

Summary Report On The Study Of Barriers That Hinder Active And Effective Participation In The Activities Of Microfinance Institutions By The Rural Poor

1. Background Information

Financial services to the poor are found to be inadequate and poorly coordinated in Tanzania. The Rural Financial Services Programme believes that well developed and regulated grassroots MFIs offer the best option for availing financial service to the poor sustainably in the rural areas.

However, proportionate membership in present day SACCOSs and SACAs which are the most significant form of participation in financial markets available to rural Tanzanians is very low compared to population in their areas of operation. Numerous studies have indicated that there are possible legal, social and economic barriers (formal and informal) that impinge upon the overall participation of people especially the rural poor in the development of their MFIs. These constraints have a more serious effect on the active and effective participation of women and the landless.

2. The objective of the study

The overall objectives of the study was to assess barriers which hinder active participation in MFIs activities by the rural poor; assess social and institutional barriers for women and landless to access loans; determine milestones, and performance indicators for minimizing the identified barriers.

2.1 The study

The programme engaged three consultants from Mzumbe University, Moshi University College of Business Studies and Sokoine University to undertake the study. The terms of reference was to empower the participants by enabling them identify existing and potential constraints that hinder active and effective participation in MFIs by the poor in the rural areas, have a deeper understanding of the nature and magnitude of the constraints and involve a practical strategy to minimize or remove the barriers.

2.2 Expected Results

- i. To promote active participation of both women and men in the formation, operation and management of their grassroots organisations, by creating more conducive economic and political conditions within MFIs to allow the poor access to funds for entering in viable demand driven income generating activities and assume decision making powers within the institutions.
- ii. To develop business and technical skills through training and support with new technologies and innovations,
- iii. To undertake special studies to identify opportunities for undertaking income generating activities in all programme areas.

In order to achieve these objectives, relevant documents on microfinance were reviewed and interviews with selected RFSP stakeholders were conducted during field visits.

The findings from the primary and secondary sources were shared in workshops that were conducted and facilitated by consultants at zonal and national levels. The barriers identified in the zonal workshops were many and diverse. They were summarized under social, economic, legal, geographic, political, and institutional and infrastructural categories. These barriers and their categories were validated at the national workshop.

The different barriers have been prioritized and categorized as follows:

Category	Barrier
Economic	<ul style="list-style-type: none"> ▪ Low earning capacity or lack of reliable sources of income ▪ Lack of reliable markets for non-traditional produce ▪ Lack of proper accounting system, financial regulations, supervision and reporting ▪ Lack of entrepreneurship skills ▪ Prohibitive interest rate ▪ MFI activities have not been promoted adequately ▪ Lack of appropriate buildings and business premises
Social /cultural	<ul style="list-style-type: none"> ▪ Male chauvinism limiting women from accessing resources ▪ Inadequate knowledge on the concept of microfinance ▪ Too many responsibilities for women and relatively higher entrance fees and share capital ▪ Membership on MFIs being based on kinship
Social /Institutional	<ul style="list-style-type: none"> ▪ Poor leadership and governance of MFIs ▪ Inadequate education for MFIs members and leadership ▪ Reluctance of MFIs leadership to involve village government leadership in MFIs activities and reluctance village government leaders to join MFIs ▪ Bad image of Agricultural Cooperatives
Legal	<ul style="list-style-type: none"> ▪ Relevant laws, rules and regulations are written in English e.g. Cooperative laws, land laws, banking laws and Insurance laws. ▪ Lack of village land customary title deeds ▪ Frequent changes in cooperative law and other laws, rules regulations and uncoordinated policies
Institutional /legal	<ul style="list-style-type: none"> ▪ Embezzlement and misuse of funds ▪ Delays in securing loans ▪ Non-distribution of dividend ▪ Lack of clear chain of command between the registrar of Cooperatives who under the Ministry of Cooperatives and the Assistant Registrars who are under the Ministry of Regional administration
Geographical	<ul style="list-style-type: none"> ▪ Long distances between members and MFI headquarters
Political	<ul style="list-style-type: none"> ▪ Ideological differences as a result of multiparty
Infrastructural	<ul style="list-style-type: none"> ▪ Lack of reliable rural marketing infrastructural facilities
S/C/I/E	<ul style="list-style-type: none"> ▪ Cross-cutting issues. e.g. HIV/AIDS, TB, drug abuse