

**THE CONTRIBUTION OF MICROFINANCE INSTITUTIONS ON THE  
ECONOMIC PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES  
IN TANZANIA: THE CASE OF KISACCOS-KITUNDA AND JIENDELEZE  
GROUP-KETUMBEINE**

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**CERTIFICATION**

The undersigned, certifies that he has read and hereby recommended for acceptance by the open university of Tanzania (OUT), a dissertation entitled; *The contribution of Microfinance Institutions on the Economic Performance of SMEs in Tanzania. The case of Kisaccos-Kitunda and Jiendeleze Group-Ketumbeine* in partial fulfillment of the requirements for award of the masters degree in Business Administration of the Open university of Tanzania.

.....

Dr. Chacha Matoka  
(Supervisor)

.....

Date

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**DEDICATION**

It is dedicated to beloved wife Veronica Kija for her moral and material support during the whole period of the study. It is also dedicated to our beloved children Glory and Gabriel for their tolerance when much time and materials were sacrificed for the study.

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I would like to declare at this point that, I bear all responsibilities for any shortcomings that may be found in this work, it shouldn't be attributed to any of the above acknowledged individuals.

## ABSTRACT

This study presents an assessment on the contribution of the microfinance loans to SMEs in Tanzania. The research was conducted in Dar es Salaam and Arusha-Kitumbeine where the representative sample of 77 SMEs, 6 MFIs` workers and 3 MFIs leaders were randomly selected. The data was collected using different tools such as questionnaires, interviews, documentary review and observation. The findings from the study have shown that there is no progress of SMEs at the enterprise level as claimed by more than 60%, the reasons behind this failure have been attributed to the poor national economy and the borrowers do not inject the capital on the enterprises but on different fixed assets. However, other parameters at household levels, affordability of home needs, ownership of fixed assets and community development support have improved for both MFIs workers SMEs owners. In general MFIS loans despite of the negative impact at enterprise level appear to have positive contribution to the development of the borrowers. Regarding the availability of loans the results have shown that the loans are available but are given upon fulfilling the requirements and at an established increasing rate set by the MFIs. The main challenges facing SMEs in Tanzania include lack of sound entrepreneurial skills among the practitioners. Despite of the seminars and workshops orgasined by the MFIs the skills acquired to the borrowers appeared to be rote and lacking basic skills. Since the members are mostly primary schools level then there is a need of starting entrepreneurship study at primary level throughout to tertiary levels. Poor national economy and frequent inflation were pointed as obstacles to the progress of SMEs so, the government is advised to find the ways of building stable economy.

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

ASCAs	-	Accumulating Savings and Credit Associations
BRAC	-	Bangladesh Rural Advance Committee
CUS	-	Credit Union
FSAs	-	Financial Services Associations
GDP	-	Gross Domestic Product
KTB	-	Ketumbeine Jiendeleze Group
KISSACOs	-	Kitunda Saving Society and Credit Organisation
LDC'S	-	Least Developed Countries
LEDCS	-	Least Economically Developed Countries
MFI	-	Microfinance Institutions
MKUKUTA	-	Mkakati wa Kuuuua Uchumi na Kuondoa Umaskini Tanzania
NGOs	-	Non-Governmental Organizations
REPOA	-	Research on Poverty Alleviation
ROSCAs	-	Rotating Savings & Credit Associations
SACCOs	-	Savings and Credit Cooperatives
SIDA	-	Swedish International Development Cooperation Programme
SMEs	-	Small and Medium Enterprises
UNDP	-	United Nations Development Programme

## CHAPTER ONE

### 1.0 INTRODUCTION

#### 1.1 Background of the Study

Since independence most of the third world countries also called the Least Economically Developed countries (LEDC'S), Tanzania being one of them were left in serious poverty (Mwaniki, 2006). This situation was due to a number of reasons. The observable reasons and frequently reported by media include poor leadership, corruption, misuse of natural resources through malicious contracts with foreign investors, embezzlement of public funds' and big government expenditure, all these lead to the shortage of funds to invest in key socio-economic development sectors like industries, education, health, infrastructure, energy production and agriculture.

Failure of government to invest sufficiently on the above key sectors results into lack of employment opportunities or if any then it pays very low compared to the actual costs of life. The UNDP studies (2009) conclude that 'Human development is the key to UNDP's work, Economic growth will not produce jobs and cut poverty unless it is inclusive economic growth that is, of equal opportunity.

In the World Development Report (2005) it is noted that 'unemployment, disability and old age are among the important causes of poverty in Tanzania one of the poorest and most heavily indebted countries of the so called third world countries with the population of about 43 million. According to the CIA World fact book, (2012), Tanzania has a total area of about 945,087 million square Kilometres. It is among the blessed country with a variety of natural resources like good climate, fertile soil and

beautiful landscapes full of varieties of living things. The land is rich in minerals some of which are available in Tanzania only like the ‘Tanzanite.’ But, surprisingly, despite of all those opportunities more than 50 years after its independence its people are still sinking in the deep pool of poverty. Its government lacks the sufficient capacity of investing on technology, offering basic infrastructures and services like good transport systems, reliable power supply, water, education and health. The lack of employment in formal sector pushes a huge population into the informal sector while the education system has not prepared them for that purpose.

In that connection, this big group of people which move into self-employment has one common needs ‘initial capital’ therefore they need financial support. It is this need of capital which has resulted into the mushrooming of different forms of microfinance institutions like SACCOs and individual money lenders all over the country. The major aim is to establish the capital linkage between formal financial institutions and the huge group of financially alienated small entrepreneurs who are also considered to be poor (SMEs policy, 2002).

Along with the above economic changes, the Tanzanian government established “the Government Economic Structural Adjustment Program” which aims at the withdrawal of the government from direct involvement in the economy. This policy enabled the private sector to grow and take much involvement in the provision of micro loans to micro entrepreneurs (Kessy, 2011). To achieve these goals a broad range of strategies and actions in production and marketing need to be adopted. The NSGRP has indicated that the development of small and medium enterprises (SMEs)

as one of the key strategies to attain the goals. Many studies have indicated that broad-based SMEs development provides an effective means for both reducing poverty and accelerating economic growth.

This is normally achieved not only by increasing incomes for entrepreneurs and workers, but also by creating demand for non-tradable goods, namely services and local products through links. It is this indirect effect on demand, and the associated employment creation in the small businesses in rural and urban areas, that appears to be the main contributing factor to the reduction of poverty (Mnenwa and Maliti, 2005).

As a result, many micro finance institutions with a view to provision of credits to micro entrepreneurs have been established. These include CARE International. The Promotion of Rural Initiative Development Enterprises (PRIDE 1994), Small Enterprises Development Agency (SEDA1994), Finance and Advance in Development Association (FAIDA1994), FINCA, Presidential Trust Fund (PTF). The banks include Akiba Commercial Bank (ACB), The National Microfinance Bank (NMB), The Dar es Salaam Community Bank (DCB), Mufindi Community Bank and Mwangi Community Bank.

The lending and borrowing activities from microfinance institutions have become popular throughout the country. However, it is still not clear from the research findings whether there is remarkable social and economic progress attained by the microfinance borrowers. It is from this controversy where the problem and the need for this study originated.

## **1.2 Statement of the Problem**

Despite the renewed commitment over the past 15 years to poverty reduction as the core objective of international development discourses and policies, progress to this end remains disappointing. This is particularly evident in the extent to which the world is off track to achieve most of the Millennium Development Goals, globally and in most regions and countries, (UNDP, 2003; UN Statistics Division, 2004). The above contention creates the basis of the research problem for this work.

Poverty in LEDC'S has become a chronic problem which for several decades after acquisition of political independence between 1960s and 1980s, these countries have not managed to eradicate poverty among its population. Majority of the people are living below poverty line of less than 1\$ per day. The World Bank in the World Development Report (2000/2001) shows that, of the world's 6 billion people, almost half (28 billion) live on less than \$2 a day, and the evidence is even more worrying for Sub-Saharan African countries including Tanzania. Chitama (2003) remarks that people in these countries are also still marginalized isolated, and powerless that means they have no say in decision-making. The World Bank (1991) reveals that, unless something is done to overcome the present economic trend; Tanzania in the coming centuries will be even poorer than it is today and it is more serious in rural areas.

The Tanzanian government recognizing the different needs, capacities and constraints faced by the low-income population, developed and adopted a comprehensive Micro finance Policy in 2001, that articulates the roles of various institutions and key

players in a sustainable micro finance industry as a strategy for poverty alleviation. Today, it is more than ten years of its implementation, but poverty is still critical among the Tanzanian citizen; so, it is important to assess MFIs impacts on the ground, in relation to poverty reduction.

Along with other poverty alleviation strategies like MKUKUTA, MKURABITA and “MABILION YA KIKWETE” (Billions of money given by The President Kikwete to be given to the small entrepreneurs), a lot of efforts are being made by government encouraging people to borrow funds and invest on self employment business as a strategy for poverty alleviation. However, poverty is still a critical problem persisting in Tanzania and other third world countries (Mwaniki, 2006).

This observation stands as a critique against the microfinance impacts to the poor and poverty reduction efforts; this negative impact is rarely mentioned by researchers. The researcher of this study doubts as to whether the released fund from various sources reach the targeted micro and small enterprises and thus it needs to find it out and if so, what are contributing factors for the continuing poverty.

Woldehanna (2004) in Alemu (2008), Writing in Ethiopia context notes that, despite of the microfinance efforts, it is evident that poverty in Ethiopia has persisted also literatures from other countries show that using microfinance as a strategy to reduce poverty is controversial. The above controversy is obvious in the community in Tanzania today because we often hear the loud public announcement, that there will be an auction of some collateral properties by a certain MFIs. This implies that some of the borrowers fail to repay, so, they end up losing even the few fixed assets they

had before borrowing. Among the suspicions which arise to the researcher of this study is as to whether the targeted micro and small enterprises owners receive the right amount of their financial need and at right time or the whole idea is impractical and therefore the proposed and expected financial linkage is incomplete and not linked.

Thus, this study seeks to find out the extent at which the MFIs perform the financial linkage by offering satisfactory loans and at right time to the micro and small enterprises or not? Also, if the Microfinance Institutions loans help to improve the micro and small enterprises on one hand and the life standard of the borrowers and workers on the other. The study will also reveal any current problems which hinder the efficient performance of micro and small enterprises activities and thus recommend on the appropriate measures of improving the situation.

### **1.3 General Objective**

The general objective of this study is to assess the contribution of microfinance institutions on the economic performance of SMEs in Tanzania.

### **1.4 Specific Objectives**

- (i) To find out if the micro and small enterprises can access satisfactory loans whenever the need arises.
- (ii) To examine the contribution of the MFIs loans on the Micro and small enterprises growth in Tanzania.
- (iii) To evaluate the impacts of the MFIs loans on the life standard of the household of the borrowers.

### **1.5 Research Questions**

1. Do micro and small enterprises secure right amount of loans and at right time?
2. Are there any improvements of micro and small enterprises after utilization of microfinance loans and services?
3. What are the impacts of the MFIs loans at the household life standard of borrowers?

### **1.6 Significance of the Study**

This study will provide valuable information to all stakeholders; the information will be useful in different ways. First, the study will contribute to the body of knowledge on the impact of microfinance on the growth of micro and small enterprises. Secondly, this study intended to highlight on the relationship between microfinance services and growth of micro and small enterprise particularly with the focus on their livelihoods for both planners and policy makers in government, agencies and NGOs. This will help them to come out with the best alternative policy interventions which might help to address problems and challenges which micro and small enterprises face.

### **1.7 Limitation of the Study**

There are many MFIs in Tanzania, However, Financial and time constrain has led to the choice of a small sample and at a smaller geographical coverage. This paper limits itself only to Kitunda and Ketumbeine because of the constraints of time and financial cost, the geographical scope of Kitunda is only in the suburb the Dar es Salaam city. However, Ketumbeine is located in the remote rural Northern Maasai plains of



Tanzania. The study focuses on selected aspects. These include Institutions targeting the poor, achievements, and impact on income, nutrition, education cost, health, housing condition, and empowerment which are implied by level of consumption of services by the borrowers. It also focuses on the description on whether there is any improvement in life standard for those who take loans, it does not consider the other group which has not taken loans due to the reasons which have been pointed out by limitations of the study.

The sample may not be an appropriate representation and generalization of the entire population of Tanzania. However, this limitation will not make the results deviate from the reality and thus the conclusions arrived from this work will be valid and reliable.

### **1.8 Delimitations**

This study covers the capital loans from the microfinance institutions of Tanzania which is particularly delivered to the poor and marginalized rural areas population. Therefore, the study focuses on the social and economic impacts of the capital flow from the big formal financial institutions via microfinance on the micro and small enterprises. This study also describes the progress of the workers on one side and the clients who have borrowed at least once at household level and purposeful avoids examining those who have not borrowed and the progress of the union as a whole. It also avoids tracing the details on the impacts at the national level in order to minimize the size and cost of the work. The selected area for this study is indicated by outcomes parameters on Figure 2.2.

## CHAPTER TWO

### 2.0 LITERATURE REVIEW

#### 2.1 Introduction

This chapter deals with some of the theoretical and empirical literatures, published and unpublished documents such as books, journals, certified research papers, dissertations and magazines on this topic. Jancowicz arguing on the importance of literature review, he notes that, knowledge does not exist in vacuum that means it exists based on what is known to unknown (Jancowicz, 2000).

The purpose of literature review is to enrich the idea of the researcher, refining the research ideas and highlighting awareness of current state of knowledge on topic to show limitation of the study and to illuminate the existing research gap (Gill *et al.*, 1997). It also enables the researcher to compare the findings of the study with other study findings related to the study. The knowledge which is acquired from literatures helps in shaping the study and at the end of the chapter enabling the researcher come up with the research gap.

#### 2.2 Definition of Concepts

This part reviews the basic concepts of poverty as implied by small entrepreneurs and microfinance. The first part starts with the concept of poverty. The second part deals with the concept of microfinance and approaches of microfinance. The third part highlights on the link between microfinance and small entrepreneurs in the poverty reduction process. Finally, the conceptual framework is discussed based on three major components namely capital delivery and flow, achievements and impacts.

### **2.2.1 The Concept of Poverty**

World Bank broadly defines poverty as a “pronounced deprivation in well-being (Khandker & Haughton, 2009). The poor are deprived of basic necessities in life, such as food, shelter, clothing, and clean drinking water. It also includes lack access to health care, quality education, and employment opportunities that are important in improving their human capital and facilitating social mobility. Due to the profound impact that poverty has on the poor’s well-being, efforts have been made by various multilateral organizations, such as the United Nations, to address these problems and combat poverty. Through the years, different poverty reduction strategies and instruments have been developed in order to improve the poor’s standard of living and help the people break the vicious cycle of poverty.

Whenever the issue of small entrepreneur is discussed in Tanzania, it inevitably talks about poverty because the small entrepreneurship is done by mostly poor people especially those who have no formal employment.

The definition of poverty has become ever controversial. According to Amis and Rakodi (1994), there are two main approaches to define poverty one which emphasizes on the absolute nature of poverty, while the other focuses on relative deprivation. In the absolute approach a minimum or basic poverty level is established and individuals below this level are designated to be in conditions of poverty. The second approach the relative deprivation approach defines poverty in relation to either average levels or societal norms. This approach attempts to relate the definition of poverty to its potential causes such as economic exploitation, vulnerability and problems of social marginality.

Out of the two approaches above, the use of income or consumption based approach to measure poverty appears to be more popular than others; as it is noted in Piabberg, (2004), that, a person is considered poor if his or her consumption or income level falls below 1USD per day, a level necessary to meet minimum necessary basic needs. This minimum level is usually called the poverty line, the (World Bank, 2003).

The above approach, however, is criticized because it does not consider people's access to basic services such as education, health care, adequate quality housing with basic services. A different view on poverty is the entitlement approach; this approach explains deprivation not in terms of an overall lack of resources, but in terms of household's ability to command such resources by means of mechanisms called entitlements (Amis and Rakodi, 1994).

The definition of poverty by the World Bank in the World Development Report, (2000/2001) also extended the conceptual dimension beyond the conventionally held ideas of income to a more comprehensive notion of lack of opportunities, capabilities, sense of and vulnerability to external shocks. Thus, poverty reduction strategies aimed not only to create income-earning opportunities, but also to ensure improved capabilities and empowerment of the poor (Alemu, 2008). The similar idea is given in TZPPA (2002/03) main report which conceptualizes poverty as a situation in which households are placed below a socially defined minimum level of well being, usually manifests in hunger, sickness, powerlessness, illiteracy and the marginalization.

Poverty cannot be captured in terms of money and income alone; If poverty is seen as a lack of opportunity to acquire lasting control of resources in order to strengthen one's capacity to acquire the basic necessities of life like water, energy, food, a safe place to eat, rest, sleep, wash, have sex and go to school, basic health services and

medicine in case of illness, all that requires more than money, more than an income. It requires assets or entitlements, the value of which cannot be easily estimated in financial terms (Maanen, 2004).

### **2.2.2 Meaning and Indicators of Social and Economic Growth**

It is important to define the meaning of growth because the performance of the SMEs is going to be measured by their growth and sustainability, which means change from poor stage to a better stage. Sebstad *et al.* (1995) cited in Amina (2011) that there are different ranges of indicators of growth of SMEs. This study will use income of the SMEs employees, accumulation of their assets, ability to support their families and employment as indicator of socio-economic growth for the individuals while household income, household expenditure on food, education and health and fixed assets accumulation will be used as indicator of socio-economic growth of owners of SMEs. In this study the above parameters will be explored as criteria for the progress of SMEs and owners.

### **2.2.3 The Concept of Microfinance**

According to SIDA (1999), Microfinance is conceptualized as the term used to describe different methods used in giving poor people access to financial services. More than 20 years experience of Micro financing around the world shows that poor people with little education are reliable borrowers who invest wisely and are willing to save if given the chance.

Marguerite (2001) termed Microfinance as a small-scale financial services-primarily credit and savings which provide credit to people who operate small enterprises or

micro enterprises where goods are produced, recycled, repaired; who promote services; who gain income from renting small amounts of land, draft animals, or machinery and tools to other individuals and groups at the local level of developing countries, both rural and urban.

According to SMEs policy (2002), Microfinance is still a relatively new concept in Tanzania Beginning in 1995; it was mainly linked to women and poverty alleviation. The government tried to convince commercial banks to support small and medium businesses. Once the National Microfinance Policy was implemented in 2001, microfinance was officially recognized as a tool for poverty eradication and with its increased use and exposure to the country and banks had taken an interest in offering loans to microfinance.

In SMEs development Policy Tanzania (2002), the SMEs nomenclature is used to mean micro, small and medium enterprises. The SMEs cover non-farm economic activities mainly manufacturing, mining, commerce and services. There is no universally accepted definition of SMEs; different countries use various measures of size depending on their level of development. The commonly used yardsticks are total number of employees, total investment and sales turnover.

In the context of Tanzania, micro enterprises are those engaging up to 4 people and in most cases family members or employing capital amounting up to Tshs.50 million. The majority of micro enterprises fall under the informal sector. Small enterprises are mostly formalized undertakings engaging between 5 and 49 employees or with capital investment from Tshs5 million to Tshs 200 million. Medium enterprises

employ between 50 and 99 people or use capital investment from Tshs.200 million to Tshs800 million URT, (SME Policy, 2002). This is illustrated in the Table 2.1 below.

**Table 2.1: Categories of SMEs in Tanzania**

Category	Employees	Capital Investment in Machinery (Tshs)
Micro enterprise	1 – 4	Up to 5 mil
Small enterprise	5 – 49	Above 5 mil to 200 mil
Medium enterprise	50 – 99	Above 200milto 800 mil
Large enterprise	100 +	Above 800 mil

**Source: SMEs policy of Tanzania (2002)**

In this study SACCOs is conceptualized as one of the forms of Microfinance which plays the role of extending small (financial capital) loans to the poor population for the purpose of starting self-employment projects. These projects are expected to generate income which will allow them to take care of themselves and their families and so, it is assumed to raise economic status of individuals and eventually at the entire national level.

#### **2.2.4 The Concept of Small Entrepreneurs in Tanzania**

Entrepreneurship is conceptualized as the active process of recognising, discover, evaluate, and exploit profitable opportunities to satisfy that demand, usually to generate a profit, (Thompson *et al.*, 2012). High levels of poverty combined with slow economic growth in the formal sector have forced a large part of the developing world's population into self-employment and informal activities.

But this is not necessarily negative; microenterprises contribute significantly to economic growth, social stability and equity. The sector is one of the most important vehicles through which low-income people can escape poverty. With limited skills and education it difficult to compete for formal sector jobs so, these men and women find economic opportunities in microenterprises as business owners and employees. If successful, entrepreneurship is likely to result in a small- to medium-enterprise (SME) including a variety of firms like village handicrafts makers, small machine shops, restaurants and computer software firms that possess a wide range of sophistication and skills and operate in very different markets and social environments. In most developing countries, microenterprises and small-scale enterprises account for the majority of firms and a large share of employment.

Entrepreneurship is a relatively new concept in Tanzania; it received more emphasis along with the privatization policy from 1990s. It received more importance in Tanzania after 2002 following the SMEs Development Policy. This policy has an implication to this study because it clearly states that “Tanzania is endowed with rich natural resources base, but, even then, with all these resources Tanzania is still a least developed country. The challenge lies on the ability to transform efficiently and effectively these resources into goods and services that can be available in the market at competitive price (SME policy, (2002).

One of the major limiting factors is lack of entrepreneurs at different levels. Some traditions perception and values have tended to create a culture that is anti-entrepreneurial, furthermore, past systems tended to create the employment seekers rather than job creators” (SMEs policy, 2002).



This contention from the policy has a very big implication to this study because when the emphasis is made on small business as the strategy for poverty alleviation it is assumed that everyone will borrow money and do business. In reality probably only a few can dare take the risk of borrowing and investing. In some cases especially in typical rural areas the number of borrowers may be very small proportion of the entire population to the extent that even their social economic progress is not significant to the area and to the national economy at large. In the context of Tanzania, when small entrepreneurs issues are addressed, it is also addressing the issue of poverty because the small entrepreneurs are mainly low income population and mostly without formal employment.

### **2.3 Theoretical Review**

Economic theories have discussed various factors leading to the economic growth which are applicable to the growth of the SMEs. Theories which are going to be discussed in this part include Harrod-Dolmar model of growth, Neo-classical economic models, Perking order theory of financial gearing, Breaking the Vicious Cycle of Poverty theory, Models of Impact Chains, Rotating Savings and Credit Associations Model (ROSCAs) and Village Banking Model.

#### **2.3.1 Harrod-Dolmar Model of Growth**

The theory of neoclassical growth (Solow, 1936) explains that, the growth process is normally resolved prior to distribution. However, this can happen if per capita income across countries converges as they approach respective steady states. Also, Keynes (1936) in his work *The General Theory*, investment is one of the determinants of aggregate demand and that aggregate demand is linked to output (or aggregate

supply) via the multiplier. Abstracting from all other components, we can write that in good market equilibrium as;  $Y = (1/s) I$ .

Where  $Y$  is income,  $I$  is investment, “ $s$ ” is the marginal propensity to save (and thus the multiplier  $1/s$ ). But investment as noted by Harold (1939) and Dolmar (1946), increases productive capacity of an economy and that itself should change goods market equilibrium. However, their model states that, for steady state of growth, aggregate demand must grow at the same rate as the economy’s output capacity grows.

The above model has the following implication to this study, first we see the need of investment, if an entrepreneur has to grow, and this idea corresponds to the loans given by MFIs to enable more investment by small entrepreneurs. The implication is that, despite of the effort made to lend the entrepreneurs, their business prosperity is limited by the country and the global economic performance. As national economic performance grows the SMEs and members also perform well because there will be more business opportunities.

### **2.3.2 Neo-classical Economic Models**

Neo-classical economic theorists like Jevons (1871), Menger (1871), Walras, (1874-7) have different view on the main factor for growth. They believe that to raise the economy in long term requires an increase in labour supply and an improvement in productivity of labour and capital. Their model treats productivity improvement as an *exogenous* variable which means it is assumed to be independent from capital investment. The implication of this theory to this study is that the development of

small business depends on how the owners work harder, utilizing their entrepreneurial skills to discover the business niches, effective marketing strategies and efficient business management rather than relying on addition capital from outside business.

### **2.3.3 Perking Order Theory of Financial Gearing**

Perking order theory states that companies prioritize their sources of financing from internal financing to equity, according to the law of least effort, or of least resistance, preferring to raise equity as financing means of last resort (Breadly, 2006). Myers (1984) states that firms finance their needs in a hierarchical order, first by using internally available funds, followed by debt and finally by external equity. Initially the theory was observed to explain financing practices of large firms. However, it was recognized that it may also apply to SMEs (Sherr et al. 1990). Its application to SMEs implies that external financial aids may be inappropriate as that may dilute the ownership interest because these form of financing surrenders the enterprise to the source of finance (Norton, 1991).

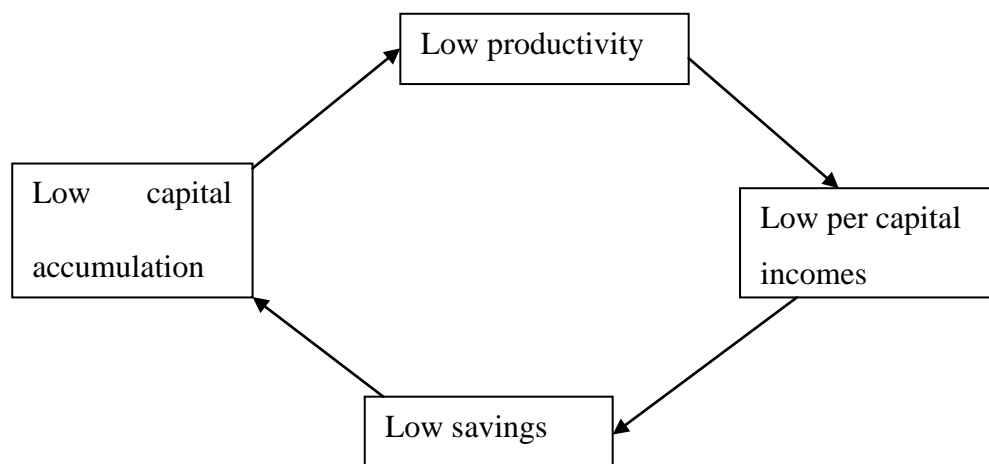
The implication of the theory to Tanzania is that SMEs should not always rely on loans from microfinance banks as these are expensive due high interest rates. Alternatively, they should try to rely on the capital which is generated from the profit and mobilize the member to serve their income to build the capital base.

### **2.3.4 Breaking the Vicious Cycle of Poverty Theory**

Vincent (2005) in addressing the issue of poverty in relation to MFIs, two key questions arise.

- “(1) To what extent does microfinance empower entrepreneurship in LDCs, and are these processes economically and environmentally sustainable?”*
- (2) To what extent do real-world case studies suggest that these processes reduce poverty in LDCs regarding the economic development process?”*

According to him, the MFIs financial intervention if used well can help the poor break the vicious circle of poverty represented on Figure 2.1 below. That is the poor are characterized by low productivity, low per capital incomes, low savings and low capital accumulation. What makes the poor break the out of the above cycle is basically economic growth which ultimately leads to the total socio economic progress. Thus, economic development can be defined as “the process of improving the quality of all human lives” (Todaro, 1994). It incorporates three equally important aspects which are raising incomes and consumption; fostering self-esteem through institutions that promote human dignity and respect; and increasing people’s freedom. This criterion has a distinct application to the development process.



**Figure 2.1: The Vicious Circle of Poverty**

**Source: Sustainable Entrepreneurship: (Guy Vincent, 2005)**

Robinson (2002) contends that “the first thing that many poor families do when their incomes rise is to improve their nutrition, and send their children to school”. This is fundamental to economic development, but also, “Because financial services help the poor expand their economic activities and increase their incomes and assets, their self-confidence grows simultaneously” And finally, “Large-scale sustainable microfinance helps create an enabling environment for the growth of political participation and democracy”. Thus, the economics of microenterprise make it a compelling anti-poverty strategy (Rubinstein, 1993).

With a loan of \$100, in a poor country one can start a small business; repay the loan in a year, while still owning the productive assets. Over time, a poor person can earn enough to escape poverty. The concept of “Sustainable Micro Entrepreneurship” is neither formal, nor derived, but rather a development process combining the three aspects of microfinance, entrepreneurship and sustainability. It refers to the specific practice of “social-conscious-driven entrepreneurship” perpetuated by a sustainable access to credit, and without bearing undesirable externalities on people or environment. Generally, Sustainable Micro Entrepreneurship is a small-scale, self-sustaining active development process initiated by the poor to help themselves break free from their poverty (Vincent, 2005).

### **2.3.5 Impact Chains Model**

Sebstad et al. (1995) came up with their model which contends that, behind all microfinance programs is the assumption that intervention will change human behaviour and practices in ways that lead to the achievement or raise the probability

of achievement of desired outcomes. The intervention effects are assessed on the difference in the values of key variables between the outcomes on 'agents' like individuals, enterprises, households and populations which have experienced an intervention against the values of those variables that would have occurred had there been no intervention.

The fact that no agent can both experience an intervention and at the same time not experience an intervention generates many methodological problems. All changes are influenced by mediating processes (specific characteristics of the agent and of the economic, physical, social and political environment) that influence both behavioral changes and the outcomes in ways that are difficult to predict. The impact chain is depicted in Figure 2. A more detailed conceptualisation would present a complex set of links as each 'effect' becomes a 'cause' in its own right generating further effects. For example, in a micro or small enterprise project a package of technical assistance and capital changes the behaviour and products of an enterprise.

The enterprise subsequently provides different services to clients, most commonly in the form of quality goods and services. These services lead to customer satisfaction which in turn leads to increased income. The change in microenterprise income causes for changes in household income which in turn leads to greater household economic security.

The modified level of household economic security leads to changes in the morbidity and mortality of household members, in educational and skill levels and in future economic and social opportunities. Ultimately, perhaps, these changes lead to

modifications in social and political relations and structures. The complexity of such chains provides the assessor with a range of choices about which link or links to focus on. For microfinance, it is useful to distinguish between two main schools of thought with regard to which link(s) in the chain to focus on. For convenience, these are termed as the ‘intended beneficiary’ school and the ‘intermediary’ school. The intended beneficiary school, building on the ideas of conventional evaluation, seeks to get as far down the impact chain as is feasible in terms of budgets and techniques and to assess the impact on intended beneficiaries who are individuals or households. The intermediary school focuses purely on the beginning of the chain and in particular on changes in the MFI and its operations. Its roots are closely associated with the Ohio State School’s analyses of rural finance. Generally, two key variables are focused on institutional outreach and institutional sustainability.

If both outreach and sustainability have been enhanced then the intervention is judged to have a beneficial impact as it has widened the financial market in a sustainable fashion. This is based on the assumption that such institutional impacts extend the choices of people looking for credit and savings services and that this extension of choice ultimately leads to improved microenterprise performance and household economic security. In this study the assessment will be made based on the intended beneficiaries’ school at individual and household level only (Sebstad *et al.*, 1995).

### **2.3.6 Rotating Savings and Credit Associations Model (ROSCAs)**

In the Grameen Bank (2000) the model is described, these are formed when a group of people come together to make regular cyclical contributions to a common fund,

which is then given as a lump sum to one member of the group in each cycle. According to Harper (2002) this model is a very common form of savings and credit. He states that the members of the group are usually neighbours and friends, and the group provides an opportunity for social interaction and is very popular with women.

They are also called merry-grounds or Self-Help Groups, (Fisher and Sriram, 2002). This model is based on group peer pressure whereby loans are made to individuals in groups of four to seven (Berenbach and Guzman, 1994). Group members collectively guarantee loan repayment, and access to subsequent loans is dependent on successful repayment by all group members, Payments are usually made weekly (Ledgerwood, 1999).

According to Berenbach and Guzman (1994), solidarity groups have proved effective in deterring defaults as evidenced by loan repayment rates attained by organisations such as the Grameen Bank, who use this type of microfinance model. The observation made by the researcher on PRIDE Tanzania which is one the leading NGO which deals with small enterprise funding shows that this model is very popular where they meet weekly. The conversation between the researchers with some credit officers proved that the method is very efficient in terms of high rate of repayment and serving.

### **2.3.7 Village Banking Model**

Village banks are community-managed credit and savings associations established by NGOs to provide access to financial services, build community self-help groups, and help members accumulate savings (Holt, 1994). They have been in existence since



the mid-1980s. They usually have 25 to 50 members who are low-income individuals seeking to improve their lives through self-employment activities. These members run the bank, elect their own officers, establish their own by-laws, distribute loans to individuals and collect payments and services (Grameen Bank, 2000). The loans are backed by moral collateral; the promise that the group stands behind each loan (Global Development Research Centre, 2005).

The sponsoring MFI lends loan capital to the village bank, who in turn lend to the members. All members sign a loan agreement with the village bank to offer a collective guarantee. Members are usually requested to save twenty percent of the loan amount per cycle. Members' savings are tied to loan amounts and are used to finance new loans or collective income generating activities and so they stay within the village bank. No interest is paid on savings but members receive a share of profits from the village bank's re-lending activities. Many village banks target women predominantly, as according to Holt (1994), "the model anticipates that female participation in village banks will enhance social status and intrahousehold bargaining power".

#### **2.4 General Discussion of the Topic**

Empirical evidence shows that a dynamic and growing Micro and Small Enterprises (MSEs) sector can contribute to the achievement of a wide range of development objectives, including, the attainment of income distribution and poverty reduction (DFID, 2000); creation of employment (Daniels and Ngwira, 1993); savings mobilization (Beck *et al.*, 2005); and production of goods and services that meet the

basic needs of the poor (Cook and Nixon, 2000). While estimates vary greatly depending on definitions, recent work by the World Bank suggests that almost 30 per cent of employment in developing countries and Tanzania alike is generated by the informal economy, while an additional 18 per cent is provided by (formal) small and medium enterprises. Together these two groups contribute 63 per cent of the GDP (Ayyagari *et al.*, 2003).

In this study SACCOs is conceptualized as one of the forms of Microfinance which plays the role of extending small financial capital in form of loans to the low income population for investment on micro and small enterprises for the purpose of starting self-employment projects. These projects are expected to generate income which allows them to take care of themselves and their families, repay their loans, create employment opportunities and stimulates national economic development at large.

Poverty within Sub-Saharan Africa can be described as a multi-dimensional problem primarily manifested by factors such as low literacy levels, limited access to resources, health and education services, and high levels of unemployment among the productive population.

It can also be described in terms of lack of adequate incomes to meet the basic needs of the poor, vulnerable and powerless people. Poverty is complex in nature and scope and therefore it requires multifaceted solutions. There is no single guaranteed strategy or approach to solving the problems associated with poverty. Despite various attempts by Governments, Donors and other Development programs to handle/reduce

poverty, this problem has significantly increased in the past decade with approximately 50% of the sub-Saharan Africa living below the poverty line, defined as subsisting on less than 1 US dollar a day (Mwaniki, 2006).

In the past 20 years, the delivery of financial services to this poor population primarily made up of small and micro enterprises including small-holder farmers has been considered as an important anti-poverty reduction tool. Although micro finance is not a panacea for poverty and related development challenges, it has and continues to play an important role in the following key areas.

Firstly, it results in reduction of poverty through the creation of job opportunities for the poor which leads to increase in incomes, and allows the poor to build assets and reduce their vulnerability. Improvement in education levels among the poor enable many poor families to send their children to school and drop-out rates is lower among those who participate in microfinance programs.

Secondly, it promotes gender equality and women's empowerment by increasing women contribution to household income, the value of their assets and control over decisions that affect their lives. Thirdly, it will also result in reduction of child mortality, improved maternal health and nutrition, housing and health especially among the poor women clients.

Mwaniki (2006) addressed that these financial institutions serving the poor in Kenya can be categorized in three broad categories as presented in formal, semi-formal and informal. The primary distinction between these three categories is the degree to

which they are overseen by the external organizations. The institutions that are included under each of the institutional type are as presented in the Table 2.2.

**Table 2.2: Types of Financial Institutions**

<b>Category</b>	<b>Examples</b>
Formal and regulated institutions	Commercial banks; Regulated Rural banks; Development banks; Regulated credit unions; Savings banks; Postal savings banks, Rural banks and transformed Micro finance institutions
Other Formal institutions	Cooperatives, Saccos
Semi formal institutions	MFIs, NGOs, Village banks/FSAs, Saccos
Informal financial providers	ROSCAs, ASCAs, Savings-clubs, friends moneylenders, Landlords, relatives, , traders

**Source:** Mwaniki (2006)

## **2.5 Empirical Literature Review**

This section gives literature review on empirical studies made outside Tanzania and within the country related to the topic objectives and questions. The aim of this chapter is to explore what have been found by other researchers on the same topic. Another aim is to highlight on the research gap which can be filled by this research.

### **2.5.1 Studies Made Outside Tanzania**

Ahiabor (2013) did a study on ‘‘The Impact of Microfinance on the Development of Small Scale Enterprises’’ In the Ledzorkuku-Krowor Municipality in The Greater Accra Region of Ghana. Simple random sampling technique was employed in selecting the 70 SMEs and 30 MFIs that constituted the sample size of the research. The findings of the study revealed that significant number of the SMEs has the

knowledge of the existence of MFIs and some acknowledge on positive contributions of MFIs loans towards promoting their growth. Other than financial support, it is recommended that microfinance institutions should at all-time give professional advices to SMEs since proper professional advice will inform the lending microfinance institutions whether the amount the SME requested for is too much for the project or less. Seminars and workshops should be organized by the microfinance institutions to educate SMEs on their policies and judicious use of funds for SMEs and what it takes to assess loans. Also, the microfinance institutions should initiate more developmental projects in order to win the confidence and trust of the SME's.

A study on the Credit to Indonesia Entrepreneurs and Assessment of Badan Kredit Kecamatan Programmes and Bangladesh Badan Kredit Kecamatan (BKR), a sub-district credit Institution in central Java Indonesia done by (Goldmark *et al.*, 1983). They sampled 662 clients who had received an average of 13 consecutive loans from BKR. The results showed that 60% of the clients were women and little of no primary education. In terms of distribution by sector, it was found that 53 % were trading, 15% in agriculture, 125 in service or repair craft, 11% in handcraft 75% in agriculture processing. Furthermore, the result showed that 50% of the people stated the loans had led to additional employment. According to this study, it doesn't show whether the loan were satisfactory or not.

### **2.5.2 Empirical Review in Tanzania**

In Tanzania several studies has been done on microfinance institutions service, one of the researcher who have done research on MFI service is Kuzilwa and Mushi (1997) who examined the "Role Of Credit In Generating Entrepreneurial Activities". He

used qualitative case studies with a sample survey of businesses that gained access to credit from a Tanzanian government financial source. The findings reveal that, the output of enterprises increased following the access to the credit. It was further observed that those enterprises whose owners received business training and advice performed better than those who did not receive training. This observation is in line with neo- classical theorists who advocate productivity of labour. He recommended that an environment should be created where informal and quasi-informal financial institutions can continue to be easily accessed by micro and small businesses. However, the study did not consider how clients were improved in their economic performance. Hence this study intends to bridge that gap.

Chijoriga (2000) evaluated the performance and financial sustainability of MFIs in Tanzania, in terms of the overall institutional and organizational strength, client outreach, and operational and financial performance. 28 MFIs and 194 MSEs were randomly selected and visited in Dar es Salaam, Arusha, Morogoro, Mbeya and Zanzibar regions. The findings of this revealed that, the overall performance of MFIs in Tanzania is poor and only few of them have clear objectives, or a strong organizational structure.

It was further observed that MFIs in Tanzania lack participatory ownership and many are donor driven. Although client outreach is increasing, with branches opening in almost all regions of the Tanzanian mainland, still MFIs activities remain in and around urban areas. Their operational performance demonstrated low loan repayment rates. In conclusion, the author pointed to low population density, poor infrastructures

and low house hold income levels as constraints to the MFIs' performance. Also the study did not say the benefits in terms of development to clients towards their economic status.

Another study by Kessy (2011) on ‘‘Consumer Loan Processing and Monitoring in Tanzanian Banks: A Strategy for Growth and Empowerment of Micro and Small Enterprises.’’ The study examined the link between the loan processing and monitoring in banks, and asset growth and empowerment of individual customers. The findings revealed that better allocation and utilization of financial institution’s economic capital not only facilitates outreach to more under banked and unbanked productive poor people but also empowering them by stimulating investments and increase productivity in a cost- effective way for poverty reduction.

On the other hand, unplanned implementation of credit risk management, frauds, misconduct, none commitment and dishonest among employees, accounts for the greater part of non-performing loans and portfolio performance problem among banks. The researcher recommended that, In this regard, the banks should improve the remunerations to its employees, in order to motivate them for effective and efficient performance. The management of banks should revisit their internal procedures in a bid to seal off loopholes that facilitates frauds and misconduct among employees.

The management of the banks through policies and their action should create an institutional culture in which late payments are unacceptable. That culture should fully ingrained in the entire staff and consequently in each borrower and permeates all

contacts with the borrowers, from program marketing, to selection screening, to loan approval, to loan disbursement, through final loan payback. The researcher tried to indicate the way people are being empowered, stimulated in investments and poverty reduction. However, the findings did not clear thorough how the problem of growth and development from the individual level to the organization could be achieved.

Another study on microfinance in Tanzania were carried out by Rweyemanu *et al.* (2003), they evaluated the performance and constrains facing semi-formal microfinance institutions in providing credit in Mbeya and Mwanza regions. The primary data were collected through a formal survey of 222 farmers participating in the Agriculture Development Programme in Mbozi and the Mwanza Women Development Association in Ukerewe. In the analysis of their study the interest rates were found to be a significant barrier to the borrowing decision.

Also the borrowers cited other problems like lengthy credit procurement procedures and the amount disbursed being inadequate. On the side of institutions, Mbeya and Mwanza credit programme experienced poor repayment rates, especially in the early years of operation, with farmers citing poor crop yields, low producer prices and untimely acquisition of loans as reasons for non-repayment.

In a study conducted by Kessy & Urio (2006) on “Contribution of MFI on Poverty Reduction in Tanzania”, the researchers covered four regions of Tanzania which are Dar es Salaam, Zanzibar, Arusha and Mwanza. Both primary and secondary data were collected; primary data were collected from 352 MSE’s through questionnaires, interviews. The study findings pointed out that to large extent MFI operations in



Tanzania has brought positive changes in the standard of living of people who access their services, clients of MFI complained about high interest rate charged, the weekly meeting was pointed out as barrier as the time spent in weekly meeting could be used to other productive activities. The study recommended MFIs to lower its interest rate, increase grace period and provide proper training to SMEs. This comment supports Hague (2010) contention that, “MFI is good for its own benefit not its borrowers”.

## **2.6 Research Gap**

The findings and recommendations given by the studies above made in different parts of the world are different. Some of the findings have shown that there is an economic and social progress to both institutions and members, but, even those who said so, they only talk about progress of the borrowers regardless of the proportion of the entire population concerned. It could be just a few people out of the big population who show that progress whose change has no significant change to the entire population. Most of the researchers focused on general development of SMEs but this study also considered the development of both household and at enterprise level.

On the other hand, some other literature review show that, most of the research on this topic have been conducted in urban and sub-urban areas where the big SACCOs are well formed and forget that there are forms of microfinance available in the rural areas. Example traditional people like Maasai in the remote plains of Longido where traditional life flourishes. This study has covered this gap and focused on the forms of MFIs in remote areas and examine their impacts on the life standard of the population. In order to meet this objective, part of this study was conducted in Maasai

plains in Arusha which revealed the how MFIs affect life of people in rural areas while another case was taken from Kitunda which is the Dar es salaam city suburb.

## **2.7 Conceptual Framework**

According to Kombo and Tromp (2006), the conceptual framework can be defined as a set of broad ideas and principles taken from relevant field of enquiry used to structure a subsequent presentation. The conceptual framework is useful in directing, helping in organizing and collecting data. According to the specific objectives, the questions and literature review the following conceptual framework has been developed which is summerised in Figure 2.2

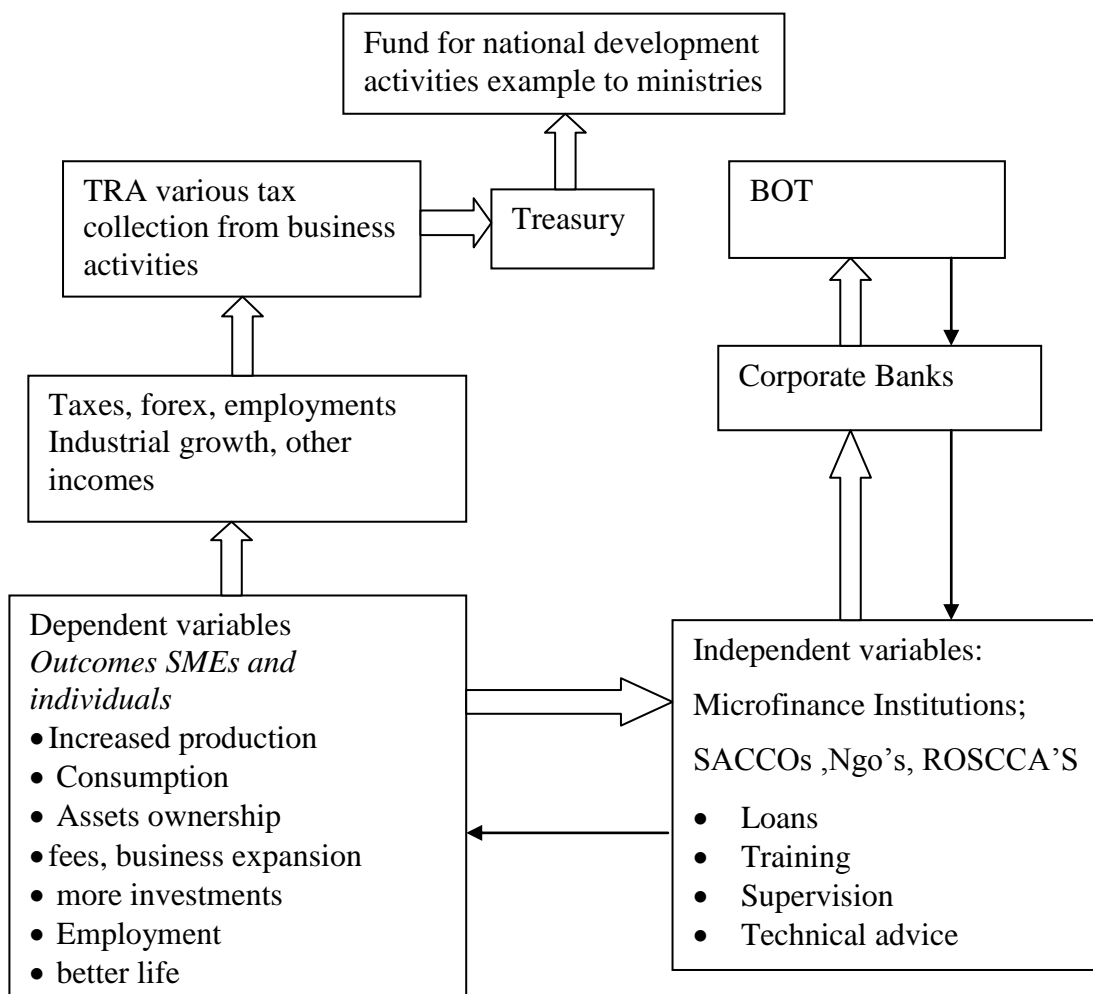
### **2.7.1 Overall Assumption of the Conceptual Model**

The conceptual framework developed from literature review describes the major linkage between MFIs and poverty alleviation which is the major focus of this study. The conceptual framework developed describes the capital flow from formal financial institutions to the micro and small enterprises and links with the outcomes which are measured by social economic growth of the micro and small entrepreneurs to the borrowers after investment. The outcomes are measured at both business and household levels.

MFIs services are expected to have impacts not only on the SMEs growth but also on the owners' life standard and community at large. Therefore, the conceptual framework developed reflects also the outcome of MSEs growth at household level this is due to the assumption that an increase on growth of micro and small enterprises result into an increase of owner's wealth and overall standard of living

since the profit obtained from enterprises activities enables the micro and small enterprises owners to meet his/her living expenditure, ownership of more fixed assets and increasing their confidence. Guy Vincent ([www.gdrc.org](http://www.gdrc.org)) refers to this change of economic state as getting out the vicious circle of poverty. The diagram above highlights the position and the role of microfinance concept in poverty alleviation process. MFIs play the role of financial and technical linkage between the formal financial institutions including the corporate banks like the CRDB, AKIBA, NMB and Postal Bank and the SMEs. The MFIs given in Table 2.2 borrow from these banks and disburse loans to the SMEs where the capital is invested for the purpose of generating profits. The generated profit results into the principle repayment, business growth, more employment, more ownership of assets, more purchasing power and more participation in community development for both SMEs owners and workers in MFIs.

The above variables are the indicators of growth of people which are going to be considered in this study. At the national level taxes collection from the MFIs and SMEs results into more revenue collection which goes to the treasury ready to be spent in national development activities like in different ministries. Kimungu (2007) in his conclusion strongly supports the contribution of SMEs in Tanzania in tax payment as he remarks ‘Revenue potential from SMEs and in particular small taxpayers is limited; however, there is clear future revenue growth’. The delimitation of the research is also very clear in the diagram as it is clearly shown that the research concentrates on the social and economic outcome areas of those who borrow from the microfinance institutions.



**Figure 2.2: The Conceptual Framework**

⇒ = capital & utility flow (principle + charges) from borrowers profits

← = capital & skills flow from financial institutions

**Source:** The researcher compilation

### 2.7.2 Theoretical Links Between Microfinance and SME Development

The following contention reveals the role and position of microfinance financial intervention on poverty alleviation.

*‘Imagine you are a poor woman in Bangladesh, you work hard almost every day weaving mats. In five days you can finish a mat that sells for less than a dollar. When your children get sick, there is no money for medicine, when they want to go to school there is no money for school fees. How much would it change your life, if you could borrow \$65 to buy a sewing machine?’ (Vicent, 2005).*

The above example is real; Joygon Begum was a poor mat weaver in Bangladesh. Joygon used her \$65 loan from the Grameen Bank to buy a second-hand sewing machine, and started a small business making clothes, which her husband sold in the village market. Before her first loan, Joygon and her family frequently went hungry, and never had money for family medical care. She could not afford even the very small education fees for her children. Now, the family eats three healthy meals a day, with a diet including vegetables, grains, and a small amount of meat and fish. Her children attend school, and she has money saved up for emergencies (Rubinstein, 1993).

Small examples such as this, is a reflection of an emerging international industry due to the external financial support which may help a household get out the vicious circle of poverty and this can be regarded as development or growth. The “microfinance industry” has emerged during the 1980’s and 1990’s, particularly in Asia, Africa, and Latin America; thousands of microfinance NGOs were established to provide microloans, using individual and group lending methodologies. In the 1990’s, while many of the NGOs failed to reach scale or financial sustainability, others led the way in demonstrating that.

Studies have shown that poor people, particularly poor women, are excellent borrowers, when provided with efficient, responsive loan services at commercial rates. Microfinance-lending savings, and other financial services to poor people is an effective way to help poor people help themselves build income and assets, manage risk, and work their way out of poverty (ibid).

The extent to which microfinance and poverty alleviation are interrelated is dependent on the extent to which it addresses the economic development process, (Yunus, 1994). He further argues that, “If we are looking for one single action which will enable the poor to overcome their poverty, I would go for credit Money. Credit invested in an income-generating enterprise as working capital or for productive assets leads to establishment of a new enterprise or growth of an existing one. Profit from the enterprise provides income, and a general strengthening of income sources. A variety of financial institutions, worldwide, have found ways to make lending to the poor sustainable and to build on the fact that even the poor self-employed repay their loans and seek savings opportunities.

Accessing credit is considered to be an important factor in increasing the development of SMEs, it is thought that credit augment income levels, increases employment and thereby alleviate poverty. It is believed that access to credit enables poor people to overcome their liquidity constraints and undertake some investments such as the improvement of farm technology inputs thereby leading to an increase in agricultural production (Hiedhues, 1995).

The main objective of microcredit according to Navajas *et al.* (2000) is to improve the welfare of the poor as a result of better access to small loans that are not offered by the formal financial institutions. Diagne and Zeller (2001) argue that, insufficient access to credit by the poor just below or just above the poverty line may have negative consequences for SMEs and overall welfare. Access to credit further increases SME’s risk-bearing abilities; improve risk-copying strategies and enables

consumption smoothing overtime. With these arguments, microfinance is assumed to improve the welfare of the poor.

It is argued that MFIs that are financially sustainable with high outreach have a greater livelihood and also have a positive impact on SME development because they guarantee sustainable access to credit by the poor, (Rhyne and Otero, 1992). Buckley (1997) argued that, the indicators of success of microcredit programs namely high repayment rate, outreach and financial sustainability does not take into consideration what impact it has on micro enterprise operations and only focusing on “microfinance evangelism”.

Carrying out research in three countries; Kenya, Malawi and Ghana, Buckle (1997) came to the conclusion that there was little evidence to suggest that any significant and sustained impact of microfinance services on clients in terms of SME development, increased income flows or level of employment. The focus in this argument is that improvement in access to microfinance and market for the poor people was not sufficient unless the change or improvement is accompanied by changes in technology and or techniques.

Zeller and Sharma (1998) argue that microfinance can aid in the improvement or establishment of family enterprise, potentially making the difference between alleviating poverty and economically secure life. On the other hand, Burger (1989) indicates that microfinance tends to stabilise rather than increase income and tends to preserve rather than to create jobs. Facts by Coleman (1999) suggest that the village

bank credit did not have any significant and physical asset accumulation. The women ended up in a vicious cycle of debt as they use the money from the village banks for consumption purposes and were forced to borrow from money lenders at high interest rate to repay the village bank loans so as to qualify for more loans.

This view was also shared by Adams and Von Pischke (1992). A study of thirteen MFIs in seven countries carried out by Mosley and Hulme (1998) concludes that household income tends to increase at a decreasing rate as the income and asset position of the debtors is improve. Diagne and Zeller (2001) in their study in Malawi suggest that microfinance do not have any significant effect in household income meaning no effect on SME development. Investing in SME activities will have no effect in raising household income because the infrastructure and market is not developed.



## **CHAPTER THREE**

### **3.0 RESEARCH METHODOLOGY (RESEARCH PARADIGM)**

#### **3.1 Introduction**

According to Kothari (2006) research methodology refers to a way to systematically solving the research problem. It may be understood as a science of studying how research is done scientifically. This chapter deals with the description of the methods applied in carrying out the research study.

There are different methods and techniques that can be used in research depending on the nature and type of research being undertaken. The nature and type of the collected data dictates the type of techniques adopted in collecting scientific data. Saunders (2004) and Kothari (2006) highlight that “when the purpose of the study is accurate description of a situation or of an association between variables then it falls under descriptive studies”. Therefore, fundamentally this research falls under descriptive studies. This chapter is going to present the methods used in conducting this study, the study population, procedures used in data collection, instruments and methods used in the analysis and presentation of data.

#### **3.2 Research Paradigm**

Research paradigms are perspectives based on a set of assumptions, concepts and values that are held by communities or researchers (Cresswell, 2003). There exist three main paradigms of research namely qualitative, quantitative and mixed which are going to be discussed below.

### **3.2.1 Qualitative Approach**

According to Cresswell (2003), a qualitative study is defined as an inquiry process of understanding a social or human problem, based on building a complex, holistic picture formed with words, reporting detailed views of informatics and conducted in a natural setting. Brewerton and Millward (2001) suggested that this type of analysis tends to be more subjective and less explicit about the process by which interpretation of the target material occurs. The emphasis is on meaning rather than on qualification.

According to Taylor (1998) in Losinyari (2011), qualitative research is form of research that involves description, for example, describing and analyzing the culture and behavior of human groups from those who are being studied. So, it relies on the research strategy that is flexible and interactive. Donald and Trompo (2006) in Losinyari (2011) argue that, this approach is mainly applicable in scientific studies which focus on measurements, that is assignment of numerical events according to rules. The numbers are applied for example gender (male or female).

### **3.2.2 Quantitative Approach**

According to Cresswell (2003), quantitative research is an inquiry process of understanding based on distinct methodological traditions of inquiry that explore a social or human problem. The researcher builds a complex holistic picture, analyses words, reports detailed views of informants and conducts the study in a natural setting. According to Karlinger (1986), this approach of research describes as a systematic, control, Empirical and critical investigation of natural phenomenon guided by theory and hypothesis about the presumed relations among those relationships agree with the theories and findings of the previous researches.

### **3.2.3 Mixed Approach**

Mixed research design is a general type of research that includes qualitative and quantitative research techniques and methods. All these paradigms characteristics are mixed in one case study. A mixed approach applies both deductive and inductive scientific methods; it has multiple forms of data collection and produces eclectic and pragmatic reports (Leedy, 1997).

This study therefore adopts qualitative technique because the researcher intended to explore the economic phenomenon that is the persistence of poverty in third world countries despite of the application different poverty alleviation efforts. This approach has been selected because it helped the researcher to study the area of the study in deep and acquired all the necessary data which was required from the selected cases.

### **3.3 Research Design**

Kothari (2006) contends research design as “the arrangement of conditions for collection and analysis of data in manner that aims to combine relevance to the research purpose with the economy in procedure”. He also argues that, research design is needed because it facilitates the smooth sailing of the various research operations thereby making a research as efficiency as possible. This section answers the questions like; what is the study about? Where will it be conducted? When will it be done? How much cost? And by what means?

This study adopted a descriptive research design. According to Kelinger (1969) in Kombo *et al.* (2006) the major purpose of descriptive is the description of the state of

affairs as it exists and may often result in the formulation of important principles of knowledge and solution for the problem. A cross-sectional case study design was adopted which is careful study of some social units as a corporation or division within a corporation that attempts to determine what factors led to the success or failure.

This design was chosen because it allowed an in-depth investigation of the problem at hand that is persistent poverty in Tanzania despite of the prevailing microfinance activities for more than ten years. As such the above contention suited this study of MFIs and SMEs as organizations for the purpose of assessing their contribution to the social and economic standard of its clients.

### **3.3.1 Area of the Study**

1. Kitunda SACCOs (KISSACOs) which is located in the suburbs zone of the Dar es Salaam city. The area is chosen because is easily accessible by the researcher. The second reason is short distance for the researcher and the researcher knows it better. It is a suburb and contains a mixture of urban and rural characteristics where small businesses are plenty.
2. Ketumbeine ward in Longido –Arusha is about 50km off- road from Arusha – Namanga road which is Maasai land and typical rural area. It was chosen because is a good example of remote areas in the country where most people are still in traditional life style. It is among the gaps which have been identified by the researcher to examine the microfinance services in rural areas since most researches have been conducted in urban centres.

### 3.3.2 Population of the Study

Saunders (2003) contends a research population as a total group of items from which the sample for research is withdrawn. So, since the research was conducted in Dar es Salaam suburb the ward of Kitunda in Ilala municipality and Ketumbeine then the population for research is all members who have borrowed at least once from the selected cases, workers and leaders from the case. The following was the population profile for this study; According to Kitunda loan unit there were 1020 borrowers from its Kitunda, Chanika branches, 24 workers and management team of 10 members who made the population for this study. In Ketumbeine Tujiendeleze women Group saving Credit union there were 22 women and 2 leaders who will make the total population for this study to be 1078 respondents.

**Table 3.1: The Population of the Study**

Area	Leaders	Workers	Borrowers	Total
Kissacos	10	24	1020	1054
Ketumbeine Group	2	-	22	24
<b>Total</b>	<b>12</b>	<b>24</b>	<b>1042</b>	<b>1078</b>

**Source:** Researcher

### 3.3.3 Sample and Sampling Technique

A sample according Saunders *et al.* (2003) refers to a representative of the population. Due to different constraints it is often very difficult for a researcher to study the whole population, so, arises the need of sampling where a representative part of the population is studied. According to Kombo and Tromp (2006), sampling technique refers to the process of selecting a number of individuals or objects from a population

such that the selected group contains elements representative of the characteristics found in the entire group. It is a finite part of a statistical population whose properties are studied to gain information about the whole.

According to Kombo and Tromp (2006) they refer to the sampling design as that part of the research plan that indicates how cases are to be selected for observation. In this study probability sampling design was applied. Saunders et al. (2006) describes this as a technique where each member of the concerned population has an equal chance of being selected. This technique has been selected because is the best when the purpose is to draw conclusion or make predictions.

Stratified random sampling method was applied which appeared to be more suitable for this study. According to Kombo and Tromp (2006) it is the method which involves dividing of the population into homogeneous subgroups and then taking a simple random sample in each group. The sample in each sub group is selected in such a way as to ensure that a certain subgroup in the population is represented. This method was suitable in this study because of the groups in the population reflected by the population profile in part (3.1.2) above. There were three strata which included management line, workers and clients/members. The sample of 101 members, 10 workers and 5 leaders was withdrawn from this population for this study making a total of 116 respondents.

### **3.4 Data Collection**

According to Kombo and Tromp (2006), the term data collection refers to the gathering of specific information aimed at proving or refuting some facts.

**Table 3.2: Population Sample**

<b>Area</b>	<b>Leaders</b>	<b>Workers</b>	<b>Borrowers</b>	<b>Total</b>
KISSCOs	3	10	90	103
Ketumbeine Group	2	-	11	13
<b>Total</b>	<b>5</b>	<b>10</b>	<b>101</b>	<b>116</b>

**Source:** Researcher

Data collection is important in the research because it allows for dissemination of accurate information and development of meaningful programmes. The following was how it was implemented in the field; the researcher remained in the SACCOs reception for some days interviewing the SACCOs members randomly as they were coming and waiting on the queue. Some members were given the questionnaires to respond as they were waiting on the queues. Another area which was used was when the clients attended compulsory entrepreneurial seminars where the questionnaires were distributed and responded when they were waiting for the seminar.

The workers were given questionnaires to respond and submit to the researcher. The researcher distributed questionnaires randomly to the leaders of SACCOs. The board members, managers and Sacco's chairperson were given questionnaires and interviewed for more insight.

### **3.4.1 Types of Data**

Kothari (2006) has given an elaborative description of research design in case of descriptive and diagnostic research studies. Descriptive research studies are those studies which are concerned with research studies to determine the frequency with

which something occurs or with association, describing the characteristics of a particular individual or of a group. The studies concerning whether the variables are associated with something are example of diagnostic research studies. As against this studies concern with specific predictions, with narration of facts and characteristics concerning individuals, group's situation are all examples of descriptive research studies. Most of the social research comes under this category. From the point of view of research design, the descriptive as well as diagnostic studies share common requirements and as such may be grouped together. In this research, both quantitative as well as qualitative data was collected.

### **3.4.2 Data Collection Methods**

Secondary data according to Kombo and Trompt (2006) refers to the data collected neither directly by the user nor specifically for the user. The secondary data collection will be done from documentary like written documents from Sacco's offices, newsletter and web sites.

Primary data on the other side refers to the information gathered directly by a researcher from respondents. The main primary data collection tools for this study were questionnaires, interviews, documentary and observation. These methods have been selected because they were cost effective and less time consuming.

#### **3.4.2.1 Questionnaire**

Kombo and Trompt (2006) refers to this as a tool where a set of questions which respondents fill in answers in written form and the researcher collects the forms with the completed information. Multiple items questions were distributed to the



respondents. The method was chosen because it was cost effective and less time consuming. The first part of it was the background of the respondent and the second part focused on role of microfinance on economic and social progress.

#### **3.4.2.2 Interviews**

According to Kombo and Trompt (2006), this method requires the researcher to identify respondents and request them to answer certain questions. Some interviews are carried out through the telephone and the information received is recorded by the researcher. In this study this method was used mostly in data collection from the clients of Ketumbeine whereby open and close ended questions were asked in order to allow interviewees to explain themselves, give further elaboration, more facts and more detailed information.

This method is chosen because of its high response rate, less time consuming and its ability to give respondents a chance of giving more opinion. From this method the researcher will also get the tone and attitude of the respondent. Telephone interview was applied for the collection of data from Kitumbeine –Arusha.

#### **3.4.2.3 Documentary Review**

Kothari (2003) describes these as the data that are available and were collected from secondary sources of data such as journals, books, dissertations and newsletter. These types of data are normally available for review and analysis in relation to the purpose of the concerned research. The documentary data sources are given at the appendices of this work.

### **3.5 Data Analysis**

According to Kombo and Tromp (2006), data analysis refers to examination of what has been collected from the field and making deduction and inferences. It involves uncovering of understanding structures; extracting important variables, and testing any underlying assumptions.

In this study mainly qualitative data and some quantitative data was collected. Orodho and Kombo (2002) noted that in qualitative research designs, the researcher should decide before going to the field, how he/she will analyze the data. In explaining qualitative findings, contents analysis was applied. The necessary tables, graphs, tests and narratives were used to represent the information obtained from data analysis.

The quantitative data was classified into categories, edited, summarized and calculation of mean, medians were made and then coded using Statistical Package for Social Science (SPSS) as it has extensive analytical capacity. The data editing was done where the collected data seems to be unclear. The data on microfinance activities was treated as independent while that of economic and social progress was treated as dependent.

### **3.6 Validity**

The Oxford Dictionary (1992) defines the term as the state of being legally acceptable. In Kaplan and Saccuzzo (2001) Validity has been described as 'the agreement between a test score or measure and the quality it is believed to measure'. In other words, it measures the gap between what a test actually measures and what it is intended to measure.

The choice of population is noted by Kothari (2006) as one of the factors which ensure validity. The population was defined carefully by the researcher to avoid any error which may be associated with it. Hill et al (2003) gave five points that are to be considered when formulating questionnaires. These include the length of the instrument, the subjects, the items, and the format and how the instrument motivates the respondents. Kothari (2006) note that “to obtain data free from errors introduced by those responsible for collecting them it is necessary to supervise closely in the field”. To avoid this problem the researcher visited the field and worked together with the assistants in collecting data to ensure the accuracy in data collection. To attain the validity, the different data collection techniques were used. The information thus obtained from each of the instrument was assembled together and the researcher crosschecked the information for consistency and accuracy.

### **3.7 Reliability**

The Oxford Dictionary (1992) defines reliability as the state or quality of being reliable. The definition of reliability, as given in 'The Free Dictionary', is "Yielding the same or compatible results in different clinical experiments or statistical trials" by (Martyn Shuttleworth, 2009). Saunders *et al.* (2009) defined reliability as the extent to which data collection technique or techniques will yield consistent findings, similar observations would be made or conclusions reached by other researchers or there is transparency in how sense was made from the raw data.

The concept denotes the research which is free from errors which doesn't deviate significantly from the reality. It means another researcher under the same condition

should come up with the same results. In normal language, we use the word reliable to mean that something is dependable and that it will give the same outcome every time. Kothari (2006) notes that “to obtain data free from errors introduced by those responsible for collecting them it is necessary to supervise closely in the field”. Therefore, the researcher was careful in the preparation of the data collection tools and closely monitored all steps in data collection to avoid errors and ensure reliability.

### **3.7.1 Pilot Testing**

A draft of questionnaires was distributed to some clients and SACCOs officers in both Kitunda and Ketumbeine to assess the clarity, validity and relevancy of the questions. Some correction and adjustment were made before issuing the final version.

### **3.8 Ethical Issues**

This section deals with the subject of research ethics. According to Sounders (2003) refers to ethics as the appropriateness of the researcher’s behavior relation to the rights of those who becomes the subject of a research project, or who are affected by it. Williman (2006) also notes that, “research ethics are principally concerned with the effects of research on people who get involved in the research process in one way or another”. Here the ethical issues which have been adhered to are going to be described.

The major aim of the researcher is to make the research as neutral as possible. The SACCOs branches were consulted for the consent and each respondent was informed

about the purpose of the study and then given freedom to agree or disagree. A copy of the final report was left to the SACCOs to see what has been written. A copy of the proposed set of questions was sent to the research areas for pilot checking by SACCO's officials and verification.

## **CHAPTER FOUR**

### **4.0 PRESENTATION, ANALYSIS AND DISCUSSION OF RESEARCH FINDINGS**

#### **4.1 Introduction**

This chapter presents and discusses the empirical findings gathered from field survey that included respondents of selected SMEs owners who are SACCOS's members, leaders and SACCOs workers. The findings based on three specific objectives namely easiness of accessing loan from SACCOs, the contribution of loan to SMEs growth and the impact of loan to individual members' household standard of living. Models used for analysis includes descriptive statistics and non-parametric models i.e. mean, median and mode.

The findings from this study have been presented within the context of each research objective. The responses from the questionnaire have been summarized in form of descriptive statistics. Graphs have been utilized where the statistical methods employed do not clearly indicate the responses of the greater percentage. Frequency analysis was used to determine whether perceptions were generally shared by the respondents or whether these were isolated view of an individual or few individuals. The findings are presented in the subsequent sections, tables and figures.

#### **4.2 Presentation of the Findings**

The data gathered from the survey were obtained through three main ways namely structure questionnaires, interviews and observation of documentary evidence. The questionnaire and interview addressed initially respondents profile in terms of age,

duration, gender and status. The other important data gathered from SACCOS's members, were related to specific objectives of the research study. On the other hand specific technical questions were addressed to leaders and loan officers for the purpose of adding firmness of the responses from members.

Questionnaires had also general questions which tried to identify the nature and activities which were preceded by the more informed and structured questions targeting to measure all the categories of subject in consideration. Efforts were made to identify critical factors affecting SMEs' progress. The instruments which were used to acquire these data include interview, documentary review and observation. For the interviews respondents views generated have been analysed through informed methods (Hussey and Hussey, 1997). This requires the data first to be categorized in terms of the specific research objectives that they related to. In addition information generated was assessed in order to ascertain if there were common themes and pattern.

#### **4.2.1 Respondents Profile**

##### **(i) Respondents' Categories**

This study was conducted within the domain of the Small and Medium Enterprises (SME) particularly sub-urban SACCOS of KISSACOs at Kitunda –Dar es Salaam and rural SACCOS of Tujindeleze Group at Kitumbeine (KTB) - Arusha in Tanzania. The information gathered focused on members, leaders and credit/loan officers. A total number of one hundred and one (101) questionnaires were administered to SACCOS members, ten (10) to workers, and three (5) to leaders. The received questionnaires were as follows 77 from members, 7 from workers, and 3 from leaders

valid for data analysis. The respondents from Ketumbeine were 11 members and one leader.

**Table 4.1: Response Rate**

<b>Respondent Group</b>	<b>Questionnaire Distributed</b>	<b>Questionnaire Received</b>
SACCOs Members	101	77
SACCOs workers	10	7
Leaders	5	3

**Source: Field data (2012)**

These valid questionnaires responses were used for the analysis yield 76 percent for members (SMEs), 70 percent for workers and 60 percent for leaders having an average of 69 percent. This showed that the response rate was quite reasonable and reflected the view of the entire population. Questionnaires had also general questions which tried to identify the nature and activities which were preceded by the more informed and structured questions targeting to measure all the grouping of subject areas under the study. The Table 4.1 above provides a breakdown of respondent groups.

#### **4.2.2 Data Collected from Leaders of SACCOs**

Among five leaders, only three leaders were involved in the survey, whereby one was a female. These leaders were chairperson, Board member and the Manager. They have all been in service in the society for more than 5 years. The following information was collected from them.



#### 4.2.2.1 Background Information on Education, Marital Status and Age

Only one respondent had a formal education obtained from Moshi Cooperative College (MUCCOBS) while the rest had only experience, which they depend to manage the operations of SACCOs. Their age ranged from 42 years to 50 years and they were all married.

#### 4.2.3 Information Collected from Workers and Credit Officers

The following information was collected from seven responded workers of the SACCOs both credit officers and loan officers. The information was summarized, and presented in Table 4.2.

**Table 4.2: SACCOs Workers by Gender**

Sex	Frequency	Percent
Male	4	57.1
Female	3	42.9
Total	7	100.0

**Source: Field data (2012)**

Data regarding the gender has shown that there are more male workers than female, but the difference is small, men made 57.1% while female counterparts constituted 42.9%. The duration of the credit officers who had been saving the society ranged from 1 year to 3 years. This has shown that they had not stayed longer in the sector. Their education level is mostly form four and most of them did not possess further education on finance or cooperative societies. The workers were requested to give their opinions on how SACCOs employment helped them socially and economically. Their opinions are presented in the Table 4.3.

**Table 4.3: The Benefits Acquired by SACCOs Workers**

<b>Benefit</b>	<b>Increased</b>	<b>Somehow</b>	<b>Very Little</b>	<b>No change</b>
Ability to buy more home needs	71.4%	8.6%	-	-
Ability to pay school fees	28.6%	1.4%	-	-
Building and home improvement	28.6%	1.4%	-	-
Ability to help the extended family	42.9%	7.1%	-	-
Ability to save in social funds	14.3%	5.7%	-	-
Ability start business projects	28.6%	1.4%	-	-
<b>Average</b>	<b>35.7%</b>	<b>62.3%</b>	-	-
<b>Total</b>	<b>100%</b>	<b>100%</b>		

**Source: Field data (2012)**

The reply on the question which intended to know the extent at which the MFIs helped in improving life standard of the workers was given in the table above. In general all respondents agreed that the MFI employment opportunity has helped him/her to improve the economic status.

However the majority with the average of 62.3% have indicated simply some small changes and 35.7% have admitted that they have experienced reasonable economic progress. No any worker who denied that SACCOs had not improved his/her life. The small change to majority reflects the amount of salary paid to them, SACCOs lacked capacity to pay big salaries and benefits, so, most of the salaries are low.

#### 4.2.4 Response Rate on Gender of the Members of the Union

**Table 4.4: Gender of the Members**

<b>Sex</b>	<b>Frequency</b>	<b>Percent</b>
Male	31	40.3
Female	46	59.7
<b>Total</b>	<b>77</b>	<b>100.0</b>

Source: Field data (2012)

The question on gender of the respondents was asked and the outcome is presented in the Table 4.4. The findings show that out of the total client's group, 31 respondents' equals to 40.3% are male while 46 respondents which make 59.7% are female.

From these findings it was shown that there were more female than male involved in SMEs particularly at the micro and small enterprises. The same has been found by other researchers like Goldmark et al. (1998) who conducted his research in Indonesia and found 60% were uneducated women. This observation reflected the background of education in Tanzania and other third world countries where for several years men acquired higher education and formal jobs than women. Therefore, while women are involved in enterprises men are likely to be working in formal jobs and in medium and bigger enterprises. It was found from the field and presented on the Table 4.5 that SACCOS is dominated by people of age between 30 and 47 with the highest in age group of 36-41. However, there is a youngest member with 23 years of old and the oldest member of 60 years found at Kitumbeine and KISSACOS respectively. The mean age of the respondents was 38.64 years with the age falling between 36 and 41 years.

#### 4.2.5 Response Rate on Age of the SACCOs Members

**Table 4.5: Age Group of Respondent**

S/N	Age group	Frequency	Percent
1.	<=23	01	01.3
2.	24-29	06	07.8
3.	30-35	19	24.7
4.	36-41	25	32.5
5.	42-47	18	23.4
6.	48-53	03	03.9
7.	54-59	04	05.2
8.	=>60	01	01.3
		77	100

**Source: Field data (2012)**

The implication is that the age between 36 and 41 is the most active working time. It is also evident that during this period many people are ready to take risk of venturing on different projects for the purpose of generating profits. The age below 36 years is the periods when people have just joined the working population.

The age above 48 years is the going to the old age; so, they are old and not very active in business as they are afraid to take risk, some of them who were interviewed expressed the fear in taking loans to avoid confiscation of their properties one of them replied that, “I never take loans as my properties can be confiscated, I simply use SACCOs to save my little income which I get from different sources”.

#### 4.2.6 Response Rate on Education level of the SACCOs Members

**Table 4.6: Education level of the Clients**

<b>Education Level</b>	<b>Frequency</b>	<b>Percent</b>
Primary	47	61.0
Secondary	23	29.9
Tertiary	7	9.1
<b>Total</b>	<b>77</b>	<b>100.0</b>

**Source: Field data (2012)**

The findings revealed that 47 of the members which are 61% had primary education, 23 respondents had secondary education and only 7 members which are 9.1% had reached the college level as shown in Table 4.6 above. These findings have shown that most participants in SMEs were primary school dropout recording 61%, followed by secondary level with 29.9% and very few have attained college education making only 9.1%. These findings revealed the situation in Tanzania where SMEs is viewed as a resort to those who didn't succeed to get formal education and secured jobs in formal sector. Another implication which has been revealed by the above findings is the fact that the education curriculum in Tanzania does not prepare the graduates at primary and secondary level which make the majority the respondents for self employment but to be employed in formal sector, this observation is from the researcher's education background experience (primary 1978 to 1984 and secondary 1985 to 1988 in Tanzania). Other researchers like Goldmark et al (1983) in Indonesia had the same findings where he reported that 60% of participants in SMEs is constituted by uneducated women.

#### 4.2.7 Response rate on Membership Duration in the Union

**Table 4.7: Duration of Members in the Union**

Sex	1 - 2 years	3 - 5 years	More than 5 years	Total
Male	7	11	13	31
Female	7	28	11	46
<b>Total</b>	<b>14</b>	<b>39</b>	<b>24</b>	<b>77</b>

**Source: Field data (2012)**

Table 4.7 Indicates that most members had been receiving services from the SACCOs for two to three years. The next group is made up of those who had been members for five or more years. The minority was the group of the members who had been in the union for one to two years.

**Table 4. 8: Duration of Members who had been Borrowing**

Time in Borrowing	Frequency	Percent
1 - 2 years	23	29.9
3 - 5 years	37	48.1
More than 5 years	17	22.1
<b>Total</b>	<b>77</b>	<b>100.0</b>

**Source: Field report (2012)**

This information gives us the idea on the experience possessed by the borrowers in utilising loans from the MFIs that many borrowers are not new, they have been in the borrowing circles for more than two years.

#### 4.2.8 The Aim and Time of Borrowing

The main purpose of borrowing according to most of the respondents said that they borrowed just to improve the status of their business. Very few have given different purposes like paying school fees and buying plots or home improvement. Table 4.9 shows the type of business of respondents.

**Table 4.9: Categories of the Projects Run by the Entrepreneurs**

<b>Project Name</b>	<b>Count</b>	<b>Percent</b>
Animal keeping	34	44%
Retails and other business	25	32%
Agriculture (gardening)	10	13%
Decorations	8	10%
<b>Total</b>	<b>77</b>	<b>100%</b>

**Source: Field data (2012)**

The question was asked requesting the respondents to indicate the types of projects, which they undertake. Their responses are depicted under Table 4.9. Types of the project which respondents are running and all the respondents reported their business to have been in progress, so simply they are in operating state.

Concerning the type enterprises run by the borrower, 34 respondents which constituted 44% keep animals. The types of animals included chicken, pigs and cows. 25 respondents making 32% have reported to be running retail shops, saloons, lending items, pharmacy and hard wares. 13% were involved in gardening activities, 10% were involved in decoration and 10% in decoration.

The fact that a total of 57 percent of the respondents keep animals and involved in gardening activities reflect the rural setting of the research. It was the intention of the researcher to explore the rural setting since many researchers on this topic have done their research in urban setting, especially in Dar es Salaam.

### 4.3 Accessing Loans Latisfactorily from SACCOs

The objective verification was done through exploring information from six questions. These questions included repayment of loan without using collateral, availability of loan from SACCOs, the amount of loan to suffice the need of borrower, the interest charged against loan, speed of processing loans and smooth Conditions and procedures of obtaining loans. Three methods are used to present and analyse the finding that include percentage, means and frequency.

**Table 4.10: Rate of Repayment of Loan Without using Collateral**

Rating	Frequency	Percent	Cumulative Frequency
High	66	85.71	85.71
Moderate	10	12.99	98.70
Low	1	1.30	100.00
<b>Total</b>	<b>77</b>	<b>100.00</b>	

**Source: Field data (2012)**

It has become normal practice to here public announcement in the streets that a certain MFI will have an auction to sell the confiscated items from those failed to repay their loans. The researcher wanted to asses this allegation by asking the respondents to rate the extent at which they use their collaterals to repay the loans. Table 4.10 indicates



the responses from the respondents. Sixty six (66) of respondents, equivalent to 85.71 repaid loans without collateral, ten (10), and equivalent to 12.99 had very few occasions repaid loans using collateral and remaining one (1) equivalent to 1.30 percent repayment using collateral. Therefore basing the above responses of seventy six (76) equivalents to 99 percent agree that repayment of loan is done without depending on collateral.

**Table 4.11: The Availability of Loan from SACCOS**

<b>Rating</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Frequency</b>
High	46	59.74	59.74
Moderate	26	33.77	98.70
Low	5	6.49	100.00
<b>Total</b>	<b>77</b>	<b>100.00</b>	

**Source: Field data (2012)**

The availability of loan from their SACCOs was responded through question 1.2 which, required respondents to rate the availability of loan when their need of capital arises. Table 4.8 above indicates that 59.74 percent of respondents claimed that the loans are available at any time they need by rating highly satisfied, 33 percent are moderate and remaining 6.49 percent are not satisfied. However, during interview with loan officers it was also shown that sometimes the loans are not available during the period of auditing to allow auditor to exercise their duties in particular at end of the financial year. Nevertheless based on percent indicted highly and moderate satisfaction of 93.51 percent, it can be concluded that members are satisfied with the availability of loan from their SACCOs.

**Table 4.12: The Amount of Loan Given by the Union**

<b>Rating</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Frequency</b>
High	26	33.77	33.77
Moderate	47	61.04	94.81
Low	4	5.19	100.00
<b>Total</b>	<b>77</b>	<b>100.00</b>	

**Source: Field data (2012)**

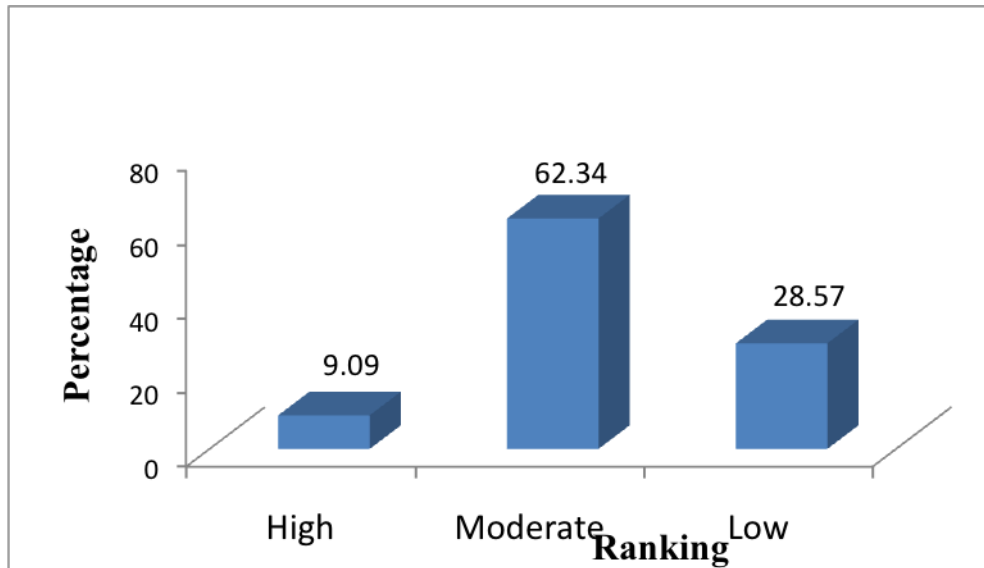
The question 1.3 was asked to the respondents on whether the amount of loans given to them is satisfactory for their financial needs. The findings presented on the Table below revealed that 33.8 percent agreed that the loan received is satisfactory and 61.04 of respondents they are moderate satisfied while 5.19 percent recorded dissatisfaction on the amount loan provided. Based on the Table 4.12 of respondents 94.81 percent for both high and moderate it can be concluded that members of these SACCOs are satisfied with amount of loan granted.

**Table 4.13: Interest Rate Charged**

<b>Rating</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percentage</b>
High	07	9.09	9.09
Moderate	48	62.34	71.43
Low	22	28.57	100.00
<b>Total</b>	<b>77</b>	<b>100</b>	

**Source: Field data (2012)**

The Above Findings are presented in the Figure. 4.1 below.



**Figure 4. 1: Interest Rate Charged**

**Source: Field data (2012)**

Question 1.4 focused on the interest charged by SACCOs to their members who borrow. They were required to rate from high to low satisfaction. The Table 4.13 indicates that 9.09 percent are highly satisfied and 62.34 percent are moderately satisfied while 28.57 percent are not satisfied at all by showing a low rating. Aggregating high and moderate make 71.43 percent; So, it can be concluded that they are ok with interest charged by SACCOs.

The documentary review also, has shown that the interest rate was 7.5% which is actually lower than the corporate banks where most of them charge between 20-24%. The researcher was interested to know more the base of their claim that the interest is high. The researcher interviewed some of them who claimed it is high and the said, it is because in SACCOs one has to deposit a compulsory saving which is not less than 1/3 of the amount the loan applied. However, even the average interest after taking

away 1/3 the researcher found that the interest rate charged by the SACCOs is still lower than that of the individual loans from corporate banks in Tanzania or money lenders.

**Table 4.14: To Rate the Speed of Processing Loan Application**

<b>Rating</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative percentage</b>
High	3	3.90	3.90
Moderate	30	38.96	42.86
Low	44	57.14	100.00
<b>Total</b>	<b>77</b>		

**Source: Field data (2012)**

The rate of speed of processing loan application was addressed through question 1.5 which requested respondents to indicate their responses on whether speed of processing is high, moderate or low. The results as indicated on Table 4.5 shows that respondents are not satisfied with speed as respondent rate recorded 42.86 for high and moderate. They have related this to the poor timing of the project which they had planned. When the researcher was approached loans officers regarding the delay of loans they attributed it to the failure of some clients to fulfill the requirements as one of the reasons.

The second reason is the long process the loan forms have to undergo before issuing of the loans and most of these are done manually. The cumbersome condition and procedures of getting loan from SACCOs was dealt with through question 1.3 which requested respondents to indicate their satisfaction on whether highly, moderate or low. The results as indicated on Table 4.15 shows that respondents in general agreed

with proposition that the conditions and procedures of getting loan are okay as respondent rate recorded 93.51 for high and moderate.

**Table 4.15: The Procedures and Conditions of Getting Loan**

<b>Rating</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
High	45	58.44	58.44
Moderate	27	35.06	93.51
Low	5	6.49	100.00
<b>Total</b>	<b>77</b>		

**Source: Field data (2012)**

**Table 4.16: The Ability of SACCOs in Satisfying Financial Needs of the Borrowers**

<b>Rating</b>	<b>Percent</b>	<b>Frequency</b>	<b>Cumulative frequency</b>
High	26	33.77	33.77
Moderate	47	61.04	94.81
Low	4	5.19	100.00
<b>Total</b>	<b>77</b>	<b>100.00</b>	

**Source: Field data (2012)**

The ability of the SACCOs to satisfy financial needs of borrowers was addressed through question 2.6 which required respondents to indicate their perception responses from high up to low. The Table 4.16 above indicates that 33.77 percent of respondents are highly satisfied, 61.04 percent are moderate and remaining 5.17 percent are not satisfied by indicating low rating. Based on percent indicated highly

and moderate satisfaction of 94.81 percent, it can be concluded that members are happy with the ability of their SACCOs to satisfy their financial needs of borrowers.

#### 4.4 Contribution of MFIs Loans to the SMEs Growth

In addressing this objective six questions were involved that included those on the projects started from borrowed funds, the way borrowers expanded their business through loans, training given on entrepreneurial, increased loan capital, restriction of importing goods from abroad for goods manufacturing locally, and increased customers. The responses for these questions are provided below.

**Table 4.17: Progress on Project Started Using Borrowed Fund**

<b>Rating</b>	<b>Percent</b>	<b>Frequency</b>	<b>Cumulative Frequency</b>
High	23	29.87	29.87
Moderate	9	111.69	41.56
Low	45	58.44	100.00
<b>Total</b>	<b>77</b>	<b>100.00</b>	

**Source: Field data (2012)**

The progress on projects started from borrowed fund was addressed through question 2.1 which required respondents to indicate their responses from high up to low. The Table 4.17 above indicates that 29.87 percent of respondents are highly satisfied, 11.69 percent are moderate and remaining 58.44 percent are not satisfied by indicating low rating. Based on percent indicted highly and moderate satisfaction of 41.56 percent, it can be concluded that members are not satisfied with the progress on project started from borrowed funds.

The expansion of business by borrowers was addressed through question 2.2 which required respondents to indicate their responses from high up to low. The Table 4.17 above indicates that 29.87 percent of respondents are highly satisfied, 9.09 percent are moderate and remaining 61.04 percent are not satisfied by indicating low rating. Based on percent indicated highly and moderate satisfaction of 38.96 percent, it can be concluded that members have not expanded their businesses since they started their undertakings.

**Table 4.18: How can More Entrepreneurial Training Help in Improving Performance of SMEs**

<b>Rating</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Frequency</b>
High	46	59.74	59.74
Moderate	26	33.77	93.51
Low	5	06.49	100.00
<b>Total</b>	<b>77</b>	<b>100.00</b>	

**Source: Field data (2012)**

The importance of entrepreneurship training was dealt with through question 2.3 which required respondents to indicate their responses from high up to low. The Table 4.18 above indicates that 59.74 percent of respondents are highly satisfied, 33.77 percent are moderate and remaining 6.49 percent are not satisfied by indicating low rating. Based on percent indicated highly and moderate satisfaction of 93.51 percent, it can be concluded that members have indicated the importance of entrepreneurial training to their business progress. This observation is supported by other studies like that of Kuzilwa (1997) in Tanzania and Abiabor (2013) in Ghana, both had the findings and recommendation that, other than financial support the MFIs should

provide constant technical advices of MFIs to SMEs is needed to ensure the maximum performance.

**Table 4.19: How Helpful if Loan Capital given is Increased**

<b>Rating</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Frequency</b>
High	54	70.13	70.13
Moderate	19	24.68	94.8
Low	4	5.19	100.00
<b>Total</b>	<b>77</b>	<b>100.00</b>	

Source: Field data (2012)

The expansion of business by increasing loan was addressed through question 2.2 which required respondents to indicate their responses from high up to low. The Table 4.19 above indicates that 70.13 percent of respondents are highly satisfied, 24.68 percent are moderate and remaining 5.19 percent are not satisfied by indicating low rating. Based on percent indicted highly and moderate satisfaction of 94.81 percent, it can be concluded that members are not satisfied by the amount loans provided by their MFIs and they believe they will be given more they can do better. Their idea is supported by the opinion of Vicent (2002) as he remarked that “MFIs financial intervention if used well can help the poor break the vicious circle of poverty”.

**Table 4.20: How Helpful if the SMEs are Protected from Imported Goods**

<b>Rating</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Frequency</b>
High	28	36.36	36.36
Moderate	25	32.47	68.83
Low	24	31.17	100.00
<b>Total</b>	<b>77</b>	<b>100.00</b>	

Source: Field data (2012)



The issue of imported goods which are locally produced was addressed through question 2.3 which required respondents to indicate their responses from high up to low.

The Table 4.20 above indicates that 36.36 percent of respondents felt highly satisfied, 32.47 percent are moderate and remaining 31.17 percent will low satisfied if those goods will not be imported. Based on percent indicted highly and moderate satisfaction of 68.83 percent, it can be concluded that members will be happy for goods produced locally not to be imported from abroad as this will retard their businesses. Some respondents mentioned the case of the imported eggs from neighboring country which interfered the domestic egg market and thus negatively affected the egg producers. Question 2.7 Focused on the number of customers whether increased or not since they started their businesses. This required respondents to indicate their responses from high up to low. The Table 4.21 above indicates that 24.68 percent of respondents are highly satisfied, 74.03 percent are moderate and remaining 1.30 percent are not satisfied by indicating their rating low.

**Table 4.21: Number of Customers of SMEs**

<b>Rating</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative frequency</b>
High	19	24.68	24.68
Moderate	57	74.03	98.70
Low	1	1.30	100.00
<b>Total</b>	<b>77</b>	<b>100.00</b>	

Source: Field data (2012)

Based on percent indicted highly and moderate satisfaction of 98.70 percent, it can be concluded that members are satisfied with customers hence indicating that customers have increased since started business associated. However, once the respondents were asked to comment on the economic progress they pointed the declining financial power of the customers with time. When the researcher requested for the reasons, some of them associated this negative trend with the poor national economic performance which have led to less circulation of money and frequent inflation. Similar findings have been pointed out in the Repoa report (2009) that low purchasing power as one of the challenges facing SMEs in Tanzania. On the other hand, Microfinance intervention in china sponsored by UN had managed to reduce poor population from 125million to 65million from 1985 to 1995 due to the fast growing economy ([www.gdrc.org](http://www.gdrc.org)).

#### 4.5 The Contribution of MFIs Loans to the Borrowers Household

This objective was addressed through five questions that which are ability to pay fees for children, capacity to buy family needs, transformation of standard of life through loan and ability to buy fixed assets from profit obtained from enterprises. The responses for these questions are provided below.

**Table 4.22: Ability of Buying Fixed Assets like Farms, Furniture, Car**

<b>Rating</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative frequency</b>
High	21	27.27	27.27
Moderate	37	48.05	75.32
Low	19	24.68	100.00
<b>Total</b>	<b>77</b>	<b>100.00</b>	

**Source: Field data (2012)**

Question 3.1 focused on the ability of members to buy assets like farms, furniture, cars and plots to signify their capability of owning those assets since they started business using the borrowed funds. This required respondents to indicate their responses from high up to low. The Table 4.22 above indicates that 27.27 percent of respondents are highly satisfied, 48.05 percent are moderate and remaining 24.68 percent are not satisfied by indicating their rating low. Based on percent indicted highly and moderate satisfaction of 75.32 percent, it can be concluded that member's ability to buy those assets have increased hence indicating that loan has transformed their standard of life. According to Amina (2011), ownership of assets is one the indicators for SMEs or household growth. This finding contradicts that of Diagne and Zeller (2001) in Malawi where they conclude that there was no significant contribution of MFIs to SMEs and household growth.

**Table 4.23: Ability to Pay Fee for the Children**

<b>Rating</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Frequency</b>
High	32	41.56	41.56
Moderate	9	11.69	53.25
Low	36	46.75	100.00
<b>Total</b>	<b>77</b>	<b>100.00</b>	

**Source: Field data (2012)**

The ability to pay fees for their children was addressed through question 3.2. This required respondents to indicate their responses from high up to low satisfaction. The Table 4.23 indicates that 41.56 percent of respondents are highly satisfied, 11.69 percent are moderate and remaining 46.75 percent are not satisfied by indicating their rating low. Based on percent indicted highly and moderate satisfaction of 53.25

percent, it can be concluded that members are satisfied with their ability to settle fees of their children as a result of SACCO's business. Affordability to pay school fees have been identified as one the indicators of growth at household level (Amina, 2011).

**Table 4.24: Capacity to Buy Family Needs**

<b>Rating</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Frequency</b>
High	35	45.45	45.45
Moderate	3	3.90	49.35
Low	39	50.65	100.00
<b>Total</b>	<b>77</b>	<b>100.00</b>	

**Source: Field data (2012)**

Question 3.3 Focused on their ability whether increased or not since they started their businesses. This required respondents to indicate their responses from high up to low. The Table 4.24 above indicates that 45.45 percent of respondents are highly satisfied, 3.90 percent are moderate and remaining 50.65 percent are not satisfied by indicating their rating low. Based on percent indicted highly and moderate satisfaction of 49.35 percent, it can be concluded that members are not satisfied by their capacity to solve family needs. However, the small difference of around 1percent shows that there are many people who can afford to solve their family requirements.

**Table 4.25: Transformation of Standard of Life Through Loan**

<b>Rating</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Frequency</b>
High	39	50.65	50.65
Moderate	35	45.45	96.10
Low	3	3.90	100.00
<b>Total</b>	<b>77</b>	<b>100.00</b>	

**Source: Field data (2012)**

Question 3.4 focused on the transformation of their standard of life through loans from SACCOS. This required respondents to indicate their responses from high up to low. The Table 4.25 above indicates that 50.65 percent of respondents are highly satisfied, 45.45 percent are moderate and remaining 3.90 percent are not satisfied by indicating their rating low. Based on percent indicted highly and moderate satisfaction of 96.10 percent, it can be concluded that members are satisfied, hence satisfaction of 96.10 percent, it can be concluded that members are satisfied, hence indicating that customers life standard have increased since started business. This finding corresponded with many researchers that MFIs interventions have positive impacts on the SMEs and household progress.

**Table 4.26: Ability to Buy Fixed Assets from the Profit Obtained from the Businesses**

<b>Rating</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative frequency</b>
High	35	45.45	45.45
Moderate	3	3.89	49.34
Low	39	50.64	100.00
<b>Total</b>	<b>77</b>	<b>100.00</b>	

**Source: Field data (2012)**

Question 2.7 focused on whether the borrowers increased their ability to buy fixed assets or not since they started their businesses. This required respondents to indicate their responses from high up to low. The Table 4.26 above indicates that 45.45 percent of respondents are highly satisfied, 3.89 percent are moderate and remaining 50.64 percent are not satisfied by indicating their rating low. Aggregating high and

moderate making 49.34 percent, it can be concluded that members are not satisfied with their ability to buy fixed assets from profit generated from business.

However, the responses of respondents in Table 4.18 have shown that the members own fixed assets especially plots and farms. This observation suggests that the borrowers spend their loans in buying fixed assets in steady of investing on the intended business enterprises then buy assets by the acquired profit. Some SACCOs members have also admitted that they sometimes spend the borrowed money for different financial obligation than those which were specified in the application.

## **4.6 Analysis of the Findings**

### **4.6.1 Introduction**

This section considers each of the research objectives as discussed on chapter three within the context of the literature review presented in chapter two and the data presented are analysed and summarized in this chapter. The aim is to find evidence that ascertain the research objectives, and in so doing, indicates the linkages between the key variables being explored.

The study explored more on perceptions of assessing the contribution of SACCOs as a form of MFIs on the economic performance of SMEs in Tanzania with a sample group from SACCOs' members, credit/loan officers and leaders. Its view is that, a better understanding of the perceptions of those respondents would provide insight about how to encourage and support current and future initiatives of reducing poverty in Tanzania.

This research used questionnaires and interview to collect both qualitative and quantitative data. Participants in the study included 77 members who represent SMEs, 7 credit officers and 3 leaders. The data were coded, analysed, and organized first based on research objectives and then by categories and subcategories guided by the conceptual framework as indicated in chapter 2. The study was based on the following three research objectives.

1. To find out if the micro and small enterprises can access satisfactory loans whenever the need arises.
2. To examine the contribution of the SACCOs loan on the SMEs growth in Tanzania.
3. To evaluate the impacts of the MFIs loans on the life standard at the household level of the borrower.

The three research objectives were largely fulfilled by the findings presented in this chapter. The overriding findings in this study revealed that the existence of MFIs in the country has a positive impact in ensuring the availability of capital to SMEs, improving life standard of people at household level and hence improve peoples' life standard. This perception was evidenced by the easiness of SACCOs members in getting loans whenever need arise and contribution of SACCOs in enhancing social-economic growth of in families. However, on the contribution of loan in addressing the growth of SMEs seemed there was little relationship as depicted by both frequency mean and opinions from respondents. Therefore, it is concluded that the MFIs loans have not improved SMEs at the enterprise level. The chapter is organised by the following analytical categories.

#### **4.6.2 The Accessibility and Satisfaction of Loans to Micro and Small Enterprises Whenever the Need Arises**

To address the objective, seven questions were involved in gathering data to ascertain the validity of this proposition. These questions are shown in Appendix A and also appear on Table 4.25 as question 1, 2, 3, 4, 5, 6 and 7.

##### **(i) Central Tendency Method**

The central tendency method employed by researcher is particularly the means, mode and median. “A measure of central tendency, which entails calculating the mean, median or mode was beneficial in that it provided a single value that described a large frequency distribution. This measure has proved to be effective in analysing the most common responses of the sample to the surveyed statements” noted by (Kubendrie, 2006).

The Likert three point rating scale 3, 2, 1 was employed to analyse responses of the questionnaires. The mean of 2.0 and above for each group item and mean of 14 for the whole group was considered adequate and hence shows that members are satisfied with the easiness of assessing loan from their SACCOs. The mean, median and standard deviation was used to verify results.

Table 4.27 shows the perspectives of respondents in relation to the how micro and small enterprises members can access satisfactory loans whenever the need arises. This has been evidenced by responses to questions 1, 2, 6 and 7 having means of 2.84, 2.53, 2.53 and 2.29 respectively. Moreover, an aggregate view of the mean, mode and median presented indicates that there is a consensus towards respondents agreeing that the loan is easily accessed by them.



**Table 4.27: Issues to Considered From the Consideration**

S/N	Statement	Mean	Median	Mode	Max	Min	SD	N
1.	Repayment of loan without using collateral	2.84	3	3	3	1	0.397	77
2.	The availability of loan from SACCOs	2.53	3	3	3	1	0.616	77
3.	Amount of loan granted by SACCOs	2.29	2	2	3	1	0.555	77
4.	Interest rate charged by SACCOs	1.81	2	2	3	1	0.339	77
5.	Speed of processing loan applications	1.47	1	1	3	1	0.570	77
6.	Conditions and procedures of getting loans.	2.53	3	3	3	1	0.616	77
7.	Ability of SACCOs to satisfy financial needs of borrowers	2.29	2	2	3	1	0.555	77
<b>Overall mean</b>		<b>15.76</b>						

**Source:** Field data (2012)

The responses to statement 3 with a mean of 2.29, mode of 2 and median of 2 are allocated to near to undecided. However, statements 1.47 and 1.81 show that the respondents are not happy with the speed of processing of loans and the rate of interest charged. The high rate of interest has been also reported as one of the problems by other researchers like (Rweyemamu *et al.* 2003). Considering the group

mean of these statements being 15.76 which greater than 14 it can be concluded in general that respondents are of view that the MFIs activities have made capital available to them whenever the financial needs arose. This conclusion is supported by other researchers like Rubinstein (1993) and the view is given a strong theoretical support in the SMEs policy of Tanzania (2002).

However, some researcher have different finding like Emmanuel (2012) in Nigeria who found the access of the SMEs to MFIs loans to be poor. Moreover, the responses from interview generated views as presented within Table 4.26 to improve the conclusion highlighted above.

**Table 4.28: Issues From the Respondents to be Considered**

S/n	Issue	Frequencies recorded
1.	MFIs to find ways to reduce interest rate	33
2.	Loan should be repaid for longer period	10
3.	MFIs to give enough loan to borrowers	20
4.	MFIs to simplify loan procedures	10
5.	MFI to solicit more fund from within to satisfy the demand of clients	15

**Source:** Field Data (2012)

#### **4.6.3 The Contribution of the SACCOS Loan on the SMEs Growth in Tanzania**

The second objective was to find out the contribution of MFIs on economic growth of SMEs in Tanzania. To address this objective, six questions were involved in gathering data to ascertain the validity of this proposition. The questions are shown under

Appendix A and also presented on Table 4.27 as questions 1, 2, 3, 4, 5, and 6. However, the questions are further sub grouped into two categories. Questions 1, 2 and 6 seek to know the extent of progress made after taking loans while questions 3, 4 and 5 seek opinions of members on how could the situation be improved. The Likert three point rating scale 3, 2, 1 was employed to analyse responses of the questionnaires. The mean of 2.0 and above for each group item and an average mean of 6 for questions 1,2 and 6 was considered adequate regarding this objective. Questions 3, 4 and five give the opinions on how the situation can be improved.

The Table 4.29 below shows the respective responses in relation to the first group of questions 1, 2 and 6 targeting the growth of SMEs after borrowing and investing loans from the MFIs. This has been evidenced by responses to these questions 1, 2 and 6 having means of 1.71, 1.69 and 2.20 respectively. Moreover, an aggregate view of the mean, mode and median for these three questions presented indicates that, the respondents are of a view that the loans have not brought about significant progress in their enterprises. Considering the group mean of these three statements being 5.6 which is less than 6. The general conclusion can be drawn, that the respondents are not happy with the impacts of loans on their businesses.

This finding is similar to other researchers like Buckle (1997) in Ghana and Hague (2010) who did his research in Tanzania. However, the statement 6 shows that the respondents admitted an increase in number of customers which implied outreach improvement. The same observation was reported by Kuzilwa and Mushi (1997) in their study done in Tanzania. Some researchers like Goldmark *et al.* (1983) who

conducted his study in Indonesia came up with opposite general conclusion from this study that, there is a positive impact of MFIs loans to SMEs development. The remaining questions 3, 4 and 5 from Table 4.29 give opinions of the respondents on how the situation can be improved which are also is reinforced by the issues presented on Table 4.30 below. The more opinions from interview are presented within Table 4.30 which summarizes the responses that are related to the opinions on how the contribution of MFIs to economic growth of SMEs could be improved.

**Table 4.29: Analysis for the Objective Three**

S/N	Statement	Mean	Median	Mode	Max	Min	SD	N
1.	Progress on projects started from borrowed fund	1.69	1	1	3	1	0.895	77
2.	Business expansion since a member started borrowing	1.68	1	1	3	1	0.901	77
3.	Helpfulness of the entrepreneurial training	2.53	3	3	3	1	0.615	77
4.	Helpfulness of additional loan capital	2.65	3	3	3	1	0.576	77
5.	Helpfulness of prohibiting imported goods to protect locally produced goods by SMEs	2.05	2	2	3	1	0.820	77
6.	Number of customers	2.23	2	2	3	1	0.415	77
<b>Overall</b>		12.83						77

**Source:** Field data (2012)

**Table 4.30: Issues From Respondents for Consideration**

S/N	Issue	Frequencies Recorded
1.	Lack of efficient Management	35
2.	Provision of more loan to boost capital	50
3.	Encourage people to save to make business to grow	10
4.	Provision of entrepreneurial training	40
5.	No training and seminars to its clients and workers	30
6.	Security of funds is doubtful due to unfaithful workers	45

**Source:** Field data (2012)

#### **4.6.4 The Impacts of the MFIs Loans on the Life Standard of the Household of the Borrowers**

The focus of this section is on the analysis of data obtained from the field with the aid of questionnaires, interview and documentary review. The data collected for this part is centered on the contribution of SACCOs loans to individual member and household standard of living. Five questions which appear in Appendix A and also presented on Table 4.31 as question 1, 2, 3, 4 and 5 along with the findings. The Likert three point rating scale 3, 2, 1 was employed to analyse responses for the questionnaires.

The mean of 2.0 and above for each group item and the mean of 10 or more for the whole group was considered adequate. Table 4.31 shows the perspectives of respondents' relation to the impacts of loans from MFIs invested on micro and small enterprises at household level.

**Table 4.31: Analysis on the Individual Household Improvement**

S/N	Statement	Mean	Median	Mode	Max	Min	SD	N
1.	Ability of buying fixed assets i.e. farms, furniture, cars and plots	2.03	2	2	3	1	0.720	77
2.	Ability to pay fees for the children	1.95	2	1	3	1	0.940	77
3.	Capacity to buy family needs other than 1 and 2 above	1.95	1	1	3	1	0.980	77
4.	Transformation of standard of life through loans	2.47	3	3	3	1	0.840	77
5.	Ability to buy assets from the gained profit from business	1.99	1	1	3	1	0.840	77
		<b>10.39</b>						

**Source:** Field data (2012)

This has been evidenced by responses to Questions 1, 2, 3, 4 and 5 having means of 2.03, 1.95, 1.95, 2.47 and 1.99 respectively. Moreover, an aggregate view of the mean of 10.39 which is slightly more than 10, and also mode and median presented indicate that there is a consensus towards respondents agreeing that the loans have improved their life standard. However, the responses to statement 2 with a mean of 1.95, mode of 1 and median of 2 statements 3 and 5 show that the respondents are not happy with the impacts of loans on payment for the fees, family daily needs and buying assets by the profit from their businesses. On the other hand the overall mean of 10.39 which is

only 0.39 more than the cut point indicates that there was general improvement of people's life standard though was at minimal. This finding is supported by other researchers like Kessy and Urrio (2006) based in Tanzania.

The responses from interview seeking opinions are presented within Table 4.30, it summarises the responses that related to contribution of loan to individual standard of life. Majority have attributed the low life standard due to the dwindling national economic development high inflation rates.

**Table 4.32: Opinions of the Respondents Regarding the Change of the Life Standard**

S/N	Issue	Frequencies recorded
1.	High Inflation rate	30
2.	Failure to repay their debts/loans	12
3.	Misuse of loans for intended objective	10

**Source:** Field data (2012)

## **4.7 Discussion of the Findings**

### **4.7.1 Introduction**

In this section the analysed information will be discussed according to the objectives of the study. The findings will be compared with the findings and discussion of other researchers on the similar topic from different parts of the world.

### **4.7.2 Accessibility and Satisfaction of Funds to the Borrowers**

This objective intended to ascertain if the MFIs perform their intended duty of linking the capital from the central bank down to the marginalized groups. According to the

findings the respondents generally agreed that they could access satisfactorily the loans whenever the need arise at the mean of 2.29. However, as it has been pointed out in the findings that the loans are secured upon fulfilling the required conditions set by their SACCOs. The conditions which were mentioned by the loan officers include collaterals and number of times has borrowed.

This conclusion is supported by other researchers like Rubinstein (1993), and the view is also given a strong theoretical support in the SMEs policy of Tanzania (2002) where MFIs loans are viewed as one of the best way of emancipating the poor. There is doubt on the issue of the required conditions for person to secure loans because there is a possibility that the stated requirements to be met by very few. So, if these conditions are followed strictly then the MFIs are not very far from formal financial institutions where almost the same conditions are required. However, some researchers have different finding like Emmanuel (2012) in Nigeria who found the access of the SMEs to MFIs loans to be poor.

#### **4.7.3 The Contribution of MFIs Loans to SMEs Growth**

According to the findings which are presented and analysed in Table 4.31 the general finding is that the respondents are not happy with the impacts of loans on their business. This means most of the borrowers have not experienced any significant positive change in their businesses after borrowing. The implication is that the borrowers are in circulation of borrowing and repaying the capital in businesses remain the same. When the researcher tried to inquire the reason behind, some of the respondents attributed the problem to frequent inflation, poor economic performance



and investing in different projects from those which were indicated when applying for a loan.

This finding is similar to other researchers like Buckle (1997) in Ghana and Hague (2010) who did his research in Tanzania. Hulme (1998) findings strongly support the finding in this work once he concludes that “the MFIs are just good for themselves” which meant they grew at the expense of the SMEs.

However, the statement 6 shows that the respondents admitted an increase in number of customers which implied outreach improvement. The same observation was reported by Kuzilwa and Mushi (1997) in their study done in Tanzania. Some researchers like Goldmark *et al.* (1983) who conducted his study in Indonesia came up with opposite general conclusion from this study that, there is a positive impact of MFIs loans to SMEs development. Ahiabor (2013) based in Ghana concludes that SMEs admitted that they experienced progress compared to their state before borrowing.

#### **4.7.4 Contribution of MFIs Loans on the Life Standard at Household Level**

According to the questions in appendix A, the findings and the analysis results in Table 4.31, the respondents generally agree that loans have helped improving their life standard at family level. However, the responses to statement 2 with a mean of 1.95, mode of 1 and median of 2 statements 3 and 5 show that the respondents are not happy with the impacts of loans on payment for the fees, family daily needs and buying assets by the profit from their businesses. On the other hand the overall mean

of 10.39 which is only 0.39 more than the cut point indicates that there was general improvement of people's life standard though was at minimal. This finding is supported by other researchers like Kessy and Urio (2006) based in Tanzania.

The responses from interview seeking opinions are presented within Table 4.30, it summarises the responses that related to contribution of loan to individual standard of life. Majority have attributed the low life standard due to the dwindling national economic development high inflation rates.

## **CHAPTER FIVE**

### **5.0 SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.1 Introduction**

This chapter aims at concluding the whole work undertaken in this study. Chapter one gave the definitions of important terms used in the topic, the background of the topic, the problem statement and the objectives of the topic. In chapter two relevant literatures were reviewed and finally the conceptual framework of the research was given. The chapter three highlighted on the research methodologies which were applied in this study. In chapter four the research findings were presented, analyzed, discussed in depth and linked with the findings by other researcher on the similar topic in Tanzania and elsewhere. It is therefore the intention of this chapter to summarise the whole work, to give a sound conclusion and giving recommendation on both improvement of the revealed problems and the areas for further research.

#### **5.2 Summary of the Findings**

##### **5.2.1 About the Availability of Loans Whenever the Need Arose**

The finding have revealed that there were no problem in getting funds so long the applicants fulfilled the pre set procedures claimed by 60% of the respondents. The general conclusion on whether the MFIs perform the presumed function of linking the capital from formal financial institutions down to the marginalized population is fulfilled. However, the provision of the funds depends on whether the applicant fulfills the required conditions. Therefore, there must be other people who do not qualify to get funds thus rendering yet another group of people who do not access the capital because they do not qualify.

### **5.2.2 The Impacts of SMEs After Investing the MFIs Loans**

The findings in this study have shown that, generally there no improvement in terms of an increase in capital, marketing and outreach claimed by 60.5% of the respondents. This finding complies with some researchers on this topic like Mosley and Hulme (1998) who came up with conclusion the MFIs are just good for themselves which means they grow while SMEs are not growing. This is a group of the SMEs which are in the cycle of borrowing and repaying only.

The researcher was interested to know the opinion from some the respondents from this group, they said that after completing the repayment the business is almost out of stock, they need to borrow and start again. There were two strong reasons given by the interviewees regarding this anomaly. The first reason is the prevailing poor economic condition resulting to low circulation of money and the second reason is borrower spending loans on purchasing of plots, farms and other fixed assets instead of investing on capital expansion of their businesses.

However, the findings have implied a progress in outreach signified by an increase in number of customers served. Moreover, there is a group of 39.5% who experienced progress in their business, this is likely to be in the groups which have been pointed by Mosley, *ibid* as 'richer poor' who invest directly on their business and thus expand the capital by both the reserved equity and borrowed amount. However, some researcher like Ahiabors (2013) in Ghana came with different findings from this though not very explicit. According to him, some SMEs admitted that they experienced progress compared to their state before borrowing.

### **5.2.3 The Impacts of Loans at Household Level**

The average percent of the social-economic measure parameters show 51.5% of the SACCOs members have admitted to experience improvement this response is slightly more than half. Moreover, the aggregate mean of 2.39 at which is slightly above the acceptable level of 2 suggested that the stakeholders experienced development. On the other hand the workers have all 100% admitted that Sacco's employment has improved their social and economic status. The general conclusion which can be drawn from this study is that the MFIs loans and employment creation have led to improvement in social and economic status of the stakeholders at the individual and household level. The same conclusion has been reached by other researcher like Kessy and Urio (2006) in Tanzania and Buckle (1997) in Ghana. However, other researchers like Hulme (2000) have come up with quite opposite conclusion regarding the contribution of MFIs on the life standard of the borrowers as he remarks that MFIs are good for themselves rather than the poor.

Another conclusion can be drawn from the paradox that appears between the conclusion on objective two where the SMEs have not grown due to loans while the conclusion on objective three claimed that the life standard have improved. The implication here is that the borrowers spend the loans for settling individual and household needs rather than investing on the intended projects. This tendency has been witnessed by other researchers like (Coleman, 1999).

### **5.3 Implications of the Results**

The findings with respect to the first objective indicate that the MFIs perform the duty of capital linkage as it supposed but the capital is given to the members who

fulfill the preset requirements and conditions. This implies that there is a group of people who do not qualify to secure loans from MFIs. This group of unknown proportion of the entire national population has to seek for other financial sources which are not identified in this work. This group may manage or may not manage to get capital at all. If it doesn't get capital it might imply the existence of a group in extreme poverty.

Regarding the second objective where the findings show that the loans have no significant positive impact on the progress of business. The implication is that the businesses were not generating enough profit to cover sufficiently the running cost and profit. Therefore, the borrowers are in the cycles of borrowing and repaying for years and years.

The general results for the third objective presented in Tables, 4.22, 4.23, 4.24, 4.25 and 4.26 and the analysis which are given in Table 4.29 show that there was progress in life standard of people after securing the loans from the SACCOs as signified by improvement in consumption of goods and services as well as ownership of fixed assets. These findings implied that the loans from MFIs might have been used for other purposes like buying fixed assets, paying school fees and other financial obligation instead of injecting in the proposed projects to expand the working capital.

#### **5.4 Conclusions**

The findings from the study have shown that there is no progress of SMEs at the enterprise level as claimed by more than 60%, the reasons behind this failure have been attributed to the poor national economy and the borrowers do not inject the

capital on the enterprises but on different fixed assets, goods and services. However, other parameters at household levels, affordability of home needs, ownership of fixed assets and community development support have improved for both MFIs workers SMEs owners.

Therefore in general MFIs loans, despite of the negative impact at enterprise level appear to have positive contribution to the socio-economic development of the borrowers. Regarding the availability of loans the results have shown that the loans are available but are given upon fulfilling the requirements and at an established increasing rate set by the MFIs. The MFI takes into consideration the experience of the borrower, collaterals and number times a borrower has taken loans. The main challenges facing SMEs in Tanzania include lack of sound entrepreneurial skills among the practitioners, although the MFIs provided workshops and seminars but the skills acquired to borrowers appeared to be rote and lacking basic skills. This observation poses a big challenge to the government as the need of introducing entrepreneurship study at primary level throughout to tertiary levels.

This is because this study and many others have shown that most of the participants in SMEs are primary school dropouts while at primary level entrepreneurship is not taught at all. Another challenge for SMEs which was revealed by this study was poor national economic performance and frequent inflation. These were pointed out as among the big obstacles to the progress of SMEs where again the government is argued to find the ways of building stable economy and improving the national economy.

## **5.5 Recommendations**

The findings of the study have uncovered out several opinions from leaders, workers and members on the ways of improving on the problems and the ways ahead. The recommendations are given in this section.

### **5.5.1 Recommendation to the MFIs**

The MFIs should find the ways to reduce the interest rate for the loan they offer to the entrepreneurs so as to increase the profit margin to the borrowers. The unions are advised to provide the longer grace period to the entrepreneurs before they start to recover their loan. This is because some project like poultry project takes not less than 3 months before selling, so, how does the borrower gets the money to repay after one month grace period? It is obviously very difficulty. The MFIs should give enough loans and allocate substantial budget in order to provide more training to the entrepreneurs on doing business efficiently. The MFIs should reduce the long and tiresome procedures when people want to get loans. Although not many, only a few have complained of a delay and long period taken to process the loans which need to be improved.

### **5.5.2 For the Government**

The government should ensure that all Tanzanians posses entrepreneurial education background by introducing the subject/topic in the national education curricula from primary school. It is recommended that the introduction should start at as lower grade as possible at least grade four. The contents should be improved at each subsequent level throughout to tertiary level. This knowledge will enable more Tanzanian to



change from the chronic mentality of being employed after finishing studies to self-employment attitude. It will also enable those who are borrowing from MFIs to utilize properly the borrowed capital due the knowledge background rather than teaching them only when they want loans which are done by many MFIs. The teaching when an entrepreneur is just about to take loan has proved to be less effective because the borrowers keep on misusing loans despite of those seminars and workshops.

The government should strive in strengthen the economy and control the inflation rate as a way of helping the entrepreneurs to grow. Studies have shown that the performance of SMEs depends on the economic condition of the country and the world at large. The MFIs may offer enough loans to SMEs but if the government is poor and doesn't have enough capital to invest on national development activities there will be poor circulation of currency, low turnover of businesses, less emergent of entrepreneurs and disappearance the present ones and therefore failure of the whole idea of SMEs. It could be added at this point that most of the African countries government run short of fund despite of the available sources of revenue because of corruption among top leaders which drain the national revenue. So, the government should control corruption at any cost. Improve socio-economic situation of the country which will increase money circulation at the national economy.

This will facilitate and fasten the selling and buying thus boost up the MFIs financial status. This recommendation is supported by Harrold-Dolmar model of growth stated in section 2.2.1 in this work, according to them they have implied the performance of

SMEs depends on the global and national economic progress once they remarks “ for steady state of growth, aggregate demand must grow at the same rate as the economy’s output capacity grows”.

Another issue which need immediate attention from policy makers is to come up with the policy which will promote and nature the domestic entrepreneurs by encouraging them, protecting their market from external similar products, financing them and not leaving this duty to MFIs only who also seek profit from these poor people so that they can be given time, physical and financial environment to grow. We are late to do this but at least we can start now and move ahead following the footsteps the North-East countries collectively called NICS (newly Industrialised Countries).

### **5.5.3 For the MFIs Borrowers**

The borrowers are advised to utilize the borrowed fund for the proposed aims and not otherwise. They should have prior plan before getting loan and to abide by the initial plan; they should not change their plans upon securing loans. This will enable them to repay the loans and avoiding confiscation of their properties. Members are also advised to learn and apply entrepreneurial skills and apply them in doing their business. They should also follow all principles required in doing businesses.

## **5.6 Limitations of the Study**

There are many MFIs in Tanzania, However, Financial and time constrain has led to the choice of a small sample and at a smaller geographical coverage. This paper limits itself only to Kitunda and Ketumbeine because of the constraints of time and financial cost, the geographical scope of Kitunda is only in the suburb the Dar es Salaam city.

However, Ketumbeine is located in the remote rural Northern Maasai plains of Tanzania. The study focuses on selected aspects. These include Institutions targeting the poor, achievements, and impact on income, nutrition, education cost, health, housing condition, and empowerment which are implied by level of consumption of services by the borrowers. It also focuses on the description on whether there is any improvement in life standard for those who take loans, it does not consider the other group which has not taken loans due to the reasons which have been pointed out by limitations of the study.

The sample may not be an appropriate representation and generalization of the entire population of Tanzania. However, this limitation will not make the results deviate from the reality and thus the conclusions arrived from this work will be valid and reliable.

### **5.7 Areas for Further Research**

To find out whether the number of those who claimed to experience positive changes by utilizing the MFIs loans is significantly bigger proportion of the whole population which can bring about visible national economic and social development. This is because many researchers have come up with general conclusion that the borrowers have positive economic changes yet poverty in these countries appear to be worsening. So, more studies are needed to come up with the causes and possible solutions for this chronic problem. Another area is to assess the extent at which the entrepreneurial opportunities are utilized in Tanzania and if not, then to what extent the failure to utilize such opportunities is directly attributed to lack of funds to individuals or other factors.

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**APPENDICES**

**Appendix I: Kissacos Loan Member's Statistics**

**KITUNDA SACCOS L.T.D,**

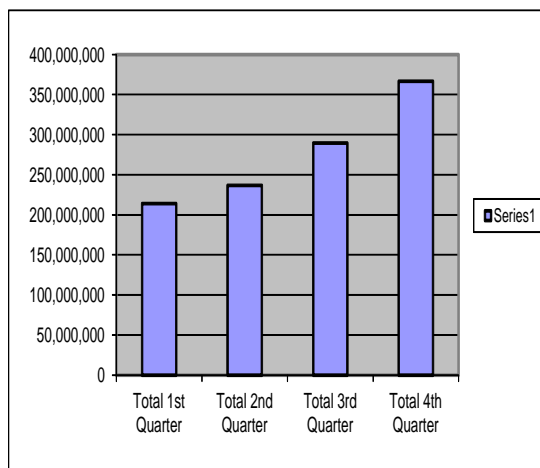
P. O. BOX 40559, DAR ES SALAAM,

SIMU:0756 – 217898 / 0225-507735

e-mail benkikitunda2002@yahoo.com

LOANS SUMMARY AS AT ..... 30 SEPT 2011 ACCUMULATED

PERIOD	MEN		WOMEN		GROUPS		No, Total	Amount Total	Women Participation	CURRENT
	No	Amount	No	Amount	No	Amount				
Beyond Year - 2	2798	1,502,860,000	1973	907,489,400	73	51,020,000	4844	2,461,369,400	36.08%	
Year - 2 2009	704	693,750,000	621	444,860,000	7	9,400,000	1332	1,148,010,000	38.75%	
Year -1 2010	532	622,380,000	505	484,700,000	7	18,700,000	1,044	1,125,780,000	43.05%	
<b>TOTAL</b>	<b>4,034</b>	<b>2,818,990,000</b>	<b>3,099</b>	<b>1,837,049,400</b>	<b>87</b>	<b>79,120,000</b>	<b>7,220</b>	<b>4,735,159,400</b>	<b>38.79%</b>	
Year - 0 2011	-	-	-	-	-	-	-	-		
Total 1st Quarter	140	127,450,000	109	86,550,000	0	0	249	214,000,000	40%	1004
Total 2nd Quarter	105	115,200,000	104	112,900,000	2	8,500,000	211	236,600,000	48%	992
Total 3rd Quarter	140	171,050,000	137	113,350,000	1	5,000,000	278	289,400,000	39%	965
Total 4th Quarter	138	221,000,000	126	138,900,000	2	6,500,000	266	366,400,000	37%	1030
Total Year -0-11	523	631,900,000	476	451,700,000	5	20,000,000	1004	1,103,600,000	40%	1030
<b>G. TOTAL</b>	<b>4,557</b>	<b>3,450,890,000</b>	<b>3,575</b>	<b>2,288,749,400</b>	<b>92</b>	<b>99,120,000</b>	<b>8,224</b>	<b>5,838,759,400</b>	<b>39%</b>	



.....  
CREDIT OFFICER IN CHARGE

.....  
MANAGER

Source: KISSACOs Documentary Extract (2012)

**Appendix II: Data Dollection Tools**

**I. Questionnaire for Organization Members**

**Name of the Union** .....

Please take your short time to answer these few questions as correct as you know.

(This information is for academic use only and you don't need to write your name)

Gender. M [ ] F [ ]

Age. [ ]

Tick at your education level. [Primary], [secondary], [tertiary]

Tick at your membership duration in this union?

[1 to 2 years] [3 to 5 years] [More than 5years]

How long have you been borrowing?

[1 to 2years] [3 to 5years] [More than 5 years]

1) How much did you borrow last? What was the purpose of the loan and how much did you request .....

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

4) Fill the table bellow with the projects/business which you have done using the borrowed money:

Project name	Progressing (tick)	Stopped (tick)	Reason(s) [explain]

6. Tick the correct progress you have made at your home by the use loans from this union.

- Did your ability of buying fixed asset (i.e), farms, furniture, car,) increased?

yes  no change  somehow

- What can you say about your ability to pay fee for the children?

Has increased  no change  little improvement

- How about your capacity to buy family needs?

More  no change  increased a bit

Tick the correct statements regarding the growth of your business

- Have you expanded your business since you started borrowing?

Yes  no change  very little

- How many times did you pay your loan balance by your collateral assets?

Once  never  always

7 Tick the correct challenges which hinder your progress.

- What can you say about the availability of loan from your union?

Always available  sometimes not available  mostly not available

- What can you say about the amount of loan given by union?

Very big  not big  just enough

- How about the interest charged?

Too high  not very high  low

- How do you rate the speed of processing loan after application?

Very high  satisfactory  low

- How do you rank yourself about spending loans to buy the home needs?

Always  sometimes  just once

- What can you say about the number customers for your business?

Very many  not many  few

- What is your comment on the conditions and procedures of getting loans?

Very hard  they are ok  easy

2) About what can be done to help improving your business?

- How much will it help if you are given more Entrepreneurial training?

Very big help  somehow  very little

- Increasing the amount of loan capital given?

Very much  won't help much  somehow help

- What is produced by local entrepreneurs should not be imported from abroad?

Very much help  somehow  very little

9 Give more opinion on the advantages or/and disadvantages of credit union or any other group which you have been a member.....

.....  
.....



**II. Questionnaire to Saving and Credit Officers**

1. Name the union.....

2. Sex. male[ ], female[ ] please tick one

3. Marital status, please tick one

Single

Married

Divorced

Widowed

3) How long have you been working in this SACCOs?

Less than 2years  2 -5 years  more than 5years

Tick the benefits you have gained since you started working in this union:

Benefit	increased	Somehow	No change
1. Ability to buy more home needs			
2. Ability to pay school fees			
3. Building and home improvement			
4. Ability to help the extended family			
5. Ability to save in social funds			
6. Ability start business projects			

4. How can you rank the ability of your MFIs in satisfying the financial need of the borrowers?

Very high  average  low poor

5. List down the problems which are often encountered by borrowers in the process of running their SMEs.

- .....
- .....
- .....
- .....
- .....

6. How do you help the borrowers to overcome the problems?

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

7. According to your experience with the borrowers how can you rank their economic and social progress?

Big progress  little change  no change

**III Questionnaire for MFIs Leaders**

1. Name of the SACCOs (MFI) .....

2. Name of the leader .....

3. Sex. male [ ] female [ ]

4. Marital status.

- Single
- Married
- Divorced
- Widowed

5. Which post are you saving in the society?

6. How long have you been saving in the current post? Tick the correct one

Less than 5 years  between 5 and 10 years  more than 10 years

7. What are the major aims of this society?

- .....
- .....
- .....

8. Do you have any formal education on MFIs. yes [ ] No [ ]

9. What are the types of loans does your SACCOs (MFI) offer, please tick the relevant.

i. Capital loans

ii. Education

iii. Home improvement loans

iv. Any other loans specify.

- .....

- .....
- .....

10. Tick the maximum loan amount can you offer from this SACCOs (MFI)?

Below 500,000  between 500,000-1million  1 million and 5million  
between 1million and 10,000,000  above 10 million

11. A) How can you rate repayment of the loans, please tick the appropriate one.

- Below 50%
- 50-75%
- 75-90%
- 90-100%

b) If the repayment is not 100%, what measures do you take? Please list down.

- .....
- .....
- .....

12. What are the problems facing SMEs in their efforts to reach their goals?

- (i) .....
- (ii) .....
- (iii) .....
- (iv) .....

13. What do you think can be done to improve the performance of your clients (that is SMEs)? Please list.

- (i) .....
- (ii) .....
- (iii) .....

(iv) .....

14. For your experience and opinion, how can you rank the clients/borrowers (SMEs)’ economic and social progress

Very big  not very big  little

15. Give your opinion on how SACCOs in Tanzania can bring about economic and social development to the SMEs.

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