

## Tanzania: Microfinance to Lift Millions in Low-Incomes Out of Poverty

By Sebastian Mrindoko

CREATING bank services that are appropriate for economic activities of the rural population could be an important strategy in reaching the financially under served.

According to Finscope Tanzania 2013, barriers to accessing formal bank and non-banking products are still preventing million of people from financial inclusion.

Lack of money, high minimum balance requirements, low levels of financial literacy and living in remote areas continue to be major problems.

About 5.4 million adults are using non-bank products and services exclusively while over five million people use a combination

Deputy Minister for Finance and Economic Affairs, Mr Mwigulu Nchemba, underscored the need for lending appropriate to rural people particularly farmers.

Mr Nchemba was speaking during the first stakeholders meeting held in Dar es Salaam on transformation to provide abundant opportunities for people to access loan products.

"SELF MF will help create and nurture small scale entrepreneurs especially those in the agribusiness to economic growth and job creation," he said at the launch of SELF MF.

The theme of the first stakeholders meeting was 'transforming into sustainable financial service delivery,

"To a large extent microfinance institutions (MFIs) operating in Tanzania have brought about positive change in microfinance services," he said.

But said generally clients felt that some conditions including unbearable interest rates set by most microfinance earners.

The interest rates were claimed to be too high at up to 48 per cent per year and where was moderate, the loan.

With the current situation of high interest rates, the increased flow of loan to the people, particularly farmers aggravates poverty.

These people will be working to benefit lending institutions, particularly the MFIs.

"This is where comes the need for the commercial lenders to create appropriate products for the low income earners to access loans to invest in their economic activities," he said, adding that MFIs could play a keystone role in providing the most needed agriculture loans.

The present situation, for which commercial lenders consider agriculture as unsafe to lend, is very embarrassing to farmers and the efforts to transform the sector. Banks acknowledge that farming offers abundant business but has inherent shortcomings that make it unattractive to many financiers.

The reality is any little investment to the agricultural sector would bring huge impacts because it employs around 70 per cent of the population. But as many farmer fail to access finance, output and quality of produce remain low and they end up selling unprocessed agro-products leading thus earning low prices.

Losses too, are sometimes high especially for perishable crops as they may not be stored for a long time in their raw form due to absence of storage facilities that could have been procured through loans accessed from commercial banks.

The agro processing would increase rural incomes by adding value to products.

Processing also increases the shelf life of products thus offering more marketing opportunities as the commodities may be stored for a longer period.

Agro processing too offers alternate employment opportunities thereby contributing to poverty alleviation having potential areas like Fruit and Vegetable processing.

In her welcoming remarks, SELF MF Board Chairperson Ms Elizabeth Nyambibo said the institution has already dished about 65.8bn/- to 414 microfinance institutions of which 65 per cent are in the rural areas particularly farmers.

"The loan facilities has bolstered entrepreneurial sector with over 100,000 entrepreneurs becoming direct beneficiaries, of whom 57 per cent are women," she said.

She added that the new status will enhance timely decisions and accord powers to harness necessary resources for meeting institutional objectives pertaining to business and development agenda.

Also with the new status, the government will continue to participate in the market and product developments and gradually build wholesale microfinance intermediaries. It guarantees the availability and accessibility of funds for economic and development activities by different players.

Since the SELF MF is wholly government owned, there is high expectations for the fund execute its keystone role of loaning credit entities like SACCOS across the country which is a significant contributions to economic growth as well as lifting masses from income poverty.


Thus the fact that commercial lenders including MFIs create more relevant loan products is a major milestone in empowering farmers, the agriculture sector and its contribution to the GDP that for years has remained below 30 per cent.

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