



## Assessing the impact of microfinance institutions' approaches and inclusion of the poorest households in Tanzania: A comparative study of WAT SACCOS and Habitat for Humanity

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### ABSTRACT

Microfinance is considered to be a solution to access to finance by poor people due to the provision of affordable loans. This study is an explanatory one and is aimed at comparing the approaches adopted by the two housing microfinance institutions in Tanzania, namely WAT SACCOS and Habitat for Humanity Tanzania (HFHT). It focuses on establishing the relationship between the approaches used by the housing microfinance institutions in Tanzania and the poverty levels of their clients. Theories that anchored this research were the livelihood approach, organization theory, and social network theory. Both qualitative and quantitative research methods were used, together with secondary data from different literature and reports. An independent-sample t-test was conducted to determine if there were differences in the amounts of loans between the clients of WAT SACCOS and those of HFHT. Results revealed that there is a statistically significant difference in loan amounts offered to clients between WAT SACCOS ( $M=1.4$ ,  $SD=0.59$ ,  $SE=0.09$ ) and HFHT ( $M=2.65$ ,  $SD=1.33$ ,  $SE=0.21$ );  $t(78)=-5.429$ ,  $p=.000$ , i.e.,  $p<0.05$ , representing effect size  $r=0.52$ . This means that at a 5% level of significance, WAT SACCOS clients have, on average, lower loan sizes compared to those of HFHT. An independent-sample t-test was also conducted to determine if there were differences in loan repayment periods between the clients of WAT SACCOS and HFHT. Results indicated that there is a statistically significant difference in loan repayment periods between WAT SACCOS ( $M=11.53$ ,  $SD=1.65$ ,  $SE=0.26$ ) and HFHT ( $M=13.28$ ,  $SD=2.93$ ,  $SE=0.46$ );  $t(78)=-3.295$ ,  $p=.001$ , i.e.,  $p<0.05$ , representing effect size  $r=0.35$ . This means that at a 5% level of significance, there is a statistically significant difference, with WAT SACCOS showing lower means and hence shorter periods compared to HFHT. With average shorter repayment periods, WAT SACCOS is more favourable to the poorest, hence deeper outreach. From the findings, it has been revealed that the lending methodologies affect the inclusion of the poorest, with group lending allowing for more depth of outreach. Although the two institutions use individual lending for housing improvement loans, the group solidarity approach adopted by WAT SACCOS as a form of group lending has enhanced access for the poorest. It is recommended that there is growing recognition that housing concerns affecting the urban poor need to be integrated into urban development planning and political priorities. Also, parties involved in delivering housing solutions are urged to view homes not just as shelters but as tools for alleviating poverty.

**Key Words:** Assets, Financial Services, Housing Microfinance, SACCOS

### I. INTRODUCTION

Housing is one of the three basic needs for the survival of human beings. "It is also one of the best indicators of a person's standard of living and his place in the society" (Adebamowo et al., 2012, p.127). Therefore, a decent housing is a necessity to not only every human but also for the development of communities (Bhandari, 2024). According to Adebamowo et al. (2012) and Mrindoko and Pastory (2022), housing is also considered as one amongst the most expensive goods due to the fact that its production requires a significant investment. This calls for the financial mechanisms to facilitate its accessibility and affordability. However, in most countries access to housing and housing finance by low income earners is still a problem leading them to face either affordable but inadequate or adequate but unaffordable shelter problems.

Tanzania is one of the developing countries struggling with housing shortage due to a growing shortfall in mortgage finance, particularly for poor households. The housing deficit particularly in the urban areas is estimated to be 1.2 units (Moss, 2003). Mortgage financing for the low income families was only provided by the then Tanzania Housing Bank (THB), a state-owned company, which collapsed in 1995 therefore affecting the housing sector (UN-Habitat, 2010). However, the mortgage market began to operate again in Tanzania after the enactment of the Mortgage Finance (Special Provisions) Act in 2008. The Tanzania Mortgage Refinance Company (TMRC), in partnership with Habitat for Humanity International, has recently announce the official launch of Retail and Wholesale Housing Microfinance products to enable low-income households, particularly those in the informal economy, to build, improve, and expand their homes (Habitat for Humanity, 2021).



Since then, the government has made more efforts to support operations of the mortgage market. One of these efforts is the introduction of Housing Finance Project (HFP) in 2010 which led to the establishment of the Tanzania Mortgage Refinancing Company in 2011 (Langhan, 2016). The HFP is a government initiative under the Ministry of Lands, Housing and Human Settlements Development and its operations correspond to the Tanzania Development Vision 2025, which underscores the importance of affordable housing, access to finance and capital markets development (Langhan, 2016). There are also ongoing reforms in the titling process as well as the Unit Titles Act which was enacted in 2008 to improve the mortgage market in the country (ibid). The establishment of the Tanzania Mortgage Refinancing Company has improved the availability of mortgage finance in the country and has managed to increase the number of financial institutions which offer mortgage loans from 3 in 2010 to 19 in 2014. It has also changed loan durations from 5-10 years to 15-20 years, while interest rates has gone down from 22% in 2010 to as low as 16% in 2014 (Langhan, 2016). According to Langhan (2016) the average debt size offered by financial institution is USD 41,000 and the total number of loans growing from 2,748 at the beginning of 2014 to 3,598 by the end of 2014.

The mortgage industry has improved availability of housing finances but does not offer a lasting solution to the housing backlog in Tanzania. It is argued that low income earners have not been able to access mortgage finance. According to Mutero (2010), only 3% of the population can afford loans from financial institutions. In support of Mutero (2010), Kironde et al. (2003) argue that the limited accessibility of mortgage finance to low income people is caused by restrictive requirements such as lack of acceptable collateral, high levels of minimum loans, unemployment and large cash deposits required upfront. In addition, the mortgage financing institutions consider the low income earners as high risk and believe that they do not pay back the loans (Kironde et al., 2003). Failure of the conventional financing mechanisms to facilitate housing financing for the poor people has led to microfinance being an alternative source of housing finance for this group. Several institutions have engaged in providing housing microfinance in the country. These include Azania Bancorp Limited, WAT SACCOS and Habitat for Humanity (HFH) (Mutero, 2010; UN-Habitat, 2010). On the other hand, government initiatives such as formalizing the landed properties in unplanned settlements and the inclusion of housing microfinance in the Housing Finance Project are but a few of the examples of initiatives undertaken to facilitate poor people's access to housing finance (Mutero, 2010; Langhan, 2016).

Housing microfinance (HMF) is widely seen as an essential market-driven approach to addressing the lack of housing financing for low-income individuals, especially those working in the informal economy who are unable to access conventional long-term home loans (Jager, 2016). Designed to support phased home construction, HMF enables households to make gradual improvements, repairs, or expansions to their dwellings. These initiatives commonly involve loans valued from several hundred to a few thousand dollars, with repayment periods usually lasting between one and five years (Jager, 2016). However, whether the poorest of the poor are included in the housing microfinance programmes in Tanzania is still debatable; which is also dependant on the approach that a particular institution adopts. Therefore, the aim of this study is to explain the effects of approaches adopted by the Housing Microfinance Institutions on poorest households' access to housing microfinance in Dar es Salaam city.

### 1.1 Statement of the Problem

Housing microfinance is a convenient source of housing finance to the low income group as the microfinance institutions offer small loans and allow use of alternative collateral other than land. The small loans provided facilitate the acquisition of land, construction of new housing, housing improvement as well as installation of infrastructure, which allow for their incremental development or housing improvement (UN-Habitat, 2005). As put by Hatch and Frederick (1998; p.1) "good practice in microfinance is based on the ability to provide appropriate financial services to individuals and households that are otherwise excluded from the financial system".

Much as housing microfinance is considered as an affordable source of housing finance for the majority poor people, like any other microfinance institution its effectiveness has to be measured from its degree of outreach (Meyer et al., 2000). This, according to Conning (1999) refers to the ability of the microfinance institutions to reach many poor people (breadth of outreach) and more of the poorest of the poor (depth of outreach). This has resulted into two basic schools of thoughts; the 'institutionalists' who advocate for greater scale of outreach with profit maximization being the motive and the 'welfarists' who focus on targeted outreach other than scale of outreach (Conning, 1999). The growth of this sector has resulted into some microfinance institutions providing a separate clientele which targets the very poor and others adopting a non-targeting approach (Hatch & Frederick, 1998).

However, there has been an increasing debate on which approach would serve both the poor and also the poorest of the poor (Hatch & Frederick, 1998) as far as access to finance is concerned. Some authors argue that microfinance is a solution to poor household's access to finance due to its focus on small loans and targeting the poor (Armendriz & Morduch, 2009; Chemin, 2008). On the other hand some authors argue to the contrary as it does not serve the poorest of the poor (Hulme, 2000; Shankar, 2013). Giving an example of Grameen Bank in Bangladesh Chemin (2008) points out that despite focus the poorest people almost 25% of the program participants were not the poorest as they did not fit in the eligibility criteria.

According to Mutero (2010), WAT SACCOS aimed at financing 753 micro loans in three years of its pilot project while Habitat for Humanity Tanzania was seeking to reach 4000 clients from 2009-2012 in one of the poorest Municipalities in Dar es Salaam City called Temeke. Although there are no data to show whether these targets were met by the housing microfinance institutions and whether there has been an improvement, the data provided indicates the breadth of outreach. Moreover by targeting the poorest Municipality, Habitat for Humanity is presumed to focus more on depth of outreach. However there is a lack of clarity in terms of the extent to which the poorest people access finance from housing microfinance lenders. Therefore, this study is set out to bridge the gap in knowledge by assessing the effectiveness of the housing microfinance in facilitating access to finance for the poorest in the Tanzanian context. It will focus on depth of outreach so as to look at the effects of different approaches adopted by the Housing Microfinance Institutions on the poorest peoples' access to housing finance.

## 1.2 Research Objective

- (i) To explain the effects of approaches adopted by the Housing Microfinance Institutions on poorest households' access to housing microfinance in Dar es Salaam city.

## II. LITERATURE REVIEW

### 2.2 Theoretical Review

#### 2.1.1 The Livelihood Approach

The livelihood approach being one amongst the approaches used to measure and theorize poverty basically focuses on household's assets and the way they respond to opportunities, shocks and outcomes brought about by policy interventions (Rakodi, 2002). It advocates for identifying poverty in terms of what the poor have rather than what they do not have (Moser, 1998). It defines poverty by considering assets, capabilities as well as vulnerability. While quoting Carney (1998) Rakodi (2002) defines livelihood as the assets, capabilities and activities required for a living. Hence, the approach proposes that when dealing with poor people much attention should not be centred towards their problems but their strengths or assets (Rakodi, 2002). This argument is based on the fact that poor people may not have the financial assets in terms of cash or savings but they have other assets such as their labour, knowledge and skills (human assets); their families, friends and neighbours (social capital); as well as the house and livestock (physical assets) and the land (natural assets) (ibid). They can utilize these assets to reduce their vulnerability, maintain their livelihoods or accumulate more assets. Therefore poverty is measured in terms of how much assets they hold and their ability to utilise these assets to access and enjoy livelihoods opportunities. However, emphasis built based on assets can lead into neglect of poorest people who are asset less (Chikwira et al., 2022).

#### 2.1.2 Organization theory

Organization theory evolved gradually through contributions from various scholars, starting in the early 1900s with foundational work by classical theorists such as Frederick Taylor, who focused on scientific management, Max Weber, known for his bureaucratic model, and Henri Fayol, who advanced administrative theory. In subsequent decades, new perspectives emerged, including neoclassical, modern, and contemporary views, shaped by figures like Elton Mayo, Herbert Simon, and James G. March.

This is a contemporary view of the firm that suggests a company's goals and operations stem directly from its internal structure. This theory emphasizes the need to examine key organizational features such as structure, membership composition, leadership arrangements, committee roles, staff qualifications, decision-making approaches, and methods used to foster member commitment (Novruzov, 2024). Typically, an organization's structure is intentionally shaped to support its core objectives. Moreover, organizing is seen as an ongoing process involving the identification, categorization, and grouping of activities required to meet specific goals. A central question, therefore, is how these microfinance institutions are structured and whether they can effectively and sustainably oversee their lending programs. Given that structure should align with organizational purpose, it is crucial to assess whether the current setup of a given institution supports its mission. Furthermore, because organizing is a dynamic and continuous activity, periodic restructuring may be necessary to enhance the institution's management effectiveness (Pino-Marchito et al., 2025).

#### 2.1.3 Social network theory

Social network theory: Social network theory emerged gradually through the contributions of multiple researchers over many decades, rather than being the work of one individual. Important early figures include Jacob Moreno, who introduced sociometry in the 1930s, and members of the Manchester School of Anthropology, such as John Barnes and Elizabeth Bott, in the 1950s. The framework was further shaped in the 1970s by scholars like Mark

Granovetter, Ronald Burt, and Barry Wellman, who helped lay the foundation for contemporary structural analysis in the field.

Social network theory examines behavior by analyzing the relationships among actors such as individuals, organizations, governments, landlords, and communities (Bayuma & Abebe, 2023). It emphasizes that fostering long-term behavioral change or an enabling environment requires building connections among people, which in turn supports information exchange and learning within social networks. According to Assefa and Zenebe (2024), social capital consists of the relationships between actors that enable collective action for shared benefits or common goals. This form of capital exists within interpersonal relationships and arises from communication, interaction, cooperation, trust, and resource sharing (Iddrisu, 2025). This paper explores the potential of housing microfinance institutions (HMFIs) in meeting the housing needs of urban poor populations, with a focus on how local communities leverage their social capital to obtain loans from microfinance providers like WAT-SACCOS. Within this framework, loan beneficiaries are expected to collaborate in a structured and coordinated way to achieve set objectives. Strong social cohesion, particularly within small solidarity groups involved in housing initiatives, is considered crucial. Such cohesion depends on effective communication, open exchange of ideas, and the development of mutual trust. The study seeks to address two main questions: first, how do social networks contribute to improved loan repayment? Second, how does WAT-SACCOS and Habitat for Humanity utilize social network principles to unite members of the Dar es Salaam region.

## 2.2 Conceptual Review

### 2.2.1 Poverty defined

Different authors have come up with several approaches which can be used to measure poverty. They include the economic, non-economic and the composite approaches (Sumner, 2004). However, according to Sumner (2004) the approach to be used depends on the definition of poverty. The economic measures are normally used where poverty is defined in terms of basic needs or material standard of living; whereas the non-economic measures are used when poverty is defined in terms of rights and capabilities. For the composite approach both definitions are considered (ibid). The poverty line analysis being the mostly used economic approach, measures poverty in terms of the amount of dollar spent per day by an individual adult (Sumner, 2004). Thus, according to this approach the poorest people are defined as those living below the nation's poverty line (Armendriz & Morduch, 2009). On the other hand poverty is characterized by the level of assets which are available for households within the socio economic and physical context (Rakodi, 2002). According to (Rakodi, 2002), individuals and households are considered poor when they have insufficient resources to enable them meet their minimum welfare level. This means, they are not able to meet their basic consumption needs.

### 2.2.2 Housing Microfinance Concept

Microfinance institutions were initially established so as to provide loans for income generating activities (Smets, 2006). Later on a new portfolio which is housing microfinance emerged so as to enable the poor access housing finance (Smets, 2006). Thus, housing microfinance has been established as a niche product of microfinance institutions (McIntosh et al., 2011; Acash, 2026). It is argued that housing microfinance offers an alternative mechanism for financing housing which meets the needs and livelihood strategies of the poor people by supporting incremental self-building (Kihato, 2013; Smets, 2006; Habitat for Humanity, 2021).

Housing Microfinance defined: Housing Microfinance concept can be described as the interception between the housing finance and microfinance in which both the products and the institutions meet (Cornelis & Ruben, 2008). Operations of the housing microfinance institutions resemble those of the microfinance ones as they all provide small loans, with lowered transaction costs which are all geared towards enabling the poor people access affordable housing finance (Ahern, 2009; Hokans & Porteous, 2025). On the other hand, while referring Daphnis and Ferguson (2004), Kihato (2013, p.7) defines housing microfinance as “encompassing financial services that allow poor and low income clients to finance their habitat needs through microfinance methodologies”. It therefore carries the main characteristic of microfinance which is basically focusing on poor households' access to finance but for this case the loans are for housing development or improvement (Mwita, 2021).

## 2.3 Empirical Review

### 2.3.1 Access to Finance by the Poorest People

Access to finance as one of the assets is one amongst the livelihood strategies used by poor people to maintain and enhance their assets (Rakodi, 2002), housing being one of them. It creates opportunities for households to acquire large sums of money to improve income and reduce vulnerability (Hulme, 2000). This can be achieved through investing in or improving the assets such as housing which can result in improving livelihood conditions hence reduce vulnerability to poorly conditioned housing. However, as already stated the poorest have been excluded from access to finance and make them vulnerable to different situations. To support this, Armendriz and Morduch (2009, p. 170) posit

that "...vulnerability goes hand in hand with having low incomes". Poverty is the key element which affects individual's access relations within different social, political and economic circumstances (Mosse, 2010). It acts as a barrier to access several resources such as finance which affect livelihoods in which housing and housing finance are part of them. Like it has already been stated most of the poor people cannot access the financial institutions due to the stringent conditions attached to the loans as well as the financial institutions' perceptions towards poor people as risk customers (Gutiérrez-Nieto & Serrano-Cinca, 2023).

Moreover, poor people found themselves continuing living in poorly conditioned houses and neighbourhoods especially in economies where prices of land and housing are determined by the market (Slater, 2013). This is basically the result of lack of proper land and housing policies which regulate the operation of the land and housing market (Chikwira et al., 2022). The situation is worse in countries where also land policies do not recognize the rights of people living in informal settlements which house most of the urban poor. The people living in these areas lack security of tenure (Mfuko, 2022). This as a result renders poorest people unable to access finance especially from financial institutions which require proof of security of tenure as one of the conditions for loan provision (Cornelis & Ruben, 2008). Furthermore, the level of poverty can also determine access of the poor people to financial services depending on the approach adopted by the financial institution at their disposal. For the poorest of the poor, their level of poverty will hinder them from accessing the financial institutions which depth of outreach is not their target. This means the poorest of the poor will be left out (Armendriz & Morduch, 2009).

### 2.3.2 Microfinance as a Way of Addressing Access Barriers

Microfinance evolved from the microcredit concept which was an idea introduced by Muhammad Yunus, the Nobel Prize winner in Bangladesh (Duvendack, et al., 2011). Initially the services provided under the microcredit schemes were small loans provided to poor people as a means of reducing poverty (Duvendack et al, 2011). Over the years the services provided changed to include savings funds, insurance, remittances as well as training and development of skills programs (Hermes and Lensink, 2007; Armendriz & Morduch, 2009; Duvendack et al, 2011). Therefore, microfinance institutions can be distinguished from other financial institutions based on their focus on small loans and target on poor people (Motete, 2024). Their development is based on the concept that poor people have been left behind from access to adequate financial services from commercial banks (Hermes & Lensink, 2007; Imai et al, 2010).

One of the criteria used to assess the effectiveness of the microfinance institutions in reaching poor people is the degree of outreach (Meyer et al, 2000). Different mechanisms have been adopted by the microfinance institutions in order to enhance depth of outreach. According to Siwale and Umoru (2026) and Shankar (2013) the mechanisms include the provision of products which favour the poorest of which can be achieved through use of group lending, small and frequent loan repayment amounts as well as non-requirement of collateral; regular visits to the clients so as to enhance physical access; reliance on neighbour reference and address check to reduce need for documentation; training of the customers; group meetings to facilitate sense of security to customers and transparency; and effective communication through drawing of loan officers from the local community.

Although some of the microfinance institutions have started to adopt the individual based lending, the mostly adopted approach is the group lending with joint liability. In the earlier approach the microfinance institutions lend some money to an individual (Beck & Demirgüç-Kunt, 2008). According to Beck and Demirgüç-Kunt (2008) this methodology has been adopted especially where the customer's needs differ from the group's needs. Information costs under this methodology are reduced through relationship lending as a result of regular contacts between the microfinance institutions and the customers as well as making regular repayment as incentive for future loans (Hermes & Lensink, 2007).

In group based lending the microfinance institution lends some money to a group of people who normally live within the same neighbourhood (Hermes & Lensink, 2007; Shankar, 2013). According to the authors, the loan is provided to an individual person but repayment of the same is a joint responsibility of the whole group. This is considered to be a cheaper and efficient approach as the members know each other, hence self-screening and monitoring among the borrowers can be easily done (Hermes & Lensink, 2007). However, despite being the most popular approach, group lending can cause exclusion of the poorest as it does not consider resources such as time and energy spent by the borrowers who leave far from each other (Marr, 2004 in Hermes & Lensink, 2007). Moreover, the group loans are not considerate of the individual borrower's needs, hence making it difficult to adapt (Hermes & Lensink, 2007).

The study by Jaiswa (2022) found that microfinance institutions (MFIs) significantly contribute to reducing poverty and enhancing living standards, primarily through job creation and promoting savings. The research highlights that low-income individuals are capable of saving when provided with the right opportunities and incentives. These savings enable them to build assets for both business and household needs, while also generating interest income. To ensure effective management, the study recommends that MFIs proactively address operational challenges, such as clearly defining roles, recruiting and training staff, monitoring performance, and fostering a supportive organizational culture that motivates employees (Grubbauer & Mader, 2021)



The study by (Sharma et al., 2021) explores the potential and obstacles associated with microfinance as a strategy for poverty reduction. Findings reveal several challenges, including unsuitable regulations, intense competition, a growing diversity of financial products, profitability concerns, operational instability, weak oversight within microfinance institutions, limited funding from donors, inherent borrower default risks, and insufficient awareness among borrowers about microfinance programs. Despite these issues, microfinance contributes to inclusive national development by reducing poverty and improving the living conditions of disadvantaged populations through access to financial resources.

### III. METHODOLOGY

#### 3.1 Introduction

This research is explanatory and hence it intends to explain the causal relationship between the housing microfinance approaches and access to housing finance by the poorest people. Different from descriptive and exploratory researches, which simply describe and investigate on a problem which has not been defined clearly respectively, explanatory research, always intends to investigate the causality of the already known phenomena.

#### 3.2 Research Strategy

Selecting a research strategy is an important stage in conducting research as the strategy directs the way the research is going to be carried out so as to come up with valid answers to the research questions (Verschuren et al., 2010). For this research, the comparative case study has been used with two cases (the housing microfinance institutions namely WAT SACCOS and HFHT) forming the units of analysis. According to Verschuren et al. (2010, p. 180) “a case study is a strategy that tries to gain a profound and full insight into one or several objects or processes that are confined in time and space”. Therefore this strategy is used so as to facilitate understanding of the variations in approaches adopted by the Housing Microfinance Institutions in Tanzania and the way they lead to variations in access to housing finance by the households with the poorest asset profiles. The study compares the two different Housing Microfinance Institutions so as to verify whether one institution can be distinguished from the other in terms of its ability to accommodate the poorest households; hence a comparative study. Moreover, the strategy is based on a co-variation approach as the study aims at explaining the way the independent variables (microfinance approaches) affect the depend variable (access to housing finance).

#### 3.3 Research Methods

The type of research method to be adopted is determined by the type of information required by the research. This research has combined both the qualitative and the quantitative research methods. The need for obtaining information about households’ assets and the way they have facilitated their access to housing finance entails collection of quantitative data. On the other hand, the need for obtaining in-depth information on the operation of the housing microfinance institutions entails collection of qualitative data, which were obtained from the housing microfinance institutions under study. Use of secondary data was also necessary as a way of validating the research as well adding more information. This has also formed part of the triangulation method.

#### 3.4 Sampling

For research to be efficient and practical it is always important to select a study area (Marshall, 1996). However, in order for the study to be able to be generalised back to the population, it is important to draw a sample which is a representative of the population (Marshall, 1996). Thus the most common sampling method is random or probability sampling as the population is well defined and there are equal chances for all the members to be selected (ibid). However, this study adopted the convenience sampling method. This method was adopted due to availability and willingness of the clients to participate in the research exercise. Moreover given the limited research time this was a convenient and easier method to adopt.

A total of eighty (80) clients were selected, forty (40) from each institution. Although the aim was to involve 100 people but again due to willingness of the people and time factors only 80 respondents could be reached (40 from each institution). This is an acceptable number for statistical analysis especially using SPSS as the minimum number of respondents required for the program to yield acceptable results is 30. However, despite the fact that this sample is reasonable enough to allow for statistical analysis it is not a true representation of the whole population hence some of the statistical results might not reflect the reality.

#### 3.5 Validity and Reliability

One of the challenges facing the case study research is ensuring validity and reliability. Data collection, processing and interpretation are highly influenced by the researcher and this can affect the validity of the research

findings (van Thiel, 2021). Use of interviews as a data collection method has been done carefully so as to avoid bias which might affect reliability. In this study, unwillingness of people to participate in the research as well as unreliable information due to fear of disclosing their personal information might have also affected reliability and validity of the research findings. These challenges are also supported by van Thiel (2021). Apart from that, difficulty in obtaining information concerning households' income was also another limitation.

Challenges related to validity and reliability has been dealt with through application of mixed method design known as "triangulation". As put by van Thiel (2021, p. 52) "a tested means of enhancing validity and reliability is triangulation". This refers to the application of more than one method or source to double/triple check the data collected as well as the research results (van Thiel, 2021). Triangulation has been achieved in this research through the data from households, information from the Housing Microfinance Institutions (WAT SACCOS and Habitat for Humanity Tanzania) as well as information from literature.

### 3.6 Data Collection Methods

Different types of data were collected through different data collection methods as explained in this section. Primary data were collected from the field with assistance from one research assistance. However, visit of the respondents' areas of residence was done so as to physically observe the type of houses and the general neighbourhood. The methods used to collect data include interviews and survey. Secondary data included reports from the Housing Microfinance institutions, statistical information on poverty as well as other literature related to this research.

### 3.7 Data Analysis Methods

Use of quantitative data entails statistical data analysis. In this case the Statistical Package for Social Sciences (SPSS version 25) has been used to analyse quantitative data. Qualitative data has also been coded and included in the analysis to qualify the SPSS results. For quantitative analysis, after preliminary activities such as data check and cleaning were done, aggregation of indicators was done so as to establish variables for enabling data analysis process. Reliability analysis was also done so as to ensure internal consistency. In other words the analysis is used to measure how close a set of indicators are related when considered as a group. The results for reliability analysis done for various variables showing their *Cronbach's alpha* values ' $\alpha$ ' are presented in Table 1 in the annex. For internal consistency to be attained the *Cronbach's alpha* value ( $\alpha$ ) is supposed to be  $\geq 0.7$ . However, for this study the *Cronbach's alpha* value of up to 0.3 was used depending on how close the indicators are related. Moreover, some indicators which provided the lowest ' $\alpha$ ' value were considered independently due to their importance in answering the research questions.

## IV. FINDINGS & DISCUSSION

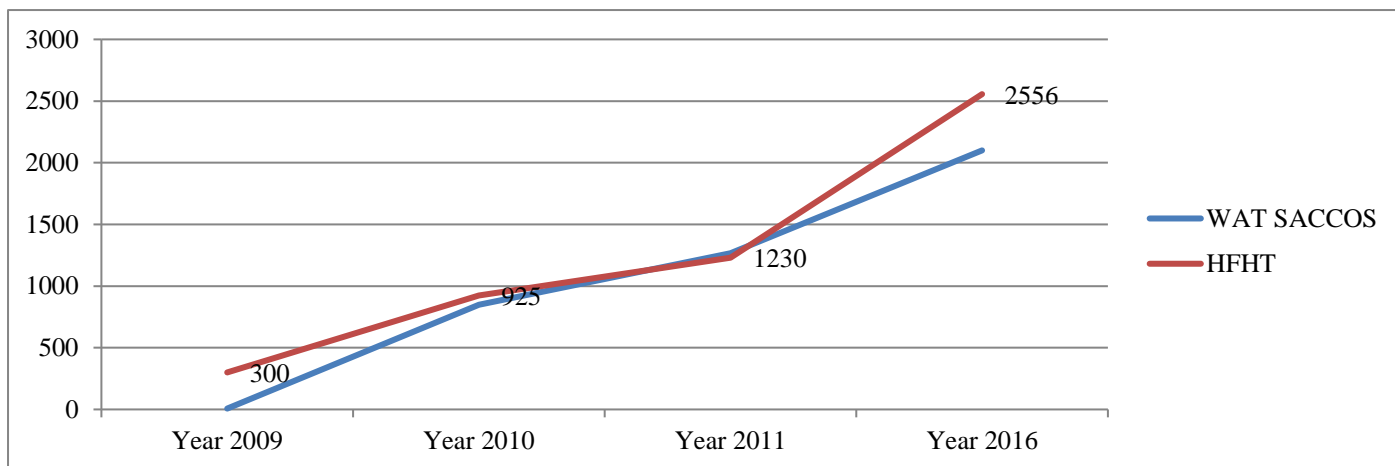
### 4.1 Clients Coverage

#### 4.1.1 Number of Clients

Both WAT SACCOS and HFHT operate in Dar es Salaam City with HFHT extending its operations in Mkuranga which is one of the Coast region's District. Up to June 2016 WAT SACCOS had 14,000 members with number of registered home improvement loan clients increasing from 7 in 2009, 848 in 2010 to 1266 in 2011 and eventually reaching 2,100 in 2016 (Humanity, 2026). On the other hand The MAKAZI BORA project which started in 2009 aimed at reaching 4,000 clients by 2012. In November, 2009 there were 300 registered clients, 925 in 2010 and up to June 2011 there were 1,230 registered clients and 621 active clients. However, data shows that up to June 2016 it has reached 2559 registered clients with current active clients being 750 (Humanity, 2026).

For the case of this thesis the registered clients include all the clients who have been offered home improvement loans and the active clients include those who still have outstanding loan balances.

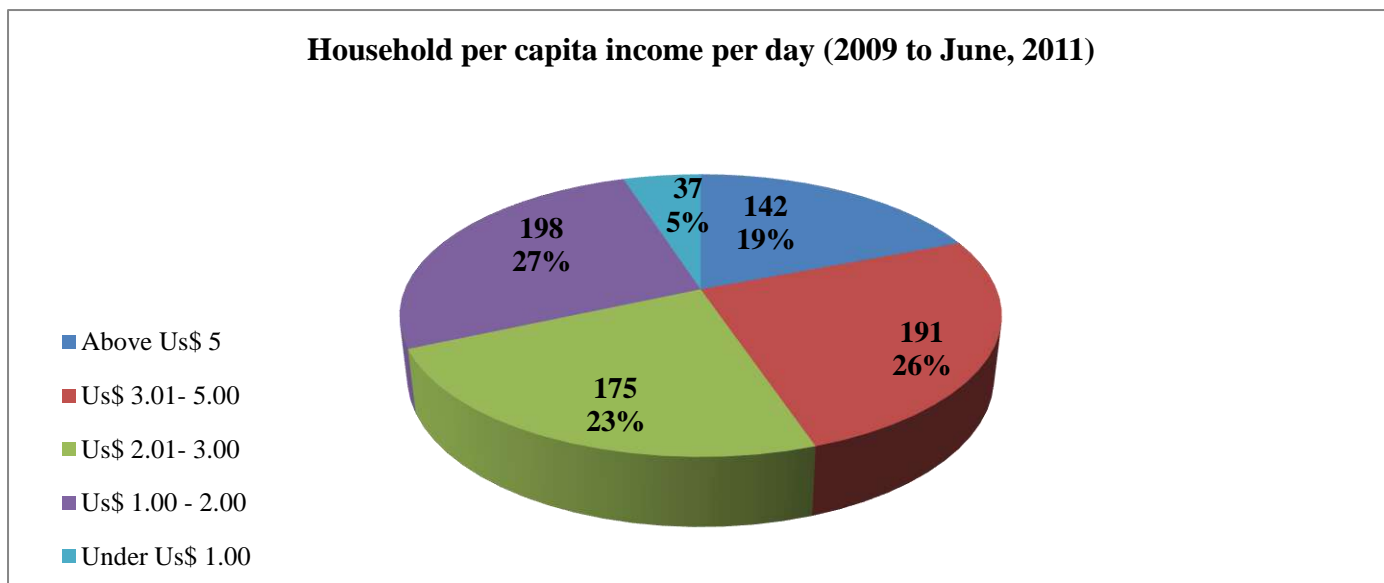
Despite the fact that WAT SACCOS started housing microfinance earlier than HFHT the later has covered more clients. This is also illustrated in Figure 2. Although the difference in number of clients that are served by the two institutions is minimal and hence a need for further analysis, this can be an indication that HFHT is more breadth oriented as compared to WAT SACCOS. As put by Quayes (2012), breadth of outreach aims at creating access to microfinance for a larger number of poor households.



**Figure 1**  
*Clients Coverage*

**4.1.2 Target Group**

One of the characteristics of microfinance is targeting the poor who have no access to formal financial services provided by commercial banks. Both WAT SACCOS and HFHT target the urban poor. However, they differ in the level of poverty that they consider. While WAT SACCOS targets households with income of less than US\$ 1 per day, HFHT targets those earning less than US\$ 5 per day which is an indication that WAT SACCOS has more depth of outreach than HFHT. This is also confirmed by a study done by HFHT Report in 2011 which reported that 50% of HFHT clients were earning between US\$ 1-3 per day and those who were earning less than US\$ 1 per day were very few as shown in Figure 2.



**Figure 2**  
*HFHT clients' per Capita Income.*

According to the Magambo (2024) poverty level in Tanzania base on the national basic needs poverty line which is estimated at TZS 36,482 (US\$ 17) per adult per month and the national food poverty line which is estimated at TZS 26,085 (US\$ 12) per adult per month (Magambo, 2024). These are the poorest people who if they are considered per day they are all below US\$ 1. Thus, by targeting people who earn less than US\$1 per day, WAT SACCOS is more depth of outreach oriented as these are considered to be the poorest as per poverty level measures in Tanzania. On the other hand HFHT is more breadth of outreach oriented as it targets more of the poor people rather than the poorest which is different from what it was presumed to be.

**4.1.3 Mechanisms used to Screen Clients**

In assessing eligibility of her clients, WAT SACCOS considers the socio economic profile of the client which also helps in determining affordability level. Employment status, amount of income received per month as well as



sources of income are some of the important factors that are considered. Moreover, affordability depends on the cost, size and the nature of the housing project; whether it is a new construction project or just upgrading of the existing structures. HFTH also uses the salary slips as well as business records and other family expenditure patterns to assess eligibility of their clients. However, amount of loans that the institution has provided to her clients indicates that there are people who are not eligible as per the income criteria of less than USD 5 per day who have been granted loans. Humanity (2026) report also indicated that the organization does not exclude clients with more than US\$ 5 income per day hence justifying that the institution is breadth of outreach oriented.

### 4.2 Loan Products

The housing microfinance loans that are provided by these institutions are geared towards a range of activities from home improvement to improvement of services that are connected with housing. However, they differ in some aspects. On the one hand WAT SACCOS provide loans for purchase of land, housing construction as well as housing improvement. On the other hand HFHT provides housing loan products for already in progress projects. It does not provide loans for purchase of land. When elaborating on this, HFHT credit officer narrated that;

*“We do not provide loans for purchase of plots or for those who have not started the construction process and thus we normally do site visits before offering loans to clients to make sure that there are ongoing construction activities on the site”* (Nathan Kaizirege, personal communication, 14 December, 2025).

According to him the loans are provided for extension of additional rooms; completion of some parts of the house such as roofs, doors and windows; finishing the house by flooring, plastering, ceiling and connection of utilities; repair or upgrading of damaged or worn out housing components as well as for environmental related projects such as landscaping and gardening. However, this study focuses on home improvement loans only which are provided by both institutions.

### 4.3 Types of Improvements

As already indicated, this study focuses on home improvement loans and Table 1 shows types of improvements done by the clients of the two institutions. As shown in that table 40% of the WAT SACCOS clients, used the loans for adding number of rooms, whereas majority of the HFHT (30%) used the loan for fixing of roofs. Data show further that 55% of the HFHT clients used the loan for finishing works such as flooring, ceiling, painting, plastering just to mention a few (Humanity, 2026), whereas majority of WAT SACCOS clients upgraded their houses by increasing the sizes of the rooms, height as well as carrying out major renovations (Kyessi & Furaha, 2010). This explains that majority of the WAT SACCOS clients had inadequate accommodation as compared to those of HFHT which can also explain the different levels of poverty between the two groups of clients.

**Table 1**

*Types of improvements made using the loans*

Institution	Improvements made to the house						Total
	Adding new rooms	Fixing the roof	Fixing the walls	Repair of floors	Adding utilities	Others	
WAT SACCOS	16 (40%)	7 (18%)	5 (13%)	1(3%)	9 (23%)	2 (5%)	40
HFHT	9 (23%)	12 (30%)	10 (25%)	3 (8%)	4 (10%)	2 (5%)	40
<b>Total</b>	<b>25</b>	<b>19</b>	<b>15</b>	<b>4</b>	<b>13</b>	<b>4</b>	<b>80</b>

### 4.4 Lending Methodologies

WAT SACCOS uses both individual as well as group lending methodologies. Interview with WAT SACCOS loan officer revealed that standard solidarity group model is used in which borrowers form themselves in groups of five (5) to six (6) people who live in the same neighbourhood. However, loans are granted to individuals within the group but members guarantee each other. This mechanism is used to ensure repayment of loans as the social pressure among the group members ensures that repayments are made in time and the guarantors are liable to pay back the loan in case the borrower defaults. Data from survey shows that all WAT SACCOS borrower were granted individual loans under the standard solidarity approach. On the other hand HFHT uses individual lending approach only, but with the requirement of one guarantor as one of the loan conditions. This was also proved by all the HFHT clients.

Group lending has proved to reach the poorest that are not able to meet the collateral requirements needed for individual loans. Although in some cases group lending can exclude the poorest as they are perceived as the riskier members but in Bolivia group lenders have reached the poorest clients as compared to individual lenders hence proving to have more depth of outreach (Acash, 2026). Therefore the solidarity group model adopted by WAT SACCOS which is a form of group lending indicates that this institution is depth of oriented.



## 4.5 Loan Conditions

Each housing microfinance institution has set its conditions which have to be fulfilled by the clients before the loan is provided. Non adherence to any of these conditions may cause rejection of the applicant or for some may equate to breach of conditions which might lead into legal actions being taken against the borrower. However, these conditions according to interviews done by officials of the two institutions were set by considering the nature of their clients, operating costs, risks as well as directives provided by The Tanzania Association of Microfinance Institutions. The conditions are discussed hereunder:

### 4.5.1 Loan Size

The amount of loan provided is dependent on the income of the clients whereby after calculations the remaining income should not be less than 25% of the total income. The amount of loan to be granted depends on the loan phase and they differ depending on the institution as narrated in Table 2.

**Table 2**

*Loan Sizes*

Institution	Loan phase	Minimum loan	Maximum loan
WAT SACCOS		0	4,000,000
HFHT	1 <sup>st</sup> loan	200,000	5,000,000
	2 <sup>nd</sup> loan	200,000	8,000,000
	3 <sup>rd</sup> loan	200,000	10,000,000

**Table 2** shows the current minimum and maximum loans that are provided by the institutions under study. For the case of HFHT the rates have been implemented from January 2015. Before that the minimum loan for all phases was TZS 200,000 and the maximum were 800,000; 2,000,000; and 3,000,000 for the first, second and third loans respectively. Ideally, income levels would be an ideal measure of depth of outreach. However, difficulties involved in getting information on income render loan size to be the mostly used as a proxy for depth of outreach (Quayes, 2012). There is a correlation between the size of the loan and the level of income of the borrower as the amount of loan granted depends much on the income of the borrower. Based on this it can be concluded that the poorer the borrower the smaller the size of the loan, the greater the depth of outreach (Quayes, 2012)

Moreover, survey results show that majority of WAT SACCOS clients (65%) were granted loans of between TZS 400,000 and 1,000,000 as compared to the majority HFHT clients (33%) who were offered loans of between TZS 2,000,001 and 3,000,000. The same data shows further that none of the WAT SACCOS received more than TZS 3,000,000 whereas more than 15% of some of the HFHT clients received between TZS 4,000,001 and 6,000,000. Furthermore, the study done in 2010 by Kyessi and Furaha indicated that the loan disbursed to WAT SACCOS borrowers ranged between TZS 150,000 and 3,000,000. Therefore, based on the argument that the smaller the loan size the greater the depth of outreach, WAT SACCOS proves to be depth of outreach oriented.

An independent-sample t-test was conducted to determine if there were differences in the amounts of loan between the clients of WAT SACCOS and those of HFHT. Results revealed that there is a statistically significant difference in loan amounts offered to clients between the WAT SACCOS with (M=1.4, SD=0.59, SE=0.09) and those of HFHT with (M=2.65, SD =1.33, SE=0.21);  $t(78) = -5.429, p=.000$ , i.e.  $p < 0.05$ , representing effect size  $r = 0.52$  (See Table 1 and Table 2 in the Annex). This means that at 5% level of significance WAT SACCOS clients have on average lower loan sizes as compared to those of HFHT. Based on the argument that loan sizes indicate level of poverty, the results signify statistically that there is a relationship between loan sizes and depth of outreach and thus WAT SACCOS has more depth of outreach as compared to HFHT. In other words the results confirm the argument made by other studies that the lower the loan sizes the greater the depth of outreach.

Moreover, in order to discover whether the effect was substantive the t-statistics were converted into a value of “r”. As the values of “t” and “df” are provided in the SPSS output (as shown in Table C2 in the Annex) the value of “r” can be computed by using the following equation.

$$r = \sqrt{\frac{t^2}{t^2 + df}}$$

NB: This equation will also be used to calculate the value of “r” in the next statistical analyses.

However, despite these statistical results, an interview with HFHT official revealed that about 71% of their clients have been granted loans ranging between TZS 200, 000 and 1,000,000. An increase in the size of loans granted



by HFHT in 2015 conforms to the argument made by Quayes (2012) that the microfinance institutions which have increased their loan sizes have gradually decreased their depth of outreach. This might also be case as the data were collected mostly from the active clients, who were making repayments of their loans which were granted after the increase in the size of the loan.

#### 4.5.2 Loan Repayment

According to interviews, loan repayments for both institutions are done monthly for the duration of between 12 to 18 months for WAT SACCOS and 6 to 24 months for HFHT. This is also the case with the survey results which show that majority of clients from both institutions (77.5% from WAT SACCOS and 60% from HFHT) fall in the 12 months loan duration category. Choice of duration is on the client, but it also depends on the amount of loan and monthly payments which are supposed to be not more than 25 % of the clients’ monthly income. Repayment amount is agreed upon by the borrower and the institution by considering his/her income. For WAT SACCOS borrower’s saving capacity also determines the loan repayment arrangements. For instance, if saving capacity is TZS 50,000 per month it implies that he/she can service the loan by the same amount monthly. However, for HFHT Repayments are made through bank and there is flexibility in payment as the clients can make the payments weekly provided at the end of the month the monthly instalment is met. On the other hand, WAT SACCOS has more flexibility in terms of both payment schedules as well as modes of payments. Clients can pay anytime provided they meet the agreed monthly instalments and payment can be through the bank or by electronic transfer through mobile phones.

An independent-sample t-test was conducted to determine if there were differences in repayment periods between the clients of WAT SACCOS and those of HFHT. Results indicated that there is a statistically significant difference in loan repayment periods between WAT SACCOS with (M=11.53, SD=1.65, SE=0.26) and those of HFHT with (M=13.28, SD =2.93, SE=0.46);  $t(78) = -3.295, p=.001$ , i.e.  $p < 0.05$ , representing effect size  $r 0.35$  (See Table 3 and Table 4). This means that at 5% level of significance there is statistically significant difference with WAT SACCOS showing lower means hence shorter periods as compared to HFHT. With average shorter repayment periods WAT SACCOS is more favourable to the poorest hence deeper outreach as according to Navajas et al. (2000) the poorest are attracted to loans with shorter and frequent repayment schedules due to their lower incomes which are also unpredictable.

**Table 3**

*Loan Duration – Group Statistics*

Loan Duration	Institution	N	Mean	Std. Deviation	Std. Error Mean
	WAT SACCOS	40	11.53	1.648	.261
	HFHT	40	13.28	2.926	.463

**Table 4**

*Loan duration – T-test*

Loan Duration	Levene’s Test for Equality of Variances		t-test for Equality of Means						
	F	Sig	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
Equal variances as assumed	19.392	.000	-3.295	78	.001	-1.750	.531	-2.807	.693
Equal variances not as assumed			-3.295	61.486	.002	-1.750	.531	-2.812	.688

### V. CONCLUSION & RECOMMENDATIONS

#### 5.1 Conclusion

Microfinance has been professed as a solution for access to finance especially to the poor people who do not have access to formal financial services. However, despite the microfinance motive of focusing the poor, it is argued that in some cases microfinance institutions have failed to provide services to some individuals who are financially excluded, especially the poorest because of the approaches they use. This thesis intended to investigate on whether there is a relationship between the approaches adopted by the housing microfinance institutions which is a branch of microfinance and the poverty levels of their clients by considering their asset profiles. More specifically, the study was



intended to confirm the argument that the institutions with depth of outreach orientation allow the inclusion of the poorest clients in their programmes much more as compared to those with breadth of outreach orientation.

In Tanzania housing microfinance is growing slowly with fewer institutions engaging in the provision of varieties of loan products. Of these products, housing improvement loan has attracted many poor clients who construct their houses incrementally. By comparing the two institutions (WAT SACCOS and HFHT) and by examining the asset profile of the 40 clients from each institution, it was revealed that the housing microfinance institutions which are depth of outreach orientated include the poorest clients much more than those with breadth of outreach orientation. In this case WAT SACCOS has been found to be oriented towards depth of outreach and HFHT oriented towards breadth of outreach. By targeting the poor through provision of small loans with short repayment periods and less stringent conditions most of the poor people and especially the poorest are expected to have access to housing finance through these housing microfinance institutions. Generally, findings showed that all the two institutions target the poor and through their targeting mechanisms the poorest are also included. However, with HFHT widening their target to include those earning up to US\$ 5 per day and by considering that the country's poverty line is below US\$ 1 per day, this institution has more breadth of outreach as compared to WAT SACCOS which targets those earning less than US\$ 1 per day who are below the poverty line.

However, targeting alone does not suffice to explain the relationship between the approaches adopted by the institutions and the type of clients that they serve. The extent at which the poorest are included requires assessment of the clients' poverty level. This thesis has used the livelihoods approach which advocates for considering the assets which the poor households command when determining their poverty levels. For the purpose of this research four assets were considered which include the human capital, the financial capital, the social capital as well as the physical capital. From the findings it has been revealed that the lending methodologies affect the inclusion of the poorest with the group lending allowing for more depth of outreach. Although the two institutions use individual lending for housing improvement loans, the group solidarity approach adopted by WAT SACCOS as a form of group lending has enhanced the access of the poorest. The screening done through the group and the method of guaranteeing done by the two group members to a larger extent has eliminated the emphasis for physical collateral especially in the form of landed property as it is in the case of HFHT. The potentiality for deep outreach is higher in group lending as it has the ability of substituting joint liability for physical collateral. Based on the discussions in this paper, it suffices to conclude that there is a relationship between the approaches adopted by the housing microfinance institutions in Tanzania and level of poverty of their clients. The approaches adopted can enhance inclusion of the poorest people in the housing microfinance programmes and hence the deeper the outreach methodologies the more the access to the poorest.

## 5.2 Recommendations

There is growing recognition that housing concerns affecting the urban poor need to be integrated into urban development planning and political priorities. Elected officials and advocates for urban development are encouraged to incorporate housing matters into their policy platforms and action plans. Housing should be promoted as a fundamental right, given equal importance alongside issues such as gender equality and broader development goals.

All parties involved in delivering housing solutions are urged to view homes not just as shelters but as tools for alleviating poverty. Microfinance institutions focused on housing can serve as bridges between major financial entities—such as commercial banks—and low-income individuals, helping the latter gain access to housing finance. While the government continues to take an enabling role, setting policies and frameworks, the private sector drives national development with its substantial resources. Meanwhile, civil society organizations bring specialized knowledge and proven experience in addressing community-level challenges.

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