

**CONTRIBUTIONS OF SAVING AND CREDIT COOPERATIVE
SOCIETIES(SACCOs) ON THE GROWTH SUSTENANCE OF SMALL
BUSINESSES IN TANZANIA: THE CASE OF MBEYA CITY**

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REQUIREMENTS FOR THE DEGREE OF MASTERS OF BUSINESS
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TANZANIA**

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CERTIFICATION

I, the undersigned certify that I have read and hereby recommend for the acceptance by the Open University of Tanzania a dissertation titled: **Contributions of SACCOs on the Growth and Sustenance of Small Businesses in Tanzania: The case of Mbeya City:** In partial fulfillment of the requirements of the award for the degree of Master of Business Administration (MBA) of the Open University of Tanzania.

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DECLARATION

I, **Mboka T. Obadia**, hereby declare that this dissertation is my own original work and that it has not and will not be presented to any other institution for the award of the said qualification or any other similar award.

.....

Signature

.....

Date

DEDICATION

I dedicate this work to my beloved wife Jane and my children: Eva, Rebecca, Shadrack, Lea and Win who in one way or another missed my presence and my comfort when I was away to attend MBA studies. However, it could not be possible to complete this work without their moral encouragement and prayers.

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ABSTRACT

Despite the initiatives taken by the government to improve the growth and sustenance of small businesses and tremendous growth of SACCOs in Mbeya City, small businesses have continued to suffer. The study investigated how SACCOs have contributed on the growth and sustenance of small businesses in Mbeya City. The main objective of this study was to analyze general contributions of SACCOs on the growth and sustenance of small businesses in Mbeya City. Specifically the study assessed challenges facing the growth and sustenance of small businesses and analyzed potentials of SACCOs in supporting the growth and sustenance of small businesses. The area of the study was in Mbeya City and the simple random sampling technique was employed. The sample size of 64 respondents was chosen among traders, Mbeya City Cooperative Officers and Loan Officers of Lulu and Upimaji SACCOs. Statistical Package for Social Science (SPSS) was used for data analysis. Study showed that the potentials of SACCOs on supporting the growth and sustenance of small businesses in Mbeya City is still low due to the higher rates of interest charged on loans advanced to members and poor training given on how members should improve significantly their businesses. Findings concluded that the contributions of SACCOs to promote the growth and sustenance of small businesses in Mbeya City is poor due to the combinations of challenges. Among these include; high interest rates charged on loan to members, absence of seminars and training to business proprietors. It was recommended that measures should be employed to make taxation system fair and also it was recommended that SACCOs loans provided to members should be of lower interest rates and SACCO's management should prepare training to members on how to run their businesses.

ABBREVIATIONS

BDS	Business Development Services
GDP	Gross Domestic Product
ILO	International Labour Organization
MBA	Masters of Business Administration
NEDF	National Entrepreneurship Development Fund
NIGP	National Income Generating Programme
PRSP	Poverty Reduction Strategy Paper
PTF	Presidential Trust Fund
REPOA	Research Program on Poverty Alleviation
SACCOs	Savings and Credit Cooperative Society
SCCULT	Savings and Credit Cooperative Union League of Tanzania
SELF	Small Entrepreneurs Loan Facility
SIDO	Small Industry Development Organization
SME	Small and Medium Enterprises
SPSS	Statistical Package for social Science
UNDP	United Nations Development Program
URT	United Republic of Tanzania
VETA	Vocational Education and Training Authority
WDF	Women Development Fund

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CHAPTER ONE

1.0 INTRODUCTION

1.1 Introduction

This chapter presents the background of the study, statement of the problem, objectives of the study, research questions, scope, and significance of the study and limitations of the study.

1.2 Background to the Research Problem

Tanzania by 2015 is aspiring to be a nation with strong, diversified, resilient and competitive economy, which can effectively cope with the challenges of development. This was stipulated in the Millennium Development Goals Policy (2015). It can also easily and confidently adapt to the changing market and technological conditions in the regional and global economy (URT, 2002). One of the initiatives of realizing the vision is to support small businesses so that they contribute on utilizing local resources and contribute greatly to the Gross Domestic Product (GDP).

Other initiatives include; the establishment of Small Industries Development Organization (SIDO), Vocational Education Training Authority (VETA) (URT, 2002). However, Government funding mechanisms and schemes have been established to ensure that entrepreneurs access funding. Thus, government funding schemes promote small and medium enterprise (SMEs). Such schemes include;

National Entrepreneurship Development Fund (NEDF), Youth Development Fund (YDF), Women Development Fund (WDF), Small Entrepreneurs Loan Facility (SELF), National Income Generating Program (NIGP), and Presidential Trust Fund (URT,2002).

The Government of Tanzania has taken initiatives to provide good environment for establishment of microfinance institutions including SACCOs in both urban and rural areas as an effort to make citizens to access funds for various purposes including establishment and expansion of small businesses. However, there has been an assumption that SACCOs have less capital to meet the demand for the loan required by its members. On the other hand, amount of loan provided is also inadequate to support growth and sustenance of small businesses (Richardson, 2004). This situation has created doubt if SACCOs has contributions on the growth and sustenance of small businesses. Small and Medium Enterprise (SMEs) Development Policy (2002) asserts that small businesses in Tanzania are being faced with limited access to finance due to the business sector being perceived as a high risk one to formal financial institutions including banks. Again, the UNDP, ILO and UNIDO (2002) cited by Stevenson and St-Onge (2005) argued that in their report concluded with a list of factors impeding the development of informal small businesses that one of them is lack of access to credit.

1.3 Statement of the Research Problem

There has been a significant growth in the Cooperative financial sector including savings and credit cooperatives. Tanzania has played various efforts in supporting the small businesses in the country; through the establishment of Small Industries Development Organization (SIDO) and Vocational Education Training Authority (URT, 2002). Many SACCOs were established to enable small business traders become accessible on how to get funds so as to run their businesses. SACCOs have important roles of reducing poverty among its members and the general public in Mbeya City. Therefore, many SACCOs have been established to rescue the problem of poverty (Sizya 2001).

Despite the initiatives taken by the Government and the tremendous growth of SACCOs in Mbeya City, small businesses have continued to suffer. This situation has caused a greater concern on what factors have lead to the limit of the growth and sustenance of small businesses in the City (Richardson and Finnegan, 2004). The problem has remained unsolved; businesses sustenance is still poor and businesses are not growing as they were expected. Despite of having a number of SACCOs in the City, small businesses traders who are SACCO's members face a challenge of lack of access to credit and this situation hampers their Growth and Sustenance. Richardson and Finnegan, (2004) assert that the lack of finance is the challenge facing entrepreneurs especially women. People cannot capture investment opportunities that arise within their environment because of poverty. Therefore, this study investigated how far SACCOs have contributed on the growth and sustenance of small businesses in Mbeya City (URT, 2002).

1.4 Objectives of the Study

1.4.1 General Objective

The general objective of this study was to assess the contributions of SACCOs on growth and sustenance of small businesses in Mbeya City.

1.4.2 Specific Objectives were to

- i. Assess the challenges facing the growth and sustenance of small businesses
- ii. Analyze the potentials of SACCOs in supporting the growth and sustenance of small businesses.

1.5 Research Questions

- i. What challenges face growth and sustenance of small businesses?
- ii. To what extent can SACCOs support growth and sustenance of small businesses?
- iii. What are potentials of SACCOs in supporting the growth and sustenance of small businesses?

1.6 Significance of the Study

Findings of this study will be useful to different stakeholders for example; to researcher, it will enable him to meet partial fulfilment for the award of degree of Master of Business administration (MBA) of the Open University of Tanzania. To SACCO's leaders, the study shows why some SACCOs are not performing well and

failed to meet objectives of their inception and therefore, they should take appropriate steps to improve the situation. To SACCO's members the study explains in detail the essence of members to have entrepreneurship knowledge when they acquire SACCO's loans for investment purposes. To policy makers it is useful for them to come up with appropriate policies because of existing business knowledge found in this study. Therefore, the study adds positive value to the existing knowledge in the business sector and benefits to all microfinance stakeholders and government policy makers if implemented appropriately.

1.7 Scope of the Study

This study focused on analyzing the contributions of SACCOs on the growth and sustenance of small businesses in Mbeya City. It covered two SACCOs; Lulu and Upimaji Savings and Credit Co-operative Societies. Both SACCO's offices are located within the City, therefore these two SACCOs were chosen because of its data availability and accessibility. Also, LULU SACCOs was chosen because it is the only institution dealing with provision of credit to small business traders in the City. The study covered 60 small business proprietors who were members and non members of SACCOs so as to ascertain the contributions of SACCOs to small businesses in the City.

1.8 Limitations of the Study

Time available for research was not adequate; the researcher has many other important obligations. However, the researcher ensured that all the time available is efficiently used according to the laid out schedule. The researcher experienced the

problems of delay in submitting back the answered questionnaires by respondents; this caused the delay in the process of data compilation. Financial constraints also impeded the researcher to be not much successful. Finally, some respondents were trying to give false information in order to please the researcher; this reduces the reliability and validity of the findings.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter covers a review of literature related to the topic of study. The literature is reviewed with a view of establishing what exists in relation to the area of study and to identify gaps that exist, hence justify the need to carry out the study so as to fill in the knowledge gaps. It seeks to identify, evaluate and present all relevant information from textbooks, government publications, and reports from other researchers, journals and from internet.

2.2 Background to SACCOs Development in Africa

Savings and Credit Cooperative Society (SACCOs) is the type of cooperative whose objective is to pool saving for the members and in turn provide them with credit facilities. Other objectives of SACCOs are to encourage thrift amongst the members and encourage them on the proper management of money and proper investments facilities. In urban areas salary and wage earners have formed Urban SACCOs where as in rural areas farmers have formed rural SACCOs (SCCULT, 2011).

However, SACCOs are member based, member owned, and member controlled organizations that can solve the challenges of access to finance. SACCOS as one of the financial institutions were established to encourage thrift among its members and provide loans to meet their needs. Cooperative Societies Act No. 20 of 2003 stipulates that Savings and Credit Societies mobilize savings and furnish secured and unsecured market household, smallholders' producers and market entrepreneurs, micro-enterprises in rural and urban areas (URT, 2004).

Moreover, SACCOs are the principle semi-formal institutions accessible to the population therefore, saving and credit cooperatives established to encourage savings among members and using pooled funds to extend loans at reasonable interest rates and enable members improve economic and social conditions. In Tanzania SACCOs were established by the cooperative policy No. 20 of 2003 so as to furnish the secured loans or credit to households, small holder producers and micro-enterprises in rural and in urban areas (URT, 1994).

By December 2006 there were over 5314 SACCOs in Tanzania registered with Savings and Credit Cooperative Union League of Tanzania with approximately 1 521 693 members (SCCULT, 2011). SACCOs function as bridges between individual borrowers, particularly small borrowers and the formal financial institutions (Wangles, 2004). The introduction of SACCOs in Tanzania was introduced by the Late Cardinal Rugambwa of the Roman Catholic Church who spearheaded the promotion of SACCOs in Tanganyika; the late Cardinal Rugambwa was convinced that credit unions, as operated in the USA, were important tools for poverty reduction (Bee, 2007).

Ahimbisibwe (2007) reported the purpose of SACCOs as to promote the economic interest of their members but in particular to: promote thrift among its members by affording them an opportunity for accumulating savings and paying reasonable interest without risk on such savings, create a source of funds from which it can afford relief to its members in need by making loans to them for productive and provident purposes at fair and reasonable rates of interest and with easy terms of repayment, continuously educate members on how savings can be made on regular basis and the wise use of their savings, provide service to its members such as financial counseling so that the members can solve most of their financial problems, and the risk of management service to ensure the safety of members' savings and loans, and fight poverty financial services. In 2011 Mbeya Region was reported to have 326 SACCOs which count to 53.3% of all types of co-operative societies in the Region (URT, 2011). The statistics of cooperative from the Ministry of Agriculture and Cooperatives show that in Mbeya City the number of SACCOs has increased from 71 to 73 by 2010.

2.3 SACCOS Development in Africa

Small businesses in Africa are not well performing to support economic development of African countries. Nigeria, Rwanda and Tanzania are examples in which small businesses have not yet performed effectively (Onugu, 2005) reported that in Nigeria small businesses have not performed creditably well and hence have not played the expected vital and vibrant role in the economic growth and development of the country.

The hampering factors identified by Onugu (2005) were low level of entrepreneurial skills, poor management practices, constrained access to money and capital markets. Others were low equity participation from the promoters because of insufficient personal savings due to their high level of poverty and low return on investment, inadequate equity capital, poor infrastructural facilities, high rate of enterprise mortality, and shortages of skilled manpower. Also multiplicity of regulatory agencies and overbearing operating environment, societal and attitudinal problems, integrity and transparency problems, restricted market access, lack of skills in international trade; bureaucracy, lack of access to information given that it is costly, time consuming and complicated at times (Onugu, 2005).

In Rwanda, small businesses have been ineffective due to limited resources and human capacity, limited coordination and partnership; limited policy environment lacking focus and a prioritization of cluster and sector specific policies Rwandan SME Policy (2010) lack schemes, by placing them in large intermediary institutions with complicated application procedures and limited assessment capacity, meant the small businesses found them difficult to access and low quality and “one size fits all” approach for Business Development Services (BDS) Republic of Rwanda (2010).

However, in Kenya, small business sector is reported to be rapidly growing in the past few years. Kadenge (2011) argues that in the past few decades, small businesses have been growing due to an opportunity for accessing financial services and enabling environment have been created through legislation. USAID (2009) reported that private financial institutions are growing, competing, innovating, and

expanding into areas previously viewed as “unbankable.” Though, access to financial services, especially in rural areas, remains a key issue in Kenya, the recent expansion is encouraging. Notwithstanding these advances, success in the financial sector appears to have taken place in spite of the business enabling environment, rather than as a result of it credit information remains weak.

2.4 Theoretical Literature

2.4.1 Models and theories of SACCOs

SACCOS operates on the principles governing financial institutions, these are depository taking and loan disbursement. In practice, when performing their duties, SACCOs follow all principle of commercial banks. Due to increasing difficulties of getting loans from formal banks and other financial institutions, SACCOS have been the most preferred alternative.

Members are urged to join SACCOS, make their respective contributions and then borrow at low interest rates and other soft conditions which can be met by low income members. But, for SACCOS to be sustainable, it must operate on formal business principles, hence realizing its profits which will be used to strengthen its members borrowing capacity. In order for SACCOS to realize significant amounts of profits, members are supposed to invest fully the borrowed funds they have borrowed from SACCOS into profitable projects, while at the same time, repaying fully their borrowed funds, so that their respective SACCOS become financially strong. How can SACCO’s sustainability be achieved? This is explained by different SACCO’s theories and models that have been examined by various scholars

worldwide.

2.4.1.1 The Raiffese in Model

The study by Prinz (2002) explained that Friedrich Wilhelm Raiffesein was the first German to develop savings and credit cooperative society and agriculture cooperatives in 19 century which operated primarily in the rural world. Also, Prinz (2002) wanted to make credit accessible to farmers based on Christian morals. The participation of the rich would enable them to help the poorest; however, the control of the organizations remained in the hands of the best off. One of his principles was: Loans are granted to members only and funded by their savings. This came to be known as Raiffesein model which is the source emergence of microfinance in German today.

2.4.1.2 The Schulze-Delitzsch Model

Lazarevic (2011) explains that Hermann Schulze-Delitzsch developed organizations for craftsmen, small merchants and independent employers. Also, Lazarevic (2011) used the principle of subscriptions (The banks offered remunerations on capital). The Lazarevic'principle was that the members are bound to participate in the administration and management and make decisions as a whole in the last instance.

2.4.1.3 The Luzzati Model

The Luzzati model developed the first “people’s banks” around 1860s located in the cities offering services to the rural environment. The model stressed the moral side of cooperative action, evaluating the borrowers’ morals. A reserve fund funded by annual profits and low-cost and transferable equity shares are some of the Luzzati’s

principles (Kadam, 2011).

2.4.1.4 Agency Theory

This theory places emphasis on transaction costs and contractual analysis following the work of Coase(1937), Jensen and Meckling (1981). The work of these writers point to the challenges that surround ownership, contractual agreement, management and the interrelationship between small businesses and financial providers. The theory is relevant to this study as it help to understand challenges that surround ownership, contractual agreement, management interrelationship between small business owners and external providers including SACCOs. Agency theory has been developed to identify problems of establishing incentives-compatible relationship and roles for different types of stakeholders. Agency theory and the institutional discussion of property rights often describe “residual claimant” as being the beneficiaries of joint action whether it is an investor-owned firm or a cooperative if a traditional model of principal-agent relationship is applied then you have an ambiguous definitions of what group is the primary recipient of fruits of the organizational effort.

2.4.1.5 Organization Transition theory

According to Solmossy (2011) transition from an entrepreneurial to a larger organization is a challenge to both the founding entrepreneur and the firm. The theory explains how small entrepreneurially founded businesses transform itself to enable sustained growth. In explaining the transition theory (Fenn, 1996) asserts that entrepreneurs to a growing organization present personal challenges to the founding

entrepreneur as well as to the firm. Fenn (1996) argues that few businesses succeed in making the transition to dynamic, growing and successful organization. The theory takes the idea of (Schumpeter, 1983) cited by (Solymossy, 2011) who argues that creative and innovative whether by invention or by innovative combination of previous of existing elements and managerial and administrative issues are the key components for growth of entrepreneurial enterprises. The theory has important applications in this study since the study analyses the contributions of SACCOs on growth and sustenance of small businesses.

The growth and sustenance of small businesses can be attributed by myriad factors including managerial and administrative issues, innovation and creativeness of the business owners and availability financial services as well. SACCOs is one of financial institutions established for the purpose of providing financial services to its members including small businesses. Its presence can bring up their impact to growth and sustenance. The present study show the analysis of contributions of SACCOS on growth and sustenance of small businesses was guided by models and theories such as the Reiffen model, the Schulze-Deliltizsch model, the Luzzati model, Agency and Organization Transition theory, respectively.

2.5 Objectives and Obligations of SACCOs

2.5.1 Objectives of SACCOs

The objectives of SACCOs are those aims or goals which must be attained on the specific period of time and those can be short term objectives and long term objectives. Some of SACCO's objectives were to:

- i. Promote thrifts among its members by affording them an opportunity for accumulating savings and deposits and create there by a service of funds from which loan can be made available to them.
- ii. Provide opportunity for each of its members to improve their social economic and welfare conditions
- iii. Offer the members complimentary savings and credit services and other financial services as may be required by members from time to time.
- iv. Ensure safety and soundness of the members funds through risk management programme
- v. Ensure progress of its members by educating them continuously on proper use of credit
- vi. Perform all those functions and exercise all those powers designated for saving and credit Cooperative Society

2.5.2 Obligations of SACCO's Members

Obligations of SACCO's members include to:

- i. To comply with by-laws, code of conduct, internal regulations, policies and procedures;
- ii. To pay entry fees, buy shares and pay any other society dues;
- iii. To participate in the economic activities of the society as required in the By-laws;
- iv. To attend meetings of the society;
- v. To nominate their successors;

2.6 Empirical Literature

Many researchers have reported various factors which hinder the development of SACCOs in the world; these factors need to be addressed by microfinance stakeholders, policy makers and government in general in order to be able to derive benefits embodied in microfinance sector. Among these factors include;

2.6.1 Lack of Education and Managerial Skills of SACCO's Management and Staff

The study done by Mwakajumilo (2011) reveals that lack of appropriate and adequate managerial skills or knowledge with the attendant, lack of strategic plan, business plan, succession plan, adequate organisational set up, transparency and operational systems hinders growth of SACCOs. On the part of many founders and managers of SACCOs in Tanzania use the obsolete and inefficient equipment as a result of lower level productivity delivery and substandard product quality.

Also the cooperative reform and modernisation programme report 2005-2015 explains that the main constraint of SACCOs and microfinance sector in general is weak institutional management, this problem is the result of inherited structures and attitude from the past which have put little emphasis on development of cooperative on the basis of full democracy and ownership by members. Professional management is lacking and many cooperatives are engaged in activities that do not benefit members.

2.6.2. Effects of Interest rate Charged on Loans from Commercial Banks to SACCOs and on Loans Disbursed by SACCOs to Members

Kifle, (2011) in his study explains that SACCO's sustainability requires that they cover all transaction costs (loan losses, financial costs, and administrative costs) with return on equity and consequently function without subsidies. It is the ability of MFI to maintain or increase its flows of benefits or services through internally generated incomes or funds. In order to be able to achieve this most of SACCOs are charging exorbitant interest rate to members who discourages people to join with SACCOs and members to apply large loans for their investments.

Also, Ahmad (2009) narrates that microfinance started with a noble cause of helping the poor to obtain small loans to establish their own businesses, it has been successful in helping the borrowers establish their own business, educate their children, spend more on health and nutrition and plan for future. However micro financing has failed on the first place it is supposed to be useful in helping the poor. Interest rate charged by microfinance institutions (MFIs) are very high that a very large majority of very poor are automatically excluded and those who dare to borrow find themselves trapped as no business can produce profit of 100% to 200% to meet the very high interest charged by MFIs.

2.6.3. Member's Possession of Entrepreneurial Skills and SACCO's Growth

Mwakajumilo.(2011) in his study has stressed the need of members to be trained to equip them with entrepreneurial skills to enable them utilize well loans they receive from SACCOs. Members are expected to borrow funds for intended projects these are mainly financing of microeconomic activities such as trade, agricultural, small

scale manufacturing industries, service sector such as saloon and non economic activities such as payment of school fees and medical expenses. For these economic activities to be run properly and deliver enough money to repay back loans entrepreneurial training to members is of paramount importance.

Matu et al (2010) insist on microfinance providers and supporters to continue promoting the importance of improving access to financial services amongst micro and small business owners, and also they need to augment their microfinance services with promoting basic entrepreneurial training. To address these issues, the microfinance sector needs to first commit themselves to the original missions of complementing financial services with non-financial services such as basic entrepreneurial training. This would require MFIs and SACCOs to augment their microfinance services with the strengths of complementary services that have proven to enhance their core products. To do so, they will have to gain a clear understanding of the expected improvement of offering entrepreneurial training.

2.6.4. Importance of SACCOs to Finance Economic Activities which are Viable for Generating Income to Repay Back Loans and Remain with Profit

In the cooperative reform and modernization programme report 2005, the government has pointed out the need for the SACCO's management to concentrate in financing viable economic activities which can generate substantial income for members to be able to repay their loans as scheduled and remain with tangible profit to make their projects sustainable.

2.6.5. Loan Size and Contribution to SACCO's Growth

Various researchers such as Kalumuna. (2011) have pointed out the effect of SACCOs to disburse big loans or small size loans to members which is not corresponding to the economic activities of members. He indicates that over financing of projects leads to loan defaulting as the debtor lack corresponding investment to service loans, likewise under financing of projects lead to failure of the projects to generate intended outcomes and therefore the debtor fails to meet loan obligations. SACCOs need to make thorough loan appraising before disbursement to avoid unnecessary loan defaulting.

Olando et al (2012) conducted a study to determine the effects of financial practice as a determinant of growth of Savings and Credit Cooperative Societies' wealth in Kenya, using primary data from 44 SACCOs in Meru County in Kenya. They pointed that Savings and Credit Co-operative Societies in Kenya have been investing over the years with the objective of maximizing their wealth, since; wealth maximization is a key objective whenever SACCOs have chosen an investment avenue from a universe of possible investment vehicles. They found that lack of sufficient growth of SACCO's wealth has made it difficult for them to absorb their operational losses, which has threatened their sustainability. This has led to the losses being absorbed by members' savings and share capital, hence lose of members' savings.

They further found that growth of SACCO's wealth depended on financial stewardship, capital structure and funds allocation strategy. Others were SACCOs inadequately complied with their by-laws; incomes from investments did not

adequately cover their costs. They recommended that SACCOs should; continuously review credit policies, establish irrecoverable loan provision policies, develop sound staff recruitment policies, use appropriate financing mix. And that the government should review legal framework to ensure that institutional capital is used to grow SACCO's wealth.

2.6. The Overview of Small Businesses in Tanzania

In 2002 it was estimated that about one third of the GDP originates from the small business sector. According to the Informal Sector Survey (1991) cited in the URT (2002) micro enterprises operating in the informal sector alone consisted of more than 1.7 million businesses engaging about 3 million persons that was, about 20% of the Tanzanian labour force. In Tanzania small business sector is labour intensive, they create employment at relatively low levels of investment per job created. Given that situation and the fact that Tanzania is characterized by low rate of capital formation and most of small businesses face financial constraints. Other constraints include insufficient working premises and limited access to finance. Inadequate Business Development Services, namely services related to entrepreneurship, business training, marketing, technology development and information are underdeveloped and not readily available (URT, 2002).

In the Tanzanian context, small businesses are those enterprises employing between 5 and 49 employees, with capital investment from Tshs 5 million to Tshs 200 million are licensed and have business premises (URT, 2002). Tanzania Networking of SACCOs is the grassroots financial institutions which are effective micro-financial

institutions offering members a convenience home for their savings and an access points for loans. Participants in the informal economy have increasingly worked to SACCOs in recent years to meet their needs. Small businesses play a crucial role to the world economy; they provide a base in employment creation and income generation, add value to agro- products and at the same time facilitate the dispersal of enterprises.

The International Finance Corporation (2004) argues that in Sub-Saharan Africa, 80% of firms are small because of poverty and lack the economies of scale provided by a considerable large firm sector. In addition, the general marginal profitability of small businesses in Africa means that employees are most often paid very low wages, which, while alleviating absolute poverty, contributes to low productivity and poverty stricken households. Indeed, there appears to be a number of enabling conditions that must be present before the small business sector can contribute to the economic development of a country.

These small businesses can be set up for manufacturing, processing, mining, fabrications of any item, trading in goods and services or repairing and maintenance of equipment and machinery of providing different types of services. A few examples of small businesses in Eastern and Central Africa are photocopying, hotels, restaurants, laundry, transport agency, property dealers, commission agents, clearing and forwarding agent, book publishing, manufacturer of food items like pickets, and tuition centers (International Financial Corporation, 2004).

2.6.2 Lulu SACCOs

It was registered on 15/03/2007 with registration number MBR737 with nine board members, and those were found through election by members. The number of members of both male and female of Lulu SACCOs is as shown in the Table 2.1.

Table 2. 1: Number of members in LULU SACCOs

Sex	Number
Male	187
Female	93
Total	280

Source: Lulu SACCO's office

2.6.3 Upimaji SACCOs

This SACCOs was registered on 28 August, 1974 with registration number MBR 3. It has ninth board members and those are found through election and it has 315 and 502 as males and females members respectively amounting to 817 members. It was reported that Upimaji is among SACCOs which were registered for the first time in Mbeya Urban. Currently the office is located in Uhindini Street, adjacent to Bhojan medical store.

Table2.2: Number of Members in Upimaji SACCOs

Sex	Number
Male	315
Female	502
Total	817

Source: Upimaji SACCO's office

Table 2.3: List of Some SACCOs in Mbeya City

S/N	Names Of Saccos	Members	Amount of Saving
1	Uwamu	1143	1 266 855 337
2	Tazara Mbeya	1259	1 089 140 175
3	Lulu	185	555 687 025
4	Chakuwama	717	507 663 701
5	Tanesco	314	466 544 500
6	Afribottles	102	134 225 992

Source: Mbeya City Cooperative Report (2011)

2.6.4 The List of Some SACCOs which are Located in Mbeya Region

Below is the list of all SACCOs which are located in all districts of Mbeya region. Mbeya region is composed of eight districts namely Mbeya City, Mbeya, Rural, Rungwe, Kyela, Mbozi, Ileje, Chunya, Mbarali and Momba. These data were collected from Mbeya City Cooperative Office on 4 December, 2013.

Table 2.4: List of SACCOs Located in Mbeya Region

District	SACCOs No.	Members	Shares(Shs)	Savings (Tshs)	Deposit (TShs)
Mbeya City	73	12 180	1 764 779 210	7 986 497 617	565 016 352
Mbeya Rural	34	9 830	483 450 000	7 986 497 617	120 541 000
Rungwe	43	11 091	428 475 545	1 988 580 000	114 107 485
Kyela	32	4 615	181 309 000	1 581 924 706	632 857 000
Mbozi	46	8 261	101 897 000	925 570 000	2 217 000
Ileje	38	2 249	18 076 000	796 651 000	24 387 000
Chunya	30	2 708	76 560 000	233 857 000	17 400 000

Mbarali	31	7 383	46 576 300	210 914 000	185 050 000
Total	327	58 317	3 433 976	1 513 047 000	2 688 485 837

Source: Mbeya City cooperative report (2011)

Nevertheless, below is the list amongst SACCOs in the City which show the weak financial position, (which means the saving balance for each is below 3millions Tshs).They are in this category because they are possessing lowest saving balances which is not higher than Tsh 1 220 000 and they offer the very small amount of credit to its members.

Table 2.5: List of some SACCOs Showing the Weak Financial Position

S/N	Names of SACCOs	Members	Savings Balance
1	Isanzo	97	500 000
2	Mbecefe	35	680 000
3	Mabatini	40	800 000
4	Ruanda Lutheran	101	1 160 000
5	Uka	84	1 220 000

Source: Mbeya City Cooperative Report (2011)

2.7 Poverty Trends in Tanzania

2.7.1 The Incidence of Poverty

Poverty is widespread in Tanzania; preliminary results from the 2000 Household Budget Survey indicate that there is an average monthly consumption of around TSh 16 000. This would place more than 52% of the population below the basic needs poverty line, and more than 31% below the food poverty line. Income and consumption are unequally distributed through various dimensions: between poor

and rich, between rural and urban areas, between regions, and between men and women (World Bank, 2001). However, even the rich are not wealthy, because their average income of US\$540 is only just above the average income of sub-Saharan Africa of US\$520.

Poverty profiles differ widely between urban and rural areas. Poverty is primarily a rural phenomenon (World Bank, 1993; Sahn, Dorosh and Younger, 1997), with rural households accounting for around 90% of the poor. There are also large intra-rural differences in access to assets with Gin coefficients as high as 0.8 (World Bank 1996, REPOA 1998, URT 1999). Urban poverty is on the increase as a result of rapid urbanization and stagnant growth in urban areas. Women are perceived to be poorer than men, although female headed household are not necessarily poorer than male headed households.

However, there are real gender inequalities in access to assets, such as property, inheritance and education, where the gender imbalance worsens with increasing levels of education. Poorer households are larger than richer ones (REPOA, 1998). The poverty incidence rises from 32% for dependency ratios of 0-0.25 to 56% for those over 0.75. Only percent of single households are poor compared to 67% of those with 10 or more members because those households with 10 or more members holds large number of dependants in the country and the poverty incidence falls sharply the more members of the household are employed. (See World Bank, 2001:31). Non-income dimensions of poverty are also important. The 1991/2 household survey findings show that the poor are less likely to be employed, less well educated and less healthy. 84% of the population was literate in 1997, with a

lower rate for women than for men, and with the poor less educated than the rich (World Bank, 1996).

2.7.2 Poverty Trend on Income

The key problem, which has affected all attempts to assess poverty trends in Tanzania, has been the lack of a consistent and comparable definition of poverty over time (World Bank, 2001). Surveys differ in the definition of consumption baskets, population coverage, sample size, and valuation of expenditures. Recent efforts to standardize some of the past data can do no more than given indications of trends (Eele, 1999). The update of the poverty baseline (Owens, 2000) and preliminary results from HBS indicate that poverty levels over the 1990s have increased slightly, both in rural and urban areas. The increase is in spite of average annual economic growth of 4.2 percent over the decade.

This means that even growth rates just short of the target rate of 6 percent per annum have failed to make an impact on poverty. Poverty elasticity's are relatively low as recent growth has been strongest in sectors such as mining and tourism which have a limited impact on poverty reduction (Danielson, 2001; Naschold, 2001). In contrast, the agricultural sector grew more slowly at an average of 3.6 percent, and poverty in rural areas, where 80% of population is engaged in agriculture, increased accordingly. This pattern of growth combined with an increase in the poverty headcount would suggest that income inequality has increased (REPOA, 1998).

2.7.3 Role of Microfinance in Poverty Alleviation

Microfinance is recognized as an effective technique to remove poverty by providing

financial services for those who have no access to or are neglected by the banks and financial institutions. The poor people are very sharp in removing their poverty, they have good ideas and they are very hard workers but the problem is with them they have no resources. Microcredit is helping provide these resources by small loans, and help people improve their income level. Ahmed (2000) argues that it is recognized that people living in poverty are innately capable of working their way out of poverty with dignity, and can demonstrate creative potentials to improve their situation when an enabling environment and the right opportunity exists. It has been noted that in many countries of the world, micro-credit programs, provide access to small capitals to people living in poverty.

In recent years, micro-finance has become a much-favored intervention for poverty alleviation in the developing countries and least developed countries. Many achievements are claimed about the impact of micro-finance programs, and an outside observer cannot but wonder at the range of diversity of the benefits claimed. Various studies demonstrate that rapid and sustainable poverty reduction depends on interaction of a wide range of policy measures and interventions at macro and micro levels (Ahmed, 2002)

2.8 The Conceptual Framework

The figure below shows the contributions of SACCOs on the growth and sustenance of small businesses in Tanzania. It is showing the causes and effects relationship. Causes relate with independence variables while effects relate to dependence variables. In this particular juncture contributions of SACCOs are causes and are regarded as independence variables while the growth and sustenance

of small businesses are effects and are regarded as dependence variables.

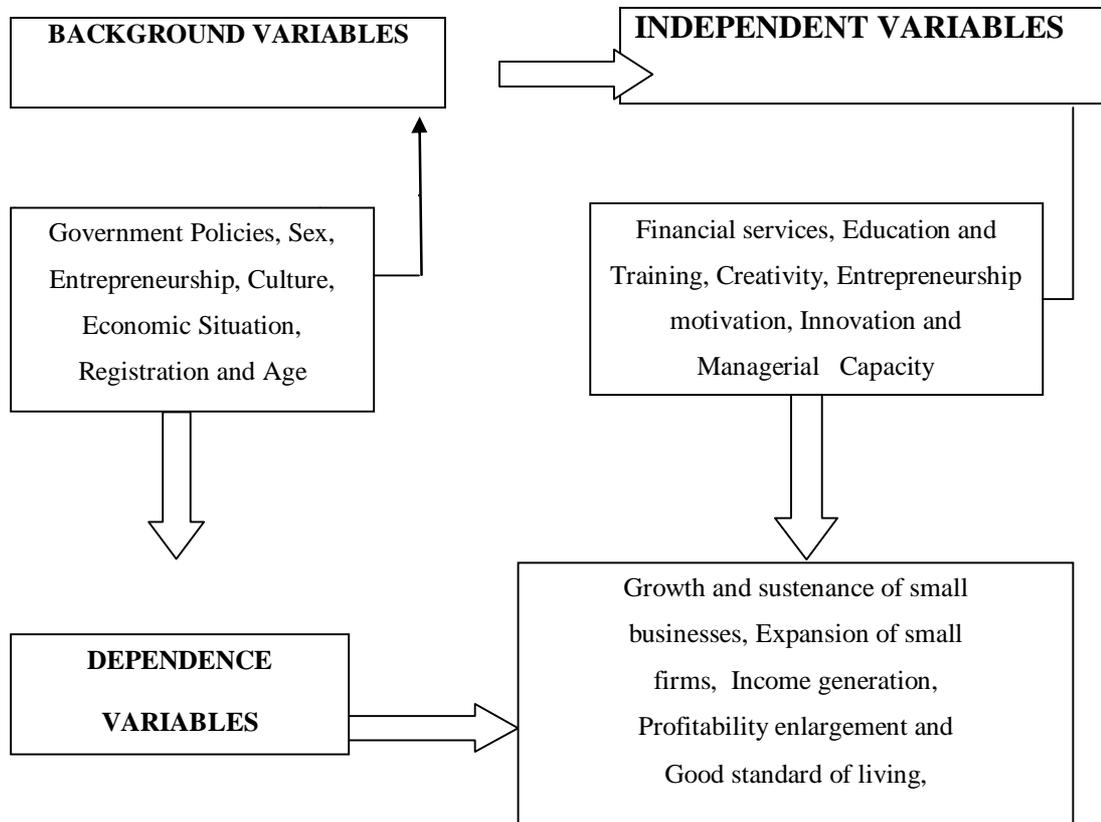


Figure 2.1: Contributions of SACCOs on the Growth and Sustenance of Small Businesses in Mbeya City

Source: Researcher' own construct, 2013

2.9 Growth and Sustenance of small Businesses in Tanzania

The process of growth and substance of small businesses is very complex. Sengupta (2010) argues that growth and sustenance of small businesses depends on whether the business is owned by a group or an individual and it may pass through variety of stages. Again, she continues to argue that; "Determination to succeed and sustain becomes a prime concern. If all members of the group are able to retain a similar

desire and vision (which often becomes difficult) the group enterprise can sustain. However, the sustainability of a group in micro enterprise activity is significantly influenced by the values, culture, attitudes and motivation of the individuals in the group.

In the Indian context we do have varied experiences of success and failure. Regional factors have been playing a major role in terms of group activity” (Sengupta, 2010). However, the growth and sustenance can be determined by a number of factors of which also can be influenced by the prevailing socio-economic environment. Such factors are education and training, creativity and innovation, the role of supporting agencies, networking of individuals/organizations and entrepreneurial motivation.

2.9.1 Education and Training

Sometimes training and education are used interchangeably; there is a distinction between training and education. Agochiya (2009) argues that training and education are both growth- oriented and directed at the individual. Both training and education aims to develop in an individual the capabilities to face challenges and complexities of life and shape the future, and both promote learning. Akhour (2010) establishes that training is a planned intervention to bring about change in action by improving knowledge, sharpening the skills, change in attitudes and education is probably the earliest discovery by the mankind. Through education, growth is stimulated to develop human resource by providing “ability to adjust” as well as ‘means of living.

2.9.2 Creativity and Innovation

According to Akhour (2010) an entrepreneur who is creative and innovative is a person who has the ability to cope with new situations and new solutions to problems. Entrepreneurs always pick new ideas and adopt them faster than others. They are never satisfied with what they have achieved and they are constantly engaged in seeking excellence.

2.9.3 The Role of Supporting Agencies

Questions relating to sustainability and growth of small businesses are being asked at various levels by various stakeholders of development, donor agencies, NGOs, government, researchers and academicians. The task of sustaining micro-enterprise is complex and far more difficult than mere stimulation and support. The intermediary agency firstly needs to “sustain” in order to make this process work. Most micro enterprise IGA activities evolve through a ‘project’, so it often happens that the activity continues only as long as the “project fund” is available. Thus sustainability becomes dependent on the ‘fund’ and not on the feasibility of the product.

However, supporting agencies reduces the limitations of management skills, finance technology, and non-entrepreneurial attitude can be overcome with better, well conceived and implemented training inputs in the area of human resource development, awareness of laws and regulations that govern the business, understanding changing market demands, up gradation of technology and networking and escort servicing.

2.9.4 Networking with Individuals and Organizations

To set up a small business, particularly a manufacturing enterprise, an entrepreneur needs to develop a network of individuals or organizations that can help him in various stages of setting up an enterprise and running it. Typically, assistance may be sought from the following: Small business Club, Bankers; Solicitors, Suppliers, Technical Consultants, College/University, Business Research Laboratories, Exhibitions, Trade fairs, Authorities, Chamber of Commerce, Entrepreneurs Association, relatives/friends, technical training institutes, and small business development organizations.

2.9.5 Availability of Financial Services

Finance is one of the requirements of everyday life of any small businesses. For instance, entrepreneurs need capital to start with and he needs financial assistance at every stage of the small business development. Small businesses finance is both short term and long term. In explaining the importance of finance, Desai (2009) reports that finance is the life- blood of any business. Sources of finance for small businesses from which the entrepreneur can meet their financial needs can be internal and external sources. External sources are sought when there are inadequate internal financial sources. Business development has been a very critical issue in this current world. The lack of access to resources (finances) for small business development is one of major obstacles to their growth and sustenance. For instance, the Government of Tanzania has been reforming the financial sector in order to create an effective and efficient financial system. As a result there have been an increased number of banks and non-banks financial institutions including SACCOS

which has increased lending and competition in the Microfinance Industry (URT, 2007). The present study therefore aimed at analyzing the contributions of SACCOS in growth and sustenance of small businesses in Mbeya City.

2.9.6 The Research Gap

From different studies reviewed, like that of Chrisant (2010) and Mwaibanje (2013) there is little or no exact study aimed to find out or to assess the contributions of SACCOs on the Growth and Sustenance of small businesses in Tanzania especially in Mbeya Urban. Chrisant (2010) have explored factors hindering the growth and progress of small businesses in Tanzania; Mwaibanje (2013) have explored problems facing SACCOs in rural and urban areas and other studies have explored on problems facing small and medium enterprises in Tanzania and how those problems can be minimized.

In both studies of Chrisant (2010) and Mwaibanje (2013) and other reviewed literatures, there is lack of linkage between SACCOs as an independent variable and small businesses as dependent variables. Contributions of SACCOs on the growth and sustenance of small businesses in Tanzania are independent variables. In these reviewed researches no link was found between SACCOs as an independent variable and small businesses as dependent variables. Therefore, the purpose of this study was to assess the contributions of SACCOs in various aspects towards the growth and sustenance of small businesses in Tanzania, Mbeya City being the case study.

CHAPTER THREE

3.0 MATERIALS AND METHODS

3.1 Introduction

This chapter presents the characteristics of the study area, research design, population, sample size and sampling techniques, methodologies and techniques that were used for data collection and analysis.

3.2 Study Area

The study was conducted in Mbeya City where the researcher analyzed the contributions of SACCOs on growth and sustenance of small businesses. The study area was chosen because Mbeya City is the first to have larger number of SACCOs in the region, (Mbeya City Cooperative Report, 2010). Mbeya is located in the Western part of Tanzania, in the Southern highland zone. The region is bordered by Iringa in the east, Zambia and Rukwa in the west, Tabora in the north and Malawi in the south. Mbeya City is located in Southern part of Tanzania at latitude $8^{\circ}50' - 8^{\circ}57'$ south of Equator and Longitude $33^{\circ}30' - 35^{\circ}35'$ East of Greenwich mean Time. The City is almost surrounded by Mbeya District in all directions.

According to year 2012 Census, Mbeya City Council had a total population of 385 279 out of which 182 620 (47.4%) were men and 202 659 (52.6%) were women. Mbeya City has a mean annual rainfall of 1200mm while the mean annual temperature is 25°C , ranging from a mean minimum of 11°C and a mean maximum of 28°C . The City is considered a highland characterized by moderate climate and sufficient rainfall.

Major economic activities in the City include commerce and trade, agriculture and livestock keeping, small-scale industrial production and service provision example transport hotel, medical services and civil service. It is estimated that 33.3% of City residents depend on agriculture for their livelihood; 21% are employed in the public sector which is mainly service provision and 43.4% are engaged in the informal sector which is mainly small scale production, petty trade and selling of agricultural crops and 2.3 percent home works and others. Income per capita is estimated at Tshs. 675 000/= per annum which is equivalent to US\$ 1630, a little bit higher by 75 047 (\$75) to the internationally accepted poverty line of Tshs. 600 000, or about US\$ 600 per annum at exchange rate of 1630/= per 1 US\$ for the year 2013 (Mbeya City Council Investment Profile, 2010).

3.3 Research Design

Research design was Quasi-experimental of a study that guides the researcher in the planning and implementation of the study. It organizes all the components of the study in such a way that is more likely to lead to valid answers of the research questions. It spells out the strategies that the researcher adopt to develop information that is accurate, objective and interpretable (Bryman, 2001). Bryman (2004) defines the research design as the strategic framework for action that serves as a bridge between research question and the execution of the research. The design is helping the researcher with the collection and analysis of data, and it reflects the dimensions of research process (Bryman, 2004).

The design work like a flexible guide for the researcher (Durkhem, 2004). Kothari (2004) define a research design as the arrangement of conditions for collection and

analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. According to Churchill (1999) a research design is simply the framework or plan for a study used as a guide in collecting and analyzing data. It is a blue print for the study that guides collection and analysis of data.

In this study the researcher adopted a case study research design with regards to the study's objectives. According to Odium in Kothari (2004) a case study is a technique by which individual or an institution is analyzed in its relationship to any other in the group. The case study method is correctly understood as a particular way of defining cases, not a way of analyzing cases. Kothari (2009) defines a case study method as a very particular form of qualitative analysis and involves a careful and complete observation of a social unit such is that of a person, a family, an institution, a cultural group or even the entire community.

Why case studies design? According to Cooley (1971) the use of a case study enables the researcher to use various sources of data and thus avoid the partiality related with the use of a single source of evidence. The method enhances the experience of the researcher and this in turn increases his analyzing ability and skill. Case study enables the researcher to understand fully the behaviour pattern of the concerned unit. However, the use of a case study is pointed to have some weaknesses as the information can easily be manipulated to suit the researcher's interest (Charles Horton Cooley, 2007).

3.4 Target Population

Population includes all members or units of some clearly defined group of people,

objects or events. In this study, population refers to the entire group of persons who meet criteria that the researcher is interested to use in studying (Brink, 2001: Polit and Hunger, 1999: Uvs and Basson, 2000). Neumann (2000) defines a research population as the specific pool of cases, individuals or group(s) of individuals which the researcher wishes to investigate. The population of the study targeted all small business proprietors in the City who are members and who are non members of SACCOs in Mbeya City. The population study also included all 69 registered SACCOs located in the City as shown in Table 2. 3.

3.5 Sample Size and Sampling Techniques

Kothari (2009) argues that in deciding the sample size, costs too dictate the size of sample that we can draw. In this study the population comprised of the total number of all SACCOs located in Mbeya City, the total number of small business traders and officers from Lulu and Upimaji SACCOs and others from Mbeya City Cooperative. A sample size of 64 respondents was chosen, where 30 respondents were members from small business proprietors who are SACCO's members and, 30 small business proprietors who were non SACCO's members. Four key informants constituted the Mbeya City Council cooperative officers, trade officers, also two loan officers from Lulu SACCOS and Upimaji SACCOs were respectively involved. The choice relied on their individual professions in their respective institutions.

The number was chosen because it reflected the limit of the researcher's budget and time. Purposive sampling and simple random sampling techniques were employed. Therefore, purposive sampling was employed to select two SACCOs in Mbeya City near to Mwanjelwa trading centre of which Lulu and Upimaji SACCO's workers

were purposively selected because of being sure to get reliable information about small business traders in the City. Again, purposive sampling was employed to select key informants including Mbeya City Council cooperative officer, trade officer and two loan officers from Lulu SACCOs and Upimaji SACCOs, respectively. The method was selected because information needed was supposed to come from the targeted specialized person. Again, the method was selected because of their unique roles they played in providing necessary information. The purposive sample provided the necessary data for the purpose of the study. Below is the shortlisted sample size of the studying population in Mbeya City.

Table 3.1: Sample of the Studying Population

S /N	Category/ Sector	Proposed number
1	Small businessmen who are SACCOS members	30
2	Small businessmen who are not SACCOs members	30
3	Loan Officers from Lulu and Upimaji SACCOs	2
4	Mbeya City Cooperative Officers	2
	Total number of respondents	64

Simple random sampling method was used because it gave each person among business traders an equal chance of being involved. Again the method helps to reduce the potential of human bias in the selection of respondents to be included in the sample. As the result, simple random provides researcher with a sample that is highly representative of the population being studied. The method helps the researcher to make statistical inferences from the sample to the population, and this is considered to have external validity.

3.6 Types of Data Collected

Both primary and secondary data were collected by using different tools. Methods of collecting primary and secondary data were different, since primary data used to be originally collected. Both methods were used in order to obtain relevant results and aimed to strengthen the credibility of the study. The use of more than one data collection instrument portrays a true picture of the case under the study (Patton, 2002).

3.6.1 Primary Data

The primary data used were interviews, questionnaire, focus group discussion and direct observation. Questionnaires were provided to Loan Officers of Lulu and Upimaji SACCOs and to Mbeya City Cooperative Officers. Interview, focus group discussion and direct observation were conducted to small business traders. Methods were applied accordingly in order to get reliable information.

3.6.1.1 Interview

Structured and unstructured questionnaires were applied to enable the researcher ask questions based on the prevailing situation and clarify the number of questions which seemed not be clearly understood or wrongly perceived by the respondents. Those respondents interviewed include small business proprietors who are SACCO's member and small business proprietors who are non- SACCO's members.

3.6.1.2 Questionnaire

Questionnaires were developed in line with the research objectives and research questions. Also a pre-testing of the questionnaire was conducted to guarantee

common understanding of the questionnaire items among the respondents, then the actual field followed.

3.6.2 Secondary Data

Those data were obtained from visited published and unpublished sources, reading materials included past researches, journals, books and other official academic reports. This technique was applied in order to obtain secondary information. The researcher contacted reports both published and unpublished and papers concerning housing cooperatives. This technique helped the researcher to check the reliability of data that was obtained through questionnaire, interview and focus group discussion.

3.7 Data Analysis

Data processing involved editing the questionnaires, coding and entering in the computer. Statistical Package for Social Sciences (SPSS) was used for data analysis. Frequency distribution tables, pie charts and graphs were used for data interpretation in this study. SPSS helped to summarize data and create the appropriate tables and graphs and examined the relationships among variables in the study.

3.8 Data Management

According to Harper (1991) bias is defined as allowing particular influence to have greater importance than it really warrants. When conducting a research it is important to consider the issues related to bias and subjectivity. Inspection and correction was done for each transcript for the purpose of error detection and data clearing before they were coded. Two stages were involved in correction and

inspection. Comparison of different kinds of data, using different data collection methods across time and space as well to take a sizeable and affordable size of sample of population was the other measure. The aim was to ensure the validity and reliability of the research.

3.9 Reliability of Data

Reliability of data refers to the consistency with which repeated measures produce the same results across time and across different observers (Patton, 2002). In order to ensure the reliability of data in this study, four methods of data collection are used. These are interviews, documentary review, observation and questionnaire. Questionnaires were developed in line with the research objectives and questions.

3.10 Validity of Data

Validity of data refers to the extent to which the concept one intending to measure is actually being measured by a particular scale or index (Babbie,1992). To ensure validity, the data are gathered from management of SACCOs of Lulu and Upimaji and from a number of small business ventures in Mbeya City. Also to ensure validity primary data were cross checked against secondary data through making comparison on data collected from primary sources and secondary sources.

CHAPTER FOUR

4.0 RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents research findings that resulted from the analysis collected from the area of study. The chapter presents the findings and discussion related to the contributions of SACCOs on the growth and sustenance of small businesses in Mbeya City. In the parts that follow, data are described and interpreted in details with the help of appropriate tables in order to address two formulated specific objectives identified in the beginning chapter of the study. Mainly, these objectives were to assess challenges facing the growth and sustenance of small businesses and analyze the potentials of SACCOs on the growth on the growth and sustenance of small businesses.

4.2: Social Demographic Characteristics of the Respondents

This part presents the findings on demographic characteristics of respondents in terms of age, sex, experience and education level.

4.2.1 Age of Respondents

Results in Table 4.1 show that 23% and 47% of respondents interviewed are in the age group of 35-44 years and 25-34 years, respectively. Results show that 15-24 years group comprised 7.8%, 24-35 years group comprised 37.4%, and 35-44 year group comprised 43.8% and 45 and above year's group comprised 11.1%. Results show that 75% and 25% of respondents interviewed are in the age categories of 35-44 and 45 and above years, respectively. This means that there are a large number of young and energetic traders and workers who are able to confront problems involved

in day to day business activities. It also suggests that the aged group of population is less involved in businesses and official activities because of being less capable due to the age and because of government regulations. Under small businessmen who are SACCO's members' category, the results show that a total of respondents were 30. Out of these 15-24 years group comprised 16.7%, 25-34 years group comprised 46.7% and 45 and above years comprised 13.3%. Under small businessmen who are not members of SACCOs a total of 30 respondents were covered and out of these 15-24 years group comprised 7.8 percent, 25-34 years comprised 37.4%, 35-44 years comprised 43.8% and 45 and above years comprised 11.0%.

Table 4.1: Ages of Respondents

Age	Mbeya City Cooperative Officers		Small businessmen Small traders not SACCOs members				Total	
	Frequency	Percentage (%)	Frequency	Percentage (%)	Frequency	Percentage (%)	Frequency	Percentage (%)
Below 34Years	4	75.0	22	77.8	24	81.3	48.	73.8
45 - and above	1	25.0	8	22.2	6	18.7	16.	26.2
Total	4	100.0	30	100.0	30	100.0	64	100.0

Source: Study Findings, 2013

4.2 .2 Sex of Respondents

Results in Table 4.2 show that 80% and 70% of male while 20% and 30% of female interviewed are SACCO's members and non-SACCOs members respectively. This is because most formal business activities are undertaken by males than females and these are also actively members of SACCOs. However for the case of Mbeya City employees, most cooperative officers are also noted to be males than females since males prefer that job than females.

Table 4.2: Sex of Respondents

Sex	Mbeya City Cooperative Officers		Small business men who are members of SACCOs		Small businessmen who are not members of SACCOs.		Total	
	Frequency	Percentage (%)	Frequency	Percentage (%)	Frequency	Percentage (%)	Frequency	Percentage (%)
Males	2	75.0	24	80.0	21	70.0	48	75.0
Females	-	25.0	6	20.0	9	30.0	16	25.0
Total	2	100.0	30	100.0	30	100.0	64	100.0

Source: Study Findings, 2013

4.2.3 Education Level of Respondents

Results in Table 4.3 show that 45.3%, 37.5% and 17.2% of respondents have attained primary school education and college certificates, respectively. This is because most respondents consisted businessmen whose education is below university education and do not consider the importance of being educated to university level education respectively, compared to government employees of Mbeya City whose education level must be those in line with University level education.

Table 4.3: Education Level of Respondents

Level of education	Mbeya City Cooperative Officers		Small businessmen who are members of SACCOs		Small businessmen who are not SACCOsMembers		Total	
	Frequency	Percentage (%)	Frequency	Percentage (%)	Frequency	Percentage (%)	Frequency	Percentage (%)
Primary Education	-	-	14	46.67	10	33.3	24	37.5
Secondary Level	-	-	11	16.67	18	60.0	29	45.3
Certificate, diploma and above	4	100.0	5	36.67	2	6.7	11	17.2
Total	4	100.0	30	100.0	30	100.0	64	100.0

Source: Study Findings, 2013

4.2.4 Experience of Respondents

Results in Table 4.4 show that 81.2% and 18.8% of respondents were in the experience group of four years and above and three years, respectively. The implication of this is that all group of respondents which are Mbeya City cooperative officers, business traders who are SACCOs members and traders who were not SACCOs members possessed experience of three, four and above years. The leading group was traders who were non-SACCOs respondents who accounted for 90.0% followed by Mbeya City Cooperative Officers who accounted for 75.0%. None of the above groups revealed to have experience of one or two years.

Table 4.4: Experience of Respondents

Years	Mbeya City Cooperative officers		Businessmen who are SACCOs members		Businessmen who are not SACCOs members		Total	
	Frequency	Percentage (%)	Frequency	Percentage (%)	Frequency	Percentage (%)	Frequency	Percentage (%)
1-2 Years	1	25	8	26.7	3	10.0	11	18.8
Four and above	3	75.0	22	73.3	27	90.0	53	81.2
Total	4	100.0	30	100.0	30	100.0	64	100.0

Source: Study Findings, 2013

4.3 Data Presentation According to Respondents Views on Asked Research

Questions

In addressing this part, respondents were giving their own views on asked research questions from the researcher. Responses relied on three formulated questions; these responses from different respondents led to the reliable conclusions and recommendations.

4.3.1 What are Challenges which Face Growth and Sustenance of Small Businesses?

With regards to the first research question which asked the respondents on what are the challenges which face growth and sustenance of small businesses. Respondents were required to answer by indicating the challenges they know. Table 4.5 shows that the most indicated challenges facing Small scale businessmen in Mbeya City are unfair imposition of taxes which was accounted for by 75% of all 64 respondents, followed by unconducive trading environment which was accounted for by 11.0 %. Other factors received less than 10 % as indicated in the table 4.5.

Table 4.5: The Challenges Which Face Growth and Sustenance of Small Businesses

Challenges	Mbeya City Cooperative Officers		Small businessmen who SACCOs members			Small traders who are not SACCOs members	Total	
	Frequency	Percentage (%)	Frequency	Percentage (%)	Frequency	Percentage (%)	Frequency	Percentage (%)
Bad environment	1	25.0	4	13.3	2	6.7	7	11.0
Unfair tax imposed	1	25.0	22	73.3	25	83.3	48	75.0
Absence of semina/training	1	25.0	1	3.3	-	-	2	3.1
Lack of capital	1	25.0	1	3.3	1	3.3	3	4.7
Poor government policies	-	-	2	6.7	2	6.7	4	6.3
Total	4	100.0	30	100.0	30	100.0	64	100.0

Source: Study Findings, 2013

4.3.2 To what Extent can SACCOs Support the Growth and Sustenance of Small Businesses?

With regards to the second research question which asked the respondents on To what extent can SACCOs support growth and sustenance of small businesses?

Respondents were required to answer by indicting the challenges they know.

Results in Table 4.6 show that the most indicated support of SACCOs on the growth and sustenance of small businesses in Mbeya City are provision of low interest loan which was accounted for by 62.5 % of all 64 respondents, followed by make follow up to members business performances which was accounted for by 17.2%, conducting seminars to members was accounted for by 12.5% and the last was enforce collaborations between SACCOs, SACCO's members and commercial Banks which was accounted for by 7.8 percent.

Table 4.6: To What Extent Can SACCOs Support Growth and Sustenance Of Small Businesses?

SACCOs support	Mbeya City Cooperative Officers		Small businessmen who are SACCOs members			Small traders not SACCOs members	Total	
	Frequency	Percentage (%)	Frequency	Percentage (%)	Frequency	Percentage (%)	Frequency	Percentage (%)
Low interest rates on loans to members	1	25.0	19	63.3	20	66.7	40	62.5
Follow up to business members	1	25.0	6	20.0	4	13.3	11	17.2
Seminars and training to traders	1	25.0	4	13.3	3	10.0	8	12.5
Collaborate with banks and members	1	25.0	1	3.3	3	10.0	5	7.8
Total	4	100.0	30	100.0	30	100.0	64	100.0

Source: Study Findings, 2013

4.3.3 What are Potentials Of SACCOs in Supporting the Growth and Sustenance of Small Businesses ?

With regards to the third research question which asked the respondents on what are potentials of SACCOs in supporting the growth and sustenance of small businesses. Respondents were required to answer by indicting the challenges they know. Results

in Table 4.7 show that the most potentials of SACCOs in supporting the growth and sustenance of small businesses in Mbeya City is low which was accounted for by 73.4% of all 64 respondents, followed by very low answer which was accounted for Mbeya 15.6% of all 64 respondents, while the high answer was accounted for by 11.0% of all 64 respondents. In conclusion, it can be concluded that the SACCOs potential is still low and hence should be further improved.

Table 4.7: What are Potentials of SACCOs in Supporting the Growth and Sustenance of Small Businesses?

Potentials of SACCOs	Mbeya City Cooperative Officers		Small businessmen SACCOs members			Small traders not SACCOs members	Total	
	Frequency	Percentage (%)	Frequency	Percentage (%)	Frequency	Percentage (%)	Frequency	Percentage (%)
High	-	-	5	13.3	3	10.0	7	11.0
Very Low	1	25.0	6	20.0	3	10.0	10	15.6
Low	3	75.0	19	66.7	24	80.0	47	73.4
Total	4	100.0	30	100.00	30	100.0	64	100.0

Source: Study Findings, 2014

From the first research question which asked the respondents on what are the challenges which face growth and sustenance of small businesses, the study found that the most challenges facing growth of small business in Mbeya City are unfair taxation system which ends up by making small businesses in Mbeya City being overtaxed and hence prevent their potential expansions. The other noted challenge was unfair treatments by Mbeya City Officials which results into frequent harassments of small scale businessmen.

From the second research question which asked the respondents on to what extent can SACCOs support growth and sustenance of small businesses, respondents reported that the support SACCOs small businesses in Mbeya City is the provisions of loan with low interest rates and making follow up to ensure that members use loans according to their intended purposes, at the same time providing trainings to members on how to conduct well their business using the loans they have acquired from SACCOs.

From the third research question which asked the respondents on what are potentials of SACCOs in supporting the growth and sustenance of small businesses, respondents reported that the potential of SACCOs on supporting the growth of small scale businessmen in Mbeya City is still very low due to higher rate of interest charged on loans from SACCOs advanced to members; poor follow up by SACCOs management on how members use their loans and poor trainings given to SACCOs members by SACCOs management on how members should improve significantly their businesses.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The major objective of this study was to examine the contributions of SACCOs on the growth and sustenance of small businesses in Mbeya City of Mbeya Region. Specific research objective were to (i) assess the challenges which face growth and sustenance of small businesses? (ii) analyze the potentials of SACCOS in supporting the growth and sustenance of small businesses. This chapter presents conclusions and recommendations of the study. Section 5.1 presents summary of research objectives and research questions, while section 5.2 and section 5.3 presents conclusions and recommendations of the study, respectively.

5.2 Conclusion

Despite the growth in numbers of SACCOs and its accompanied members, the contributions of SACCOs to promote the growth and sustenance of small businesses in Mbeya City have been lower due to the combination of challenges that these SACCOs face. These are unconducive trading environment, poor follow up of SACCOs on how SACCO's members use the loans they acquire from SACCOs, poor business size expansion strategies by SACCO's members who use SACCO's loans.

Others are unfair tax imposed regressively on small businesses, absence of seminars and training to business proprietors, and poor Government Support to enable SACCOs to promote its roles on the growth and sustenance of small business in Mbeya City. Hence, in addressing the intended research objectives, this study

focused to answer key research questions relating to contributions of SACCOs on the growth and sustenance of small businesses in Mbeya City.

5.2.1 The Assessed Challenges Facing the Growth and Sustenance of Small Businesses

Based on the research findings, this study concluded that the most indicated challenges facing small businesses in Mbeya City include; unfair taxes regressively imposed to small business traders, unconducive trading environment, lack of seminar and training relating to their businesses. It was concluded that imposition of tax is ignoring the financial level of small traders; the amount of tax charged is irrelevant to capital gain and levels of businesses. The present study concluded that the tax imposed regressively absorbs all the small business profit, thus limiting the growth and sustenance of small businesses.

5.2.2 The extent to which SACCOs can support the growth and sustenance of small businesses?

Based on the results, the study concluded that the most indicated support of SACCOs on the growth and sustenance of small businesses in Mbeya City include; provision of low interest on loan advanced to small business proprietors, follow up to members' business performance ,conducting seminars and training to members who are business traders on how to run their businesses. The study concluded that high interest loan discourage members, leading them to find other alternative of getting capital. It was concluded that SACCO's low interest on loans given to members, provision of seminars and effective follows up to member's business performance, could lead to growth and sustenance of small businesses in Mbeya City.

5.2.3 The Analyzed Potentials of SACCOs in Supporting the Growth and Sustenance of Small Businesses

In addressing this part, the study reported the potential of SACCOs in supporting the growth and sustenance of small businesses in Mbeya City to be poor. It was concluded that potentials of SACCOs in Mbeya City is still low due to higher rates of interest charged on loans from SACCOs advanced to members; poor follow up by SACCOs management on how members use their loans and poor training given to SACCOs members by SACCOs management on how members should improve their businesses.

5.3 Recommendations

Based on the first conclusion which indicates that the most challenges face the growth and sustenance of small businesses in Mbeya City is an unfair taxation system which ends up by making small businesses in Mbeya City being overtaxed and hence prevents their potential expansions. The other noted challenge was unfair treatments by Mbeya City officials which results into frequent harassments of small scale businessmen, it is recommended that measures should be employed which will make taxation system to be fair to small scale businessmen through reduction of number and rates of taxes that affects negatively the growth of small businessmen. Mbeya City should reduce their harassments to small scale businessmen.

Based on the second conclusion that SACCOs can give support to small businesses in Mbeya City through the provisions of low interest loans and making follow up to ensure that members use loans according to their intended purposes, while also at the same time providing trainings to members on how to conduct well their business

using the loans they have acquired from SACCOs. Therefore, it is recommended that SACCOs loans provided to members should be of lower interest rates. SACCOs should provide trainings to members on how to run their businesses. SACCOs should make effective follow up to ensure that members use well the loans they acquire from SACCOs.

Based on the third conclusion which shows that the potential of SACCOs on supporting the growth and sustenance of small scale businessmen in Mbeya City is still very low due to higher rate of interest charged on SACCOs loans advanced to members; poor follow up by SACCOs management on how members use their loans and poor trainings given to SACCOs members by SACCOs management on how members should improve significantly their business. Therefore, it is recommended that SACCOs lending rate should be reduced to enable loans have effective positive impacts to member's business growth. SACCO's management should make effective follow up to make sure that members use well the loans they have acquired from SACCOs only for intended business purposes and not otherwise. SACCOs should provide enough and positive trainings which will enable members effectively use SACCOs services to expand significantly their businesses.

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APPENDICES

Appendix i: Questionnaire to be Filled by Loan Officers of Lulu and Upimaji SACCOS

Dear respondent;

I am carrying out a study that aims to investigate the contributions of SACCOS on the growth and sustenance of small businesses in Mbeya City. Your institution has been selected as one of the respondents and therefore your opinions are very important to this study. This is an academic research and the information provided is purely for academic purpose and will be treated with utmost confidentiality.

The researcher kindly requests you to spend a few minutes of your time and answer the questions that are in this questionnaire. Your co-operation is highly appreciated.

Thank you very much for your co-operation in advance.

Questionnaire which was filled by Loan Officers of Lulu and Upimaji SACCOS.

A. Contact information

Name of SACCOS.....

Date.....

Telephone.....

E-mail.....

Name of a person for further contact.....

B. Research Questions

Part I

1. When was the SACCOS registered.....Reg.
No.....
2. How many board members are in the SACCOS.....and how they were found.....
3. What is the total number of members in your SACCOS?
Male.....Female.....Group.....,Institutions
4. Explain education levels of board members in the following format

S/N	TITLE(chairman, deputy ,chairm member)	Primary, Secondary, Certificate, Diploma and Degree
1		
2		
3		

5. Have Board members received any training? YES/NO. If the answer is YES mention types of training they received, who provided training and who financed
 - a. Type of
training.....
 - b. Trainer.....
...
 - c. Sponsors.....
...
6. Explain education levels of SACCO's staff in the following format

S/N	TITLE (Manager, accountant, loan officer) etc	Primary, Secondary, Certificate, Diploma, Degree
1		
2		
3		

7 Does the SACCO carry out employee training?

- A. YES B. NO

If yes, how often is the employee training carried out?

- A. Not Often B. Often C. Very Often

If no, please state the reason.....

7. Does your SACCOS borrow loan from external sources like commercial banks or other financial Institutions?

- A. YES B. NO

If YES, Mention these financial institutions.....

If NO, Give reasons.....

8. Mention the amount of interest rate you are charged by these financial institutions in the following format.

S/N	Institution	Frequency	Interest rate
1			
2			

Part II

1. Challenges which face growth and Sustenance of Small Business in Mbeya Urban are greatly caused by administrative weaknesses of SACCOS.

i) Strongly agree

ii) Agree

iii) Disagree

iv) Strongly Disagree

()

2. One of the potentials of SACCOs in Supporting the growth and Sustenance of small businesses
 - i) Provision of education to small business proprietors
 - ii) Provision of fund to small business owners
 - iii) Provision of credit to small businesses ()
 - iv) All points above

3. Many small business proprietors are very alleged to join SACCO's membership
 - i) Strongly agree
 - ii) Agree
 - iii) Disagree ()
 - iv) Strongly Disagree

4. Most of small business owner's funds in Mbeya Urban depend on SACCO's
 - i) Strongly agree
 - ii) Agree
 - iii) Disagree ()
 - iv) Strongly Disagree

5. Do small business owners have any other source of fund apart from SACCO's to run their business in the region
 - i) Very possible
 - ii) Possible

iii) Not possible ()

iv) Very not Possible

6. What do you think about the number of small business traders in the City who are members of SACCOs in your area

i) Very big number

ii) Big number

iii) Small number ()

iv) Very small number

7. What are measures to be undertaken in order to enable SACCOs support the growth and sustenance of small businesses?

.....

.....

.....

.....

Appendix ii: Questions posed to City Council Cooperative officer and the Trade Officer

Dear respondent

I am carrying out a study that aims to investigate the contributions of SACCOs on the growth and sustenance of small businesses in Mbeya City. Your institution has been selected as one of the respondents and therefore your opinions are very important to this study. This is an academic research and the information provided is purely for academic purpose and will be treated with utmost confidentiality.

The researcher kindly requests you to spend a few minutes of your time and answer the questions that are in this questionnaire. Your co-operation is highly appreciated.

Thank you very much for your co-operation in advance.

Required: Tick whichever is appropriate

1. What you think are challenges which retard the growth and sustenance of small businesses in Mbeya Urban?
 - i) Lack of capital and business skills
 - ii) Bureaucracy in getting loan from SACCOs ()
 - iii).Unfair tax assessment from the revenue authority
 - iv Not sure

2. To what extent can SACCOs support the growth and sustenance of small businesses?
 - i Very much
 - ii..Somehow ()
 - iii..At least
 - iv)..Not at all

3. Is the SACCOs' knowledge and Services accessible to all small business traders?
 - i)..Strongly accessible
 - ii) .Accessible ()
 - iii)..Not accessible
 - iv) .Strongly not accessible

4. Small business owners lack knowledge about the potentials of SACCOs towards growth and sustenance of their business in Mbeya Urban
 - i) Strongly agree
 - ii) Agree ()
 - iii) Disagree

iv) Strongly disagree

5. Do you think interest charged by SACCOs in loan disbursement is high and so far discourages small business proprietors?.....

If yes what you think should be done?

.....
.....
.....

If no what are other factors which discourage small business traders to seek loan from SACCOs?

.....

6. Are there any potential in your office which supports the growth and sustenance of small businesses in the region?

Yes/No.....

If yes list down at least three of them.....

.....

Thank you for your cooperation

