

**The Role of Microfinance Institutions in Poverty Reduction in Tanzania: A Case of Arusha City Workers' SACCOS**

**By  
Nivoneia Yonazi Kikaho**

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Sokoine University of Agriculture, 2013**

This research is about the role of microfinance institutions in poverty reduction by drawing lessons from the Arusha City Workers' SACCOS in Arusha city, and therefore meeting the Millennium Development Goals target in 2015 in Tanzania. It was conducted at Arusha City Workers' SACCOS. Specifically, the objectives of the study were to find out the motives behind joining SACCOS, to assess the membership trend of Arusha City Workers' SACCOS, to explore the main economic activities undertaken by members financed by SACCOS, and to assess the effectiveness of SACCOS financed activities in improving the living standard of its members. In carrying out the study, combinations of data collection techniques were employed that include: interviews, questionnaire, documentary reviews and focus group discussions. The study used Statistical Package for Social Sciences (SPSS) software and content analysis techniques in data analysis. Descriptive statistics such as mean, and percentages were used in the process. The sample size of the study was comprised of 80 respondents drawn from the various sections of the SACCOS that included members, members of the Board of Directors, and other stakeholders. The study found out that, people join SACCOS in order to get loans for capital investment, financing social activities like school fees, and also to get training in business and entrepreneurship skills. The trend shows that there is an increase in terms of membership which is contributed by awareness to members through education and increase of life costs due to market competition which makes people think on how they can tackle the problem. Self motivation and quality of the product were other reasons for increase of members. The economic activities of members include small businesses such as retail shops, catering services, tailoring, hair salons taxi for hiring, used clothes, poultry keeping, dairy farming and crop production. The business activities were effective in terms of meeting daily needs and reinvesting in other businesses. In general, the findings revealed that, SACCOs help to a great extent to alleviate poverty among SACCOs' members, especially those who utilize its services effectively. The study concluded that, poverty is multidimensional, so no single intervention can defeat poverty. However, access to SACCOs forms a fundamental basis on which many of the other essential interventions depend. Thus, poor household needs a variety of financial services like loans which will enable them to invest in nutrition, health and education, hence improved standard of living and eventually move out of poverty. The study recommended that, improvement should be focused on member entrepreneurial characteristics; capacity building through training in order to improve members' attitude towards their SACCOs and build the capacities of their prospective leaders for better management of the SACCOs. Awareness raising to non members is needed so that more people join SACCOs.