

# **Farmers' Perceptions of the Purposes and Challenges of Microfinance Credit: A Case Study of the Pride RFW Credit Program for Rice Production in Mvomero District, Tanzania**

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## **Abstract**

The aim of this study was to assess the contribution of PRIDE RFW microfinance credit to rice production in Mvomero district, Tanzania. The study covered four different villages in the district, namely Mkindo, Dakawa, Mbogo and Dihombo. Farmer groups, who are engaged in smallholder rice production and who have taken loans from PRIDE RFW, were interviewed. The specific objectives of the study were: (i) to identify the main purposes for which the loan is used by farmers in rice production, and (ii) to identify challenges faced by rice farmers in acquiring loans from microfinance institutions. Data for this study were collected from farmer focus groups using a checklist of interview questions. Data were organized, coded, processed and analyzed using MS Excel. The analysis was in the form of descriptive tables, charts and graphs. Results indicated that farmers formed groups to obtain loans to improve living standards and to support both farm and nonfarm business activities. Loans provided to smallholder rice farmers in the study villages made a significant contribution to rice production activities as reported by farmers. Loans were used to support land preparation and planting, fertilizer purchase, harvesting and transportation of output to market. Challenges in acquiring credit from PRIDE RFW reported by farmers included the small size of loans available, delays in loan disbursement, short repayment periods, high interest rates, fines for late payment, and a lack of transparency by PRIDE RFW regarding loan availability and credit program procedures. PRIDE RFW staff perspectives on these issues were also reported.