

**ASSESSMENT OF THE FINANCIAL PRODUCTS AND  
SERVICES EXTENDED TO SMALLHOLDER FARMERS: A  
CASE STUDY OF THE MIVARF PROGRAMME IN IRINGA  
REGION, TANZANIA**

**FINAL REPORT**

**By**

**Chinonso Onwunali (SDP Student)**

**Dr. Noah Olasehinde**

**(Academic Supervisor)**

**Joseph Theophilo**

**(On-site Supervisor)**

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## **LIST OF ACRONYMS AND ABBREVIATIONS**

- **AMCOS** – Agricultural Marketing Cooperative Societies
- **FIs** – Financial Institutions
- **FPS** – Financial Products and Services
- **GDP** – Gross Domestic Product
- **GoT** – Government of Tanzania
- **IFAD** – International Fund for Agricultural Development
- **MIVARF** – Marketing Infrastructure, Value Addition and Rural Finance
- **NGO**- Non-Governmental Organizations
- **SACCOS** – Savings and Credit Cooperative Societies
- **SDGs** – Sustainable Development Goals
- **SHF** – Smallholder Farmers
- **SPSS** – Statistical Package for the Social Sciences
- **URT** – United Republic of Tanzania
- **VFT** – Vision Fund Tanzania
- **VICOBA** – Village Community Bank

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## **Abstract**

Undoubtedly, one of the major challenges facing smallholder farmers in Africa is the access to financial support to scale up their agricultural production and income. This challenge is also faced by rural farmers in Tanzania who make about 80 percent of the country's population. As part of the efforts to provide solution on the issue of rural financing facing smallholder farmers in Tanzania, the government of Tanzania in partnership with International Fund for Agricultural Development (IFAD) has created the Marketing Infrastructure Value Addition and Rural Finance Support (MIVARF) Programme to contribute to reduction of rural poverty and accelerate economic growth on a sustainable basis.

This study assessed and established the available financial products and services extended to smallholder farmer beneficiaries of the MIVARF Programme in the Iringa region of Tanzania. In addition, the study explored the different financial products and services available to smallholder farmers, examine the frequency of the products and services on the socio-economic wellbeing of the beneficiaries, as well as examine the consideration of women in the design and access to financial products and services. This study used primary data collected from a field survey in two districts of Iringa region. Data was gotten through a well-structured questionnaire, key informant interview, focus group discussion and observations from beneficiaries and institutions offering financial products and services. The data were analyzed using descriptive and inferential statistical techniques.

The study provides an understanding about the types, access to and cost of financial products and services available. MIVARF Programme has contributed to improvement in the socio-economic wellbeing of the beneficiaries and a better knowledge on the consideration of women in the design of financial products and services for smallholder farmers in rural areas of Iringa, Tanzania. The study will provide recommendations on the way forward for institutions providing financial products and services to smallholder farmers so as to improve on their service delivery and meet with the demands of their beneficiaries.

**Keywords:** Smallholder Farmers, Financial Products and Services, Rural Areas, Beneficiaries



## 1.0 INTRODUCTION

### 1.1 Background of the Study

Undoubtedly, one of the major challenges facing smallholder farmers in Africa is the access to financial support to scale up their agricultural production and income. This challenge is also faced by rural farmers in Tanzania who make about 80 percent of the country's population (World Bank, 2012). Tanzania remains primarily a rural country with an agriculture-based economy that employs the majority of the national labour force (FAO, 2013). Tanzania is comprised primarily of poor, rural, smallholders whose livelihoods are reliant on agriculture. Tanzania's agriculture sector is extremely diverse. Crop production accounts for 55% of agricultural GDP, livestock for 30%, and natural resources for 15%. The main export crops are sugar, coffee, cotton, tobacco, and tea. The most prevalent staple crops include maize, cassava, rice, sorghum, and millet. Agricultural production is dominated by smallholders who represent most of the rural families. The agricultural sector on average contributes about 24 per cent of GDP compared to about 30 percent a decade ago; and it contributes about 24 percent of exports, down from about 45 percent ten years earlier, mostly due to the growth of alternative foreign exchange earning opportunities from minerals and tourism services (Leigh, Karina & Mary, 2011).

Agriculture plays an important role in the economy of Tanzania. The country is dominated by smallholder farmers and farming is predominantly rain-fed with traditional farming techniques, making smallholder farmers vulnerable to climatic, economic and seasonal shocks which expose farmers to poverty. Smallholder farmers are constrained by limitations of subsistence farming practice that leave them vulnerable to climate change effects, lack of access to finance, biological, agrochemical and mechanical inputs. Others include low knowledge of good agricultural practices (GAP), low margin and poor access to efficient market, giving rise to low productivity and income (Ejewule, 2017).

According to the results of the 2007/08 Iringa Region Agriculture Sample Census Report, the crop and livestock sub-sectors engaged about 98 percent of the economically active population in the region. Agriculture contributes most of the Region's cash income mainly from tea, beans, maize, ground nuts, Irish potatoes, paddy and sunflower production. It accounts close to 85 percent of the region's GDP ( MoF, NBS and IRS, 2013).

For the past few decades agricultural financing has been the centerpiece of many rural development programs in developing countries. Donors and Governments have recognized that financial constraints continue to weaken performance in agriculture which directly links to poverty (Allard et al, 2010). Poverty levels are high in Tanzania, and poverty reduction during the past decade occurred mainly in urban areas, while rural areas have seen relatively little change (Alexander, Sara and Luc 2016). Poverty levels are highest in rural areas, where 39.9 percent of households fall below the basic needs poverty line according to the 2000/01 National Household Budget Survey (National Bureau of Statistics, 2002), making up about 81 percent of the poor in Tanzania.

Rural communities are highly underserved. Traditionally, formal financial institutions have avoided or failed to offer sustainable services in rural areas (e.g. rural or agricultural development banks). Thus, informal or semi-formal financial institutions as well as alternative providers like traders or input suppliers have become major providers of financial services. However, these informal providers often have weak institutional and managerial capacity; and operating in isolation from the financial system has let some of these providers charge steep interest rates. People living in rural areas may need access to financial services to purchase agriculture inputs; obtain veterinary services; maintain infrastructure; contract labour for planting/harvesting; transport goods to markets; make/receive payments; manage peak season incomes to cover expenses in low seasons; invest in education, shelter, health; or deal with emergencies (ILO, 2011)

Ensuring that farmers have adequate access to financial resources is a key tenet of successful rural development strategies. Policy-makers have long understood that rural producers who cannot meet their needs for capital must settle for suboptimal production strategies. When producers are unable to make the necessary upfront investments or cannot bear additional risk, they have to forgo opportunities to boost their productivity, enhance their income and improve their well-being (Besley, 1995; Boucher et al., 2008, and; World Bank 2008). Meanwhile, producers who have access to well-designed credit, savings and insurance services can avail themselves of capital to finance the inputs, labour and equipment they need to generate income.

As part of the efforts to provide solution on the issue of rural financing facing smallholder farmers in Tanzania, the government of Tanzania in partnership with International Fund for

Agricultural Development (IFAD) has created the Marketing Infrastructure Value Addition and Rural Finance Support (MIVARF) Programme to contribute to reduction of rural poverty and accelerate economic growth on a sustainable basis. Based on this, the MIVARF Programme was designed to up-scale the successful activities under Agricultural Marketing Systems Development Programme (AMSDP) and Rural Finance Support Programme (RFSP).

It is on this premise that the study focuses on the assessment of financial products and services extended to the smallholder farmers who are beneficiaries of the MIVARF Programme in Iringa Region of Tanzania. Specifically, it examines the available financial products and services, the financial institutions which provide the products and services and the effect of these products and services on smallholder farmers.

## **1.2 INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD)**

The International Fund for Agricultural Development (IFAD) is a specialized agency of the United Nations dedicated to eradicating rural poverty through financing agricultural development projects primarily for food production in the developing countries. In total, IFAD has financed 16 projects in Tanzania with a total project cost of US 908.7 million dollars with focus on access to markets and financial services, improved climate resilience in production, increasing technologies in priority crop-livestock-fishery commodities and strengthened land governance.

### **1.2.1 The Marketing Infrastructure Value Addition and Rural Finance Support (MIVARF)**

In Tanzania, agriculture is a significant driver for growth and a major source of income, employment and food security for the rural population. In Mainland Tanzania, for instance, agriculture employed 76% of the labour force and contributed 24% to the country's total GDP in 2008, next to the services sector that accounted for 47.8%. However, major constraints to full exploitation of agricultural potential are limited access to financial services by smallholder rural producers and traders, poor rural market infrastructure and inadequate value addition in agricultural produce. As part of the endeavour to address these constraints, the Tanzania government has designed the Marketing Infrastructure Value Addition and Rural Finance Support Programme (MIVARF) to be implemented in 29 regions of Tanzania.

Implementation of MIVARF is aligned with other national development strategies including the 2001 Agricultural Sector Development Strategy (ASDS) which envisaged an agricultural sector that, by 2025, is modernized and commercial, highly productive and profitable, and utilizes natural resources in a sustainable manner.

The Programme *overall goal* is to enhance incomes and food security of the target group on a sustainable basis while the development objective of the Programme is to support sustainable and profitable linkage to markets. The intermediate objective of the Programme is to ensure beneficiaries derive profits from production and value addition undertakings

The Programme is comprised of three components that serve as basis for the implementation of its activities. These include; (i) the Marketing Infrastructure and Systems Component; (ii) the Rural Finance Component; and (iii) the Programme Coordination Component.

### **1.2.2 MIVARF Programme Rationale and Coverage**

The rationale for the Programme is to upscale some of the successful activities implemented under Rural Finance Services Programme (RFSP) and Agricultural Marketing Systems Development Programme (AMSDP). Activities being implemented will deepen and help improve access to financial services and rural markets infrastructure development. The Programme is also focusing on improving access to financial and marketing services of the rural economically active poor. MIVARF emphasis is on financial and commercial viability and sustainability in the support for the beneficiaries. The Programme is also up-scaling the Warehouse Receipt System (WRS) model that was pioneered by AMSDP.

Programme activities are being implemented in 29 regions of the country (24 regions on the Mainland and five (5) regions in Zanzibar).

### **1.2.3 Concept and Approach**

Implementation of MIVARF activities are governed by *demand-driven and competition for resources* approach. Districts/Local Government Authorities (LGAs) have qualified to participate in the Programme upon meeting specified eligibility criteria. In this strategy, resource allocations to the districts/LGAs are transparent, based on eligibility criteria that include among others willingness to contribute to the cost of the priority activities for the district. This

approach signals and puts into practice the best practices and lessons learned from the previous programmes (AMSDP and RFSP).

The approach was devised as a mechanism to induce ownership, commitment and eventually sustainability of the Programme activities after the Programme direct intervention comes to an end.

#### **1.2.4 Rural Finance; has two sub-components: -**

- i. *The Grassroots Financial Services sub-component* provides specific support to different financial institutions; including informal financial institutions (IFIs), rural Saving and Credit Cooperative Societies (SACCOS), Microfinance Institutions (MFIs) and community/cooperative banks to increasing rural outreach. Support is also extended to the Tanzania Cooperative Development Commission (TCDC), the Department of Cooperatives in Zanzibar (DOC) and the Moshi Cooperative University (MoCU) to support Rural SACCOS capacity building. Apex institutions are supported to strengthen their capacity to provide effective services to members as well as performance monitoring of the members;
  
- ii. *Rural Financial Systems subcomponent* aims at enhancing the risk appetite of commercial banks by providing credit fund to increase agricultural lending along the value chain, promote innovation and test new approaches and methods in financial services delivery, financial products and value addition activities in agriculture value chain in rural areas. Under the subcomponent the Ministry of Finance (MOF) and the Bank of Tanzania (BOT) are providing support to review the National Microfinance Policy (NMP) and prepare NMP Bill and the Ministry of Finance Zanzibar (MOFZ) to finalize the microfinance policy for Zanzibar and DOC and TCDC to improve cooperative Act and SACCOS regulations. This sub-component is also instrumental to develop a Smallholder Credit Guarantee Scheme (SCGS) and Rural Innovation Fund (RIF) to test and implement new/innovative approaches, methods and services in rural areas for the benefit of rural population, in general and the *Programme's* target group, in particular.

### 1.3 Problem Statement

Like in most other developing countries, the degree of rural households' access to financial products and services in Tanzania is significantly low. It is a wide consensus now that rural households' access to financial products and services opens up productive opportunities, creates jobs, and builds up assets base. This is a new development paradigm that is built on market principles. Access to financial services unleashes economic potential to a greater proportion of the population, who is in most cases bankable but underserved (Bee, 2007).

Agriculture is viewed as a highly risky economic activity. It is an investment that requires high gestation period and associated with unpredictable weather which creates uncertain environment and uncontrollable element (Hollinger 2004). A large array of uncontrollable elements can affect output production and prices, resulting into highly variable economic returns to farm households. As a result, the farmers are considered as "non-bankable" by mainstream commercial financial institutions (Wenner, 2010).

Agricultural growth and development is one of the most powerful tools to help end poverty: as growth in the agricultural sector is two to four times more effective in raising incomes among the poorest compared to other sectors (World Bank, 2015). To boost the agricultural industry, financing has an important role to play. This places agriculture at the core of removing a huge percentage of the world's poor from poverty.

Improving farmers' access to financial services and markets has over the last decades been a top government priority and the Government of Tanzania continues to consider these two areas as being crucial in its strategy to boost the relatively modest agricultural sector growth (only marginally above the increase in population).

There had been a number of efforts to call microfinance and banks to increase provision of financial services to small holder farmers in rural areas. This had been demonstrated by the number of farmers accessing financial products and services. There are numbers of financial products and services extended to smallholder farmers which includes loans, credits, warehouse receipt systems, savings, deposit service, insurance, money transfer and social security.

However, despite the increased financial services outreach and products and services available, there are no reports or studies which shows the number and type of products and services which

are relevant to farmers as most of the products are those extended to entrepreneurs in towns and cities. Therefore, the study focuses to assess and establish the available financial products and services and the kind of products and services demanded by the small holder farmers in rural areas in Tanzania with focus on the Iringa region.

#### **1.4 Research Questions**

The Research was guided by the following questions:

- 1) What are the different financial products and services available to smallholder farmers?
- 2) How are the financial products and services offered and how has it improved the socio-economic wellbeing of smallholder farmers?
- 3) Are women put into consideration during the design and access to financial products and services?

#### **1.5 Objectives of the Study**

For this study, the general objective is to assess and establish the available financial products and services extended to small holder farmers beneficiaries of the MIVARF Programme in Iringa region, Tanzania. The specific objectives are:

- 1) To assess the different financial products and services available to smallholder farmers
  - i) To assess the types of financial products and services available and their providers
  - ii) To examine the access to financial products and service by smallholder farmers
  - iii) To assess the cost of accessing the products and services by smallholder farmers
- 2) To examine the frequency of the financial products and services offered to the beneficiaries
- 3) To examine women consideration in the design and access to financial products and services

## **1.6 Significance of the Study**

The findings of the research will expand the body of knowledge regarding financing for smallholder farmers in rural areas. It provides new insight, and fills the unknown knowledge of rural finance contribution toward agriculture financing gap. With regard to the main question underlying the research, the research will provide an answer to the financial products and services extended to smallholder farmers. Also the research provides recommendation on the way forward towards providing better products and services to smallholder farmers.

Provision of financial products and services to smallholder farmers in rural areas is one of the sustainable means to reducing rural poverty by increasing agricultural productivity and income. This is one of the aims of the MIVARF Programme, therefore, it is necessary to assess the IFAD/GoT intervention program such as the MIVARF to assess the financial products and services extended to smallholder farmers in Iringa Region of Tanzania. It is also necessary to understand how financing rural smallholder farmers could contribute to reducing poverty by increased productivity and raising income levels, thereby contributing to the economic development of the country and achieving the Sustainable Development Goals 1 and 2.

## **1.7 Limitation to the Study**

The major limitation faced during the study was the language barrier experienced during data collection from the respondents. This was overcome by using well trained enumerators who had a good understanding of the English language and Swahili. There was also the issue of enumerator's integrity which was overcome by continuous review of the respondents feedback during the data collection period. Other limitations included living and transportation logistics in the rural area during data collection activity.

## **1.8 Definition of Concepts**

### ***Agriculture***

Generally, Agriculture can be said to be the cultivation of crops and the rearing of animals to provide food, other human needs or for economic gain.

Tanzania agriculture and livestock policy, (1997) defined agriculture as that area of human activity involving all aspects of crops and livestock. The practice of agriculture is also known as "farming". Subsistence farming, who farms a small area with limited resource inputs, and



produces only enough food to meet the needs of his/her family. At the other end is commercial intensive agriculture, including industrial agriculture.

Such farming involves large fields and/or numbers of animals, large resource inputs (pesticides, fertilizers, etc.), and a high level of mechanization. Most smallholder farmers are subsistence farmers who produce in small scale for family consumption and income mostly in rural areas.

Agriculture has proven to be the primary economic sector in most developing countries. It also employs a high percentage of the population. Between 60 and 90% of the population of most developing countries benefit directly and earn their livelihood from agriculture.

### ***Smallholder Farmer***

Smallholder farmers are also defined as those farmers owning small-based plots of land on which they grow subsistence crops and one or two cash crops relying almost exclusively on family labour. One of the main characteristics of production systems of smallholder farmers are of simple, outdated technologies, low returns, high seasonal labour fluctuations and women playing a vital role in production. Smallholder farmers differ in individual characteristics, farm size, resource distribution between food and cash crops, livestock and off-farm activities, their use of external inputs and hired labour, the proportion of food crops sold and household expenditure patterns. Smallholder farmers can play an important role in livelihoods creation amongst the rural poor. Even though Smallholder production is important for household food security, the productivity of this sub-sector is quite low. Poor yields may be one of the reasons why urban and rural households either abandon or are uninterested in agricultural production. There is therefore a need to significantly increase the productivity of smallholder farmers to ensure long term food security. This can be achieved by among others encouraging smallholder farmers to pursue sustainable intensification of production through improved inputs and financing (DAFF, 2012).

### ***Rural Finance***

Provision of financial services to a heterogeneous rural farm and non-farm population at all income levels. It includes a variety of formal, informal and semiformal institutional arrangements and diverse types of products and services including loans, deposits, insurance and remittances. Rural finance includes both agricultural finance and rural microfinance and is a sub-sector of the larger financial sector.

Rural finance comprises the full range of financial services - loans, savings, insurance, and payment and money transfer services - needed, offered, or used in rural areas by household and enterprises. The term encompasses agricultural finance.

Agricultural finance refers to financial services ranging from short-, medium- and long-term loans, to leasing, to crop and livestock insurance, covering the entire agricultural value chain - input supply, production and distribution, wholesaling, processing and marketing. Rural and agricultural financial services are provided by formal and informal financial institutions as well as through financial arrangements within the agricultural value chain.

While the majority of Africa's population lives in rural areas and depends on agricultural production, the supply of financial services to the sector is inadequate, with, on average, a mere 5 percent of domestic resources being allocated to the agricultural sector (MFW4A).

### ***Agricultural Finance***

Agricultural Finance is the provision of financial services that support all agriculture-related activities, including those of processors, distributors and exporters who may be located in rural, urban or peri-urban areas (ILO).

### ***Financial Products and Services***

Financial products and services ranges from short-, medium- and long-term loans, to leasing, to crop and livestock insurance, covering the entire agricultural value chain - input supply, production and distribution, wholesaling, processing and marketing (MFW4A). Rural and agricultural financial services are provided by formal and informal financial institutions as well as through financial arrangements within the agricultural value chain.

While the majority of Africa's population lives in rural areas and depends on agricultural production, the supply of financial services to the sector is inadequate, with, on average, a mere 5 percent of domestic resources being allocated to the agricultural sector (MFW4A).

Despite the difficulties facing access to financial products and services in rural areas, formal rural and agricultural finance has been making advances in the continent, with innovative financial services and improved risk management on both the client and institution sides. The

most promising approaches include flexible credit schemes, value-chain finance, insurance products, promotion of financial literacy and the use of new technologies (MFW4A).

### **1.9 Organization of the Study**

This study is organized into five chapters, with chapter one providing the background information, statement of the problem, research questions, study objectives, significance of the study, limitation to the study and definition of concepts. The second chapter provides an overview on theoretical issues underpinning the rural financing. It also reviews the relevant literature, and provides a conceptual framework for analysis of rural finance.

The third chapter presents a profile of the study area and describes the study methodology. It took into consideration the study area, nature and source of data, method of data collection, analytical methods and techniques. Chapter four contains the findings of the study, data analysis and the discussion of the results. Chapter five summarizes the study, provides policy implications, limitations encountered, conclusion and recommendations based on the study.

## **2.0 LITERATURE REVIEW AND ANALYTICAL FRAMEWORK**

### **2.1 Microfinance: Background, Operations, Models**

#### **2.1.1 Historical Background of Microfinance**

Microfinance as a concept dates back to centuries ago. This is not a new phenomenon considering that Savings and credit groups have existed for centuries in some parts of the world. For instance in Nigeria, there is the “Esusu” system which is known for providing financial instruments such as small savings, revolving loans and credit facilities. This has been the case in some societies pre-dating modern Microfinance Institutions.

Formal Microfinance institutions have also existed for decades, providing customers who were traditionally neglected by commercial banks a way to obtain financial services through cooperatives and development finance institutions. One of the earliest micro credit organizations providing small loans to the rural poor was the Irish Loan Fund which was an initiative of the Irish author and nationalist Jonathan Swift during the early 1700s. Early successes imitating Swift’s model led to an explosion of independent charitably funded organizations for lending to the poor during the first part of the 1800s. These organizations began experimenting with accepting deposits, and fell under the regulation of the newly created “Loan Fund Board” in 1837 (Hollis & Sweetman, 2003). Swift's idea began slowly but by the 1840s had become a widespread institution of about 300 funds all over Ireland. Their principal purpose was making small loans with interest for short periods. At their peak they were making loans to 20% of all Irish households annually.

In 1976, the work of Prof. Yunus ushered in a new dimension to the microfinance movement when he launched an action research project which examined the possibility of designing a credit delivery system to provide banking services targeted at the rural poor. The objective of the Grameen Bank Project was to extend banking facilities to the poor, eliminate the exploitation of the poor by money lenders and create opportunities for self-employment. The Grameen Bank model has since been adopted by many countries in fighting poverty.

In Tanzania, Microfinance Institutions started with Non-Governmental Organizations (NGOs) and Savings and Credit Cooperative Societies (SACCOS) in 1995. It is still a relatively new concept in Tanzania. The government tried to convince commercial banks to support small and

medium businesses. Once the National Microfinance Policy was implemented in 2001, microfinance was officially recognized as a tool for poverty eradication and with its increased use and exposure to the country, banks have taken an interest in offering microfinance. The National Microfinance Bank is an institutional provider of microfinance services, and the AKIBA Commercial bank and CRDB Bank are also two big supporters of microfinance. There are additional organizations involved in microfinance in Tanzania, including FINCA, PRIDE and SEDA as well as the Tanzania Postal Bank. Community banks and small banks have taken an interest in this, as well as many NGOs and non-profit organizations.

In 2005 the Bank of Tanzania carried out a country survey to update the directory of Microfinance practitioners. The purpose of this directory is to provide the Microfinance stakeholders and the general public with the basic information on Microfinance Institutions namely Commercial Banks, Financial Institutions, Financial Non-Governmental Organizations (NGO), Savings and Credit Cooperatives Societies (SACCOS) and savings and Credit Associations (SACAs). Information provided includes legal status, market outreach, target group, Dominant sector, Loan Officers and contacts of Microfinance institutions. This directory has a total number of 1,620 SACCOS, 48 SACAs, 45 CBOs, 62 NGOs, 8 banks, 2 companies, and 95 Government programs (BoT, 2005).

### **2.1.2. Review of Microfinance Models**

#### **The Grameen Bank Model:**

The Grameen Bank Model was founded from the work of Professor and Economist Muhammad Yunus in Bangladesh, 1976. The bank operates by making small loans (known as micro credit or “grameen credit”) available to the impoverished without requiring collateral. The bank was launched as a research project to study how to design credit delivery system to provide banking services to the rural poor (Wikipedia).

The focus is on the poor and low income where Grameen Bank (GB) provides credit to the poorest of the poor in rural Bangladesh, without any collateral. At GB, credit is a cost effective weapon to fight poverty, and it serves as a catalyst for the overall development and socio-economic conditions of the poor who have been kept outside the banking orbit on the ground that they are poor, hence not bankable. Yunus reasoned that if financial resources can be made

available to the poor people on terms and conditions, that are appropriate and reasonable, “these millions of small people with millions of small pursuits can add up to create the biggest development wonder”.

According to empirical studies and assessments done on the impact of Grameen micro credit on the income of its users, (Hossain, 1984) concluded that both per capita income and household income were positively increased with the amount of credit obtained from Grameen Bank. Also, Osmani (1998), found that Grameen Bank micro-credit has overall positive impact on the borrowers income, but it is dependent on some criteria and conditions. The impact on the income of the participation is positive only for those household borrowers whose primary occupation was “self-employed non-farm activities and already have experience on this sector”.

More recently, Basher (2009) investigated GBs microcredit in Bangladesh, and he found out that micro credit enables the borrowers to move progressively into more productive activities as they become experienced.

### **Village Banking Model:**

The village banking system was propounded by Dr. John Hatch, who is also the founder of FINCA. It is a unique and influential method for delivering small loans, savings, and other financial services to the poor worldwide. In his work with the rural poor, Hatch found that most credit programs were administered by outside experts. This management style resulted in poor repayment rates and low morale among borrowers. Believing that the poor lacked neither ambition nor skill, but simply resources, in 1984, John created the Village Banking method. This method allowed the poor to obtain loans without collateral—their main obstacle to accessing credit—at interest rates they could afford. It brought neighbors together in groups, giving them the collective power to disburse, invest, and collect loan capital as they saw fit (FINCA).

Village banks are community-based credit and savings associations. They typically consist of 25 to 50 low-income individuals who are seeking to improve their lives through self-employment activities. Initial loan capital for the village bank may come from an external source, but the members themselves run the bank: they choose their members, elect their own officers, establish their own by-laws, distribute loans to individuals, collect payments and savings. Their loans are

backed, not by goods or property, but by moral collateral: the promise that the group stands behind each individual loan (GDRC).

### **SHG-Bank Linkage Model**

The Self Help Group-Bank Linkage Model (SBLP) was initiated by the National Bank of Agriculture and Rural Development (NABARD) in India, 1992, when it launched its nation-wide pilot projects to link the existing SHGs with banks (Paul & John, 2010).

The SHG consists of 10-15 members who come together to form informal self-help groups (SHG). The group supports its members by providing access to savings and credit services. The group members rotate small pooled savings among themselves as loans within the SHGS. They keep the accounts of such transactions and when they become confident in themselves and their ability to handle larger volumes of credit, they approach banks for more sizeable loans. Such an SHG is effectively linked to the banks, and thereby to the mainstream credit market of the economy (Paul & John, 2010). SHGs are usually sponsored by Governmental agencies or Non-Governmental Organizations (NGOs). The Programme has done extremely well in rural India in terms of its outreach, generating income, reducing poverty levels and empowering people both economically and socially. This model has proved to be a viable tool for empowerment and financial inclusion of the rural population.

## **2.2 Microfinance and Poverty Reduction**

For poverty reduction to occur, there is the need for financial deepening, most especially in rural areas which is home to a vast majority of the population in developing countries. Microfinance has been used globally as a crucial tool to reduce poverty and improve socio-economic wellbeing. (Nwigwe, Omonona & Okoruwa, 2012) suggests that the universal objective of microfinance is to make it possible for large numbers of low-income people to access institutional financial services, hence the potential benefits of microfinance has accounted for its widespread adoption as an economic development, job creation and poverty reduction strategy. (Aguilar, 1999) suggests that when the poor have access to Microfinance services, that poverty alleviation will be possible because income and jobs will be created, as they link the poor population into productive economic activities, hence promoting economic growth and development.

Littlefield, Murdugh and Hashemi (2003) highlighted in their work that various studies on microfinance and poverty reduction have recorded increases in income and assets, and decreases in vulnerability of microfinance clients". They cited projects from Bangladesh, Bolivia, Indonesia, Zimbabwe, India to show empirical evidence showing positive impact of microfinance in reducing poverty. Adding that microfinance allows poor people protect, diversify and increase their sources of income, the essential path out of poverty and hunger. Also, that it helps safeguard poor households against the extreme vulnerability that characterizes their everyday existence. Khandker (2003) is of the opinion that the extent to which microfinance can be useful to the poor is dependent on the poor's ability to utilize what microfinance offers them. He further said that microfinance provides a window of opportunity for the poor to access a borrowing and saving facility. In other countries, these facilities also provide organizational help, training, safety nets, empowerment, and financial and other help during crises. Microfinance organizations can alleviate liquidity constraints, stabilize consumption, and enhance both income and consumption for the poor, thereby augmenting the poor's welfare (Appah, John & Soreh).

Despite the different studies ascertaining to the fact that micro financing can lead to poverty reduction, some scholars are of the opinion that beyond providing micro credit to poor households, (Chowdury, 2009) is of the opinion that there is the need for complementary factors for microfinance to have some positive impact on poverty reduction. The supply of microcredit does not necessarily ensure the availability of complementary factors in adequate quantities and quality. Some microfinance institutions and non-government organizations (NGOs) seem to have understood the need for such factors and, therefore, also offer training to build management and entrepreneurial skills. There are also NGOs (such as BRAC in Bangladesh) which provide basic education in rural areas using innovative methods. These are all potentially positive developments for poverty reduction efforts.

### **2.3 Analytical Framework**

#### ***Rural Finance and Sustainable Livelihood Framework:***

The Sustainable Livelihood Framework as developed by the Department for International Development (DFID, 2001) will be adopted for the purpose of this research. The framework explains the relationship between poverty and access to financial services. The framework

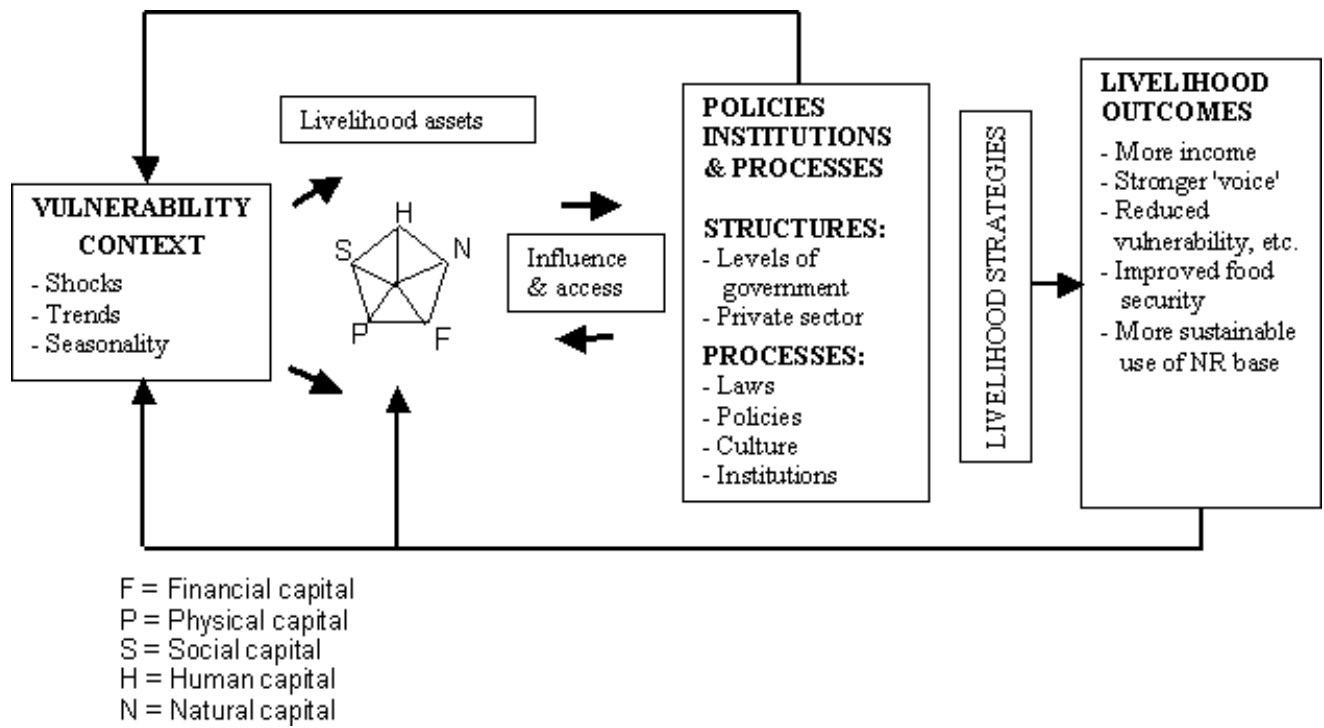


accounts for the theoretical and empirical continuum of livelihoods assets (inputs) leading to production output; and the livelihood outcomes (well-being). Furthermore, the proposed analytical framework recognizes the role of financial asset (capital) and institutions in influencing well-being and development outcomes (Oshinowo, 2017).

The uniqueness of the sustainable livelihoods framework is that it negates the traditional perception of poverty that is based on income considerations (Bee, 2007). Following the sustainable livelihoods approach, it is clear that poor people do not only lack income; but face inadequate food, poor shelter, and lack access to education and health. In this context, they are vulnerable to ill-health, economic displacement, and natural disasters (Ashley and Carney, 1999:47; Meyer, 2001:2). Furthermore, they are also prone to government policies, regulations and actions to which they are powerless to influence its decisions.

The choice of households' livelihood strategies are therefore, influenced by the households' level of assets; their access to resources (natural resources, physical capital, financial capital, human capital, and social capital); and the structures and processes within which they operate (Bee, 2007).

The framework emphasizes that SHF access to financial products and services- such as savings and deposit facilities, loans, credit, insurance, mobile money will undoubtedly improve their productive assets, hence improve productivity. This shows that poverty reduction can be achieved were financial capital exists. The premises behind this thinking are that development of the financial market is an important element in any country's economic growth. Access to financial services unleashes the economic potential to a greater proportion of the population who are in most cases bankable but underserved (Bee, 2007).



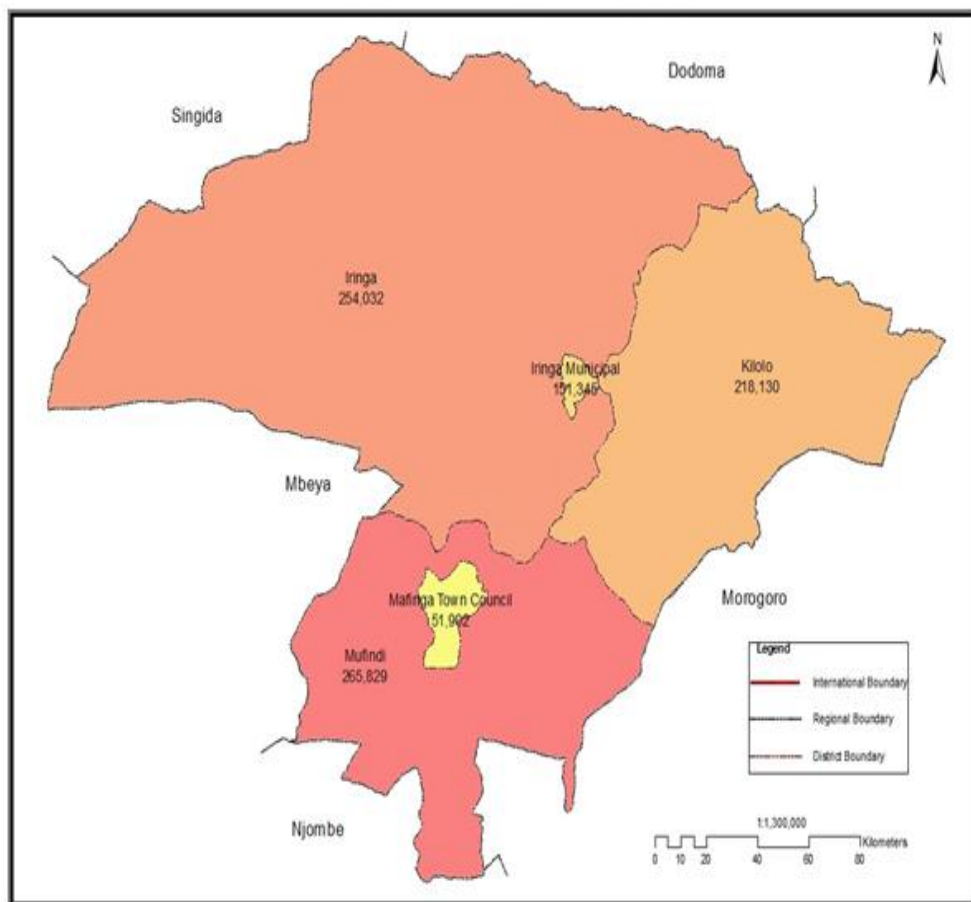
**Figure 1: Adapted: Ashley and Carney, 1999**

### 3.0 RESEARCH METHODOLOGY

#### 3.1 Description of the Study Area

The study was conducted in Iringa Region. The Iringa Region is in the southern highlands of Tanzania Mainland. It borders five regions namely Morogoro Region in the East, Njombe Region in the South, Dodoma and Singida Regions in the North and Mbeya Region in the West. It is accessible from Northern and Lake Zone regions like Mwanza and Arusha through Dodoma Region; Dar es salaam through Morogoro, Mbeya and Ruvuma through Njombe Region.

Administratively, Iringa region is divided into 3 districts namely: Iringa, Mufindi, and Kilolo with 4 Councils namely: Iringa District Council, Mufindi District Council, Kilolo District Council and Iringa Municipal Council. Moreover, Iringa Region is further sub divided into divisions, wards, villages/hamlets and streets.



**Figure 2: Map of Iringa**

### 3.1.1 Geographical Location within the Country

Iringa Region has a total surface area of 35,743 sq. kms out of which 2,704.2 sq.kms or 7.6 percent is covered by water bodies of Mtera Dam, the Little and Greater Ruaha Rivers. The remaining 33,038.8 sq.km is land area. Iringa Region is deemed to be neither a small nor a big region. It is the 13th largest region occupying about 4.1 percent of Tanzania Mainland's total area of 881,289sq.km.

Temperature and rainfall are two key features that show the climate of Iringa Region. The region along with Njombe and Mbeya regions form what is called the Southern Highlands as distinct from the Northern Highlands of Kilimanjaro and Arusha regions in the far north of Tanzania. The Southern Highlands experience long rainfall and short dry seasons which more often are cool with fairly moderate winds. Total rainfall ranges from 500mm to 1,600mm per annum with high geographical, seasonal and annual variation. There is one rather well defined rainy season starting from November to May followed by a dry and cold season which lasts from June to September.

### 3.1.2 Demographic Situation

Iringa Region is one of the least populated regions in Tanzania. The main indigenous ethnic group is the Hehe. Others who form significant minorities are the Bena, Kinga, Barbaig, Pangwa, Chaga, Nyakyusa, Gogo, Ngoni, Maasai, Wanji, Sukuma, Safwa and the Sagala.

FEATURES	STATISTICS
Land Area	33,038.80 sq km
Population	941,238
Population Density	26
Regional Gross Domestic Product (GDP) (Tsh Million) (NBS, 2011)	1,985,708 Tsh
Per Capita GDP (NBS, 2010)	979,882
Land Under Cultivation (2011/12)	364,085 ha

**Table 1: Source:** Iringa Region Socio-Economic Profile, 2013

## **3.2 Population and Sample**

The study was conducted in three (3) districts in the Iringa region of Tanzania. The districts selected purposively were Iringa, Mufindi and Kilolo. These were purposively selected because they were the districts within the Iringa region where the MIVARF Programme is being implemented.

A multi-stage sampling technique was employed to select a total of 375 beneficiaries. The type of data to be collected includes: socio-economic data, welfare data, gender-specific data and information on the administration of financial products and services by financial institutions.

## **3.3 Method of Data Collection**

The study obtained data and information from two major sources: primary and secondary sources. The study employed the use of qualitative survey methods which are Key Informant Interviews (KIIs) and Focus Group Discussions (FGDs) and quantitative survey methods (structured questionnaire administration).

Both secondary and primary data are being used in this research work. The primary data were collected through the use of well-structured questionnaires, and administered by well-trained enumerators in the study area. The study covers two benefitting districts in the Iringa Region, Tanzania. Secondary data were obtained from the records made available by the MIVARF office in Arusha, Tanzania through previous reports, reviews and publications. Also official statistical information was obtained from the National Bureau of Statistics reports.

### **3.3.1 Sampling Procedure and Data Collection Method**

A multistage sampling technique was used in selecting the sample of the study. In the first stage, 2 districts were purposively selected, Iringa district and Kilolo district. The second stage involved the selection of 2 wards each from Iringa and Kilolo districts (Itunundu, Mlenge, Ilula and Image). The third stage involves the selection of 6 villages from the chosen wards (Itunundu, Isele, Kinyinka, Kisanga, Ikokoto and Lyasa). Out of these 6 villages, 375 farmers were randomly selected.

### **3.4 Method of Data Analysis**

Quantitative and Qualitative data were generated for the study. The quantitative data were analyzed using Statistical Package for Social Sciences (SPSS statistics IBM 20) and MS Excel spreadsheet. Collected data were verified, coded, cleaned and merged in data sheet. The results were presented through relevant tables and charts. The qualitative data collected was transcribed, organized and validated for easy analysis. The data derived was grouped into themes and patterns. Discussion of findings was done and participants were quoted verbatim to illustrate points.

### **3.5 Research Instruments**

#### ***Questionnaire***

The questionnaire was structured on such a way to collect more data from respondents on personal data, their production capacity, average monthly income and expenditure, the kind of FPS available and accessed, requirements for access, access and repayment time, difference in production before and after access to FPS, suitability on the respondents and challenges they face in accessing FPS. The questionnaires were administered directly to respondents through the support of well-trained enumerators. The questionnaire is attached as an annexure to this report.

#### ***Key Informant Interview (KII) Guide***

The guide was developed to collect information from selected FIs providing services to SHFs in the Iringa Region. Questions were asked on general information on the FPS they provide, requirements needed to access the FPS, disbursement and repayment modalities, capacity building for farmers and women consideration in their design process.

#### ***Focus Group Discussion (FGD) Guide***

The FGD guide was structured to collect data from key personnel representing different groups. The discussions focused around questions on their understanding and satisfaction of the FPS accessed, the level of assistance received, whether the Programme has supported them in increasing their production and the challenges they face in accessing FPS.

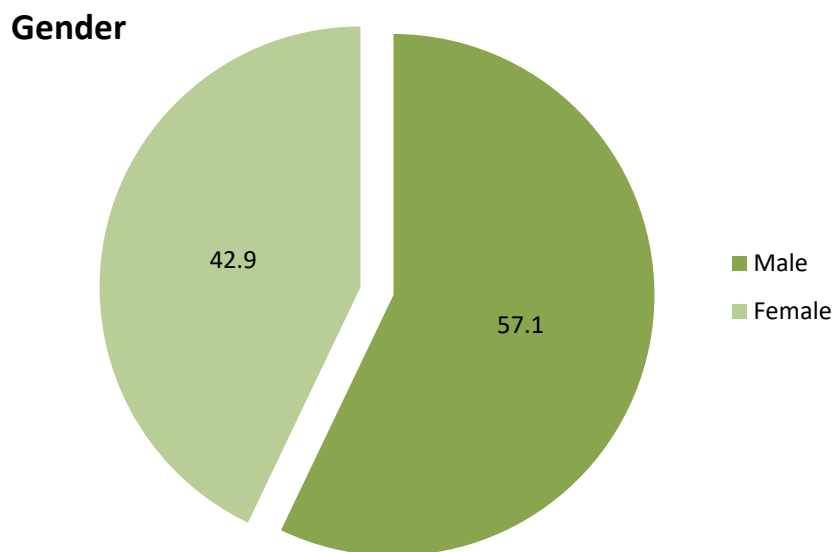
## 4.0 RESULTS AND DISCUSSIONS

This chapter presents results and findings of the study. It examines the socio-demographic characteristics of the respondents, production characteristics of the respondents as well as an objective to objective analysis of the results. Several data has been analyzed to address the main key issues raised.

### 4.1 SOCIO-DEMOGRAPHIC CHARACTERISTICS OF THE RESPONDENTS

This section presents information about the gender, age, educational qualification of the beneficiary status of the respondents. The information provided here was analyzed using frequency count and percentage.

#### 4.1.1 Gender Distribution of Respondents



**Figure 3: Source: Field Survey, 2018**

The figure 3 above shows that 57.1% of the beneficiaries are males, while, 42.9% of the beneficiaries are female. This underscores the inclusiveness of the MIVARF Programme and reaffirms the fact that both men and women make important contributions to agriculture and are well captured under the Programme. Women are seen as an underserved group, hence the need to include them in Programmes like this to support in improving their livelihood. (Agricultural and Livestock Policy, 1997) Found that women in Tanzania produce about 70% of the food crops and also bear substantial responsibilities for many aspects of export crops and livestock

production. This means that they play a significant role in agricultural production and are an integral part in the agricultural process.

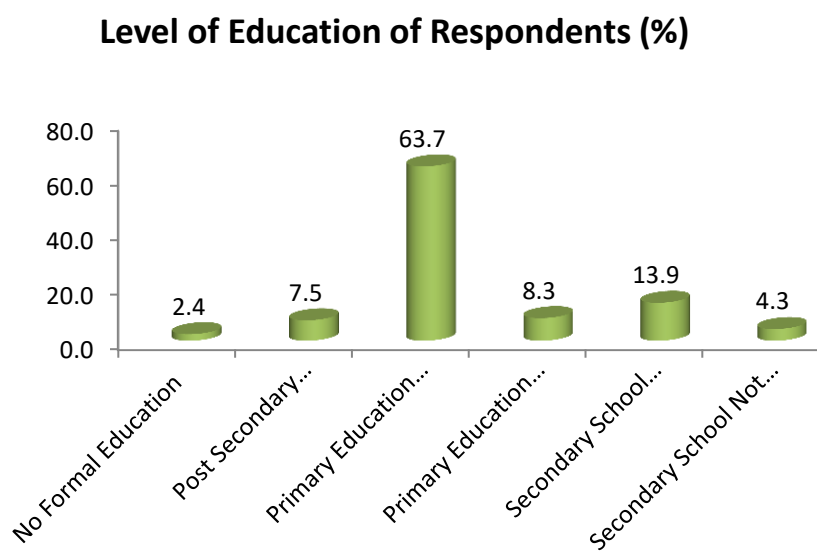
#### 4.1.2. Age Distribution of Respondents

Age Range	Frequency	Percentage (%)
18-25	73	19.5
26-35	148	39.5
36-45	113	30.1
46- Above	41	10.9
Total	375	100.0

**Table 2: Source: Field Survey, 2018**

The study shows that 89.1% of the total number of respondents falls into the age group of 18-45 years of age. This indicates that the young and vibrant age group is actively involved in agriculture and can provide labour needed for production. In addition, it agrees with the young population of Tanzania of which 15-54 years of age make up of about 50% of the population (The World Fact Book, 2018). The age group indicates that the respondents have adequate experience to be able to identify the financial cost of farming, so they are knowledgeable and fully aware of how much credit is needed to cover their financial gap and other necessities.

#### 4.1.3. Distribution of Respondents level of Educational Attainment



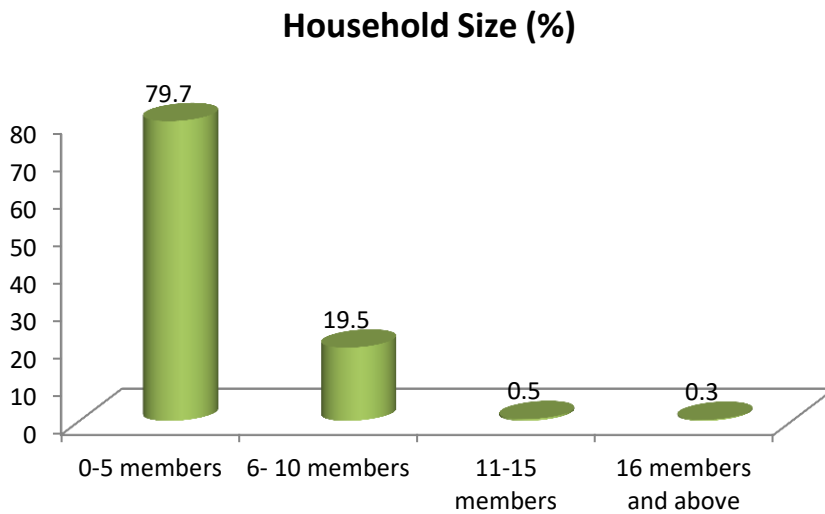


**Figure 4: Source: Field Survey, 2018**

Based on the findings of the study, the above Figure 4 indicates that a majority of the respondents have completed primary education at (63.7%), while only 2.4% of the respondents have no formal education. This shows that a good amount of the beneficiaries of the Programme have at least attained basic primary education. The level of education plays a significant role in the success of the MIVARF Programme.

It is also very important to note that education attainment in rural areas is low and majority of people in rural areas are into agriculture mostly for subsistence. Majority of the smallholder farmers attended primary education and this is in tandem with the views of Mwatawala et al (2016) which they held that majority of developing countries population who depends on agricultural activities have low level of education.

#### 4.1.4 Distribution of Household Size

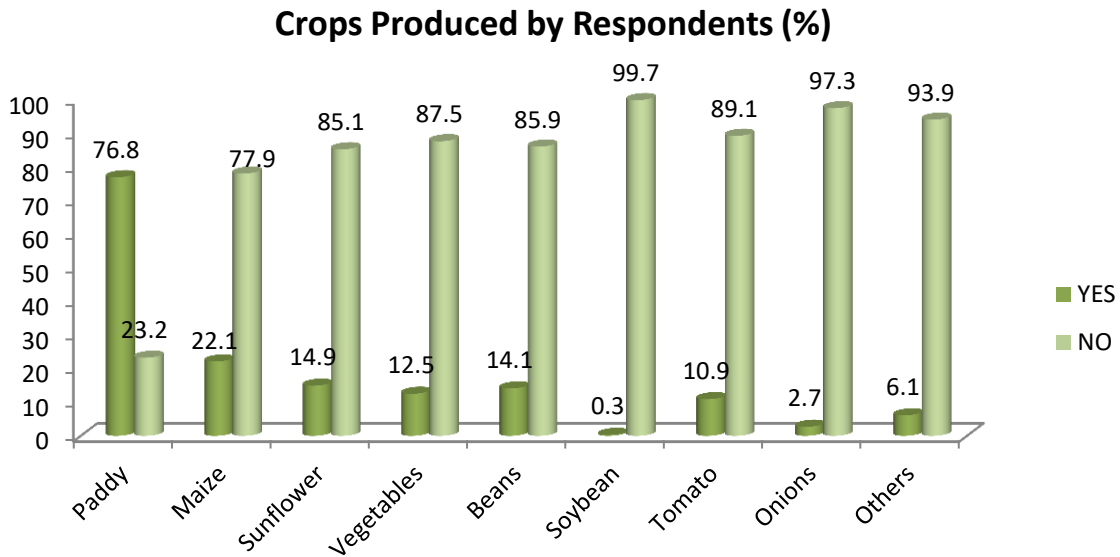


**Figure 5: Source: Field Survey, 2018**

The highest number of household size is (0-5 members) at 79.7% (299) of the respondents while the least is (16 members and above) at 0.3% (1). This shows that majority of the beneficiaries maintain a household size of 0-5 members. This means that there is more likelihood of the credit accessed is used in most cases for the purpose it is intended for since majority of the respondents maintain a moderate household size.

## 4.2. PRODUCTION CHARACTERISTICS OF RESPONDENTS

### 4.2.1. Distribution of Crops Produced by Respondents



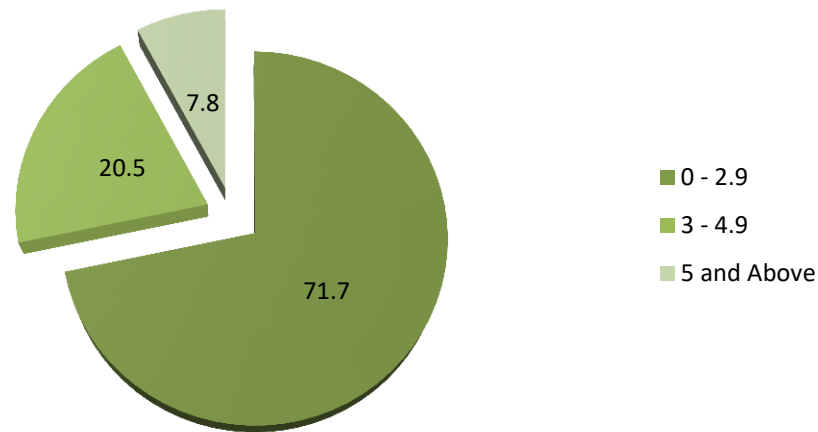
**Figure 6: Source: Field Survey, 2018**

The figure above shows the types of crops produced by respondents. The highest produced crop by respondents is Paddy at (76.8%), followed by Maize (23.2%) and Sunflower (14.9%).

According to the field information, other crops produced include wheat, sweet pepper, Irish potatoes, bananas, water melon.

#### 4.2.2 Land Size Used For Production

### Land Size Used For Production (%)

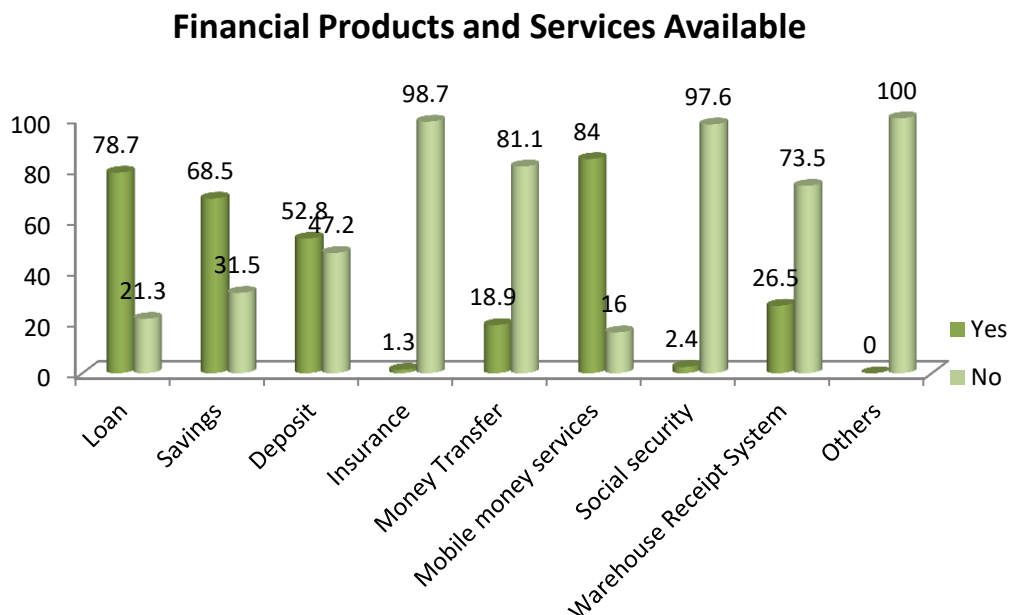


**Figure 7: Source: Field Survey, 2018**

Land is a critical factor endowment of any production activities and as such in agriculture. Findings on farmland size show that 71.7% of respondents use land from 0- 2.9 acres, 20.5% 3- 4.9 acres while 7.8% use land of 5 acres and above for production activities. This reaffirms the fact that the respondents are smallholder farmers in nature, hence produce in small quantities.

## 4.3 To Assess the Different Financial Products and Services Available to Smallholder Farmers (Objective 1)

### 4.3.1. Types of Financial Products and Services



**Figure 8: Source: Field Survey, 2018**

The research revealed that there are several types of financial products and services available to smallholder farmers based on their perception. The most available FPS is loan at 78.7% and Mobile Money Service (84%) while the least available are social security (2.4%) and Insurance (1.3%). All the FIs interviewed attested to the fact that the most available and utilized FPS is loan.

The type of financial products and services utilized includes:

**Loans:** A loan is the lending of money from one individual, organization or entity to another individual, organization or entity. A loan is a debt provided by an organization or individual to another entity at an interest rate, and evidenced by a promissory note which specifies, among other things, the principal amount of money borrowed, the interest rate the lender is charging, and date of repayment. Loans could include personal loan, agricultural loan, business loan etc.

**Savings:** Savings are what a person has left over when the cost of his or her consumer expenditure is subtracted from the amount of disposable income earned in a given period of time.

**Deposit:** Deposit is the withdrawable sum of money put by client/customer for a stipulated term to earn interest subject to conditions as prescribed in the agreement certificates of deposit and which may be used as collateral for loan. Deposit could be normal or fixed.

**Insurance:** Insurance is a contract, represented by a policy, in which an individual or entity receives financial protection or reimbursement against losses from an insurance company. Example of insurance can be agricultural and life.

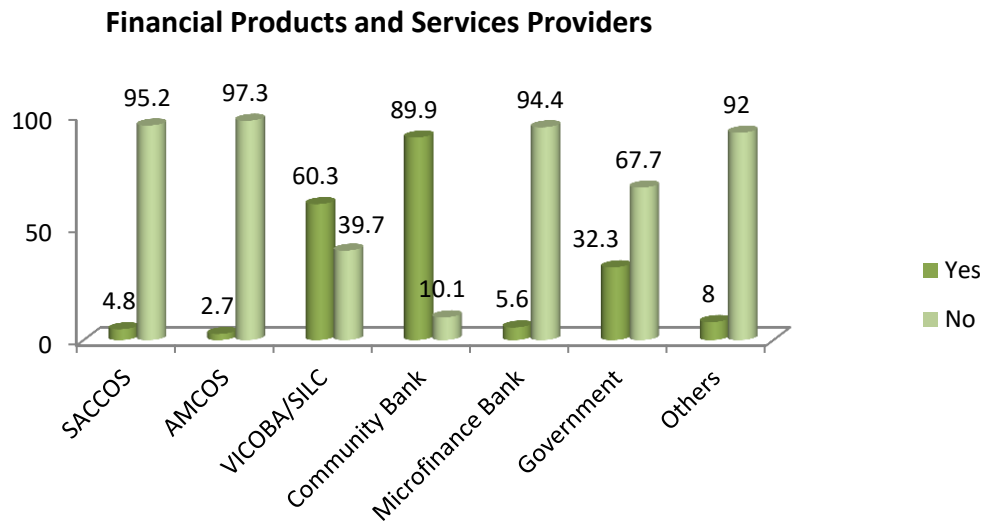
**Money Transfer:** Generally refers to one of the following cashless modes of payment or payment systems: electronic funds transfer, wire transfer etc.

**Mobile Money Service:** This generally refers to payment services operated under financial regulation and performed from or via a mobile device.

**Social Security:** this could refer to social insurance where people receive benefits or services in recognition of contributions to an insurance program.

**Warehouse Receipt System:** A warehouse receipt system (WRS) enables farmers to deposit storable goods (usually grains or coffee) in exchange for a warehouse receipt (WR). A WR is a document issued by warehouse operators as evidence that specified commodities of stated quantity and quality have been deposited at a particular location.

### 4.3.2 Institutions Providing Financial Products and Services

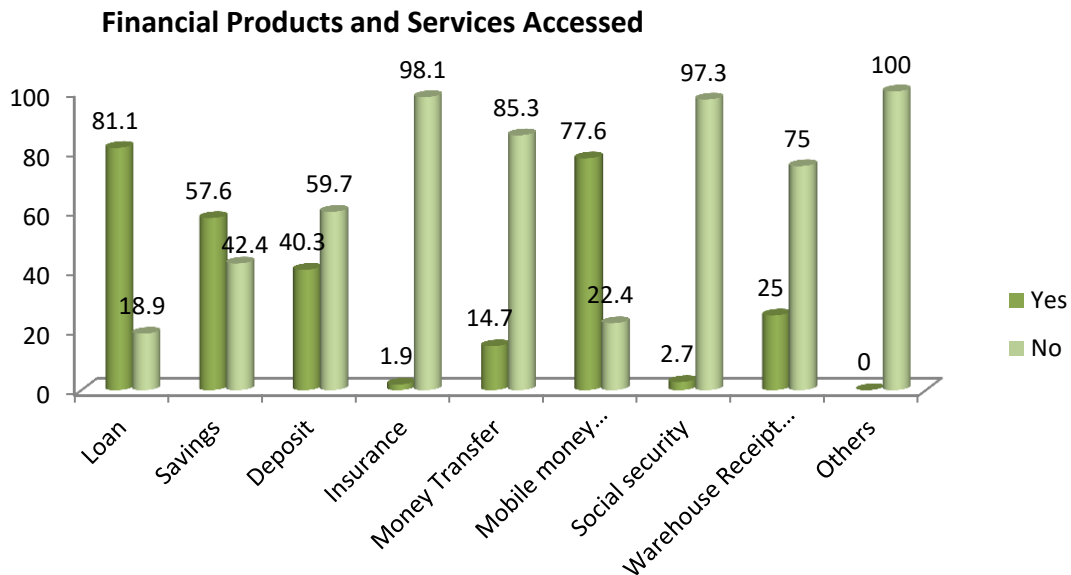


**Figure 9: Source: Field Survey, 2018**

SACCO is an acronym for Savings and Credit Cooperative Organizations. It is owned, governed and managed by its members who have the same common bond. AMCOS represents Agricultural Marketing Cooperative Societies while VICOBA stands for Village Community Banks

The results on Figure 9 show that the institutions providing financing to smallholder farmers in rural areas of Iringa Region includes Community Banks at (89.9%) , VICOBA/SILC (60.3%) . It was revealed that the government also support in providing at (32.3%) through the district office (Community Development). This information shows the relevance of grassroot financial institutions such as community banks and VICOBA in providing services to rural people at the local levels. Their role cannot be overemphasized considering that they are active players in providing FPS in especially developing countries like Tanzania

### 4.3.3. Access to Financial Products and Services



**Figure 10: Source: Field Survey, 2018**

The result indicates that 81.1% of the respondents have accessed loans and 77.6% mobile money services, while social security (2.7%) and 1.9% for insurance. Although they are not all utilized at the same rate because of its difference and its importance to the target group. Loan as the most accessed FPS is true as corroborated by all the FIs interviewed during the KII. This means there are other FPS which are unavailable or greatly underutilized because of their nature. There is the need to ensure the availability of other FPS so that SHFs have options and are fully included in the Financial Market. It is also important to note that during the KII with Yoely Sangana the Credit Manager of MUCOBA Bank Plc in Mafinga District, when asked on if they have insurance available for SHFs, he stated that “For farmers, we have only one type of insurance which is Life Insurance. We insure farmers during their loan period”. He further stated that “Some institutions are coming in to guarantee these farmers” adding that we do not have insurance especially crop insurance because it needs data which is very difficult to get for SHFs.

### 4.3.4. Cost of Accessing the Financial Products and Services

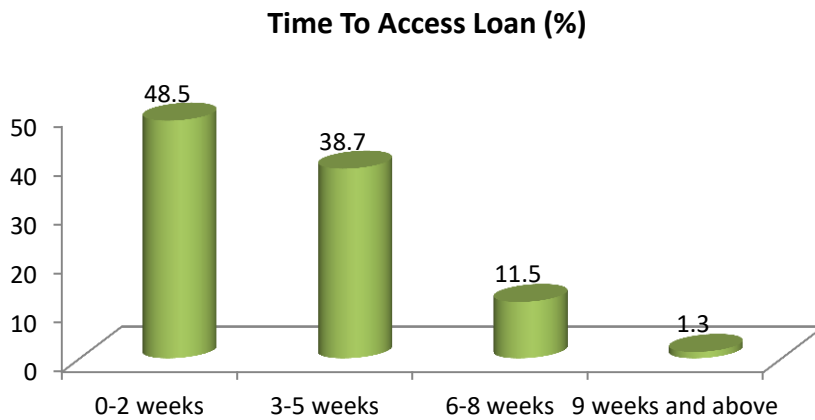
The most accessed FPS is loan. This is indicated on figure 10 where 81.1% of the respondents have accessed it. Bearing this in mind, the amount of interest on loan as gotten from financial institutions ranges from 10% to as high as 25%. This information was gotten from Institutions

providing FPS. During an interview with Mr. Christopher Kajange who is the Head of Community Development (District Office), he stated that they collect very low interest rate at 10%. This is lower than what most financial institutions provide.

#### 4.4 To examine the frequency of the financial products and services offered on the socio-economic wellbeing of beneficiaries (Objective 2)

##### 4.4.1 Frequency of accessing financial products and services

###### *Time to access loan*

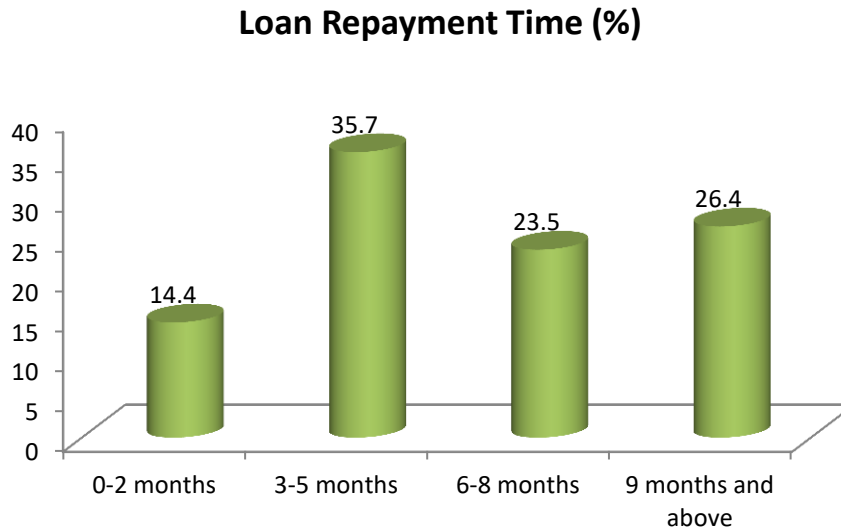


**Figure 11: Source: Field Survey, 2018**

From the time of application to the time loan is released, respondents say it can take minimum of (0-2 weeks) at 48.5% and as far as 9 weeks and above at 1.3%. Summarily, 87.2% responded that it takes from 0 to 5 weeks to access loan. This short time frame makes it easier for farmers to access loan and uses it in a timely manner. Some respondents have varying opinions as noted in the figure 11. Delay in disbursement of loan or credit facilities can limit or reduce the production capacity considering that agricultural activities are timely and hence requires optimal timeliness.



## *Loan repayment time*



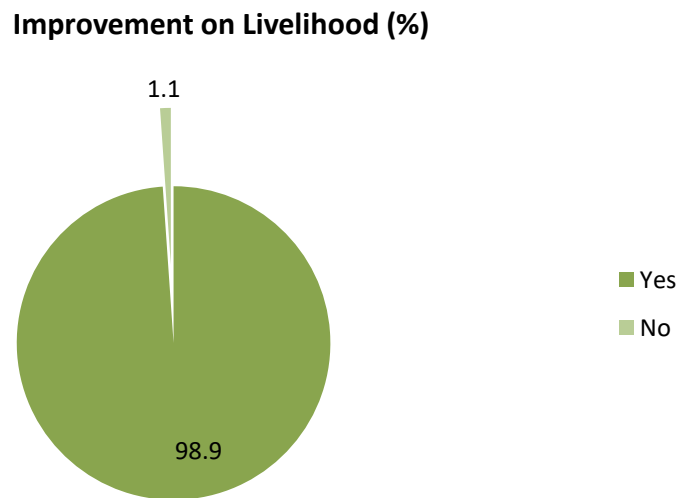
**Figure 12: Source: Field Survey, 2018**

According to the respondents, the most time for loan repayment is (3- 5 months) at 35.7%, (6-8 months) at 23.5% and (9 months and above) at 26.4%. Loan repayment is dependent on financial institutions and their terms and conditions. For Vision Fund Tanzania (VFT), repayment of loans commences at the first month of accessing the loan. It is expected that the interest accrued on the loan is expected to be paid back on a monthly basis and the principal paid at the end of the loan tenure. This means that the farmers who access loan are expected to engage in other income generating activities outside farming. The implication of this is that agriculture is not perceived as a business, hence farmers are expected to engage in other off-farm or income generating activities while awaiting their harvest to yield. This is not the case for all financial institutions.

It is also important to note that loan repayment time is also dependent on the type of crop been cultivated. Considering that different crops have different maturity time.

#### 4.4.2. Improvement on Socio-Economic Wellbeing

*Contribution of Access to FPS on Livelihood Improvement*



**Figure 13: Source: Field Survey, 2018**

Access to FPS is believed to be an important tool in supporting rural farmers in improving their production. When respondents were asked if there has been an improvement in livelihood as a result of accessing FPS, 98.9% of the respondents affirmed that there has been an improvement in their socio-economic wellbeing, while 1.1% responded otherwise. During the FGD, one of the respondent says that “the loan he received improved his activity because he managed to buy fertilizers, improved seeds, herbicides. It’s unlike before now”. Another respondent mentioned that “before they got loans, they used to take loans from individuals, like 30,000tsh, and during harvest, they bring one bag of paddy as repayment with the value of 55,000tsh. It was not fair for us”. Formal FIs providing SHFs with financial products and services has undoubtedly improved their use of improved input, supported with capacity building and also reduced their chances of been cheated by middle men.

#### 4.4.3 Distribution on Improvement of Socio-Economic Wellbeing of Respondents Before and After Accessing FPS.

VARIABLES	SCALE	BEFORE	AFTER
<b>Income</b>	Poor	43.7	0.3
	Average	54.9	13.6
	Good	0.3	83.7
	Very Good	0	1.3
<b>Land Size</b>	Poor	26.1	0
	Average	72	9.1
	Good	0.8	87.5
	Very Good	0	2.4
<b>Production</b>	Poor	29.1	0
	Average	69.1	5.6
	Good	0.8	89.1
	Very Good	0	4.3
<b>Savings</b>	Poor	23.5	0.3
	Average	74.9	7.2
	Good	0.5	88.5
	Very Good	0	2.9
<b>Purchase of Farm Equipment</b>	Poor	25.1	0
	Average	72	8.5
	Good	1.6	86.9
	Very Good	0.3	3.5
<b>Access to Healthcare</b>	Poor	21.6	0.5
	Average	75.2	7.5
	Good	2.1	87.2
	Very Good	0	3.7
<b>Afford Education</b>	Poor	20.8	0
	Average	74.9	6.9
	Good	2.9	89.6
	Very Good	0.3	2.4

**Table 3: Source: Field Survey, 2018**

The result of table 3 reveals a general improvement in the socio-economic wellbeing of the respondents before and after access to FPS. This was established as a result of the level of improvements using these variables; income, land size, production, savings, purchase of farm equipment, access to healthcare and afford education

Before access to FPS, their production yielded lesser as they did not have adequate resources to invest in the production phase. The low production before can be attributed to financial constraints and possibly other factors that can affect production. Access to FPS as well as support in capacity building on financial literacy, record keeping, Good Agronomic Practices and access to improved input has enhanced their capacity to conduct farming better and more efficiently.

#### 4.4.4 Increase in production as a result of accessing FPS

Table 4 below indicates an increased change in yield for paddy production from before MIVARF Intervention at 2.1 ton to after the intervention at 3.0 ton. T-Test(paired samples test) was carried out showing a significant difference in production increase before and after the MIVARF Programme with a p-value of 0.001 and since it is lower than 0.05, it means that there is a significant increase in the production of the farmers.

Variable	Before	After	P- Value
Production of Paddy	2145.29	3034.23	0.000

**Table 4: Source: Field Survey, 2018**

### 4.5 To examine women consideration in the design and access to financial products and services (Objective 3)

#### 4.5.1 Financial Institutions Consideration of Women in Designing Financial Products and Services

During Key Informant Interview with Financial Institution representatives, they were asked whether they take women into consideration during the design of their products and services. Mr. Yoely Sangana the Credit Manager of MUCOBA Bank Plc in Mafinga District said during his interview that “Yes, we consider women. In Africa or maybe Tanzania culture, women do not own collaterals. They don’t own piece of land, houses..... we design our products to fit these women because they do not have collateral that is why we came up with group loans specifically for women and youth”. When asked if they were women specific products, he stated

that “at the moment, there are no women specific products, only specific products for youths”. Also, speaking with Mr. Reuben Danfode the Branch Manager of VisionFund Tanzania in Iringa Business Centre, he also affirmed that there is no particular product for women. When further asked if he can use his position as Manager to push for a women-focused product, he said “I don’t think so because if you do such a thing, it means that you don’t want men to be in the group, but now, our group is not gender sensitive. They are all together..... If we want to give such services, it means that we will separate them, so the meaning of social inclusion is not there”.

Mr. Christopher Kajange who is the Head of Community Development (District Office) when asked if loans which are given to women are designed in such a way that it is easy to access, he says “It is very easy for women to access. There is no collateral, so it is compared to the bank and our interest is very low- 10%”. He further stressed that their focus is on “special groups” which are poor women and youth”

It is important to note from the above discussions that the different Institutions have a special interest for women groups, although there are no specific women products, their general FPS are designed in such a way that they put into consideration women. This means that there is an understanding in their design process of the challenges that women face in their society, hence an effort to ensure that women are included in accessing FPS. The only challenge here is that this is only available to women accessing loans in a group and not necessarily for women who want to access as individuals.

#### **4.5.2 Distribution of Challenges Women Face in Accessing Financial Products and Services**

According to table 5 below, 95.7% of respondents stated that the major issue affecting women’s access to FPS is their lack of collateral (such as land or houses) to use in accessing FPS. This challenge has limited women from expanding their farming activities mostly because they do not have adequate working capital to expand their agricultural activities like their male counterpart. This in turn leaves women marginalized and unable to contribute to their local economy.

This is strongly followed by lack of access to information (74.9%). The importance of access to information cannot be overemphasized, as it can support more women farmers in knowing about available services as well as improving their capability to improve their practice and production.

Other challenges include lack of access to market for produce. Having limited access to market becomes a threat as it limits their willingness to access loans and other FPS.

<b>Variables</b>	<b>Yes</b>	<b>No</b>	<b>Total</b>
Lack of Collateral	359 (95.7%)	16 (4.3%)	375 (100%)
Lack of Access to Information	281 (74.9%)	94 (25.1%)	375 (100%)
Mobility	221 (58.9%)	154 (41.1%)	375 (100%)
Not belonging to a group	186 (49.6%)	189 (50.4%)	375 (100%)
Guarantor	67 (17.9%)	308 (82.1%)	375 (100%)
Others	3 (0.8%)	372 (99.2%)	375 (100%)

**Table 5: Source: Field Survey, 2018**

#### **4.6 Requirement Demanded by Financial Institutions to Access Financial Products and Services**

Generally, for any individual or group to access any FPS especially loans, there are certain requirements they are expected to meet up with. This is dependent on the Financial Institution rendering the service. Based on the interview with FIs, it differs from institution to institution, although there are general requirements which every intending client is expected to meet up with.

##### **1) Opening of Account with Bank**

According to the response of Anselm I. Mwenda the Relationship Manager Microfinance of CRDB Microfinance, Iringa Branch, he says the first requirement is for the potential client(s) to open an account with the bank. Mr. Yoely Sangana from MUCOBA Bank Plc added that if it's an individual opening the account, it must have been in use for at least 3 months before they can access loans, while a group will be expected to pass through three sessions of training with them after opening the bank account. Mr Reuben of VFT said that even if they come as a group to access loan, they are expected to own individual accounts.

##### **2) Capacity Building**

The FIs mentioned that they also in capacity building of their intended customers before loans are accessed. Mr Yoely of MUCOBA said that “the trainings are on financial

literacy, usage of loans, loan repayment and the likes”. Mr Reuben from VFT mentioned before loans are given, we have three different trainings we carryout on loans and record keeping. The training is an on-going process, that’s why we have meetings. Loan officers for Vision Fund calls clients for meetings on certain days for some discussions to ensure effective use of loans.

### **3) Security Savings**

According to VFT, in some cases, before loans are accessed, the group or individual is expected to deposit 10% of the intended sum to be accessed, then they receive 90%. This is deposited before you get the loan.

### **4) Registration of Group**

Groups are expected to be registered before they can access loans from Financial Institutions.

## **4.7 Challenges Faced By Smallholder Farmers In Accessing Financial Products And Services**

The respondents shared their thoughts on the constraints or challenges faced in accessing FPS and this has been grouped into lack of information, late loans, high interest rate, inadequate loan, repayment time and distance to financial institutions.

### **1) Lack of Information**

Information plays a critical role in supporting SHFs access to financial products and services. One of the constraints faced by respondents is lack of access to information to new FPS and how this has affected their production. Some of the farmers are not aware on FPS that exist and also inadequate knowledge on the procedure to follow so as to access them. . This could also be linked to the poor communication problem between the FIs and the rural farmers. There is the need for FIs to work on prompt or timely dissemination of information especially in rural areas where access is limited due to a number of factors.

### **2) Late Disbursement of Loans**

The issue of timeliness in the disbursement of loans is also a major challenge. In most cases, loans are not provided as at when needed due to different factors. It can sometimes delay for 2 to 5 weeks as against the expected time. Late disbursement can frustrate the process and reduce the morale of those willing to produce. This can greatly affect production activities as agricultural production is a time conscious activity. Addressing this issue will go a long way in ensuring that farmers have adequate access to finance.

### **3) High Interest Rate**

Interest rate can get to as high as 25% for credit facilities. Interest rates have the ability to affect the cost of borrowing money and investment decisions. Interest can affect the profitability of the agricultural sector by influencing borrowing, spending and investing. This can no doubt affect the level of general economic activity of a country and its output. This will no doubt discourage borrowers as it might greatly infringe in the profit they are expected to make.

### **4) Inadequate Loans**

Some of the respondents noted that the loans they applied for wasn't the exact amount they received. In some cases they were given half of the amount requested for. This can act as a limitation to the success of their production activities, hence reduce their productivity. Some of the FIs noted that there are certain amounts they give to farmers and this is based on different factors which are based on their own investigation done on the group size and their ability to repay the loans back etc. This can affect how SHFs source and use their loans.

### **5) Repayment Time**

Some farmers have noted that the repayment time by some FIs is not adequate. Some institutions expect payment of interest accrued on loans immediately after receiving the loan on a weekly basis. This is not adequate especially for farmers who are mainly into agricultural activities. This does not support agricultural development especially in rural areas. Agriculture requires that harvesting be done before funds can be generated. Vision Fund Tanzania (VFT) representative says that they adopt this practice because it is expected that the farmers have other sources of livelihood outside farming.



#### **6) Distance To Financial Institutions**

Distance to FIs is one of the major challenges faced by farmers. In most cases, FIs are based in the urban centres while having field or loan officers in the rural areas. These field officers are sometimes not armed with adequate information or expertise needed to satisfy their customers needs. Some of the FIs are building service centres to address this challenge. It was observed that MUCOBA Bank is building a new branch in Itunundu to provide services to communities around that area.

## **5.0 SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION**

### **5.1 SUMMARY OF FINDINGS**

The finding of the study describes the demographic characteristics of the respondents from the study areas. The study noted the variations between gender, age and education level of respondents. It further shows that men and women were respondents; most of them have at least basic primary education and are mostly distributed between the age of 26 and 45 years of age.

The farmers are small scale in nature considering that more than 70% of them use less than 3 acres for production. The crops mostly farmed are paddy, maize and sunflower.

The findings further showed an increase in production from 2.1 to 3.0 after access to financial products and services. There is also some much potential for further increase in production considering that capacity building is also included in the financial support extended to the farmers.

In summary, access to financial products and services have been effective and helpful in improve their production and also livelihood levels for farmers in the study areas.

### **5.2 CONCLUSION**

The relevance of this study is to prove with empirical evidence the improvement in the socio-economic wellbeing of beneficiaries who have had access to financial products and services through the MIVARF Programme in the Iringa Region of Tanzania. From the result findings, there is no doubt that the Programme has been beneficial to its beneficiaries considering the data provided through the research. With this in mind, it is important for us to note the instrumental role micro financing plays in alleviating smallholder farmers from poverty as well as giving them the opportunity to build their assets and improve their socio-economic wellbeing. There has been an increase in income, land size used for production, productivity, savings, access to healthcare, education for children and other indicators.

Despite the success of the Programme in meeting up with the needs of SHFs financial needs, it was also faced with shortcomings as attested by some of the respondents. One major issue is the delay in disbursing loans or credit to meet up with the urgent or periodic need of agricultural activities. It is known that agricultural activities are time-bound, it is therefore important that loans are disbursed at a timely manner to ensure its usefulness. Another challenge was on loan

repayment duration. Some FIs requires that the interest accrued on loans should be paid on a monthly basis. This has proved a challenge to SHFs because it means that farmers are forced to engage in other off-farm activities to meet up with the loan requirement. This shows that the loans were not designed to meet the needs of farmers.

Finally, despite the successes and shortcomings of the Programme, it is advisable that there should be room for scaling up the Programme, because it has the ability to contribute to rural transformation.

### **5.3 RECOMMENDATIONS**

Despite the progress made by the Programme to ensure more SHFs have access to financial products and services, there is still the need for more improvement. It is on this basis that the report suggests recommendation to smallholder farmers, financial institutions and government/ relevant stakeholders.

#### ***Smallholder Farmers:***

Farmers need to take responsibility to ensure that FPS accessed are paid back as at when due. This will enable FIs to reach out to more clients, hence have a wider range of beneficiaries/ clients as well as deepen their impact in rural financial service delivery.

#### ***Financial Institutions:***

There is the need for financial institutions to look into their financial terms and conditions in favour of the development of smallholder farmers. This will enable more SHFs to access FPS at a more favourable condition. Aspects to be looked into includes interest rate which ranges from 10% to 25%, time for repayment of loans, demand for collateral in some cases and the general requirements for addressing the needs of the poor and rural people.

Capacity building and training should be carried out for farmers on financial literacy, money management, loan repayment and savings. This will ensure that SHF are more enlightened on issues of financing.

One of the challenges which was noted was farness of the financial institutions to where the customers are based which is mostly in rural areas. During the interview with Vision Fund, it

was noted that they do not have offices in those rural areas, although they have loan officers who visit from time to time to do their activities. It will be recommended that FIs build physical structures close to their customers. This will lead to an increase in customer base as clients will feel more secure to access FPS, efficient and effective service delivery as well as easy access to information and inquiries by clients.

In addition to this, there is the need for more financial institutions to become more innovative in developing more new products and services dedicated to providing more services to SHFs. Products could include more inclusive products especially for women who feel excluded in their need to access FPS. There is a need to create more user friendly products, improve on service delivery and develop products and pricing based on their client's needs and flexibility. This will ensure that the needs of the diverse socio-economic status of rural farmers are met in an inclusive manner.

#### ***Government and Relevant Stakeholders:***

The government plays a vital role in ensuring that financial products and services provided are optimally utilized by improving on infrastructural development (such as roads, warehouses etc) in rural areas. This will foster more financial activities, movement of farm produce and to ensure more farmers have options to financial products and services.

Considering the success of the Programme based on the findings of this research, there is a need to upscale the MIVARF Programme to reach out to more beneficiaries and Financial Institutions in order to continue providing more financial support to the most vulnerable groups in rural Tanzania.

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## APPENDICES

### APPENDIX 1: KEY INFORMANT INTERVIEW (KII) GUIDE

#### ASSESSMENT OF THE FINANCIAL PRODUCTS AND SERVICES EXTENDED TO SMALLHOLDER FARMERS: A CASE STUDY OF THE MIVARF PROGRAMME IN IRINGA REGION, TANZANIA

Target Respondents: Financial Institutions

Name of Organization: .....

Name of Respondent: .....

Position Held: .....

S/N	ISSUES FOR EXPLORATION	AREAS OF INTEREST
1	General Information on Financial Products and Services	<ol style="list-style-type: none"> <li>1. What types of financial products and services do you offer to smallholder farmers in rural areas?</li> <li>2. What is the most patronized financial product or service smallholder farmers' demand for?</li> <li>3. What are the requirements for farmers to access your financial products and services?</li> <li>4. Have your products or services been readily accessible or available for smallholder farmers</li> </ol>
2	Disbursement and Repayment	<ol style="list-style-type: none"> <li>1. How do you disburse your loan products?</li> <li>2. What is your methodology for repayment?</li> <li>3. What are the issues your institution face with regards to repayment?</li> </ol>
3	Women consideration in the design of financial products and services	<ol style="list-style-type: none"> <li>1. When the financial institution design financial products and services, what are the factors you put into consideration to ensure that women are included?</li> <li>2. What products or services do you have specifically designed for women?</li> </ol>
4	Capacity building	<ol style="list-style-type: none"> <li>1. What structures do you have in place to empower your beneficiaries in order to build their capacity of managing and effectively utilizing finances?</li> </ol>



## APPENDIX 2: FOCUS GROUP DISCUSSION (FGD) GUIDE

### ASSESSMENT OF THE FINANCIAL PRODUCTS AND SERVICES EXTENDED TO SMALLHOLDER FARMERS: A CASE STUDY OF THE MIVARF PROGRAMME IN IRINGA REGION, TANZANIA

Number of Participants..... Date..... Time.....

Gender: Male ..... Female .....

Moderator's Name:.....

Assistant's Name: .....

S/N	ISSUES FOR EXPLORATION	AREAS OF INTEREST
1	General Perception of the MIVARF Programme	1) What can you say about the MIVARF Programme
2	Information on Financial Products and Services	1) What types of financial products and services do you have available 2) What institutions do you receive financial products and services from 3) What do FIs require from you before you can access financial products and services? 4) What do you think the institutions can do to improve on their service delivery
3	Level of Assistance (Amount)	1) Do you think the amount you can access is sufficient to meet your agricultural production needs?
4	Capacity building	1) How have the capacity building activities you have experienced supported in improving your production?
5	Challenges and Recommendations	1) What are the challenges you face in accessing FPS? 2) What general recommendations do you have for the Programme to make it better?

## APPENDIX 3: QUESTIONNAIRE

### ASSESSMENT OF THE FINANCIAL PRODUCTS AND SERVICES EXTENDED TO SMALLHOLDER FARMERS: A CASE STUDY OF THE MIVARF PROGRAMME IN IRINGA REGION, TANZANIA

#### Introduction

For this study, the general objective is to assess and establish the available financial products and services extended to small holder farmers in two districts of Iringa region, Tanzania. This questionnaire is designed to extract information from beneficiaries of the MIVARF programme on financial products and services extended to them. Whatever information obtains from you will be treated with strict confidentiality. Thank you for your cooperation.

Name of Enumerator..... Date.....

District..... Ward..... Village.....

#### Beneficiary Questionnaire

##### Section A: General Information

##### A. Social-Economic and Demographic Characteristics of Respondents

Serial No.	Variables	Responses	CODE
A1	Name of respondent		
A2	Age of respondent (in years)		
A3	Sex of respondent	Male Female	1 2
A4	Marital Status	Single Married Seperated Divorced Widowed	1 2 3 4 5
A5	Household size (Number of people)	0-5 6-10 11-15 15- Above	1 2 3 4
A6	Highest educational attainment	No formal education Primary education not completed Primary education completed Secondary school not completed Secondary school completed Post- secondary education	1 2 3 4 5 6
A7	Do you belong to any farmers organization or group?	Yes <input type="checkbox"/> No <input type="checkbox"/>	1 2

A8	If yes to the above, Kindly state Group Name		
A9	Total land size used for production (Acres)	0 – 2 3 – 4 5 – Above	1 2 3
A10	What crops do you produce?	Rice Maize Sunflower Vegetables Beans Soy beans Tomato Onion Other (Specify)	1 2 3 4 5
A11	Average monthly income (Tsh)	0- 99,999 100,000- 199,999 200,000- 299,999 300,000- 399,999 400,000- Above	1 2 3 4 5
A12	Average monthly expenditure (Tsh)	0- 99,999 100,000- 199,999 200,000- 299,999 300,000- 399,999 400,000- Above	1 2 3 4 5
A13	What other sources of income do you have outside agriculture?	Food Vending Processing Bricklayer Soap Making Carpentry Hair dressing Others.....	1 2 3 4 5 6 7
A14	Do you own a mobile phone?	Yes <input type="checkbox"/> No <input type="checkbox"/>	1 2
A15	If <b>yes</b> to the above, do you use your mobile phone to access financial products and services	Yes <input type="checkbox"/> No <input type="checkbox"/>	1 2
A16	Tick on the product or service you use your mobile phone for	Loans Savings Deposits Insurance Money Transfers Mobile money services Social security Others .....	1 2 3 4 5 6 7 8

**Section B: Information on financial institutions/ financial products and services (availability/ usage/ access)**

Serial No.	Variable	Responses
B1	Tick which Institution you <b>access</b> financial products and services from	SACCOS AMCOS VICOBAS/ SILC Community Banks Micro Finance Banks Government Others.....

**B2: Availability**

Serial No.	Variable	Responses
B2.1	Kindly tick the financial products and service which are <b>available</b> to you	Loans Savings Deposits Insurance Money Transfers Mobile money services Social security Warehouse Receipt System Others .....

**B3: Usage**

Serial No.	Variables	Responses
B3.1	Kindly tick the financial products or services you have <b>used</b>	Loans Savings Deposits Insurance Money Transfers Mobile money services Social security Warehouse Receipt System Others .....

**B4: Access**

Serial No.	Variables	Responses
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B4.1	Kindly tick on the products and services you have <b>access</b> to	Loans Savings Deposits Insurance Money Transfers Mobile money services Social security Warehouse Receipt System Others .....
B4.2	What is required of you to access these products and services	Collateral (land/building) Group membership Guarantor Past farming record Others.....
B4.3	The loan you accessed is used for	Purchase of farm implements Purchase of land for farming To support farming activities For Household use Others (Specify)

**B5. Frequency/Timeliness of Loan Disbursement**

B5.1	How long does it take to access loan	0 – 2 months 3 – 5 months 6 – 8 months 9 months and above
B5.2	How long does it take to repay loan?	0 – 2 months 3 – 5 months 6 – 8 months 9 months and above

**Section C: Information on socio-economic wellbeing**

C1. Have there been any improvement in your livelihood as a result of access to financial products and services through Financial Institutions?

Yes

No

C.1.1	Production Increase or Decrease	Sunflower Production <b>before</b> MIVARF (Kg).....  Sunflower Production <b>after</b> MIVARF (Kg).....
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C2. Kindly rate your satisfaction in the improvement of your socio-economic wellbeing **Before/After** as a result of being a beneficiary by accessing financial products and services through MIVARF Programme partners such as Financial Institutions.

(1) Very Good (2) Good (3) Average (4) Poor

Variable	Before	After
C2.1. Income		
C2.2. Increase in land size		
C2.3. Production		
C2.4. Household savings		
C2.5. Purchase of farm equipments		
C2.6. Access to healthcare		
C2.7. Afford education for children		

C3. If your productivity (yield) has increased, what is the amount of increase (in bags/tons).....

Productivity <b>before</b> MIVARF	Productivity <b>after</b> MIVARF

***Section D: Information on women’s access to financial products and services***

***D1. Challenges to accessing financial products and services***

Variable	Response
What are the possible challenges women face in accessing financial products and services	Lack of Collateral (land/building) Lack of access to information Mobility Not belonging to a group Guarantor Others.....

***Section E: Kindly provide details on the suitability of financial products or services accessed (Tick where necessary)***

Variable	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
E1. Ease of access					
E2. Timeliness of disbursement					
E3. Repayment time					
E4. Interest rate					

**Section F General Comments**

F1. What were the challenges faced in accessing financial products and services

- i. ....
- ii. ....
- iii. ....

F2. In what way(s) can these limitations be addressed?

- i. ....
- ii. ....
- iii. ....

## APPENDIX 4: PICTURES FROM THE FIELD



Interview session with Mr. Christopher Kajange (Head of Community Development



Interview Session with Mr. Reuben Danfode (Branch Manager) at Vision Fund Tanzania.



Interview Session with Mr. Anselm I. Mwenda (Relationship Manager Microfinance) at CRDB Microfinance.



Interview Session with Mr. Yoely Sangana (Credit Manager) at MUCOBA Bank PLC



Photo from the Focus Group Discussion (FGD) with group heads.



On-going data collection from one of the trained field enumerator at Kinyinka, Iringa.





Picture with On-site Supervisor Mr. Joseph Theophilo at MIVARF Office, Arusha.



Researcher collecting data from respondent at Kinyinka, Iringa.



Data collection on-going by one of the field enumerators



Data collection on-going by one of the field enumerators at Isele.



Data collection on-going by one of the field enumerators.