

## ABSTRACT

Microfinance is one area which has to be considered by all development partners for the purpose of improving the income and livelihood of rural and urban poor people. This study intended to examine the impact of microfinance institutions on poverty reduction in terms of accessibility to microfinance services, employment creation, income growth and livelihood improvement as well as sustainability of MFIs as an outcome of government efforts towards the strategy of fighting against poverty among the poor communities especially in rural and urban areas. The study employed a case study design within a framework of mixed methodology whereby purposive and random sampling procedures were used to select a sample of 50 respondents which involved 45 AKIBA Commercial bank clients, and 5 staffs. Data were collected through the use of questionnaires, interviews, focused group discussions and documentary reviews. The qualitative data were analysed following the Miles & Huberman Model of Qualitative Data Analysis while the quantitative data were coded and analysed statistically by the use of computer software (SPSS version 16) giving frequencies and percentages. The findings of the study revealed that, microfinance is very essential for economic development as it plays a significant role towards poverty reduction. However, it was found that MFIs are not much effective in performing their role of reducing poverty in Tanzania. In particular, it was revealed that the accessibility to microfinance services among the poor people is still very low. Based on the research findings, the study recommended that lowering transaction costs, offering services that are more useful to the clients, and finding new ways to provide banking services to the poor will enable large number of poor get loans to boost their lives. Also following the increase in financial inclusion of the poor the study recommended that Tanzania Communication Regulatory Authority (TCRA) need to further the mobile account security as some people have reportedly complaining of theft. Lastly there is need for more future research that must focus on a deeper understanding of poverty reduction since microfinance services have proved tricky towards poverty reduction on the poorest group and requires a deeper analysis.

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