

The Contribution of Micro Finance Institutions to Households Welfare: A Case of Finca And Pride in Iringa Tanzania

Hadija Matimbwa

Ruaha Catholic University- Tanzania hadija.matimbwa@gmail.com

Theobald Kipilimba

Ruaha Catholic University- Tanzania

Abstract

This study assessed the contribution of microfinance institutions to household welfare in Iringa Municipality. More specifically, the conditions set by MFIs in the entire process of granting credits to borrowers were analysed. The study further assessed the capacity of loan repayment among borrowers, examined the contribution of microfinance institutions to household businesses, and examined the household welfare situation prior to and upon accessing microfinance support. A cross-sectional research design with a mixed method approach was adopted. Questionnaires (constituting both open and closed ended questions), interview, and FGDs methods of data collection were used to obtain data from a sample size of 91 respondents. Quantitative data were analyzed using descriptive statistics, while the content analysis technique was employed in the analysis of qualitative data.

Controversial findings revealed that while some households' welfare improved upon loan investment into businesses, the welfare of others only worsened upon loan repayment. Furthermore, some conditions placed by MFIs such as interest rates and the requirement of collateral were some of the leading hurdles experienced in the process of securing MFIs loans. It was further revealed that the loan repayment capacity of beneficiaries is greatly challenged by the monthly and weekly instalment duration. The duration seems to be too short for them to comply. It was concluded as per findings that MFIs contributions were adequate in improving their loan beneficiaries' household welfare. It was also conclusive that some MFIs conditions are a significant barrier to the loan acquisition process thus; it is recommended that MFIs should consider revising some of the conditions observed as the most limiting to clients. MFIs should also provide credit according to their clients' demand in order to invest in LGAs that are more productive.

Keywords: Household welfare, Microfinance Institutions



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