of micro finance, or micro credit, in rural Tanzania. It begins by examining the types of finance available to the poor who operate micro enterprises. We then consider the intended role and the availability of micro credit in alleviating poverty. We find that most institutes which offer loan facilities operate mainly in urban centres, thus restricting accessibility for the rural poor. Moreover, the modest lending conditions have also created an obstacle for the poorest women. The empirical part of our study examines the impact of one institution, the SELF project which is specifically intended to address these issues. By means of a survey, we find that SELF loans have had some benefits in improving the profitability of micro enterprises run by rural poor women, but that there seems to be little long term effect as measured by increases in household assets.

Keywords; rural poverty, micro enterprise, micro credit, females.

Introduction

The purpose of this paper is to examine the role of micro finance in Tanzania. We first consider how micro finance is intended to alleviate some of the deep rooted causes of poverty and then discuss the operation of such schemes in Tanzania. From our review, it becomes apparent that access to these programmes may be quite limited. Spatial, social and economic barriers are shown to restrict the availability to more populated areas, thus excluding many remoter rural areas where poverty is endemic, widespread and deep-rooted. Furthermore, the very modest registration requirements of many of the schemes, tiny amounts of seed money, some literacy and

even the ability to regularly repay the loan from enhanced income, mean that many rural poor are excluded. Consequently, rural women, despite their role as the managers of household income and their responsibility as providers, may suffer disproportionately in this exclusion.

One scheme, SELF, which is intended to address these issues, is the empirical focus of our study of the impact of micro finance. A major difficulty in estimating the benefits derived from any scheme is the problem of the intermeshing of household and business incomes and expenditure. In most poor households these are not differentiated in any way, the pressing needs of subsistence mean that all income is treated in the same way, to addressing the everyday struggle for survival. Thus calculating how a loan impacts becomes entangled in the complexities of everyday needs. To try to overcome this problem we developed a simple strategy to estimate the impact. We simply asked respondents about what benefits they believed they had experienced. These data are useful because it recounts the actual experience of the respondents. However, it also raises serious problems of subjectivity and idiosyncrasy of the responses. Some respondents may have encountered particular personal or household circumstances, such as illness. Some may have been much better managers than others, or the crops were particularly good or bad at the time of the loan. To help overcome the subjectivity of such responses, we also collected data from a number of loan recipients about changes in their material wealth and well-being. In the penurious circumstances of our respondents we are not, of course, discussing bank balances or numbers of motor cars, rather we refer to what some might see as the necessities of life: food availability, housing, their household assets, numbers of pots and pans, furniture and the like.

Our study provides an overview of financial alternatives in Tanzania and is intended to contribute to the understanding of poverty and micro finance. It is expected to help develop an appreciation of these topics and an awareness of the dynamics involved. Thus, theoretically we hope to contribute by a broader conceptualisation of poverty, self help and finance. Practically, we hope to have explained the structure and operation of micro finance to highlight the particular problems associated with gender and rurality.

Poverty and micro finance

Poverty, as a deeply entrenched condition, has a profound effect on how people struggle to manage. Although primarily seen as economic, a lack of income has far reaching social effects. For micro-entrepreneurs, those who struggle as subsistence farmers and petty traders to produce a little more than their own basic needs, the precariousness and vulnerability associated with the lack of income can reduce efficiency. Good seeds may not be available; fertilizer may be too expensive, more affluent markets out of reach, or just the debilitating effect of not having enough to eat. In the longer term, access to education may be restricted by the simple lack of cash. Thus we see a downward spiral, fuelled by the extremes of poverty. Some explanations for poverty exclusively focus on individual traits; for example the lack of motivation, determination and self-drive among the poor themselves. Alternatively, more comprehensive explanations focus on structural and institutional factors. In this view, it is proposed that poverty does not derive internally from some unique values attributed to the poor, but rather, externally, as the inevitable consequence of the poor

occupying an unfavourable position in a restrictive socio-economic structure. Schiller (2001) calls this “the restricted opportunity argument”. Ssewamala et al (2006) makes a similar argument and points out that in less developed countries, poverty alleviation has become a key challenge. Within the restricted opportunity argument, one particularly detrimental aspect of poverty has been the lack of access to credit.

Mwenda and Muuka (2004) suggest that providing the poor with credit, giving them opportunities to create their own small-scale enterprises, and thereby help them support themselves and raise their standard of living is one of the strategies of the new development order. This notion of helping the poor to help themselves is rooted in the idea of micro-entrepreneurship. High levels of poverty combined with slow economic growth in the formal sector have forced a large part of the developing world’s population into self-employment and informal business activities. However, a critical issue is how to raise the ability of the self-employed, especially the rural poor, to sustain or improve their economic activities that are essential to their well being or even survival. If the poor can be helped, by extending modest loans, to be enabled to engage in profitable business, or self employment, the impact of poverty can be materially reduced. Micro and small enterprises (MSEs) thus play a crucial role in strengthening private sector development and overall economic transition. They may generate income and new employment opportunities, de-monopolize the industrial structure, improve the quality and quantity of production and services, and increase entrepreneurship and the movement to a market economy. Support for the development of micro and small enterprises is thus considered of fundamental importance. However, lack of funding remains one of the most important barriers to MSE development in developing countries (EBRD, 1997).

Loans for micro businesses are seen as a powerful weapon in the fight against poverty because they empower people to work their own way out of the poverty trap, they avoid dependency and the ‘hand out’ shame of conventional aid (Signpost International, 2006). By making small loans to people, too poor to obtain credit from the formal banking sector at fair rate of interest, repayment of that loan is thought to become both possible and manageable; and as loans are repaid, the funds can be recycled and loaned out again as part of a self-sustainable process. Micro credit has thus become one of the buzzwords of contemporary development. It has been adopted by key global institutions such as the World Bank, the IMF, bilateral development agencies and a broad range of NGO’s as a targeted strategy for local grassroots poverty reduction. As such, micro finance has been incorporated into the global development discourse; micro credit fulfils the economic “demands” of the New Policy Agenda. Micro credit and its idea of giving small scale loans to small groups of poor is a very attractive option as a development strategy. It is a local approach that is seen as leading to economic self-sufficiency, and thereby economically efficient development. Furthermore, credit programs have also gained popularity because they promise the possibility of cost recovery, which satisfies the ambitions for financially sustainable development. Indeed micro credit has been predicted to become the future panacea for poverty world-wide, and has been labelled “the key element for the 21st century’s economic and social development” (Rahman 1999: 67).

Women are particularly vulnerable in rural poverty since there are so few employment opportunities. Ahmed et al (2001) note the higher levels of female poverty and women’s responsibility for household well being. There is also the added

advantage that targeting women for help goes some way towards achieving both gender equality and human rights, Moreover, in terms of the restricted opportunity structure, women often have the double burden of maintaining themselves and of maintaining the household. Mwenda and Muuka (2004) also note a link between micro-finance and women's empowerment, describing this as the expansion of individual choice and capacities for self-reliance. Sustainable micro-finance thus is seen to empower women (Afrin et al, 2008). Furthermore women, as a group, are consistently better in promptness and reliability in the repayment of credit. Targeting women as clients of micro-credit programs has also been a very effective method of ensuring that the benefits of increased income accrue to the general welfare of the family unit. They also note how women themselves benefit from the higher status achieved when they are able to provide new income. Accordingly, targeting women for micro finance neatly fits the development agenda. Rahman (1999: 15) claims that "micro credit is perceived as the "common missing piece" that should promote women's access to finance". Consequently it gives hope for the achievement of equitable development that is "development with women as equal partners" (1999: 70).

However despite the power of this discourse, there are some who argue against the perceived benefits. Mwenda and Muuka (2004) suggest that although credit facilities are often available, the poorest may not have access. Kilby (2001) is very critical about the micro finance discourse, noting that the current popularity of microfinance among official aid donors, including the World Bank and more recently the Asian Development Bank, sometimes gives the impression that providing very small loans to the poor is somehow new, and, secondly, that microfinance is a panacea which will empower the powerless and end poverty. Unfortunately, he claims, it runs the risk, like many development fashions of the past, of being seen as a cure for all development ills. We turn now to consider microfinance operations in Tanzania.

Microfinance in Tanzania

In the developed world, bank loans may be easily accessible and can provide short term debt finance to entrepreneurs and small enterprises. But in developing countries such as Tanzania, banks and financial institutions are mostly to be found in cities and towns, thus making access difficult for rural entrepreneurs. For example, there are some 22 banks and non-bank financial institutions which are all based in the capital city of Dar es Salaam; but very few have branches throughout the country and branches can only be found in the urban centres (Satta, 2006). Moreover, recent reforms such as the privatization of NBC and CRDB, has resulted into the closure of about 78 branches throughout the country, mostly in more smaller towns (Satta, 1999). Available evidence shows that as much as 80% of the population in Tanzania is still excluded from reliable access to banking services (ILO, 2001). But even in the urban areas, many entrepreneurs fail to obtain financial credit from the banks and financial institutions due to several factors largely related to the nature of micro enterprise. Technically most entrepreneurs operate very small businesses which lack any sort of formal business plan or formalised financial information about profit, liquidity, sales growth and debtors, all of which may be necessary in assessing credit applications. Loan applicants also may lack the necessary financial management skills, business experiences or confidence to qualify for bank loans.

Moreover, as Berger et al (1998) note, most lenders find it more risky to finance such kinds of enterprises. Kashuliza, et al, (1998) and Satta, (2002) both report that formal institutions found it difficult to deal with micro enterprises because of the lack of collateral, the high incidence of defaults and the disproportionately high transaction costs associated with issuing of small amounts of credit. Often there is also no standard procedure to assess loan application and sometimes the decision is based on “who knows who” and in some instances there may be a suspicion of corruption. There are numerous reports about how this system disadvantages female applicants (ippmedia 2006). It is also worth noting, as Bagachwa (1996) points out, that most Tanzanian financial institutions lack the necessary technical skills to operate micro credit business. After independence, Tanzania implemented some state financing of targeted sectors which included small businesses and farmers. This however, according to existing evidence, did little to improve credit accessibility to the smaller businesses. During this period, most small businesses sourced their capital from personal savings (Schaedler, 1968). Furthermore, the number of loans released to small businesses was very limited. For example, the amount of loans approved to small businesses by, the then major banks (NBC and CRDB), was less than 4% of total credit volume between 1986 and 1991 (Kurwijila and Due, 1991; Chiamba, 1992 and Bagachwa, 1993). Nonetheless, from the 1970s, a number of organizations and institutions began to offer special credit programmes for low-income people and micro enterprises in particular. However, Selejio and Mduma (2005) note, most of these programmes were not sustainable because of too cheap credit and poor recovery rates.

Following the economic reforms and financial sector restructuring, an increasing number of private and NGO institutions have been encouraged to participate in micro enterprise credit schemes. New policies and lending designs such as the Credit-Project Approach pioneered by the Grameen Bank of Bangladesh and the ACCION International of Latin America, were adopted in Tanzania. Several public and private micro-finance institutions, including some of the banks, have been reported to provide micro finance services. However, for those documented, the evidence shows that the majority only offer credit to women and young entrepreneurs who operate micro enterprises in cities; few consider possible applications from those operating in rural areas (Selejio and Mduma, 2005). Satta (1999) claims that in Tanzania, the evidence shows that little progress has so far been made in financing rural and micro enterprise activities despite the financial sector reforms in 1991. Thus the conventional Tanzania financing system does not appear to be able to satisfy the needs of rural micro entrepreneurs, especially rural women.

There are also two other categories of institutional micro finance providers in Tanzania; the Savings and Credit Cooperative Societies (SACCOS) and the financial Non-Governmental Organizations (NGOs). As of January 2001, there were about 646 registered societies, of which 60% are classified as rural SACCOS and 40% as urban SACCOS. Total membership funds amounted to the equivalent of US\$ 17million, consisting of US\$ 6.5 million in member’s shares and US\$ 10.5 million in member’s deposits. However, the bulk of member’s share originates from the urban SACCOS (US\$ 4.7million) as well as member’s deposits (US\$ 9.4 million). This disproportionate urban-rural division is explained when we learn that the membership base of urban SACCOS generally consists of wage and salary earners, while rural SACCO’s membership base consists of self-employed farmers and smallholding

agricultural producers. By virtue of the urban dominance, it appears that it may be easier to secure finance from the SACCOS in the urban areas than in the rural areas where micro enterprises are concentrated.

There are also a number of NGOs providing micro finance services to the poor and low income households in Tanzania. They employ two micro lending methods; individual lending or solidarity/group-based lending. These micro finance institutions encourage group formation for securing credit and, if possible the formation business groups. Grouping businesses or credit grouping allows lenders some economies of scale and reduces transaction costs. However, Selejio and Mduma (2005) found that many micro enterprise operators are reluctant to operate as joint businesses, so most micro enterprises remain individually owned. A similar study by Satta (2002) found that this to be explained by a lack of trust among group members. The outreach and client base of most of these financial NGOs are still limited. Spatially, their operations are centred on certain regions selected by the institutions, or their donor-supporters. Furthermore, they require clients to be able to afford to make mandatory savings as advance security for the micro loans. The two leading Tanzanian microfinance NGOs, in terms of outreach and client base, are the Mennonite Economic Development Association (MEDA) and PRIDE. MEDA utilizes the individual lending methodology and has some 4000 micro entrepreneurs as clients in Dar es Salaam and Mbeya regions. PRIDE-Tanzania is slightly larger, and uses only the solidarity or group-based lending methodology, operates nationwide (except in four regions) with about 62,000 clients at December, 2004, of which 80% are women. Other NGOs include the Presidential Trust Fund (PTF), operating in Dar es Salaam, Pwani (Coast) and Morogoro regions and targets mainly youths and women.

Another common source of finance for micro entrepreneurs in most of the developing countries is the formation of rotating credit organisations; these are known as 'upatu' in Tanzania. In this case members of the group save a particular amount over a specified time frame and give the accumulated lump sum to each member in turn, or they jointly set up a business. The majority of these groups are quite small, with only some 5-10 members. However, two groups of women have been found not to use these rotating credit organisations, the very poor and very wealthy women. Very poor women find it difficult to confidently commit themselves to even very small regular contributions. On the other hand, very wealthy women find it difficult to locate other women who can afford to contribute at the levels that would make credit rounds worthwhile for them (Chamlee-Wright, 2002).

Another solution for financing female micro entrepreneurs is through lease finance. This method of financing has been adopted by SELFINA-Tanzania, with the aim of increasing women's efficiency and modernising their business in order to increase their income. This strategy enables the women to acquire business equipment on lease but avoids tying up their limited working capital on fixed assets. As most of the women-owned businesses are not considered to be commercially credit worthy by the existing financial institutions, lease finance can be of vital importance to business women. Businesses which are supported by SELFINA offer of leased equipment include catering and retail, (leasing coolers, freezers, refrigerators, cookers, microwave ovens, etc); tailoring (leasing manual and electric sewing machines, embroidery sewing machines, over lockers, chain stitch machines, etc); secretarial (leasing photocopiers, computers and printers, typewriters, etc); beauty salons

(leasing dryers, steamers, etc) and miscellaneous other types of businesses include nursery schools, carpentry workshops, handcraft industries and water pumping. Lease finance from SELFINA is available to women on an individual basis if they can meet set leasing criteria. However, the benefits for poor rural women are again very limited because they find the criteria necessary to qualify for the lease finance are difficult to satisfy. For example, the ability to pay 15% of the value of the equipment prior to leasing and the payment of 2000 Tanzanian shillings (US\$ 1.60)* for a lease registration fee, the need to undergo basic business training, to have two guarantors and the ability to present profitable business plans are not easily attainable by the rural women micro entrepreneurs who live and operate in poverty. Even for those who meet these criteria, the lack of reliable source of power in the rural areas makes this option unattractive because much of the equipment offered for lease requires a reliable electricity supply. Furthermore, the outreach of SELFINA is limited to two out of twenty five regions, namely Dar es Salaam and Pwani. Even those who manage to obtain finance from SELFINA may find operating the loan difficult because of the very short repayment period, usually 6 -12 months and a high interest rate (30% per annum). Consequently the client base is typically mature and married, with most of its clients middle class women with an above average education. They, or their husbands are often government or parastatal companies employees (Wamara, 1998). In contrast, in the rural areas most of the women and their husbands depend largely on subsistence farm and non farm businesses. Despite the good intentions of SELFINA, in practice, its operations generally exclude poor rural women entrepreneurs.

In addition to the providers discussed above, there are also some apex microfinance institutions in Tanzania. These organisations access resources and repackage them into smaller amounts and, in turn, pass them to intermediate Micro-Finance Institutions (MFIs) as loan products. The MFIs then repackage the loans in even smaller products and disburse them to micro and small entrepreneurs in rural areas. A good example of such an organization is the Small Entrepreneur Loan Facility (SELF) project which is operated by the Vice President's office. This project is one of the many strategic interventions the government is implementing to reduce poverty. The SELF-project's objective is to enhance access by the poor, especially in rural areas, to micro-finance services through eligible micro finance intermediaries. It began in 1999 and the first phase of project implementation started in 1999 through 2004. The main project activities are:

1. Wholesaling of credit to microfinance institutions for onward lending to targeted clients,
2. Capacity building. This is done through provision of training to key stakeholders, training of trainers and development of training materials,
3. Outreach and monitoring. SELF undertakes promotional campaigns aimed at informing and attracting MFIs and people through sensitization of public and dissemination of best practice educational materials.

SELF is jointly financed by the Government of Tanzania and a concessional loan from African Development Bank Group. It is one among other strategic interventions that the government of Tanzania is implementing to reduce poverty as stipulated in the Tanzania Development Vision 2025, National Poverty Eradication Strategy 1997 and Poverty Reduction Strategy Paper 2000. This specific poverty reduction project operates in the impoverished regions of Pwani, Morogoro, Dodoma, Singida, Mtwara,

Lindi Zanzibar and Pemba. The table below shows the amount of loans disbursed by SELF in these regions at the end of June 2003.

Table 1: Amount of loans disbursed by SELF per region (T.Shs)

Region	Amount disbursed by 30/06/2003
Pwani	222,000,000 (US\$ 176,651.73)
Morogoro	147,000,000 (US\$ 116,972.09)
Dodoma	212,000,000 (US\$ 168,694.45)
Singida	111,000,000 (US\$ 88,325.87)
Mtwara	158,200,000 (US\$ 125,725.11)
Lindi	54,000,000 (US\$ 42,969.34)
Zanzibar/Pemba	54,000,000 (US\$ 42,969.34)
Total	958,000,000 (US\$ 762,307.93)

Source: Survey data

By its deliberate targeting of the most vulnerable in the poorest of regions, SELF tries to overcome many of the access problems discussed earlier. Hence our study of the impact of SELF's project will provide some general information about the utility of micro finance in alleviating poverty in rural areas.

METHODOLOGY

Sampling

The sample of 120 respondents was drawn from local entrepreneurs in the study areas. We selected respondents who had received at least one loan from SELF project; two MFIs were also chosen, SIDO and SACCOS. From SIDO, 10 group leaders out of 75, whose serial number was a multiple of seven in a list, were selected and two members from each group were selected at random. From SACCOS, 25 respondents out of 33 SELF project loan recipients were selected at random. In selecting respondents who had never received a loan from any microfinance institution, the procedure was a try and error process, whereby an entrepreneur was first asked if had ever received any loan from any microfinance institution. Those who answered YES were excluded and those who answered NO constituted this sample.

Methods

The principle method employed in this study was a survey of recipients and non recipients of SELF loans to establish the effects of the SELF project. After selecting the sample group, a set of questionnaires was developed to interview both groups of entrepreneurs. These were administered face to face to take account for illiteracy and misinterpretation of questions. The survey data was supplemented by interviews with two SELF project staff. The survey was conducted during the period of June to August 2003 and was administered in five districts of the Pwani and Morogoro regions. These regions are among the poorest regions in the country. The response rate was 86.7%.

Our principle analysis was achieved by determining and comparing income levels of sampled households which had received loans from SELF and those that did not; calculating a value in an asset index for households which received loans from the SELF project and comparing that with those that do not and finally, by estimating the gross profits of the comparison groups. Respondents were asked about, gender, type of business and information on gross margins, source of household income, changes observed after SELF project intervention and about what assets they owned and their household expenditure.

Table 2 shows the MFIs and respondents distribution in the surveyed districts.

Table 2: MFIs and Respondents distribution

District	No. of MFIs	SELF customers	Loan recipient		Gender of recipients	
			YES	NO	Male	Female
Kibaha	4	231	13	22	2	11
Kilosa	2	298	30	16	0	30
Kisarawe	1	35	5	5	3	2
Bagamoyo	1	65	3	2	1	2
Morogoro	1	48	4	4	2	2
Total	9	677	55	49	8	47

Source: Survey data

Results

Among the households surveyed, 49% were headed by females and 51% by males; the ages ranged from 18 to 55 years. More than one half of respondents (55.4%) belonged to the Muslim religion and more than two-thirds (69.2%) were married couples.

Female loan recipients were represented at 85.5% and males 14.5% in the sample of the total loan recipients surveyed. The types of micro business surveyed consisted of petty traders, selling a range of small items; food vendors; fruits and vegetable sales, refreshments and snack sales; local brewing; poultry keeping and tailoring.

Our first assessment was to see if the loan recipients had experienced any increases in their profits. This was considered important because a primary objective of micro finance is to improve efficiency and thus raise margins; consequently their performance after receiving the loans was of major concern. The results showed that business performance had improved; more than two thirds of the loan recipients indicated some improvements. However it was not possible to determine the extent of increase in business performance attributable to the SELF loan because many of the respondents reported other sources of income, from wages, family or other MFIs. But since only 14.5% indicated no change in business performance, it is reasonable to assume that receipt of a loan contributed to improving the business. Table 4 shows the response of SELF loan recipient entrepreneurs regarding their enterprises performance.

Table 3: Enterprise Performance as a result of a loan

Response	Frequency	Percentage
Slight increase in stock and profit	32	58
Acquired some new working tools	10	18
Managed minor repairs of business premises	3	5
Managed to start new business	2	4
No changes at all	8	15

Source: Survey data

For all the micro entrepreneurs surveyed, their enterprise's gross profits ranged from Tsh15, 000/= to 55,000/= per month (Tsh500/= to 1800/= per day), that is US dollars 12 to 44 per month (0.40 to 1.40 US dollars per day). Surprisingly, however, in most cases, entrepreneurs who had never have a loan claimed to have higher gross profits than those who had received loans. However, we cannot conclude from this that SELF loans had a negative impact compared to non recipients. It is very possible that those who had a higher income may not have needed, or perceived less benefit, a loan in the first place. Notwithstanding this caveat, we may tentatively conclude that business efficiency, amongst the poorest, appears to have improved as a result of the loan.

Our second objective was to establish if social well-being had improved as a result of the loan. SELF clients were asked to indicate if they have observed any changes as a result of receiving loans in meeting their basic needs of food, clothing, housing and any other social benefits. Our results show that only one quarter of the loan recipients has noticed any change in these social benefits as a result of getting loans from SELF. The other three-quarters indicated that they remained as they were before and after receiving loans from SELF.

In determining whether there is a significant difference in asset ownership between the loan holders and non-loan holders, an asset index** established by the HBS survey of 1991/92 was used. The HBS was conducted based on poverty-monitoring indicators as defined in the Government's Poverty Reduction Strategy Paper and the National Poverty Eradication Division in the office of Vice-President. The survey was used to set the baseline measurements of poverty trends in the country. The asset index was used to determine the value of assets owned by the household. For example, a motor vehicle has an index of 100, bicycle 15, cooking pots 5, radio 10, etc. Using these indices, households owning assets with higher index were considered to be economically better-off than those households with assets of lower indices. The results showed that both groups, recipients and non-recipients of loans, owned more or less the same household assets and if there was any difference, this could be explained as a result of chance. However, the applicability of asset index as a measure of poverty depends on other factors like location, infrastructure, traditions, etc.

The incomes, asset indexes and enterprise gross margins were statistically compared using t-test and ANOVA techniques. Results from both tests showed that there was no significant difference between those entrepreneurs who have received a loan from SELF project and those who have never received a loan from any micro-finance institution to run their business.

Discussion

Our study showed that the incidence of poverty is widespread in rural areas, where most people depend on traditional agriculture and petty trading as the main source of their food and income. The results showed that households with many members and those with high proportion of dependants are likely to be poorer than those households with few members and few dependants. Consequently these areas seem to be ideal targets for micro credit. If the rhetoric of the micro credit discourse is justified, we might have expected to see at least some tangible minor differences amongst loan recipients general well being and manifest in their household assets. Whilst our respondents had reported an increase in the profitability of their businesses, this did not seem to have become evident in any permanent way, since we saw no material difference in their assets. This may be explained by a higher level of consumption, but few of our respondents reported this fact. We may speculate that at these extreme ends of the poverty spectrum, the continuing struggle to make ends meet absorbs the immediate benefits as increased income, but fails to produce any permanent increase in material assets. Thus we tentatively conclude that targeted micro credit facilities may have some benefits for poor rural women, but the impact is not as great, or is as permanent, as has been claimed.

Conclusions

Micro credit has been presented as a possible solution for alleviating the abject poverty of many who struggle for survival in the developing world. In principle, micro credit offers a means of helping the poor to help themselves. It chimes well with the ethos of the development discourse and may be very useful in addressing the problems of the urban poor. However, there are two sets of obstacles which mitigate its impact on the rural poor. First, the issue of spatial availability; few providers are accessible to poor rural women. Secondly, the conditions set for applicability are difficult for the poorest of rural women to meet. Most micro-finance institutions are concentrated in urban areas, thus benefiting the urban poor who may have the option of alternative sources of income. Moreover the minimal requirements for eligibility may well be set too high. The rural poor, who are mainly self-employed, and thus in most need of improved income through micro businesses are less well served.

The SELF project, which is specifically intended to address these issues, appears to have had some beneficial impact. This however, appears limited to short term, day to day improvements. In more general terms, the SELF-project intervention strategy appears to have done little on a permanent and sustainable way to mitigate the poverty of the poorest who live in rural Tanzania.

The implications of our study are two-fold. First that efficient targeting of the most vulnerable poor appears to have some short terms benefits. These are far from

insignificant, because improving the day to day life of the poorest is essential in humanitarian terms. Thus projects, such as SELF, are useful. Because they address the worst off, the impacts are immediate. The second implication is about the nature of deep rooted poverty, the sort of chronic poverty experienced in the regions we explored. Here the substance of poverty, the acute shortage of all the material and social necessities, is more profound than merely economic. Social and human capital limitations combine with structural factors and seem to limit the utility of short term “economic patches” to change the material circumstances in a sustainable way. Hence if self help, through entrepreneurship, is to be realised as a mechanism for transforming poverty there seems to be a need to address the other aspects. Entrepreneurship may realise opportunities; it may create jobs but creating, even recognising opportunities also requires skills and competencies which may need to be fostered and taught.

*official exchange rate as per 19th July, 2006: 1 US dollar equivalent to 1256.71 Tanzania shillings

**asset index =
$$\frac{\text{actual value} - \text{minimum value}}{\text{Maximum value} - \text{minimum value}}$$

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