

**Fighting Poverty Through Informal Financial Self-Help Groups
A study of Two Villages in Dodoma Region**

By

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Abstract

The objectives of the study were threefold. First, describe different informal financial groups in the region. Second, to investigate the major functions of informal financial groups in the region. Third, to examine the link between the informal financial groups and poverty. The study was conducted in two villages of Bahi (Dodoma Rural district) and Mkoka (Kongwa district) using documentary review and interviews. Both purposive and random samplings were used to select respondents. In the sample village such groups are multifunctional, voluntary and usually homogenous in terms of members' age, gender, and occupation but have various membership sizes. The financial self-help groups provide multiple services include financial and social intermediation; organizational capacity building and enterprise development services all that are very fundamental in alleviating poverty. The study showed also that the more typical uses of the households' most recent savings withdrawal can be grouped into "quality of life" uses (household food consumption and improving health) and investment (agriculture and education). All these expenditures contributed directly and indirectly to the reduction of poverty. Informal finance is highly revealing of the real demand for saving services, the embeddedness of economic activities (investments, credit, insurance) within social processes (trust, solidarity, proximity), and the specificity of savings mobilization strategies. Contrary to popular belief, the Dodoma informal sector is extremely rich and dynamic in terms of savings mobilization and credit provision. The savings options that exist are not only used to meet family and/or social obligations; the informal sector also satisfies the financial needs linked to the development of economic activities. The emerging policy implications include the promotion of informal financial groups, which should be made by all the relevant institutions because credit from these groups (in conjunction with other factors) does play an important role in the alleviation of poverty for the rural poor.