

Assessing the contribution of the African development bank towards the development of the microfinance sector in Tanzania

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The objectives of the study was to establish whether the intervention of multilateral financial institutions, in this case the ADB, towards the development of the microfinance sector in Tanzania, is producing the intended benefits, in alleviating poverty, The intervention of the ADB in the microfinance sector in Tanzania commenced in 1999, When Bank extended a loan to the Government of Tanzania to establish SELF project. SELF is operational in 14 mainland regions and Zanzibar. The study was conducted in 3 mainland regions, which have large number of beneficiaries, out of which 14 MFIs and 140 SMEs supported by the MFIs were chosen at random together with 28 MFIs officials. Both quantitative and qualitative research methods were employed and thereafter data was analyzed with the aid of statistical package for Social Scientists (SPSS). The study employed four main survey instruments to capture both quantitative and qualitative data from MFIs and business operators identified in the sample. The instruments used were interviews by questionnaires, case studies, Focus Group Discussion (FGD) and field observations. The paper asserts that MDIs are needed to provide b financial services to the poor who have no access to formal banking institutions. Based on the results of this study, it is evident that the intervention of the ADB does provide the intended benefits i.e. in alleviating poverty. Majority of the respondents indicated positive change income due to access to ADB resources. Unfortunately SELF project only access covers rural areas therefore they have limited coverage and for those living in urban areas have no access to the funds. Funds from donors should build organizations to be able to survive in market without funds from donors (Rhyne and Otero, 1993). Cooperation among donors could improve competition among MFIs and thus speed evolution. Policy makers will benefit as the study findings provide suggestions on how policy can be improved. With improved and easy to implement policies, more SMEs and the community will be able to access and benefit from the services of MFIs.