

The impact of village savings and loans associations on poverty

reduction: A case of Mpwapwa district

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Microfinance is regarded as a powerful development tool that alleviates poverty through providing financial services to the poor. The essence of all microfinance efforts around the world is to enable the poor to break the cycle of poverty by establishing and operating small businesses. The study assessed the Impact of Village Savings and Loans Associations on poverty reduction in Mpwapwa District Tanzania. The objective of the study was to find out whether Village Savings and Loans Associations contribute to poverty reduction using Care Tanzania VSLA program in Mpwapwa as a study case. The main research question was to investigate whether VSLA enable the loans recipients, particularly the poor to overcome poverty. Data collection process involved multiple methods, questionnaires, interviews, focus group discussions, and documentary review. Both qualitative and quantitative data were collected with a view to addressing the research questions. Qualitative data were analyzed using thematic approach while quantitative data were analyzed by descriptive statistics. The study findings show that VSLA members relied on few sources of income: Agriculture, VSLA program, wage from temporary employment, family and friends' support. The findings reveal that, of these sources, agriculture was described by more members as the main source of income, but the income generated from VSLA - based on financed small businesses. The income status of people under VSLA program members increased after joining the project, also agriculture production increased among members as 32% of the respondents revealed that. The findings also reveal that the living standard of VSLA members improved as people owned better houses, more own different assets. The findings reveal that VSLA members able to pay for school fees; health services and meet their basic needs. The Data analysis and findings reveal that respondents claimed that their main sources of income was Agriculture, VSLA program from which they get loans and their savings plus profits, wage from temporary employment, small businesses family and friend support. Of these sources, agriculture was described as the main source of income, Village Savings and Loans Associations were seen as the main second source of income. And lastly VSLA should go together with teaching members about entrepreneurship. This is because the meaning of microfinance institutions could have been more justified when members are given loans

which will enable them to engage in profitable income generating activities and make profit from it and hence poverty reduction.