

**THE EFFECTS OF MICROCREDIT ON GROWTH OF SMALL
CASHEWNUT ENTREPRENEUR'S BUSINESSES AT MTWARA
MIKINDANI MUNICIPALITY-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 dissertation entitled; *“The effects of microcredit on growth of small cashewnut entrepreneur’s business at Mtwara Mikindani municipality-Tanzania”*. In partial fulfillment of the requirements for the award of the Degree of Master of Business Administration in Finance (MBA Finance) of the Open University of Tanzania.



.....

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DECLARATION

I, **Henry Blass**, declare that the work presented in this dissertation is original. It has never been submitted to any other University or Institution. Where other people's works have been used, references have been provided. In this regard, I declare this work as original and mine. It is hereby presented in partial fulfilment of the requirement for the Degree of Master of Business Administration in Finance of The Open University of Tanzania.

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Signature

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Date

DEDICATION

I dedicate this report to my family especially, my wife Monica Nduvye, my mother Anasiata Issidory, my children Joan Sume and Aithan Sume and friends for their endless support during my study period and lastly, I real appriciate my late father Henry Blass Sume and late uncle CPA Zinga Adrian Luhindila for their contribution in my life.

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ABSTRACT

The study determined the effects of microcredit on growth of small cashew nut entrepreneurs' businesses at Mtwara Mikindani Municipality, Mtwara, Tanzania. specifically, the study aimed to determine microcredit utilization to small cashew nut entrepreneurs' businesses in Mtwara, to examine the relationship between education level and growth of small cashew nut entrepreneurs' business in Mtwara and to determine microcredit challenges for small cashew nut entrepreneurs' business in Mtwara. The study employed case study design in which qualitative and quantitative methods were used. A simple random sampling technique was employed to sample out the small cashew nut entrepreneurs. The sample size was 80 respondents. The study used the descriptive statistics. The findings revealed that it was easier for the small cashew nut entrepreneurs in Mtwara to borrow loans from MCIs than from banks. The findings also indicated that the small cashew nut entrepreneurs (43.8%) directed part of the borrowed loans in other activities such as buying clothes, food and paying hospital fees. Further, the result, showed that the education level was significantly correlated with AMPE's of Small cashew nut entrepreneurs. The study results also indicated that high interest rates, lack of training and lack of collateral were mentioned as microcredit challenges which faced the small cashew nut entrepreneurs in Mtwara. The findings also showed that banks should ensure that the lending procedure is clear and precise and timely to encourage SMEs to take up the loans. Flexible repayment periods should be facilitated by the management of lending institutions.

Keywords: *Business, Challenges, Entrepreneur, Education, Growth, Microcredit, Microfinance and small entrepreneurs.*

TABLE OF CONTENTS

CERTIFICATION	ii
COPYRIGHT	iii
DECLARATION	iv
DEDICATION	v
ACKNOWLEDGEMENT	vi
ABSTRACT	vii
LIST OF TABLES	xii
LISTS OF FIGURES	xiii
LIST OF ABBREVIATIONS	xiv
CHAPTER ONE	1
RESEARCH OVERVIEW	1
1.1 Introduction	1
1.2 Background to the Study	1
1.3 Statement of the Problem	2
1.4 Objectives of the Study	3
1.4.1 General Objective.....	3
1.5 Research Questions	4
1.6 Significant of the Study.....	4
1.7 Limitation and Delimitation of the Study	5
1.8 The scope of the Study	5
1.9 Organization of the Study	5
CHAPTER TWO	6
LITERATURE REVIEW.....	6

2.1	Introduction	6
2.2	Conceptual Definitions.....	6
2.2.1	Micro Credit	6
2.2.2	Microfinance	7
2.2.3	Small Entrepreneurship	7
2.2.4	Entrepreneur	8
2.2.5	Financial Institutions	8
2.3	Theoretical Literature Review.....	8
2.3.1	Resource- Based Entrepreneurship Theories	9
2.3.2	Schumpeter Theory of Entrepreneur	11
2.3.3	Theory of Change.....	12
2.3.4	The Grameen Model of Microfinance.....	13
2.3.5	Progressive Lending-Banco Sol Model.....	15
2.4	Empirical Literature Review	16
2.4.1	Microcredit Utilization for SMEs	16
2.4.2	The Relationship between Education Level of SMES' Businesses	17
2.4.3	Microcredit Challenges for SMEs.....	18
2.5	The Research Gap	20
2.6	Conceptual Frameworks.....	20
CHAPTER THREE		23
RESEARCH METHODOLOGY		23
3.1	Overview	23
3.2	Research Philosophy	23
3.3	Research Approach	24

3.4	Research Design and Strategy	24
3.5	Research Population and Study Area	24
3.5.1	Research Study Area	24
3.5.2	Research Population	25
3.6	Sampling Design and Procedure	25
3.7	Sample Size	25
3.8	Data Collection Method	26
3.8.1	Questionnaires	26
3.9	Types of Data	26
3.9.1	Primary Data	26
3.10	Measurement of Variables	26
3.11	Data Analysis	27
3.11.1	Data Processing, Analysis and Presentation	27
3.12	Relationship between Dependent and Independent Variables	27
3.12.1	The correlation Analysis	28
3.13	Validity and Reliability of Measurement	28
3.13.1	Validity of Measurement.....	28
3.13.2	Reliability of the Measurement	29
3.14	Ethical Considerations.....	29
	CHAPTER FOUR.....	30
	PRESENTATION OF THE FINDINGS.....	30
4.1	Introduction	30
4.2	Descriptive Statistics/Characteristics of the Respondents)	30
4.2.1	Distribution of Respondents by Sex.....	30

4.2.2	Distribution of Respondents by Age	31
4.2.3	Distribution of the Respondents by Education.....	32
4.3	The Microdit Utilization for Small Cashew Nut Entrepreneurs in Mtwara..	32
4.4	Relationship between Education Level and Growth of Small Cashew Nut Entrepreneurs' Businesses.....	36
4.5	Microcredit Challenges for Small Cashew Nut Entrepreneurs' Businesses ..	38
CHAPTER FIVE.....		41
SUMMARY, CONCLUSION AND RECOMMENDATIONS.....		41
5.1	Introduction	41
5.2	Summary and Conclusion of the Study.....	41
5.2.1	Microcredit Utilization to Small Cashew Nut Entrepreneurs' Businesses in Mtwara	42
5.2.2	Relationship between Education Level and Growth of Small Cashew Nut Entrepreneurs Businesses	43
5.2.3	Microcredit Challenges Facing Small Cashew Nut Entrepreneurs' Businesses	44
5.3	Recommendations	45
5.4	Areas for Further Studies	46
REFERENCES.....		47
APPENDICES		51

LIST OF TABLES

Table 3.1: Measurement variables.....	26
Table 4.1: Correlation between education level and AMPE of the small cashew nut entrepreneurs in Mtwara	38

LISTS OF FIGURES

Figure 2.1: Conceptual framework.....	22
Figure 4.1: Distribution of the respondents by sex	31
Figure 4.2: Distribution of the respondents by age	31
Figure 4.3: Distribution of the respondents by education level	32
Figure 4.4: Responses of the small cashew nut entrepreneurs on access of microcredits in Mtwara.....	33
Figure 4.5: Shows Microcredit lending institutions in Mtwara.....	33
Figure 4.6: Responses from small cashew nut entrepreneurs on the utilization of microcredits	34
Figure 4.7: Other activities which utilized the small cashew nut entrepreneurs' borrowed loans apart from applied purpose	35
Figure 4.8: AMPE for the small cashew nut entrepreneurs in Mtwara.....	37
Figure 4.9: Responses from the small cashew nut entrepreneurs on microcredits challenges.....	39
Figure 4.10: Microcredit challenges of Small cashew nut entrepreneurs in Mtwara	40

LIST OF ABBREVIATIONS

AMPE	Average Monthly Profit Earned
BLV	Better Life Vicoba
CB	Cashewnut Board
CG	Cashewnut Group
EL	Education Level
MC	Micro-Credit
MCIs	Micro- Credit Institutions
MFIs	Microfinance Institutions
PE	Profit Earned
SCEs	Small Cashewnut Entrepreneurs
Ses	Small Entrepreneurs
SMEs	Small and Medium Entrepreneurs

CHAPTER ONE

RESEARCH OVERVIEW

1.1 Introduction

This chapter presents the background of the study, statement of the problem and the purpose and significance of the study. It also briefly provides the description of methodology. Also, it provides the scope of the study and definition of the key terms that has been used in this study.

1.2 Background to the Study

Lack of access to credit in low-income countries is generally seen as one of the main barriers to developing entrepreneurial activities (Karymshokov et al, 2015). Individuals with low income or limited wealth have no access to loans from the banking system due to the absence of collateral, while microfinance institutions (MFI) are resolving this issue, enabling financial access to individuals (Karymshokov et al, 2015).

According to Massele et al (2015), the microfinance sector in Tanzania has become one of the active economic sectors which helps and attracts poor household's income classes against poverty, women and youth empowerment, small and micro-business development, as well as the entrepreneurship sector in emerging economies. The microfinance sector has been growing the border of finance by providing loans and other financial services to less privileged, underserved and poor households (Karymshokov et al, 2015).

Several poor people in Tanzania lacked opportunity to access microfinance services despite existing number of financial banks such as national microfinance bank, Tanzania postal banks and national bank of commerce. The formation of microfinance looks like a substitute method for accessing financial services to low income households, small farmers and small businesses in both urban and rural (Madonda, 2018).

Microfinance institutions in Tanzania are categorized in different forms such as; NGOs-MFI, Banks, Village Community bank (VICOBA), Saving and Credit Cooperatives Societies (SACCOs), Government Credit Schemes, Village and Loan Association (VLSA), Credit union, Microfinance companies, Cooperatives Banks, Licences banks, Insurance companies (Jackson and Layda, 2016).

Microfinance institutions in Tanzania facilitate the process of providing microfinance to entrepreneurial activities such as, agricultural activities for small businesses, such as fishing, small carpentry shops, tailoring shops, and keeping poultry and cattle. The main objectives of microfinance services are to empower women and youths, improve the standard of living and development of entrepreneurial business activities to reduce poverty (Massele J, et al., 2015).

1.3 Statement of the Problem

Different studies have been conducted to investigate the impacts of microcredit on the growth of small entrepreneurs' business. These studies have reported that the small-scale entrepreneurs who have access to microfinance perform better than their

counterparts (Terry, 2006; Batuly, 2014; Galib, 2007; Wanambisi, 2013; Oleka et al, 2014). There are studies which have been conducted in the study area on the effects of microcredit on the growth of small entrepreneurs' business. For example, Terry (2006) conducted a survey in Temeke Dar es Salaam in assessing impact of microfinance on women entrepreneurs. A regression analysis shows that the majority of the women experienced positive change in their lives through micro finance loans offered by FINCA Tanzania compared to their male counterparts. A multivariate regression model was applied by Ghalib (2007) to determine the performance of SMEs in relation to their micro credit status results found that business that receive adequate amount of loan frequently perform better than the ones that do not. However, in Mikindani municipality, Through studies reviewed there is no study which has been conducted on the effects of microcredit on growth of small cashewnut entrepreneur's business. Hence this provides a gap for a further investigation on the same problem.

1.4 Objectives of the study

1.4.1 General Objective

The general objective of the study was to determine the effects of microcredit on the growth of small cashew nut entrepreneurs' businesses in Mikindani Municipality.

The specific objectives were:

- i) To determine microcredits utilization of small cashew nut entrepreneurs in Mtwara
- ii) To examine the relationship between education level small cashew nut entrepreneurs' businesses in Mtwara

- iii) To determine microcredit challenges for small cashew nut entrepreneurs' businesses in Mtwara

1.5 Research Questions

- i) How are the microcredits utilized by small cashew nut entrepreneurs in Mtwara?
- ii) What is the relationship between education level and growth of small cashew nut entrepreneurs' business in Mtwara?
- iii) What are microcredit challenges for small cashew nut entrepreneurs' businesses in Mtwara?

1.6 Significant of the Study

The results of this study informed stakeholders in Tanzanian to enhance their understanding on the effects of microcredit of growth of small cashew nut entrepreneur's businesses. The results enhanced the understanding of impacts of microcredit on the growth of small cashew nut entrepreneur's business in Tanzania. The result of this study may also help countless stakeholders to understand the impacts of the microcredit on the growth of Small cashew nut entrepreneurs' business in Tanzania. Furthermore, the results of this study may inform policy and decision makers in formulation of policies that can address the problem of accessing microcredit to small cashew nut entrepreneurs. Finally, the results of this study form a base for further research on the impacts of microcredit on the growth of small cashew nut entrepreneurs' businesses.

1.7 Limitation and Delimitation of the Study

The study was conducted in Mikindani municipal in Mtwara region focusing small cashew nut entrepreneurs. It used questionnaire method of data collection as all the respondents were in a position of filling in the questionnaires properly. Due to limitation of time, the study involved the respondents who sold their cashew nut in immovable locations.

1.8 The Scope of the Study

This study did not consider exploring the impacts of microcredit on the growth of small cashew nut entrepreneurs' businesses for the entire Mtwara region. It only considered to explore the impacts of microcredit on the growth of Small cashew nut entrepreneurs' businesses in Mikindani municipal.

1.9 Organization of the Study

The research consists of five chapters. Chapter one as discussed above. Chapter two is composed of literature review of the study in which introduction; theoretical review, empirical review and the conceptual framework were covered. Chapter three gives research methodology whereby research methods, research design, study area, sampling techniques, and data analysis has been elaborated, chapter four is about presentation of findings, and discussion of the finding and chapter five explained the summary of the study, conclusion and recommendation of this study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews various arguments and findings from different authors with the aim of adding knowledge and familiarizing the researcher and other readers with information relevant to the impact of micro credits on promoting small scale entrepreneurship activities. The review covers theoretical, empirical evidence and the research information gap.

2.2 Conceptual Definitions

2.2.1 Micro Credit

The term, ‘microcredit’ has been defined differently. Microfinance Gateway (2013) defined it as a very small loan for unsalaried borrowers. It has been used to refer to loans given to very poor people for self-employment projects that generate income, allowing them to care for themselves and their families (Microfinance Summit, 2009), a practice of offering small, collateral-free loans to members of cooperatives who otherwise would not have access to the capital necessary to begin small businesses from commercial banks (Sengupta and Aubuchon, 2008; Hossain, 2002) or as small credit (Grameen credit) that is not based on Any collateral or legally enforceable contracts but on trust (Yunus, 2007). It is also defined as an act of extension of small loans to entrepreneurs too poor to qualify for traditional bank loans (Microcredit Summit, 1997).

2.2.2 Microfinance

Microcredit is different from microfinance. It implies banking services for poor and low-income individuals or groups (Microfinance Gateway, 2013). Moreover, microcredit is defined as small credit whose issuance is not based on any collateral or legally enforceable contracts but on trust (Yunus, 2007). Microcredit, therefore, comprise loans that are issued to individuals or groups of individuals without necessarily demanding for conventional collaterals that are demanded by banks (URT, 2000). Moreover Bliss (2002) defines microcredit to include small size loans with shorter repayment periods whose regulation are flexible and easy to understand.

2.2.3 Small Entrepreneurship

Businesses are defined as "small" in terms of being able to apply for government support and qualify for preferential tax policy varies depending on the country and industry (Mbinja, 2016). Kumar & Al Maqbali (2015) defined small entrepreneurship as business that produces goods and services on a small scale and plays an important role in the economic development of a country. Similarly, Barwani et al. (2014) is an enterprise that is comparatively small in size, operating in a geographically localized area except its marketing, employed fewer than 100 employees. It is financed by one individual or a small group of individuals. (Atieno, 2009) adds that small entrepreneurship is a business which functions on a small-scale level involves less capital investment, a smaller number of labour, fewer machines to operate and less annual revenue than a regular-sized business or corporation.

2.2.4 Entrepreneur

Entrepreneur has been defined by several authors. According to Anil (2003), an entrepreneur is an economic agent who plays a vital role in the economic development of a country. He is an individual with knowledge, skills, initiative, drive and spirit of innovation who aims at achieving goals. An entrepreneur identifies opportunities and seizes opportunities for economic benefit. Glewe (2000), defines an entrepreneur as a person who bears risk, unites various factors of production; exploits the perceived opportunities in order to evoke demand, create wealth and employment.

2.2.5 Financial Institutions

Institutions that offer financial services to its consumers, playing the function of financial intermediaries (Harvey, 2012). Financial institutions are enterprises that operate as a bank, and their principal business and role are to mobilize funds from the public and invest in financial assets like deposits and loans.

2.3 Theoretical Literature Review

This section gives a brief overview of theories to be used by the researcher to describe the impact of micro credits on promoting small scale entrepreneurship activities. These theories were found relevant to this study because they are useful in explaining how, why and at what reasons microcredits play a catalyst role in promoting small scale entrepreneurial activities. Once again, theories help in providing clarification and links which exist in different factors which influence small scale entrepreneurs' performance.

There are a wide variety of existing theories on microfinance and entrepreneurial growth and one the major challenge is to define the most essential, and that is associated with this analysis of particular study. This study intends to employ two economic based theories to illustrate the interlinkage of the microfinance to the promotion of small-scale entrepreneurial activities.

2.3.1 Resource- Based Entrepreneurship Theories

The inventor Jay Barney developed the resource-based view of the entrepreneur in 1991, which is a strategic management theory designed to explain why some firms perform better than others even when they occupy a very similar business environment. The core idea behind the resource-based view is that competitive advantage comes from a firm's effective use of tangible and intangible resources or assets. Tangible assets include plant, equipment and even human resources, whereas intangible assets include things like trade secrets and corporate reputation. However, the resource-based theory has been criticized for weaknesses. Kraaijenbrink et. al. (2010) assesses several critiques on the resource-based view. (1) The resource-based view has no managerial implications, (2) the resource-based view implies infinite regress, (3) the resource-based view's applicability is too limited, (4) sustained competitive advantage is not achievable, (5) the value of a resource is too indeterminate to provide a useful theory, (6) the resource-based view is not a theory that is about the firm and (7) the definition of a resource is not clear to work with. The theory has important implications for entrepreneurship research. Entrepreneurial opportunities can be expressed as an entrepreneur's unique insight into the value of particular resources that established firms may not yet possess. This perspective

places emphasis on striving for uniqueness rather than trying to be the best company across all metrics. Alvarez and Barney (2007) suggest that if an entrepreneur has all the resources needed to take advantage of an opportunity, then there is little need for organizing, just coordinating and executing. (Alvarez & Busenitz, 2001) argues that access to resources by founders is an important predictor of opportunity-based entrepreneurship and new venture growth. This theory stresses the importance of financial, social and human resources (Aldrich, 1999). Thus, access to resources enhances the individual's ability to detect and act upon discovered opportunities (Davidson & Honing, 2003). Financial, social and human capital represents three classes of theories under the resource –based entrepreneurship theories. Empirical research has showed that the founding of new firms is more common when people have access to financial capital (Blanchflower et al, 2001, Evans & Jovanovic, 1989). By implication this theory suggests that people with financial capital are abler to acquire resources to effectively exploit entrepreneurial opportunities, and set up a firm to do so (Clausen, 2006). Underlying the human capital entrepreneurship theory are two factors, education and experience (Becker, 1975). The knowledge gained from education and experience represents a resource that is heterogeneously distributed across individuals and in effect central to understanding differences in opportunity identification and exploitation (Anderson & Miller, 2003, Gartner et al, 2005, Shane & Venkataraman, 2000).

From the above discussions it is clear that this theory is relevant to the study as it stresses on the importance of credits and man knowledge at utilizing micro credits

given innovation, creativity and doing something different from others so as to achieve higher business achievements.

2.3.2 Schumpeter Theory of Entrepreneur

Joseph Schumpeter propounded the well-known innovative theory of entrepreneurship in 1949. Schumpeter believed that entrepreneurs disturb the stationary circular flow of the economy by introducing an innovation and takes the economy to a new level of development. Arguably, the theory over emphasized on innovative functions of the entrepreneur. It ignored the organizing aspects of entrepreneurship, the risk-taking function of the entrepreneur whilst the theory is more applicable in developed countries only. In developing countries there is a paucity of innovative entrepreneurs. It also does not provide the explanation as to why few countries have more entrepreneurship talent than others.

According to Schumpeter Swedburg, (2000) innovation is about combining materials and forces, which are under reach, with different method or with new combination to produce a new innovative product. By this definition, it is important to consider that Schumpeter emphasize innovation rather invention. According to Mondal, (2000), “Schumpeter’s model works through the transformation of production function. A production function is the technological relationship between inputs and outputs”.

Other major contribution of Schumpeter theory also discusses motivation of the entrepreneur. First, it discusses about the desire and will of entrepreneur to establish an organization where entrepreneur can work independently and enjoy power.

Second, that he/she has will to become successful in his/her business. And third is joy and satisfaction on reaching his/ her goals (Swedburg, 2000). According to Mondal (2000), that when we think about entrepreneurship, there are many factors attached with it like economic, personal and sociological variables and their combination. Personal characteristics also attached as entrepreneurial behavior and these characteristics include need of achievement, risk taking propensity, locus of control, beliefs about wealth and material gain and business growth.

2.3.3 Theory of Change

Weiss popularized the term “Theory of Change” in 1995, the theory posits how certain desired transformations and advancement tend to occur because of undeniable actions or conducts. The theory further explains how the linkages between inputs (the resources that went into the program), activities (what the program does), outputs (the level of development that the program has produced) and results as well as the effect i.e. what changes have taken place (Vogel, 2012). However, the typical theory of change, as set out in many accounts, risks being misleading in two important ways. The first criticism is that they tend to be too linear, assuming that inputs lead to outputs, and that outputs lead to outcomes. This sometimes happens. But anyone familiar with systems thinking will be dubious of linear explanations, especially where complex social phenomena like homelessness, poverty or isolation are concerned and the second criticism is that theories of change risk squeezing out space for learning.

The actual entrepreneurial process (selling and buying) will yield an intended output and thus a desired outcome such as the business growth, increased profit margins, and growth of capital as suggested by Rankin (2002) and Ebrashi (2013).

As of the microfinance perspectives, provision of micro loans, savings, micro insurance and knowledge (training provisions) as well as other services rendered by the microfinance institutions are considered as inputs for most of the entrepreneurship activities, especially the micro, small and medium enterprises (Rankin, 2002).

The theory is related to the study problem as it gives focus on the inputs to output relationship between access to microfinance services and performance of small cashew entrepreneurs. Thus, the theory emphasize on the utilization of SCEs education level performance is measured on the business volume.

2.3.4 The Grameen Model of Microfinance

The model was originated by a Bangladesh professor Mohammed Yunus as a global grassroots of microfinance models which give emphasis of lending to small entrepreneurs, poor people and women in groups. He emphasized that collective obligation of the group serves as loan collateral. The essential concept of the model is group formulation and these groups are eligible to take loan, no option of loan for individuals is available. The knowledge of continue providing loan (progressive lending) Morduch and Agion 2003) was come into place to provide loan to persons with group lending. Individuals will get great amount of loan after complete the

repayment of their loan. The Grameen banking model faces challenges in the areas of policy, information asymmetry, costs, governance, institutional capacity, resource management and political insurgency. Information asymmetries may bring about adverse selection and moral hazard. In the case of adverse selection, the lender lacks information on the credit worthiness of its borrowers. Riskier borrowers have a greater chance of not fulfilling their obligation of repayment of loans than safer borrowers, and therefore a higher interest rate may be charged to cover for the increased risk of default (Rahaman, 2010). The group lending theory is generally accepted as the main roots from which microcredits came about and claims to provide solutions to the limitations of imperfect credit markets, in particular in dealing with the deficiencies of where one party has more or better information than the other. The theory simply highlights the influence of the microfinance sector towards the micro and small enterprises as the main dimensions as well as low-income earners (Goldberg, 2005). According to Ghalib (2007) the theory shows how the impact of the microfinance institution and the services it provides has the possibility not only of helping the poor to survive, but also of generating the spark of personal initiative and entrepreneurship among the people needed to get out of poverty, and how microfinance services can be of considerable benefit to the enterprise sector. The interest charged is around not much different from that of commercial banks but far lower than interest charged by individual money lenders (Natarajan, 2004). Rahman (2006) stated that the standard model of lending commonly contains two mechanisms which address the issue of information asymmetries: assortative matching or screening to deal with adverse selection, and peer monitoring to overcome moral hazard.

This model is in line with the study objectives since the study aims to examine the provision of the microfinance services such as the micro savings, knowledge enhancement as well as the micro credits are captured in this model as the fundamentals for the growth and development of the low-income earners including the small and micro cashew nut entrepreneurs. Since safer borrowers have greater opportunity of being charged lesser interest rates as there is a greater chance of repaying their loans. Beside this, certain vital information of the borrower may not be available to the lender, therefore making it necessary for the spread across of higher average interest rates to all borrowers even if this needed information of other borrowers to provide.

2.3.5 Progressive Lending-Banco Sol Model

The theory was put forward by professor Mohammed Yunus as global grassroots of models of microfinance which give emphasis to lending to villagers and continue lending on in smaller amount of money. The other essential concept of this model is group formulation and these groups are eligible to take loan, no option of loan for individuals is available. The knowledge of continue providing loan (progressive lending) Morduch and Agion (2003) was come into place to provide loan to persons with group lending. Individual will get great amount of loan after complete the repayment of their loan. But other features of Grameen Model (Group lending) are that the idea raised to target the poor people, women, group formation, and public payment.

2.4 Empirical Literature Review

This section reviews various previous studies that have been done by other researchers which relate to the study problem. These include empirical literature regarding the institutions offering micro credit to small entrepreneurs, the relationship between microcredit beneficiaries and non-micro credit beneficiaries and possible challenges facing micro credit beneficiaries.

2.4.1 Microcredit Utilization for SMEs

Numerous studies have been conducted in relation to the microcredit utilization for SMEs. These studies have come up with mixed findings. Haque and Itohara (2009), argue that despite positive impacts of microcredit, many clients reported that they are unable to use the loan in income generating activities due to severe poverty, illness of family members, educational needs of the children, unemployment of income generating household members, disaster and some other needs. According to Snodgrass and Sebstad (2002), the benefits that people gain from borrowing and saving money depend on the uses they can make of these funds. Buvinic et al. (1989) asserted that women use credit to increase efficiency and productivity, rather than to grow. Dunn and Arbuckle (2001) found that many respondents use credit to meet both household and enterprise needs. Based on the findings from the studies above, it is clear that some small entrepreneurs have problem in using the borrowed amount particularly in directing it for intended purpose. This means that the SEs need to well equipped with skills and knowledge on how to use properly the borrowed fund and not to direct it for other uses.

2.4.2 The Relationship between Education Level of SMES' Businesses

Various studies have been done related to the relationship between education level and growth of SMEs' business. A study (Meng and Liang, 1996) has shown that those owners who have attained formal education in universities or colleges are more successful than those who have no such qualification. According to them, educated owners were working hard, self-confident, risk taking, self-controlled, innovative, and autonomous. Davidson et al., (2005), argue that, the acquisition of formal education is taken as productive strategy of success and competitive edge in the SME business. Mbugua et al., (2013) in their study to investigate the factors affecting the growth of micro and medium enterprises in Eldoret, Kenya found that most entrepreneurs agree that formal education has become essential for small business success. They found that high education levels were associated with greater verbal communication and comprehension skills, all of which are important in business decision making and management, thereby ensuring small business success.

Also, Vesper (1990) and Robinson & Sexton (1994) concluded that entrepreneurs with a good general education tend overall to be noticeably more successful than those with less favorable education and even more successful when general education is combined with experience. A study by Kamunge et al., (2014) on small business success in Limuru town market in Kenya. They found that the small business owners in Limuru town market who had little or no formal education lacked expertise and managerial ability, which made them ill-prepared to face changes in the business environment and to plan appropriate changes to technology. Therefore, going through the literatures regarding the relationship between education level and

growth of SMEs's, the studies have shown that those who high education level are more successful than those who have no such qualification.

2.4.3 Microcredit Challenges for SMEs

A cross-sectional descriptive research study was conducted in Tanzania revealed that small entrepreneurs faced risk associated with loan lack of economic opportunities due to tradition and cultural obstacles (Terry, 2006). Keep (2010) have studied the effect of Microfinance factors on people Entrepreneurs' performance in Nigeria. Entrepreneurs play a crucial role in the economic development of their families and communities but certain obstacles such as poverty, unemployment, low household income and societal discriminations mostly in developing countries have hindered their effective performance of that role (Maranatha, 2019).

(Nduba, 2010) in his study on limitations in access to finance by SMEs documented that other challenges include, discriminatory cultural practices which make it impossible for small entrepreneurs to borrow on own assets and land title deeds, high transaction costs etc. This limitation in access to finance by SME's undermines the critical role of in economic growth (Ndunguru ,2007).

Information asymmetry and insufficient collateral are the biggest obstacles in case of African countries, simultaneously the phenomenon of being financially constrained due to information asymmetry and insufficient collateral is more severe in micro firms as compared to small and medium firms (Marone, 2003). A study conducted in Ghana observed that insufficient access to finance has been recognized as part of the main limitations to the development of small businesses

entrepreneurs, especially in developing countries lack training (IFP/SEED, 2004) and entrepreneurial process is a vital source of developing human capital as well as plays a crucial role in providing learning opportunity for individuals to improve their skills, attitudes and abilities (Brana, 2008) training is a very important micro-finance factor for women entrepreneurs as it would provide the skills and experience needed for business (Akanji, 2006).

Also, study from Kilwa concerning constraints facing small and medium entrepreneurs towards accessibility of micro credits indicated that Choice of business, Higher interest rates, Price instabilities, Government policies ie taxes (Acha, 2012) acts as major drawbacks for SMEs performance. Also collateral, market and competition, low technology used in production and high advertisement costs reduce micro finance trust to micro entrepreneurs' (Kwabena and Kwabena, 2011). However, findings show that high interest rate is directly proportional to failure for most small entrepreneurs in business (Machela, 2013). Furthermore, Ajose, (2010) insisted that because of lengthy procedure and documentation it becomes difficult for the SMEs to get finance from the banks.

Therefore, literature suggest that, micro credit accessibility by small scale entrepreneurs found to be an issue mostly in developing countries than developed countries. This has led to significant underdevelopment in most developing countries. Therefore, Microfinance banks should expand the repayment period of their customer's asset loans, make use of the collective group-based loan

disbursement strategy, as this will minimize the rate at which client's default in payment and the level of portfolio at risk.

2.5 The Research Gap

Previous literatures have documented about the contribution of microcredits on the performance of small-scale entrepreneurs (Goldberg, 2005). For example, Hanning (2009) on his study on contributions of microfinance institutions to the financial performance of Small and Medium Enterprise have shown that majority of small entrepreneurs acquire micro credits from micro finance institutions such as PRIDE and FINCA, while very few acquire credits from formal financial institutions such as NMB and CRDB. Also, Ghalib (2007) on his study to determine the performance of SMEs in relation to their micro credit status results found that business that receive adequate amount of loan frequently perform better than the ones that do not. However, most of these studies have overlooked the possible microcredit challenges that small micro credit beneficiaries would face in return to loans received as well as the microcredit utilization. Furthermore, majority of the studies based on micro credit scope aimed for empowerment of women entrepreneurs whilst little has been documented of their male counterparts (terry, 2006).

2.6 Conceptual Frameworks

The conceptual framework in a research study is diagrammatical representation of different variables being analyzed in the research study. It provides a clear outline of the interrelationship existing between the dependent and independent variables. Figure 1, involves three independent variables namely Microcredit utilization,

Education level and Microcredit challenges while Small cashew nut entrepreneurs, business.

Microcredits utilization for SMEs have positive impacts, though some studies have reported that many clients are unable to utilize the loans as per applied purpose. Haque and Itohara (2009), reported that many clients are unable to utilize the loan in income generating activities due reasons like severe poverty, illness of family members and educational needs of the children. Also, Dunn and Arbuckle (2001) found that many respondents use credit to meet both household and enterprise needs. This being the case, utilization of the applied microcredits has impact on the growth of Small cashew nut entrepreneurs' business.

In view of the relationship between Education level and growth of SMEs' businesses, generally, most studies have shown that there is a positive relationship between the two variables. For example, Meng and Liang (1996) has shown that those owners who have attained formal education in universities or colleges are more successful than those who have no such qualification. Also, Vesper (1990) and Robinson & Sexton (1994) concluded that entrepreneurs with a good general education tend overall to be noticeably more successful than those with less favorable education and even more successful when general education is combined with experience. Generally, based on the literatures above, there is a relationship between Education level and growth of SMEs's businesses.

Microcredit challenges have great impact on the growth of SEs business. For instance, the MSEs are affected forexample by Lengthy procedures and colletaral

security set by the MFIs. Acha (2012), reports that SMEs are affected by obstacles such as High interest rate and Government policies. Therefore, Microcredit challenges have great impact on the growth Small cashew nut entrepreneurs' businesses.

The three components illustrated in Figure 1 do interact with one another and in turn have impact on the growth of Small cashew nut entrepreneurs' business. The framework given in figure 1 assists as a guide to the data collection process, including the style of questionnaire questions.

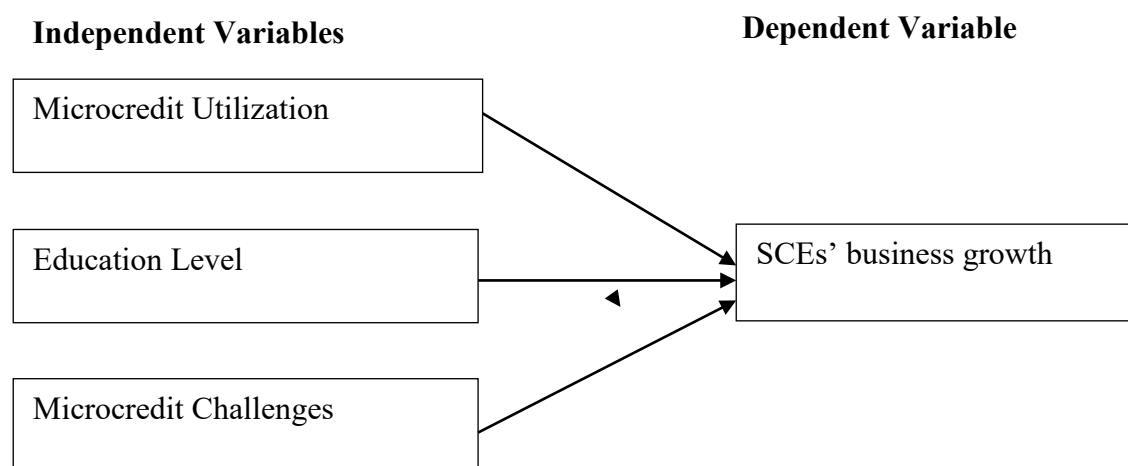


Figure 2.1: Conceptual framework

Source: Developed by Researcher (2022)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Overview

This chapter presents the methods to be adopted and used for this study to address research objectives. The chapter explains the research philosophy, research approach, research design and strategy, sampling design and procedure, sample size, data collection, variables and measurement, data processing and analysis, descriptive and inferential statistical analysis, inferential statistical analysis, model analysis and hypothesis testing, model specification, model specification test, test for regression assumptions, test for omitted variables. Furthermore, this section discusses the validity and reliability of measurements and, finally, the ethical considerations.

3.2 Research Philosophy

The research philosophies which were discussed in this study are naturalism and positivism. Naturalism refers to a philosophical worldview or set of assumptions about nature (Slife, 2004). Overall, nature is objectified and presumed to be in constant, regular patterns of causal interaction. When these causal patterns are observed and described – often with the help of scientific method – they are translated into natural laws or principles which are thought to govern the movement of objects in nature (Slife & Williams, 1995). On the other hand, Positivism relies on the hypothetical deductive method to verify a priori hypotheses that are often stated quantitatively, where functional relationships can be derived between causal and explanatory factors (independent variables) and outcomes (dependent variables).

3.3 Research Approach

The research approach adopted for this study is both qualitative and quantitative. Based on the research findings the study is exploratory and aims to achieve depth in finding the answers of research questions.

3.4 Research Design and Strategy

Research design is the conceptual structure within which research is conducted. It constitutes the blueprint for the collection, measurement and analysis of data (Kothari, 2004). The objective of this study was to assess the impact of microfinance on the development of micro entrepreneurial activities. The case study design was used to the fact that, the study based at one place. Case study was used because it allows the use of various data collection methods. Also, it was cheaper and less time consuming due to limited of resources, it also gave a researcher the possibility of having much focused study.

3.5 Research Population and Study Area

3.5.1 Research Study Area

Mtwara Mikindani Municipal District Council is one of eight regional councils of the Mtwara Region in Tanzania. It is bordered to the north by the Lindi Region, to the east by the Indian Ocean and to the south and west by the Mtwara District. According to the 2012 census, the district has a total population of 108,299 (Wikipedia, the Free Encyclopedia, 2022).

3.5.2 Research Population

Population is the targeted group to be studied (Kothari, 2004); the total collection of elements about which the study wishes to make inferences. The targeted population of the study was 800 small cashew nut entrepreneurs found at Mtwara Mikindani Municipality in Mtwara region. The researcher decided to use small cashew nut entrepreneurs at Mtwara Mikindani Municipality because suits with the research objective and is also easily accessible to the researcher.

3.6 Sampling Design and Procedure

This study used probability sampling techniques in selecting the sample. According to Noordzig et al. (2010), a probability technique is a sampling technique in which the sample is selected based on well-defined mathematical rules. There are various probability sampling techniques, However, this study adopted a simple random sampling, where each individual had an equal chance of being selected.

3.7 Sample Size

A sample is usually defined as a proportion or subset of a larger group called a population. Fink (2003:1) pointed out that a good sample is a miniature version of the population of which it is a part – just like it, only smaller. According to Kothari (2004), a representative sample is one which is at least 10% of the targeted population. The number of targeted populations, which is the number of small cashew nut entrepreneurs at Mtwara Mikindani Municipality was 400, thus the choice of 10% was considered as a representative sample of the population.

Therefore, this study used 80 respondents from the Small cashew nut entrepreneurs at Mtwara Mikindani Municipality.

3.8 Data Collection Method

3.8.1 Questionnaires

This study used questionnaires as the data collection method. This method seemed to be appropriate due to the fact that all the respondents were capable of providing responses as they were able to read and write. This method required the respondents to fill in the responses.

3.9 Types of Data

3.9.1 Primary Data

The primary data are those which are collected afresh and for the first time, and thus happen to be original in character (Kothari, 2004). These are the first-hand information; they were collected from the small cashew nuts entrepreneurs at Mtwara municipal.

3.10 Measurement of Variables

variables This subsection describes the measurement of variable. The Table 3.1, presents the measurement of variables.

Table 3.1: Measurement variables

Variable	Explanations	Measurement	Instrument
Small cashew nut entrepreneurs' business growth (Profit earned)	Dependent Variables	Ratio scale	Questionnaires
Education Level	Independent variables	Ordinal scale	Questionnaires
Microcredit utilization	Independent variables	Ordinal scale	Questionnaires
Microcredit challenges	Independent variables	Ordinal scale	Questionnaires

3.11 Data Analysis

The data collected was coded and analyzed based on read variables. Data were analyzed using descriptive analysis with the aid of Statistical Package for Social Sciences (SPSS) for quantitative data whereby quantitative data collected from the field were presented using tables, frequencies and percentages and content analysis for qualitative data.

3.11.1 Data Processing, Analysis and Presentation

Data processing in research is the collection and translation of a data set into valuable, usable information. Data analysis is the application of reasoning to understand and interpret collected data (Kothari 2004). Data analysis implies that the collected data should be condensed to the best manageable level of group for further analysis. The presentation of data will be done through tabular, statistical and cartographic. In the case of a tabular form of presentation, data related to different variables will be classified and compared. Various statistical techniques are available to derive accurate and precise results. Since techniques have a large range coupled with the limitations of their own, a selection of appropriate techniques needs to be made for the purpose. The construction of graphs, charts, diagrams and maps are the various forms of cartographic presentation.

3.12 Relationship between Dependent and Independent Variables

Correlation is a statistical method used to determine whether a linear relationship between variables exists (Bluman, 2009). Correlation provides a numerical measure of the linear or “straight-line” relationship between two variables, X and Y. The

resulting correlation coefficient or “r value” is more formally known as the Pearson product moment correlation coefficient. X is known as the independent or explanatory variable while Y is known as the dependent or response variable. The study used correlation coefficient to measure the relationship between the growth of Small cashew nut entrepreneurs’ businesses and education level of small cashew nut entrepreneurs at Mtwara Mikindani Municipality.

3.12.1 The correlation Analysis

Related to the relationship between the education level of the respondents and growth of Small cashew nut entrepreneurs’ businesses, the study used the correlation analysis. The Average Monthly profit earned by Small cashew nut entrepreneurs (PE) represented dependent variable while Education level (EL) represented the independent variables. Therefore, the correlation analysis incorporated correlation between Profit Earned (PE) and Education level (EL).

Y = Average Monthly profit earned by Small cashew nut entrepreneurs (PE)

X = Education level (EL)

3.13 Validity and Reliability of Measurement

3.13.1 Validity of Measurement

Kothari (2004) asserts that, data validity is the correctness and reasonable of the information extracted from the source. According to Saunders et al (2007), validity is used to determine whether research measures what it intended to measure and to approximate the truthfulness of the results. Validity is concerned with whether the findings are really about what they appear to be about. The researcher will ensure

that only valid questions are asked. This will be done by giving the questions in the questionnaire to research experts to crosscheck if the questions are valid (relevant and irrelevant) against the objectives of the study.

3.13.2 Reliability of the Measurement

Data reliability is a cornerstone of making a successful and meaningful study. In order to collect reliable data, the researcher will design the Questionnaires through an elaborate procedure which involved a series of revisions under the guidance of the study supervisors to ensure that fieldwork will be conducted by the use of high-quality data collection (Kothari, 2004).

3.14 Ethical Considerations

Usually ethical issues need to be considered during conducting research, particularly in the data collection phase. The ethical issues to be considered in this study include but not limited to the collected data from the respondents in this study will remain confidential throughout the study. Also, there is no respondent who will participate in the study forcibly. The respondents will be required to participate in the study willingly after understanding the benefits and risks associated with the study. Finally, the dignity and comfort of all respondents who will participate in the study will be protected throughout the study.

CHAPTER FOUR

PRESENTATION OF THE FINDINGS

4.1 Introduction

This chapter presents the findings of the study. It presents the main findings of respondents in a self-administered questionnaire conducted at Mtwara Mikindani Municipality to small cashew nut entrepreneurs. The chapter is divided into two main sections: the first section contains the characteristics of the respondents, and the second section contains the findings of specific research objectives.

4.2 Descriptive Statistics/Characteristics of the Respondents)

The aspect was very crucial in obtaining the overall picture of the respondents that could help in discussing the main issues pertaining to the impacts of microcredit on the growth of small cashew nut entrepreneurs at Mtwara Mikindani Municipality.

4.2.1 Distribution of Respondents by Sex

The researcher was interested to know how the sex of the respondents participated in the study. Figure 4.1 shows the distribution of the sampled respondents by sex. The results show that 22 respondents equal to 27.5% of the total respondents were male while 58 respondents equivalent to 72.5% of the total respondents were female. Considering the respondents' distribution by sex, female respondents were greater in number than male respondents.

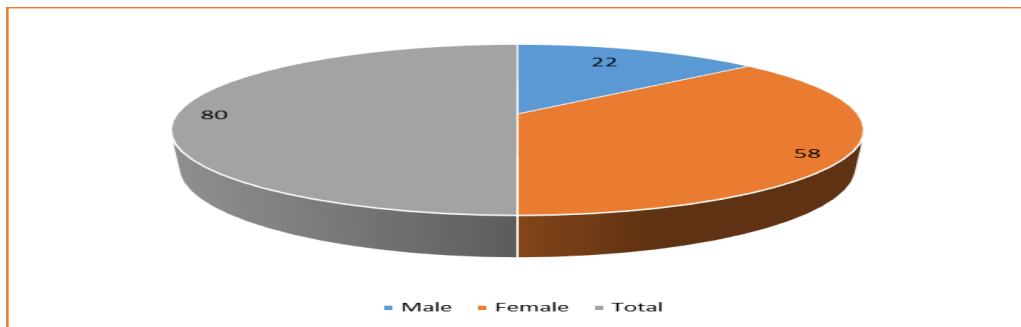


Figure 4.1: Distribution of the respondents by sex

Source: Researcher (2022)

4.2.2 Distribution of Respondents by Age

The age of the respondents ranged from 18 to 50 and above. The findings show that respondents aged between 18-30 years were 36 which was 45% of the total respondents and 26 respondents which was 32.5% of the total respondents were aged between 31 - 40 years, 9 respondents which were 11.3% of the total respondents were aged between 41-50 years, while 9 respondents equivalent to 11.3% were aged above 50 years. Considering the distribution of respondents by age, it is clear that the respondents aged between 31 to 40 inclusive were large in number as compared to other categories of ages.

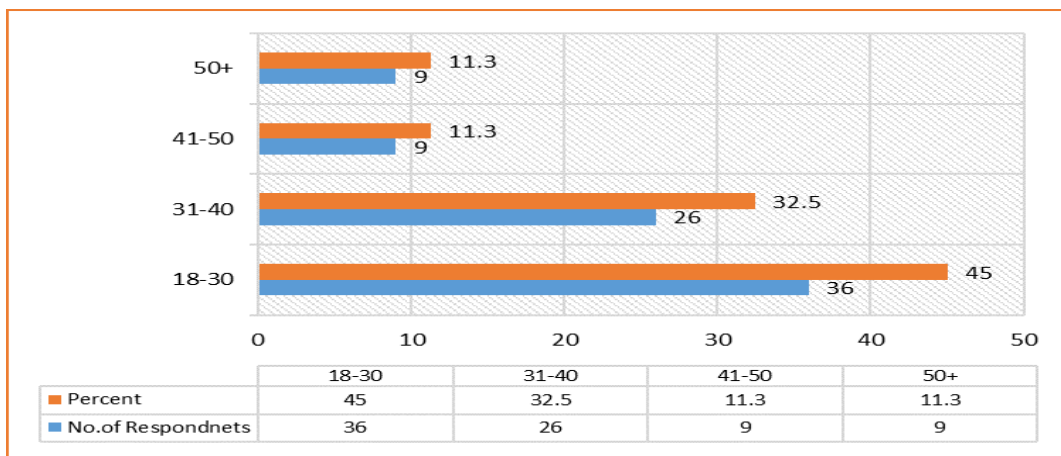


Figure 4.2: Distribution of the respondents by age

Source: Researcher Data (2022)

4.2.3 Distribution of the Respondents by Education

The researcher was also interested to know the education level of the respondents who participated in the study. The results revealed that 47 respondents equal to 58.8% of the total respondents had Primary School Education (PSE) while 6 respondents equivalent to 7.5% of the total respondents had certificates. The results also indicated that 15 respondents equal to 15% of the total respondents had a Diploma while 12 respondents equivalent to 12% of the total respondents had Bachelor's degree. This being the case, the respondents who had Primary School Education were large in number compared to other categories of education level of the respondents who participated in the study (Refer figure 4.3).

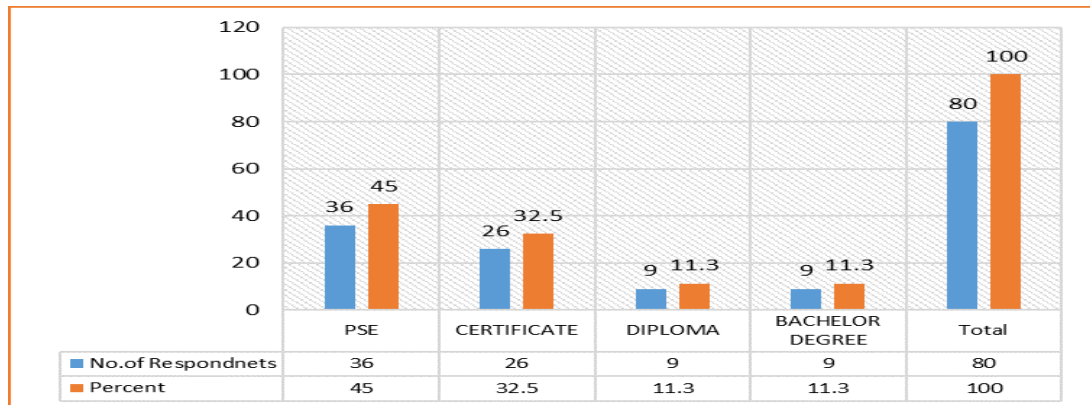


Figure 4.3: Distribution of the respondents by education level

Source: Researcher (2022)

4.3 The Microdit Utilization for Small Cashew Nut Entrepreneurs in Mtwara

The researcher was interested to know how the small cashew nut entrepreneurs in Mtwara utilize their microcredits. The first question to the respondents before knowing how they were utilizing their microcredits was related to the accessibility of microcredits to SECs in Mtwara. The responses from the small cashew nut entrepreneurs were as presented in figure 4.4:

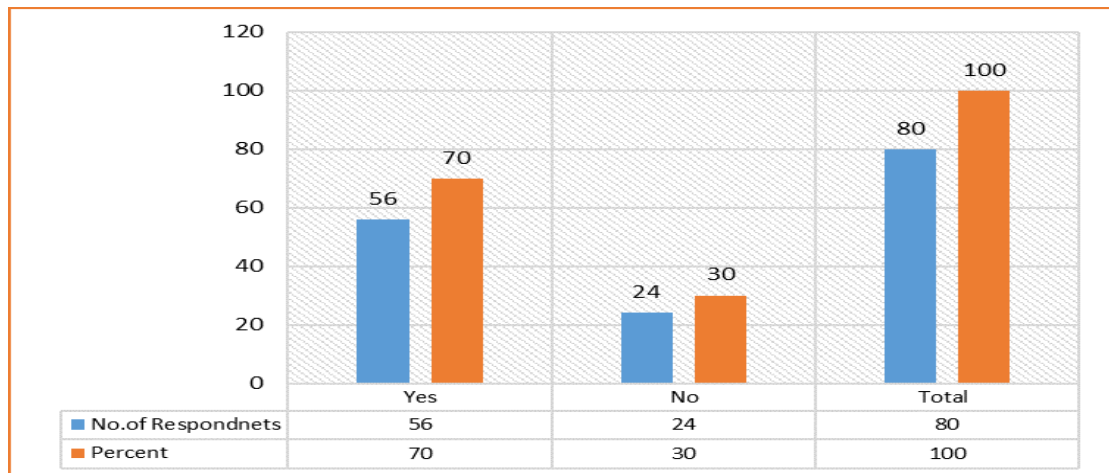


Figure 4.4: Responses of the small cashew nut entrepreneurs on access of microcredits in Mtwara

Source: Researcher (2022)

Result from figure 4.4, indicates that 56 respondents equal to 70% of the total respondents said that they had access to microcredits from MFIs while 24 respondents equal to 30% reported that they had no access to microcredits.

The next question in this part asked the respondents to mention the Microcredit institutions which lend loans to small cashew nut entrepreneurs. The responses from the participants are as shown in figure 4.5

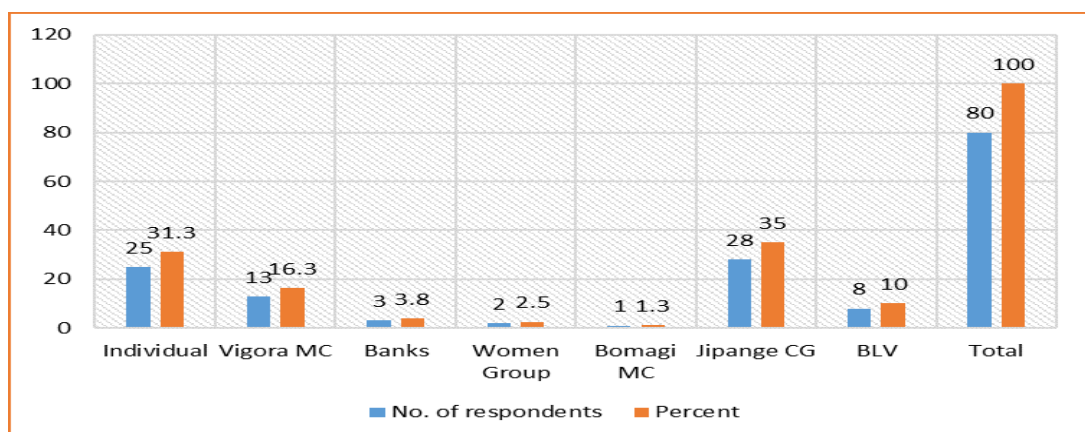


Figure 4.5: Shows microcredit lending institutions in Mtwara

Source: Researcher (2022).

Results from figure 4.5 indicate that 25 respondents equal to 31.3% received their microcredits from individuals, while 13 respondents got their microcredits from Vigora MC. Furthermore, 3 respondents equivalent to 3.8% received microcredits from banks while 2 respondents equal to 2.5% received their microcredits from Women Group. Finally, the result reveals that 1 respondent equal to 1.3 of the total respondents got microcredit from Bomangi MC, 28 respondents equal to 35% received microcredit from Jipange CG and 8 respondents equal to 10% received their microcredits from BLV. The result indicates that only few small cashew nut entrepreneurs could get access to microcredits from banks. In this study only 2 respondents equal to 2.5% had access to loans from banks. The result has indicated that only 2.5% of the total respondent who received their microcredits from banks. This percent is smaller compared to the number of respondents received microcredits from other sources. This finding agrees with the findings of Shahbaz et al (2014), who reported that commercial banks prefer large businesses and prefer to give huge loans at a high interest rate, which becomes difficult for SMEs.

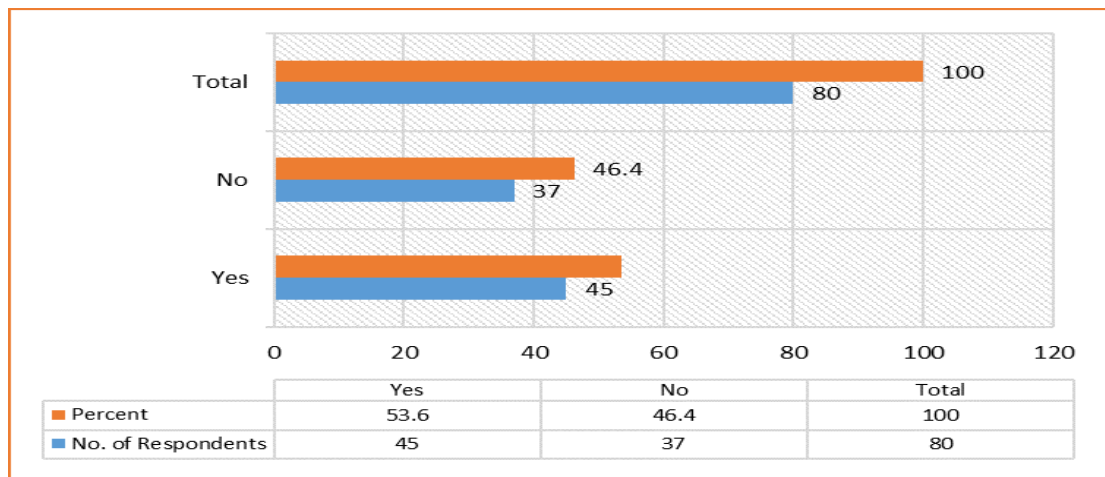


Figure 4.6: Responses from small cashew nut entrepreneurs on the utilization of microcredits

Source: Researcher (2022)

The researcher also wanted to know if the microcredit borrowed were utilized as per applied purpose. The responses from the Small cashew nut entrepreneurs were as shown in figure 4.6.

The findings from figure 4.6, reveal that 45 respondents equivalent to 53.6% of the total respondents said they utilized their microcredits as per applied purpose. On the other hand, 37 respondents equal to 46.4% of the total respondents said that the entire borrowed loans were not utilized as per applied purpose.

The last question on this part asked the respondents to mention the activities which utilized their microcredits if all the borrowed microcredits were not used as per applied purpose. Figure 4.7, presents other activities which utilized the borrowed loans.

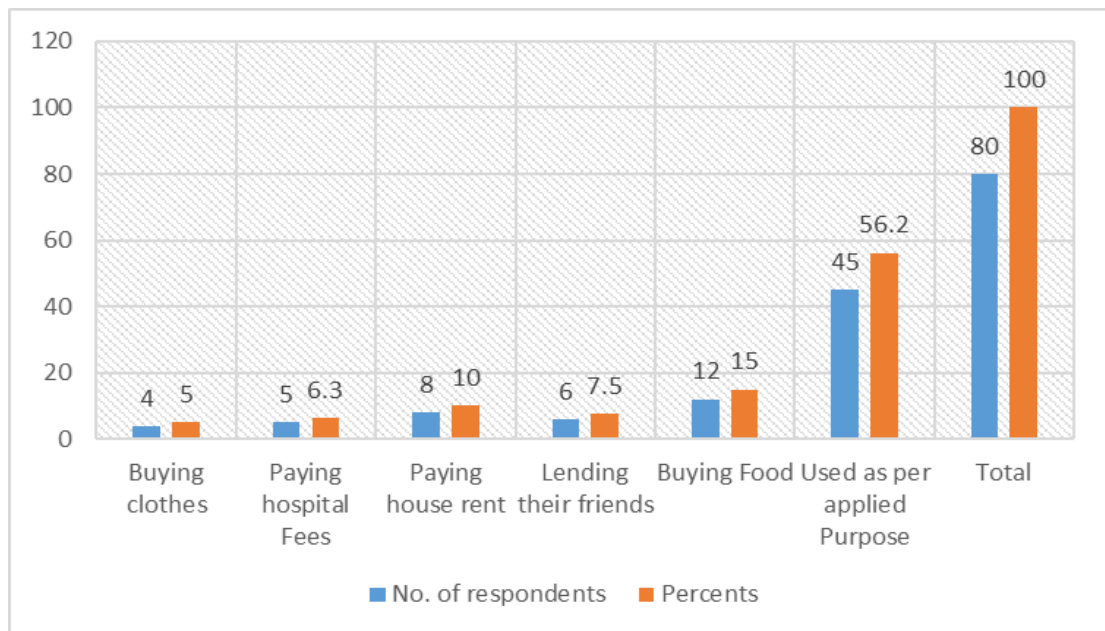


Figure 4.7: Other activities which utilized the Small cashew nut entrepreneurs' borrowed loans apart from applied purpose

Source: Researcher (2022).

The results from figure 4,7, indicate that 45 respondents equivalent to 56.2% of the total respondents used their borrowed funds as per applied purpose. However, 4 respondents equal to 5% apart from using full microcredit on cashew business they used part of it to buy clothes, 5 respondents equal to 6.3% used to pay hospital fees, 8 respondents equal to 10% used to pay their house rent, 6 respondents equivalent to 7.5% used to lend their friends and 12 respondents equal to 15% used to buy food. This finding is in harmony with the findings by Haque and Itohara (2009), who found that many clients reported that they are unable to use the loan in income generating activities due to severe poverty, illness of family members, educational needs of children, unemployment of income generating household members, disaster and some other needs. Furthermore, Dunn and Arbuckle (2001) in their study, found that many respondents used credit to meet both household and enterprise needs.

4.4 Relationship between Education Level and Growth of Small Cashew Nut Entrepreneurs' Businesses

The growth of small cashew nut entrepreneurs' business was measured by considering the average monthly profit earned by each SCE. Table 4.8 indicates Average Monthly Profit Earned (AMPE) for the small cashew nut entrepreneurs in Mtwara.

Related to the AMPE by the small cashew nut entrepreneurs in Mtwara, the results indicate that 62 respondents equal to 77.5% earned between Tshs. 80,000 – 100,000, 7 respondents equal to 8.8% earned between Tshs, 201,000 – 300,000, 7 respondents equal to 8.8 % earned between Tshs.301, 000 – 400,000, 3 respondents equal to 3.7%

earned between Tshs. 401,000 – 500,000, while 1 respondent equal to 1.2% of the total respondents earned above Tshs. 500,000. This implies that, the majority of the small cashew nut entrepreneurs (62%) in Mtwara earn a monthly average profit of Tshs. 80,000 – 100,000.

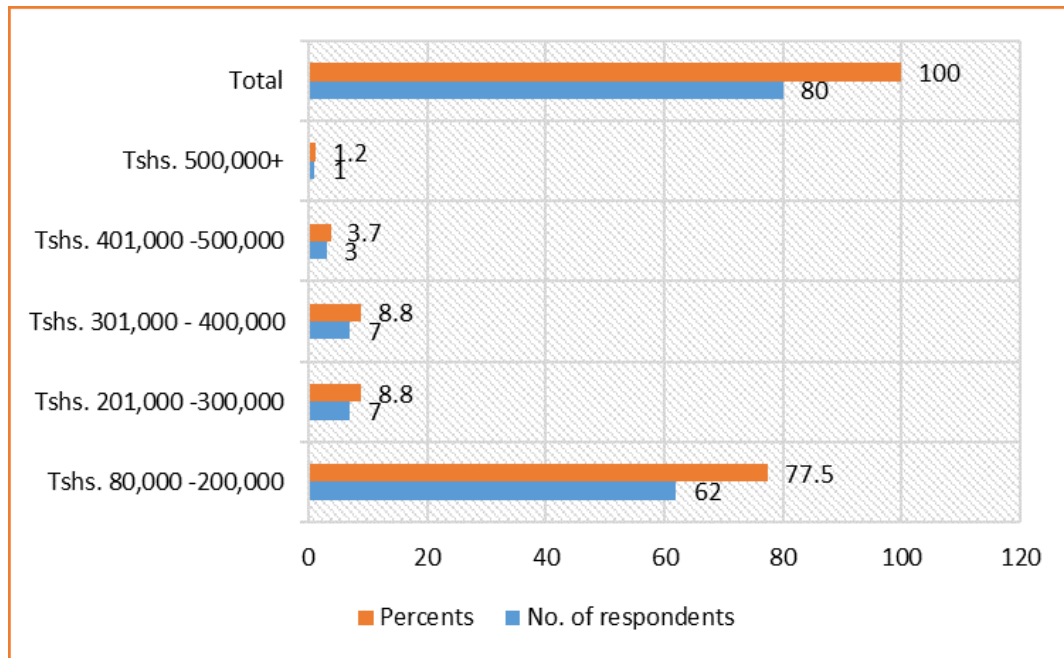


Figure 4.8: AMPE for the small cashew nut entrepreneurs in Mtwara

Source: Researcher (2022)

The study used Pearson's correlation to measure the correlation between EL and AMPE with the small cashew nut entrepreneurs in Mtwara. EL represented the independent variable while AMPE represented the dependent variable. EL was rated on a four – point nominal scale where 1 to the lowest level of education and 4 the highest level of education while and AMPE was rated on a five- point ordinal scale where 1 equals the lowest and 5 equals the highest at a significance level of 0.01.

Table 4.1: Correlation between education level and AMPE of the small cashew nut entrepreneurs in Mtwara

Correlations			
		Education of the Respondents	Repondents' AMPE
Education of the Respondents	Pearson Correlation	1	.497**
	Sig. (2-tailed)		.000
	N	80	80
Repondents' AMPE	Pearson Correlation	.497**	1
	Sig. (2-tailed)	.000	
	N	80	80

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

As shown in Table 2, the education level is significantly correlated with AMPE's of small cashew nut entrepreneurs ($p < 0.01$). The pearson correlation coefficient of 0.497 indicates that there is a moderate positive correlation between education level and AMPE of the small cashew nut entrepreneurs. The finding of this study is harmony with the findings of study by Mbugua et al., (2013) on the factors affecting the growth of micro and medium enterprises in Eldoret, Kenya, who found that high education levels were associated with greater verbal communication and comprehension skills, all of which are important in business decision making and management, thereby ensuring small business success. Further, Vesper (1990) and Robinson and Sexton (1994) concluded that entrepreneurs with a good general education tend overall to be noticeably more successful than those with less favorable education and even more successful when general education is combined with experience.

4.5 Microcredit Challenges for Small Cashew Nut Entrepreneurs' Businesses

The first question in this part, the researcher wanted to know the number of small cashew nut entrepreneurs in Mtwara who are facing microcredit challenges. The

question gave respondent a room of picking one option, by putting a tick against the option Yes if he/she faced any microcredit challenge and No if he/she did not face any challenge. Figure 4.9 represents the responded of the Small cashew nut entrepreneurs on the same question.

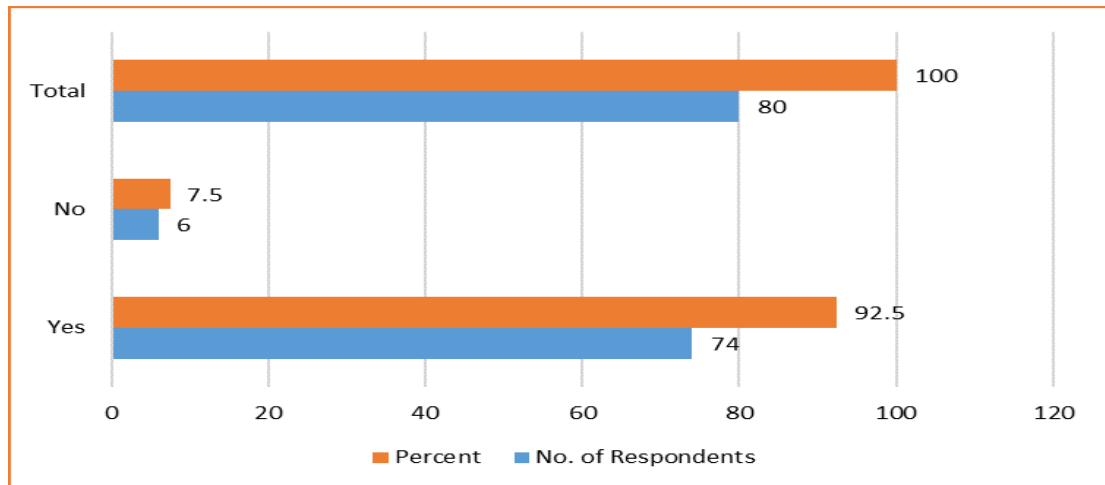


Figure 4.9: Responses from the small cashew nut entrepreneurs on microcredits challenges

Source: Researcher (2022)

The result from figure 4.9, indicate that 74 respondents equivalent to 92.5% reported that they faced microcredit challenges. On the other hand, 6 respondents equals 7.5% did not face any microcredit challenge. Based on this finding, it is clear that majority (92.5%) of the small cashew nut entrepreneurs in Mtwara are facing microcredit challenges.

The last question in this part, the researcher wanted to know exactly the microcredit challenges which were facing the small cashew nut entrepreneurs who picked the Yes option. The responses related to the microcredits challenges which were facing the Small cashew nut entrepreneurs in Mtwara as shown in figure 4.10.

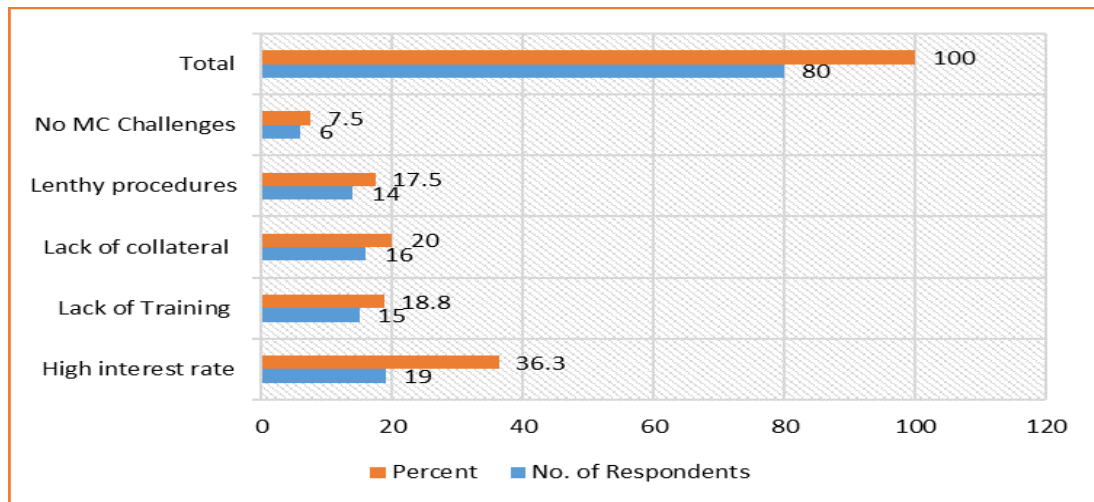


Figure 4.10: Microcredit challenges of Small cashew nut entrepreneurs in Mtwara

Source: Researcher (2022)

Related to the Microcredit challenges facing the small cashew nut entrepreneurs in Mtwara, the result revealed that 19 respondents equal 36.3% said that high interest rate was the microcredit challenge faced them while 15 respondents equals 18.8% of the total respondents reported that lack of training after receiving their loan was the challenge on their side. Lack of collateral was viewed as challenge to 16 respondents equal to 20% of the total respondents while 14 respondents equal to 17.5% of the total respondents said that lengthy procedures in borrowing microcredit was the challenge facing them. However, 6 respondents equal to 7.5% of the total respondents reported that they were not faced with any microcredit challenge (See Figure 4.10).

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary, conclusion, recommendations associated with the impacts of microcredit on small cashewnut entrepreneurs's business in Mtwara. It also addresses the areas for further studies in reflection to the findings of this study.

5.2 Summary and Conclusion of the Study

The study was based on the three objectives. The objectives of the study included to determine microcredit utilization to small cashew nut entrepreneurs' businesses in Mtwara, to examine the relationship between education level and growth of small cashew nut entrepreneurs' businesses in Mtwara and to determine microcredit challenges for small cashew nut entrepreneurs' businesses in Mtwara.

The results of this study have shown that small cashew nut entrepreneurs in Mtwara Microcredit institutions play an important role in the small cashew nut entrepreneurs' business. However, the study revealed that the small cashew nut entrepreneurs' banks have been providing microcredits to small cashew nut entrepreneurs at a very low rate, as only 2.5% of the small cashew nut entrepreneurs were able to receive loans from the same banks. The study results have also indicated that small cashew nut entrepreneurs used microcredit not as per applied purpose, as some used part of the borrowed loan for activities such as buying clothes, food and paying hospital fees. Regarding the relationship between education level and AMPE's of small

cashew nut entrepreneurs, the study indicates the positive correlation between the two variables. The study revealed that small cashew nut entrepreneurs in Mtwara faced Microcredit challenges, which included high interest rates, lack of training after receiving their loan and lack of collateral. Therefore, the government and other Cashewnuts stakeholders should find ways of sorting out the challenges facing small cashew nut entrepreneurs in order to help them run their business efficiently and effectively.

5.2.1 Microcredit Utilization to Small Cashew Nut Entrepreneurs' Businesses in Mtwara

Related to this objective, the researcher first was interested to know whether or not the small cashew nut entrepreneurs had access to microcredits from the MFIs in Mtwara. The finding revealed that 56 respondents equal to 70% said that they had access to microcredits while 24 respondents equal to 30% reported that they had no access to microcredits from MFIs. Concerning the distribution of the microcredits from the MFIs, the result revealed that 25 respondents equal to 31.3% received their microcredits from individuals, while 13 respondents got their microcredits from Vigora MC. Furthermore, 3 respondents equivalent to 3.8% received microcredits from Banks, 2 respondents equal to 2.5% received their microcredits from Women Group and 1 respondent equal to 1.3 of the total respondents got the microcredit from Bomangi MC, 28 respondents equal to 35% received microcredit from Jipange CG and 8 respondents equal to 10% received their microcredits from BLV. In view of utilization of microcredit as per applied purpose, Finally, the result revealed that 45 respondents equivalent to 53.6% of the total respondents said they utilized their

microcredits as per applied purpose. On the other hand, 37 respondents equal to 46.4% of the total respondents said that the entire borrowed loans were not utilized as per applied purpose. Related to the activities which utilized their microcredits if all the borrowed microcredits were not used as per applied purpose, the result indicated that 45 respondents equivalent to 56.2% of the total respondents used their borrowed funds as per applied purpose. However, 4 respondents equal to 5% apart from using the entire microcredit on cashew business they used part of it to buy clothes, 5 respondents equal to 6.3% used to pay hospital fees, 8 respondents equal to 10% used to pay their house rent, 6 respondents equivalent to 7.5% used to lend their friends and 12 respondents equal to 15% used to buy food.

5.2.2 Relationship between Education Level and Growth of Small Cashew Nut Entrepreneurs Businesses

Before establishing the relationship between Education level and growth of Small cashew nut entrepreneurs' businesses, the researcher first indicated the distributed of the AMPE for the Small cashew nut entrepreneurs in Mtwara. The results indicate that 62 respondents equal to 77.5% earned between Tshs. 80,000 – 100,000, 7 respondents equal to 8.8% earned between Tshs, 201,000 – 300,000, 7 respondents equal to 8.8 % earned between Tshs.301, 000 – 400,000, 3 respondents equal to 3.7% earned between Tshs. 401,000 – 500,000, while 1 respondent equal to 1.2% of the total respondents earned above Tshs. 500,000. This implies that, majority of the Small cashew nut entrepreneurs (62%) in Mtwara earn monthly average profit of Tshs. 80,000 – 100,000. In determining the relationship between EL and AMPE, Pearson's correlation to measure the correlation was used. The result indicated that

the Education level was significantly correlated with AMPE's of Small cashew nut entrepreneurs ($p < 0.01$). The Pearson correlation coefficient of 0.497 indicates that there is a moderate positive correlation between Education level and AMPE of the Small cashew nut entrepreneurs. The finding that there is positive correlation between Education level and AMPE of the Small cashew nut entrepreneurs is in harmony with the finding by Vesper (1990) and Robinson & Sexton (1994) who concluded that entrepreneurs with a good general education tend overall to be noticeably more successful than those with less favorable education.

5.2.3 Microcredit Challenges Facing Small Cashew Nut Entrepreneurs' Businesses

Regarding the Microcredit challenges facing the small cashew nut entrepreneurs' businesses, the researcher first wanted to know if the small cashew nut entrepreneurs were facing the microcredit challenges related to their business. The finding showed that 74 respondents equivalent to 92.5% reported that they were facing microcredit challenges. On the other hand, 6 respondents equals 7.5% were not facing any microcredit challenge. The researcher also, wanted to know the types of Microcredit challenges which small cashew nut entrepreneurs were facing. The result revealed that 19 respondents equal 36.3% said that high interest rate was the microcredit challenge faced them while 15 respondents equals 18.8% of the total respondents reported that lack of training after receiving their loan was the challenge on their side. Lack of collateral was viewed as challenge to 16 respondents equal to 20% of the total respondents while 14 respondents equal to 17.5% of the total respondents said that lengthy procedures in borrowing microcredit was the challenge that faced

them. However, 6 respondents equal to 7.5% of the total respondents reported that they did not face any microcredit challenge. This finding is in line with finding by Kabwena and Kabwena (2011), and Machela (2013) who found that high interest rates were the Microcredit challenge faced the SMEs. Also, Ajose (2010), found that lengthy procedure and documentation was challenge faced the SMEs.

5.3 Recommendations

The result has revealed that it is easier for small cashew nut entrepreneurs to borrow loans from MCIs than banks. It has also shown that some small cashew nut entrepreneurs used the borrowed MC for other purposes such as buying clothes, food and paying hospital fees. Further, study results have indicated that the education level was significantly correlated with AMPE's of small cashew nut entrepreneurs. Finally, the result also revealed that many small cashew nut entrepreneurs (92.5%) faced microcredit challenges which included high interest rates, lack of training after receiving their loan and lack of collateral. Therefore, the study recommends the following crucial issues.

The government should enact legislation which regulates the microfinance industry. This legislation should ensure that banks and other lending institutions charge affordable interest rates on SMEs. The legislations should also ensure that the lending institutions agree to take a wide range of documentation to access a loan as a security. Inflexible requirements should be removed.

Training in business management, work ethics, professionalism and entrepreneurship are imperative for the sustainability of the credit business. Most MCIs though

provide elementary training a lot has to be done in that more capacity building of the borrowers is needed to sustainably manage the micro-enterprises and subsequently be able to service the loan without strain.

Lending institutions should also advise borrowers on how to evaluate their businesses for practicality so that they can deliver and avoid misappropriations to execute businesses they were not meant for. banks should engage professional marketers of credit facilities to the SMEs which will increase uptake of loans by SMEs. They should also ensure that the lending procedure is clear and precise and timely to encourage SMEs to take up the loans. Flexible repayment periods should be facilitated by management of lending institutions.

5.4 Areas for Further Studies

This study was only conducted as a case study at Mtwara Mikindani Municipality in Mtwara region. The research participants in this study were only small cashew nut entrepreneurs. Further study could also focus on the same title but include additional respondents such as Managers from Microfinance Institutions, Members/ leaders from the CB and increase the number of respondents (Small cashew nut entrepreneurs).

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APPENDICES

APPENDIX 1: Questionnaires

The Questionnaire Used to Collect Data from the Respondents

Date:/...../2022

Dear participant:

My name is **Henry Blass** and I am pursuing Master of Business Administration at ***Open University of Tanzania (OUT)***. I am studying about the effects of microcredit on growth of small cashewnut entrepreneur's business in Mikindani Municipality, Mtwara, Tanzania. Kindly, I respectfully ask you to complete the questionnaire and be assured that the data collected will be kept confidential and no individual will be identified in the thesis or in any report or publication based on this research. Filling in this questionnaire will take you not more than 10 minutes. If you require additional information or have questions, please contact me at the number and email listed below.

Cellphone no: +255 714 565 610 and email: *blasseur@gmail.com*

Thanks in advance for your co-operation.

Henry Blass

PART A: Demographic Information

Tick (✓) the appropriate answer in the box opposite to the correct answer OR explain briefly as per instruction of the respective question.

1. Sex of Respondents

1. Male	
2. Female	

2. Age GROUP (In years)

18-30	31 – 40	41 -50	50 +

3. Level of Education

Primary School Education (PSE)	
Certificate Education	
Diploma Education	
Bachelor Degree Education	

Part B:**Microcredit Utilization to Small cashew nut entrepreneurs' business in Mtwara**

Tick (✓) the appropriate answer in the box opposite to the correct answer OR explain briefly as per instruction of the respective question.

1. Are there any MFIs which lend you the microcredit related to your cashewnut's business?

Yes () No ()

2. If yes, kindly mention only one MFI which lends you the microcredit?

3. Are the microcredits borrowed utilized as per applied purpose?

Yes () No ()

4. If no, what activities do you use the microcredits for?

.....

PART C:**The relationship between education level and growth of Small cashew nut entrepreneurs' business in Mtwara**

Mention your Education level and the corresponding average monthly profit earned from your cashew nut business.

Education Level	Average Monthly Profit earned

Part D:**Microcredit challenges for Small cashew nut entrepreneur's business in Mtwara**

1. Do you face any Microcredit challenges in your entire cashew nut business?
Yes () No ()
2. If yes, kindly provide the microcredit challenges you face in your entire cashew nut business. (Mention only three challenges).

Thank You for Your Cooperation

Appendix 2: Research Clearance Letter

THE OPEN UNIVERSITY OF TANZANIA

DIRECTORATE OF POSTGRADUATE STUDIES

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Our Ref: PG201802949
Director,
Mtwara Mikindani Municipality
P.O.Box 427
Mtwara

Date: July 4th, 2022

RE: RESEARCH CLEARANCE

The Open University of Tanzania was established by an Act of Parliament No. 17 of 1992, which became operational on the 1st March 1993 by public notice No.55 in the official Gazette. The Act was however replaced by the Open University of Tanzania Charter of 2005, which became operational on 1st January 2007. In line with the Charter, the Open University of Tanzania mission is to generate and apply knowledge through research.

To facilitate and to simplify research process therefore, the act empowers the Vice Chancellor of the Open University of Tanzania to issue research clearance, on behalf of the Government of Tanzania and Tanzania Commission for Science and Technology, to both its staff and students who are doing research in Tanzania. With this brief background, the purpose of this letter is to introduce to you **Mr. Henry Blass, Reg.No: PG201802949** pursuing **Master of Business Administration (MBA)**. We hereby grant this clearance to conduct a research titled *"The Effects of Microcredit on Growth of Small Cashewnut Entrepreneur's Businesses at Mtwara Mikindani Municipality-Tanzania"*. He will collect his data at your area from 5th, July 2022 to 4th, August 2022. In case you need any further information, kindly do not hesitate to contact the Deputy Vice Chancellor (Academic) of the Open University of Tanzania, P.O.Box 23409, Dar es Salaam. Tel: 022-2-2668820. We lastly thank you in advance for your assumed cooperation and facilitation of this research academic activity.

With kind regards,

Prof. Magreth Bushesha

DIRECTOR OF POSTGRADUATE STUDIES