

The Impact of Microfinance Services to Household Livelihood: A case study of PRIDE Arusha Branch

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Abstract- Microfinance programmes have been considered as one of the main instrument in poverty reduction in recent development agenda. It's a means to support the marginalized active poor of the society. The main objective of this study was to find out whether the provision of microfinance services of Promotion of Rural Initiatives and Development Enterprises (PRIDE) has brought changes on the livelihood of its clients. The study was carried out at PRIDE Tanzania Arusha branch where clients those who received credit for more than five years were studied. It focused on the result of microfinance programmes at household level. A case study design was used in this study. A probability sampling technique was adopted in this study to select respondents to be included in this study. Finding revealed that microfinance programme has made a positive impact on household's income, asset ownership and domestic appliances ownership, food condition, education, medical facilities and saving at the household level. Therefore, strengthening the developments of microfinance in Tanzania especially in rural areas is an appropriate and appreciated policy instrument to realize the objectives of Poverty Reduction Strategy of Tanzania.

Index Terms- Microfinance, Households, Income and Wealth

I. Introduction

It is generally agreed among development practitioners that poverty is a complex and multifaceted problem, which has no single definition. This is partly because it has diverse causes and partly because there is no consensus on certain causes of poverty. It is difficult to provide absolute and standardized definition of poverty rather than defining it in relative terms. But the widely used definition of poverty is provided by the World Bank as an inability to attain a minimum standard of living. Poverty means a

shortage of having enough to eat, low life expectancy, a higher rate of infant mortality, low educational standard, low enrolment and opportunities, poor drinking water, inadequate health care, unfit housing conditions and lack of active participation in decision making process (World Bank Report, 1990).

The prevalence of poverty is still worse in Tanzania. According to Household Budget Survey of 2007 the number of people living in poverty mainland Tanzania increased by 1.0 million people between 2001 and 2007 from 11.7 million in 2001 to 12.7 million in 2007. Tanzania still ranked among the poorest countries in the world. The economic growth in Tanzania has been strong since 2003. In 2003/4 financial year, Gross Domestic Product (GDP) growth was at 5.6 percent. Real GDP growth has been strong averaging almost 6 percent since 2007 to date (NSGRP, 2010). Improvements in manufacturing, mining, construction and agricultural sectors is considered to be a driving force behind the continued growth. Yet the country remains one of the poorest in the world, and the country ranked 159 out of 177 basing on social and economic indicators such as safe income, safe water, adequate food, shelter, health, education and electricity as indicated in Human Development Index 2007(UNDP, 2007)

Various efforts have been made by the Tanzanian government to address the issue of poverty. The first one is policy initiatives in which various concerns have been raised that led Tanzania to join other United Nation member states in the World Summit for Social Development (WSSD) held in Copenhagen Denmark 1995. This is when the International Development Goals (IDG) was formulated. These made the Tanzania government to formulate the Development vision of 2025, the National Poverty Reduction Strategy (NPRS) and Poverty Reduction Strategic

Paper (PRSP) to guide the country in the medium term in its efforts to attack poverty (Likwelile, 2003).

The National Microfinance Policy of Tanzania (NMFP) of 2000 emphasize that Microfinance Institution (MFIs) as basis for evolution of an efficient and effective micro financial system in the country that serves the low-income segment of the society will contribute to economic growth and poverty reduction. In Tanzania the poorer sections of the population have no access to financial resources. Consequently, their participation in economic development is limited. The NMFP recognizes the institutions providing microfinance services as the real driving force behind the achievement of the ultimate goal of development of sustainable microfinance (NMFP, 2000). Bank and non bank financial institutions, saving and credits cooperative societies (SACCOS) and non-governmental organizations (NGO) are free to develop microfinance services on the basis of their own objectives whether profit making, self-help or other motivations. The government expects the institutions that decide to become microfinance service providers to fulfill their responsibilities to adopt best practices and apply sound financial principles in the delivery of their services particularly with respect to pricing, loan delinquency control, financial reporting and information management (Misana, 1995).. This study focuses to disclose the impact of microfinance services to the life of the people in Arusha those who gain these services from PRIDE Tanzania Arusha branch.

II. Methodology

The study Area

This study was conducted in Arusha Municipality. The choice of Arusha Municipality as a study area was purposive because it's the only region in which PRIDE started piloting microfinance operations in January 1994 with one branch in Arusha. The main objective is to provide financial services to the low income entrepreneurs in Tanzania. The mission of PRIDE is to create a sustainable financial and information services network for small and micro-entrepreneurs in order to promote their business growth, enhance income and create employment.

Research Design

A case study research design was used in this study. The case study research design as suggested by Kombo and Tromp (2006) are the design which seeks to describes a unit in detail, in context and holistically. In this study researcher bring about deeper insight of microfinance in alleviating poverty. A case study design was considered as an appropriate research strategy for two reasons: First, the Microfinance Institutions are dealing with a common problem – poverty reduction. This increases chances for getting more or same responses from beneficiaries of MFIs. Second, there is greater likelihood of getting more insights about impact of micro-finance institutions in poverty reduction.

Sample Size and Sampling procedure

The target population for this study was clients of PRIDE Tanzania. Probability sampling was used in the context of obtaining data from clients of PRIDE Tanzania. A total of 104 clients who received credit from PRIDE for more than five years were randomly sampled for this study

Data Analysis

Socio-economic data were coded and computed into Epi Info programme statistical package for analysis. The Epi Info was used to analyze responses descriptively from 104 beneficiaries of micro-financing services from PRIDE Tanzania. Quantitative data were analyzed by frequency analysis by which counts and percentages were computed for specific categories of each variable. Describing the responses was considered appropriate because it was assumed capable to provide indication on the impact of micro-financing services to the beneficiaries. The result of analysis were presented in tabular form followed by critical narration basing on the result

III. Findings and Discussion

Demographic Characteristic of the Respondents

In this study the 57.7 percent of respondents are female and 42.3 percent of respondents are male. The number of female respondent are many compared to male because most women dominated micro enterprises which are financed by PRIDE

Tanzania. In this matter most women are clients of PRIDE Tanzania compared to men. Also in this study the 51.9 percent of the respondent aged between 36-55 years old. This was the age category with the highest proportion of respondents because most of people this age category have establishes permanent settlement which enabled them to receive loan from PRIDE Tanzania. Another age group included in this study is between 18-35 years which make 37.5 percent of the people engaged in this study and people above 56 years are 11 people which are 10.6 percent of respondents

Determinant Factors for Loan Seekers

In these study researcher was interested to know what drives the people to seek for a loan. The research finding reveals that most people a took loan for major two reasons; expanding business capital and up keeping family expenses. In table 1 below the majority of clients (52%) reported that they used loan for intended purpose of business expansion. PRIDE Tanzania in their services focuses to finance small business activity but they do not have mechanism to control the clients on how they use loan. The finding reveals that most of loan was invested on small business (52%) followed by family expenses (29.8%). Relatively other proportion of loan was used for agriculture (16.3%), other activity 1 % and manufacturing activity 1%. In general credit was used for income generating activities and these activities enable clients to generate income to support their families

Table 1: Determinant factors for loan seeker

What drives you to seek for the loan?	Frequency	Percent
To expand business capital	54	52.0%
Manufacturing	1	1.0%
Up keeping family expenses	31	29.8%
To reduce poverty and to expand business capital	1	1.0%
To boost agricultural production	17	16.3%
Total	104	100.0%

Source: Research Findings, 2013

Changes of Income and Wealth at Household level as Result of Microfinance services

Overall result revealed that microfinance programme has made a positive impact on household’s income, asset ownership and

domestic appliances ownership, food condition, education, medical facilities and saving at the household level. This analysis were done at household level

Household Income

It’s expected that household with higher income levels have more choices, can better meets their basic needs and enjoy broader opportunity. When trend of income is considered (Table 2 below) the respondents were asked whether there is change of income after receiving loan .The result indicate that 72.1 percent agreed that their income is growing due to credit financing because most of them expanded the existing business. Few of them 25 percent of respondents says that their income remain constant due high competitions in the market. However, insignificant number of respondents (2.9%) reported that their income decreased due to poor sales resulted from market problem. Almost all respondent have saving accounts in PRIDE-Tanzania because all clients are required to pay compulsory saving of 25 percent of the amount of loan applied. Also the loan officers in their pre loan training insisted the clients to create the saving habits to curb emergencies which need money. The findings of the survey revealed that household’s income has been increasing and source of income were diversified as well as their saving increased due to loans provided by PRIDE- Tanzania.

Table 2: Income Status at the Household after Loan.

Parameter(Income)	Frequency	Percent
Growing	75	72.1%
Normal	26	25.0%
Decreasing	3	2.9%
Total	104	100.0%

Source: Research Finding, 2013

Houses Ownership

When clients of PRIDE were asked whether micro-financing has help them to alleviate accommodation problem In investigating these researcher asked the clients if they possess houses before the loan. The results indicate that only 36.5 percent possess loan before the loan, 44.3 percent are hiring and 19.2 percent are living in their parents houses. These situations has changed after

the loan program where there is an increase in house ownership from 38 people(36.5%) to 64 people(61.5%).In these result the number of client who are renting and those who are living in parent houses has reduced as indicated in table 3 below.

Table 3: Household Ownership Before and After the loan

S/n	Housing status	Before Loan Programme	After Loan Programme
1	Ownership	36.5%	61.5%
2	Renting	44.3%	25%
3	Parent houses	19.2%	13.5%
4	%	100%	100%

Source: Research Findings 2013.

Also researcher was interested to know the sources of fund used to for those clients who constructed houses. The results indicate that (table 4 below) the 13.5 percent uses directly loan from PRIDE for houses construction and 10.7 percent gain money for construction from both business profit and loan from PRIDE Tanzania. The result also reveals that 18.3 percent of people who constructed houses gain money from business profit which is also financed by PRIDE Tanzania. Others people gain money for houses contraction by selling livestock, salary and others inherited from their parents.

Table 4: Sources of Money for Houses construction

Sources of Funds	Frequency	Percent
Agriculture	6	5.8%
Business	19	18.3%
Business and Loan from PRIDE	11	10.7%
Inheritance	9	8.7%
Livestock keeping	3	3.0%
Loan from PRIDE	14	13.5%
Renting and parents houses	40	38.5%
Salary	2	1.9%
Total	104	100.0%

Sources: Research Findings, 2013

Household Access to Education

Poverty levels can also examined in term of education, to see whether those who join loan programme are more capable in up keeping school fees expenses as compared to situation before

loan. When the client where asked if they have schooling children about 82.7 percent of respondents were reported to have schooling children and student and 17.3 percent do not have schooling children as indicated in table below

Table 5: Status of Schooling Children

Schooling Children	Frequency	Percent
Yes	86	82.7%
No	18	17.3%
Total	104	100.0%

Source: Research Findings, 2013.

The researcher is also interested to know the sources of money used for school fees and other related expenses. It is assumed that microfinance services of PRIDE Tanzania may improve the possibility of increasing expenditure on education and increases the opportunity of household's access to education. In some studies (Mbano,2000) confirmed that lack of educational opportunity is one of the most powerful determinant on poverty and unequal access to educational opportunity is related to income poverty. The provision of relevant education significantly contributed to any poverty reduction exercise.

Similarly, in this study researcher tried to explore the sources of money used by clients of PRIDE on education. The result indicate that (table 6 below) 48.9 percent of the clients are getting money from their business profit, 18.8 percent are getting money from business and other loan from PRIDE, and 15.1 percent uses PRIDE loan directly for educational expenses. Others are getting money from agriculture, house rent and salary. It might clearly understood that clients business are supported by the loan from PRIDE, so it's difficult to separates these sources of money used to cover school expenses. Therefore in this study, evidence proved that many people who join microfinance programme have greater opportunity in accessing educational services compared to situation before loan.

Table 6: The Sources of Money for Schooling

The sources of money for schooling	Frequency	Percent
Agriculture	5	5.8%
Business	42	48.9
Business and house rent	2	2.3%
Business and loan from PRIDE	16	18.6%
Salary and Casual activity	8	9.3%
Loan from PRIDE	13	15.1%
Total	86	100.0%

Sources: Research Findings, 2013

Household access to Health and Medical facilities

Poverty and poor health are closely related, in which poor health leads to poverty and poverty leads to poor health conditions. Thus, provision of financial services to the poor may improve access to medical facilities and improve the health conditions of the poor. The researcher was interested to establish if social well-being had improved as a result of the loan. PRIDE clients were asked to indicate if they have observed any changes as a result of receiving loans in meeting their basic need food and health. The result shows that only 61% of loan recipients noticed a changes

IV. Conclusion and Recommendations

The study made an assessment on the extent to which microfinance services helped to improve household livelihood. The assessment focused on basic needs that are necessary for household livelihood such as income, food, health, and education, housing and household wealth. Basing on those parameters which were tested, PRIDE microfinance services has shown positive changes to the lives of the people who join programme for more than five years. Similarly 72.1 percent of

in their serious health status as result of getting loans from PRIDE. The other 39% indicated that they remained as they were before and after receiving loans from PRIDE.

Also the health variable was treated as the proportion of households who were attending medical treatment in government hospitals which is a beat cheaper compared to private hospitals or traditional medicine. The benchmark was where the family gets treatment before attaining loan as compared to situation after taking loan. The findings revealed that there is slightly change where by 32 people who formally attending private hospitals before loan, their number were increased to 41 after the loan and in government hospital the number of people attending increases from 43 to 51 people. On other hand, the numbers of people who are receiving traditional medical services decreases from 29 to 12 people. These results indicate the slight development in health of the household because the people who use traditional medicine changed to modern way of treatment. In nutshell, provision of microfinance services to entrepreneurs has increases access to medical facilities. From the table 7 below findings revealed that there is an increase in capacity of household to meet medical expenses as compared to the situation before loan

Table 7: Family treatment Pre Loan and Post loan

Medical Centre	Pre-Loan	Post -Loan
Private medical centre	32	41
Government Medical centre	43	51
Traditional Medicine(Herbal	29	12
Total	104	104

Source: Research Findings, 2013

the respondents confirmed that the overall income increased due to loan services from PRIDE Tanzania. However, the impact is more pronounced after loan attainment compared to situation faced before the provision of loan. Such improvement was noticed in the increased number of house constructed, valuable assets during the loan programme, increased household appliances, and increased number of children at school. This implies that microfinance services from PRIDE have an

important role in poverty reduction and improved household livelihood.

This study observes possibilities for microfinance services to improve household livelihoods. Microfinance Institution would be required to be more forceful in marketing services. The effect of forceful marketing services would be result in increase in demand for the service. Also the existing commercial bank need to encouraged to provide microfinance services to smallholder farmers and micro-enterprise sector through establishment of wider network of bank branches to serve the farming and micro-enterprises

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