

# The Influence of Demographic Factors on the Awareness Level of Microfinance Institutions Facilities in Zanzibar, Tanzania

Hamad Mohammed Shkeily\* and Naziruddin Abdullah

Universiti Kuala Lumpur Business School, Malaysia

## Abstract

The purpose of this study is to examine the influence of demographic factors on the awareness level of microfinance institutions' facilities in Zanzibar, Tanzania. Random sampling technique was used and a total of 147 responses were collected electronically using Google form among different groups of peoples in Zanzibar. Using SPSS software, the descriptive analysis was conducted to examine general characteristics of the variables used and correlation analysis was used to test significant relationship between demographic factors and MFIs facilities. The results revealed that, there are significant negative relationships between demographics against MFIs mobile and general services with  $p \leq 0.05$  and  $p \leq 0.01$  respectively. Therefore, whenever more MFIs services are added in a given category, the influence of demographic factors on awareness level is decreasing. However, the strength of the correlation in both cases i.e. correlation between demographic against general services and correlation between demographic against mobile services are not strong. Therefore, it is recommended for MFIs to conduct public awareness program for the available financial services. Perhaps, a well-organised awareness campaign in both rural and urban areas will make people aware the availability of financial services and other opportunities rendered by MFIs so as to attract more customers. It is also recommended for the government to revisit the legal framework and operation costs of the MFIs.

**Keywords:** Microfinance • MFIs facilities • Awareness • Legal framework

## Introduction

Microfinance is very popular concepts from the 21st century. More often than not, Microfinance Institutions (MFIs) perform financial services like deposits, loans, payment services, money transfers, insurance services and so forth [1]. They comprise non-government organisations (NGOs), credit unions, SACCOs, SACAs, Community banks, Commercial banks and non-bank financial institutions purposely to create opportunities for poor people to earn income and subsequently help them to raise their quality of life [2]. As have been shown by many authors, although the MFIs have existed since the 1990's within the region, insufficient amount of capital, high operational expenses and poor legal framework had hindered the growth of MFIs. As the country's economic development is firmly inclined to making sure the accessibility of financial services, the Tanzania Association of Microfinance Institutions (TAMFI) was legally registered to monitor the MFIs operations for ensuring sustainable and inclusive national economic growth [3]. The stakeholders, through governments' respective authorities should facilitate the necessary arrangements to create MFIs awareness among people for the usage of MFIs services in order to boost their social welfares. The concerns raised by various researchers that MFIs services such as saving accessibility, loans with short time processing and other financial services are among potential benefits enjoyed by MFIs stakeholders [4,5]. In Zanzibar, the program is supported by Zanzibar ministry of Finance through the Zanzibar Strategy for Growth and Reduction of Poverty III [6]. It was strategized in accordance with the objective to provide economic development and creating high-quality livelihoods for residents through bolstering MFIs.

The researchers have identified many factors influencing the MFIs awareness. Thong et al. [7] revealed that promotion, social cultural,

education and age are main factors influencing MFIs awareness. On the other hand, Mansor et al. [8] demonstrated only three factors influencing MFIs namely promotion, technology and service quality. Ahuja et al. [5] identified demographic factors such as age, gender, occupation, education, marital status, income can influence awareness level of MFIs services. It can be observed that the demographics factors are vital element for keeping MFIs awareness to public. The awareness level of MFIs located in Zanzibar is very limited as most of MFIs facilities are in town. A good number of people are coming in town to seek financial services like ATM services, deposits, insurance, transfers, and so forth. However, only mobile financial services can be obtained in rural areas with very restricted facilities. It is also noted that, most of users of financial services are teenagers who dwelled in town, therefore the financial opportunities for rural people are not adequately attended to. Worse still, some of the conventional commercial financial services excluded poor people due to the fact that they don't have the required collateral for secured loans [9]

Having said this, the study aims to examine the influence of demographic factors on the awareness level of microfinance institutions' facilities in Zanzibar. The availability of microfinance services allows people to solve social financial welfares and also borrow money for establishment of business. The people must aware the existence of MFIs financial facilities so as to utilize those facilities to the maximum.

Henceforth, the paper is arranged in the following order. Section two of this paper details the recent literature conducted on awareness of MFIs. Section three presents the methodology used including design, sampling framework, data collection procedure and method of data analysis. Section four presents the results of the data analysis including data characteristics, demographic of the respondents, variable characteristics and hypothesis testing. Section five concludes the study whereby it presents the summary of the findings, recommendation and call for further study.

## Literature Review

Various studies related to demographic factors on awareness of MFIs services have been published. The study of Alhuja et al. [5] examined the awareness of various policies and program offered by MFIs in Delhi and revealed that majority of the people from rural areas (83.5%) are unaware of

\*Address for Correspondence: Hamad M. Shkeily, Universiti Kuala Lumpur Business School, Malaysia, E-mail: hamad.h@s.unikl.edu.my

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the micro financing services provided by the MFIs. The finding was associated with minimum efforts taken by MFIs in promoting various services offered. A study [10] contended that the level of awareness on MFIs services is very high for urban people compared to rural people in terms of micro insurances services, micro saving and employment opportunities whereby poor married women are benefited the most. On the other hand, the people awareness to use MFIs services must be established by respective government. The study of Mohd et al. [11] indicated that MFIs services strengthen economic development and improve the people welfare, therefore the government is responsible to take appropriate measures to make sure that citizens are aware about MFIs opportunities. Haridasan study [12] examined the level of awareness among women in rural part of India, The findings depicted that the level of awareness is high in rural area, women in middle age are more aware in MFIs services and more people in rural have benefited from MFIs service as they are motivated to be small entrepreneurs.

In another study, Sles et al. [13] concluded that the demographic factors such as social culture, age and education have no significant influence on awareness on Cambodian Muslims on Islamic microfinance. It was stressed that, MFIs efforts on promoting awareness within the country is still limited. They further recommended that the institutions should utilize radio, TV and Internet like social media and company's website to promote awareness of MFIs services. Udeh et al. [14] observed that there are limited MFIs in rural area in Nigeria. Also, the existing MFIs do show tangible effects specifically to farmers who are the most important economic entity in rural area. As MFIs have high contribution to GDP, they recommended that the MFIs have to extend their facilities in rural areas and farmers in particulars in order to improve rural economic growth. Contrary to the study, Khalaf et al. [15] argued that MFIs has no significant contribution to GDP in Arab countries. This is mainly due to political realities, sectoral determinants, loan size, high interest rates, and moral hazards. Impliedly, people within the region are totally ignore the MFIs services. It was further recommended that policymakers and other stakeholders to revisit regulatory framework of MFIs. The study of Ammar A et al. [16] revealed that about 8 million low income Sudanese were excluded from MFIs services. It was observed that they are in need of MFIs services to improve their wellbeing. The study recommended MFIs to enhance facilities by utilizing technology like mobile banking services as most of Sudanese are more advanced on using mobile technology. Bengi et al. [17] also recommended that MFIs management must enlighten their employees on financial matters by organizing seminars, workshops, and conferences on microfinance services as an initial stage for public awareness. A study [18] confirmed that there is low level of awareness of microfinance products among people in Mogadishu specifically Islamic microfinance products. They also disclosed that low income people are most benefited from MFIs in Mogadishu. The study conducted by a study [9] on the role of MFIs in improving the economic status of women in Tanzania revealed that, the MFIs in Tanzania helps poor people to improve their standard of living. However, it was insisted that the loan provided is not enough for them to boost their business activities. It was noted that, most women have shown positive response towards the microfinance services. A study [19] reported that the MFIs in Cameroon are confined in limited area specifically in urban. Based on income level, MFIs in Cameroon put less priority on poor community though they are in need of it. It was observed that, the wealthy people are most targeted customers in the region as they contributed to profit in most cases of the under studied MFIs. The study further suggested that more women should be targeted and served since only 38.4 percent of the women found to be benefiting from MFIs services. Finally, a study [20] contended that MFIs in Egypt provide more opportunities to low-income groups by providing capital investment. However, the study explored the factors that are affecting the growth of microfinance institution despite the fact that it has great effects on poverty reduction.

## Methodology

The methodology used to design and analyse the data from the study

includes research design, the target population, sampling and sample size, data collection procedure and data analysis and presentation. The study was focused on Zanzibar, Tanzania where the researcher found it easy to get access to the data required. The MFIs had been there in Zanzibar city for so long rendering various financial services. The study narrowed the sample to the individuals who are in the category of low-income and holding banking account with commercial banks, MFIs, Saving and Credit Society Organisations (SACCOs) and Netizens. The research design that was used for the purpose of this study was explorative design, implying that it seeks to explore the influence of demographic factors on the awareness level of microfinance institutions' facilities in Zanzibar, Tanzania. A total of 147 responses were collected electronically using Google form in term of different demographic characteristics among peoples in Zanzibar. The data were entered into an SPSS file and then checked for their completeness and accuracy. The missing values and other errors were checked through the use of the minimum and maximum command. This procedure revealed that some data had been entered erroneously and these data were therefore corrected by referring to the relevant response. In ensuring that the coefficients of the data generated in this study are statistically acceptable, reliability testing of all the variables was conducted. This research has used several data analysis techniques like descriptive analysis and correlation, among others.

## Results

The results were classified into three categories which are data characteristics, demographic characteristic and hypothesis testing. The data characteristics include: reliability of data and normality variables; characteristics such as average and variability of responses; and, demographic analysis includes gender, marital status, age, education level, occupation and source of income. Meanwhile, hypothesis testing was conducted using correlation analysis.

### Data characteristics

Table 1 shows the reliability results measured by Cronbach's Alpha. The items are classified into four main groups, namely demographics, general services, online services and mobile services. It was revealed that the results are reliable and acceptable as the Alpha is 0.67, which is within the required range of between 0.67-0.87 [21].

Figure 1 on the other hand, shows the normal distribution curves of demographics, awareness of online services, mobile services and general services of MFIs. As can be observed, the data are normally distributed.

### General demographics of the respondent

Table 2 shows the general demographics of the respondents such as gender, marital status, age group and highest education level. Male represents 61.90 percent and female makes up 38.10 percent of the total respondents. Based on marital status, 38.78 percent are single, 53.74 percent are married, 5.44 percent are divorced and 2.04 percent are widow. The respondents in the age group of 20-30 years represent 46.26 percent, 31-40 years is 34.69 percent, 41-50 years is 15.65 percent while those above 50 years are only 3.4 percent. The respondents with degree level of education are 45.58 percent followed by those with master degree (29.25 percent), diploma education (17.01 percent), secondary education (3.40 percent), certificate education (2.72 percent) and others, i.e., who are not falling into any of the above categories, represent 2.04 percent.

### Variables characteristics

Results presented in Table 3 show that the skewness and kurtosis of all variables are approaching to zero. The average responses of online, mobile

Table 1. Reliability Test.

Cronbach's Alpha	N of Items
0.67	4

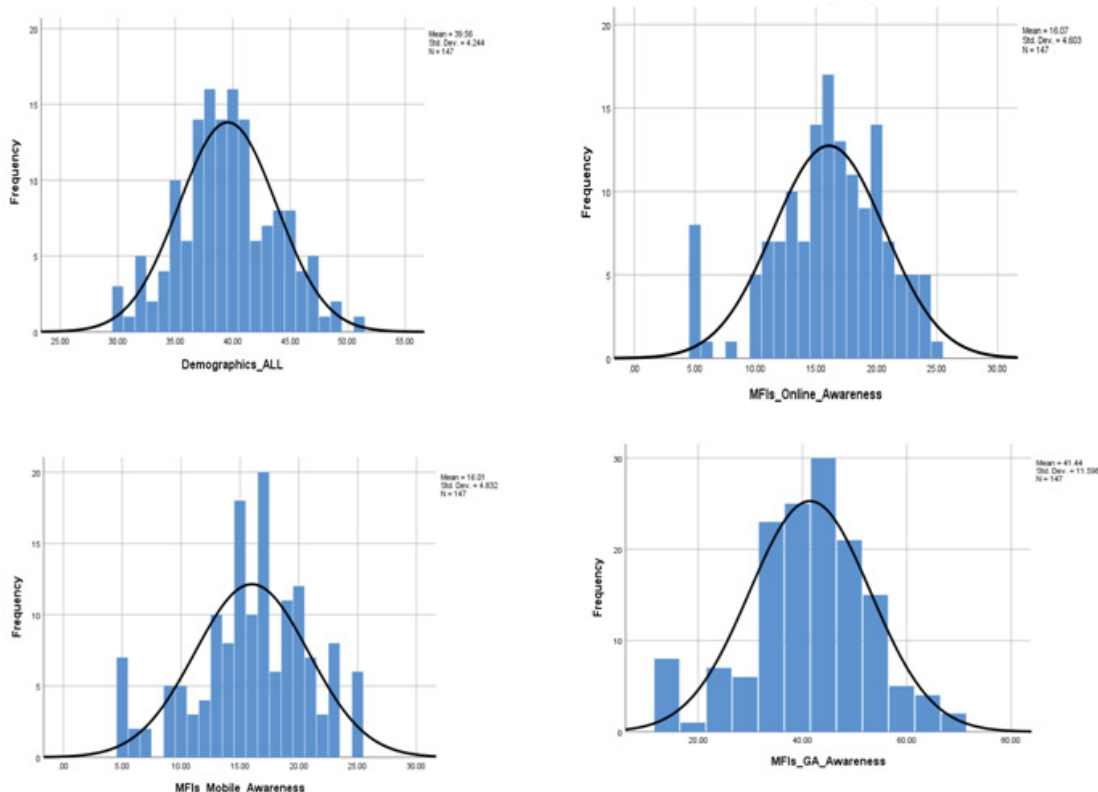


Figure 1. Normality Test.

Table 2. General Demographics of the Respondents.

Gender	Frequency	Percent
Male	91	61.9
Female	56	38.1
<b>Total</b>	<b>147</b>	<b>100</b>
<b>Marital Status</b>		
Single	57	38.78
Married	79	53.74
Divorced	8	5.44
Widow	3	2.04
<b>Total</b>	<b>147</b>	<b>100</b>
<b>Age Group</b>		
20-30 Years	68	46.26
31-40 Years	51	34.69
41-50 Years	23	15.65
Over 50 years	5	3.4
<b>Total</b>	<b>147</b>	<b>100</b>
<b>Education Level</b>		
Secondary	5	3.4
Certificate	4	2.72
Diploma	25	17.01
Degree	67	45.58
Master	43	29.25
Other	3	2.04
<b>Total</b>	<b>147</b>	<b>100</b>

Table 3. Variable Characteristics.

	Minimum	Maximum	Mean	Std. Deviation	Skewness	Kurtosis
Demographics	30	51	39.56	4.24	0.1	-0.16
Online Services	5	25	16.07	4.6	-0.52	0.13
Mobile Services	5	25	16.01	4.83	-0.42	-0.06
General Services	14	70	41.44	11.6	-0.24	0.25

Table 4. Correlation Analysis.

	Demographics	Online	Mobile	General
Demographics	1			
Online	-0.08	1		
Mobile	-.181*	.707**	1	
General	-.242**	.666**	.734**	1

\*Correlation is significant at the 0.05 level (2-tailed)  
 \*\*Correlation is significant at the 0.01 level (2-tailed).

and general services variables are 16.07, 16.01 and 41.44 respectively. When it is compared to minimum and maximum responses, they are all moderate. However, demographics responses were 39.56 higher compared to minimum and maximum responses. The variability of mean observed to be similar for demographic, online services and mobile service equivalent

to 4.24, 4.60 and 4.83 respectively. Only general services reported higher variability equivalent to 11.60.

### Hypothesis testing

The hypothesis of the study was to determine the relationship between demographic characteristics against online, mobile and general services.

The correlation results shown in Table 4 revealed that, there is significant negative relationships between demographics against mobile and general services with  $p \leq 0.05$  and  $p \leq 0.01$  respectively. Therefore, whenever more MFIs services are added in a given category, the influence of demographic factors on awareness level is decreasing. Notwithstanding, the strength of the correlation in both cases i.e. correlation between demographics against

general services and correlation between demographics against mobile services are not strong statistically.

## Conclusion

The study focuses the influence of demographics factors on Microfinance Institutions services (MFIs) in Zanzibar. The study determines the relationship between demographic characteristics against MFIs online, mobile and general services as the main financial facilities and verified as follow:

The demographics factors have been measured against mobile microfinance services (mobile transactions, internet banking and other mobile monies) and general microfinance services such as funds transfers and remittances, loans, ATM and cheque books. The findings show that there are significant negative relationships between demographics against mobile and general services with  $p \leq 0.05$  and  $p \leq 0.01$  respectively. Therefore, whenever more services are added in a given category, the level of awareness is decreasing. The demographics analysis against MFIs general services have also revealed the strength of the correlation in both cases i.e. correlation between demographics against general service and correlation between demographic and mobile services are not strong. Based on the results obtained from the study, it is recommended for the MFIs to conduct public awareness program in regards to the availability of the financial services provided by them. The well organised awareness campaigns in both rural and urban areas will make people aware the latest or added financial services and other opportunities rendered by MFIs. Perhaps, by doing so, it might attract more customers to reap the benefits from such services. Also, people should be aware that the MFIs facilities are open provided that they maintain financial records with respective MFIs. The only thing that is required is for them to satisfy with MFIs requirements in order to enjoy financial services so as to bolster the financial opportunities. They have to open account with MFIs and increase their savings in order to increase the amount of credit with minimum collaterals. The study provides suggestion to the government that, the microfinance customers should be safeguarded by reviewing the existing legal framework. It is also noted that, the transaction cost of MFIs services is not affordable for their customers, therefore the government should revisit the operations cost charged to customers.

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