IMPACT OF MICROCREDIT ON PRODUCTIVITY AMONG TANZANIAN ENTREPRENEURS: A CASE OF KIBAHA TOWN COUNCIL

By

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A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION IN FINANCE (MBA-FN) DEPARTMENT OF ACCOUNTING AND FINANCE OF THE OPEN UNIVERSITY OF TANZANIA

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CERTIFICATION

The undersigned certifies that he has read and here by recommends for acceptance by The Open University of Tanzania a research report entitled; "**Impact of microcredit on productivity among Tanzanian entrepreneurs, A case of Kibaha Town Council"** in partial fulfillment of the requirements for the award of degree of Masters of Businesses Administration in Finance (MBA-FN)

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Dr. Saganga Kapaya

(Supervisor)

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Date

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DECLARATION

I, Norbert Faustus Masebe, do hereby declare that this dissertation is my own original work. It has not been presented and will not be presented to any other University or Higher Learning Institutions for a similar or any other degree award.

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Signature

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Date

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ABSTRACT

The general objective of this study was to determine the effect of microcredit on Tanzanian small business production, A case of Kibaha Town Council. The study was guided by the following research objectives: To explore issues affecting access to finance and their impact on productivity among Tanzanian entrepreneurs in Kibaha Town Council, to find out how lending policies for small micro-credit institutions affect the productivity among Tanzanian entrepreneurs in Kibaha Town Council and to determine how the impact of capacity building of micro-credit institutions affects productivity among Tanzanian entrepreneurs in Kibaha Town Council. A descriptive research design was used because it helps the researcher find out the what, who, where, when or how much. Target population used 661 entrepreneurs' operating in Kibaha Town Council. Clustered random sampling was used and a quota of 30% which was drawn from each stratum thus, giving us a sample size of 300 respondents. Questionnaires were used to collect data. Data was analyzed using descriptive statistics. Pearson correlation and regression analysis was used to determine the influence of independent variables on the dependent variable. The findings on factors affecting access to finance and its effect on performance of entrepreneurs revealed that majority of respondents agreed that they started their business using their savings and they usually disclose information regarding their business when applying for a loan. The findings on how lending policies of micro financial institution affects performance of entrepreneurs showed that respondents agreed that due to lack of collateral respondents get loans from other sources.

The findings on effect of capacity building of micro financial institution affects performance of entrepreneurs. Respondents agreed that trainings helped them grow their business and sales. Through networking respondents were able to share knowledge and learn new skills. The study concluded that a lot of entrepreneurs started their business using their savings and they also disclose information regarding their business when applying for a loan. Training has helped entrepreneurs grow their business and sales and it has also helped them understand terms and conditions required before applying for a loan.

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LIST OF ABBREVIATIONS AND ACRONYMS

IBMC	International Business Machines Corporation
KTC	Kibaha Town Council
MC	Micro-credit
MFI	Microfinance Institutions
OUT	The Open University of Tanzania
SME	Small and Medium Enterprises
SFPF	Stochastic Frontier Production Function
SPSS	Statistical Package for the Social Science

CHAPTER ONE

INTRODUCTION

1.0 Chapter Overview

This chapter assesses the Impact of microcredit on productivity among Tanzanian entrepreneurs, a case of Kibaha Town Council. This chapter is further divided into sections namely; the background of the study, statement of the problem, research questions, objectives, scope and limitations of the study and its significance to the relevant stakeholders.

1.1 Background to the study

Financial services for small and medium enterprises have evolved over the past 30 years from the concept of small loans, with the main aim of extending credit institutions to SMEs especially for the poor and low-income, banking, as it creates better self-sufficiency and as a result promotes the economy of low-income and poor people. The work of the World Bank represents that 30% and 33% of employment in developing countries such as Tanzania is generated by the informal and orderly economy. The two groups mentioned above make up 63% of GDP (Ayyagari et al, (2018).

Microcredit are institutions, registered to provide microfinance services such as loans, home transfers and other financial services to small, medium and micro enterprises to run and expand their businesses (Muogbo & Tomola, 2018). According to Kibas (2017), Microcredit can be divided into non-governmental organizations

(NGOs), Savings and Credit Co-operatives (SACCOs), Banks and Community-based organizations (CBOs). They provide financial services such as savings, loans and insurance to businesses in the form of small loans. According to the World Bank (2019), there are around 900 microcredit institutions in 101 countries that provide loans to the world's poorest. Some financial institutions however are reluctant to provide their services to people in rural areas due to poor infrastructure, high risk and operating costs (World Bank, 2020).

The main purpose of micro-credit institutions is to create a better environment for low-income and low-income families and to provide them with access to credit, savings, insurance and general banking services (Rukaria, 2015). Microcredit institutions are major players in business development; It is recommended that institutions with low credit should combine their services together (financial and non-financial) in order to maximize the growth of Micro Small and Medium Enterprises (MSMEs) (Kushoka, 2017). Akm (2016) states that there are 742 private organizations in Bangladesh authorized to use the microcredit system. NGOs are involved in the creation and production of projects to encourage women to become entrepreneurs and provide access to support services, therefore, reducing poverty in rural areas and empowering women to start their own businesses. However, Mallick (2018) has shown that small loan institutions have been set up in rural Bangladesh communities to promote economic and social development. In addition, Bangladesh has about 20,000 private organizations, credit unions and federations.

Around 2116 NGOs offer microfinance to poor people living in rural areas at a lower cost to improve borrowers' economic conditions (Mazumder & Wencong, 2017). In Netherlands, Chiyah and Forchu (2016) postulated that microfinance institutions offer people new opportunities by enabling them to get and secure finance hence, give them an opportunity to grow and increase their profits. It also increases economic and social development by improving peoples living conditions**.** In a report by European Commission (2019), access to finance was considered a key determinant for business start-up, development and growth for enterprises. Enterprises have different needs and face different financial challenges as compared to large businesses.

In Africa, Sakthi (2020) found that 6% of Africans borrow money to start a business and 13% borrow money to buy food. In addition, 50% of the population live on less than 1US $ or less per day and most Africans lack the understanding of what it means to be successful entrepreneurs and also lack technical management skills and confidence and they have no desire and determination for fear of sharing ownership and have failed to build partnerships. Oseph (2018) has shown that in Ethiopia, small financial institutions are designed to solve the debt problem faced by entrepreneurs. Loan centers are also designed to help individuals and businesses manage their assets on an ongoing basis. In addition, access to financial services allows existing businesses to grow and provide start-up capital for start-ups. In addition, Abdel, Abdimajid and Ali (2016) suggested that Mogadishu's small financial institution should set flexible, affordable and attractive requirements to support small businesses and therefore, encourage entrepreneurs to borrow.

In Nigeria, Ojo (2019) noted that small financial institutions play a major role in the financial industry. It has a positive effect on individuals, business associations and other financial institutions. Hala (2018) argued that in Egypt small financial institutions play a major role in the financial sector and have a positive impact on individuals, businesses, other financial institutions, government and the economy. In Mogadishu, however, a study by Yasin, (2013) found that the requirement imposed by small financial institutions prevented them from borrowing money. In addition, many businesses are unable to meet the requirements set by micro-credit institutions. Muogbo and Tomola (2018) also noted that some of the challenges small financial institutions face in Nigeria include; high operating costs, payment problem, insufficient experienced creditors and a lack of funding resources and the challenge of internal controls.

In Tanzania, Mwangi (2016) states that Microcredit organization started in the late 1980s due to the abandonment of a large number of people in an official financial institution such as banks. The small amount of money is designed to fill the gaps left by banks in lending to individuals, small and medium-sized businesses that were growing during this period. In addition, in Tanzania, Microcredit institutions are developed by an NGO or the Savings and Credit Cooperative Society framework are a source of debt to low-income households and businesses in rural and urban areas of Tanzania (Wambugu & Ngugi. 2019). Microcredit institutions also gained a reputation in Tanzania because the legal sector of the bank saw the informal sector as dangerous and ineffective ; Ogindo (2016). In addition; new, innovative and informal ways to support low-income households and MSEs have been developed by

Microcredit institutions to encourage them to take money. Microcredit institutions have also made significant contributions to economic and social empowerment for beneficiaries and dependents (Kamau, 2017).

Debt access as a first resort has grown exponentially for Tanzanian businesses. However, most existing small businesses have insufficient funds to grow and expand due to the difficulty of obtaining credit facilities from financial institutions that offer a wide range of services including bookkeeping, basic management, market access and skills development (Mokua, 2017). Mbithe (2016) has established that the loans made by Microcredit institutions in Tanzania help entrepreneurs to get loans and offer better interest and thus create opportunities for them to grow and expand. In addition, some of the obstacles businesses face include; poor financial management skills, financial knowledge and they are unable to document the performance of their businesses and do basic accounting.

For the matter of this study, which aims at assessing the impact of microcredit on productivity among entrepreneurs in Kibaha Town Council (KTC), will adopt microcredit through access to finance,lending policies and capacity building of micro-credit as the indicators or micro-credit variables that impacts productivity among entrepreneurs.

1.2 Statement of the research problem

Microcredit institutions are considered as a set of effective tools to combat some of the community problems in the society through the provision of basic services which involve savings, relatively affordable credits, skill-based training and even access to affordable medical care (Raji, 2017). In addition, poor families are more likely to borrow money at the same time and repay the amount of small, manageable payments over a period of time using short-term social security and the institution's credit history over time intended to raise their health (Gan, et al., 2017).

Microcredit institutions are a source of financial services for emerging entrepreneurs and small business owners who lack access to banking services and other forms of financial debt. Businesses need financial and non-financial services. Sievers and Vanderbay (2019) have suggested that Microcredit has become a major support for the survival of small businesses in Tanzania. Ojo (2017) in his study of the impact of microfinance on business development showed that in Nigeria there is a significant difference between the number of entrepreneurs who use microfinance institutions and those who do not, with a significant impact on microfinance institutions in predicting product in business and that there is no significant impact on the activities of small financial institutions in predicting business development. Toroitich (2016) investigated the effects of microfinance services on business development in Uasin-Gishu County in Kenya. It has turned out to be a positive effect on business development.

Njau (2020) researched the role of microfinance institutions in the growth of small and medium enterprises (SMEs). The issue of SMEs in the Kariakoo market in Dar es Salaam has shown that small financial institutions have played a major role in the growth of small businesses by providing a variety of services including seed investment and financial skills training. It is recommended that microfinance institutions play a major role in providing the best seed provided by relatives. Most of the researches have been done with minimal cost and performance but nothing has been done for entrepreneurs in Kibaha Town Council. According to a study conducted by Kwaja (2020), it is recommended that research be conducted on the impact of small-scale production of Tanzanian entrepreneurs in other regions of Tanzania thus closing the gap and further information that can be used for further studies. Thus, it provides the rationale to undertake this study entitled as **"**Impact of microcredit on productivity among Tanzanian entrepreneurs, A case of Kibaha Town Council".

1.3 Objectives of the study

1.3.1 General objective

The general objective is to assess the effect of microcredit on Tanzanian small business production, A case of Kibaha Town Council.

1.3.2 Specific objectives

i. To explore issues affecting access to finance and their impact on productivity among Tanzanian entrepreneurs in Kibaha Town Council.

ii. To find out how lending policies for small micro-credit institutions affect the productivity among Tanzanian entrepreneurs in Kibaha Town Council.

iii. To determine how the impact of capacity building of micro-credit institutions affects productivity among Tanzanian entrepreneurs in Kibaha Town Council.

1.5 Significance of the study

Productivity of the entrepreneurs is that which is of value and whose outcomes could be measured in short term outcomes such as increased productive investments; medium term outcomes that include increased assets; long-term outcomes that include increased quality of housing, increased education of children and increased female empowerment and finally measured final impacts which meant for increased welfare (Eriksen, *et al*, 2018).

This study has academic significance since it will bridge the gap in literature by generating knowledge in the field of Business Management most specifically how microcredit impacts entrepreneurs' productivity in KTC. It allows gaining insights on the way microcredit institutions interact with business to contribute to the growth of entrepreneurship and later on economic development. It will help researchers and trainers to obtain a reliable source of information for the purpose of education and knowledge dissemination.

Furthermore, the study will also help decision and policy makers to obtain a tool that would assist them in designing effective policies that can facilitate the operation of microcredit institutions and the greater participation of marginalized entrepreneurs of Kibaha Town Council in enterprise generation.

1.6 Scope of the study

The study focused on assessing the impact of microcredit on productivity among entrepreneurs in KTC. Furthermore, the study only focused on microcredit as they impact entrepreneurs' productivity most specifically its determining factors which are investment; increased assets and quality of life, other determining factors for entrepreneurs' productivity will not be part of this study. This study will only involve entrepreneurs within KTC specifically those who access microcredit loans for business development, other entrepreneurs who don't secure loans from microcredit will not be part of this study. This study is entirely academic so the main focus is to attain a Master of Business Administration in Finance of the Open University of Tanzania.

1.7: Organization of the study.

The study consist of five (5) chapters. The first chapter as discussed above. The second chapter contains a review of the research literature in which the introduction, the definition of terms, theoretical review, the research review and the conceptual framework are compiled. Chapter three provides a research approach in which research methods, research design, research space, sampling techniques, and data analysis have been detailed, Chapter 4 presents data and analysis and discusses findings, finally, Chapter Five includes summary, conclusion, recommendations and further areas of study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter has reviewed the various definitions of key words from different sources in order to provide a theoretical framework and to establish the basis for the knowledge gap and to determine the problem of research and to investigate how far the problem has been in the imagination of several authors. It is based on theoretical literature review and empirical literature review.

2.2 Theoretical literature

2.2.1 Conceptual definitions

Microcredit.

Microcredit is a method of providing small loans to individuals undertaking small scale income generating activities aiming at improving poor peoples' condition and this involves financial services such as loans, payment services, deposits, money transfers and insurance for poor and strong households and its small businesses (Fayyaz, Et Al., 2016). In other words, microcredit is a process in which poor families borrow money simultaneously and repay the amount through a series of small, manageable payments over a short period of time using social security in the short term and institutional credit history over time (Gan, et al., 2017).

Microcredit has been commented to enhance and improve the standards of living of the society, furthermore, it promotes the poor people to become entrepreneurs and in so doing enable them acquire short to long term outcomes including improved assets; increased quality of housing; increased education of children; increased female empowerment and finally increased welfare through poverty reduction (Chowdhury, et al., 2017 and Eriksen, *et al*., 2018).

Entrepreneurship

Entrepreneurship has attracted different definitions by various scholars, Ogbe (2019), for instance, defined entrepreneurship as a concept where an individual is able and willing to look for investment opportunities, establish and run an enterprise successfully and that various activities are associated with it, though they change depending with the type of the venture, some of the activities include: initiating a venture, undertaking it, attaining the goal, taking risk and establishing an enterprise with a caution that majority of new businesses fail. Mellor (2018) defined entrepreneurship as a process where an individual implements new combination of the means of production, that may include: generating new products; changing the quality of an existing product; establishing new processes of production; initiating new markets; catching new sources of supply; establishing new forms of organization or industry, adoption and innovation.

According to (Wayne, 2019), adoption means that a person does something different from what they have been doing before (i.e., buying or using a new product, discovering and making a new character, etc.). It is because of the doctrine of distribution, the adoption of a new concept, character, or product (example “invention”) does not occur simultaneously in a social system; rather it is a process in which some people are more willing to accept new things than others. Researchers have found that people who receive new information early in life have different traits than those who experience new things later. When promoting innovation in marginalized communities, it is important to understand the characteristics of the target population that will help or prevent the adoption of this innovation.

There are five established stages of adoption, and while most people tend to fall into intermediate stages, it is still necessary to understand the characteristics of the target audience. When innovation is promoted, there are different strategies used to recruit different areas of adoption. (Bibera and Warungi, 2008) discuss the five stages that consumers go through before accepting or rejecting something new which are awareness, interest, testing, trial and acceptance.

Productivity

Entrepreneurship productivity or productivity of entrepreneurs concerns with the development of the entrepreneur in terms of social capital, knowledge and skills that help him/her to create new ventures, expand business activities, create more employment and later on contribute to economic development (Nukpezah & Blankson, 2017).

Measured entrepreneurship productivity can also be defined in terms of achieving short term outcomes such as increased productive investments; medium term outcomes that include increased assets; long-term outcomes that include increased quality of housing, increased education of children and increased female empowerment and finally measured final impacts which meant for increased welfare (Eriksen, *et al*, 2018). Moreover, productivity among entrepreneurs entails entrepreneurs' access to credit facilities which in turn make them to have access to labor and strengthen their asset building capacity, these later on could lift them above the poverty line (Owusu, 2017).

Productivity among entrepreneurs can be described using the Austrian economist Schumpeterian paradigm in which three important ideas about growth of the entrepreneur were outlaid; the first is the long-run growth which is said to be generated by innovations that can be resulted without sustained technological progress; second is the innovations resulted from the entrepreneurial investments and the third is the creative destruction which actually entails the new innovations that replaces old technologies, thus creating a conflicting process between the old and the new technology (Aghion, 2017).

For the matter of this study entrepreneurs' productivity will be used interchangeably with productivity of entrepreneurs and will focus on the evaluation of entrepreneurs' activities based on short-term, medium-term and long-term outcomes.

2.3. Theoretical framework

The Theory of Change

The theory of change was developed by Carol Weiss in 1995 and this theory will be adopted by this study based on the contention that the role of researchers is not only to develop knowledge but also to go as far as moving the knowledge from research to action (Janzen, et al., 2016). Moreover, this theory has been selected due to the assumptions of the model in relation to the nature of this study and most specifically as it focuses on evaluation of a project or program in relation to the time of execution of such a project (Msila & Setlhako, 2013).

The theory of change which was developed in response to the Canadian Summit titled, “Pursuing Excellence in Collaborative Community-Campus Research.” on whether the theory of change could guide the community-based research focuses on three main features; firstly, the theory addresses on the context specific as it describes a specific intervention as opposed to generalization; secondly, the theory focuses on the outcomes or what is expected outcomes rather than what happened and finally, the theory underpins the developmental nature of theories of change over time quest to fluid and complex environments (Janzen, et al., 2016).

In the adoption of the theory of change as addressed by Eriksen, *et al*., (2018) outlined short term outcomes such as increased productive investments; medium term outcomes that include increased assets; long-term outcomes that include increased quality of housing, increased education of children and increased female empowerment and finally measured final impacts which meant for increased welfare. For the matter of this study, which aims at assessing the impact of microcredit on productivity among entrepreneurs in KTC, will adopt microcredit as one of the variables as it impacts productivity among entrepreneurs.

2.4 Empirical literature review

2.4.1. Access to finance and its impact on productivity among entrepreneurs

According to a Morobe study (2015), the effect of small loans on the financial performance of Small and Medium Enterprises in Nairobi County, the study used descriptive research. The total population was 5,596 SMEs. The random sampling process was used to select a sample of 357 respondents. It was pointed out that the age of acquisition of SMEs and the availability of credit have an impact on the performance of SMEs. Oliveira and Fortunato (2016) found that small firms face financial problems that affect their growth and development over time. In addition, small firms are also unable to utilize the economy compared to large firms. This is because small firms do not have enough money and cannot rely on the investment of banks but on their investment. Kira and Zhongzhi (2012) in their study of the impact of strong indicators on financial access for small and medium-sized enterprises in Tanzania, found that strong access to finance affects location, industry, age, size and collateral.

According to a study by Macharia (2018), on the effects of growing small and medium-sized enterprises on growing investment in Ongata Rongai township, the study found that in financing small and medium enterprises, family and friends played a major role in helping entrepreneurs improve their performance by about 40% of their income, 24% from Microfinance Institutions and 30% from savings. Bello (2012) argued that increasing access to savings was important because it helped people from poorer backgrounds who did not qualify for microfinance, to save Microfinance institutions, so that they could access smaller debt and eradicate poverty.

In a study conducted by Gichure (2016) on the challenges of financial market failure and access to finance by small and medium enterprises in Kenya, the study used a correlation with descriptive construction. The estimated value was 120,000 SMEs. A random sample with a purpose, separate and simple was used to select 384 SMEs. Research has shown that SMEs face financial challenges as a result of knowledge of asymmetry. Nanyondo, Kamukama, Nkundabanyanga and Tauringana (2014) assessed the quality of financial statements, details of asymmetry, perceived risks and availability of funds by Ugandan SMEs. It was established that there was a significant and positive relationship between the quality of financial statements and financial availability and the significant and negative relationship between knowledge of asymmetry and financial access.

2.4.2 Lending policies for small micro-credit institutions affect the productivity among entrepreneurs

Bett (2019) researched the factors affecting the growth of small businesses in the Bomet Constituency. It was pointed out that SMEs face the challenge of accessing credit due to the availability of a few small financial institutions. Most SMEs are afraid to apply for credit due to high interest rates and lack of information on the availability of affordable services offered. Aunga (2017) investigated the challenges faced by small business owners in obtaining loans from banks in Ngongongare, Meru region, Arusha region in Tanzania. The population was 420 SMEs, 100 respondents were sampled. Questionnaires were used to collect key data. It was recommended that banks and other financial institutions lower their lending rates and offer loans for business assets and income as collateral.

According to a study by Kimaiyo (2016), features that limit access to small and medium-sized businesses in Uasin Gishu County, Kenya. The target number was 10,200 SMEs. Descriptive research was used. The study performed 392 SME samples. It was concluded that the majority of SMEs did not apply for credit due to complex application procedures, high interest rates and insufficient interaction and record keeping. Omondi and Jagongo (2018) have suggested that the unavailability of debt is a major obstacle to the growth of the business sector. It prevents entrepreneurs from accessing financial services due to the lack of tangible security associated with a formal and legitimate framework that does not recognize new ways to lend to entrepreneurs. Adomako-Ansah and Kwena (2015) argue that before SMEs get into debt small financial institutions must meet certain qualifications such as these; collateral, financial performance, audited financial statements, credit history, recommendations from risk management, business registration documents, business details and company age.

Pius (2016) in his study of the impact of low income on the growth of women entrepreneurs in Kenya. It has been shown that the payment period has influenced the revenue of the business. Yusuf (2015) examined the financial impact of small businesses in Osun State, Nigeria. The number of respondents was 120. Data collected from 105 respondents. It was found that business profits affected by the timing of loan repayments, family size and business information were key indicators of business profitability. In addition, the amount of credit available to SMEs is affected by the payment period and the number received.

According to a study by Abdi and Gikandi (2016), on the effects of interest rates on debt access for small and medium enterprises in Garissa Province. Descriptive research was used. The target population was 10 SACCOs and 150 SMEs registered in Garissa Province. It concludes that SACCO interest rate policy affects access to SMEs in debt. It is suggested that SACCOs consider reviewing their policy on interest and that the provincial government intervene to ensure that SMEs have financial resources so that they can participate in development and job creation. However, a study by Muthoka (2017) on the efficiency of small business in small and medium-sized enterprises in Nairobi showed that SMEs prefer to borrow from small financial institutions and seek financial assistance from MFIs because of interest rates to repay simple loans and loan contributions.

2.4.3 Capacity building of a micro-credit institution affects the productivity among entrepreneurs

A study by Growth Fin (2018) showed that inadequacies and a lack of knowledge about available financial options could reduce entrepreneurial access to foreign exchange. Entrepreneurs often do not know what kind of money they need and what other ways to earn money. Irwin and Scott (2018) in their study of the limitations of SMEs on bank capital growth, found that educated entrepreneurs were able to present better financial information and sound business plans and were able to maintain relatively good relationships with financial institutions unlike for uneducated entrepreneurs. Fatoki and Smit (2011) found that education and job experience have a positive effect on loan approval. Kumar and Francisco (2005) in their study found that education had a significant impact on access to financial resources in Brazil.

According to a study by Frimpong (2017) on the impact of demand on foreign direct investment by small, medium and micro enterprises producing in Kumasi Metropolis, Ghana. The estimated value was 4400 MSMEs. Data were collected on 440 MSMEs. Descriptive research design was used. It turned out that business education and knowledge have a huge impact on foreign exchange earnings. It was suggested that short courses should be conducted to help MSMEs manage financial management especially those with a lower education background as education is an important source of foreign exchange. Karajkov (2020) noted that the lack of awareness, education and lack of business interests creates aspects of the need that affect the current situation with regard to the availability of risky finances.

Communication is a function in which entrepreneurs create and manage personal relationships with other businesses and financial institutions in the surrounding areas (Aarakit & Kimbugwe, 2015). According to Mano (2014), communication is the creation of a formal relationship in which participants share information. Networking is the process of building long-term relationships for the purpose of exchanging information and resources (Lama & Shrestha, 2018). Chu, Chrisman, Kellermanns and Wu, (2016) argued that most SMEs tend to be too small and lack the communication resources to access credit. Sungur (2015) argued that if communication was used properly it would increase the financial performance of entrepreneurs and market share. It will also help entrepreneurs identify new opportunities, share knowledge and skills and reduce their level of uncertainty surrounding the organisation's operations.

According to a study by Owuor (2015), the impact of low-income resources on women entrepreneurship in the Ruiru region and surrounding areas where the population was 467 SME women in Ruiru Sub County, a random sample was used, selecting a sample of 47 SMEs, a questionnaire used for data collection revealed that there was a weak link between the training and growth of SME women in Ruiru district and business training services were provided to a very small extent, SMEs did not attend regular training and counseling services did not follow during and after training. Donkor (2016) said one of the biggest challenges entrepreneurs face is financial literacy. This contributes to the entrepreneur's ability to access finance in financial institutions. Some entrepreneurs may not understand the terms and conditions required before applying for a loan and often doubt when the repayment period is longer than expected. Some financial institutions take advantage of illiteracy and refuse to provide additional information and explain interest rates and their impact on future loans.

2.5 Conceptual framework

This shows that the relationship that exists between the flexibility of research through drawings or figures. Researchers do not see how certain variables in his study fit together. Therefore, it describes the variables required in research. The conceptual work of this research framework was guided by three diagnostic objectives;

i. To explore issues affecting access to finance and their impact on productivity among Tanzanian entrepreneurs in Kibaha Town Council.

ii. To find out how lending policies for small micro-credit institutions affect the productivity among Tanzanian entrepreneurs in Kibaha Town Council.

iii. To determine how the impact of capacity building of micro-credit institutions affects productivity among Tanzanian entrepreneurs in Kibaha Town Council.

The model is shown below by figure 2.1

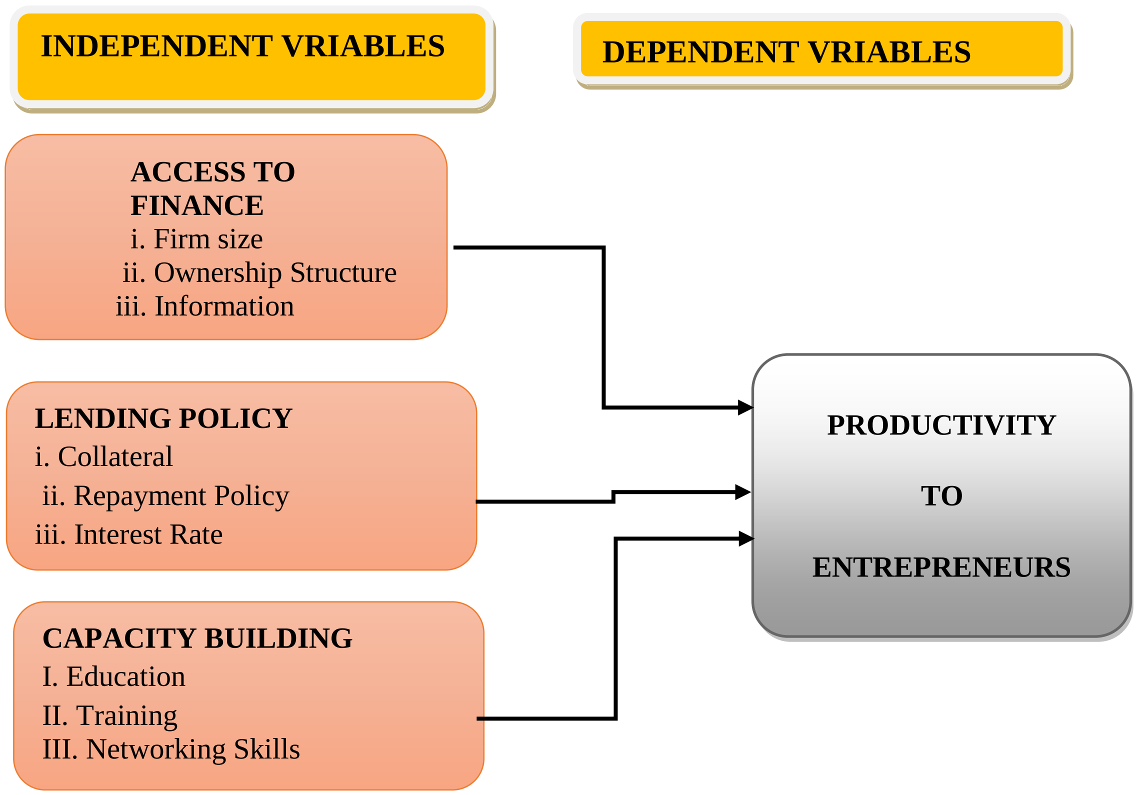


Figure 2.1 Conceptual Framework

Source: Research, (2022)

2.6 Research Hypotheses

HO1**:** Access to finance has no significant effect on productivity among Tanzanian entrepreneurs.

HO2: Lending policies has no significant effect on productivity among Tanzanian entrepreneurs.

HO3: Capacity building has no significant effect on productivity among Tanzanian entrepreneurs.

2.7 Measurement model

Table 2.1: Measurement model of the impact of microcredit on productivity among entrepreneurs in KTC

Type of Variable	Latent Variable	Indicator/manifest/Observable variable	Other authors who used the scale
Independent	Access to finance	• Firm size • Ownership Structure • Information Asymmetry	Zarook, (2018), Chukwuemeka (2017), Morobe (2019), Zhongzhi (2020) and Gichure (2018)
Independent	Lending policy	• Collateral • Repayment Policy • Interest Rate	Kimaiyo (2016), Omondi and Jagongo (2018), Yusuf (2019), Frimpong (2018), Mathenge (2019), and Muthoka (2017)
Independent	Capacity building	• Education • Training • Networking Skills	Sungur(2019),Kellermanns and Wu, (2019), Mano (2019), Lama & Shrestha, 2019, . Donkor (2020) and Scott (2020)
Dependent	Productivity to entrepreneurs	• Business expansion • Productivity capacity • Financial status • Quality of services	Makunyi (2019), Kasali, et al (2018), Savini (2017), Nukpezah& Blankson. (2018). Chowdhury & Che Mohd (2018). Quraisy, et al (2017)

CHAPTER TRHEE

RESEARCH METHODOLOGY

3.1 Chapter overview

Research methodology is the systematic, theoretical analysis of the procedures applied to a field of study (Kothari, 2004). It involves procedures of describing, explaining and predicting phenomena so as to solve a problem; it also contains techniques and strategies of conducting research. Research methodology encompasses concepts such as research designs, target population, sample size and sampling procedure, data collection instruments and data analysis procedure. Therefore, this section discusses the methodology of the study on the area surveyed, sampling procedures, data collection methods and analysis methods.

3.2 Research Philosophy

Research philosophy is defined as the way a researcher views the world (Saunders, Lewis, & Thornhill, 2006) '(Saunders, Lewis, & Thornhill, 2009). Research philosophy assists researchers in designing research methods but their choices are determined by existing research questions (Saunders et al., 2009). Three research philosophies have been identified; ontology, epistemology and axiology (Saunders et al., 2009) '(Saunders et al., 2006), but ontology and epistemology are also major (Saunders et al., 2009).

As shown by Gray (2014), there is a close relationship between purpose and hope as they both argue that truth exists without research and should be investigated. This study follows a philosophy of positivism that emphasizes the flexible purpose and independent research conditions of researchers and the use of data for general practice. The selection of philosophers leads to this study aiming to measure the impact of small debts on the productivity of entrepreneurs in Kibaha City Council. It also uses a questionnaire to ensure consistency in asking the same questions to different respondents and to avoid the researcher bias.

3.3 Description of the study area.

The study was conducted in Kibaha Town Council. The area was purposely selected because it is an area where by entrepreneurship activities are booming as it is a new settlement area. Kibaha Town Council is located in Coast Region. It is a semi-urban area with some of off-farms activities. People living in this area are involved in different livelihoods activities.

3.4 Research Design

The research design defines the purpose of the research, the research methodology and the method used in the study (Saunders, Lewis & Thornhill, 2000). This study will use descriptive research design. Descriptive design is primarily concerned with certain aspects of the majority of studies, either at a fixed time or at different times for the purpose of comparison (Gill & Johnson, 2010). This study was adopted by a survey design strategy that involved the use of queries to collect data from different sources over time. A sample of respondents was selected to participate in the study and was asked to provide relevant information on low credit issues as set out in the questionnaire.

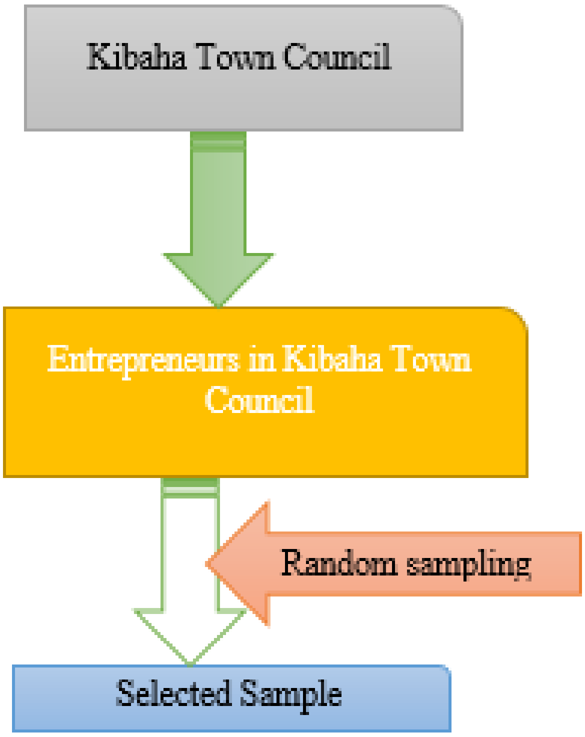
3.5 Target Population.

According to Hrankel (2015), population is a group of interest. The target population focused on all SME'S in Kibaha Town Council with small capital in their businesses. Thus, was involved different forms of businesses especially sole-proprietors and partnership encompasing Wholesalers, Green Grocers, Hawkers, Retailers, Service Sector administrative officers and customers (clients) who are useful in operations and the use of micro-credit services. The population of interest was composed of entrepreneurs participating in various activities in Kibaha Town Council with small capital in their businesses.

3.6. Sampling Techniques

This study was used a sample that is possible when all things are expected of people with an equal chance of being selected. Sample opportunities are those that are often associated with research-based in which the researcher is required to make assumptions in a sample of individuals to answer research questions or to meet research objectives (Saunders, Lewis, & Thornhill, 2012). For sampling opportunities, sample units are randomly selected. Properly covered, it withstands a great deal of adverse conditions (Hair, Anderson, and Black, 2015).

Table 3.1 Sample frame techniques.



3.6.1 Sample size

The selection of sample size in this study based on the rule given by (Curry and Rick, 2006) that recommended a sample of 10% for a population of 101-1000 respondents for descriptive studies. The sample selected will enable the researcher to provide answers to the research questions and came up with comprehensive, reliable and accurate data. The study involved a population of 661 SMEs registered in Kibaha town council (Kibaha Town Council Report, 2020) in the study area from which the sample size was 310 respondents. The sample size was determined by applying the formula given by Kothari, 2004 (The sample taken was above the number by Kothari).

$$n = \frac{NZ^2pq}{(N-1)e^2 + Z^2pq}$$

Where:

n= Size of sample

N = Size of population targeted

e = acceptable error (0.05)

Z = confidence level 95%, for statistical value of 1.96

P = sample proportion of the problem to occur

q = sample proportion of the problem to not occur (q=1-p)

$$n = \frac{661 * 1.96^2 * .5 * .5}{(661-1).05^2 + 1.96^2 * .5 * .5}$$

n= 243

According to the formula above, sample size was supposed to be 243 however the researcher increased the sample size to 310 for better results.

3.7 Methods of Collecting Data

In this way a questionnaire was sent to the respondents concerned with requests to answer the questions and a list of questions. The questionnaire consists of a few questions printed or typed sequentially on a form or set of forms. The questionnaire was sent to respondents who were expected to assist Entrepreneurs to read and understand the questions and to write answers in the spaces provided for the purpose of the questionnaire itself. Respondents answered the questions themselves (Schindler 2000). This was useful to the researcher because it is low cost even if the area is large and is still widely distributed geographically.

3.8. Method of Data Analysis

This study uses multiple liner regression. Reversal analysis is a set of mathematical methods used to measure the relationship between dependent variables and one or more independent variables. It can be used to explore the power of interpersonal relationships and to reflect future relationships between them.

Magenda and Magenda (2003) state that data analysis is the process of bringing order, structure and meaning to the information collected. Descriptive research was used. The data collected was coded and analyzed based on read variables. Statistical Package for Social Sciences (SPSS) was used for data analysis. Pearson correction analysis and conceptual regression were used to determine the effect of independent variables on dependent variables. Descriptive statistics such as frequency, definition, standard deviation, integration, ANOVA and regression analysis were used to present the data.

3.9 Variable and Measurement procedure

The researcher ensured that all research variables were measurable at any measurement level and that the tools for data collection were valid and reliable.

Depending on whether the answers are recorded in numbers or the names of the data have been called quantitative. Depending on the source, the data will be called primary when collected is new and for the first time.

Data obtained from acquisition factors was a retrospective model. Functional regression will be accepted as a valid analytical tool as it is a mathematical analytical method that can be used to define relationships of several descriptive variables to dichotomous-dependent variables. Decreased performance is a very popular modeling process that will be used to analyze data when the rate has not changed (Kleinbaum & Klein, 2010).

The retrospective model was used to analyze the contribution of the individual feature to production in the study area. An asset retrieval model is selected to assess the feasibility of predicting acquisition or consolidation factors. We are therefore looking at an analysis of the deficit analysis to determine whether the factors affecting access to the financial impact on entrepreneurship production, a regression analysis will be conducted to determine whether the impact of the lending policy on entrepreneurship production and the regression analysis will be done to determine strength, building an impact on entrepreneurial productivity and the second step determines the relationship analysis to determine the relationship between the key and entrepreneurial productivity using the Pearson Correlation.

Logit Regression will be used to capture the dependency of the dependent variable (Y_i) on independent variable (X_i). The dependent variable Y_i is taken as a function when there are several explanatory variables

$$\boldsymbol{Y_i = \alpha + \beta X_i + \varepsilon_i}$$ -- Equation (3)

$Where:$ $\boldsymbol{Y_i}$ = The binary dependent variable

$\boldsymbol{\alpha}$ = The Y_i intercept

$\boldsymbol{\beta}$ = The Slope

$\boldsymbol{X_i}$ = The independent variable

$\boldsymbol{\varepsilon_i}$ = The random error

If $E(Y_i) = \alpha + \beta X_i = \Pi_i$

3.10 Reliability of research instruments

Kothari (2009) provides a definition of reliability as the degree to which an instrument measures what it is supposed to measure. In order to ensure that the results are reliable, the same sets of questions were asked. Therefore, since all respondents to the questionaire responded separately, subject bias was controlled to a large extent. Cronbach's alpha was used to measure reliability. Researchers aiming to determine Reliability using the test-retest method generally predict the Reliability by using the Pearson correlation coefficient or comparing the data using the t-test (Oluwatayo, 2012).

It should be remembered that the population from which the sample data comes must have a normal distribution in order to perform the T-test. Although there are different opinions in the literature regarding the interpretation of the obtained data, the general opinion is that **a correlation value of 0.80** and above indicates that the measuring instrument provides test-retest Reliability. Also, the researcher use the Cronbach alpha coefficient as a measure of “the internal consistency of the six scales”. That “the Cronbach alpha reliability coefficient for each scale, using an individual SMES as the unit of analysis, ranged between 0.87 and 0.70” which they considered “generally satisfactory.

3.11 Validity of research instrument

Performance refers to the level at which tests measure what should be measured (Jankowicz, 2005). Gall et al. (2004) also pointed out that content experts help to bring about the authenticity of an object by providing the context and description of the object in which the test is expected to speak and determine how the object is tested. This investigation will use the guidance and analysis of the research manager to ensure the validity of the questionnaire to be used.

For the purposes of data validity, various questions such as research tools were developed using guidelines as defined by Sekaran (2000). In order to assess the validity of the data collection tools, the researcher conducted an experimental study, the purpose of the experimental research was to obtain information from experts that allowed the researcher to modify and improve research tools. Prior to the major research to be done, the researcher undertook exploratory training to resolve potential disruptions.

3.12 Ethical Consideration

Before conducting the study, official permission was sought from The Open University of Tanzania, in order to meet official recognition and support for the information included in this study. Respondents were informed on the purpose of the study before the process of data collection started; also the objectives and potential benefits of this study were communicated to the respondents which made them aware of how the information they provided will be put to use. To ensure maximum confidentiality of the information that was obtained, names or any other indication that may expose the respondents did not appear on the questionnaire papers with the aim of minimizing risk of harm to participants and the researcher. Also, study participants were informed in advance of their freedom to provide information or not, which means that they had the mandate and discretionary power to accept willingly or reject. This allowed them to be free to participate in the research in answering questions and the information to be acquired from the respondents was used only for the purpose of this study.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.0 Introduction

This chapter contains data analysis, presentation and discussion of the findings from the data found from the study area in Kibaha Town Council. Outcomes and discussion focused on answering research questions identified by justifiable evidence from field respondents, in order to meet specific research objectives. A thorough analysis in response to each question asked by the subject was performed.

The main objectives of this study are to assess the effect of microcredit on Tanzanian small business production, A case of Kibaha Town Council. Kibaha Town Council contains SME'S of different sectors such as wholesaler, Retailers, Service Sector and customers (clients) who are useful in operations of the financial services and its efficiency. The study's specific objectives were broken down into three specific objectives hence providing focus to the study. The study firstly identified issues affecting access to finance and their impact on productivity among Tanzanian entrepreneurs, secondly determined how lending policies for small micro-credit institutions affect the productivity among Tanzanian entrepreneurs and finally the study enumerated how the impact of capacity building of micro-credit institutions affects productivity among Tanzanian entrepreneurs in Kibaha Town Council. The results were from the analyzed data which were found from questionnaires. Results were presented by using tables, charts and graphs. In data analysis, explanations and descriptions have been provided where necessary followed by discussion.

4.1 Questionnaire response rate

This is the rate at which selected (respondent) people / respondents responded and disclosed relevant information to the research questions provided by the researcher to meet the general research and specific objectives. A total of 310 questionnaires were given to respondents; of the 310 questionnaires, 295 completed questionnaires representing a response rate of 95.16%. The remaining 15, questionnaires could not be completed as some respondents included questions in their work list. According to Mugenda (1999) a response rate of 50% or higher is a good response rate and gives us a satisfactory level of statistical reporting. Therefore, 95.16% is materially important to present the general public. Table 4.1 shows the response rate of the sampled entrepreneurs in Kibaha Town Council.

Table 4.1 Response rate at Kibaha Town Council

Response to questionnaires	**Frequency**	**Percentage (%)**
Filled in Questionnaires	295	95.16 %
Unfilled/Unreturned Questionnaires	15	4.84%
Total	**310**	**100%**

Source: Research Findings, 2022.

4.2 Socio-Demographic Characteristics of the Respondents

The study contains a different character of the respondents. Responses to differences are based on gender and education. The study exceeded the total number of study subjects from the proposed study site to collect data on a total sample size of 310. In a study of the effect of microcredit on Tanzanian small business production, A case of Kibaha Town Council, the participants received from selected study areas were presented in integrated combinations and graphs starting with gender responses, age, microfinance experience and educational backgrounds for all respondents and in their sight.

4.2.1 Sex of Respondents

And the findings in Figure 4.1 clearly show that, the respondents in this study were 295 in total. 55% of females are ever ready to answer questions while 45% were male.

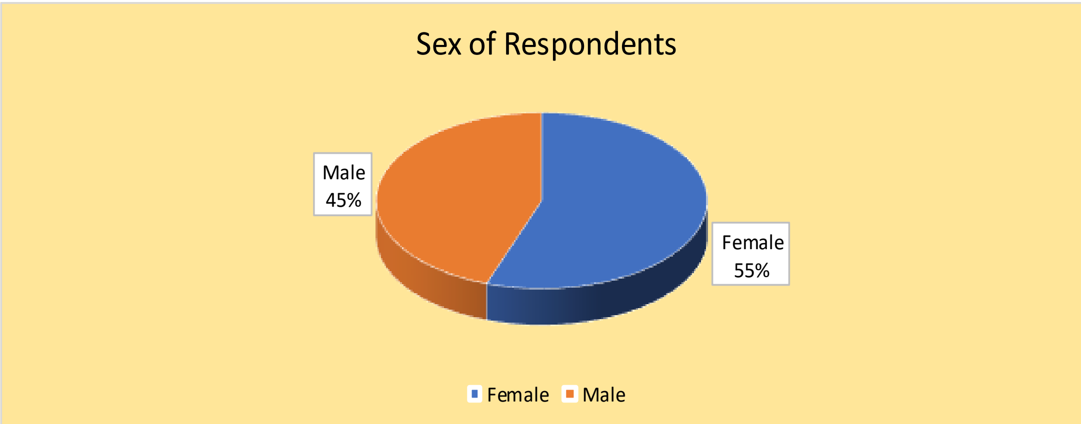


Figure 4.1: Sex characteristics of surveyed entrepreneurs in Kibaha Town Council.

Source: Researcher, 2022.

4.2.2 Respondents Age Group

The result in Figure 4.2 below shows that, all respondents were part of a working age group (economically active). That means that most of the respondents interviewed were economically active. Therefore, if they are fully empowered economically and socially, they can be good resources in the production system. Therefore, 89.2% of respondents in the study were 18–52 years old and were able to work and participate in MFIs and SMEs as indicated respectively, 10.8% of respondents are over the age of 53+.

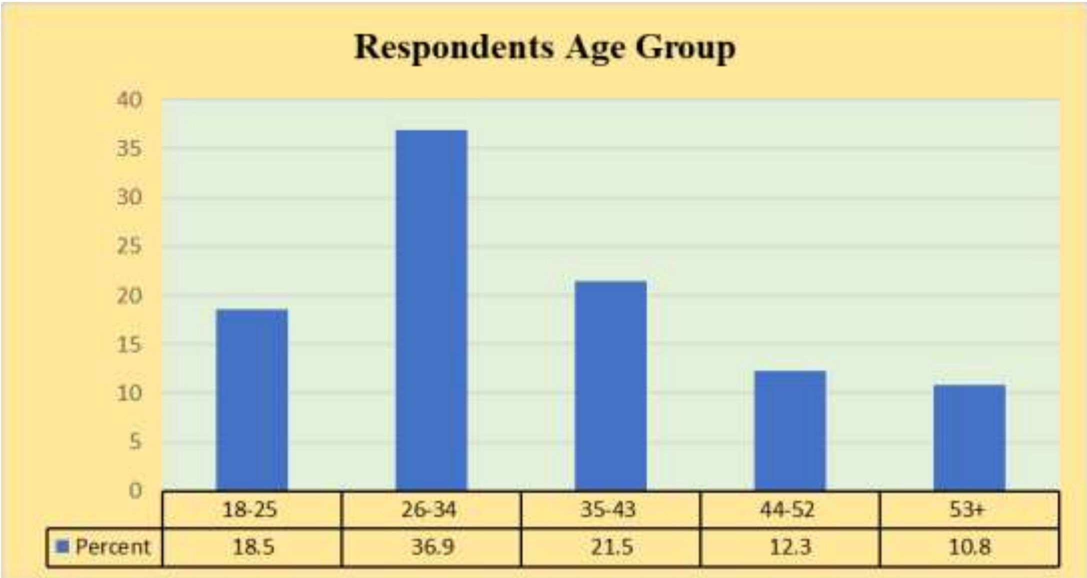


Figure 4.2: Respondents Age Group of entrepreneurs surveyed in Kibaha Town Council

Source: Researcher, 2022

4.2.3 Educational Level of Respondents

In general, the findings in Figure 4.3 provide a background level where 38.5% of respondents received basic education, 61.5% represent the remaining respondents who have achieved the highest level of education as indicated in the sequence. Therefore, the level of learning found in this study is high. A high level of learning can lead to the adoption of new technologies that allow businesses to adopt a new approach to economic activities that require constant reading of different texts.

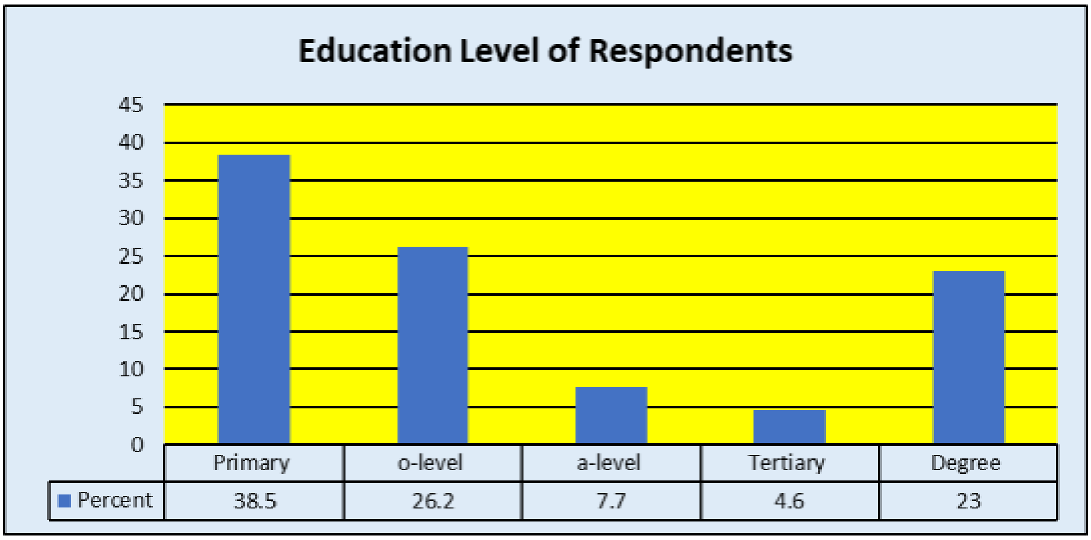


Figure 4.3: Education Level of Respondents

Source: Researcher, 2022

4.2.4 Marital status of the Respondents

The results in Figure 4.4 based on the status of respondents show that, 50.8% of respondents were married and the remaining 49.2% were single, widowed and divorced.

Figure 4.4: Marital Status of the Respondents

Source: Researcher, 2022

4.2.5 Type of Business

Figure 4.5 is based on a survey conducted mainly on the type of business that involves the majority of respondents. Therefore, it provides that 67.7% of respondents are involved in the trading business and that is why the impact on trading is the best business activity done by many entrepreneurs. Although 32.2% of respondents were engaged in agriculture, manufacturing and business-related education is a very small business venture.

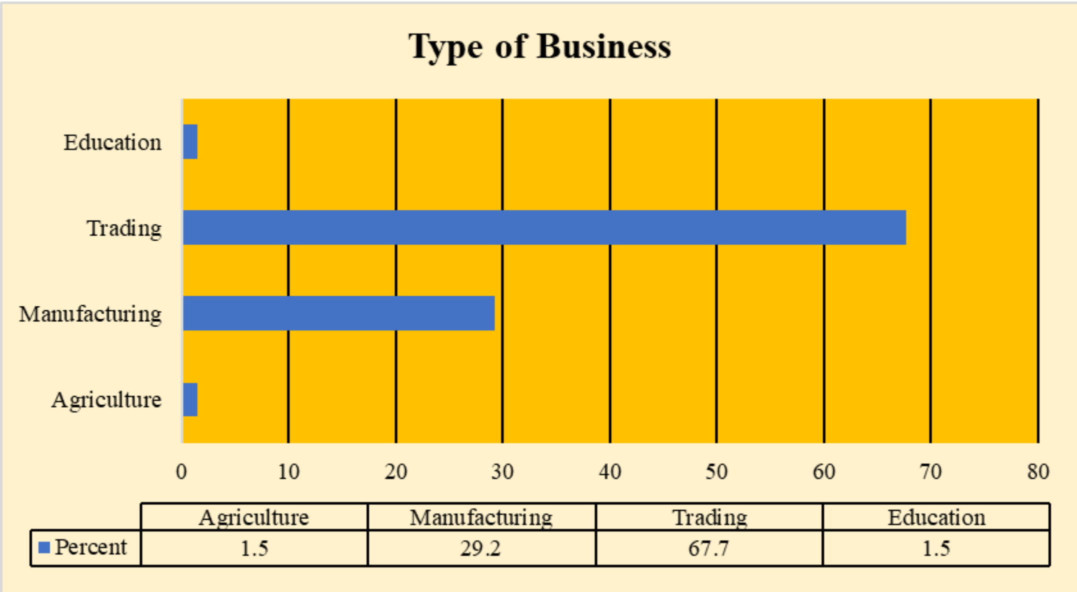


Figure 4.5: Type of Business

Source: Researcher, 2022

4.2.6 Business Maturity

And Figure 4.6 speaks of business maturity where the results show that 4.6% of respondents engaged in business within 0-1 years. But 95.4% of other respondents have been doing business for more than 1-6+ years. Therefore, this shows that most respondents know the business well and are aware of how to run their business and overcome their problems in the event of challenges.

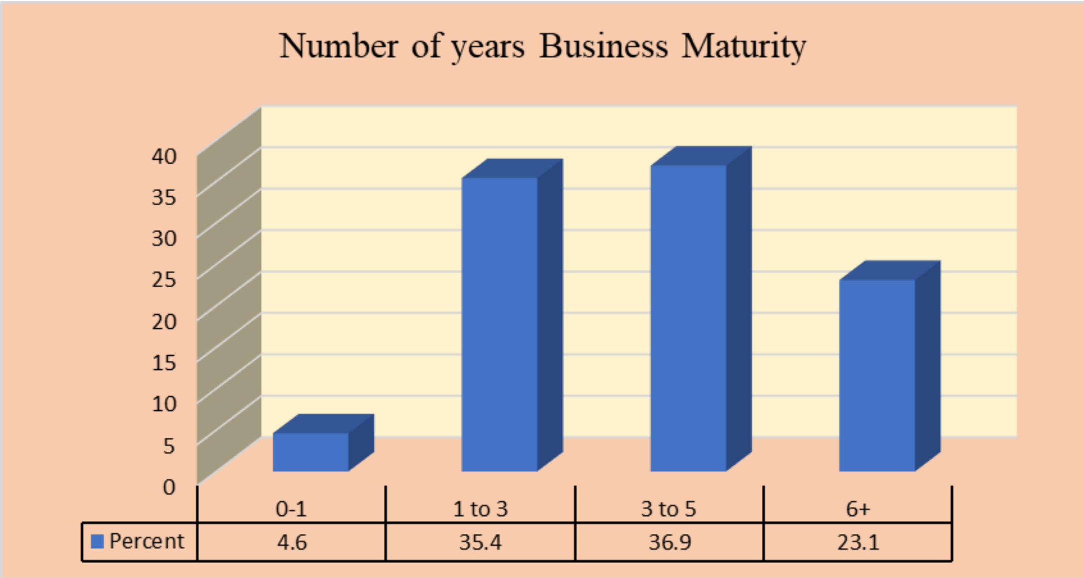


Figure 4.6: Business Maturity of entrepreneurs surveyed in Kibaha Town Council

Source: Researcher, 2022

4.2.7 Period of Borrowing

The researcher also studied mainly during business lending and the results are shown in Figure 4.7 that, 92.3% of respondents are borrowers over the age of 1-6+. But 7.7% were borrowing money for less than a year. This means that the rate at which businesses take over borrowing money has remained low since then; only 7.7% were involved in less than a year.

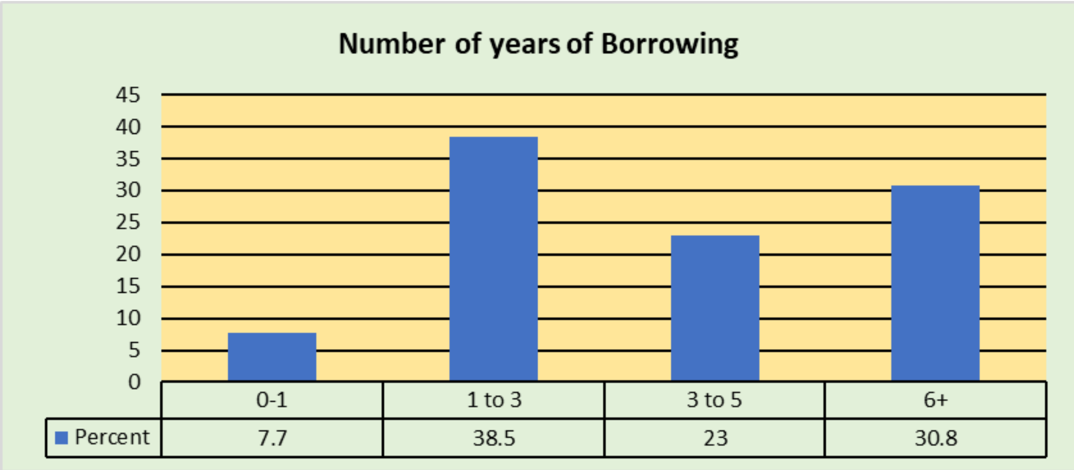


Figure 4.7: Period of Borrowing of entrepreneurs surveyed in Kibaha Town Council

Source: Researcher, 2022

4.3: Issues affecting access to finance and their impact on productivity among entrepreneurs.

The first objective sought to examine factors affecting access to finance and its effects on performance of entrepreneurs in Kibaha Town Council. Five-point Likert Scale was used. Respondents were supposed to answer the questions where; 5= Strongly Agree 2- Agree, 3= Neutral, 4 =Disagree, 1= Strongly Disagree. In the sub-section, both descriptive and inferential statistics are provided with regard to access to finance.

4.3.1 Descriptive Statistics of Factors Affecting Access to Finance

It was determined that most respondents agreed to start their business using their savings with a maximum value of 3.48 and a standard deviation of 1.110 and respondents generally disclosed information about their business when applying for a loan with a value of 3.47 and a standard deviation of 1.202. However, respondents could not reach an agreement due to lack of sound cash flow from their business hence prefer taking loan from friends and family had a mean of 3.44 and standard deviation of 1.297. Respondents who started their business using family funds had a rating of 3.33 and a standard deviation of 1.366. Business savings helped the respondents' easy access loans from financial institutions to have a value of 3.24 and a standard deviation of .932 and respondents experienced the challenge of access to finance in small financial institutions with a value of 3.05 and a standard deviation of 1.463. Respondents also argued that keeping good business records that helped them access finance easily in small debt finance institutions had a mean of 2.91 and a standard deviation of 1.087 and kept an accurate financial record with a mean of 2.63 and a standard deviation of 1.381. The results are shown in Table 4.2.

Table 4.2: Descriptive Statistics of Factors Affecting Access to Finance

VARIABLE	MEAN	SD
I experience challenges accessing finance from microfinance institutions.	3.05	1.463
I keep good business records that help me access finance easily from micro financial institutions.	2.91	1.087
Due to lack of enough cash flow from my business I prefer taking loan from my friends and family.	3.44	1.297
I started my business using my savings.	3.48	1.110
I started my business using money from my family.	3.33	1.366
My business savings has helped me access loan easily from financial institutions.	3.24	.932
I usually disclose information regarding my business when applying for a loan.	3.47	1.202
I maintain proper financial record.	2.63	1.381
Aggregate Value	**3.19**	**1.229**

Source: Researcher, 2022

4.3.2 Statistical Tests

The study was set to analyze the effect of microcredit institutions on performance of entrepreneurship in Kibaha Town Council. A regression analysis was done to determine if factors affecting access to finance influences performance of entrepreneurs.

4.3.2.1 Correlation between Factors Affecting Access to Finance and Productivity of Entrepreneurs

The study conducted a relationship analysis to determine the relationship between factors affecting financial access and performance of entrepreneurs. It was noted that there was a positive and insignificant relationship between affecting financial access and entrepreneurial performance ($r = 0.26$, $p < 0.092$). This shows that with all the improvements in financial services there is no increase in performance.

Table 4.3: Correlation between Factors Affecting Access to Finance and Productivity of Entrepreneurs

		Correlations	
		Performance	**Factors Affecting Access to Finance**
Performance	Pearson Correlation Sig. (2-tailed)	1	0.26 0.092
Factors Affecting Access to Finance	Pearson Correlation Sig. (2-tailed)	0.26 0.092	1

Source: Researcher, 2022

4.3.2.2 Regression Analysis of Factors Affecting Access to Finance and Performance of Entrepreneurs

The results revealed that the R^2 was 0.068 which indicates that 6.8% of performance of entrepreneurship is determined by factors affecting as shown in Table 4.4

Table 4.4: Regression Analysis of Factors Affecting Access to Finance and Productivity of Entrepreneurs

Model Summary					Change Statistics				
Model	**R**	**R^2**	**Adjusted R^2**	**Std. Error of the Estimate**	**Change Statistics**				
					R Square Change	**F Change**	**df1**	**df2**	**Sig. F Change**
1	.260[a]	0.068	0.045	0.74917	0.068	2.983	1	293	0.0921
a. a. Predictors: (Constant), factors affecting access to finance									

Source: Researcher, 2022

4.3.2.3 ANOVA

ANOVA analysis was performed between factors affecting financial access and performance of entrepreneurs and a confidence level of 95%, value F = 2.983, P <0.092). This shows that factors affecting access to finance have a significant impact on performance as shown in Table 4.5.

Table 4.5: ANOVA of Factors Affecting Access to Finance and Productivity of Entrepreneurs

ANOVA					
Model	**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1 Regression	1.674	1	1.674	2.983	.092[b]
Residual	23.012	293	0.561		
Total	24.686	294			
a. Dependent Variable: Performance					
b. Predictors: (Constant), factors affecting access to finance					

Source: Researcher, 2022

4.4. The effect of lending policies of micro-credit institutions on productivity among entrepreneurs

The survey found that respondents agreed that due to the lack of collateral respondents receiving loans from other sources had a mean of 3.63 and a standard deviation of 1.092 and respondents considered the interest rate charged before claiming cash had a mean of 3.51 and a standard deviation of. 985. However, respondents who were unable to reach the agreement on the cost of making small financial proposals are generally higher, thus, making the respondents not apply for a loan with a definition of 3.47 and a standard deviation of .767. The use of group support helped respondents to repay their loans easily with a mean of 3.44 and a standard deviation of 1.119. Respondents are generally not encouraged to apply for a loan because they usually give them less than the requested amount of 3.44 and a standard deviation of 1.031.

The findings also showed that respondents faced financial access challenges due to the high interest rate with mean of 3.26 and the average deviation of 1.136. Minor credit institutions charge high fines for debt default with a mean value of 3.26 and a standard deviation 1.217. Respondents who are reluctant to apply for a loan due to complex application procedures have a mean of 3.23 and a standard deviation of 1.109. Respondents can easily repay their loans with a mean of 3.12 and a standard deviation of 1.159. Registered businesses with easy access to credit have a mean of 3.09 and a standard deviation of 1.109. Respondents who do not take out loans due to short-term loan payments have a mean of 3.09 and a standard deviation of 1.109 and the respondents have sufficient assets to use as collateral when accessing loans from financial institutions with a mean value of 3.05 and a standard deviation of 1.344. As shown in Table 4.5.

Table 4.5: Descriptive Statistics of Lending Policy

VARIABLE	MEAN	SD
I have enough assets to use as security when accessing loan from financial institutions.	3.05	1.344
I am able to easily repay my loan	3.12	1.159
Due to lack of collateral, I get loans from other sources	3.63	1.092
The use of group financing has helped me pay my loan easily	3.44	1.119
I do not like to apply for loans due to complex application procedures	3.23	1.109
Businesses that are registered are able to access loan easily	3.09	1.109
I consider the amount of interest rates charged before seeking finance	3.51	.985
I do not take loans due to short loan repayment	3.09	1.109
Micro financial intuitions transaction costs are usually higher thus, making me not apply for loans	3.47	.767
I am usually discouraged to apply for a loan because they usually give me less money than what I requested	3.44	1.031
I face challenges accessing finance due to high interest rate	3.26	1.136
Micro financial institutions charge high penalties on credit default	3.26	1.217
Aggregate Value	**3.29**	**1.098**

Source: Researcher, 2022

4.4.1 Statistical Tests

The study was set to analyze the effect of microfinance institutions on performance of entrepreneurship in Kibaha Town Council. A regression analysis was done to determine if lending policy influences performance of entrepreneurs.

4.4.2.1 Correlation between Lending Policy and Productivity of Entrepreneur

The study conducted an integrated analysis to determine the policy on lending relationships and performance of entrepreneurs. It was pointed out that there was a positive and significant relationship between lending policy and entrepreneurial performance ($r = .388^{*}$, $p < 0.010$). This indicates that with every development of the borrowing policy there is an increase in performance.

Table 4.6: Correlation between Lending Policy and Productivity of Entrepreneur

		Correlations	
		Performance	**Lending Policy**
Performance	Pearson Correlation	1	.388*
	Sig. (2-tailed)		.010
Lending Policy	Pearson Correlation	.388*	1
	Sig. (2-tailed)	.010	

Source: Researcher, 2022

4.4.2. Regression Analysis of Lending Policy and Productivity of Entrepreneur

The findings indicated that R^2 was 0.151 indicating that 15% of business activity is determined by the borrowing policies set out in Table 4.7.

Table 4.7: Regression; Lending Policy and Productivity of Entrepreneur

Model Summary					Change Statistics				
Model	**R**	**R^2**	**Adjusted R^2**	**Std. Error of the Estimate**	**Change Statistics**				
					R Square Change	**F Change**	**df1**	**df2**	**Sig. F Change**
1	.388[a]	0.151	0.13	0.71516	0.151	7.267	1	293	0.01
a. a. Predictors: (Constant), lending policy									

Source: Researcher, 2021

4.4.3 ANOVA

An ANOVA analysis was done between lending policy and performance of entrepreneurship and at 95% confidence level, the F value=7.267, P<0.010. This shows that lending policy has a significant effect on performance.

4.4.4 Coefficients of Lending Policy and Productivity of Entrepreneur

The findings in Table 4.8 indicates that lending has a positive and significant effect on performances (β= 0.388, p<0.010).

Table 4.8: Coefficients of Lending Policy and Productivity of Entrepreneur

Model	Unstandardized coefficients St. Error	Unstandardized coefficients St. Error		t	Sig.
	B	**Std. Error**	**Beta**		
Performance Lending Policy	1.455 0.618	.764 .229	 0.388	1.904 2.696	0.064 0.010

Source: Researcher, 2022

4.5 Impact of capacity building of micro-credit institutions affects productivity among Tanzanian entrepreneurs

The third objective was to determine the impact of capacity building of the credit facility on performance of entrepreneurs. A five-point Likert Scale was used. Respondents had to answer questions there; 5 = Strongly Agree 2- Agree, 3 = Neutral, 4= Disagree, 1 = Strongly disagree. Reversal analysis was performed to determine whether skills development affected the performance of entrepreneurs.

4.5.1 Descriptive Statistics of Capacity Building

The study revealed that respondent agreed that training they attended helped them grow their business had a mean of 3.70 and standard deviation 1.166. Business training has a positive effect to the sales growth trend in respondents' business had a mean of 3.70 and standard deviation .887. Through networking respondents were able to share knowledge and learn new skills had a mean of 3.65 and standard deviation .923 and respondents are able to understand terms and conditions required before applying for a loan had a mean of 3.65 and standard deviation of 1.152.

Findings also revealed that majority of respondents were not sure on they require more business training to access loans had a mean of 3.37 standard deviation of 1.176. Appling for a loan as a group is easy because respondents can get co guarantors had a mean of 3.35 and standard deviation of 1.361. Respondents have attended a training offered by microfinance institutions to help me understand procedures that are related to loan application had a mean of 3.26 and standard deviation of 1.026 and keeping the right network has enabled respondents get access to loans had a mean of 3.23 and standard deviation of 1.288. The study also showed that respondent disagreed on they have a business plan that they can use when applying for money from microfinance institutions had a mean of 2.98 and standard deviation of 1.165.

Table 4.9: Descriptive Statistics of Capacity Building

VARIABLE	MEAN	SD
I am aware of loans offered by micro financial institutions	3.60	1.003
I require more business training to access loans	3.37	1.176
I have a business plan that I can use when applying for money from microfinance institutions	2.98	1.165
Business training has a positive effect to the sales growth trend in my business	3.70	.887
I am able to understand terms and conditions required before applying for a loan	3.65	1.152
Through training I was able to gain skills and experience needed to run my business	3.56	1.098
I have attended a training offered by microfinance institutions to help me understand procedures related to loan application	3.26	1.026
The training I attended helped me grow my business	3.70	1.166

Keeping the right network has enabled me get access to loans	3.23	1.288
Through networking I was able to share knowledge and learn new skills	3.65	.923
Appling for a loan as a group is easy because I can get co-guarantors	3.35	1.361
Aggregate Values	**3.45**	**1.113**

Source: Researcher, 2022

4.5.2 Statistical Tests

The study was set to analyze the effect of microfinance institutions on performance of entrepreneurship in Kibaha Town Council. A regression analysis was done to determine capacity building influences Productivity of Entrepreneur.

Table 4.10: Correlation between Capacity Building and Productivity of Entrepreneur

		Correlations	
		Performance	**Capacity Building**
Performance	Pearson Correlation	1	.605**
	Sig. (2-tailed)		.000
Capacity building	Pearson Correlation	.605**	1
	Sig. (2-tailed)	.000	

Source: Researcher, 2022

4.5.2.1 Correlation between Capacity Building and Productivity of Entrepreneur

The study conducted a relationship analysis to determine the relationship between capacity building and Entrepreneurship Production. It was pointed out that there was a positive and significant relationship between capacity building and

Entrepreneurship Production (r = .6051 ***, p <0.000). This indicates that with every progress in skills building there is an increase in performance.

Table 4.10 correlation between capacity building and productivity of entrepreneur

		Correlations	
		Performance	**Capacity Building**
Performance	Pearson		
Correlation	1	.605**	
	Sig. (2-tailed)		.000
Capacity building	Pearson		
Correlation	.605**	1	
	Sig. (2-tailed)	.000	

4.5.2.2 Analysis of Capacity Building and Productivity of Entrepreneur

The results revealed that the R^2 was 0.366 which indicates that 36% of performance of entrepreneurship is determined by capacity building as shown in Table 4.11. Table **4.11: Regression Analysis of Capacity Building and Productivity of Entrepreneur**

			Model Summary		Change Statistics				
Model	**R**	**R^2**	**Adjusted R^2**	**Std. Error of the Estimate**	**Change Statistics**				
					R Square Change	**F Change**	**df1**	**df2**	**Sig. F Change**
1	.605[a]	0.366	0.351	0.61773	0.366	23.693	1	293	0.00
a. a. Predictors: (Constant), lending policy									

Source: Researcher, 2022

4.5.2.3 ANOVA

ANOVA analysis was performed between capacity building and business performance and confidence level of 95%, value (F = 23.693, P <0.010). This shows that capacity building has a significant impact on performance as shown in Table 4.12.

Table 4.12: ANOVA of Capacity Building and Productivity of Entrepreneur

	ANOVA				
Model	**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
Regression	9.041	1	9.041	23.693	.000b
Residual	15.645	293	.382		
Total	24.686	294			
a. Dependent Variable: Productivity of Entrepreneur; Predictors: (Constant), capacity building					

Source: Researcher, 2022

4.5.3.2 Coefficients of Capacity Building and Productivity of Entrepreneur

The findings in Table 4.13 shows capacity building have a positive significant effect on performances (β= 0.605, p<0.000).

Table 4.13: Coefficients of Factors Affecting Access to Finance and Productivity of Entrepreneur

Model	Unstandardized coefficients Std.Error	Unstandardized coefficients Std.Error		t	Sig.
	B	**Std. Error**	**Beta**		
Performance Capacity building	0.215 0.800	.726 .164	 0.605	.0023 4.868	1.260 0.000

Source: Researcher, 2022

4.6 Financial Performance

The study sought to determine the effect of financial performance. Five-point Likert Scale was used. Respondents were supposed to answer the questions where; 5= Strongly Agree 2- Agree, 3= Neutral, 4 =Disagree, 1= Strongly Disagree.4.6.1 Descriptive Statistics of Financial Performance

The survey showed that the majority of respondents agreed that access to finance helped respondents to grow their business with a mean of 3.65 and a standard deviation of 1.066 and that respondents were able to achieve the goals set for each activity with a mean of 3.63 and a standard deviation of 1.113. Further, respondents agree that with training, financial performance increased by 3.42 and a standard deviation of 1.006 and savings had a positive effect on respondents with 3.28 and a variance of 1.141 deviations.

Table 4.14: Descriptive Statistics of Financial Performance

VARIABLE	MEAN	SD
Access to finance has helped me grow my business.	3.65	1.066
Through training, my financial performance has increased.	3.42	1.006
Savings has contributed to my financial performance.	3.28	1.141
I am able to achieve targets that I set for each task.	3.63	1.113
Aggregate Values	**3.49**	**1.081**

Source: Researcher, 2022

4.7 Discussion of the findings

4.7.1 Access to Finance and Productivity of Entrepreneurs

The results showed that respondents started their business using their savings. This is in line with a study by Gichuki (2018) which found that self-employed businesses have the highest level of illegal financing, 37% using credit cards, 36% using personal money and 34% using borrowed money. This means that small businesses rely on informal financing such as saving for business owners and their credit services.

Research has shown that respondents often disclose information about their business when applying for a loan. Schayek (2014) states that many SME owners / managers are very sensitive to disclosing information related to their company's financial performance. According to Mazanai and Fatoki (2017), start-up SMEs are often affected by information asymmetry problems because information is often inadequate and inconspicuous. New SMEs are also unwilling to provide comprehensive information about their business and therefore prevent them from receiving funding from financial institutions.

Entrepreneurs are more likely to be particularly affected by information asymmetry problems. In addition, knowledge asymmetries are common in new and technology-based proposals. It occurs when manufacturing or technology-based firms are reluctant to provide full information because they fear that such disclosure could make it easier for their competitors to exploit (Deakinset et al, 2018).

The results showed that due to a lack of sufficient funds in the business they preferred to be loaned by friends and family and the respondents started their own businesses using family funds. Mazanai and Fatoki (2016) pointed out that due to lack of funds in their business they preferred to be loaned by friends and family and respondents started their business using family money. Macharia (2017), Research has found that in financing small and medium enterprises, family and friends play a key role in helping business owners improve their performance with an average of 40% of their total income, an average of 24% come from small financial institutions and on average 30% of the proceeds come from business savings.

Oliveira and Fortunato (2016) found that small firms face financial constraints that affect their growth and development over time. In addition, small firms are also unable to use the economy of scale compared to large firms. This is because small firms do not have sufficient cash flow and cannot rely on bank financing but rely on stock investments.

It has been shown that business savings have helped the respondents to access credit easily in financial institutions. According to Onyango (2016), many firms tend to start as family businesses and use their savings and family finances. The business then grows and they start looking for support from other small financial institutions. Over time it strengthens and begins to keep good business records, develop accounting systems, establish a legal identity and begin to seek finance from financial institutions. Bello (2016) argued that increasing access to savings is important because it helps people from poor backgrounds who are not yet ready to access Microfinance services, to save on financial institutions that way, to be able to access smaller loans and eradicate poverty.

The findings indicated that respondents faced the challenge of accessing financial assistance from micro-finance institutions. Canton et al (2016) noted that entrepreneurs face the challenge of accessing finance from financial institutions due to lack of adequate information and transparency, which hinders their growth and development. Pierluigi and Valentina (2017) pointed out that family-owned firms are more likely to experience financial difficulties in obtaining loans from financial institutions. Gichure (2016) in his study revealed that SMEs face challenges in obtaining funding due to information inequalities.

According to Fatoki and Odeyemi (2014), studies have shown that human traits like these; size, type of ownership, age and sector influence financial access. Smaller firms have more credit limitations compared to larger firms. Small firms are run by private individuals who have no legal obligation to report financial performance or to regularly audit their financial accounts. Smaller firms also have fewer assets to offer as collateral and are also linked to higher failure rates compared to larger firms (Pandula, 2018). The findings showed that the defendant's capacity did not maintain a proper financial record. Kuru (2018) stated that small firms could not provide financial information, because they were owned and operated by the owner, had few assets and had no legal requirement to regularly report financial information and a shortage of audited financial accounts. Joseph (2017) noted that financial factors such as business registration, accurate transaction documents and financial planning and good business planning have a positive relationship with access to credit. A study by Aunga (2017) found that the lack of adequate accounting knowledge is one of the challenges that emerging entrepreneurs face when borrowing money from financial institutions. It was found that respondents disagreed that they kept good business records that helped them to earn money easily in small financial institutions. Beck et al (2016) pointed out that financial structure, size and access to finance were attributed to the discrepancy in information due to weak accounting records, lack of audited financial statements and inadequate access to SME information from credit bureaus. Nanyondo et al (2016) in their study found that there is an important and positive relationship between the quality of financial statements and access to finance and the significant and negative relationship between information asymmetry and access to finance.

4.7.2 Lending Policy on Productivity of Entrepreneurs

It was decided that due to a lack of collateral the respondents' received loans from other sources. This is in line with a study by Abdinor (2015) which found that most

SMEs do not have collateral, ending up looking for money from cheap sources. It is recommended that government and other financial institutions should facilitate access to credit for small and medium enterprises in small financial institutions and reduce lending conditions. SMEs should also be encouraged to use group funding to reduce debt default. Hongbo et al, (2019) stated that due to the lack of collateral and reassured Chinese businessmen find it difficult to obtain loans from financial institutions thus preventing them from participating in the country's economic development.

The study found that respondents considered the amount of interest rates charged before claiming money. Muthoka (2016) stated that SMEs benefit from loans from microfinance institutions and seek financial assistance from MFIs because of the interest rate and easy loan repayment. Abdi and Gikandi (2016) in their study concluded that SACCO interest policy affects access to SME debt. It was suggested that SACCOs should consider reviewing their policy on interest rates and that the provincial government should intervene to ensure that SMEs have access to financial assistance so that they can contribute to development and job creation.

The study found that the costs of developing micro financial intuitions are often high, making it difficult for respondents to apply for a loan. Small and medium-sized entrepreneurs often face high funding costs and are required to generate collateral; Small businesses have few assets to offer as collateral (Berger & Udell (2002). Support of loans to SMEs has decreased due to small financial institutions failing to increase SME debt due to a lack of information, higher transaction costs, higher borrowing rates and lower profits from investment (Olutunla & Obamuyi, 2018). The findings revealed that respondents disagreed on respondents are usually discouraged to apply for a loan because they usually give them less money than what they requested. Cassar (2017) indicated that it is costly for smaller firms to resolve information asymmetries with debt providers. Therefore, small firms will be offered less debt capital as compared to larger firms. Transaction cost may also be higher. In addition, smaller firms are also not able to raise capital because they can't reach capital markets due to their sizes.

It was shown that respondents face financial access challenges due to high interest rates. According to a study by Kimaiyo (2016), it was concluded that the majority of SMEs did not apply for credit due to complex application procedures, high interest rates and insufficient collateral and poor record keeping. Many small financial institutions are considering starting to provide financial services to low-income clients, women entrepreneurs and self-employed people who can access banking and other services. In addition, the ability to provide credit services to clients through lending institutions was determined by the amount of the loan, the payment records, the interest rates and the savings the customer had (Lumumba, 2016). Bett (2016) stated that most SMEs are afraid to apply for credit due to high interest rates and a lack of information on affordable services offered.

The results showed that the respondents did not take out loans because of the short repayment period. Bragg (2016) pointed out that the short time given to entrepreneurs to repay their loans reduces the risk of non-repayment of the bank, which will result in the business's assets declining so far in the short term that it will not be able to repay the loan while the bank will be protected from long-term fluctuations in interest rates. Pius (2015) in his study on the financial impact of small loans on the growth of small business women in Tanzania. It has been shown that the payment period affected the cash flow of the business.

It was decided that respondents did not have enough assets to use as collateral when receiving loans from financial institutions. Omondi and Jagongo (2018) have suggested that the inability to access credit is a major barrier to business growth, restricts entrepreneurs from accessing financial services due to the lack of tangible security associated with the wrong legal and regulatory framework that does not recognize new lending strategies for entrepreneurs.

4.7.3 Capacity Building and Productivity of Entrepreneurs

The result revealed that the defendant agreed that the training they were learning helped them grow their business. This is in stark contrast to a study by Owuor (2015) showing that their weak relationship between training and growth of female SMEs in Ruiru Sub County and business training services was provided on a very small scale, presence was rare and there was no follow-up of counseling services provided during the training. Studies by Kisaka and Mwewa (2014) have shown that micro-credit, low cost and collaborative training have a positive impact on SME growth. According to King and McGrath (2016), entrepreneurial growth is severely hampered by education. Entrepreneurs with large assignments of people through education and vocational training are able to adapt easily to changes in the environment.

Research has shown that respondents are able to understand the terms and conditions required before applying for a loan. Donkor (2015) stated that one of the biggest challenges entrepreneurs face is the lack of financial information. This affects the ability of entrepreneurs to earn money in financial institutions. Some entrepreneurs do not understand the terms and conditions required before applying for a loan and are often hesitant when the repayment period is often longer than expected. Some financial institutions take advantage of the illiteracy and refuse to provide them with additional information and explain the interest rate and its effect on the loans they will take.

It was revealed that through communication with respondents they were able to share information and learn new skills. It will also help entrepreneurs identify new opportunities, share knowledge and skills and reduce their level of uncertainty about organizational performance. According to Mano (2014) the network creates a formal relationship in which participants share information. According to Ngoc and Nguyen (2019), communication will help entrepreneurs' access external finance, gain more knowledge and skills and receive the support they need in microfinance institutions.

Respondents could not reach an agreement in that they had studied the training offered by small financial institutions to help them understand the procedures related to a loan application. Entrepreneurs from rural areas do not understand the services offered by small financial institutions and do not understand the lending procedures. In addition, the lack of information and knowledge enables entrepreneurs to have weak negotiations on interest rates, disclosure of assets and liabilities, misuse of loans and frequent misconduct (Benkele, 2017).

The results also showed that the majority of respondents were unable to reach an agreement that they needed additional business training to get a loan. Kimanzi (2016) in her research recommended that women business leaders be trained and given advice on investment opportunities. Research has shown that lack of training is one of the challenges that entrepreneurs face when accessing low-income assistance. Entrepreneurs do not have the training on how to make a profit in a small financial institution, which makes them unable to manage loans (Ashe et al, 2011). Rono (2018) said financial institutions should also participate in education programs where SMEs should be introduced to qualified traders and business development to ensure the growth of their businesses.

It was pointed out that the respondents were not able to reach an agreement by maintaining a proper network which enabled the respondents to access the loan. According to Ngoc and Nguyen (2019), communication will help entrepreneurs' access external finance, gain more knowledge and skills and receive the support they need in microfinance institutions. Heshmati (2015) adds that communication can help organizations learn relevant business activities and increase their ability to earn money through small financial transactions. As a study by Tafadzwa and Olawale (2016) revealed that there is a significant and positive relationship between networks and access to credit financing and SME performance. According to Ngoc and Nguyen (2019), communication will help entrepreneurs access external finance, gain more knowledge and skills and receive the support they need in microfinance institutions. Gunto and Alias (2019) in their study, found that there is a positive and important relationship between networks and access to finance.

CHAPTER FIVE

SUMMAY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary, conclusion and recommendation of the study along with the need for further research. Summary and conclusion have summed up the research whilst recommendations suggest the best ways on how to address the Impact of microcredit on productivity among Tanzanian entrepreneurs, a case of Kibaha Town Council.

5.2 Summary

The general purpose of this study was to determine the impact of low credit on productivity among Tanzanian entrepreneurs, Kibaha Town Council case. The study was directed at the following research objectives: To explore issues affecting access to finance and their impact on productivity among Tanzanian entrepreneurs in Kibaha Town Council. To find out how lending policies for small credit institutions affect the productivity of Tanzanian entrepreneurs in Kibaha Town Council and determining how the impact of capacity building on small credit institutions affects the productivity of Tanzanian entrepreneurs in the Kibaha Town Council.

A descriptive research framework is used because it helps the researcher to discover what, who, where, when or how. The target population was **661** businessmen in Kibaha Town Council. Randomized samples were used and the sample was taken at each stage thus, giving us a sample size of **295** respondents. Questionnaire used to collect data. Data were analyzed using descriptive statistics. Pearson correlation and regression analysis were used to determine the effect of independent variability on dependent variables.

5.2.1 Issues affecting access to finance and their impact on productivity among Tanzanian entrepreneurs.

Findings on financial aspects and its impact on the productivity of Tanzanian entrepreneurs indicate that most respondents have agreed to start their business using their savings and respondents often disclose information about their business when applying for a loan. Respondents however were unable to reach an agreement due to a lack of sufficient funds for their business who preferred to borrow from friends and family. Respondents started their business using family funds.

Business savings have helped credit responders gain easy access to financial institutions and respondents face the challenge of accessing finance in small financial institutions. Respondents also argued that they maintain good business records that help them easily earn money in small financial institutions and maintain an accurate financial record. The regression analysis was performed and it was revealed that there was a positive and negative relationship between affecting financial access and business performance ($r = 0.26$, $p < 0.092$).

5.2.2 Lending policies for small micro-credit institutions affect the productivity among Tanzanian entrepreneurs.

However, the respondents were unable to reach an agreement on the cost of making the financing mechanisms generally higher, making the respondents reluctant to apply for a loan. The use of group funds helped respondents to easily repay their loans. Respondents are usually not encouraged to apply for a loan because they usually give them less money than they have requested.

The results also showed that respondents faced financial access challenges due to high interest rates. Small-scale financial institutions charge high fines for debt default. Applicants are reluctant to apply for a loan due to the complex application process. Respondents can easily repay the loan. Registered businesses can easily access loans. Respondents do not take out loans due to short-term loan payments and respondents have sufficient assets to use as collateral when accessing loans from financial institutions. The regression analysis was performed and it was revealed that there was a positive and significant relationship between the borrowing and production policy among Tanzanian entrepreneurs ($r = .388$ *, $p < 0.010$).

5.2.3 Impact of capacity building of micro-credit institutions affects productivity among Tanzanian entrepreneurs.

Findings about the effect of capacity building on a small credit bureau have an impact on the performance of entrepreneurs who respond in agreement that the training they receive has helped them grow their business. Business training has a positive effect on sales growth. Through the network respondents are able to share information and learn new skills and respondents are able to understand the terms and conditions required before applying for a loan.

The results also showed that the majority of respondents were unsure whether they needed additional business training to get a loan or not. Applying for a loan as a group is easy because respondents can get co guarantors. Respondents attended training provided by small financial institutions to help them understand the procedures related to a loan application and to maintain a proper network to enable respondents to access it. The investigation also revealed that the defendant did not agree that they had a business plan to use when applying for funding from small financial institutions. The regression analysis was performed and it was shown that there was a positive and significant relationship between capacity building and productivity among Tanzanian entrepreneurs ($r = .605$ ***, $p < 0.000$).

5.3 Conclusions

5.3.1 Access to Finance and Productivity of Entrepreneurs

The study concluded that most entrepreneurs start their businesses at their own expense and when applying for a loan are also free to disclose information about their businesses. However, due to insufficient funds entrepreneurs prefer to borrow money from friends and family. Entrepreneurs are also unable to get loans because they are using the money they have saved in the business and do not have business records which makes it difficult for entrepreneurs to get loans.

5.3.2 Lending Policy on Productivity of Entrepreneurs

In conclusion, respondents get loan from other financial institutions due to lack of collateral and they also consider the amount of interest rate the microfinance institution are offering before applying for a loan. Entrepreneurs are also not able to get loan form microfinance institutions because transaction costs are usually high, short loan repayment period and lack of enough assets and group financial has not helped entrepreneurs to pay their loan.

5.3.3 Capacity Building on Productivity of Entrepreneurs

Training has helped entrepreneurs grow their business and sales and it has also helped them understand terms and conditions required before applying for a loan. Networking has also helped entrepreneurs to share knowledge and learn new skills. However, respondents have not attended a training offered by microfinance institutions to help them understand procedures and some were not sure is they need more business training to access loans. In addition, they also do not have a business plan that they can use when applying for loans form microfinance institutions.

5.4 Implications of the results

Based on the findings of this study the following Policy implications are made possible. Microfinance can be a more viable strategy for sustainable poverty alleviation if it will provide more training and enough education to its client's especial women because from the findings it shows large number of people who take loan are women and are poorer compared to men. Therefore, they should be trained on how to obtain, which amount to take as loan and how to use the obtain loan hence will enable them to increase their standard of living because women have. The government should provide enabling environment for the microfinance programme by ensuring political stability, a stable macro-economic environment and low inflation rates that is for small base loans, MFIs should be flexible by raising the minimum base to reflect changes in the value of money over time.

MFI should make sure that financial is stable by expand its services and its product should not relay on returns from customer only that is it should have another means of getting money for example it may have a farm which will be using irrigation method this is because Dodoma region has problem of rain or they may cultivate crops which does not require more rain if they think irrigation system will be hard for them to manage. And if they see farming is difficult for them, they may do certain kind of business so that they won't be affected with clients who will not be able to recover the loan. This is because they will have another source of income.

Microfinance staff required to provide training on the amount of loan and the repayment capacity of the clients before issue of loan to respective client in order to reduce the problem of increasing in income poverty after borrowing. This sought to increase loan recovery among the client and making the MFI a viable tool for poverty reduction and not a tool of increasing income poverty, due to the fact that people will have knowledge on how to use their loan by making sure that which amount they save and which amount they invest hence it will be easy for them to recover the amount of loan which they borrow.

MFI should lower the amount of interest to its clients so as to help many people who are in need of loans to get it specifically low-income earner so as to increase their income as a result poverty will be reduced.

5.3 Recommendations

5.3.1 Recommendation for Improvement

5.3.1.1Access to Finance and Productivity of Entrepreneurs

MFIs should conduct an awareness campaign to encourage entrepreneurs to save more. This will help their shares increase. It is also recommended that Entrepreneurs should be encouraged to register their businesses, have accurate documentation of transaction and financial activities as well as good business planning. This will reduce information asymmetry and make it easy for them to access loans from MFIs.

5.3.1.2 Lending Policy on Productivity of Entrepreneurs

MFIs and governments need to come up with a strategy to provide entrepreneurs with lower interest rates, reduce transaction costs, increase payment times, make the application process more friendly and convenient and reduce the fine charged to non-existent businesses, be able to pay their bills on time. This will encourage more entrepreneurs to apply for loans thus contributing to the normal outflow of the economy.

5.3.1.3 Capacity Building on Productivity of Entrepreneurs

Based on findings it is recommended that MFIs should offer entrepreneurs short courses. Through this, entrepreneurs will be able to gain more knowledge and skills on financial management, book keeping, preparing financial statements and budgeting. Entrepreneurs will also be able to know services that MFIs provide, procedures and how to apply for those services.

5.4: Limitations of the study.

There were various limitations encountered during the study including;

5.4.1 Methodological limitations

The study used questionnaire to collect data, it was challenging getting the respondents fill their responses in the questionnaires correctly because the study involved entrepreneurs of different education levels.

Further, transferring the collected data from manual scripts to software for processing was a challenge. The researcher had to be more careful at the time he was inputting data in either excel or SPSS to avoid errors.

The study involved many statistical figures, it needed a very keen eye and settled mind to ensure that at the time data were analyzed in SPSS errors were minimized.

5.4.2 Distance limitation

Kibaha Town Council is a place where entrepreneurs are very spaced from each other in most of its 14 wards. Wards like Viziwaziwa, Mbwawa, Msangani, Misugusugu and Pangani needed more time compared to other wards in reaching to entrepreneurs compared to other wards.

5.5 Recommendations for Further Studies

The study only focused on effect of microcredit institutions on performance of entrepreneurship in Tanzania and it looked at factors affecting access to finance, lending policy and capacity building. Very few studies have been done on capacity building; therefore, more studies should be done. In addition, research should also be done to identify other factors that might affect performance of entrepreneurship in terms of access to finance.

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APPENDIXES

APPENDIX 1.

QUESTIONNAIRE

My name is Norbert Faustus Masebe, with a Registration Number **PG201902054**, I am a bona fide student in The Open University of Tanzania, pursuing Masters of Business Administration in Finance, I am conducting a study entitled "**Impact of microcredit on productivity among entrepreneurs in Kibaha Town Council**". This study is only for academic purpose and data collected will be kept confidential and will only be used for the purpose of this study. I would like to invite you to participate in the study freely and to provide information to the best of your knowledge. Thank you in advance.

SECTION A: RESPONDENT'S CHARACTERISTICS

(Tick where appropriate please)

Gender

Male.................... Female................

Age

18-25 ☐ 26-34 ☐ 35-43 ☐ 44-52 ☐ 53+ ☐

Education (Tick where appropriate please)

i)PRE....................ii) O-Level..................iii)A-level..................

iv) Tertiary.......................v) Degree.....................

Other (Specify)………………………………...

Marital status (Please tick where appropriate)

i) Single................. ii) Married.............. iii) Divorced............ iv) Widowed...........

Business type

Agriculture Manufacturing Trading Education

Health ☐ Other (Specify)……………………………………………

How long has your business operated (Years)? (Please tick where appropriate)

0-1 ☐ 1-3 ☐ 3-5 ☐ 6+ ☐

Period of borrowing? (Tick where appropriate please)

0-1 ☐ 1-3 ☐ 3-5 ☐ 6+ ☐

SECTION B: FACTORS AFFECTING ACCESS TO FINANCE

Please indicate your opinion on the basis of the disagreement or agreement with the draft statement using 1 to 5 scale guideline. **5= Strongly Agree 2- Agree, 3= Neutral, 4 =Disagree, 1= Strongly Disagree.**

VARIABLE	1	2	3	4	5
I face the challenge of getting finances from small credit institutions					
I keep good business records that help me access money easily from Micro-credit institutions.					
Due to the lack of sufficient funds in my business I prefer to take out loans from my friends and family					
I started my own business with the money I had saved					
I started my own business using my family's money.					
My business savings have helped me to get a loan from a financial institution					
I usually disclose information about my business when I apply for a loan.					
I keep a proper financial record					

SECTION C: LENDING POLICY

Please indicate your opinion on the basis of the disagreement or agreement with the draft statement using 1 to 5 scale guidelines. **5= Strongly Agree 2- Agree, 3= Neutral, 4 =Disagree, 1= Strongly Disagree.**

	LENDING POLICY	**1**	**2**	**3**	**4**	**5**
1	I have enough assets that I can use as collateral when I get a loan from a financial institution.					
2	I can easily repay the loan					
3	Due to the lack of collateral, I get loans from other sources					
4	The use of group funds helped me pay off my debts					
5	I do not like to apply for a loan because of the complicated process of applying					
6	Registered businesses have easy access to credit					
7	I look at the amount of interest rates charged before claiming finances					
8	I am not taking out a loan because of a short loan repayment					

9	The cost of transactions with Micro-credit intuitions is often higher that way, making me not apply for a loan					
10	I'm usually reluctant to apply for a loan because they usually give me less money than that I asked					
11	I am facing financial challenges because of the high interest rate					

SECTION D: CAPACITY BUILDING

Please indicate your opinion on the basis of the disagreement or agreement with the draft statement using 1 to 5 scale guidelines. **5= Strongly Agree 2- Agree, 3= Neutral, 4 =Disagree, 1= Strongly Disagree.**

	CAPACITY BUILDING	**1**	**2**	**3**	**4**	**5**
1	I know about loans from small financial institutions					
2	I need more business training to get a loan					
3	I have a business plan that I can use when I apply for funding from small financial institutions					
4	Business training has a positive impact on the growth trend of sales in my business					

5	I can understand the terms and conditions required before applying for a loan					
6	With training I was able to acquire the skills and knowledge needed to run my business					
7	I have attended training provided by small financial institutions to help me understand the procedures for applying for a loan.					
8	The training I received helped me to grow my business					
9	Maintaining the right network enabled me to access loans					
10	Through communication I was able to share information and learn new skills					
11	Applying for a loan as a group is easy because I can get co-guarantors					

SECTION E: FINANCIAL PERFROMANCE

Please indicate your opinion on the basis of the disagreement or agreement with the draft statement using 1 to 5 scale guidelines. **5= Strongly Agree 2- Agree, 3= Neutral, 4 =Disagree, 1= Strongly Disagree.**

	FINANCIAL PERFROMANCE	**1**	**2**	**3**	**4**	**5**
1	Access to finance has helped me grow my business					
2	Through training, my financial performance has increased					
3	Savings has contributed to my financial performance					
4	I am able to achieve my targets that I set for each task					

THANK YOU FOR YOUR PARTICIPATION

APPENDIX 2: BUDGET

Items details	**Amount (TShs.)**
Tuition fee, Viva Voce, OUTSO and Registration fees	4,480,000
Stationery	200,000
Typing and editorial	400,000
Printing questionnaire for pilot testing and data collection	350,000
License for IBMC - SPSS Version 27	400,000
Research Assistants (2)	300,000
Transport & Per diems for data collection	1,000,000
Internet connection	150,000
Communication	200,000
Data Analysis	600,000
Type setting	100,000
Proof reading	150,000
Printing, binding, photocopying of draft reports	400,000
Contingency	500,000
Total	**9,230,000**