MICROFINANCE LOANS FROM AKIBA COMMERCIAL BANK
AND LIVELIHOOD OF MICRO BUSINESS OWNERS IN
TANZANIA

By

Filomena Theobald Muyoye

Thesis Submitted in Partial fulfillment of the Requirements for the Award of
the Degree of Master of Business Administration in Corporate Management
(MBA-CM) of Mzumbe University

2014
CERTIFICATION

The undersigned certifies that, he has read and hereby recommends for acceptance by the University of Mzumbe ‘Dar-Es-Salaam Business School’ a dissertation entitled: “Microfinance Loans from Akiba Commercial Bank and Livelihood of the Micro business Owners in Tanzania: The study of Akiba Commercial Bank,” in partial fulfillment of the requirements for the degree of Master of Business Administration (Corporate Management) of the University of Mzumbe.

________________________________________

Major Supervisor

________________________________________

Internal Examiner

Accepted for the School Board .............................................

-----------------------------------------------------------------------------------------

DEAN/DIRECTOR/ FACULTY/DIRECTORATE/SCHOOL/BOARD
DECLARATION
AND
COPYRIGHT

I, Filomena Theobald Muyoye, hereby declare that, this dissertation is the result of my own work, and has not been found before to have appeared and been presented to any of the higher learning institutions for the same or similar award.

Signature________________________

Date____________________________

©
This dissertation is a copy right material protected under the Berne Convention, the Copyright Act 1999 and other international and national enactments, in that behalf, on intellectual property. It may not be reproduced by any means in full or in part, except for short extracts in fair dealings, for research or private study, critical scholarly review or discourse with an acknowledgement, without the written permission of Mzumbe University on behalf of the author.
ACKNOWLEDGEMENT

I would like to express my heartfelt gratitude to management and the micro borrowers of Akiba Commercial Bank at Dar-Es-Salaam region for releasing information and for their cooperation during this research study.

My extended special thanks should go to my research supervisor Mr. Ngemba M. Makuru, for his supportive and constructive guidance throughout the period of writing this dissertation. His advice, time, commitment and encouragement finally made this study successful.

Special thanks should go to my family members who advised me and supported me to have a smooth start of this masters program. These are my beloved father, Mr. Theobald Kiagho, my brothers and sister, Theresia, Colman, Joseph, Zakei, Alphe and Sunday. Almighty God, give them prosperity.

I also thank various researchers whose works were made reference to during the research and all my friends who contributed to the accomplishment of this work. I am most grateful to all of you.

‘Thank you Lord for your blessings on me’
DEDICATION

I dedicate this work to my beloved father, sister and brothers, who have always been here for me and have shown their concerns during the course of my research work.

“God give them prosperous life”
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACB</td>
<td>Akiba Commercial Bank</td>
</tr>
<tr>
<td>BoT</td>
<td>Bank of Tanzania</td>
</tr>
<tr>
<td>ASA</td>
<td>Association for Social Advancement</td>
</tr>
<tr>
<td>BRAC</td>
<td>Bangladesh Rural Advancement Committee</td>
</tr>
<tr>
<td>IDS</td>
<td>Institute for Development Studies</td>
</tr>
<tr>
<td>KPMG</td>
<td>Klynveld Peat Marwick Goerdeler</td>
</tr>
<tr>
<td>MASLOC</td>
<td>Microfinance and Small Loans Center</td>
</tr>
<tr>
<td>MDGs</td>
<td>Millennium Development Goals</td>
</tr>
<tr>
<td>MFIs</td>
<td>Microfinance Institutions</td>
</tr>
<tr>
<td>MFLIs</td>
<td>Microfinance Loans Institutions</td>
</tr>
<tr>
<td>MKUKUTA</td>
<td>Mpango wa Kukuza Uchumi na Kuondoa Umasikini Tanzania</td>
</tr>
<tr>
<td>MKURABITA</td>
<td>Mpango wa Kurasimisha Rasilimali na Biashara za wanyone Tanzania</td>
</tr>
<tr>
<td>MBOs</td>
<td>Micro Business Owners</td>
</tr>
<tr>
<td>MSEs</td>
<td>Micro and Small Enterprises</td>
</tr>
<tr>
<td>NGOs</td>
<td>Non Governmental Organizations</td>
</tr>
<tr>
<td>PRODEM</td>
<td>Fundacion para la Promocion y el Desarrollo de la Microempresa</td>
</tr>
<tr>
<td>ROSCAs</td>
<td>Rotating Credit and Savings Associations</td>
</tr>
<tr>
<td>SACCOS</td>
<td>Savings and Credit Cooperative Societies</td>
</tr>
<tr>
<td>TAMFI</td>
<td>Tanzania Association of Microfinance Institutions</td>
</tr>
<tr>
<td>UNCDF</td>
<td>United Nations Capital Development Fund</td>
</tr>
<tr>
<td>VICOBAs</td>
<td>Village Community Banks</td>
</tr>
<tr>
<td>VSLAs</td>
<td>Village Savings and Lending Associations</td>
</tr>
</tbody>
</table>
ABSTRACT

This study was conducted at Akiba Commercial Bank involving its three large branches of Kijitonyama, Ubungo, Buguruni and one of its medium branch of Mbagala, all in Dar-Es-Salaam region. The study aimed at assessing the impact of microfinance loans from Akiba Commercial Bank on livelihood of micro business owners in Tanzania. Specifically the study had the aim of identifying the types of micro businesses conducted by micro business owners in Tanzania, examining the interest rate and other costs charged by the bank and criteria in accessing the micro loans, evaluating the contribution of income generated from financed business on the livelihood of micro business owners in Tanzania and to indicate the challenges associated by micro loans to both the bank and the micro business owners.

Data collection involved the use of Structured and Semi- Structured questionnaires which were administered to each respondents group. Total of 403 respondents were involved in this study. 400 respondents were Micro business owners with loan facility 3 other respondents were ACB bank managers. Purposive and simple random sampling techniques were used to select the respondents and simple excel was used in analyzing data.

The main findings from the study showed that Microfinance Loans from Akiba Commercial Bank play a tremendous role on the Livelihood of the Micro business owners in Tanzania. Noticeable and positive contributions were observed as most micro business owners with micro loans facility said to have extended their businesses and have generated more income which in turn has improved family life and increased household assets. All these have enhanced livelihood and improved social well being of this community.

Based on the findings, it is highly recommended that Microfinance banks and other Financial Institutions should direct their efforts to rural communities with no privilege to microfinance services in order to improve upon their livelihood and contribute to growth of national economy.
# TABLE OF CONTENTS

CERTIFICATION ........................................................................................................... i
DECLARATION AND COPYRIGHT ............................................................................. ii
ACKNOWLEDGEMENT ................................................................................................. iii
DEDICATION ................................................................................................................... iv
ABBREVIATIONS .......................................................................................................... v
ABSTRACT ..................................................................................................................... vi
TABLE OF CONTENTS ................................................................................................. vii
LIST OF TABLES ........................................................................................................... xi

## CHAPTER ONE ................................................................. 1
INTRODUCTION ............................................................................................................ 1
  1.1 Back ground to the Problem .............................................................................. 1
  1.2 Statement of the Problem ................................................................................ 3
  1.3 Objectives of the Study .................................................................................... 4
    1.3.1 Main Objective .......................................................................................... 4
    1.3.2 Specific Objectives .................................................................................. 4
  1.4 Research Questions ........................................................................................... 4
  1.5 Significance of the Study .................................................................................. 4
  1.6 Limitations of the Study ................................................................................... 5
  1.7 Delimitations of the Study ................................................................................ 6

## CHAPTER TWO ............................................................. 7
LITERATURE REVIEW .................................................................................................. 7
  2.0 Introduction ......................................................................................................... 7
  2.1 Definitions and Concepts of microfinance loans and livelihoods ................... 7
    2.1.1 Microfinance .............................................................................................. 7
    2.1.1.1 Origin of microfinance ......................................................................... 8
    2.1.1.2 Microfinance Lending Models .......................................................... 8
    2.1.2 Micro business .......................................................................................... 9
    2.1.3 Livelihood ................................................................................................. 10
4:1:2 Distribution of Micro business owners by sex (n=400) ................. 38
4:1:3 Micro business owners’ status ..................................................... 39
4:2:4 Micro business owners level of education .................................... 40
4:2:3 Management respondents .......................................................... 41
4:3 Findings and Discussion ................................................................. 41
4:3:1 Research question number one .................................................... 42
4:3:2 Research question number two .................................................... 45
4:3:3 Research question number three .................................................. 50
4:3:4 Research question number four ................................................... 53

CHAPTER FIVE ...................................................................................... 58
RECOMMENDATIONS AND CONCLUSION ......................................... 58
5:1 Recommendations ......................................................................... 58
5:2 Conclusions .................................................................................. 59
REFERENCES ....................................................................................... 61
QUESTIONNAIRE FOR THE MANAGEMENT ........................................ 66
AKIBA COMMERCIAL BANK ............................................................... 66
QUESTIONNAIRE FOR ACB MICRO LOANS LIENTS ......................... 68
LIST OF TABLES

Table 3:1 Sample size distribution by percentage (no=403) ........................................ 30
Table 4:1 Percentage distribution by age of respondents (n=400) ................................. 37
Table 4:2 Percentage distribution by sex (n=400) ......................................................... 38
Table 4:3 Percentage distribution by status (n=400) ...................................................... 39
Table 4:4 Percentage distributions by level of education (no=400) ............................... 40
Table 4:3 Percentage Distribution - Management staffs (no=3) ....................................... 41
Table 4:4 Business activities distribution by percentage (n= 400) .................................. 43
Table 4:5 Distribution Model by percentage (no=400) .................................................. 46
Table 4:5 The ACB microfinance loans structure (solidarity micro loans) ..................... 48
Table 4:6 The ACB microfinance loan structure (Biashara micro loans) ....................... 48
Table 4:6 Interest rate and other costs grading by percentage (no=400) ......................... 49
Table 4:7 Contribution distribution by Percentage (no=400) .......................................... 50
Table 4:8 Distribution of the answers by percentage (n=400) ........................................ 54
LIST OF TABLES

Figure 2: The link between the MFLs and the Livelihood of MBOs .................. 25
Figure 4: Business activities distribution chart by number of respondents (no=400) ........................................................................................................ 44
CHAPTER ONE

INTRODUCTION

1.1 Background to the Problem

The experience and different studies conducted in Tanzania show that the level of poverty in the country is high. Many Tanzanians still lack basic necessities such as sufficient food, clean water, health services, proper education, housing and employment.

According to African Economic Outlook Report, (2013) “lived Poverty” in Tanzania has increased over the past ten years. The report has surprisingly shown that though the economy of the country is growing, the only people who benefit are only the wealthy, living the poor stuck in poverty or even getting poorer. The report also shows that going without some basic essentials is more common in Tanzania than in most of the rest of Africa. It shows that 62 percent of Tanzanians lived without clean water in 2012 which was 49 percent across Africa, 71 percent of Tanzanians went without medicine which was an average of 53 percent across Africa and 55 percent of Tanzanians had no enough food which was an average of 50 percent across Africa.

From Prof. Ibrahim Lipumba report, (2013) delivered during the Exclusive Development Forum, shows that 65 percent of Tanzanians live below poverty line. He added that the Tanzanians are poor because of unemployment and difficult living conditions. Education is also the main source of poverty in the country and people have no culture of thinking about self-employment.

The report released by UNICEF, (2009) “Childhood Poverty in Tanzania” shows that 6 million of children of 0 to 14 years live below the basic needs poverty line and 3 million of the children of the same age live below the food poverty line. The report also shows that about one in three Tanzanians lives in poverty unable to meet the cost of essential food and other basic necessities like clothing, healthcare and shelter. At the same time, one in six Tanzanians lives in household so poor that getting food is real a challenge.
Today the above situation has brought pressure, confusion and has become a major challenge to poverty reduction and therefore people are now woken up and are aware of what is real going on and so work out from dawn to sunset finding solutions to sustain their lives. Many people are found in every angle of the country establishing micro businesses which they take it as a necessary issue which needs attention and paramount importance in sustaining their social- economic development.

However the growth and development of these micro businesses have depended much on the support of the microfinance loans which have been taken as a tool to improve the businesses. Therefore today many micro business owners in Tanzania are seen most of the time visiting to one financial institution door after another to search for micro loans capital to contribute to their efforts to nourish their own businesses in order to improve upon their livelihood.

According to Severine S.A Kessy and Fratern M. Urio, (2006) microfinance is observed to be critical and effective element in reducing poverty particularly in developing countries and Tanzania in particular since they have given a light to manage the life of the poor to positive ways. From the information which was taken from the MFIs and the clients by the above researchers, shows that the microfinance institutions have enabled the poor to develop their micro business, enhance their well being, accumulate assets, increase capital and income, hence have reduced the poverty level by the great contribution done to their business development.

On the other hand one of the major and necessary programmed strategies set in Tanzania to achieve the Millennium Development Goals-2015 (MDGs-2015) is to advocate the importance of access to microfinance services including micro loans (microcredit) facility. This approach has been campaigned to enhance the achievement of the sustainable poverty reduction and enabling the rural and the urban poor transform their livelihoods (World Leaders Millennium Goals Summit, 2005).
1.2 Statement of the Problem

Since the introduction of Microfinance Loans in Tanzania, which has been stressed to have emerged over the past thirty years (TAMFI Report, 2011) and which has also been viewed as the significant and alternative strategy to poverty reduction in the country, many people particularly the micro business owners in Tanzania residing in rural and in urban areas in a large part, are said to have accessed the loan facility and have shown that the facility has a great impact in raising their living standards considering that these loans have provided them with the stable source of capital to grow and develop their businesses.

According to Altemius Millinga, (2011) report on “The state of microfinance in Tanzania” published by Tanzania Association of Microfinance Institutions (TAMFI) shows that microfinance plays a vital role in reducing poverty in the country and has shown positive results in many counties including Tanzania. He also added that many financial institutions have been concentrated much in urban places where there is access to market and leaving the huge number of the people living in rural areas deprived of this facility.

Studies conducted by different scholars have in a great part showed that there has been inadequate access to loan facility to Micro and Small business owners especially in rural areas of Tanzania, there has been small coverage, improper training to borrowers and also the costs related to the process are higher. Furthermore, most studies concentrated on microfinance issues related to women empowerment since in different societies women are the most poor than the men.

However this study is designed to move beyond these findings and identify the nature of micro businesses conducted in Tanzania, show the models used for lending and situations which the Microfinance Loans play great roles on livelihood of Micro Business owners in Tanzania.
1.3 Objectives of the Study

1.3.1 Main Objective
To assess the impact of microfinance loans from Akiba Commercial Bank on livelihood of micro business owners in Tanzania

1.3.2 Specific Objectives
(i) To identify the types of micro businesses conducted by micro business owners in Tanzania
(ii) To examine the interest rates and other costs charged by the bank and criteria in accessing the micro loans
(iii) To evaluate the contribution of income generated from financed business on the livelihood of micro business owners in Tanzania
(iv) To indicate the challenges associated by micro loans to both the bank and micro business owners

1.4 Research Questions
(i) What are the micro businesses conducted by the micro business owners in Tanzania?
(ii) What are the interest rates and other costs charged by the bank and criteria in accessing the micro loans?
(iii) What are the contributions of income generated from financed business on the livelihood of the micro business owners in Tanzania?
(iv) What are the major challenges associated by micro loans to both the bank and the micro business owners?

1.5 Significance of the Study
First, the study will offer an opportunity to both the bank and its beneficiaries in assessing and evaluating the extent to which the loans provided are viable and will help to identify areas for improvement and set up a proper criteria and mechanism guiding the microfinance loans services.
Second, it will shed light on the relationship between the microfinance loans services and the growth of the micro businesses focusing on the livelihoods of the micro business owners, hence will help the micro lenders, government and other agencies to formulate suitable policies which are favorable and applicable to the growth of the micro businesses and supportive to national economy.

Third, it will add new knowledge in identifying alternative interventions through which experienced challenges facing the bank and the micro business owners will be solved and therefore bring about efficiency and effectiveness in their business daily performance.

Forth, the study will set a base on which short and long term poverty alleviation strategies will practically be implemented and attained within a country and will also help the non borrowers to realize the importance of micro loans in enhancing livelihoods of the people and therefore support the government efforts towards achievement of successful and sustainable micro loans services in Tanzania.

Finally, the set study will offer the milestone solutions for sustainable growth, development and expansion of the micro businesses in which case win to win assumptions will materialize.

1.6 Limitations of the Study
Due to limited time frame and other financial constraints, the study under this research will be conducted in only one Bank that is Akiba Commercial Bank, involving its three large branches of Kijitonyama, Buguruni, Ubungo and one of its medium branch of Mbagala. These branches will be used as they are the ones with large number of clients and serve the most micro borrowers who in large part live at the peripheral places in Dar-Es-Salaam, therefore the data which will be collected will cover, reflect and generalize the real situations of other clients served in other branches at ACB and Tanzania in general.
1.7 Delimitations of the Study

In order for this study to be carried more effectively and efficiently, I will set some few days in a week especially during the weekends and visit the four branches selected for carrying out this study to meet and hold discussion with the clients, as it is also easy to meet them since on week days most of them are busy with their businesses so making difficult to hold discussion with them.
CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter gives the review of definitions of the key terms used in this research study and presents the ideas and views of different people who through their research studies came out with the findings that microfinance loans contribute a tremendous roles in enhancing the livelihoods of the people, particularly the micro business owners with access to micro loans in different societies of the world. The main goal in this chapter is to identify gaps in literature concerning the impact of the microfinance loans on the livelihoods of the micro business owners in Tanzania. The literature however involves the issues of accessibility to micro loans, different costs related to the loans, and roles played by the micro loans to improve upon livelihoods. Moreover, in this chapter the term microfinance will take a wide chance since micro loans are one of the major microfinance service. Therefore there is no way one can talk of the roles of micro loans in social economic development without involving the issues of microfinance which goes hand in hand with Microenterprise Development.

2.1 Definitions and Concepts of microfinance loans and livelihoods

This sub chapter briefly elaborates the meaning of the different terms as used in this research study and clearly shows how the concepts are established to link with each objective of the study.

2.1.1 Microfinance

According to United Nations Capital Development Fund (UNCDF) Microfinance refers to “the provision of financial services to low income poor and very poor self-employed people”. Therefore with microfinance, we can clearly refer it as provision of micro credits to low income earners to sustain their micro businesses. It is the
provision of the wider range of financial and support service to the low to moderate income earners living in poor conditions.

With the meaning of the term microfinance, one can therefore say, “Micro loans are very small loans to micro business owners and others living in poverty that is not considered bankable”. The impact of microfinance loans on the livelihoods is focused in terms of changes to livelihoods assets and the use of livelihoods assets to cope with vulnerability. Therefore the provision of microfinance loans helps the poor to look for the ways they can protect their lives and build up a society with strong economy.

2.1.1.1 Origin of microfinance
The origin of current microfinance practices is stress back to 1983 where by Grameen Bank in Bangladesh which is considered to be the first modern microcredit institution was found by Professor. Muhammad Yunus. He began his project using his own money to deliver small loans at small interest rates to the rural poor at the small town called Jobra. The Grameen Bank was then followed by other organizations like Bangladesh Rural Advancement Committee (BRAC) in 1972 and Association for Social Advancement (ASA) in 1978. Microcredit then reached Latin America with the establishment of Fundacion para la Promocion y el Desarrollo de la Microempresa (PRODEM) in Bolivia in 1986. Then microcredit spread all over and became popular as an economic development tool especially in third world countries. However in 2006, Professor Muhammad Yunus was awarded a Nobel Peace Prize as recognition for his good works of providing microcredit to the poor (Grameen Bank, Wikipedia, the free encyclopedia)

2.1.1.2 Microfinance Lending Models
There has been different microfinance lending models practiced all over the world. Among the models mentioned are together with, Associations where the target community forms an association and all microcredit activities are initiated; Bank guarantees where a bank guarantee obtains a loan from a commercial bank and the loan is given to an individual or a self formed group. Other models are like
Community Banking, Cooperatives, and Credit Unions, Grameen model, group and individual lending models and others like Non Governmental Organizations and peer pressure lending model (Grameen Bank Report). However in developing countries like in Tanzania, lending models like Community banking, Non Governmental Organizations, Group and individual lending are said to be more common in different places of the country (Akiba Commercial Bank)

2.1.2 Micro business
As defined by Lloyd Lemons “A micro business is the smallest of all businesses, created by a self-reliant person who often considers himself a survivor, for the purpose of making a living and making a life, and whose goal is not necessarily wealth and worldly goods, but rather a sustainable enterprise that can provide for the comfortable wellbeing of the owner and his family. He further explained that this definition is intended to give micro business owners something to hang our hats on.

Lemons also explain that the micro businesses have come in to existence as a result of the following reasons;

Corporate Dropout, where by the owner has developed distance for the corporate life, and yearns for something smaller, simpler, and more personally gratifying. He or she starts a micro business. Qualifications; here the owner can be either overqualified or under qualified to do a particular job and therefore will not be hired by the corporation so decides to create her own job by starting a micro business. New life retirees; this applies to those people who have retired bus still want to be creative, productive citizen, therefore micro business is the ideal “New-life” vehicle. Unemployable, this may be for those who have not been employed due to some reasons of age, education, health or physical limitations. Entrepreneurial; under this the owner is a dreamer, a thinker so comes out with an idea of creating something better for his or her own. Other reason are together with home business where the owner wants to stay close to the home and starts a business near in order to take care of other family issues at his or her disposal and can be also as an accidental entrepreneur or lifestyle where the owner wants to have more control in his or her life. (Http: knoll. google. com/k/what-is-a micro business#)
2.1.3 Livelihood

The definition which was provided by Lasse Krants, (2001) basing on the study of The Sustainable Livelihood Approach to Poverty Reduction, which he drives from the proposed definition of Robert Chambers and Gordon Conway, (2001) “A livelihood comprises the capabilities, assets (stores, resources, claims and access) and activities required for a means of living: a livelihood is sustainable when can cope with and recover from stress and shocks, maintain or enhance its capabilities and assets, and provide sustainable livelihood opportunities for the next generation; and which contributes net benefits to other livelihoods at the local and global levels and in the short and long term.

He provides another recently definition by the Institute for Development Studies (IDS) and British Department for International Development and says “A livelihood comprises the capabilities, assets (including both material and social resources) and activities required for a means of living.

2.2 Empirical Literature Review

Different studies have been conducted all-over the world to analyze the growth, Development, Performance and the contribution of microfinance services on the efforts to raise the living conditions of the people and reduce poverty.

2.2.1 Empirical Literature Review in Tanzania

This sub section represents the ideas, opinions and views of different researchers who conducted their research studies in Tanzania to gain information about the impacts of microfinance services and particularly micro loans on social economic development of the micro borrowers and its effects in enhancing livelihoods and reducing poverty among the people.
According to Bank of Tanzania (BOT) Financial Stability Report, (2013), Microfinance operates under three major categories. These are formal MFIs which are deposit taking and are subjected to prudential regulatory oversight by the bank, The Semi formal MFIs which are formally licensed but are subject to limited regulatory oversight including Savings and Credit Cooperative Societies (SACCOS), Credit only companies and Financial NGOs. The other group is Informal MFIs which are community based organizations and are not subjected to any regulatory oversight like self regulated institutions including Village Community banks (VICOBAs) Rotating Credit and Savings Associations (ROSCAs) and Village Savings and Lending Associations (VSLAs).

At the same Financial Stability Report on March, (2013) Under **Micro-Lending in the Banking System** in Tanzania, showed that there were 516,167 microloans borrowers with the Total Outstanding Microloans amounting 1,978,313 millions TZS involving industrial sectors like Manufacturing, Services, Small Scale Agriculture and Trade.

Paul J. Salia and Jonathan S. Mbwanbo, (2014) on their study which involved three major cities of Tanzania, those are Dar –Es –Salaam, Arusha and Mwanza, which was to investigate whether the microcredit has an effect on the performance of women engaging in microenterprises, revealed that the businesses of the women who had borrowed were performing well on total sales revenue and business net worth compared to the businesses of the non borrowed. Therefore say the microcredit plays a vital role in reducing poverty among women from the income they generate in micro activities they are engaged to.

The tremendous findings observed by Kessy, S. and Temu, S.S (2010) based on “The impact of Training on Performance of Micro and Small Enterprises Served by Micro Institutions in Tanzania” shows that there is a great relationship between Training and Micro and Small Enterprises Growth. This has been fundamentally recognized worldwide and Training becomes a major tool contributing in attaining significant achievement in micro and small enterprises. The two add that training adds skills of
the Micro and Small Enterprises Owners change their behavior on how to conduct their business activities, contributes to the knowledge of mastering the competitive business environment, and provides the management techniques and therefore in turn contributes to their ability to perform well in businesses.

According to the study which was also conducted by Kuzilwa, (2005) with regards to the role of credit for small business success, which he focused on the National Entrepreneurship Development, brings out the findings that there is a positive impact to the performance of small and microenterprises in Tanzania. He explains that from the study findings, there shows that the access to credit has increased the output and the enterprises which receive training perform well in business while those with no training have poorly performed.

The studies on Women Empowerment through Microfinance evidenced in Tanzania in 2013 have shown that women have traditionally been placed in low position as compared to men. The traditions and customs in Tanzania made women poor since they were to stay at home and were not given chance to get education. Women were subjected to their husband’s decision hence were always behind in all aspects of life. Today empowerment of women is one of the main issues under the discussion and microfinance is also one of the major strategic tool in alleviate women from poverty.

Doctor Emmanuel John Nchimbi, (2011) on his study conducted in Dodoma Urban which was intended to analyze the poverty situation and trend among the borrowers for the purpose of understanding the extent to which micro credit plays its role as an instrument of poverty alleviation and provider of basic needs and analyzing the economic activities of borrowers and performance of micro credit institutions in understanding the sustainability of the standard of living achieved through micro credit, had came out with the findings that micro credit plays an important role in alleviating poverty by mainlining and increasing provision of human basic needs and being instrumental in fostering income generating activities and promoting employment opportunities. His study also recommended having intervention in
providing other non-financial support to borrowers to enable them to make effective use of the loans and avoid turning back to higher poverty levels.

When interviewed by the Guardian on 4\textsuperscript{th} February 2014 on the issues examining the Interest Rates charged by the financial sector in Tanzania, Doctor Joseph Massawe who is the BoT Director of Economic Research and Policy stated that the decrease and increase of the interest rates is determined by the financial sector open market. He added that, the economy of the country operates through the open market where as the decrease on lending and the increase on deposits in interest rates depends on the financial market. The BoT director also said that, initially Tanzania had one of the highest interest rates ranging between 12 to 25 percent as was in Uganda. This has however shown that, the interest rates in Tanzania are not stable. Changes happen depending on the economic situations and the Central Bank of Tanzania is not involved in the operations rather its work is to monitor them. (The Guardian, 4\textsuperscript{th} Feb 2014)

\textbf{2.2.2 Empirical Literature Review in Africa}

This part shows the review of different research studies conducted in Africa basing on the roles played by microfinance loans and microfinance in general on the efforts to reduce poverty in African societies, and it involves the findings on how the diversification of the generated income contribute to improving lives of the people with access to microfinance services.

The studies which were carried out in Ghana by Quansah Philomina, et al (2012) which was to find out the influence of Micro finance and Small Loans Center (MASLOC) on small and medium scale enterprise in the Wa Municipality observed in the research that loans given out by MASLOC had improved the lives of the people since about 80\% of the people accessed these loans had been able to expand their businesses, had improved their profit margin and had obtained pretty improvement in their business activities and had improved their social life since the loans had positioned them in a good place to serve their families by providing their
children with good education and health hence have enhanced the livelihood and the social lives of the people benefiting to them.

Despite the positive roles played by microfinance loans in Ghana and the greater attention given to these loans by the providers of this service in the country, there are also some mentioned challenges associated by these loans. On their study, (Boakye P.K.O et al, 2012) concerning with Micro Loans and Micro Enterprises in Ghana, assessment on the players, roles and challenges associated by these loans, the major challenges which were stated by most micro enterprises are together with, high interest rate, longer time to access loans, shorter repayment period, shared responsibility for loan debt for those who are receiving micro loans in a group, high installment payment, lack of collateral, inadequate capital and the requirement which need them to save regularly. They further noted that for the great contribution of the micro loans to be achieved, there is a need to rectify these situations.

According to the study conducted by Muktar M, (2009) on “The role of microfinance banks in the promotion and development of entrepreneurship in semi urban and rural areas” found that in Nigeria credit has been recognized as an essential tool for promoting micro and small enterprises. His study showed that about 70 percent of the populations engage in the informal sector or in agricultural production. The Central Bank of Nigeria recognized that, in order to have a sustainable growth and development, financial empowerment in rural areas is very crucial. Therefore his study results showed that microfinance plays a great role in promoting entrepreneurs who have no access to formal resources and this has shown the positive results to economic growth of the people living in rural and in urban areas.

In developing countries and particularly least developing countries, micro credit has become a much favored intervention for poverty alleviation. Many achievements have been observed on the impact of micro credit programs to these countries and outsiders have been wondering at the range of diversity of the benefits claimed. Various studies demonstrate that rapid and sustainable poverty reduction depends on
the interaction of a wide range of policy measures and interventions at macro and micro levels. (Ahmad, S, 2002)

The research paper taken from The Clute Institute International Business and Economics Research Journal, (2009) under the subject of “Poverty Alleviation and Microcredit in Sub-Saharan-Africa” analyzes the incidence of extreme poverty in Sub-Saharan-Africa in relation to socio-economic infrastructure of the region, its land tenure system, and particularly the growth of Microcredit and micro entrepreneurship. The analysis shows that the use of microfinance has reduced extreme poverty among the user of microcredit. The study also shown that the growth of micro entrepreneurship in the region has contributed to increase new employment opportunities, savings among borrowers and reduction of extreme poverty.

The study conducted to show the experience of microfinance in Ethiopia on the Dedebit Credit and Saving Institution (DECSI); shows that its program has had a positive impact on the livelihood of its client compared to the non clients. The study shoes that there had been great improvements on the lives of the people as noted over the last five years, which is from the year 2000 to 2004. The improvements were expressed in terms of gained income, consumptions and increased family assets. Improved aspects have also been seen to have helped them to secure more food and have been less shocked and stressed and to a great extent have managed to diversify in terms of income sources (Borchgrevink A, et al, 2005)

According to the report released in 2014 by Women’s Microfinance Initiative (WMI) which is a Charity Organization working under Aid for Africa and which has currently focused its efforts to rural areas of the two countries of Kenya and Uganda, basing on issues of Children, women and families, Community and Economic Development and Education has shown that its loan program has been very successful to the entire local village women as from 2008 to 2011 the program has managed to issue more than 2,500 loans to women in more than 150 villages with a 100 percent repayment rate. The Program also shows that, through the microloans issued, they have helped African women build assets so that they can stabilize their
income, raise their standards of living and reorient themselves and their families. In addition to that, they say “our small loans bring big changes to impoverished women, who use the money to begin or expand small businesses.” Therefore the program has contributed to empowering poor women in rural Africa to improve their lives through small business loans.

The news released on 5th January 2013, concerning the Microloan Foundation in Malawi when visited by Managing Director of the International Monetary Fund (IMF) Ms Christine Lagarde, shows that micro loans have positive impacts on the growth of the national economy as the people who accessed the loans had successful stories as some of them who talked to Ms Christine said that since their start to accessing micro loans, they managed to increase their profits, increase home assets like buying things like bicycles, have sent their children to secondary school and had also received training on how to conduct their businesses and pay back the loans.

2.2.3 Empirical Literature Review outside Africa

This part presents the literature review of the research studies conducted by different people all over the World to show how microfinance loans play the great roles in enhancing the livelihoods of the people living in poverty and its contribution towards the growth of their social economic development. The part explores how the largest providers of the microloans in the world are supporting the lives of the poor and shows the means the microloans are made available to the small entrepreneurs all around the world.

According to Sengupta and Aubuchon, (2008) There are nearly seventy million poor people who are getting benefits from 2,500 microfinance institutions in over one hundred countries with microfinance practitioners. This fact shows how microcredit is important and useful, and how a huge number of poor people are facilitated by the microfinance institutions. Under this reason it can clearly be observed that micro loans are effective tools in poverty alleviation as have been used as a means to support the growth of their income and strengthen their social economic status.
The most recent data which are taken in 2014 from Accion International which is a nonprofit organization and a world pioneer in microfinance found in 1961 and issued its first microloan in 1973 in Brazil, shows that, 86 million borrowers worldwide received $ 40 billion in microloans in 2008. At the same time Economists estimates that there are currently closer to 100 million borrowers mostly being small business owners in Africa, India and Central America using $ 50 billion in microloans to establish and grow their livelihoods. This however has shown that microloans has become an innovative new approach to making loans to people who have no access to traditional banking system as hundreds of thousands have managed to change their personal lives and communities in general.

Nichols, (2004) on his study which was to investigate on the impact of microfinance upon the poor lives of the poor in the rural China came out with the result that the involvement of the poor in the microfinance institutions program had brought a great impact in changing their living conditions. Their involvement to this program has led to the increase of their incomes, which in return have facilitated the expenses in education and health hence improved life standards. However the study explained that women were the most benefited people in this program and the accumulated data shows that the villagers had experienced the high level of wealth when participated in this program.

Report from the UNCDF, (2004) states that there were approximately 10,000 MFIs in the world but had only reached four percent of potential clients considered to be about 30 million people. Despite that the report had stated that many studies had shown that microfinance has had a very important role to play in development and had shown that microfinance plays three major key roles in development that it; helps the very poor households meet basic needs and protects against risks, associated with improvements in household economic welfare and it helps to empower women by supporting women’s economic participation and so promotes gender equity.
From (Swain & Wallentin, 2009) study on women empowerment and microfinance and the fact that microfinance institutions target women is that, women are good in credit risk, are also found to be less in misusing the loans and the benefits they obtain from the loans are shared by all members of the family. This is being observed when women are seen to have been taking care of their children most of the time even more than men would do.

In showing the potential roles played by Microfinance Loans Institutions, the Microcredit Summit Campaign Report, (2007) released by ILO states that Over 3,300 Microfinance institutions reached 133 million clients with the microloans in 2006. From the report 93 million of the clients were among the poorest when they took their first loan. The 85% of the poorest clients were women. The same report in analyzing the role played by microloans it was observed that the microloans have helped to empower women, have helped to deliver newfound respect, independence and participation for women in their communities and their households. The ILO report also shown that by the end of 2006, microfinance services had reached over 79 million of the poorest women in the world. Therefore microfinance makes a significant contribution to the economic growth and sustainable livelihood of the people.

Research studies conducted in China on the roles of micro credit Companies by People’s Bank of China, (2010) have also shown that micro credit plays great roles as most of them have supported sustainable economic growth where by 28.37% of the micro credits they provide are directed to agriculture, 29.12% are directed to private enterprises. All these contributions show that micro credit has a great impact on the livelihood of the rural communities and the farmers.

Though it has been commonly asserted that, microfinance services have not been reaching the poorest people in the societies, some conducted studies still show that microfinance services including loans have been successful in many situations. Studies of Littlefield, Murdoch and Hashemi (2003) have shown that microfinance services contribute in increasing in income and assets and decreases in vulnerability
of microfinance clients.” This was done on references to projects of India, Indonesia, Zimbabwe, Bangladesh and Uganda which all show very positive impacts of microfinance in reducing poverty. For example, a report on a share project in India by (Jonathan Murdoch and Syed Hashemi, 2003) showed that three quarter of clients saw significant improvements in their economic well-being and that half of the clients graduated out of poverty.

Robinson M, (2001) a study on “The Microfinance Revolution: Sustainable finance for the poor” based on the sixteen microfinance institutions all over the world, have shown that access to microfinance services have led to an enhancement on the quality of life of clients as from the microfinance services most of them have managed to increase their self confidence, and have helped them diversify their livelihood security strategies and thereby increased their level of income. Other studies based on microfinance have also shown that credit facilities make a significant contribution in increasing incomes of the better-off poor including women and therefore has enabled the poor to cope up with the unpredictable shocks and emergencies (Mayoux, 2001)

A United Nations report, (2008) on the role of microfinance in the development of Africa shows that income of the poor people is considered not only low but also irregular. The report explains that there is a need for the poor people to be able to access the financial services in order to strengthen their social economic development. It also shows that many banks have neglected the poor as they find this market to be unprofitable. Despite those challenges, the report showed that microfinance sector is growing very quickly in Africa, but from a comparatively small base. It also showed that at the end of 2008, microfinance institutions in sub Sahara Africa reported reaching 6.5 million borrowers which is the tremendous achievement.

As was stated by Aneel Karnani (2007), most people lack skills, have no vision, not creative and persistent in carrying out entrepreneurial activities. Aneel adds that, this situation is not in only developing nations rather it is even in developed nations
where people have high levels of education an easy access to financial services. The point here is that, micro credit itself cannot work. There are other crucial factors which are important for it to be productive. These are like exposing poor people to basic entrepreneurial skills or experience to undertake these activities. Vijay Mahajan (2005) explained that micro credits are necessary but not sufficient if other required inputs like, identification of livelihood opportunities, business and technical training, establishment of market linkages for inputs and outputs, infrastructure system and others regulatory approvals are not present.

Studies from California as reported by Opportunity Fund which is the California’s leading micro lender show that, micro loans have a macro impacts in supporting the micro business owners as the micro loans have enabled them to meet their intended dreams, have contributed to the well-being of their families and have also created new jobs in their community and prestigious confidence that one can take care of his or her own life. In showing how prosperous are the microloans, Opportunity Fund sticks to the point that, micro loans are more than getting money. It is all about getting chance to succeed.

2.3 Theoretical Framework

The theoretical Framework for this study is based on different microfinance theories which show how micro loans have been examined as a viable and reliable tool for social economic developments in different societies of the world. Under this research study however different theories like, Microfinance Theory of Change “Take a loan or Save”, A Theory of Microloan Borrowing Rates and Defaults “Lending without access to collateral” and other two theories of developments which have embraced the formalization of micro credit in recent years. These include Neo-liberalism and Participatory development.
2.3.1 Microfinance Theory of Change (Take a loan or Save)

This is the simple theory where by a poor person goes to the microfinance provider and takes a loan or saves the same amount to start or expand the enterprise which in turn yields enough net revenue to make repayment of the loan with major interest but still be in a position to have sufficient profit to increase personal or household income which is enough to raise person’s standard of living (Chris Dunford, 2012) In order for this theory to be true the following are the three major steps which need to be taken by the poor person;

a) Take a loan from or save with a microfinance institution or any microfinance provider
b) Invest the borrowed money in a viable business and
c) Manage the business to yield major return on the investment

This is a very simple theory and it seems to be more viable to most world poor societies where people have no other alternative to make small business capitals than taking the micro loans from the microfinance institutions to support their projects and enhance their livelihoods.

2.3.2 A Theory of Micro Loan Borrowing Rates and Default

This theory is based on lending without having access to collateral. The developed model of lending and borrowing in this theory is based to the market where the lender has no access to physical collateral and where the borrower is heavily capital constrained. The following are the features which are involved in this theory.

1. The absence of access to physical collateral
2. Peer monitoring
3. Threat of punishment upon default and
4. Costly monitoring by lenders is used to determine the equilibrium borrowing rates

The focus of the this theory is on poor households to have an ability to accumulate savings and access credit and also focus on micro loans which are loans of very small amount that are extended to financially and socially disadvantaged borrowers by
institutions which may be categorized as banks, Non-Governmental Organizations, Credit Unions, Cooperatives, rural banks and non banks financial institutions. The lending model which is applied in this theory is group lending whereby the key assumption given to the group is that the group can not engage in production in the absence of loan and the loan therefore becomes attractive to the borrowers, hence the members of the group are subject to joint liability.

The authors view in this theory is that the interest rates to micro loans which are taken from the informal credit markets tend to be higher than borrowing rates from the formal credit markets. They further explain that, economists recognize the possibility that a large fraction of poor household who do not participate in credit markets may actually be credit worthy. Also the increase in loan size is more risk to default (Cheung, S & Sundaresan, S (2007). Therefore this theory is very important as it gives a light to micro borrowers to know their potential markets than just exposing themselves to the markets which are not profitable and ending up paying unnecessary interests which in turn cause them to default.

2.3.3 Neo-liberalism and Participatory development

The two theories have become popular in recent years. The main focus of the theories is based on significance of microcredit as fundamental tool in social economic development.

Neo-liberalism became a dominant theory of development in the 1980s and continues to be the theoretical motivation for influential organizations such as the World Bank and International Monetary Fund.

The theory ideology relies on individuals to make rational decisions that are in their best interests, and assumes that such decisions will lead to the betterment of society through the growth of the market.

Poverty reduction report which was published by the World Bank shows that private enterprises which are operating through the market are the main engine of
sustainable economic growth. Neo-liberalism is fundamentally about economics. Thus it is mainly focused on the betterment of the market, relies on the rational choices of individuals and the neo-liberals view their borrowers as clients. The theory does not take microcredit as an area of interest rather it becomes a neo-liberal construct when viewed as the formalizing an informal economy. It also suggests that when informal sectors are improved and when opportunities are given to the growth of formal businesses, the macroeconomic development is also improved.

Participatory development is focused on power and betterment of the community. It relies on the collective choices of groups and the societies. The theory also explains the connection between the participatory development and the micro credit. The involvement of the people in microcredit programs is the means of developing local communities since the microcredit allows the needs of the communities to be addressed. However Participatory Development theory considers the borrowers as beneficiaries.

From these theories it is clearly that micro credit can be theoretically motivated along a spectrum where in neo liberalism is at one extreme and participatory development at the other.

2.2 Conceptual Framework

The emerging of the microfinance loans in Tanzania has brought positive results in changing the lives of the poor people hence contributing a vital role to the growth of national economy. It is through microfinance services that the low income earners especially the micro business owners who are the part of the group are now managed to transform their low living standards to the better living conditions. MFLs have provided the micro business owners with the stable source of capital to grow and develop their micro businesses which in turn have increased their income, have solved the necessary family issues, like health, education, housing, employment and all other social-economic matters within the family.
Different programs and strategies like MKUKUTA, MKUZA and MKURABITA are currently implemented in the country as a means to improve living standards of the people, reduce poverty level and to promote sustainable national economy (Ministry of Agriculture, Food Security and Cooperatives).

Many challenges have been counted to have hindered the growth and the development of the micro businesses and thus becoming a stumbling block to the development of the many poor. The challenges which are associated are together with, inadequate markets for the products, poor transport system, insufficient capital, cheap imports, competition from themselves and different firms, improper training, high costs, poor terms, models and conditions to access credit facilities to improve their businesses.

However proper training and innovative programs are the major solutions in improving micro scale businesses in the country.
Figure 2:2:1 The link between the MFLs and the Livelihood of MBOs

**Intended group**
- Micro business owners in Tanzania

**Intended intervention**
- Micro loans from ACB bank

**Expected changes**
- Social economic circumstances due to MFL

**Expected Livelihood Outcomes**
- More income
- Increased assets
- Improved capabilities
- Improved food security
- Education
- Employment
- Reduced poverty

**Challenges Experienced**
- Improper training
- Poor terms, models and conditions
- Insufficient capital
- Inadequate markets
- Cheap imports
- Competition from

**Reasonable Interest rates and**

**Livelihood strategies**
- Favorable Government and Bank policies

25
CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

Research methodology refers to a philosophy of research process. It includes the assumptions and values that serve a rationale for research and the standards or criteria the researcher uses for collecting and interpreting data and reaching at conclusions (Martin and Amin, 2005:63).

Therefore this chapter presents the methodology describing how the study was conducted. The chapter includes; description of the Area of the study, research approach, Study population, Sample and Sample size, Sampling procedures, data collection methods and instruments, data analysis and anticipation of the study.

3.1 Area of the Study

This study was conducted at Akiba Commercial Bank including its three major branches of Kijitonyama, Ubungo, Buguruni and one of its medium branch of Mbagala. ACB was chosen for conducting this study because it is one of the major and a leading bank in Microfinance Services and one of the most successful Microcredit Banks in Tanzania.

Akiba Commercial Bank Plc (ACB) was established and commenced its banking operations in August 1997 as an initiative of over 300 Tanzanian entrepreneurs. The main reason of these founder members was to bind up together and find a way they can reach down and touch the lives of the previously un-banked and commercially underserved men and women of Tanzania. The bank works under the following Vision and mission; Its Vision is to be “The Tanzanian bank of choice for micro, small and medium enterprises and working families” under the Mission of “Providing a holistic range of innovative, customized banking solutions to Tanzanian micro, small and medium enterprises and households in the most efficient and
sustainable manner embracing the social and environmental interests of its stakeholders” As a committed bank, the following are the core values guiding the activities which are undertaken by the bank; These are team work, integrity, commitment, respect and socially responsible.

The following are the comprehensive range of loan and savings product as provided by the bank to cater for the financial needs of its customers. For savings product the bank offers savings bomba account, current account, fixed deposit account, zawadi junior account, biashara account, elimu account and golden account. For loan product, it offers solidarity group loans for micro entrepreneurs, biashara loans for micro and small entrepreneurs, corporate loans for medium enterprises, overdraft facilities for small and medium enterprises, salary based loans and home improvement loans. Other services which are provided by the bank are Trade Finance, ATM in all branches and to any of the member banks with Umoja Switch signpost and ACB Mobile banking. (info@acbtz.com)

The bank is incorporated in Tanzania under Companies Act 2002 as a public company limited by shares and is domiciled in Tanzania. It is also engaged in the business of banking and provision of related services and is licensed under the Tanzania Banking and Financial Institutions Act 2006. However the bank changed its name on 30th October 2013 from Akiba Commercial Bank Limited to Akiba Commercial Bank Plc.

According to ACB bank financial report which was approved on 28th August 2013 showed that the bank owns a Total Portfolio of TZS 63,080,526,795 equal to USD 39,673,287.29 with the 27,490 active clients with the loans. The bank is affiliated to Tanzania Association for Microfinance Institutions (TAMFI), and its Shareholders are ACCION International, SIDI, Erncon Holding Limited, Incofin CVSO investors, Inter-consult Ltd, Dutch development bank (FMO) which is the Entrepreneurial Development Bank, Parastatal Pension Funds (PPF) and Triodos-Doen Foundation and Hivos Triodos Fund Foundation. All these institutions have managed to come together since they share same vision and have agreed without being driven to
profits, to lift up the unprivileged Tanzanians who have no access to banking services provided that they have some business skills which can be supported in order to achieve sustainable social-economic development.

According to the Africa Banking Industry Customer Satisfaction Survey 2013 by KPMG, the audit firm, which was released by Daily News 29 November 2013, Akiba Commercial Bank, was ranked the first in pricing scoring 74.1 points. This indicated that the bank customers are well satisfied with the bank charges as well as its interest rate policy on both deposits and investment products. However the study was conducted in only one region of Dar-Es-Salaam, where there are a large number of micro business owners and it is where the ACB bank has got the large number of micro business clients. (www.acbtz.com)

3.1.1 Location

Akiba Commercial Bank Plc (ACB) operates within four regions of Tanzania namely Dar-Es-Salaam, Arusha, Kilimanjaro and Dodoma. The bank has 16 branches namely; Main branch, Kariakoo, Aggrey, Ilala, Mbagala, Temeke, Ukonga, Buguruni, Ubungo, Kijitonyama, Kinondoni, Tandale, Tegeta, Moshi, Arusha and Dodoma branches. The bank head quarter office is in Dar –Es-Salaam, Amani Place Building. The bank expects to open soon other two branches of Mwanza and Mbeya as a strategy to open up new opportunities for the bank growth. Under the Bank’s future strategic plans in next two to three years, is to open new branches in regions of Mtwara, Morogoro, Iringa, Tanga and Songea. However Dar- Es- Salaam region has remained to be the bank’s place with large number of branches and where is, almost three quarter of its clients live and conducts their business activities. (info@acbtz.com)

3.2 Research Approach

This study used both qualitative and quantitative data. The two sources of data, Primary and Secondary data sources were also used. Primary source was used to collect data from the Bank management and from the microloans clients served by
the bank. Secondary data involved information which was taken from different documentary readings related to the study. This included, Reports of trade associations, publications of International Organizations such as ILO, UNCDF and World Bank, Business and Financial Journals and other Government Reports. This source also used to collect data which are not at present and are useful for the relevant study.

3.3 Population
The research study population is known as a well defined collection of individuals or objects known to have similar characteristics. According to (Oswala E. C, 2001:55) the term population refers to the number of persons or objects covered by the study or with which the study is concerned. In other words, it is a set of people or items under consideration in a study. According to (Mbwambo et al, 2011) Population is a group of individuals, persons, objects or items from which samples are taken for measurement. However under this research study, all micro business owners receiving microfinance loans from Akiba Commercial Bank and the entire ACB management form the research population through which the sample was drawn from. The total number of 403 respondents were involved in this study, where as 400 respondents were micro business owners who receive the microloans from Akiba Commercial Bank living and have established their business ventures in Dar-Es-Salaam including 3 ACB top managers.

3.4 Sample and Sample Size, Sampling types and Sampling Procedures

This sub chapter represents the finite part of a statistical population whose properties are being studied to gain information about the impact of microfinance loans on the livelihoods of the all micro business owners in Tanzania. Since it is difficult to meet and collect the business information of all micro business owners with access to microfinance loans in the whole country, which may be due to some reasons based on economy, timeliness, inaccessibility of some of the population, it was therefore necessary to select a part of the population to gain the understanding of the intended research results. However this chapter has defined the terms sample and sample size,
and has shown the sampling procedures used to get the sample size needed in this research study.

### 3.4.1 Sample and Sample Size

As being discussed before, when one conducts a research study, it is almost always impossible to study the entire population that he or she is interested in. As a result, he or she uses samples as a means to gather data on the required information in that study. Hence a sample is a small group of cases drawn from and used to represent the large group or whole population under investigation. In other words, it is a subset of the population being studied.

Sample size is the number of people in the selected sample. Therefore this study was intended to cover 403 respondents in order to get the required information. Among the respondents, 400 respondents were Micro business owners who have access to microloans from ACB. From each large branch, the study involved 115 respondents, medium branch involved 55 respondents, and the other 3 respondents included the top Bank Managers of Akiba Commercial Bank.

**Table 3:1 Sample size distribution by percentage (n=403)**

<table>
<thead>
<tr>
<th>S/N</th>
<th>Respondents</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Micro Clients</td>
<td>400</td>
<td>99</td>
</tr>
<tr>
<td>2.</td>
<td>Bank Managers</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>403</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Research findings, 2014
3.4.2 Sampling Types

Sampling is the process of selecting elements from the total population in such a way that the sample elements selected represent the total population. It is the act or technique of selecting a suitable sample, or a representative part of a population for the purpose of determining parameters or characteristics of the whole population (Mbwambo et al, 2011). Therefore in research the sample should be a representation of the total population such that as much as possible, most characteristics of the population should be represented in the sample selected (Martin, E. Amin 2005:67)

However under this study the two different sampling types were used. Simple Random sampling and Purposeful Sampling. Random sampling was used in order to avoid bias among the microloans respondents. This was also useful since every respondent with access to microloan was given an equal chance to be selected. Purposeful Sampling was used for the part of Management in order to get the targeted number of the bank managers who can give a quick and targeted data in deep in order to get the intended information. The selection of the samples was done considering the following factors; time frame of the study, financial resources, coverage of the micro business owners receiving microfinance loans from Akiba bank, accuracy of the information needed, reliability and precision of information.

3.4.3 Sampling Procedures

To get the sample, the researcher went through the following procedures.

(i) Obtained the list of all micro business owners receiving the microloans from Akiba Commercial Bank in each of the four branches which were chosen. This included the list all micro borrowers in solidarity or group micro loans and the list of all micro borrowers in biashara loans that is those receiving microloans as an individual. This was done by the help of the head of products under commerce department.
(ii) Picked the number of micro business owners basing on the size of the branch under which a study had to be conducted. Simple random sampling was involved.

(iii) Selected the number of managers of the bank basing on the information which was required to be collected. This was done through purposeful sampling.

3.5 Data Collection Methods and Instruments

These are the tools used in a research to collect data. The choice of the methods for collecting data depended on the variables which were to be measured, the sources and the resources which were available. Therefore this sub-section provided guidance for selecting data collection methods in relation to the data type and source, and gave some indications of what types of data were being collected simultaneously.

The following methods and instruments were used to collect data in this study.

i) Documentary Analysis

This method was used to collect information from different published reports like newspapers, bank’s financial reports, business journals, surveys, different author’s microfinance books and other online reports which were relevant to this study. The method was also used as a benchmark against which the findings of this study were tested and were also used for reference purpose.

ii) Interview

This method was used to collect data information from ACB management and involved a dialogue with the two product managers in commerce department. Structured interview questions were prepared to suit the purpose of study in relation to the research objectives. This method however was helpful since from the dialogue
the researcher managed to gather the information which showed the real situations in
the provision of micro loans to micro business owners and highlighted how these
micro loans have touched the livelihoods of the low income earners who are the
mostly known to be the marginalized people in the country.

iii) Questionnaire

This instrument was used to collect information from Akiba Commercial Bank
Management and from the micro business owns receiving micro loans from ACB.
The prepared questionnaires were administered to 400 micro business owners and to
1 top manager from the management of the bank. The questionnaire involved both
closed and open ended questions. The closed ended questions helped the respondents
to give answers to the asked questions in a short time while the open ended questions
enabled the respondents to give more elaborations on their information. However this
tool was developed in a way that it was helpful to gain the understanding of the
impact of the microfinance loans from ACB on the livelihoods of the micro business
owners.

3.6 Data Analysis.

The analysis in this study was done through comparisons between the Microfinance
loans from ACB bank and the livelihoods of the Micro business owners. This
comparison showed how micro loans impact the livelihood of the micro business
owners and also showed different variables such as household income, food security,
household assets and other livelihood characteristics required for a means of living.
Simple excel and other data presentation methods like the use of word form,
frequencies, percentages, tables, charts and graphs were involved. Data presentation
and Analysis was done on the bases of research objectives particularly the specific
objectives.
3.7 Measurements

This part describes how the researcher has developed the techniques or instruments to establish the validity and reliability of the data. It gives the meaning of the two concepts of validity and reliability. Thus this part requires that the tool which is used to collect data is valid and reliable. It shows the outcome measures on dependent variables and thus it helps the reader to gather detailed information on the research discussions. Therefore the research study findings, conclusion and recommendations depend heavily on the validity and reliability of the methods and the instruments used by the researcher in collecting data.

3.7.1 Validity of the data

The term validity refers to the extent that the measurement which is used in the study does the work which is intended to do. The data that are collected do not just need to be reliable but also need to be true and accurate. If the measurements which are used are valid they are also reliable. However measurement can be reliable but not valid. One can only determine the validity of the instrument if the information collected can be quantified. (Wiki Educator)

However to ensure the validity of this study method like documentary analysis, interview and instruments like questionnaire and interview question guide were prepared and used in a way that they suited the intended outcomes of the study. The secondary data were taken from relevant studies which showed how micro loans impact the livelihoods of the people and the questionnaires were distributed to small business owners from four branches of ACB to collect the data which showed relationship between the micro loans from ACB and the livelihood of the people.

3.7.2 Reliability of the Data

The term reliability refers to the consistence, stability or dependability of the data. Whenever an investigator measures a variable, she or he wants to be sure that the
measurement provides dependable and consistent results. A reliable measurement is one that if repeated for the second time will give the same results as it did the first time. If the same measurement is used and gives different results then the measurement is unreliable. (Wiki Educator)

Therefore to ensuring the consistency in this study which intends to produce the same result when tested by other researchers or observers, documentary analysis method, interview question guide and questionnaires were wisely chosen and prepared to support the data collection and linked with the research objectives and questions. So this study showed out the outcomes of the microfinance loans on the livelihoods of the micro business owners and the expectations is that when someone else will use the same tools within this same study the same results will be obtained.
CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4:0 Introductions

This chapter analyses, interprets and presents the findings obtained from the study conducted at Akiba Commercial Bank in Dar-Es-Salaam region from the 1st May to 31st July 2014 basing on the objectives of the study put in line with the research questions. However, this chapter is basically showing how livelihoods of the micro business owners in Tanzania have been impacted by the micro loans offered by Akiba Commercial Bank.

The use of descriptive statistics such as the use of frequencies, percentages, graph charts and tabulation is involved to show the relationship between variables.

4:1 Basic information about respondents

This sub chapter analyses the characteristics of the respondents and gives the general picture of the intended purpose of the study with the reflection of the impact of the microfinance loans to livelihoods of micro business owners in Tanzania.

4:1:1 Micro business owners distribution by age (n=400)

The data which were taken from the conducted study at Akiba Commercial Bank show that the age of 400 micro business owners involved in the study range from 18 to 57 years old. This resulted because; in Tanzania a person is considered to have been matured in the age of 18 and continuous to be considered energetic to the age of 60 years. The result of the study also shows that 107 respondents were in the age of 18 to 25 years, 134 respondents were in the age of 26 to 33 years, 68 were in the age of 34 to 41 years, and 51 were in the age of 42 to 49 and 40 other clients aged from 50 to 57 years.
Table 4:1 Percentage distribution by age of respondents (n=400)

<table>
<thead>
<tr>
<th>S/N</th>
<th>Age Group (years)</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>18-25</td>
<td>107</td>
<td>27</td>
</tr>
<tr>
<td>2.</td>
<td>26-33</td>
<td>134</td>
<td>33</td>
</tr>
<tr>
<td>3.</td>
<td>34-41</td>
<td>68</td>
<td>17</td>
</tr>
<tr>
<td>4.</td>
<td>42-49</td>
<td>51</td>
<td>13</td>
</tr>
<tr>
<td>5.</td>
<td>50-57</td>
<td>40</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>400</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Research findings, 2014

The results above show that, 360 respondents who are the (90%) of all micro business owners who were involved in the study range in the age of 18 to 49 years old. This result shows that the great number of the micro business owners receiving micro loans from Akiba Commercial Bank is consisted of young and energetic people. In reality this result is viable because in Tanzania people who are in this age, are still struggling for making good life for example buying immovable assets, building houses creating income based projects and have more responsibilities to take in their families than the people who are above forty nine.
**4:1:2 Distribution of Micro business owners by sex (n=400)**

The results of the study show that, among 400 micro business owners involved in this study, 232 of them were female and 168 were male.

**Table 4:2 Percentage distribution by sex (n=400)**

<table>
<thead>
<tr>
<th>S/N</th>
<th>Sex</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Male</td>
<td>168</td>
<td>42</td>
</tr>
<tr>
<td>2.</td>
<td>Female</td>
<td>232</td>
<td>58</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>400</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Research findings, 2014

The above results show that women participate more in micro business activities than men as 58% of the total 400 micro business owners responded in this study were women while 42% of all 400 respondents were male. This is because women are the most targeted people in different societies as they are more reliable borrowers and in most cases they tend to direct the loans they take to productive projects and repay them promptly. The justification of this is drawn from the report from Grameen Bank in Bangladesh which shows that roughly 70% of the 1.3 billion people living under one dollar a day around the world are women; and the Grameen Bank shows that over 98% of its clients are also women.
### 4:1:3 Micro business owners’ status

The findings from the study show that among the four hundred micro business owners reached and who are receiving the micro loans from ACB, 267 were married, 25 single and 108 were single parents.

**Table 4:3 Percentage distribution by status (n=400)**

<table>
<thead>
<tr>
<th>S/N</th>
<th>Status</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Married</td>
<td>267</td>
<td>67</td>
</tr>
<tr>
<td>2.</td>
<td>Single</td>
<td>25</td>
<td>6</td>
</tr>
<tr>
<td>3.</td>
<td>Single parents</td>
<td>108</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>400</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Research findings, 2014

The results above show that the large number of the micro borrowers of ACB is married people and this reflects that, this group of people is more responsible to the society and from it the level of poverty can easily be examined as the group touches the real lives of the people from the bottom line of the family, hence making it easier to show impacts of the micro loans to their livelihoods.
4.2.4 Micro business owners level of education

The results of the study show that out of 400 micro business owners reached in Dar-Es-Salaam region and who are receiving micro loans from Akiba Commercial Bank, 344 of them have attended primary education, 36 attended secondary education and 20 reached college level.

Table 4.4 Percentage distributions by level of education (no=400)

<table>
<thead>
<tr>
<th>S/N</th>
<th>Level of Education</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Primary level</td>
<td>344</td>
<td>86</td>
</tr>
<tr>
<td>2.</td>
<td>Secondary level</td>
<td>36</td>
<td>9</td>
</tr>
<tr>
<td>3.</td>
<td>College level</td>
<td>20</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>400</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Research findings, 2014

The findings above show that the high percent of the respondents attended primary education, while only few of them went for further education after accomplishing primary education. This shows that most people in Tanzania who engage themselves in micro business are those who have low education and have not managed to generate large income as they lack proper knowledge and skills to create large capitals for large business ventures.
4:2:3 Management respondents
This study involved only three management staffs of Akiba Commercial Bank, where as one staff was in top management level and the other two staffs were middle level managers.

Table 4:3 Percentage Distribution - Management staffs (no=3)

<table>
<thead>
<tr>
<th>S/N</th>
<th>Management Staffs</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>General Manager</td>
<td>1</td>
<td>33</td>
</tr>
<tr>
<td>2.</td>
<td>Middle level Managers</td>
<td>2</td>
<td>67</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>3</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Research Findings, 2014

4:3 Findings and Discussion
This sub chapter presents the results of the research study conducted at Akiba Commercial Bank, involving its micro borrowers at Dar-Es-Salaam Region, carrying the general objective “The Impact of Microfinance Loans from Akiba Commercial Bank on the Livelihood of Micro Business Owners in Tanzania. The discussion shows how have the micro loans play the great role in the livelihoods of the people, and how challenging the lending process is to the both the bank and the micro borrowers, and how effectively can these loans be managed to carter the needs of these borrowers.
4:3:1 Research question number one

➢ What are the micro businesses conducted by micro business owners in Tanzania?

In this research study findings, the main micro businesses which are conducted by most micro business owners in Tanzania and which have been identified by the part of management staffs of ACB and its micro borrowers in Dar-Es-salaam region are together with food vending businesses, Petty businesses (like selling fish, tomatoes, vegetables, onions), Tailoring, Local brews, Retail shops, cloths selling, stationeries, Pottery, fish mongering, Small saloons, barber shops, Hair salons, Small groceries, arts and small scale agriculture.

However the micro borrowers of Akiba Commercial Bank in Dar-Es-Salaam region are found to engage themselves mostly in food vending businesses, Petty businesses, Tailoring, Retail shops, Groceries, Cloths selling (read made and second hand cloths-Mtumba), Charcoal selling, and Saloons. The respondents have explained that, they have mostly engaged themselves in these activities because of the hardships of life which have made it necessary for them to look for the alternative ways which can support generate household income to undertake family responsibilities. They have also explained that in Dar-Es-Salaam these activities have been possible to undertake because in this region most people are depending much on cash generated from employment jobs and also many have immigrated from rural areas making the population of the region to be high, hence depending much on small businesses to support their families.
Table 4:4 Business activities distribution by percentage (n= 400)

<table>
<thead>
<tr>
<th>S/N</th>
<th>Business activity</th>
<th>Number of Respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Food vending</td>
<td>168</td>
<td>42</td>
</tr>
<tr>
<td>2.</td>
<td>Petty businesses</td>
<td>86</td>
<td>22</td>
</tr>
<tr>
<td>3.</td>
<td>Tailoring</td>
<td>37</td>
<td>9</td>
</tr>
<tr>
<td>4.</td>
<td>Cloths selling</td>
<td>24</td>
<td>6</td>
</tr>
<tr>
<td>5.</td>
<td>Charcoal selling</td>
<td>23</td>
<td>5.8</td>
</tr>
<tr>
<td>6.</td>
<td>Salons</td>
<td>17</td>
<td>4</td>
</tr>
<tr>
<td>7.</td>
<td>Retail shops</td>
<td>13</td>
<td>3.2</td>
</tr>
<tr>
<td>8.</td>
<td>Groceries</td>
<td>32</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>400</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Research findings, 2014
Figure 4:1 Business activities distribution chart by number of respondents
(no=400)

Source: Research findings, 2014
The above table and graph charts show that the great number of micro business owners in Tanzania, and who are receiving micro loans from Akiba Commercial Bank in part of Dar-Es-Salaam region, are engaging themselves in food vending which takes almost 168 (42%) of the total respondents and petty businesses which takes 86 (22%) of total 400 respondents receiving micro loans from ACB.

4:3:2 Research question number two

➢ What are the interest rates and other costs charged by the bank and criteria in accessing the micro loans?

i) Microfinance loans accessing model in Akiba Commercial Bank

From the research results which were taken from the management of Akiba Commercial Bank and from the micro borrowers show that the access to micro loans from the bank is applied to two models;

Solidarity Model which requires the borrowers to organize themselves in a group of five to six, who know each other in business and residency places and agree to guarantee each other in a group as a means to secure the micro loans they receive from the bank. The study findings have also shown that in order to have an access to solidarity micro loans every member of the group has to own his or her own business and every member has to guarantee the loan with very simple securities like household items recognized as the collaterals but owned by the group. The management of Akiba Commercial Bank also explained that, the bank has focused more in this product because it is easier to meet many poor who have no means to secure their loans as they lack collaterals as eligibility criteria for large loans.

Another model is biashara micro loans in which micro borrowers receive loans from the bank as an individual. This credit facility is extended to micro borrowers who want to enhance for medium and large enterprises. However these borrowers may own formal or informal business regarding the nature of their businesses. The
borrowers may also guarantee the loans with simple household items or other movable or immovable assets depending on the size of the loan and the risk involved.

The research findings showed that, from the 400 micro business owners who responded to the questionnaires, 230 respondents are solidarity micro borrowers who access the micro loans in a group and 170 respondents are biashara micro borrowers who receive micro loans as an individual.

Table 4:5 Distribution Model by percentage (no=400)

<table>
<thead>
<tr>
<th>S/N</th>
<th>Model</th>
<th>Number of respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Solidarity micro loans (group)</td>
<td>230</td>
<td>57.5</td>
</tr>
<tr>
<td>2.</td>
<td>Biashara micro loans (individual)</td>
<td>170</td>
<td>42.5</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>400</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Research findings, 2014

Above results show that 57% of the micro business owners who were involved in this study are micro borrowers who are in solidarity loans and 43% involved individual micro borrowers.

ii) General terms and conditions guiding microfinance loans in ACB

The ACB bank has categorized its microfinance loans amount as follows. There are solidarity and biashara micro loans.
Solidarity Micro loans amount starts from 0.2 million to 3 million. The first borrowers are allowed to borrow 0.2 million to 1 million and maximum loan repayment time is six months and installments are being repaid once in a month. The repeat clients are allowed to borrow any amount starting from 0.2 million to 3 million where its repayment time range from 3 months to 12 months as a maximum time. However the mechanism employed to categorize these loans amount and the repayment time has mostly depended on the long term relationship between the bank and the borrowers and the business capacity to pay the loans lying on guarantor’s agreement.

For biashara micro loans, amounts start from 0.5 million to 20 million. The first borrowers are illegible to any amount and maximum loan repayment time is 6 months. The repeat borrowers are also allowed to apply for any amount starting from 0.5 million to 20 million and maximum loan repayment time is 12 months. However the bank is flexible to the illegibility criteria under the subject to risk involved.

iii) ACB microfinance loans interest rate and other charges

The information which was taken from the research study showed that the bank charge 27% interest rate for solidarity micro loans per annum. For a micro borrower to access the loan, he or she is supposed to deposit 20% of the total loan amount received as the special serving balance which is supposed to be in a special saving account of the client for the whole period the client will be in a group loan. The clients are also required to deposit 2% of the loan as an insurance and loan processing fee which has to be deposited before the disbursement of the loan.

For biashara micro loans the interest rate charged by the bank is 22% per annum for all micro loans. The borrowers are supposed to deposit 2% of the loan as an insurance and loan processing fee including 10,000 Tshs as an application fee. This has also to be deposited before loan disbursement.
Table 4:5 The ACB microfinance loans structure (solidarity micro loans)

<table>
<thead>
<tr>
<th>S/N</th>
<th>Number of Loans</th>
<th>Loan size (min-max)</th>
<th>Loan Terms (min-max)</th>
<th>Interest Rate (%)</th>
<th>Special Savings Balance</th>
<th>Repayment Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>First borrowers</td>
<td>0.2 million-1 million</td>
<td>3 months-6 months</td>
<td>27% per annum</td>
<td>20%</td>
<td>Monthly bases</td>
</tr>
<tr>
<td>2.</td>
<td>Repeat borrowers</td>
<td>0.2 million-3 million</td>
<td>3 months-12 months</td>
<td>27% per annum</td>
<td>20%</td>
<td>Monthly bases</td>
</tr>
</tbody>
</table>

Source: ACB Commerce Department, 2014

Table 4:6 The ACB microfinance loan structure (Biashara micro loans)

<table>
<thead>
<tr>
<th>S/N</th>
<th>Number of loans</th>
<th>Loan size (min-max)</th>
<th>Loan terms (min-max)</th>
<th>Interest rate (%)</th>
<th>Loan application fee (Tshs)</th>
<th>Insurance /Loan processing fee (%)</th>
<th>Repayment model</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>First borrowers</td>
<td>0.5 mil to 20 mil</td>
<td>3 months to 6 months</td>
<td>22% per annum</td>
<td>10,000</td>
<td>2%</td>
<td>Monthly bases</td>
</tr>
<tr>
<td>2.</td>
<td>Repeat borrowers</td>
<td>0.5 mil to 20 mil</td>
<td>3 months to 12 months</td>
<td>22% per annum</td>
<td>10,000</td>
<td>2%</td>
<td>Monthly bases</td>
</tr>
</tbody>
</table>

Source: ACB Commerce Department, 2014
iv) General clients overview on grading interest rates and other costs

The micro borrowers of the Akiba Commercial Bank were asked to grade the interest rate and other costs of the loan from very good, good, fair and bad to see whether the costs were in favor of their business expansion and growth. When grading, 52 of the respondents said the interest rate and other costs are very good, 170 respondents said they are good, 128 said they were fair and the 50 respondents rated interest rate and other costs as bad.

Table 4:6 Interest rate and other costs grading by percentage (no=400)

<table>
<thead>
<tr>
<th>S/N</th>
<th>Grade</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Very good</td>
<td>52</td>
<td>13</td>
</tr>
<tr>
<td>2.</td>
<td>Good</td>
<td>170</td>
<td>42.5</td>
</tr>
<tr>
<td>3.</td>
<td>Fair</td>
<td>128</td>
<td>32</td>
</tr>
<tr>
<td>4.</td>
<td>Bad</td>
<td>50</td>
<td>12.5</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>400</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Research findings, 2014

The above results show that 52 respondents who graded very good and 170 respondents who graded good are almost 55.5% of all 400 respondents. This shows that the interest rate and other costs charged by the bank are favorable to the growth and development of micro borrower’s business.
4:3:3 Research question number three

What are the contributions of income generated from financed business on the livelihood of the micro business owners in Tanzania?

From the research findings, it has been revealed that micro loans which have been received from the ACB bank have been playing great roles in poverty reduction as have been catalyst to growth and development of micro businesses of the micro borrowers of Tanzania, particularly in Dar-Es-Salaam region where the large number of the banks micro clients are found.

From the questions which were given to the 400 micro borrowers of Akiba Commercial Bank, saying whether the income generated from the financed businesses help to improve their living standards, 364 borrowers gave the answer “Yes” and 36 borrowers said “No”

Table 4:7 Contribution distribution by Percentage (no=400)

<table>
<thead>
<tr>
<th>S/N</th>
<th>Grade</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Yes</td>
<td>364</td>
<td>91</td>
</tr>
<tr>
<td>2.</td>
<td>No</td>
<td>36</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>400</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Research findings, 2014

The 91 percent of the 400 micro borrowers graded the question Yes, which implies that the income generated from the financed businesses have the great impact to their livelihoods.
While answering how the microfinance loans contribute to their livelihoods, the respondents who said Yes to the question showed that, the microfinance loans have provided them with the small capitals which have helped them to make addition to their business working capitals and have contributed to the expansion of their businesses hence in return have increased the their level of income which help the borrowers to undertake basic family social economic responsibilities.

They further openly confirmed that the micro loans from ACB have been very instrumental in transforming the lives of the poor in the society. They individually showed some improvement in their businesses after contracting the loans and mentioned the areas they benefited with the loans as follows;

Most of them said to have increased profit of their businesses as they have managed to expand and enlarge their businesses size and volume of their business stocks, which have contributed to increase sales as they have increased the purchase, hence they have generated more income.

The micro borrowers also said that, the income generated from the financed businesses have improved family life as they have increased food security, have provided good shelter, improved health services and education to their children hence by doing so have enhanced livelihood and improved social life.

However they said the micro loans have fastened economic growth as many people have managed to employ themselves, have increased economic assets as have been able to buy small farms and plots for small houses and have empowered people hence contributes to national economy.

Some micro business owners also said that since they started receiving the loans from Akiba bank, they have managed to make savings something which they did not do before. They added that, the savings have gained them with confidence, have helped them to plan for the future, for example for their children’s education and solved other related issues of their families.
They also added that their participation in micro business activities and access to microfinance loans from Akiba Commercial Bank has helped them to meet their satisfactory basic needs and therefore, they have managed to be secured against anticipated shocks and stresses, have managed to maintain and enhance capabilities, assets and other activities which are required for a means of living. All these have contributed to their attainment of sustainable livelihoods.

When the management of the ACB answered to this question on how the microfinance loans impact the livelihoods of the micro business owners in Tanzania, it was revealed by the bank management that as an effort to improve the livelihoods of the micro business owners in Tanzania, the bank has managed to service the lower end segment of the population who have not had the opportunity of accessing the loans in other commercial banks due to stringent collateral requirements such as title deeds or property.

Different studies conducted by the bank to learn the viability of the microfinance loans to micro business owners in Tanzania, have shown that the micro loans have played a great role in improving the lives and have raised the living standards of the most micro borrowers. This implies that the businesses financed have a great impact to the lives of the people.

The ACB management revealed that, most of the micro business owners who have access to microfinance loans are women. Therefore many studies conducted by the bank to measure the viability of the micro loans have shown that women who access the microfinance loans have become more assertive and confident. Women have become stronger in decision making and even leaders within the families and communities. It was also revealed by the management that micro loans have improved women status as they nowadays own assets, including land and houses.

Another interesting part in this question was that, the bank realized the great contribution of microfinance loans to its borrowers as the microfinance portfolio has been increasing almost every year. The financial Report which was prepared on 31\textsuperscript{st}
December 2013 shows that there was an increase of the microfinance portfolio from TZS 50.7 billion at 31st December 2012 to TZS 55.5 billion at 31st December 2013. This increase of TZS 4.8 billion which is equal to 9.5% is the good indicator as it reflects the growth and expansion of its microfinance activities to intended people.

It was also found that, the bank has taken an initiative strategy where by the staffs especially loan officers have been attending refreshers courses every here and then in order to make sure that, they are in a good position to train micro borrowers on essence of loans to their businesses, hence have in one way or another contributed in enhancing livelihoods of its borrowers.

4:3:4 Research question number four

➢ What are the major challenges associated by micro loans to both the bank and the micro business owners?

This research question focuses on the major challenges associated by the micro loans to the both parties of the bank and the micro business owners receiving micro loans. The micro business owners were asked to analyze the challenges they face when using the micro loans from the bank and how they affect their livelihoods.

a. Challenges faced by the micro business owners

From the answers which were provided by the 400 micro business owners receiving micro loans from ACB, it was observed and found that 230 (57.5%) of involved micro business owners had a challenge of receiving small amount of loans, 102(25.5%) said it was poor model of accessing the loans, while 68 (17%) of them said it was getting loss.
Table 4:8 Distribution of the answers by percentage (n=400)

<table>
<thead>
<tr>
<th>S/N</th>
<th>Answer</th>
<th>Respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Small amount of loan</td>
<td>230</td>
<td>57.5</td>
</tr>
<tr>
<td>2.</td>
<td>Poor model of accessing the loan</td>
<td>102</td>
<td>25.5</td>
</tr>
<tr>
<td>3.</td>
<td>Getting loss</td>
<td>68</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>400</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Research findings, 2014

However the micro business owners further explained other challenges that are together with micro loans being used to buy consumer goods due to hardships of life instead of being used for productive investments, hence causing difficulties during repayment date.

They added that to some cases micro loans have led to multiple loans as they have not been sufficient enough to create the growth of their businesses, hence they have driven some poor households into a debt trap since they have sometimes failed to make repayments to all loan contracts.

It was also found by the solidarity micro business owners that the access to micro loans in the bank has sometimes caused them not to get the loans immediately as it has been difficult for them to meet the required number of group members of five of which some businesses have not given enough income as they are financed during the time where seasons for profit have passed.
Moreover some micro borrowers have complained to have reduced their business profits as they have ended up paying debts of the members they guarantee in the group after failing to repay, hence reducing household income which could support their daily family undertakings.

There have also been competitions among the micro borrowers and other medium and large business owners who engage themselves in similar businesses and who have got large capitals. This leads to poor business performance to micro borrowers as to compete with the people with large capitals is difficult as they own large market coverage due to wide range of goods distribution, therefore became easier for them to satisfy people with their demands.

Some micro borrowers answered that lack of business training has caused them to have conducted businesses without keeping records and therefore they have not been in a good position to make clear evaluation of their businesses during business assessment visit. This causes them to forget the real income they generate from the business and therefore approved to small loans which sometimes do not meet their business requirements.

Miner conditions like forming the groups of members who are unrelated by blood as was explained by some solidarity micro borrowers is also a big challenge as getting nowadays people who are honest to trust is difficult. They added that neighbors and friends are easily not trusted to guarantee.

Cheap imports have also been a barrier towards the growth of the financed businesses as customers tend to buy cheap goods like second hand cloths than read made cloths. This becomes a challenge especially to the micro business owners who mend cloths like ‘batikis’ and those selling read made. This reduces sales and profits of the business and therefore micro borrowers remain making loans repayment without profits.
The micro borrowers also admitted that due to small amount of money they receive, they have not been able to think of facilitating large projects, rather they have remained undertaking micro projects which in future they will not be able to cope with the market environment something which brings fear to remain micro borrowers for the rest of their

b. Challenges faced by the bank

To the part of the bank it was found that, one of the major challenges facing microfinance loans facilities is the failure of clients to honor indebtedness. While some people find it difficult to access loans, others who have the opportunity to access the loans fail to pay back the loans on time making it difficult for others to also enjoy the same facility. The bank also explained that inability to make repayment on time and failure for others to access the loans, unfortunate undermines the very purpose of the credit and loan schemes and contributes to the decline of national industrial development and poverty alleviation.

Another challenge which was revealed during the discussion by the bank managers is that many micro business owners have failed to make repayments of their loans on time as they have been redirecting their loans to unintended projects hence when the new projects fail to grow it becomes a problem for them to pay the debts.

It was also found that when the bank is trying to make improvements to the lives of the micro business owners by facilitating them with small loans to expand business, the bank fail to make increment to those who repeat loans as some of the micro borrowers fail to improve their businesses after the loans and do not take trouble to add assets of value which could help them graduate to medium sized loans and improve businesses, hence the bank remain facilitating them with the small loan increments something which does not support the growth intended by the bank in alleviating them from poverty.
From the research findings, it was found that some of the women micro business owners find it difficult to share to their husbands that they are taking the loans due to fear of missing other family necessities as when the husbands are told of the loans they neglect some of their family responsibilities, hence telling their wives that they can as well manage those responsibilities. This is also a great challenge especially when they default as there is no one who can support them and even sometimes other women micro borrowers end up saying that they are single during assessment time.

Other challenges associated by the loans to the part of the bank are together with the other micro borrowers not willing to be known by the neighbors that they are receiving the loans from the bank. Even those who are not borrowing are not willing to show cooperation to the bank officers who look for references. This brings difficult to the bank especial to know who can be a good client to the bank. Moreover when it comes to recovery to defaulting members others can even tend to hide some information with the fear that when they have revealed the information, they are hold as betayers and enemies to the neighbors.
CHAPTER FIVE

RECOMMENDATIONS AND CONCLUSION

5:1 Recommendations

Since microfinance loans have been recognized as an effective tool in reducing poverty within the country and since the micro loans have shown positive results to most micro business owner’s livelihoods, different microfinance lenders are strongly advised to have strong strategies and an upright approach to outreach micro business owners residing in rural areas rather than concentrating in few urban communities which have access to markets.

For the microfinance loans services to grow and bring more benefits to people there should be crucial input factors like proper business training on the essence of assessing proper projects, keeping business records, clear marketing information, and the advantage of directing the loans to intended purpose hence avoiding misuse and misallocation of loans received.

In order to support the efforts done by the micro lenders and microfinance banks in particular, in enabling the poor to get out of poverty, there should be strong and clear policies by the Government guiding the micro lenders and micro borrowers in the whole process of offering and receiving the loans. For the part which will breach the contract, there should be a strong punishment which will make those involved observe all the rules and procedures of the loans. This will help others who also want to enjoy the facility get it on time and it will also reduce the defaulting rate and provision rate to the micro lenders.

The micro lenders and Commercial Banks in particular, should offer more opportunities to the micro business owners residing in rural areas and who have no access to micro loans. This will definitely support the wide coverage and alleviate poverty which in a large part is more in rural areas than in urban communities.
Also the microfinance loans institutions should prepare business forums which will bring out agendas associated will micro loans in the country and which will give out a chance to every member to express individual opinions on how to improve the lives of the people receiving micro loans, hence establish and contribute to necessary effective solutions to poverty reduction in the country.

It’s a good recommendation that, people especially the micro business owners should be educated on how to carry out business and entrepreneurial activities, and should learn that loans are not things to hide rather things to be proud of since it is luck to have an access to loans therefore should take it as a prestige and work upon rules and procedures and thereafter should observe the benefits of it.

However further future research studies are recommended on the following topics;

1. Assessment on the contribution of microcredit facility in raising household income
2. Impact of Microfinance Services on the Livelihood of Women in the rural communities
3. The Influence of Microfinance Banks on Poverty Reduction in rural areas of Tanzania

5:2 Conclusions

From the research study which was conducted to assess the Impact of Microfinance Loans on the Livelihood of Micro Business Owners in Tanzania, it has been noticed and found that Microfinance Loans have played a noticeable and positive roles on the Livelihood of Micro business owners with access to micro loan facility from Akiba Commercial bank since most of them showed the improvement on different social economic aspects as they expressed to have increased business purchases and sales which in turn have helped to generate more income, have increased household
assets, improved health services, increased food security, shelter and education to their children.

It should however be emphasized that the use of Microfinance Loans alone as a tool for livelihood enhancement cannot achieve much if the fundamental causes of poverty are not directly addressed. To achieve positive results on microfinance loans to micro business owners in Tanzania, there should be joint efforts between the banks, financial institutions, the Government and other stakeholders to focus more on developing economic policies which will make financial system function effectively and efficiently.

Since the micro loans have been examined as the first wave of microfinance, the providers of this service should not think on feeding their pockets alone, rather they should focus on protection of the interests of the poor people and equip them with enough skills and knowledge to become more creative and innovative in using new technologies as a means to assist them in their escape from poverty.

Finally, since microfinance Loans have shown no doubts to achievements on livelihood of micro business owners with access to micro loans especially in urban areas, the microfinance banks and others financial institutions should direct more microfinance services to rural communities who have no access to financial services and where poverty prevail to a large extent. This will help to build a strong national economy and a wealthy society.
REFERENCES


Axel Borchgrevink, (2005) “Marginalized groups, Credit and Empowerment: the study of the Dedebit Credit and Saving Institution (DECSI) of Tigray; Ethiopia


Chris Dunford, (2012) “First Step in the Microfinance Theory of Change” Take a Loan or Save- Do they? Available at: www.freedomfromhunger.org


Daily News, 29th November 2013


Financial Stability Report, (2013), Bank of Tanzania

Grameen Bank Report, Available at: www.grameen-info.org

http//en.m.wikipedia.org/wiki/microcredit

http//www.aidforafrica.org/member-charities/women-microfinance-initiative/

http//www.mtholyoke.edu/~reidd20c/classweb/microcredit/target.html

http//www.opportunityfund.org/learn/microloans


Memoire Online 2000-2013

Microloan Foundation Malawi 2013 News

Mike Walter, (2014) “Microfinance: Changing the World one loan at a time” ACCION; USA

Mustapha M, (2009) “The role of Microfinance Banks in the Promotion and Development of Entrepreneurship in semi urban and rural areas” Department of Economics, Bayero University Kano P. M. B 3011, Kano- Nigeria


People’s Bank of China, (2010) “Roles of micro-credit Companies” Shanghai: China


The Guardian, 4th February 2014


WikiEducator, Available at: www.wikieducator.org(validity-and-reliability

QUESTIONNAIRE FOR THE MANAGEMENT
AKIBA COMMERCIAL BANK

NAME: _____________________________________________________________

POSITION: ________________________________________________________

1. What are the major micro businesses conducted by ACB micro clients?
   ________________________________________________________________
   ________________________________________________________________
   ________________________________________________________________

2. What is the model used by the bank in accessing micro loan?
   ________________________________________________________________
   ________________________________________________________________
   ________________________________________________________________

3. What interest rate does the bank charge for micro loans?
   ________________________________________________________________
   ________________________________________________________________
   ________________________________________________________________

4. How do these loans contribute to the livelihood of the micro clients served by ACB?
   ________________________________________________________________
   ________________________________________________________________
   ________________________________________________________________

5. What challenges does the bank face in servicing micro loans?
   ________________________________________________________________
   ________________________________________________________________
   ________________________________________________________________
INTERVIEW GUIDE FOR MIDDLE LEVEL MANAGERS OF ACB

1) What is the nature of the micro business conducted in most areas of Tanzania?

2) What are terms, models and other conditions guiding micro lending in ACB?

3) How does the bank measure the viability of these loans?

4) What are the challenges the Bank face in lending micro loans?
QUESTIONNAIRE FOR ACB MICRO LOANS LIENTS

Respondent’s Name: ________________________________________________________________

Sex: Male [ ] Female [ ]

Age: 18 to 25 years 26 to 33 years 34 to 41 years
42 to 49 years 50 to 57 years

Marital Status: Single [ ] Married [ ] Single parent [ ]

Education Level: Primary: [ ]
Secondary: [ ] Please tick in [ ]
Collage: [ ]

1) What type of a business are you conducting?
   Mention. For example, Food vending
   ......................................................................................................................

2) What other micro businesses are conducted in this area?
   Mention few you know and say why people engage in these businesses.
   ......................................................................................................................
   ......................................................................................................................
   ......................................................................................................................

3) What type of the loan do you receive from ACB?
   a) Solidarity loan [ ]
   b) Biashara loan [ ]
   c) Consumer loan [ ]

4) In which way do you receive this loan?
   a) Individually [ ]
   b) In a group [ ]
5) If in b) above, how do you organize yourself to access this loan?
   a) In a group of five [       ]
   b) In a group of six [       ]
   c) In a group of seven [       ]

6) How do you grade the Interest rates and other costs charged by the bank?
   a) Very good     b) Good     c) Fair     d) Bad [       ]

7) Has the income generated from the financed loan help to improve your living standards?
   Say Yes [       ]
   Or No [       ]

8) If yes, how has it helped you?
   ……………………………………………………………………………………………
   ……………………………………………………………………………………………
   ……………………………………………………………………………………………

9) What are the challenges you face in using this micro loan?
   a) Small amount of loan [       ]
   b) Poor model of accessing the loan [       ]
   c) Getting loss [       ]
   Mention other challenges.
   ……………………………………………………………………………………………
   ……………………………………………………………………………………………
   ……………………………………………………………………………………………

10) What could be the solutions for the above challenges?
    ……………………………………………………………………………………………
    ……………………………………………………………………………………………
    ……………………………………………………………………………………………