

# **CONTRIBUTION OF CO-OPERATIVE ORGANIZATIONS AS SOCIAL ENTREPRENEURS IN POVERTY ALLEVIATION FOR THE RURAL POPULATION IN TANZANIA: THE CASE OF SELECTED CO-OPERATIVE ORGANISATIONS IN SINGIDA AND SHINYANGA REGIONS**

**By**  
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## **Abstract**

*Different studies have been conducted to ascertain the role which co-operatives play in poverty alleviation. However, few studies have exploited the role of Co-operative Organizations (COs) as social entrepreneurs in poverty alleviation in rural areas of Tanzania where the majority of people are poor. Therefore, the purpose of this study was to examine the contribution of COs as social entrepreneurs in poverty alleviation in rural areas of Tanzania. The study adopted a survey design with the case of selected COs in rural districts of Shinyanga and Singida Regions.*

*The targeted people were the cooperative members located in rural areas. We opted to use this population so that we could make a comparison of the standards of living before and after receiving social and financial support from the COs in order to assess the impact of these organizations to their members. The population was 350 members with a sample size of 100 respondents. We used descriptive statistical analysis and thematic approaches in analyzing quantitative and qualitative data, respectively.*

*Generally, this study found that when the COs empower people to have access to education and training, social and financial capital, agricultural and livestock inputs and marketing services; the rural people are likely to alleviate poverty and raise their income through increasing their productivity in agriculture and livestock, self-employment, improved shelter, and increase in marketing of goods and services.*

*The study makes the following key contributions to the body of knowledge: First, the study reveals that there is great need for the Government, COs, and other potential partners to cooperate and fight for poverty alleviation for the people living in rural areas. It is the right time to make more effective use of co-operative organizations in poverty alleviation efforts as the Government of Tanzania alone can no longer afford to provide the requisite social welfare to its citizens. Second, the study provides empirical evidence that people living in rural areas of Tanzania need to be taught entrepreneurial skills in order to take*

*advantage of available economic opportunities, thereby helping them become better off in their lives.*

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**Key words:** co-operative organisations, social entrepreneurs, poverty alleviation, rural areas

## 1. Introduction

### 1.1 Background Information

Researchers have highlighted different strategies on how to mitigate poverty - the social and economic global problem. In response, the global campaign against poverty has gained momentum, with various development actors suggesting the use of different instruments to alleviate poverty. However, there is an emerging consensus among many actors, including the United Nations (UN), the International Labour Organization (ILO), the International Co-operative Alliance (ICA) and the European Union (EU), that the co-operative enterprise is one of the few forms of organization that meet all dimensions of poverty. The broad argument is that co-operatives have the advantages of identifying economic opportunities for the poor; empowering the disadvantaged to defend their interests; and providing security to the poor by allowing them to convert individual risks into collective risks. Consequently, co-operatives are increasingly being presented as a pre-condition for a successful drive against poverty and exclusion, more so in Africa (Birchall, 2004; 2003; ILO/ICA, 2003).

Yunus (2008) argues that co-operative organizations are potential tools that can affect the socio-economic life of people in rural society. They try to help people to improve their income through initiating different social and economic programmes and projects. Therefore, this study addresses the issue of COs as social entrepreneurs by examining their role in poverty alleviation in rural areas of Tanzania.

According to the National Bureau of Statistics of Tanzania (URT, 2012), 75 percent of the total population in Tanzania lives in rural areas and depends on small farming. Their incomes are lower and poverty is more pervasive than in urban areas. The majority of these people earn less than one US dollar per day (Rubambey, 2005) and by 2013, 28.3% of the Tanzanians lived below poverty line (earn less than 1US dollar) (World Bank, 2013).

In rural areas of Tanzania, there have been increased social and economic problems such as unemployment, crimes, poor health and water services, and high migration of youths to urban centres. These problems are, to a large extent, associated to higher degree of poverty in rural areas than in urban. Social entrepreneurship (SE) is emerging as an innovative approach for dealing with complex social needs in order to contribute to development (Reis, 1999). The potential market for SE is huge because of the wide range of social needs that remain unsatisfied by existing markets and institutions (Leadbeater, 1997; Mulgan and Landry, 1995).

The COs, as social entrepreneurs, are considered to be crucial in creating human capacity. They are, therefore, so good for the society's well-being;

especially for the poor in rural areas. Co-operative organizations can make special contributions to poverty reduction because their mission is to work more close with poor and disadvantaged people (Yunus, 2008).

### ***1.2 Statement of the Problem***

The focus of this study was on examining the contribution of COs as social entrepreneurs in poverty alleviation in rural areas of Tanzania. Empowerment of the poor through creating income generating capacity enables the poor to access development requirements such education, good health, markets for agricultural products along with many others. This access, in turn, enables them to get out of the multi-faceted dimensions of poverty and reduce their vulnerability to unexpected events (Logotri, 2006; Davis et al, 2004).

Despite the rapid increase of co-operatives, there is a great lack of documented literature and research in the field of co-operative organizations' role as social entrepreneurs in poverty alleviation initiatives.

In our literature reviews, we found a study conducted by Mori and Fulgence (2009) in which the authors sought to explain the environment for social entrepreneurship in Tanzania. However, to our knowledge, we did not find studies which examined the impact of Cos, as social entrepreneurs, on the life of people living in rural areas of Tanzania to come out from poverty. This study, therefore, was set out to bridge this knowledge gap.

### ***1.3 Objectives of the Study***

The general objective of this study was to examine the role of COs as social entrepreneurs in poverty alleviation in rural areas of Tanzania. The study had the following specific objectives:

- I. To assess the activities and mission of COs centred on poverty alleviation; and
- II. To determine the challenges the COs encounter when enabling people in rural society to move out of poverty.

### ***1.4 Research Questions***

We set forward this study to answer the following main question: What are the contributions made by COs, as social entrepreneurs, towards poverty alleviation among the people in rural areas of Tanzania?

Apart from the above main question, the following specific questions were addressed.

- i. Are entrepreneurial activities and mission carried out by COs appropriate for poverty alleviation to the people living in rural areas?

- ii. What are the challenges facing COs when supporting the rural society in Tanzania in poverty alleviation?

### **1.5 Scope of the Study**

This study covered four types of co-operative organisations: the Savings and Credit Co-operative Societies (SACCOS), Agricultural Marketing Co-operative Societies (AMCOS), Bee-keeping and Livestock Co-operatives societies.

### **1.6 Significance of the Study**

Co-operative organizations have increased their social and financial services in rural areas of Tanzania where the majority of people are poor. Some of these COs have been the main providers of microfinance services to small entrepreneurs and other social groups (Tundui, 2012; Nyamsogoro, 2010; and Olomi, 2001).

The following are key contributions made by this study: First, the findings in the study reveal that agricultural input, education and training, social capital, financial capital, marketing, and livestock inputs have a direct impact on poverty alleviation. This implies that strategies to be employed for helping people to move out of poverty in rural communities should focus on these factors.

Secondly, results from the study provide empirical evidence that poverty reduction needs partnership among the Government, COs, businesses, the poor themselves and other stakeholders. Therefore, the completion of this study contributes to the pool of information and literature about co-operative organizations working for poverty eradication. In so doing, the study bridges the existing knowledge gap concerning the co-operative sector in Tanzania.

### **1.7 Justification of the study**

Different studies have been conducted assessing the impact of co-operatives in poverty alleviation. Some of the researchers like Sizya (2001) conducted a study in Tanzania to examine the role of co-operatives in poverty reduction. Wanyama *et al* (2008) researched the role of co-operatives in poverty reduction in Africa. Mori and Fulgence (2009) carried a study on social entrepreneurship in Tanzania. However, none of these studies have managed to produce any studies which examined the impact of co-operative organizations as social entrepreneurs for people living in rural areas of Tanzania. Due to this existing literature gap in Tanzania, this study attempted to examine the social entrepreneurship role played by COs in supporting the poor people living in rural areas.

## **2. Literature Review**

### **2.1 Introduction**

This section presents a review of literature explaining theoretical and empirical considerations. The section is divided into three parts: the theoretical and empirical parts, and the conceptual framework. The theoretical portion presents the meaning of key concepts used in the study. The same portion presents a comparison between social entrepreneurs (SE) and commercial entrepreneurs (CE). It also presents theories that guide the existence of co-operative organizations. We conclude the theoretical portion by describing the link between social enterprises and COs. The empirical portion gives a review of the previous related studies conducted by other researchers. Finally, the section ends by presenting the conceptual framework which guided this study.

### **2.2 Theoretical Part**

#### **2.2.1 Social Entrepreneur**

Although many people have defined ‘social entrepreneur’, our review of the literature did not identify a single coherent definition accepted as a general definition of the concept.

We found most researchers had defined ‘social entrepreneurs’ as social mission-driven individuals who fight to create social value for less privileged people by combining different resources in a new way (Samer Abu-Safian, 2012; Eikenberry & Kluver, 2006; and Johnson, 2000).

A social entrepreneur brings about new ways of responding to social problems (Yunus, 2008). Social entrepreneurs establish social enterprises with the mission of solving social problems. They are innovators, change agents and resourceful people who pursue the opportunity for social value creation (Dees, 1998; Ripsas, 1998; Stevenson, 1989; Say, 1985; Drucker, 1960; and Schumpeter, 1934).

Social entrepreneurs are change agents in the social sector who adopt a mission to create and sustain social value, pursuing new opportunities, engaging in processes of continuous innovation, adapting and learning, not limited by resources currently in hand and exhibit heightened sense of accountability (Dees, Miriam & Peter 1998).

Social entrepreneurs are individuals with innovative solutions to society’s most pressing social problems. They are both visionaries and ultimate realists concerned with the practical implementation of their vision above all other things (Ashoka, 2012). According to Ashoka (2012) and Safian (2012), the

unique characteristics of social entrepreneurs include being; mission leaders, emotionally charged, change agents, opinion leader, social value creators, socially alert, managers, and highly accountable visionaries.

### *2.1.2 Social Enterprises*

Hough (2005) described 'social enterprises' as any private or public organisation which conducts activities for the public interest, organized with an entrepreneurial strategy whose main purpose is not the maximization of profit but the attainment of certain economic and social goals, and which has the capacity to bring innovative solutions to the social problems.

Some researchers (*see, for example*, Ashoka, 2010; Samer Abu Safian, 2012; and Hamza El Fasiki, 2010) argue that social enterprises trade and seek to be financially sustainable by generating revenue from trading for the purpose of meeting social needs of forgotten communities. Also, Haugh & Tracey (2004) view social enterprises as those established by social entrepreneurs for social benefit above financial profit and if and when the profit is made, it is used to further the social aims of the beneficiary group or community and not distributed to those with controlling interest in the enterprise.

In this study, we argued that social enterprises are social organisations that employ entrepreneurial strategies to meet social problems of unprivileged community and one of such organisations are co-operative organisations. We did not limit ourselves only to those enterprises which trade and make profit. We looked farther on the mission of the enterprise as described by Haugh (2005).

### *2.1.3 Social Entrepreneur (SE) and Commercial Entrepreneur (CE)*

In this study, we found it is necessary to distinguish 'social entrepreneur' from 'commercial entrepreneur'. The mission and profitability are prominent attributes appropriate for making a comparison between 'social entrepreneur' and 'commercial entrepreneur'.

#### Mission

The primary difference between the commercial and social entrepreneur is the purpose for setting up the venture. While the commercial entrepreneurs' efforts focus on building a business and earning profits, the social entrepreneur's purpose is to create social change. Different studies like that of Nicholls, 2006 and Shaw & Carter, 2007 show that social entrepreneurs demonstrate a socio-moral motivation in their entrepreneurial initiatives. Social entrepreneurs are likely to be motivated by social aims, such as to effect change and make a difference to meet local needs or to tackle a social issue. Though some studies

have shown that social entrepreneurs serve multiple goals (e.g. economic, social, and socio-political), they agree, nevertheless, on social value creation as the key goals. The social goals are clearly at core of the mission and that economic goals are in support of the social goals (Nyssens, 2006).

In regard with the mission, the fundamental purpose of a social entrepreneur is to create social value for the public good (gain), whereas a commercial entrepreneur aims at creating profitable operations resulting in private gain (Sophie, 2011; Mair & Marti, 2009).

### Profitability

It should be noted that social entrepreneurs do make profit for the public gain which is different from their commercial entrepreneur counterparts who make profit for private gain (Austin, 2006; Mawson, 2008). According to Prof. Muhammad Yunus, a great social entrepreneur and the founder of the Grameen Bank in Bangladesh, for social entrepreneurs, being profitable helps self-sustainability of the venture, and also works as a mechanism for self-monitoring.

In summary, social and commercial entrepreneurs differ in their mission and the way they use the profit. Making a profit, creating wealth, or serving the desires of customers may be part of the social entrepreneurs' activities, but these are just the means to a social end, not the end in themselves. The end of the social entrepreneurs is to create social value improvement, while the end of commercial entrepreneurs is to make profit for private gain (Dees, 1998).

#### *2.1.4 Co-operative Organisations*

The International Co-operative Alliance (ICA) defines a co-operative as “an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise” (ICA, 1995). This suggests that co-operatives are, first and foremost, voluntary business associations formed by people of limited means through contribution of share capital that forms the basis of sharing out the profits that accrue from the business. In addition, the income generated from the enterprise can, as well, be used to meet other social and cultural needs and aspirations as determined by the members.

In this study, we adopted the definition suggested by Münkner (2012) who argued that co-operative societies can be seen from different perspectives: as a way of doing business, a form of organisation and a distinct legal pattern. In either of these perspectives, the following criteria of definition can be used: the institutional aim of co-operatives is member-promotion, user driven, governed by special rules and internal democratic organisations.



## Theories for Co-operative Organizations' Existence

The expectation to improve one's own economic situation is usually the most important motivational factor that either triggers the birth of a co-operative or incites individuals to become a member of an existing co-operative. Members mainly expect that the co-operative will supply them with services and goods in an effective and efficient manner (Hanel, 1992), in order to generate more favourable conditions than they could individually produce or obtain from markets, public institutions or development projects. Göler von Ravensburg (2009) and Couture (2003) pointed out that entrepreneurial co-operatives frequently offer one or a combination of the following services to their members (as outlined in *Table 1*)

**Table 1: Features and Benefits of Entrepreneurial Co-operatives**

<b>Features</b>	<b>Benefits</b>
Supplies of raw materials or commodities (food and non-food products)	Usually at a lower costs than would be available to individuals
Plant and machinery supplies	Usually at a lower costs than would be available to individuals
Purchase of machinery and equipment shared among members	The investment costs of which would be prohibitive to individual member enterprise
Storage of products	Smoothing of prices
Marketing and distribution	Economies of scale and scope
Publicity and promotion	Reputation and visibility
Creating brand names	Increased public recognition and eventually market share
Setting and certifying of quality standards	Operation in new markets, such as fair trade or 'slow food'
Information about products, production and the sector	Product design and production planning improved
Education and training	Management and production skills enhanced
Insurance services	Cheaper and more appropriate risk coverage

Accountancy, management services	Concentration on key business areas
Legal and tax services	Advisory support
Investment	Improved financial management

### 2.1.5 A link between Social Enterprises and COs

The basic intention of a co-operative organisation is to start a venture called 'social enterprise'. Tan and So-Jin Yoo (2001) argue that social enterprise ventures are initiated with multiple purposes; coupling the social with the economic. These enterprises also generate revenue which can be re-channelled toward the social cause of the co-operative organisations.

Tan and Schoch (2005) suggest that social enterprises are non-profit organisations that operate businesses both to raise revenue and to further the social missions of their organizations. In most cases, they are co-operative organisations that go into business to provide services to the members as well as the general public. Social enterprises as non-profit organisations that can employ business strategies to serve the disadvantaged social groups as demonstrated in the Grameen Bank mission founded by Yunus (1983) in Bangladesh.

In this study, we argued that social enterprises and co-operative organisations have a direct link. Through the literature that we managed to review, we did not find material differences between the two. So, we take social enterprise and co-operative organisation in the same way. They are one entity established with the same social mission. Several prior studies (Krueger and Brazeal 1994; Krueger, Reilly and Carsrud 2000) show that social enterprises and co-operatives are inseparable organisations in the sense that they have a common goal to the social cause.

### 2.1.6 Activities of COs

Ravensburg (2009) suggested that the services offered by entrepreneurial co-operatives can produce a huge number of direct economic and socio-economic benefits for their members. These benefits include:

- I. Diversification of production or increased volumes of production, followed by improved labour and capital productivity;
- II. Higher incomes and employment effects;
- III. Improved company sizes in the informal and formal micro, small and medium enterprises (MSME) sector;
- IV. Better access to and mobilization of local resources;
- V. Diffusion of innovation;

- VI. Increased knowledge-transfers, resulting in human resource development and commodities with higher 'value-added' (cost of search for markets, screening of contractual partners, negotiation and contract supervision are reduced);
- VII. Increased efficiency and savings on transaction costs can raise credit worthiness and, therefore, introduce new investment possibilities;
- VIII. Enhanced risk management;
- IX. Possibility to invest in infrastructure development; and
- X. Complementary to democratization efforts of local government with regard to allocation and distribution of resources.

### *2.1.7 Poverty*

Poverty can be observed in many forms, both income and non-income dimensions. It may be a limited income or resources, a lack of coping capacity, limited basic human capabilities, and limited institutional defences or, in extreme cases, limited in all of these. In a wider sense, it may be a combination of economic, social and political deprivations (Mushtaq, 2008).

The Poverty Reduction Strategy of the United Republic of Tanzania (URT, 2000) indicates that poverty is largely a rural phenomenon. In the rural areas, incomes are lower and poverty is deeper than in urban areas. Based on the same strategy document, findings show that 27 percent of the members in rural areas of Tanzania were not able to obtain enough food to meet nutritional requirements, and about 48 percent of the members were unable to meet their food and non-food basic requirements.

A study conducted by REPOA (2004) in Tanzania revealed that the poor are concentrated in subsistence agricultural areas. In the rural areas, farmers are poorer than non-farmers. The poverty incidence for members whose household heads work in their own farms is 57 percent. In addition, farmers that grow cash crops have higher incomes than those who do not have farms and education.

## **2.2 Empirical Studies**

Sara, Carlo and Ermanno explained that economic approaches have downplayed and marginalized the role of co-operative and social enterprises in contemporary market economies. The authors used orthodox theory which identifies the presence of only self-interested individuals and profit maximization as firm objective. These theoretical assumptions led to the underestimation of the growth potential, weight and role of co-operative and social enterprises. Therefore, the authors concluded that that the main theoretical models must be enlarged and deepened in order to improve the scientific understanding of co-operatives and social enterprises. Individuals, as

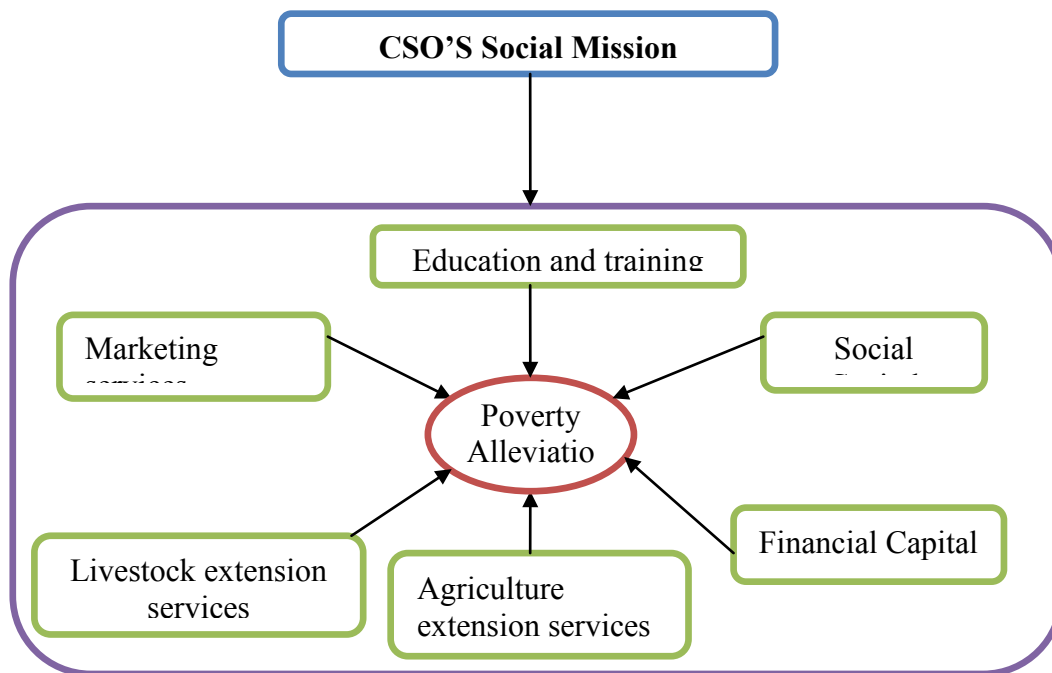
well as institutions, can no longer be characterized as purely self-interested and only after profit maximization. Instead, the importance of motivational complexity and the diverse nature of preferences need to be introduced in the model as suggested by the behavioural approach.

### 2.3 Conceptual Framework

The main objective of this study was to examine the role of co-operative organizations as social entrepreneurs in poverty alleviation in rural areas of Tanzania. We developed a model as a foundation and guide on what we intended this study to cover.

Theories explained above recognize that the impact of co-operative organizations' social mission should be reflected in poverty alleviation.

Figure 2-1: A Conceptual Framework: The role of Cos



Source: Researcher's model (2015) Source: Research Findings

The social mission of co-operative organizations is to build social value to the disadvantaged social group, and help them to move out of poverty. Based on this assumption, we conceptualized that co-operative organizations can help the people in rural areas in poverty alleviation by enabling them to have access to education and training, social capital and financial capital, sustainable agriculture extension services, marketing services, and sustainable livestock extension services.

## **Education and Training**

Different studies show that when other factors are held constant, education and training play a major role in strengthening human capabilities which have a positive impact on poverty alleviation. In the study, we examined at what extent the COs have supported people to have access to formal education and or training. Some previous studies (for example, Tundui, 2012; and Putnam, 1994), argued that formal education equips people with knowledge and skills which help them effectively to manage their lives and come out of poverty. We developed the following main question. *Does education and training play an important role in poverty reduction?*

## **Social capital**

In this study, we examined the role of the COs in poverty alleviation by looking at their contributions for social networks formation. From there, we examined the role of social networks in poverty eradication. Putnam (1995), cited by Tundui (2012), argues that social networks facilitate coordination and cooperation among the targeted group for mutual benefits. This led us to develop the following main question: *Are social networks positively related to poverty eradication?*

## **Financial capital**

One of the most popular new technical tools for economic development and poverty reduction are microloans made to the poor living in rural areas (Mushtaq, 2008). The idea in this is to provide loans of small amounts of money to members. Yunus (2002) explained that financial capacity enables the farmers in rural areas to acquire what they need to increase their economic sustainability. Based on these literatures, we made an assumption that financial capital impacts on people positively in poverty alleviation. Our main question, then, was that: *Do the microloans play an important role in poverty reduction?*

## **Agriculture and Livestock extension services**

In most poor countries, including Tanzania, the majority of the population lives in rural areas and earn their livelihoods primarily from agriculture. So, agriculture is the biggest employment-generating sector in rural society of Tanzania. About 48% of Tanzanians totally depend on agriculture (Tanzania Agricultural Sample Census 2008). In our study, we proposed that any serious strategy concerning poverty reduction in rural areas of Tanzania has to begin with a look at the role played by the agricultural sector. We considered agriculture as an important variable to be measured when examining the significance of the COs in poverty alleviation in the rural areas of Tanzania. We

made the following main question: *Do agriculture and livestock extension services positively impact on poverty reduction?*

## **Marketing services**

Marketing services play a central role for moving members' produce from production point to consumption/processing point. This fact led us to ask the following main question in our study. *Are marketing services important players of poverty reduction?*

## **3. Research Methodology**

### ***3.1 Introduction***

This chapter presents the research design and the methods that we used in this study. A research design is the plan or framework for the study used to collect and analyze data (Churchill and Iacobucci, 2005 as cited by Nyamsongoro, 2010). We adopted a survey design to examine the role of COs as social entrepreneurs in poverty alleviation.

### ***3.2 Study area***

This study was carried out in Singida and Shinyanga rural districts. Due to time and financial constraints, we opted to deal with two types of co-operative organisations in each district. The two districts were purposively chosen over others due to the following facts: First, COs in these districts were formed a long time ago (1960s) as compared to other districts in the regions. Secondly, the districts are accessible to key people whom we expected to provide us with convenient data. Thirdly, the researchers were familiar to the area on the ground that they have been researching in the districts on various issues for more than four years.

### ***3.3 Research design***

This research was a case study and employed a survey method. We adopted a multi-method approach (case and survey) because we wanted to explore in-depth information from a large population served by co-operative organisations. A case study approach was suitable for this study because we dealt only with two types of COs per district. We used the case of savings and credit co-operative societies (SACCOS) and Bee-keeping co-operatives in Singida district, and AMCOS and livestock co-operatives in Shinyanga district because they met our criteria that we wanted for this study. The four types were mature co-operative organizations which were well established in the selected study area. On the other hand, we employed a survey method because it is more appropriate in collecting a large amount of data from a sizeable population for

generalization effectiveness (Saunders et al, 1997). The main focus of this study was to examine the cause-and-effect relationship between the independent and dependent variables. Survey is the best and an effective tool for getting cause-and-effect relationships (Ghuri and Gronhaug, 2005; Nyamsogoro, 2010).

### **3.4 Study population**

Yin (1994) defined a 'study population' as a specific population of inquiry from which a researcher draws the sample size of the study. The population for this study included 350 COs' members whose names were found in the organizations' members register.

### **3.5 Sample size**

A sample size is the exact number of items selected from the population to constitute a sample for the study (Adam and Kamuzora, 2008) On that ground, the sample size for this study was 100 members (29% of the population).

### **3.6 Sampling Techniques**

We used purposive and systematic random sampling, and stratified sampling. We purposively selected the types of co-operative organizations because there were other types of co-operative organisations found in the study area. We also used purposive sampling to select the co-operative members since they are the main beneficiaries of COs' services.

We applied systematic random sampling technique to sample the members. The researchers preferred to use systematic random sampling technique because this technique is simple and yields research data that can be generalized to a larger population, while a simple random sampling and other non-probability techniques may not be efficient or appropriate (Orodho, 2006). Systematic sampling, also, is less tedious and more time-saving when a researcher has a large population.

### **3.7 Variables and their Measurements**

#### **3.7.1 Variables**

In this study, we developed two types of variables; that is, the independent and dependent variables. We had six independent variables which are: education and training, social capital, financial capital, agriculture extension services, livestock extension services and marketing services. We had only one dependent variable which is 'poverty alleviation'. The mentioned independent and dependent variables had a cause-effect relationship in this study.

This implies that the acquisition of appropriate formal education and training, social networks, microloans, agricultural and livestock services and marketing services, leads to poverty reduction in the rural communities when other factors are held constant.

### *3.7.2 Measurements*

We used different measurements for each variable. For instance, we measured education in terms of the number of members who got formal education and training. For social capital, we used both professional and non-professional social networks. We asked the members if they were connected to any network before and after joining their respective COs.

We used microloans given to the members to measure financial capital. Agriculture and livestock extension services were measured by the rise or fall in productivity (increase or decrease in food or livestock produce and rise of income). Marketing services was measured by looking at the extent to which COs have facilitated meeting of farmers/livestock keepers with buyers.

Poverty alleviation is a multi-dimensional concept that can be measured in terms of income and non-income factors. Regarding the above mentioned variables (the independent variables), poverty alleviation was measured by looking at what extent the COs helped the members to raise their income, have prices for their products, improve shelter, increase productivity, increase in consumption of goods and services, and increase in self-employment.

### *3.8 Units of Analysis*

A unit is the major entity that is being analyzed in the study; it is what is being studied (Kombo and Tromp, 2006). Therefore, the units of analysis in this study were the individuals (members) who benefited from COs.

We developed two important questions: First, what were the living standards of these individual members before the arrival of COs? Secondly, are the living standards of these individual members better than before joining the COs?

### *3.9 Types and Sources of Data*

This study used both primary and secondary data. We gathered primary data direct from the respondents. We collected secondary data from written documents such as books, articles and reports from the organizations' and District Executive Directors' (DED) offices.



### **3.10 Data collection methods**

We collected primary data through the use of questionnaires and interviews. The questions for questionnaires and interviews were of the same context as to maintain consistency in data collection. The questionnaires were brief and structured, constructed in a simple language. We translated the questionnaires from English to Kiswahili in order to ensure all respondents (the members) understood. We provided enough time for the respondents to answer the questionnaires completely. They used approximately forty minutes on average.

We used interviews to gather in-depth information from co-operative officers. We used structured interview questions as a guide. A reasonable time was given for each respondent, which was approximately twenty five minutes on average.

### **3.11 Data Analysis methods**

For quantitative data, we performed descriptive statistical analysis, in which we used only frequencies. Data were categorized, coded and then entered in the computer software, the Statistical Package for the Social Sciences (SPSS), to produce an overview of data in the form of frequency tables. On presentation and discussion of the findings, the frequency with which a word or description appeared was used to interpret the potentiality (theme) of the whole content so as to link opinions of the respondents. From there, we examined the relationship (cause-and-effect) between each independent variable and the dependent variable.

For qualitative data analysis, we used a *Thematic Analysis*. This approach is basing on identifying categories of potential themes. We identified, examined, categorized, and recombined the respondents' views (see the results in Section 4). We preferred to use thematic analysis due to a number of reasons: First, it considers the major themes or concepts of the study. A theme captures something important about the data in relation to the research question. It allows the researcher to associate an analysis of the frequency of a theme with one of the whole content (Names et al, 2008).

Secondly, it allows the researcher to understand more deeply what he/she is studying. Marks and Yardley (2004) argue that thematic analysis gives the researcher an opportunity to understand the potential of any issue more widely; there is a possibility to link the various concepts and opinions of the respondents.

### **3.12 Validity issues**

Validation is a crucial issue for any research. We kept the quality of our study by observing highly the validity and reliability issues. These are two factors that any researcher is concerned while designing a study, analyzing results and judging the quality of the study (Patton, 2001).

We carried out a pilot study before the actual research to check the clarity, effectiveness, adequacy, and relevance of the research instruments. We collected appropriate data from the relevant respondents only. We used variety instruments in data collection. This is what is known as triangulation technique. Triangulation increases confidence in research data and provides a clear understanding of the problem (Thurmond, 2001).

## **4. Presentation and Discussion of the Findings**

### **4.1 Introduction**

This chapter presents the results of data collected from the respondents. We managed to collect data from 150 members, and three key informants as proposed in the sampling section. The key informants were co-operative officers from each district.

### **4.2 Findings from Members: Descriptive Analysis**

This section presents descriptive findings. Data from respondents were categorized, coded and then entered into SPSS to produce an overview of the results in the form of frequency tables. Descriptive statistics enabled us to summarize, organize, interpret, and synthesize the data. In the relevant tables, the frequency and percentage distributions of responses are ordered. We used the frequency with which a word appeared to interpret the potentiality (theme) of the whole content and to link the opinions of respondents.

Also, in some sub-sections, we provided qualitative evidence to substantiate the descriptive statistical findings. Hence, from there we examined the relationship (cause-and-effect) between each independent and the dependent variable.

#### **4.2.1 Main Characteristics of the Respondents**

The respondents were co-operative members. The respondents' characteristics presented in this study include gender, age, marital status, economic status and the member's economic activities.

### Respondents Distribution by Gender

The respondents were comprised of 59 (59 %) women and 41(41%) men as *Table 4-1* indicates. The majority of respondents were females. The findings in this study are in agreement with studies conducted in Tanzania by Olomi (2009) and REPOA (2007). We were not able to produce practical evidence why non-profit organisations tend to support more women than men. But, one of the reasons we found is that the number of poor women is more significant than of men in our societies. So, COs tend to support females as the way for empowering them. Yunus (2006) argue that women are more trustworthy and able to deal with money more skilfully than men; that is why many COs prefer to support more women than men.

**Table 4-1: Respondent distribution by gender (n=100)**

Gender	Frequency	Percent
Female	59	59
Male	41	41
Total	100	100

### Respondents Distribution by Age

*Table 4-2* shows that the majority (43) of respondents were between 25-34 years of age, and the minority (6) were 55 and above years of age. From the results we observe that the majority of all respondents (78%) supported by COs were less than 45 years of age. The findings are confirmed with demographic age distribution of population in Tanzania whereby the largest group of the population is less than 45 years old. A study by AFREDA (2011) conducted in Tanzania also reflects the same trend with a majority of COs' members in rural areas younger than 45 years of age.

**Table 4-2: Respondent distribution by age (n=100)**

Age group (years)	Frequency	Percent
15-24	8	8
25-34	43	43
35-44	27	27
45-54	16	16
55 and above	6	6
Total	100	100

### Respondents Distribution by Economic Status

We found that 39(39%) respondents belonged to a very poor group, 37(37%) were poor, and 24(24%) were moderate people. The greatest percentage of

respondents (76 %) in the study area were very poor characterized by low level of income and poor social services like shelter, health, education and clothing. Previous studies show that 87 percent of the poor people in Tanzania live in rural areas compared to 13 percent in urban areas (Changwa, 2009; Household Budget Survey of URT, 2007; and Economic Survey of URT, 2002).

**Table 4-4: Respondent by economic status (n=100)**

Which of the following state describe your Economic Status?	Frequency	Percent
Very Poor	39	39
Poor	37	37
Moderate	24	24
Total	100	100

#### Respondents Distribution by Economic Activities

The highest percentage of respondents (80%) as shown in table 4-5 earned their living from agriculture. There were 17(17%) respondents who engaged in business, and only 3(3%) were formally employed and receiving regular salary. The results in this study reflect what was found by Collin (2009) in his study of Poverty Reduction in Africa, Sub-Saharan region.

Collin (*ibid*) affirmed that most of the people in rural areas (78%) greatly depend on agriculture. This is also consistent with the Agricultural Sector Development Strategy Report (URT, 2010) which found that 80% of people in Tanzania are in rural areas and their livelihood depends on agriculture. This implies that agriculture is the predominant economic activity in the study area as it is in other rural areas of Tanzania.

**Table 4-5: Respondent distribution by economic activities (n=100)**

What is Your Major Economic Activity?	Frequency	Percent
Agriculture	80	80
Business	17	17
Salary Employment	3	3
Total	100	100

#### *4.2.2 Factors for Poverty Eradication*

This sub-section presents and discusses the results of the data collected from the members about COs' contribution to poverty reduction. As stated earlier in the conceptual framework (*see Figure: 2-1*), the role of COs in poverty eradication can be seen when people are enabled to have access to education, social capital, financial capital, sustainable agriculture and livestock inputs and

marketing services. Therefore, we limited collection of data and its analysis to the mentioned variables.

**a) Education**

We asked the respondents four questions concerning this variable. The purpose was to examine whether education has a positive impact on poverty eradication to the people living in rural areas of Tanzania.

*i) COs' Support of Formal Education and Training*

The results, shown in *Table 4-6*, reveal that 115 (76.7%) respondents received formal education from COs. This agrees with findings obtained from DED's office, Singida District, which show that 65% of COs' members got school sponsorship from their COs and were also trained in different life skills such as micro-businesses. The minority 35 (23.3%) of respondents indicated that they had not benefited from COs' school sponsorship. The reason why 23.3% were not sponsored might be failure to meet some conditions such as being an orphan, living in the most vulnerable environment, for primary education she/he must be under 15 years of age, for secondary and higher education the applicant must have a pass mark of not below C grade or division three and above, and finally he/she must be approved by the village committee.

**Table 4-6: COs' support of formal Education and Training (n=150)**

Has an NPO supported you for formal education?	Frequency	Percent
Yes	115	76.7
No	35	23.3
Total	150	100

*ii) COs and Respondents' Education Level*

In the previous sub-section, the results reveal that 115(76.7%) people got school sponsorship. The purpose of this present sub-section is to determine at what education level these people were supported. The results indicate that 27(23.5%) were sponsored for primary education, 76(66.1%) at the secondary level, 10(8.7%) for college, and only 2(1.7%) at the university level (*Table 4-7*). The results establish that a majority (66.1%) of respondents got school sponsorship for secondary education. This is because of high demand for secondary education for many people. A significant number of people had access to secondary education from 2005 due to an increase in the number of secondary schools than before. The COs sponsored these people due to the fact that, in Tanzania, the students at secondary and higher education levels have to pay tuition fees and other contribution while it is free at primary level for public schools.

The respondents pointed out that COs had been supporting them in payment of school fees, other school contributions such as those for paying temporary teachers, giving them school materials like uniforms, exercise books, text books, pens and other stationery items. Also, at some primary schools, the COs had been seen providing lunch for the pupils at pre-primary education level, standard one and two.

**Table 4-7: COs and respondents' education level (n=115)**

If yes, at what education level the COs have supported you?	Frequency	Percent
Primary	27	23.5
Secondary	76	66.1
College	10	8.7
University	2	1.7
Total	115	100

*iii) Education level of Respondents before COs' support*

*Table 4-8* indicates that 21(18.3%) of respondents had no formal education. The highest percentage of the respondents 93(80.8%) had primary education, and only 1(0.9%) person reported to have received secondary education. According to the Ministry of Education and Vocational Training of Tanzania (MoEVT, 2005), there were very few secondary schools in rural areas before the year 2005. This implies that most of the people did not get an opportunity to pursue secondary education. Therefore, before the arrival of the COs in the study area, the majority of people received only primary education as findings explain in *Table 4-8*. From the year 2005, the Government of Tanzania, under the Secondary Education Development Programme (SEDP) in collaboration with communities at the village and ward levels built a significant number of secondary schools. Since then, COs have increased school sponsorship for secondary education as expressed in *Table 4-7* where 66.1% of COs' members were sponsored for secondary education.

**Table 4-8: Respondents' education level before COs' support (n=115)**

What was your Education Level before you got COs' support?	Frequency	Percent
None	21	18.3
Primary	93	80.8
Secondary	1	0.9
Total	115	100

iv) *Role of Education in Poverty Alleviation*

This sub-section presents findings about the role of education in poverty reduction. In this study, we used the following indicators as measurements for poverty alleviation in the study area: rise in income, better nutrition and health, improvement in shelter, increase in agricultural production and food security, increase in savings, increase in consumption of goods and services, and increase in self-employment for the members.

The role of education in poverty reduction is valued when education enables people to transform their lives from poor to better. For example, in our study, we measured the contribution of education on poverty alleviation by examining if education helped the members to build human capacity, increase their awareness to the world, and increase their productivity as a result of effective use of available social and economic opportunities. In *Table 4-9*, we asked the respondents to agree or disagree if education had played a significant role on poverty reduction. The information spots out that 65 (56.5%) strongly agreed, 45 (39.1%) agreed, and only 5 (4.4%) disagreed. The total summation of those who agreed (strongly agree, and agree) added up to 110 (95.6%). These results imply that education is a great tool in helping people to fight against poverty. These findings are in line with other previous studies. For example; Mukyanuzi (2003) found that 51 percent of poor people in rural areas were the members with household heads who had not attained primary education compared to only 12 percent who had attained primary education and above.

An Integrated Labour Force Survey in Tanzania by World Bank (2004) indicates that those who have a primary school education level earn almost double the wages of those with no formal education at all. The same study claims that a wage earner with a complete primary education earned 75% more than one with no schooling, whereas a secondary school graduate earned 163% more. Furthermore, there is also some evidence that entrepreneurs with post-primary education tend to establish more profitable enterprises than those with primary education or not educated at all (O'Riordan, Swai et al. 2007).

**Table 4-9: The role of education in poverty alleviation (n=115)**

Do you agree that since you have been supported by COs in education, the degree of poverty has decreased?	Frequency	Percent
Strongly Agree	65	56.5
Agree	45	39.1
Disagree	5	4.4
Total	115	100

## b) Social Capital

In this variable, we aimed at exploring the role of COs in social networks formation. Then, we examined the contribution of social networks in poverty alleviation. We developed the following question: *Are social networks positively related to poverty eradication?* To have answers for this main question, we asked the respondents to answer four minor questions.

### i) Respondents' Perception of Social Capital

Our intention in this question was to know if the members were aware of the concept of social capital. The question we asked was that: *Do you think social capital is really a capital?* As indicated in *Table 4-10*; 119 (79.3%) agreed, 22 (14.7%) said 'No', and 9 (6%) were not sure. Equally, other researchers (e.g. Lindon J. Robison; Marcelo E. Siles; and A. Allan Schmid, 2002) on their study; "Social Capital and Poverty Reduction", conducted in Michigan, USA, found that 78% of their informants argued that social capital was really a capital. This implies that the formation of social networks has a significant role in poverty reduction as it is for financial and human capital.

**Table 4-10: Respondents' perception on social capital (n=100)**

Do you think social capital is really a capital?	Frequency	Percent
Yes	119	79.3
No	22	14.7
Not sure	9	6
Total	100	100

### ii) Respondents' Social Networks Status before joining COs

To examine the role of COs in poverty reduction through social capital, we asked first the members if they were connected to any network before the arrival of the COs in their communities. In *Table 4-11*, the results show that only 8 (5.3%) were members of social networks.

The findings divulge that these few members were members of informal, religious and non-professional networks like "*Umoja wa wanawake wa Kiislam Ilongero*" (Ilongero Islamic Women Association), and "*Umoja wa Mama lische Mtinko*" (Mtinko Cooks Association). The majority 142 (94.7%) were not members for any social network. From the findings, we observe that people in rural areas were not connected to social networks before the arrival of the COs because there was no organization to facilitate them to form social networks. These results are consistent with other



studies conducted in Tanzania. For example; a study on Tanzanian Non-Governmental Organizations and Poverty Reduction carried out by REPOA (2007) argued that most of people in rural areas of Tanzania were not connected to social networks before the arrival of NGOs in 1990s. Kiondo (1993) also found that people in rural areas of Tanzania lack social networking.

**Table 4-11: Respondents' social networks status before COs (n=150)**

Were you connected to any social network before COs?	Frequency	Percent
Yes	8	5.3
No	142	94.7
Total	150	100

*iii) COs on Social Networks Formation*

Table 4-12 reveals that 140 (93.3%) of respondents agreed that the COs had enabled people to form social networks. Some of the social networks that were formed are: Agricultural Marketing Co-operative Societies (AMCOS), *Mtandao wa Kijiji Biashara* (Business Village Network), and Young Women Empowerment For Freedom and Change (YWE4FC). Apart from that, the result also indicates that 10 (6.7%) were not members of social networks formed by COs. A study conducted in Tanzania by Muchunguzi (2010) produced the same results. In his study, Muchunguzi pointed out that the COs had contributed significantly in the formation of non-professional, professional, informal and formal social networks. Muchunguzi argued that 90% of COs' members were connected to social networks.

**Table 4-12: COs on social networks formation (n=150)**

Did the COs facilitate you to form Social Networks?	Frequency	Percent
Yes	140	93.3
No	10	6.7
Total	150	100

*iv) Benefits from Social Networks*

The results in Table 4-13 indicate how the members benefited from social networks. The findings show that 31 (23.8%) had access to market information, 28 (21.5%) got training for agriculture, 17 (13.1%) got agriculture inputs, 21 (16.2%) were trained in health and nutrition, 14 (10.8%) got business training, and 19 (14.6%) got school sponsorship. The reason for this variation might be due to the specification of each

network in area to deal with. These findings concur with the study by Clark (1999) who expressed that the COs, through the formation of social networks, had helped people in different ways depending on the needs of the community and objectives of the initiated network. Other researchers (for example, Renzulli, Aldrich, and Moody, 2000 as cited by Tundui, 2012) argued that social networks are very important because they provide chances for accessing important information and opportunities that are necessary for improving lives of people. Moreover, the study “Role of CBOs” conducted in Pakistan, Swat district by Hussain (2008) pointed out that 70% of villagers changed their living standards positively after they were enabled by COs to form social networks.

**Table 4-13: Benefits from Social Networks (n=130)**

How have you benefited from being a member of a social network?	Frequency	Percent
Getting Market Information	31	23.8
Getting Agriculture Training	28	21.5
Getting Agriculture Inputs	17	13.1
Getting Health and Nutrition Training	21	16.2
Getting Business Training and Loan	14	10.8
Getting School Sponsorship	19	14.6
Total	130	100.0

### c) Financial Capital

Among the poverty indicators in rural areas of Tanzania is lack of financial capacity which leads the majority to low income-earning. In this sub-section, we examined the role of COs in building financial capacity through giving microloans to the poor as one of the strategies that can be applied to eradicate poverty. Our main question, here, was that: *Do the microloans play an important role in poverty reduction?* We asked the respondents five minor questions to find answers for the main question.

#### I. Respondents’ Loan Access from Cos

We asked the respondents if they have loan access from COs. The results in *Table 4-14* revealed that 52.7% of the members managed to access loans from COs.

**Table 4-14: Respondents' loan access from COs (n=150)**

	Have you received a loan from COs?	Frequency	Percent
	No	71	47.3
	Yes	79	52.7
	Total	150	100.0

*ii) COs' Interest Charge*

In this sub-section, we wanted to know from the respondents if the COs did charge an interest on loan. We addressed this question to 71 loan members (see *Table 4-14*). We provided two options: YES and NO. The findings in *Table 4-15* reveal that all 71 (100%) loan members responded "yes", that the COs charge an interest. These findings confirm with the information provided by one of the project manager who consequently said;

*Nevertheless, UNDP (2006) conducted a study survey in Thailand about profitability of the COs, and found that 99% of COs did charge interest on their loan members as to cover loan cost and generate more money in order to provide better social services to the neediest.*

**Table 4-15: COs interest charge (n=71)**

	Do the COs charge interest?	Frequency	Percent
	Yes	71	100.0
	No	00	00
	Total	71	100.0

*iii) Respondents' Perception on COs' Interest Rate*

We addressed the question, on the members' perception of the interest rate charged, to the 71 loan members only (*Table 4-15*). Our intention was to know how the members rated the interest charged by COs. The results, as illustrated in *Table 4-16*, reveal that only 2 members (2.8%) found the interest high, 58 (81.7%) said it was low, and 11 (15.5%) said the interest was very low. The summation of low and very low makes a total of 69 (97.2%) respondents who perceived that the interest charged by COs was low. In this study, we conclude that the COs charge a low interest rate. These results harmonize with findings by Yunus (2002). Yunus who argue that COs do charge low interest rate because their mission is not to generate profit for their own benefits rather than to help the poor borrowers to move out of poverty.

**Table 4-16: Respondents' perception on COs' interest rate (n=71)**

	How do you rate the interest?	Frequency	Percent
	High	2	2.8
	Low	58	81.7
	Very Low	11	15.5
	Total	71	100.0

(iv) *Respondents and the use of loans*

In *Table 4-17*, 38 (53.5%) of the respondents used their loan to finance their agricultural activities, 15 (21.1%) used for education, 2 (2.8%) for medication, and 16 (22.5%) took loan to run micro-businesses. These findings show variation in how the members used their loans. The variation might be that the needs of people differ from one to another. The findings by Emmanuel (2010), who conducted a study about poverty alleviation mechanism in Nigeria, reflect the same with the results of this study. Emmanuel argued that household-heads in rural areas used their loans according to their needs but in line with the COs' mission and loan conditions.

**Table 4-17: The use of loan (n=71)**

	How you used your loan?	Frequency	Percent
	For Agriculture	38	53.5
	For Education	15	21.1
	For Medication	2	2.8
	For Business	16	22.5
	Total	71	100.0

v) *Impact of Loan on Members' Productivity*

The findings in *Table 4-18* indicate that the majority of respondents 70.5% [(strongly agree 20 (28.2%) and agree 30(42.3%)] argued that the loan enabled them to improve productivity in their economic activities. These results closely resemble those of Mushtaq (2008) in her study "Role of Microcredit in Poverty Alleviation" which was conducted in rural areas of Pakistan. Mushtaq found that 117.1% of microcredit members were able to increase their productivity. Furthermore, Mushtaq affirmed that COs, through provision of microloans, enabled rural dwellers to establish micro businesses and master their own destiny.

Also the successful story presented by Yunus (2002) substantiates the descriptive statistics. Furthermore, we quoted one of the successful respondents (a small-scale entrepreneur). She narrated her story as follows:

*I'm very happy with the loan I received from the COs. It has made me to prosper in my business. Before I got a loan, my capital was twenty thousand shillings only which made me to generate a profit of two thousand only per day. But from the time I received a loan of 100,000Tshs from the COs in 2010, my business started to prosper, and now up to March 2013, I am owning a capital of 1,000,000Tshs on which I'm able to generate a profit of ten thousand per day. I have employed two people and I pay each of them 80,000Tshs per month. I'm very proud with my employees because they are very trustful and productive. Before I got loan, I was just working alone and earning a little. I advise my fellow business women to ask for loan from the COs. I'm sure they will grow in their business if they will use their loans effectively and accordingly.*

**Table 4-18: Impact of loan on members' productivity (n=71)**

Do you agree that the loan helped you to improve your productivity?	Frequency	Percent
Strongly agree	20	28.2
Agree	30	42.3
Disagree	5	7.0
Not sure	16	22.5
Total	71	100.0

#### d) Agriculture

The majority of the working population in rural areas of Tanzania is formed by self-employed in agriculture. In this sub-section, we examined how the COs supported people to improve in agriculture. We developed the following main question: *Does agriculture positively impact on poverty reduction?* We addressed three questions to the respondents in order to get answers for the mentioned main question.

##### i) COs' Support to Agriculture

Table 4-19 indicates the ways the COs have supported the members in improving their agriculture. The results reveal that 29 respondents (19.3%) were given microloans to finance their agricultural activities, 17 (11.3%) got training, followed by 91 (60.7%) who were supported on

agricultural inputs, and 13 (8.7%) respondents said they did not receive any assistance. These results divulge that agricultural inputs are very important for improving agricultural productivity.

In the interviews, we asked the respondents what kind of inputs the COs supplied to them. We found that the COs have provided a small tractor commonly known as Power Tiller, ox plough, seeds and fertilizers at a subsidized price. For example, one of the respondents said; *“I was among the community members who were supported with an ox plough in 2006 to improve our mode of cultivation from hand hoe to more efficient cultivation method.*

This information implies that lack of agricultural inputs was among the major constraints for agricultural development in the study area before the formation of the COs.

**Table 4-19: COs’ support to agriculture (n=150)**

How the COs supported you in Agriculture?	Frequency	Percent
Giving microloan	29	19.3
Through training	17	11.3
Giving agricultural inputs	91	60.7
No any support	13	8.7
Total	150	100.0

ii) *Effect of COs’ support on Members’ Agricultural Productivity*

The findings in *Table 4-20* expose that the majority 103 (75.2%) of the respondents [17(12.4%) strongly agreed and 86(62.8%) moderately agreed] argued that they managed to increase their productivity in agriculture after receiving assistance from the COs. However, 20 (14.6%) disagreed, and 14 (10.2%) said that they were not sure. To substantiate the descriptive statistics findings, one of the respondents in the interview said;

*After I shifted to ox plough from hand hoe I managed to cultivate an average of 3 to 4 acres in one season with an average of 6 bags per acre. The change enabled my family to have sufficient food the whole year round and surplus which was sold to get funds necessary for meeting medication, education and other social services.*

He further added,

*When we got a small tractor commonly known as 'Power Tiller' in 2009 in our community, I personally managed to cultivate 10 acres of land. This was not possible before.*

These results confirm the Economic Development Initiatives' (EDI, 2007) survey on 'Poverty, Welfare and Services' in Singida District Council. The study by EDI found that 90% of farmers in rural areas were able to improve their agricultural productivity after receiving agricultural inputs, microloan, and training from the government and other stakeholders including the COs.

**Table 4-20: COs' support on members' agriculture productivity (n=137)**

Do you agree that after receiving support in agriculture from COs your productivity has increased?	Frequency	Percent
Strongly agree	17	12.4
Agree	86	62.8
Disagree	20	14.6
Not sure	14	10.2
Total	137	100.0

(iii) *Challenges facing the Members in Agriculture*

In rural areas of Tanzania, most of the people depend on agriculture produce. These people face several challenges. In this sub-section, we explored the challenges facing the farmers in agriculture. The results in *Table 4-21* show that the majority of respondents [86 (62.8%)] claimed that access to reliable market was the main challenge facing the agricultural sector, and that the COs had failed to solve this hurdle, 24 (17.5%) argued that access to capital was the challenge, while 27 (19.7%) said lack of enough agricultural inputs was the problem. Consequently, in the previous section, the result portray that there were few members who received agricultural inputs. In the interview session we quoted one of the interviewees saying;

*We are now somehow happy because we are able to access micro-loans that have contributed significantly to the improvement of our economic position of our members than before.*

*Our loans we are getting from COs are still very small such that it is difficult to finance a significant and more profitable agriculture scale which eventually can boost us to move out from vulnerability of poverty. Finally, she urged, we ask the government and other stakeholders to support the COs so that we can borrow a large amount of micro-loans which could enable us to finance our*

*agriculture and generate substantial income that could enable us to meet our needs*

These results are consistent with the findings of REPOA (2007) which asserted that co-operative organizations were not able to link peasants to reliable market sources. Furthermore, the same study by REPOA (*ibid*) claimed that access to enough agricultural inputs and loan remained unsolved problems to many farmers in rural areas of Tanzania.

**Table 4-21: Challenges facing the members on agriculture (n=137)**

What challenges facing you on agriculture that the COs have not solved?	Frequency	Percent
Access to reliable market	86	62.8
Access to capital	24	17.5
Access to agricultural inputs	27	19.7
Total	137	100.0

#### 4.2.3 The Most-Supported Services

In this sub-section, we asked the respondents to indicate which area among others was significantly supported. The results in *Table 4-22* revealed that the highest percentage (30.7%) suggested agriculture, 24% indicated education, 16.7% said nutrition and health, 6.7% claimed clean and safe water, 12% cited social capital, and 10%.said financial capital.

Therefore, from these findings, we conclude that agriculture was supported significantly than other sectors. The reason for agriculture being given high attention is that the majority (80%) of members in the study area and other rural areas of Tanzania depend on agriculture than other sectors (see *Table 4-6*). Thus, empowering the members in agriculture is the right way to fight against poverty.

**Table 4-22: The most supported area on poverty reduction (n=150)**

Which area the significant contribution of COs on poverty reduction is seen?	Frequency	Percent
Agriculture	46	30.7
Education and training	36	24.0
Livestock extension services	25	16.7
Marketing	10	6.7
Social Capital	18	12.0
Financial Capital	15	10.0
Total	150	100.0



#### 4.2.4 The Roles of COs in Improving Living Standards

This sub-section presents the views of the respondents about the role of COs in improving the living standards as an indicator for poverty reduction. In this study, we measured the living standards by looking at the changes made by COs in education, social capital, financial capital, agriculture, clean and safe water, and nutrition and health. We used the mentioned variables because the literature argues that improvement in these variables lead to positive impact in the level of production which affects the level of consumption; and, hence, good living standards can be observed. The presentation in this sub-section begins with descriptive statistical results, and then followed by supportive qualitative evidences gathered from interviews. In interviews, the researcher asked the respondents different prompt questions to gather more information.

The study findings, in *Table 4-23*, demonstrate that a total of 133 (88.7%) respondents agreed that COs had enabled them to improve their standards of living. However, the results divulge that 10 (6.7%) disagreed, while 7 (4.6%) said they were not sure. These results establish that the majority credited the role of the COs in improving their lives. The findings reflect the same results revealed by Emmanuel (2012) who argued that the COs' engagement in dealing with social problems in rural societies has transformed lives of many people from poor to better level.

**Table 4-23: The COs in improving people's living standards (n=150)**

Do you agree that the COs helped you to improve your standards of living than before?	Frequency	Percent
Strongly Agree	27	18
Agree	106	70.7
Disagree	10	6.7
Not sure	7	4.6
Total	150	100

Similarly, the findings from interviews reflect the same result. In line with the results, we considered an increase in production, increase in income generation, having enough food, affording school fees, clothes, health costs and other social obligations are the indicators for the improved standards of living. In the interview when we asked one of the respondents from Laghanida Village: *what are the indicators which show your life has improved than before?* The respondent put down the following evidence:

*My personal involvement in Income Generating Activities (IGA) group from 2007 up to day (June, 2013) principally has helped me to increase my capacity for taking care of my family's needs like food, school fees,*

*clothes, health costs and other social obligations. Also from what I earned from the income generating activities I managed to build a nice house for my family. In addition to this, I also acquired a milling machine as an alternative source of income. I would like personally to thank World Vision for their long support to the neediest people like me. Through their support we have managed to transform our lives.*

Furthermore, we captured a significant story demonstrated by a household-head with a family of one wife and five children (a family of seven members) living at Busa sub-village at Malolo village. He started narrating his story by saying:

*I started agricultural activities in 1993. My farming system was very poor because of the poor tools. I used only hand hoe even though I had a fertile land. I thought that was enough to produce food but it exactly proved a failure. I used to cultivate large area of land but harvested very little. However, because I was comparing myself with other villagers, I just felt comfortable. When the World Vision organization, through SACCOS at Mtinko ADP, came to our division, it managed to train us about agriculture. I attended their seminars and succeeded to visit the Agricultural College called LITI at Mpwapwa in Dodoma region. After getting that education about agriculture, I made a lot of changes in my agricultural activities. From then, the project workers of Mtinko ADP were visiting me to know the progress.*

*When I started agricultural activities in 1993, I used to harvest only 2 or 3 sacks of maize of 100Kgs, 2 sacks of millet of 100Kgs, and 3 or 4 sacks of sunflower of 60Kgs per acre. After training, the harvest increased to 7 or 8 sacks of maize of 100Kgs, 8 sacks of millet of 100Kgs and 12 sacks of sunflower of 60Kgs per acre.*

*With a new harvest, I managed to build a better house than what we were living in before. I have also bought an ox-cart and I am sure about feeding my whole family throughout the year. These successes have increased my confidence to mobilize and encourage my fellow villagers (community) to adopt improved cultivation practices as well as livestock keeping. I also managed to cultivate a model farm for the villagers to learn practically. Therefore, I have every reason to thank the COs for their effort of mobilizing and training our community members on various issues including agriculture.*

Therefore, from these two stories, we observe that the COs have made a significant contribution in poverty reduction to the COs' members in the study area.

### **4.3 Qualitative Evidence: Findings from Informants**

Our focus in this section is to explore information which was not obtained from the members. The findings presented in this section were obtained through documentary reviews and interview methods from three key informants - one co-operative officer from each district under study, and a community development officer from the DED's office. The findings were highly qualitative in nature. In this section, we analyzed data manually in line with thematic approach. We interpreted the informants' responses to match with descriptive results of the previous sections.

#### **4.3.1 COs' Programmes for Empowering Members**

The present study found that poverty reduction could be seen through improving members' living standards. In line with this argument, we interviewed the informants to ascertain if there is any evidence to show that the COs had empowered people to improve their living standards than before. Similarly, under this section, we used the same measurements as those we presented in sub-section 4.2.9. Therefore, our focus was to check whether the established projects had impacted positively on the lives of people or not.

#### Education

We reviewed different documents from the project managers' offices and found that the organizations had supported the construction of a new primary school at Mnung'una sub-village which helped to reduce the distance (from 6 kilometres to 2 kilometres) and time (from 1.5 hours to 30 minutes). Moreover, we found that the organizations had constructed five houses where 15 teachers were living comfortably. In *Table 4-7*, the results indicated that 115 people got education support in terms of school fees and other necessary school materials.

Similarly, during the interview with the community development officer, we found her responses confirming the information produced by other informants. She said:

*"The COs' education project has enabled the districts to improve primary education whereby 400 primary school children were now studying in encouraging atmosphere through the support of 130 desks to four primary schools.*

*Further, this has resulted into maintaining the ratio of 1:3 attained in 2012 regardless of enrolment growth. Also the support of 1495 text books to 23 schools has reduced the ratio of text books to pupils from 1:14 to 1:5 for the year 2012."*

From these findings, we can conclude that the COs put more emphasis on improving teaching and learning environments for teachers as well as pupils at primary education level.

### Microloans

The gathered information, in this study, indicates that the COs have provided microloans to members through the social groups formed. In 2012, the COs granted loans to 426 farmers (40 groups) who directly benefited by getting Mkombozi loan from the Singida branch of Vision Fund Tanzania for crop production. Also, 96 businessmen and women (10 groups) benefited from business loans. The loan empowered the farmers, and businessmen and women to increase their income at the household level. According to the World Vision, Mtinko ADP project manager, Mkombozi loan programme has improved the life of farmers.

*“The Mkombozi farming loan programme enabled farmers to expand their cultivation area from an average of five acres before the loan to ten acres after receiving the loan per respective person. This happened because in the last year 2012, our organization through Vision Fund Tanzania, Singida branch, lent about 62 million Tanzanian shillings. Access to this capital enabled farmers to cultivate 955 acres of cash crops and 167 of food crops respectively, and thereby managed to improve their lives”.*

These findings reflect the same picture as revealed from members’ arguments concerning how loans have impacted their lives. The quantitative (descriptive) results in *Table 4-18* portray that 70.5% of loan members have experienced a positive change in their living standards after receiving loans.

### Agriculture and Food Security

Data reviewed from non-profit organisations’ (NPO) documents reveal that production per acre increased from the year 2004 to 2011. Production per acre increased from 3 bags to 7 bags of maize, 3 bags to 8 bags of millet, 2 bags to 5 bags of sorghum, and 4 bags to 12 bags of sunflower.

Furthermore, the informants said that more than 200 members were now using improved agricultural inputs such ox-plough, small tractor (known as Power Tiller) and quality seeds, which enabled the peasants to increase their production per acre. The findings confirm the story narrated by the household-head from Busa sub-village of Malolo village (see sub-section 4.2.9).

#### 4.3.4 Challenges Facing COs

Despite their considerable contribution and strengths, co-operative organizations also suffer from a number of challenges that limit their capacity to serve as instruments for reducing poverty. Findings from the informants reveal the following limitations;

##### Resource Limitations

We found that co-operative organizations suffer from perennial resource limitations that often inhibit their ability to sustain their programmes, to achieve a sufficient scale of operation, and to maintain the degree of independence and autonomy required to carry out their advocacy role with sufficient force. Funding for some programmes lasts only for a year or a shorter term. When the funds are gone, running of projects and programmes also stop. The informants argued that COs in developing countries, like Tanzania, lack enough funds to run their organizations.

Our observations show that, since poverty alleviation is often a long-term process, fluctuation of resources affect programme success, trapping organizations in a state of searching for funds that limits their ability to devise a long-term strategy.

##### Inadequate Management Capacity

All key informants claimed that co-operative organizations lack the management skills to put their good intentions into effective operation. The organization can score high in responsiveness yet lack the planning and financial management capabilities to deliver on their promises over the long run. The findings show that accounting standards employed by COs sometimes differ from those of other business enterprises and government. Such incidences often limit the ability of the organizations to demonstrate their effectiveness or track their use of resources.

For more verification, we interviewed the project managers of both organizations. They reported the same issue in the same context, so we decided to document the words of one of them:

*Our organization has been suffering from lacking experts who could help us in management. We also lack experts for training the people in different fields like education, health, agriculture, business, human rights, nutrition and sanitation. We normally hire external experts who are very expensive and sometimes do not come to deliver services on*

*time. To get experts you need to pass through a very complicated bureaucratic process and you have to waste a lot of time”.*

### Conditions from Donors

This study also found out that conditions from the donors, in some cases, limited the operation of the organizations. In this study, we found that World Vision and Action Aid depend on funds from external donors who direct them what to do and what not to do. The information from key informants depicts that donors direct the organization management to initiate a programme which, sometimes, is not in accordance with the community needs. When we asked the Action Aid’s project manager if the conditions from donors affect their programmes, he stated the following:

*I do believe now that money is power...it’s everything. My ten years of working with co-operative organizations gave me a great experience that when you depend on someone she/he will dictate to you to do whatever he/she thinks... it does not matter how smart you are.*

*Dependency on funds from the external donors contributes greatly to our failure to meet our organizational goals. The situation is worse as we do not have the independence and autonomy required to carry out our advocacy role with sufficient resources at times when the donors delay or refuse to release money.*

This implies that the organizations can not start projects in the absence of external support in terms of money and, in some incidences, they have to adhere to the donors’ directives.

## **5. Conclusions and Recommendations**

### **5.1 Introduction**

This section presents the key conclusions of this study. Apart from this ‘Introduction’, sub-section 5.2 presents the summary of the findings basing on the factors for poverty alleviation as conceptualized in this study. The implications and recommendations made in this study are presented in sub-section 5.3. Sub-section 5.4 is about the contributions made by this study to the body of knowledge. The limitations for this study and suggested areas for future studies are presented in sub-section 5.5.

### **5.2 Summary of the Findings**

In this study, we conceptualized that education, social capital, financial capital, agriculture, clean and safe water, and nutrition and health are factors that the

COs can use to help people to reduce the degree of poverty in their rural communities. This sub-section presents, in a summary, the key findings of the study as revealed from the respondents' responses.

Basing on findings in Section 4, we conclude that formal education plays a significant role in poverty eradication as it strengthens human capabilities that help people to fight for life betterment. In the findings, we found that members with better education were better off in life compared to those with no formal education; when other factors are held constant. Similarly, the results indicate that the engagement of the COs in training the members in different life skills greatly contributed in improving living standards of people in the study area.

In this study, we examined the role of the COs in helping people to form social networks which are great and significant tools in poverty reduction to the people living in rural areas. From the findings, we found that several networks were formed and, significantly, they had played a multi-dimensional contribution to poverty alleviation among the COs' members. The established social networks facilitate co-ordination and cooperation among the members for mutual benefits.

Also, we thought it was important to know whether the COs had enabled the poor to have loan access. Different empirical evidences indicate that financial capital, when combined with other resources, influences the struggle of people in improving their living standards. Likewise, the results in this study show that the COs have provided microloans for a few members. The organizations charged low interest rate for the loan taken. The same results indicate that the loan members have moved a step forward to districts building socio-economic capacity when compared to the time before they got loan.

Furthermore, the results in the previous section reveal that there is a positive relationship between agricultural growth and poverty reduction. We observed that those members who received support for agriculture from the COs in form of inputs, microloans, and training were able to increase their productivity per acre than before. This implies that improvement in agricultural production enabled the farmers to transform their lives. However, the findings divulge that reliable market for agricultural products in the study area was a big challenge that the COs had failed to mitigate it. Farmers claimed that they were highly exploited by the middlemen.

Another independent variable that we looked at, in this study, was clean and safe water. Based on the empirical evidences reviewed from other studies; the results show that the long distance the members walk, specifically the women in the study area, to fetch water had been a great obstacle to their social and economic development as they waste a lot of time and energy.

The findings, in this study, also show that members supported by COs to have clean and safe water access were likely to allocate enough time to engage more in productive activities and that they were able to improve their living standards. However, the same results indicate that the COs were not able to support a significant population to have clean and safe water access due to limitation of resources, particularly funds.

Despite the contribution made by the COs in improving nutrition and health of the people in the study area, we found that typhoid and malaria were still a great threat to socio-economic development of the society. These diseases are still affecting and killing a significant number of people in rural areas of Tanzania. When ill, the members fail to engage in different economic activities; and hence, accelerate the rate of poverty.

Also, the same findings revealed that some members were suffering from malnutrition due to lack of adequate and proper food. The findings showed that poor sanitation was among the key causes of communicable diseases in the area of this study. This implies that poor sanitation, on the other hand, accelerates the rate of poverty in the community.

Apart from the limitations and a lot of challenges that the COs face, as the findings divulge in the previous section, we generally conclude that co-operative organizations have played a creditable role to poverty reduction and improvement of people's living standards in the study area. The study results established that agriculture was given a first priority and significantly supported (at 30.7%) than other sectors. The COs have enabled people to form different social networks which play a great role on connecting and coordinating them.

Through formation of different social networks, the members became able to have access to different social, political and economic information which, in one way or another, contributed for their life transformation.

### ***5.3 Implications and recommendations of the Study***

To improve the contributions that co-operative organizations can make in poverty alleviation in rural areas, a number of changes are suggested. This study has awakened some implications and recommendations which are relevant to the Government, COs, business companies, the poor themselves, and other development stakeholders.

#### ***5.3.1 Co-operative Organizations***

The conclusions we have drawn from the findings imply that co-operative organizations need sufficient resources and time to pursue their poverty alleviation efforts effectively. In this study, we found two critical resource



challenges facing the COs: First, the COs lack enough funds to finance their projects. They depend, almost 100%, on the external donors. Once the external donors face economic hardship, the COs suffer from the same problems, Consequently, donors dictate to the COs what to do and what not to do; even if the project has no positive impact on poverty reduction.

Our recommendation is that the basic capacity of the COs for managing poverty alleviation efforts should be strengthened by diversifying sources of funds. The COs should be creative by establishing their own economic investments which will be generating income to finance their projects.

We also advise the COs to have a strong networking and coordination. To improve their work in poverty alleviation, COs need to work more closely together and collaborate more effectively with the Government and business companies. A created friendly-relationship will be a powerful strategic tool for them to encourage the Government, internal and external companies, institutions and individuals to donate for public projects.

The second challenge is lack of management skills which resulted from the shortage of skilled and experienced personnel. Lack of skilled personnel limits the ability of the COs to demonstrate their effective use of other resources towards poverty eradication. This study recommends that the COs are required to train their own personnel to acquire the right management skills rather than always hiring experts from external sources.

As we noted earlier, poverty reduction is a complex process which needs a multi-strategy and different people to work together for success. We recommend, therefore, that the business companies should consider sponsoring the COs' personnel, from time to time, to acquire appropriate business knowledge and skills.

The findings, in this study, indicate that more emphasis was placed on primary education and less effort put on tertiary education. The implication of these findings is that the large population in the study area holds primary education. We recommend to the COs and other educational stakeholders to invest more in high levels of education. Other factors held constant, higher levels of education often play a significant role in socio-economic development than lower levels. Empirical evidence portrays that the poor are more likely to be less educated (REPOA, 2008). Also, for the case of entrepreneurs, findings of previous studies have shown that entrepreneurs with high levels of education are likely to expand their businesses more than those with low levels of education (Davidson, 1991; Kolvereid, 1992; Olomi, 2001; Tundui, 2012).

For social capital, the findings imply that there is a need for co-operative organizations to encourage people to form more strong social networks and community-based organizations (CBOs).

Moreover, the conclusion made in the findings indicates that access to clean and safe water was not being given high attention by the COs because it was not their priority. Water sources and services are still not satisfying the members. This implies that water-borne diseases such as typhoid and dysentery will continue to affect many people and greatly threaten the efforts in fighting against poverty. Our recommendation is that, the COs in collaboration with the Government and other stakeholders together with the members themselves should drill more water holes.

Furthermore, the results in this study and other previous studies (like of Tundui, 2012) indicate that financial capital is a crucial factor for building economic capacity. In this study, however, we found that access to loan does not indicate a significant number to the majority members. We observe two implications on this: First, many people living in rural areas are not aware of the existing loan opportunities and likely they are blind on loan access procedures. Second, the COs and other micro-finance institutions (MFIs) did not put a serious attention on giving loan. Probably, they feared that the poor people could not be able to pay back their loans. Therefore, in this case we recommend that COs and other loan lending institutions should review their loan policies to give the people living in rural areas more loan access opportunities.

Lastly, the findings elucidate that the COs, in some situations, are facing resistance from some non-Christians mostly the Islamic believers to initiate some projects due to misconception that, they would be converted into Christianity. We suggest to the COs to communicate to the people clearly the intention of the expected projects prior to the establishment in order to avoid unnecessary misunderstandings. The COs in collaboration with the local government leaders are advised to educate non-Christians to make them aware of the intention of the project. Religious leaders can be used to convey softly the message to their fellow believers.

### *5.3.2 COs' Members*

The findings, in this study, show that the COs have made some of the members more dependants rather than being independent. This study suggests that the poverty reduction process needs to be seen as the mission of the poor themselves. These people are advised to strive more and work harder to identify and use the available social and economic opportunities so as to be more independent.

### *5.3.3 The Government*

There is misconception about poverty alleviation in Tanzanian communities, especially in rural communities. Some people always blame the Government that it has failed to bring about socio-economic development. These people, at some extent, do believe that it is the Government only which is responsible to bring development to the people. In the study area, the findings revealed that some of the members stay idle just waiting for the Government's and COs' support for everything.

In line with this misconception, it is being recommended that the Government should develop new strategies in dealing with social and economic problems. The poor need to be taught on how to identify and use the available economic opportunities to bring about self-reliance among COs' members.

Further, the Government in collaboration with the COs should place more emphasis on self-employment and entrepreneurship. Today, entrepreneurship is the most powerful tool for fighting against poverty. The study suggests that entrepreneurial skills should be taught to the people living in rural areas.

The Government should integrate entrepreneurship in schools' and colleges' curriculum beginning from primary to tertiary education level. Entrepreneurship for self-employment should be documented in the Governments', COs' and other institutions' policies, regulations, legislations and various guidelines. Formal education, seminars and workshops will help many people living in rural areas to acquire entrepreneurial skills and independent mindset.

Also, in this study, it was observed that if agricultural marketing co-operatives (AMCOs) were financially strong, they could be a great solution for peasants' problems relating to agricultural production. Therefore, it is being proposed that the Government, in collaboration with the COs, should give financial support to co-operatives to make them financially stable so that they can manage to compete in the market by purchasing peasants' crops at good price. It is, further, recommended that all farmers should be encouraged to join AMCOs. This needs the Government and the COs to educate people to see the importance of AMCOs and other social networks.

### *5.4 Contributions made by this Study*

This study made several contributions to the body of knowledge: First, this is the first to examine the role of cooperative organizations as social entrepreneurs in poverty alleviation to the people living in rural areas of Tanzania. Applying our own conceptual framework introduced in chapter two; the study has revealed that education, social capital, financial capital, agriculture, clean and safe water, and nutrition and health variables have a

direct impact in poverty eradication (a cause-and-effect relationship). This implies that when the mentioned independent variables are improved, direct they impact positively in poverty reduction.

Second, the study contributes to the literature by investigating the need for co-operative organizations, government and other potential partners to cooperate and fight poverty alleviation to the disadvantaged people living in rural communities. This study found that it is the right time to make more effective use of the co-operative sector in poverty eradication efforts as the Government of Tanzania alone can no longer afford to provide social welfare to all its citizens. There is a need also for the Government, business companies, COs and other stakeholders to build a partnership for effective fighting against poverty.

Third, this study provides empirical evidence that people living in rural areas of Tanzania need to be imparted with entrepreneurial skills as to enable them to identify and use the available economic opportunities and, hence, make them self-reliant. People in rural areas need a strong networking to coordinate them and fight poverty alleviation. It is the responsibility of the poor themselves to develop the capacity to move out of poverty.

Fourth, the study attempted to explore the missions of the co-operative organizations. The purpose was to see if the missions reflected what the organizations were doing in the area of this study. The findings indicate that the organizations' missions are in line with the initiated projects.

### ***5.5 Limitations of the Study and suggested areas for future studies***

This study attempted to examine the role of COs as social entrepreneurs in poverty reduction. The nature of the study problem compelled the researchers to adopt a survey design. This research approach (survey design) needs a lot of time and money to be allocated. Due to the financial and time constraints, the researchers were not able to cover a large area to address the problem. Instead, they opted to deal with only two specific areas of Mtinko and Ilongero in Singida District. Thus, the findings in this study may not apply to other COs in Tanzania which operate in other areas. Therefore, the areas that were not at the centre of this study's approach are a reserve for future research. These are among of areas we suggest: First, the implication of the findings of this study to the COs operates in urban areas of Tanzania. Second, in this study, the findings revealed that inadequate management capacity affects the effectiveness of the COs in poverty reduction. Thus, other studies in future may focus on outreach factors affecting COs' effectiveness in dealing with social problems.

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