MICROFINANCE INSTITUTIONS SUPPORT TO THE GROWTH OF SMALL AND MICRO ENTREPRISES
THE CASE OF ECOBANK

By
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A thesis submitted to the Mzumbe university-Dar es salaam Campus College in partial fulfillment for the requirement of the award of a Masters of Business Administration in Corporate Management (MBA - CM) of Mzumbe University

2014
CERTIFICATION

We the undersigned certify that we have read and hereby recommend for acceptance by Mzumbe University, a Dissertation entitled **Microfinance institution support to the growth of small and micro enterprises: The Case of ECOBANK Tanzania**, in partial fulfillment of the requirements for the award of the degree of Masters of Business Administration (CM) of Mzumbe University.

............................
Major Supervisor

............................
Internal Examiner

Accepted for the Board of..................
DECLARATION AND COPYRIGHT

I, Walter William Kusaga, declare that, this dissertation is my own original work and that been presented and will not be presented to any other Institution or University in the United Republic of Tanzania or elsewhere.

Signature…………………………

Date  ……………………………

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The completion of this study has received various kinds of inputs from different people to whom I am indebted. Really I have received extensive support both materially and morally from different people directly and indirectly.

The only best way and to express my thanks is to convey my regards to all who supported me in one way or another to accomplish all my studies and especially encouraging me in all my activities which I have undergone in the two years of study at Mzumbe. I would like to express my gratitude to Almighty God and my parents, Mr.& Mrs. William Kusaga who gave me a huge support by paying my fees for the two years, God bless them. I am grateful to ECOBANK Management who gave me the opportunity to carry out field work in their office.

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DEDICATION

To my parents Mr.&Mrs William Kusaga ,my sisters Eveline, Chichi and Cecy , without forgetting my lovely friends Riziki and John who gave me all their love, compassion, moral support and education. In addition, I would also owe my profound dedication to my supervisor Prof. Andrew Mbwambo for the research methodologies skills he teach me which enabled the smooth to accomplish of my research successfully. May God bless him.
**LIST OF ABBREVIATIONS AND ACRONYMS**

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tr>
<td>CGAP</td>
<td>Consultative Group to Assist the Poor)</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>MDGs</td>
<td>Millennium Development Goals</td>
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<td>MFI</td>
<td>Microfinance Institutions</td>
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<td>NGOs</td>
<td>Non-Government Organizations</td>
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<td>SIDO</td>
<td>Small Industries Development Organization</td>
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<td>SMEs</td>
<td>Small and Micro Enterprises</td>
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<td>VAT</td>
<td>Value Added Tax</td>
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ABSTRACT

The aim of the study was to investigate on the support of Microfinance Institutions to the growth of Small and Micro Enterprises as a competitive advantage. The specific objectives were to identify types of financial support Microfinance Institution provide to Small and Micro Enterprises, to determine issues which influence Small and Micro Enterprises when accessing funds from Microfinance Enterprises and to assess the extent financial supports from Microfinance Institutions have been facilitating the growth of Small and Micro Enterprises. The study used a case study design to shape its findings and data was analyzed using Microsoft excel spread sheet to find association between variables.

A conceptual model hypothesizing relationships amongst MFIs support in one hand and SMEs contributing factors to the growth in another. Simultaneously, the model shows how government policy, political stability, corruption, competition and social-economic factors can have an influencing factor to this aspect of SMEs growth. From the developing countries’ context, findings demonstrate that among small and micro enterprises, conservatively they rely heavily on loan provided to them for their growth.

The finding suggested that Tanzanian case has to highlight the importance of sufficient legal reform for both the banking sector and their customers also the finding suggest that there should be mechanism to lower the interest rate, possibility of increasing the grace period and reducing the frequency of repayment so as to provide clients with long term loan turns to business. The banking Industry in Tanzania has tremendously changed its dynamics for the last one decade. Many banks have joined the industry both local and foreign. Notably, the no-banks financial institutions have been mushrooming by an alarming speed.
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CHAPTER ONE

INTRODUCTION AND BACKGROUND TO THE PROBLEM

1.1 Introduction

Microfinance is considered one of the most important tools for poverty reduction. It has attracted the attention of governments, donors and development agencies all over the World. The United Nations has declared that 2005 is the International Year of Microcredit, which recognised microfinance as an important way to meet the millennium development goals, particularly the goal of halving the world’s poverty rate by 2015. Barnes, C. (1996)

According to Mkwizu, (2004), Microfinance Institutions address the financial needs of major sectors of the Tanzania population. They are primarily facilitators rather than creators of the underlying economic opportunities that lead to widespread economic prosperity. General contributing factors for the arising of microfinance in Tanzania among others are failure of formal and informal financial sectors in serving most poor community. Also, collateral, credit rationing, preference for high income clients, large loans, high interest rates, bureaucratic and legality procedure of providing loans in the formal sector as most formal financial institutions regards low income households as poor to save, and are not personally known to them.

The goal of microfinance institutions as development organizations is also to service the financial needs of unserved SMEs as means of meeting development objectives (Ledgerwood, 1999). The development objectives generally include reduction of poverty, empowerment of the poor and other disadvantaged groups, employment creation, development of new businesses and helping existing businesses to grow by diversifying their activities. In a world bank study of lending for small and micro enterprise projects(1989-1993), three objectives of microfinance institutions that were most frequently cited were, to create employment and income opportunities through the creation and expansion of micro enterprises, increase the productivity
and incomes of vulnerable groups especially the poor and women, as well as reduce rural families dependence on drought prone crops through the diversification of their income generating activities (Webster et al, 1996).

1.2 Background to the Problem

The production of goods and services in the most efficient manner has continued to be the only viable and reliable option for development, growth and survival of any economy. SMEs have been fully recognized by government and development experts as the main engine of economic growth and a major factor by extension in promoting the realization of the financial systems strategy 2020. This is because the development of this sub-sector is an essential element in the growth strategy, not only in contributing to improved standard of living; they also bring substantial local capital formation and achieve high level of productivity and capacity.

From a planning stand point, SMEs are increasingly recognized as the principal catalysts for achieving equitable and sustainable industrial diversification and dispersal and in most countries SMEs account for well over half of the total share of employment, sales and value added.

For years the Government of Tanzania has been adopting various measures for economic development through fiscal and monetary policies. In the early 1980's, Tanzania's economy was not doing well in many sectors including industries. Under these economic changes the Government initiated private sector development through liberalization of the economy and market decontrolling measures, (Kirumba, 2000). The Central Government has pulled out from most of most of the productive activities, and instead the private sector is encouraged to invest in these activities, the measures that brought about the emergence of micro and small enterprises.

MFIs play a very important role in contributing to the growth of MSEs in Tanzania. MFIs offer various financial and training services to SMEs that contribute to growth of SMEs. In doing so, MFIs face numerous challenges that hinder their effectiveness
in serving SMEs. 32% of loans offered by MFIs to SMEs in Tanzania are not repaid in time (Kuzilwa, 2007).

It has been revealed that the effectiveness of MFIs in serving SMEs has gone down (Kamala, 2000). This is due to the fact that majority of MFIs in Tanzania have been incur huge losses due to non-repayment of loans and dishonesty among staff members also they incur large costs of training new staff members due to huge staff turnover, face stiff competition for customers due to a large number of MFIs and most serve only in urban areas due to a small capital base (Maximambali, F et al, 1999). While SMEs suffered from severe shortage of finance, MFIs have to grapple with problem of excess liquidity (Wangwe, 1999).

Most of commercial banks are not interested in financing the micro due to the real or perceived high risks and associated transaction costs. As almost all commercial banks provide credit on traditional collateral basis, which the majority of SMEs lack. This limits many SMEs to access loans from banks and some end up with small loans that have less or no benefit to their business growth. In addition, the formal banks are faced with lack of reliable information on small borrowers. Inadequate legal frameworks and inefficient court systems in the event of contract enforcement and generally the appropriate instruments for managing risk make matters even worse. (Mwaniki, 2006; Wolday, 2002; Chijoriga, 2000).

1.3 Statement of the Problem
Provision of microfinance services that can have a sustainable impact on SMEs well-being and reduced vulnerability is not an easy endeavor, SMEs face many risks that can adversely affect their long term growth, operational and financial sustainability (Jeyanth, 2003).

With regard to growth, a study conducted by Omondi (2005) revealed that few SMEs had attained growth and had sound financial cost control and good loan portfolios. A good number of SMEs had not attained financial stability and growth and were
relying on subsidies from donors. Growth in these SMEs depend on an increase in the breadth and depth of outreach of existing microfinance institutions, heightened competition among microfinance service providers, diversification of product and service offerings, and the presence of private and commercial funds for microfinance activities. There is little information on a standard blueprint to show us how to achieve these characteristics and to ensure the growth of the SMEs. To a large extent, the growth should be market driven and is yet to be achieved (Amando, 2005).

Tillman, (2006) highlighted that although SMEs activity has increased considerably in recent years, significant growth was lacking and most of them are still far from reaching a significant level of development which can make it as a major contributor in the national economy.

1.4 Objectives of the Study
The study was guided by the following general and specific objectives

1.4.1 General Objective
The main objective of this study was to investigate the extent Microfinance Institution support the growth of Small and Micro Enterprises.

1.4.2 Specific Objectives
Specifically the study was focusing on the following objectives:

(i) To identify types of financial support Microfinance Institution provide to Small and Micro Enterprises.

(ii) To determine issues which influence Small and Micro Enterprises when accessing funds from Microfinance Enterprises.

(iii) To assess the extent financial supports from Microfinance Institutions have been facilitating the growth of Small and Micro Enterprises.

1.5 Research Questions
The study was aided by the following questions:
(i) What are the types of financial support Microfinance Institutions provide to Small and Micro Enterprises?

(ii) What are the determinant issues used by Microfinance Institutions to allow Small and Micro enterprises accessing fund from them?

(iii) To what extent does financial support from Microfinance Institutions facilitating the growth of Small and Micro Enterprises?

1.6 Significance of the Study
Firstly, this study extends awareness on promoting growth of SMEs especially by enlightening the Micro Financial Institutions that can aid in the reduction of defaulting rate and promoting growth. Besides the Micro Financial Institutions’ management will benefit from the findings particularly on how to adjust or re-design their loan management programmes and various support that can be of a high importance to these SMEs.

Secondly, this study adds knowledge to the researcher on matters concerning various supports that MFI provide to SMEs which will help him in case he works or decides to invest in the Micro Financial Institutions or else if he decides to become a small business owner.

Finally, this paper portrays good features to other academicians who like to use it as a reference on their studies or as a source of material for further studies.

1.7 Limitations of the Study
This study was facing some of the limitation in the process of preparation as highlighted under:

First, financial constraint for data collection because some responded demanded some funds before filling the questionnaire and access to data which is sometime regarded as confidential.
Second, limited information from SMEs due to low level of education and limited time.

Third, the medium of communication as most people to whom I have interviewing lack a clear line of English language usage as of this reason, clear line of communication has been jeopardize in some extent.

1.8 De-limitation of the study

(i) Availability of data
Data required for research proposal depended much on the flexibility and understanding capacity of the respondents to provide quality and quantitative data and which has got truth on it. But sometimes they failed to provide data because of their confidentiality and management reasons which hampered the whole process of accessing data. This was reduced by the researcher talking to them frankly and overtly on the aim of conducting research. and on the financial constraint the budget the research used on data collection was sustain the whole process and no money was used to give to respondents on giving out data

(ii) Limitation of information
In any organization there are some information and sources of information that are not allowed to be accessed by anyone who is not part of management team, and other due to the lack education in understanding the scenario the researcher mostly used questionnaire and interview as a means of getting the required information rather than documentary sources which were so hard to get.

(iii) Language problems
The researcher was facing problems in interviewing the respondents and getting questionnaires filled. This was happening because some of respondents are not conversant with English language. And so this was overcome by the researcher through translate some of questions into Swahili language.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Literature review is a body of text that aims to review the critical points of current knowledge (Barongo, 2007). In this chapter theoretical literature, empirical literature, research gap and conceptual framework was covered.

2.2 Theoretical Literature

SMEs Theory

2.2.1 The trade – off Theory

Different explanations provide the theoretical basis for the decision taken by firms in the respective areas on the justification for the choice of financing sources and the appropriate mix. The trade-off theory of capital structure refers to the idea that a company chooses how much debt finance and how much equity finance to use by balancing the costs and benefits.

The classical version of the hypothesis goes back to Kraus and Litzenberger, who considered a balance between the dead-weight costs of bankruptcy and the tax saving benefits of debt. Often agency costs are also included in the balance. An important purpose of the theory is to explain the fact that corporations usually are financed partly with debt and partly with equity.

It states that there is an advantage to financing with debt, the tax benefits of debt and there is a cost of financing with debt, the costs of financial distress including bankruptcy costs of debt and non-bankruptcy costs (e.g. staff leaving, suppliers demanding disadvantageous payment terms, bondholder/stockholder infighting, etc.). The marginal benefit of further increases in debt declines as debt increases, while the marginal cost increases, so that a firm that is optimizing its overall value will focus
on this trade-off when choosing how much debt and equity to use for financing. The trade-off model also postulates that the firm will aim at the optimal gearing levels that will balance the tax benefits of additional debt with the expected costs of financial distress as the level of indebtedness rises (Brierley, 2001; Bunn, Cunningham, and Drehmann, 2005).

Considering non-tax benefits of debt such as information asymmetries between lenders and borrowers, managers may raise equity only when company’s shares seem overvalued. Investors will consequently discount any new and existing shares when a new equity issue is announced. Cassar and Holmes, (2001) find that firms’ trade-off several aspects, include the exposure of the firm to bankruptcy and agency costs against the tax benefits associated with debt use.

Firms are faced with higher cost of capital because of the increased risk of liquidation and thus they tend to avoid debt. However, firms use debt in order to enjoy tax benefits as a trade-off with the costs associated with bankruptcy and agency, and this implies that there is an optimal debt-equity ratio for the firm, which changes as benefits and costs alter over time (Modigliani and Miller, 1963).

This model provides elaborate explanation for the objectives previously outlined in 1.3 where there is a need to understand the justifications for a particular mix of sources of capital due to various benefits and risks embedded in each of these. It is clearly evident that managers will opt for the mix of sources that minimizes the cost of capital but at the same time not exposing the entity to the factors that may adversely affect the going concern of the firm.

The strength of the theory is that it makes the organization to depend on tax paid back by customers. So it is very supporting the study as being one of the challenges on how to accumulate a lot of money to satisfy its customers.
2.2.2 The life Cycle Approach Theory

This theory suggests that access to finance is dependent on the stage of development of the firm. New firms rely on owners’ initial resources but as they grow they gain access to short-term debt that remains a continued source of funds because of limited access to long-term debt and/or equity.

Rapid growth firms are faced with poor liquidity position due to short-term debt reliance until when they accept the equity finance. This explains an apparent preponderance of short-term debt finance in many small firms and also suggests a changing target (or optimal) debt-equity ratio in a firm (Fluck, 1999).

2.2.3 Village Banking Theory

Village banks are community-managed credit and savings associations established by NGOs to provide access to financial services, build community self-help groups, and help members accumulate savings (Holt, 1994). They have been in existence since the mid-1980s. They usually have 25 to 50 members who are low-income individuals seeking to improve their lives through self-employment activities. These members run the bank, elect their own officers, establish their own by-laws, distribute loans to individuals and collect payments and services (Grameen Bank, 2000). The loans are backed by moral collateral; the promise that the group stands behind each loan (Global Development Research Centre,( 2005).

The sponsoring MFI lends loan capital to the village bank, who in turn lend to the members. All members sign a loan agreement with the village bank to offer a collective guarantee. Members are usually requested to save twenty percent of the loan amount per cycle (Ledgerwood, 1999). Members’ savings are tied to loan amounts and are used to finance new loans or collective income generating activities and so they stay within the village bank.

No interest is paid on savings but members receive a share of profits from the village bank’s re-lending activities. Many village banks target women predominantly, as
according to Holt (1994, p.158) “the model anticipates that female participation in village banks will enhance social status and intra household bargaining power”.

2.2.4 Critical Micro-Finance Triangle Model

Meyer (2002), citing from Zeller and Mayer (2002), indicate that MFIs is evaluated and looked based on objectives. These objectives are outreaching the poor, financial sustainability and welfare impacts. Performance criteria are required for each objectives and all three must be measured thoroughly to evaluate MFIs performance. MFIs innovativeness in technology, policies, organization and management that affect how well each objective is met. The environment within which MFIs operates also affect performance. This environment broadly includes the human and social capital possessed by poor, the economic policies of the country and the quality of the financial infrastructure that support transactions. Improvement in the environment make it easier for MFIs to reach the three objectives.

SME Theory

2.2.5 Rotating Savings and Credit Associations Theory

These are formed when a group of people come together to make regular cyclical contributions to a common fund, which is then given as a lump sum to one member of the group in each cycle (Grameen Bank, 2000a). According to Harper (2002), this theory is a very common form of savings and credit. He states that the members of the group are usually neighbors and friends, and the group provides an opportunity for social interaction and are very popular with women. They are also called merry-gorounds or Self-Help Groups (Fisher and Srim, 2002).

2.2.6 The Grameen Solidarity Group Theory

This theory on group peer pressure whereby loans are made to individuals in group of four to seven (Berenbach and Guzman, 1994). Group members collectively guarantee loan repayment, and access to subsequent loans is dependent on successful repayment by all group members. Payments are usually made weekly (Ladgerwood, 1999). According to Berenbach and Guzman (1994), solidarity group have proved
effective in deterring defaults as evidenced by loan repayment rates attained by organization such as the Grameen Bank, who use this type of microfinance model. They also highlight the fact that this model has contributed to broader social benefits because of the mutual trust arrangement at the heart of the group guarantee system. The group itself often becomes the building block to a broader social network.

2.2.7 SMEs Institution Framework Theory
Despite the role played by SMEs in poverty reduction, there are serious constraints limiting their growth and thus their contribution to poverty reduction. Apart from macroeconomic problems such as non-conducive, non-transparent and complicated legal and regulatory frameworks, SMEs face inadequate markets, low productivity and lack access to capital. It is known that most of these constraints could be eased through effective MSEs institutional frameworks as highlighted by a number of studies including one by Wangwe (1999).

MODELS USED

2.2.8 Performance evaluation models for MFIs:
During the 1990s, there was a growing interest on the part of financial institutions in microfinance. As a result, several performance evaluation indicators emerged in relation to different areas of management considered as the most important in evaluating performance of MFIs. The results achieved were diverse. In actuality, some models of evaluation were accepted in general and have been currently adopted by institutions to monitor and evaluate the business. Each of these models focused on specific profiles of analysis. These models contribute to raising the level of informative transparency with regard to the process of credit management of MFIs.

2.2.9 Microfinance Information Exchange model
Through its publication- Micro Banking Bulletin that is one of the principal outputs of micro banking standards project funded by CGAP, it collects financial and portfolio data provided by MFIs, primarily to help MFI managers and board members to understand their performance vis-a-vis other MFIs. Secondary objective
includes establishing industry performance standards and enhance transparency of financial reporting of MFIs worldwide. There are 8 broad parameters included in this model. They are as under.

1. Institutional characteristics
2. Financing structure
3. Outreach indicators
4. Macroeconomic indicators
5. Overall financial performance
6. Revenues and expenses
7. Efficiency
8. Risk and liquidity

2.2.10 Self-help Group-Bank-linkage Model
The SHG model, in the form of the SHG-Bank-linkage program (SBPL) was initiated in the early 1990s by the National Bank for Agriculture and Rural Development (NABARD). SHG linkage is based on the principle of ‘savings first’. These savings are not only a way of creating group solidarity and, testing people’s willingness regularly to keep some cash aside, they also create a loan fund from which the group can borrow. Such groups normally comprise of 15-20 women. Peer-pressure replaces traditional guarantees, such as references and assets or collateral. The existing network of government banks binds the SHGs to credit channels, and having demonstrated the financial success of this endeavor.

The private banks are also increasingly venturing into this field. To obtain loans from banks, the SHG members must first establish their credit-worthiness, by maintaining scrupulous records of savings and mutual lending, usually for a period of six months. Further, the mechanism guards against defaults on loan payments, as no new member may receive a fresh loan until the previous arrears are cleared.

Another repayment incentive is the ability to access larger repeat loans upon on-time repayment. The loans offered to the SHGs are usually a multiple (2-4 times) of their
savings, and are granted to the SHG as a whole, which then decides autonomously on the disbursement among the members. It is argued that the meetings reinforce a culture of discipline, routine payments and staff accountability, while others counter the claim arguing that daily or weekly congregation compounds the workload of the borrowers and at times discourages new entrants.

There is also the assertion that the ‘group leader’ may wield undue control over loans issued to the other members. While ideally, once members have managed to build up their assets, they should be able to operate individual accounts; this is not always the case. Critics of the SHG movement argue that poor people, given the choice, prefer an individual service and the simplicity of a reliable retailer managing the bookkeeping, rather than taking on the added responsibilities and risks of running their own mini-financial institution (SHG).

Among the other drawbacks, SHGs entail a process of mutual self-selection, which may lead to the exclusion of the economically weakest members in a community. Further, it is noted that repayment does not depend solely on peer pressure; rather it also requires management, transparency and accountability, for which apparatus of training and supervision should be in place.

2.2.11 Synthesis of the Theories
Several theories and models have been discussed in this study to support the study since that are important as the guidance for serving SMEs to facilitate their growth. Generally, all these theories has work as the supportive juncture of this research. However, since they differ in terms of philosophical back up of the authors, environment of where the theory was developed and the approach used to develop theories, it is not possible to be guided by all these theories, since they depend on the nature of the management and the organization the researcher deals with. However, due to the nature of this study the research has been backed by two theories. The trade - off model and the Life- Cycle Approach because they carry all aspects for the
MFIs in their effort to support the growing of SMEs as on one side tends to consider on the collateral as one of the spring ball to support their progress in growing.

**MFI s Function**
Microfinance institutions provide many functions for some of the poorest people on the planet. At the most basic level, they provide access to cheap capital. The cheap capital can be used to start a business, expand a business or buy in bulk, allowing entrepreneurs to enjoy improved margins and higher profitability. Microfinance institutions don't only provide access to cheap capital, they also look to improve communities.

**The Beginning of Microfinance Institutions**
The history of the modern microfinance institution can be traced back to Bangladesh and the launch of Grameen Bank by Professor Muhammad Yunus in the late 1970s. Through Grameen Bank, Yunus was able to provide access to very small amounts of capital with no collateral requirements.

Grameen provided this capital at a very low interest rate, which was almost unheard of when lending to the poor. These functions were ranging from

**Group Lending**
No collateral and low interest rates seem like the way to high delinquency rates, but most microfinance institutions actually have lower default rates than major commercial banks. To help ensure repayment, many microfinance institutions require borrowers to form groups. These groups provide a support network for each other, and each member guarantees the debt for every other member. Doing so allows the microfinance institution to achieve two things: It creates an instant support group for when a borrower has a problem and it creates efficiencies for the bank when collecting the weekly payments.
Providing Education
In addition to lending to groups, microfinance institutions also provide basic education on running a business and managing money. Quite often they will mandate that borrowing groups must complete the education before they are eligible for loans.

Emphasizing Women
A lot of research has gone into the effects of lending to women. The research shows that lending to women is better for the broader community. It was observed that the profits a woman made as a result of the loan were more frequently invested back into her family. Women were more likely than men to use the proceeds to pay for an education for her kids, make improvements to the home or buy better quality food for the family. The other benefit to lending to women experienced by microfinance institutions around the world is the empowerment and the strides toward gender equality that have been achieved in the household and the local community.

Connecting the World
Microfinance institutions were originally founded to alleviate poverty and improve local communities. That mission hasn't changed, but due to the ever-present need for money to fund the microloans, some organizations have figured out a way to connect ordinary donors in the developed world with microcredit borrowers in the Third World. Kiva.org was one of the leading pioneers; it has created a platform that allows anyone to lend $25 to an individual or group in need of capital. Lenders don't earn interest, but they do get progress updates along with the repayment of their money. For most people, knowing they helped change a life is worth forgoing the interest they could have earned elsewhere.

Microfinance Policy and Operation
Microfinance in Tanzania is one of the approaches that the government has focused its attention in recent years in pursuit of its long term vision of providing sustainable financial services to majority of Tanzanian population. In Tanzania, before the current financial and banking restructuring took place, most of financial services for
rural, micro and small enterprises were offered by the National Bank of Commerce (NBC) and the Co-operative and Rural Development Bank (CRDB).

Since 1991, the government has been implementing financial sector reforms aimed at putting in place a competitive, efficient and effective financial system. Although the reforms have had reasonable success in bringing about the growth of competitive and efficient mainstream banking sector, it has not brought about increased access to basic financial services by the majority of the Tanzanians, particularly those in rural areas26.

The realisation of the above shortcoming led to the Government’s decision to initiate deliberate action to facilitate alternative approaches in the creation of a broad based financial system comprising of a variety of sustainable institutions with wide outreach and offering diverse financial products (ibid). The government’s choice of microfinance was influenced by the conviction that, given adequate attention, microfinance has the potential to contribute considerably to the economic development of the country because it is more adapted to the needs of the low-income population which makes up the majority of Tanzanians.

**SMEs Function**

As SMEs grow it is more likely they will develop their own in-house finance function, but that doesn’t mean the role of external finance help ends. It is more likely that the business will retain the help of external finance professionals, but the type of advice will change. SMEs demand for financial skills is not fixed. Rather, financial expertise and capabilities, correctly matched to the businesses changing needs, help SMEs grow and develop demand for more diverse value-added advice. The development of a professional finance function transforms small businesses and helps release their potential. Simply put, SMEs with well-developed finance teams achieve faster more sustainable growth for longer.
From accessing finance and managing cash flow to managing employment relations and protecting intangible assets, early planning and capacity building in-house can achieve at a modest cost what no amount of last-minute advice can deliver later. The goal of the vast majority of SMEs, once the business is established is to grow and expand. To be able to do this in a planned and sustainable way the finance function, be it in-house or external, must be heavily involved. The insights they bring to the table can show what is realistic through organic growth, what the right sort of external finance will be and what the long term financial implications of sourcing external finance are.

Management reporting, business planning and the use of trained finance staff are now tied to supporting growth. The finance function’s role expands substantially in most commercial and strategic directions. The focus tends to be on enabling businesses to access finance, make and assess the case for new products and services, monitor the businesses supply chains and manage its headcount.

**SMEs Challenges**

However, irrespective of country, SMEs face common problems in respect of their survival or to take competitive advantage. According to the available resources more than 50% of SMEs are collapse within first five years of operation. In case of Tanzania there is no reliable figure published, so for the estimated failure rate of SMEs is approximately of 60%. It reflects that SMEs in Tanzania are facing serious issues and plenty of obstacles to stay as competitive enterprises in market. In the preface while the demand for finance is unlimited and lack of it is said to be a major scare to businesses development after crime, yet SMEs are excluded from obtaining the funds. High interest rate, lack of collateral and Creditworthiness. Most banks insist on immovable assets, Weak property rights hinder collateral availability so as capital formation, lack of adequate mechanisms to provide information on creditworthiness Sometimes it is a mere perceived risk, evasion of risky ventures.
Financial Support Facilitation to the Growth of SMEs

Financial support for loan capital. Grant are perhaps the most common form of financial support for microfinance loan portfolios abroad. MFIs can be particularly attractive as charitable grantees because they are often barred by law or their organizational documents from benefiting private interests. Funders have also provided grant capital to various privately owned forms of MFIs, however, subject to grant agreements that attempt to limit the power of the MFIs’ owners to withdraw capital.

Many microfinance sponsors are now looking also at providing financial support to MFIs in the form of loans. One reason to provide capital as a loan is that local law may well provide more predictably effective enforcement mechanisms for loaned capital than for granted capital, leaving sponsors in a better position to assure compliance with use restrictions on the capital they supply. Finally, some sponsors are providing capital in the form of equity investments. Equity investment in a MFI itself (which is generally not possible with respect to NGO MFIs), both increases directly the capital available for microfinance activities and potentially also puts the MFI in a position to access borrowed capital from other sources. It can also provide meaningful control over the MFI’s governance, through the shareholders’ rights to elect the governing board. Equity investments in conventional commercial banks have even been used as a means of providing capital (and securing a commitment) for the bank in question to provide services to poor customers.

MFI operating support and technical assistance. Besides financial support for micro lending capital, many supporters of microfinance abroad provide operational support and fund technical assistance to MFIs. Typically, even the most successful MFI requires several years of deep operational subsidy before net earnings can sustain the high transaction costs of serving this customer base. For most MFIs donor funding represents the only available source of this operating subsidy. Intensive technical assistance of many sorts is also required to build a self-sustaining MFI and to foster
the businesses of its customers, and even very well established MFIs can benefit from ongoing subsidized training for their staff and clientele.

2.3 Empirical Literature Review

Studies conducted in Tanzania have shown that even though the SMEs sector has been contributing more than 30% of Gross Domestic Product (GDP), majority of the individual institutions have not experienced much growth (IPP Media, 2012). Moreover much of growth of the SMEs has been spontaneous, with poor technology, lack of access to capital, lack of proper training, lack of management skills and unreliable power supply. To large extent these factors have contributed to the poor growth as well as performance SMEs in Tanzania.

A study by Craig (1997) on the other hand observed that many microfinance institutions experience cycles of growth followed by periods of consolidation where they are forced to solve operational challenges such as decline in portfolio quality, client desertion, untrained and burned-out staff, and administrative challenges including loan processing and information systems. In addition, many smaller credit programs never experience growth because they lack the resources; technical and or financial and a commitment to the financial systems approach. In Tanzania, a survey of 136 small firms found that 63 per cent of them consider difficulties in accessing finance from larger financial institutions as the major constraint to their growth (Satta, 2003).

Obamuyi, (2000) in Nigeria conducted a study which analyzed how banks’ lending affects firms’ performance and growth and identifies some of the factors that have constrained finance to the Small and Medium Enterprises (SMEs) sector, both on the supply and demand sides. The article is based on the case study involved interviewing commercial banks managers in Ondo State, Nigeria. The results showed that the firms that received bank loans performed better and hence experience growth than those without loans. The study revealed that firms were reluctant to obtain loans from the banks because of high interest rates.
The United Nations acknowledges microfinance as a key instrument to achieving Millennium development Goals (MDGs), which seeks to reduce poverty by 2015. They include reducing child mortality by two thirds, eradicating extreme poverty and hunger, achieving universal primary education, promoting gender equality and empowering women, as well as combating HIV/AIDS, malaria and other diseases (UN, 2005).

The government is struggling to thrust the country into a state of economic recovery by integrating the microfinance sector into the national economic grid, by seriously looking at the potential of the microfinance institutions sectors for driving SMEs, creating employment and economic growth, further the Kenya government has taken major steps in the development of this sector by passing a regulatory framework in the form of the micro-finance bill which will enable their registration and regulation of micro finance institutions (Munguti, 2005).

Tomasko, (1996) in his study observed that for a growing business to continue growing, it has to be a learning organization that monitors the market and scans the horizon looking for clues or trends. It needs to be proactive by regularly analyzing how it can do better.

There may be a tendency in mature MFI's to assume that, because their current financial products are so successful, they should continue to operate the way they are and just increase the scale of their operations. Successful firms are constantly innovating and upgrading, and they spend a significant percentage of their budget on research and development. Donor organizations should consider how their resources may fund the imagination of microfinance institutions to enhance their growth.

In the other study by Shio, (2003) in Tanzanian which was about MFIs and the performance of Micro Enterprises in Tanzania, aimed at identifying the reflection on Institutional support to Selected Micro-Enterprises. The study analyzed issues like
policy frameworks, credit access, and business networking as the factors that influence the performance of SMEs. Whereby he found all the entrepreneurs expressed the fact that insufficient capital emanate from limited access to credit and business networking for enterprises development in Tanzania. Despite all has studied, his study did not take into consideration other institutional constraints facing small enterprises like enabling environment, managerial skills, infrastructural support, low level technology, poor marketing and sales efforts, VAT refund system and SMEs capital flow (import/export sectors).

Aikael (2007), conducted a study in Tanzania on improving competitiveness for SMEs to harness available trade and investment opportunities for the growth. In his study he found that less developed countries capability to face global economic challenges depends so much on the stage of development of their SMEs. Nevertheless, SMEs competitiveness in Tanzania and other developing countries face a number of encumbrances hindering their success in both local and international markets. His paper undertook a thorough review of the factors affecting SMEs competitiveness in Tanzania. The study findings was based on library research which may have overlooked some of the factors and neglected the field research which portrays relatively reliable information and hence the findings. The current study in year 2013, conducts library and field research in order to bridge this gap. Based on the findings accented in the literature and the data analysis from the field, policy recommendations for the improvement of SMEs competitiveness are made accordingly.

Craig, (1997) also in his study observed that, businesses need to have an effective management information system in place prior to an explosive growth phase to enable it to manage growth. Most emerging firms get into trouble because the management team either does not have the information it needs to make the right decisions or chooses to ignore the information that is available. For microfinance, information is even more important than in most businesses.
It is the lifeblood of an MFI. Microfinance relies an information based lending technology, as opposed to commercial banks that use a collateral-based approach. Microfinance information must focus on financial as well as non-financial indicators, such as productivity, efficiency, average loan size, and client retention. The management information system should provide information about factors and forces that need to be monitored closely as well as insights into what should be changed. This early warning system can scan the horizon for trends, and identify threats and opportunities.

Replication of these study is very important in Tanzania in order to find out if the results from other study that were conducted concerning MFIs support to the growth of SMEs could be generalized in Tanzania economic setting. Peculiarly in this study the researcher will collect data from respondent from ECOBANK Officials and SMEs owner to emphasize on the setting nature of the study.

2.4 Research Gap

Based on reviewed empirical literature, it is a fact that a good number of research similar to the study have been done. However there is no documented evidence which indicates that the study have been done where this study intend to be done. Hence finding from this study, conclusion and recommendations will bridge the gap.

2.5 Conceptual Framework

The conceptual framework provide guidance when the research is conducted. The conceptual framework used the variables (include the independent, intervening and dependent variables). The conceptual framework provided the relationships between variables and was used to guide in construction of questionnaires that were used in collecting data from the respondents.

Variables used in Research

The aim of the study was to examine MFIs support to the growth of SMEs the study assumes that the service offered with these MFIs that is group of independent
variable such as Training, Savings, Loan provision, Consultancy services, Transfers of money services and insurance these variables are significantly important toward growth of these SMEs and the group of independent variable assist much the dependent variable into realization of the objectives.

The dependent variable are the growth of SMEs and the these variables include Enterprise growth, Investment and re-investment, Economic empowerment, Saving, Employment, Acquiring of new machine and equipments. These independent variables may influence both negatively and positively in support the growth of these SMEs and they are however affected directly with the independent variable unto which they cannot be fulfilled unless the independent variable are there directly influence them.

The intervening variables in this case are those factors that do not direct influence the growth of SMEs but they are very important in determining the implementation/provision of those independent variables. The intervening variables include the government policy and regulation, political stability, corruption, competition and social-economic factors these factors may also affect negatively or positively the independent variable.

The diagram below shows the different variables and their relationships as well as indicators to be measured.
The figure above present conceptual framework of the study. The study assumes the dependent variable of the study is SMEs growth. The growth of SMEs is characterized by Enterprise growth, Investment and re-investment, Economic empowerment, Saving, Employment, Acquiring of new machines and equipment. Also, the study assumes the independent variable of the study is MFIs support. MFIs support is characterized by Training, Savings, Loan provision, Consultancy services, Transfers of money services and insurance.

The relation of these variable independent and dependent is seen with MFIs that have favorable terms and conditions for investments in innovation activities, MSE will be able to acquire loan and these other services. These loans will then be invested by SMEs in innovation activities through training, workshop, acquiring of new machinery etc. The result of this is an increase in quality of products, production processes, market strategies and better organizational structure of SMEs. This means innovation and increase in output that result into an increase of income.
Therefore, the model formulates the hypothesis that the interaction between dependent and independent variables and intermediate parameters which are external factors in context to SMEs and MFIs, given the contextual parameters observed, that will show a given realization of the role of microcredit toward economic influence impact which is the output parameter that SMEs have towards their counterparts, the MFIs.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction
This chapter contains detail information on methodological approach to this study. It presents research design, study area, population, sampling procedures and sample size, Types of data collection, methods of data collection, data collection instruments, and lastly data management.

3.2 Research design
Research design entails the detail exploration of a specific case, which could be a community, person or organization. In a very simple definition research design is a framework for the collection and analysis of data. There are number of research designs include quasi experiment, cross-sectional or survey design, longitudinal design, case study design and comparative design, (Bryman, 2008).

This study however adopted case study design which dealt with various processes and their interrelationships. This has provide opportunity for the researcher to have full analysis of different situations and their interrelationships. Therefore, the rationale for selecting case study was to enable researcher to get in-depth information about the research subject through careful analysis of facts.

3.3 Area of the Study
The study was carried out in Dar es salaam City at the offices of ECOBANK located at Posta/ sokoine drive. This area was found appropriate for such study due to number of reasons. Part of the reasons for selecting this area is readiness of the respondents in giving out data. The choice of the study also consider the financial position as well as time shortage of the study.
3.4 Study Population and Sample Size

Population is a group of individuals who have one or more common characteristics that reflect interest to the researcher (Kothari, 2004). The population of this study is 158 people. The study was only involve 60 respondent from all staff members of ECOBANK Sokoine Drive Branch and SMEs owners as the table as the table below shows.

Table 3.1: Sample Size

<table>
<thead>
<tr>
<th>RESPONDENTS</th>
<th>NO: OF RESPONDENTS</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Management</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Middle Management</td>
<td>10</td>
<td>17</td>
</tr>
<tr>
<td>Low Cadre Staffs</td>
<td>26</td>
<td>43</td>
</tr>
<tr>
<td>SMEs Owners</td>
<td>20</td>
<td>33</td>
</tr>
<tr>
<td>TOTAL</td>
<td>60</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Research, 2014.

3.5 Sampling Procedure

A simple Random Sampling method was used in this study which gives each element an equal and independent chance of being selected. An independent means that the draw of one element did not affect the chances of other elements being selected (Krishnaswami, 2003).

3.6 Types of Data to be Collected

3.6.1 Primary Data

Primary data is the data collected specifically for the research project undertaken. (Saunders et al 2012). In this study, primary data was collected by using interview, observation and questionnaires from the sample population that include employees from ECOBANK Sokoine Drive Posta Branch and SME owners.

3.6.2 Secondary Data

Secondary data means data are already available. They refer to the data which have already been collected and analyzed by someone else (Kothari, 2009). They are obtained from literature sources or data collected by other people for some other purposes (Adam and Kamuzora, 2008). They may be either published or
unpublished. Thus, secondary data provide second hand information and include both raw data and published ones (Saunders et al 2012). Secondary data sources include books, journal articles, newspapers, report and publications of various associations and organization as well as other documentary reviews from internet. Thus, apart from the primary data, this study was also including secondary data as shown above.

3.7 Methods of Data Collection
The search for answers to research questions calls for collection of data. Data are facts, figures and other relevant materials, past and present, serving as bases for study and analysis (Barongo et al 2011).

3.7.1 Interview
Interview is a purposeful conversation between two or more people, requiring the interviewer to establish rapport, to ask concise and unambiguous questions, to which the interviewee is willing to respond, and to listen attentively. Essentially it is about asking purposeful question and carefully listen to the answer to be able to explore these further (Saunders et al, 2012). The interview method of collecting data involves presentation of oral- verbal stimuli and reply in terms of oral- verbal responses. This method can be used through personal interviews and if possible, through telephone interviews. (Kothari, 2004). The use of interview helped the researcher gather reliable and valid information that are relevant to research questions and objectives and have also help refine ideas where research questions and objectives have not yet formulated.

3.7.2 Documentary Review
Documentary review is a method of collecting data by reviewing existing documents. The documents may be internal to a program or organization or may be external. Documents may be hard copy or electronic and may include reports, program logs, performance ratings, funding proposals, meeting minutes and newsletters. Documentary analysis method is useful because it is relatively inexpensive, good source of background information, provides a behind-the-scenes look at a program
that may not be directly observable and May also bring up issues not noted by other means. As of this case researcher employed this type of data collection method to the study and managed to collect information that help understand the history, philosophy, and operation as long as microfinance institution is concern.

3.8 Data collection instruments
Methodologies/techniques used to identify information sources and collect information during an evaluation.

3.8.1 Questionnaire
A questionnaire is a research instrument consisting of a series of questions and other prompts for the purpose of gathering information from respondents. In this study the researcher was using both open-handed and closed-ended questionnaire because can cover a large number of people, relatively cheap, no prior arrangements are needed, avoids embarrassment on the part of the respondent, respondent can consider responses, possible anonymity of respondent, and no interviewer bias.

3.8.2 Interview questions
Interview questions are technique/instruments that is primarily used to gain an understanding of the underlying reasons and motivations for people’s attitudes, preferences or behavior. Interviews can be structured semi-structured or unstructured. In this study the researcher used structured interview because more information that are too in greater depth can be obtained and personal information can as well be obtained easily under this method.

3.8.3 Documentary Review Schedule
This is one of the Data collection instruments where by the general principle of handling documentary sources are no different from those applied to other areas of social research. In all cases data must be handled scientifically, though each source requires different approach. Scott, (1990) has formulated quality control criteria for handling documentary review schedules. These are authenticity, credibility,
representativeness and meaning. Authenticity refers to whether the evidence is genuine and from impeccable source. Credibility refer to whether the evidence is typical and its kind, representativeness refer to whether the document consulted are representative of totally of the relevant document and meaning refer to whether the evidence is clear and comprehensible. The researcher will employ these technique when arranging to collect data from document sources.

3.9 Data Processing management
After the collection of the data has been done, it has to be then processed and then finally analyzed. The processing of the data involves editing, coding, data entry, validation and after all this analysis of the data takes place.

3.9.1 Editing
This aspect plays a very vital role in the detection of the errors and omissions and then helps to correct these errors by which, the degree of accuracy, consistency and homogeneity are increased. By this method, the researcher edited and also scrutiny in a very careful manner of the completed questionnaires that was filled at the area of the study.

3.9.2 Coding
Coding is an analytical process in which data, in both quantitative form (such as questionnaires results) or qualitative (such as interview transcripts) are categorised to facilitate analysis. This step involves assignment of some symbols, either alphabetical or numerals or both, to the answers. By doing this coding of the data, analysis of the data can be performed in a much efficient manner but a very vital point to be kept in mind here is that there should be no errors while assigning the codes or should be at the minimum possible level. The researcher coded the questionnaires to easy the entry in the excel spreadsheet.
3.9.3 Data entry

Direct input of data in the appropriate data fields of a database, through the use of a human data-input device such as a keyboard, mouse, stylus, or touch screen, or through speech recognition software. After data that was coded the next work is to enter them in SPSS to enable proper and accurate output is desirable. Data that was available for entry need to be of high quality and free from error. The researcher was ensured that correct figures and raw data was complete the work in his findings and discussion.

3.9.4 Validity of data

Is the degree to which an assessment tool (SPSS), produces stable and consistent results. It refers to how well a test measures what it is purported to measure. Data validity error are usually common. And it is the data – related errors that are the most difficult to detect. Validity is one of the main concerns with research. "Any research can be affected by different kinds of factors which, while extraneous to the concerns of the research, can invalidate the findings" (Seliger. & Shohamy 1989, 95). Controlling all possible factors that threaten the research's validity is a primary responsibility of every good researcher. The researcher was avoiding these errors by correct data entry when a large volume of data was entered.

3.9.5 Data Analysis Procedure

Data analysis consists of examining, categorizing, tabulating, or otherwise recombining evidence to address initial propositions of a study. According to (Kothari, 2004), data analysis involves reducing accumulated data to a manageable size by developing summaries, looking for patterns and applying statistical techniques.

In doing data analysis both descriptive and statistical data analysis was based on the data and information collected from secondary and primary sources. Most of the descriptive analysis was based on the pure defined coding in the distributed questionnaires. Because most of the questionnaires are open ended questionnaires
also discretional analysis will be done. Thus in most ranking will used to assess importance and non-importance variables. The collected data was edited, summarized, classified, tabulated and analyzed using excel spreadsheet. The study was analyzing the relationship between MFIs as independent variable and SMEs as dependent variable. The analysis was taking place from the area of study.
CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.1 Introduction;

This chapter presents data gathered by the researcher on the Microfinance Institutions to the growth of Small and Micro Enterprises. This chapter also explains the research findings and its analysis. Both methods, qualitative and quantities analysis were used in data analysis. Research findings were obtained by using the following methods; Documentations, Interview and questionnaires. Specifically the study intended to address the three research questions as presented in chapter one, which were; What are the types of financial support Microfinance Institutions provide to Small and Micro Enterprises?, What are determinant issues used by Microfinance Institutions to allow Small and Micro enterprises accessing fund from them? And to what extent does financial support from Microfinance Institutions facilitating the growth of Small and Micro Enterprises? The presentation of data has been illustrated in terms of tables, figures, charts, percentages and frequencies. The presentation of the Research findings was carried out according to each research question by pinpointing different issues which support or ignore each research question.

The study constituted 60 respondents who responded on questionnaire and interview. When the empirical data from the questionnaires are available, it is necessary to continue into the next stage: data analysis. This chapter focuses on presenting the empirical results, especially the results from descriptive statistics. The descriptive analysis tries to give a general impression of values on individual variables and their components. These values include mean (or the average) and standard deviation, which can measure the central tendency of a selected sample.
4.1 Demographic characteristics of respondents.

Data were collected from respondents with different characteristics in terms of age, sex, education level, and occupation. Respondents were randomly selected within Eco Bank officials and SMEs owners in Dar es Salaam.

4.1.1 Age of respondents;

Respondents with the ages between 25 and 60 who had involved in the subject of Microfinance support to the growth of small and micro enterprises were interviewed. The youngest respondent was at the 25 years old and the oldest was 55 years old. The age group with many respondents was age group 35-44 with 41.7 percent (25 respondents) and few respondents were from ages 55 and above with 5 percent (3 respondents) as shown in Table 4.1.

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Number of Respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>25 – 34</td>
<td>15</td>
<td>25</td>
</tr>
<tr>
<td>35 – 44</td>
<td>25</td>
<td>41.7</td>
</tr>
<tr>
<td>45 – 54</td>
<td>17</td>
<td>28.3</td>
</tr>
<tr>
<td>55 and above</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>60</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field Research, 2014.

Table 4.1 indicates that 15(25%) of the respondents were in the age group of 25-34 while 25(41.7%) of the respondents were in the age of group of 35-44 years, 17(28.3%) of the respondents were in 45-54 years and 3(5%) of the respondents were in 55 and above years. This indicates that many respondents where participate in MFI's support to the growth of SMEs and owners and officials with age ranged from 25 to 55 and above, study was to access how far they have been able to facilitate to their growth. They facilitated on delivering of effective data to achieve the objectives of the study.
Figure 4.1: The distribution of Respondents according to their age group

Source: Field Research, 2014.

The above pie chart shows and analyzes that 42% (35-44) which has a large number of respondents which are 42, followed with 28% (45-54) with 17 respondents, 25% (25-34) with 15 respondents and the least age group of 5% (55+) with only 3 respondents.

4.1.2 Distribution of respondents according to Gender

From all 60 respondents who participated in study, 39 (65%) were male and 21 (35%) were female. This implies that majority respondents who participated in the study were male due to their significant in influencing the growth of small and micro enterprises with the support from MFIs.

In other hand male respondents were many compared to the female and those who responded to the questionnaire claimed that they were busy with their daily responsibilities and they had little knowledge on how far they have been able to support to their growth due to many SMEs fail to develop proper portfolios that sometime led to their failure. The findings from questionnaires and interview shows
gender differences have impact of evaluating the MFIs support to the Growth of SMEs. Table 4.2 below indicates;

**Table 4.2: Distribution of respondents according to Gender**

<table>
<thead>
<tr>
<th>Gender</th>
<th>No: of respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>39</td>
<td>65</td>
</tr>
<tr>
<td>Female</td>
<td>21</td>
<td>35</td>
</tr>
<tr>
<td>TOTAL</td>
<td>60</td>
<td>100</td>
</tr>
</tbody>
</table>

**Source: Field Research, 2014.**

The above table shows gender distribution that were used to the study where by 65% of male with 39 participants show a large proportion of participant and 35% of female with 21 participants also were also used to influence the success of the study.

**4.1.3 Education level of the respondents**

Education can be defined as the process of learning from a school, college, university or elsewhere to gather a range of knowledge (Armstrong, 2001). Education level is one of the most important variables in demographic studies as it influences people’s knowledge in assessing how MFIs support has led to the growth of SMEs. The majority (55%) respondents involved in this study had first degree collage, 27.5 percent had post graduate degrees (Masters and PhD), 12.5 percent had diploma award and 2 percent had Certificate awards as table 4.2 shows

**Table 4.3: Distribution of respondents according to Level of education**

<table>
<thead>
<tr>
<th>Level of education (e.g. Masters and PhD)</th>
<th>No: of respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificate</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Diploma</td>
<td>5</td>
<td>12.5</td>
</tr>
<tr>
<td>First degree</td>
<td>22</td>
<td>55</td>
</tr>
<tr>
<td>Postgraduate degree (e.g. Masters and PhD)</td>
<td>11</td>
<td>27.5</td>
</tr>
<tr>
<td>TOTAL</td>
<td>40</td>
<td>100</td>
</tr>
</tbody>
</table>

**Source: Field Research, 2014.**

The finding signifies that 2 (5%) of Collage Certificate, 5(12.5%) of the respondents have Collage Diploma, 22(55%) University Degree 11 (27.5%) Postgraduate awards. This tells us that the majority of respondents were educated and only few (5%) respondents had low level of education, hence respondents had knowledge of
assessing how far MFIs support have contributed to the growth of SMEs. From the interview and questionnaires the knowledge as portrayed with the highest level of education attained by the individuals.

### 4.1.4 Occupation of the Respondents

Occupation is something that a person does daily or regularly to earn money for his or her survival (Oxford Advanced Level Learners Dictionary, 2008). This is another crucial characteristic of the respondents which was analyzed in relation to assess how far MFIs support has led to the growth of SMEs. The larger groups of respondents 20(50%) were Junior Staffs, 13 respondents (32.5%) were senior staffs, 4(10%) were Managers and 3(7.5%) were Directors, as illustrated in figure 4.1.4 below.

**Figure 4.2: Distribution of Respondent’s Occupation.**

![Pie chart showing the distribution of respondent's occupation](image)

Source: Field Research, 2014

The above data shows that the respondent occupation are crucial in analysing the information as each level of occupation perform a certain work in and that is used to measure the efficiency as relating to access how far they have been able to influence and help SMEs growing in their daily operation.
4.2 Types of Financial Support Microfinance Institutions Provide to Small and Micro Enterprises.

When respondents were asked on how often they participate in offering financial service to costomer 28(70%) respondents said they are most often offering the service to the customer, 8(20%) of respondents said they are least offering the service to the customer and 5(12.5%) of the respondent said they are rarely offering the service to the customers. The following table shows how often they respondents offering the service to the customers.

<table>
<thead>
<tr>
<th>Frequency of service offered</th>
<th>No: of respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Most often</td>
<td>28</td>
<td>70</td>
</tr>
<tr>
<td>Least often</td>
<td>8</td>
<td>20</td>
</tr>
<tr>
<td>Rarely</td>
<td>5</td>
<td>12.5</td>
</tr>
<tr>
<td>TOTAL</td>
<td>40</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Research, 2014

The table above shows how the MFIs for this case ECOBANK has managed to support the growth of SMEs through clearly provide service as shown in the above table and their participation at large.

Being questioned on how often they offer financial service to customers 28(70%) were seem to be a large number of officials who were behind the intensity of the service that were given with Ecobank, others were offering the service but not in that wide aspect and theea are regarded as the top level management who are mostly formularte the routine policy for the efficiency of the banking operations.

However being asked on what type of financial support offered by Ecobank, 36(90%) respondents give the same answers as quoted, “Providing loans and advice,opening investments account to customers and opening normal savings account and current accounts.”
This is a large percent compared to the 4(10%) left respondents who did not clearly showed the parameter of the service offered with them and hence, did not clearly satisfy the answers to the questionares. The range of service that are provided with the ecobank officials has a large impact to the wellbeing of SMEs as they depend mostly on how effectively then can be able to acquires such service to the attainment of their financial standards and to this cause they facilitated to the growth of SMEs. The study was interested to know what extent these services offered facilitate the daily banking operations 27(67.5%) of respondents said the service offered facilitate banking operations to a extremely large extent and 13(32.5%) said the service offered facilitate t a normal banking operations. The following figure illustrate on how these services offoered facilitate to a daily banking operations.

Figure 4.3: The extent of service offered on daily banking operations influence to the growth of SMEs.

Source: Field Research, 2014

The above figure shows the extent and magnitude of service offered on banking daily operations that clearly facilitate the growth of SMEs and the boundary of their operation toward serving then and the realization of banking goals and objectives, as
it shown above 67% of respondents who share their view on how far they go into serving these SMEs though their daily operation and the impact of their service in assuring the necessary increase and growth of these SMEs.

**Determinant Issues Used by Microfinance Institutions to Allow Small and Microfinance Enterprises Accessing Fund from Them.**

When respondents were asked whether they know overall formalization concerning their financial services have a clear process of customer loan application, 37(92.5%) respondents said yes as they formalize their financial wide coverage services to have that base to clearly analyzing loan application and only 3(7.5%) respondents said no as their knowledge toward analysis is not based on the parameter of the services they are offering.

**Figure 4.4: The Customer loan application**

![Pie chart showing 92% YES and 8% NO](image)

**Source: Field Research, 2014**

The above analysis shows that 92 percent of respondents who said yes and only 8 percent who said no, the analysis on how far their financial institution have a clear process of customer loan application, the researcher find out that most of their financial services are clearly organized to aspire the need of the customer who seek
loan and apply for a loan. Being asked same question they were required to explain if the answer was yes what are the criteria that an applicant should meet before offering services, majority of respondents 37(92.5%) were quoted say, “Should have an operating account (current account), mortgage and referees (one or two of them).”

And 3(7.5%) respondents who fail to provide answer to the question which they were asked to provide answers to.

When they were asked if the conditions and procedures set by MFIs favors the SMEs client 29(72.5%) of respondents said yes and only 11(27.5%) said no as shown in the following table

<table>
<thead>
<tr>
<th>Frequency</th>
<th>N: of respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>29</td>
<td>72.5</td>
</tr>
<tr>
<td>No</td>
<td>11</td>
<td>27.5</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Research, 2014

As the table above shows 29(72.5%) of respondents said the conditions and procedures set by these MFIs favors the SMEs clients and 11(27.5%) of respondents said no, this analysis indicate that their set of standard conditions and procedures favors each individual client who seek loan to the Ecobank to facilitate the daily banking operation and growth of one of its corporate goal strategies it has set forth.
The conditions and procedures set by MFIs that favors SMEs clients

Source: Field Research, 2014

The figure above shows the analysis of the conditions and procedures set by the Ecobank that favors the SMEs client’s access services from them the researcher find out that there are various set standard that guide customers into seeking of loan to the bank and guaranteed of service by the bank in return in case these condition are met by them and hence by so doing it enable them to access the available service to facilitate a fulfillment of their objectives.

When asked of the customer are able to meet such criteria that enable them to access loans from Ecobank 27(67.5%) of respondents said yes and 13(32.5%) of respondents said no, those who answer no who hold total of 32.5 percent say that most of the clients who approach bank and seek for loans especially SMEs lack clear line of how to use the loans they have applied for and they also have a challenge of what to put as a mortgage to cover the period of loan repayment, as of this cause most of the clients especially SMEs owners fail to meet the criteria set by this MFIs, however not only they lack the clear path to the fulfillment of the intended objectives but most of them have not yet study the environment and know
what to invest and to what extent to apply for loan that will enable them to realize the end result, this was also said by the respondents who answer no to the question.

**Figure 4.6: The Criteria meet by customer in loan application**

The above figure shows that the 67 percent say yes on the criteria set by MFIs that the clients are able to meet and 33 percent of the respondents said no due to reason showed above. The researcher find out that as long as the bank adhered to provide loan to SMEs they set normal standard that each applicant can be able to meet in order to facilitate availability of loan. ECOBANK has not only enhance its availability but it also necessitate the major difficulties that make it harder for them to access loan from them.

**4.4 The Extent of Financial Supports from Microfinance Institutions that has been facilitating the growth of Small and Micro Enterprises.**

Being questioned on if this MFIs direct their services to SMEs to facilitate their growth all 39(97.5%) said yes it direct all the services to the growth of SMEs and only 1(2.5%) respondent said no as to the question which was asked in the
questionnaire. This showed that the ecobank is highly devote all its priority and energy to provide such services that enable the SMEs growth and expand.

**Figure 4. 7:** The MFIs direct services to the SMEs Source: Field Research, 2014

The above figure shows the distribution of percentage of direct services offered by MFIs. The researcher discuss the finding by weighting the magnitude of the services offered by them is of paramount enthusiasm to the wellbeing of these SMEs as it appeared it has managed to captivate and stimulate the interest of many SMEs toward applying not only to loan but also to other services that enable them to invest highly and to realize the higher return. With this due regards respondents were analyzing basing on the nature of the daily operation and services they are offering to the clients as they were relying to their judgment toward accessing the magnitude of the services they are offering. However given a clear line of objective they aim and target to serve the economic change and the nature of marketing demand and supply that these SMEs are facing lead them sometime not to prefer to the loan service and hence deteriorate on the frequency of how to serve them to realize their goals.
When asked if the customers reached by these schemes improve their general performance in terms of business growth, creation of employment and generation of income, 23(57.5%) of respondents say yes it improve their performance in terms of business growth, creation of employment and generation of income and 17(42.5%) said no that it does not improve their performance in terms of business growth, creation of employment and generation of income.

**Figure 4.8:** The schemes performance in improving business growth, creation of employment and generation of income.

![Pie chart showing 57% Yes and 43% No](source: Field Research, 2014)

The above analyzed data shows that 23(57.5%) of the respondents who filled in the questioners say yes on if these schemes help to improve SMEs general performance in terms of business growth, creation of employment and generation of income, due to their experience and the way they routine conduct their operations.

The researcher find out that they rely on the ability of these SMEs returning loan on time, saving they return to the bank, and the investment portfolios they bringing in when applying for loan. Most of them when interviewed, said not all are eager to try with passion to do thing, other are coping of how other are doing fail to grow and others are so content into the aspect of the business they wish for, and hence their
corporate strategies when aligning with business strategies they facilitate to the realization of massive return from these investment they are eager to do. And 17(42.5%) respondents who said no clearly share their views by exploring the ability of anticipation and the investments capability suffered by these SMEs and hence fail to realize their set objectives one of the respondents quoted said:

“Most of these SMEs are fail to analyse the envirmnent and their corporate objective toward investing as a result of this aligning their objectives is challenging aspect toward growing.”

Apart from loan services offered the researcher asked if they were offering other services and if offered are they contributing to the business growth, 31(77.5%) of respondents said yes other services offered contribute to their growth and only 9(22.5%) of respondents said no that they are not contributing to their growth.

Figure 4. 9: The other services that contribute to the business grow apart from loan.

Source: Field Research, 2014

Under the basis of the above responses, the figure shows that 77percent of respondent say yes on the basis of other services that help contribube to the business growth rather than loan and as they were asked by the researcher most of
them say the service like getting interests on investment account, investment advice and saving accounts that they operate on behalf. And only 9(22.5%) respondents who say no said the following should be done to facilitate the SMEs growth when given the loans as they have said financig is one of the most challenging obstacle an most customers has to overcome when starting business.most startups requires at least a small amount of seed money to get off the ground, and you may not necessarily have those funds ready to go when when you want to launch. But a lack of cash shouldn’t mean you have to put your entrepreneurial dreams on hold the following should be done set up sales incentive program, give the customer the inside scoop, tier customer and set up customer reward programs.

When asked if MFIs give priorities to the achievement of poverty reduction goals, 36(90%) respondents said yes and 4(10%) of respondents said no.

Table 4.6: Priorities of MFIs in poverty reduction goals

<table>
<thead>
<tr>
<th>Frequency</th>
<th>No: of respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>36</td>
<td>90</td>
</tr>
<tr>
<td>No</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Research, 2014

The table above shows the distributions of how MFIs support has helped into achieving poverty reduction goals as the 90 percent of respondents agree to the questions which were asked in the questionnaire as to if this MFI give priorities to the poverty reduction goal, they were asked also to explain if yes how far they have help to the realization of poverty reduction goal and most of them pinpoint the following responses as quoted hereunder,

“Microfinance has driven many slum dwellers to engage in urban agriculture as witnesses by Ecobank around all Africa, slum-based microenterprise production using recycled waste products, or housing rehabilitati”. In other instances, improved access to healthier sanitation and potable water in rural and urban areas has have resulted from microfinance support Ecobank has support these SMEs with, Conduct country-specific outreach planning seminars to facilitate the exchange of information between specialist institutions on how best to use
microfinance service we offer to address the root causes of environmentally negative practices, Ecobank has promote the adoption of environmentally aware livelihoods and production, and support the engagement of chronically poor households and communities in redressing environmental damage.

Only 4(10%) respondents disagrees they were asked they suggested the following to be accomplished first to facilitate the full role of poverty reduction and here is what they have to say when facing them through interview, Survey a sample of microfinance institutions to determine, based on their experience in outreach to the chronic poor, the most effective governance and accountability/ transparency practices that will entice clients from the poorest households to become involved in microfinance decision making and policy development, Develop a toolkit that will enabling microfinance institutions to identify those among their products that can best use donor support to achieve those social development goals that are overlooked by market forces, lobby for donor funding of a professional training programmes for microfinance professionals to enhance their awareness of development trends in the communities they serve and their capacity to work with the chronically poor to address the root causes of chronic poverty in those communities, establish a microfinance Environment Improvement and Sustainability Fund to support client efforts in favour of environmental awareness and responsibility, including participation in training and group activities focused on land care, water quality protection, recycling and reduced waste.”
The above figure shows the analysis of the respondents on giving their view toward the role of MFIs in poverty reduction goals, as was observed by the researcher 90 percent of respondents said yes this signify that the MFIs has widely prioritize the poverty reduction goals toward serving and making sure that they are achieving their goals an only 10 percent of respondents said no as they give out the reason and to what should be done to influence the action toward exert force to excel in poverty reduction as a whole. This has to a large extent showed that the Ecobank one of its grand strategies is focused widely into achieving a poverty reduction goals and by so doing it strategies and shape its policy toward SMEs to make sure they are being favoured in case of different projects and loan given to easing the process of strategic growth toward excellence.

When they were asked if this MFIs make follow up on loans to facilitate that loans are paid back on time, 35(87.5%) respondents say yes and 5(12.5%) say no as the table below shows
Table 4.7: MFI make follow up on loan to facilitate pay back on time.

<table>
<thead>
<tr>
<th>Frequency</th>
<th>No: of respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>35</td>
<td>87.5</td>
</tr>
<tr>
<td>No</td>
<td>5</td>
<td>12.5</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Research, 2014

The above table shows that 87.5 percent of respondents upon asked if this MFI make follow up on loans to facilitate that loans are paid back in time they say yes as they say when direct interviewed that total number of people are rely on investment that are generated from these loans as a matter of fact they make effort to pay back the loans in time in order to apply for another loan. As of this cause the Ecobank officials make follow up to facilitate the loans are paid back in time. Only 12.5% of respondent say no upon asked the same questions and the reason being that as quoted here below by one of the respondent.

"Financial market in developing countries that favor SMEs can be hampered by a lack of basic financial infrastructure such as functioning credit bureaus, uniform disclosure rules or the ability to use the collateral."

These limitation can substantially increase the cost of lending for many banks since there is much less information about the overall applicant pool and enforcement of loans is more difficult. The lack of functioning financial system can impede any enforcement or screening mechanism that operates through negative incentive, if borrowers who have defaulted on one bank can easily access other lenders.

To ensure timely repayment, banks therefore have to rely on more innovative positive incentives schemes. If SMEs business strategically delay repayment since they know that lenders have only limited enforcement mechanism, then the provision of incentives for on time payments should increase re-payment by reducing the benefit of this behavior, while sending SMS reminders should not have any impact. In contrast, if late payment were predominantly a function of the inability of SMEs to manage the finances, steeper incentives would not help, since payments failure are simply a function of their inability to manage the finances of
the business. SMS reminders, on the other hand, might help prevent firms missing payment due to oversight.”

Evidence support the hypothesis that SMEs in developing countries pay late not because of strategic reason but because they suffer from a lack of financial management, which affects their ability to make payments on time. This has broader implications for the design of credit product. The repayment behavior of a borrower may be partly driven by simple product details, such as the ease with the borrower can pay the loan. Thus, loan programs that facilitate easy repayment or frequent reminders may improve loan repayment behavior and reduce cost of lending.

As the study was to access how far the MFIs support has led to the growth of SMEs the analysis of how far this has manage to their growth was accessed through direct questioned SMEs owners and through that their participation has indicate that there is number of contribution that they are benefited from these MFIs that led to their growth. The following are the questioned asked and the analysis of what has been said and observed by the researcher.

4.5 The Types of Financial Support Microfinance Institutions Provide to Small and Micro Enterprises.

When respondents were asked the types of financial support they get from Microfinance Institutions. 17(85%) respondents were having the following answers

"Initial capital for their small business which is guaranteed, top up for going capital (going concern business/ initial business) and above all Loan against salary."

And 3(15%) respondents did not answer the question as they were in the questionnaires. SMEs loan program, which provided with banks guarantee of up to 90 percent of the value of loans made to these small businesses. These days, all eyes are on small businesses, and for good reason as answered by one of the respondents from SMEs owner. They’ve created the majority of new jobs over the last decade and, in past downturns, it’s been small business growth that has
pulled us out of recession. The ability of small businesses to finance growth is, in turn, largely dependent on the capacity of local community banks to lend them money. As big banks have consolidated the market, small businesses have had a harder time obtaining loans. Why is it that MFIs do so much more small business lending than other service? One reason is that big banks rely on computer models to determine whether to make a loan. Because the local market conditions and the circumstances surrounding each borrower and his or her enterprise are so incredibly varied, this standardized approach does not work very well when it comes to understanding the nuances of risk associated with a particular small business. By drawing on qualitative information – getting to know the borrower, learning about the business, and understanding the local market, MFIs can better assess risk and successfully make loans to a wider group of small businesses.

When they were asked if these support benefit their organizations 18(90%) respondents say yes and only 2(10%) respondents say no as the table below shows.

<table>
<thead>
<tr>
<th>Frequency</th>
<th>No: of respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>18</td>
<td>90</td>
</tr>
<tr>
<td>No</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100</td>
</tr>
</tbody>
</table>

**Source: Field Research, 2014**

The above table shows the number of respondents who were asked if the service offered from these MFIs benefitted their organisations 18(90%) respondents say yes the support offered by these MFIs benefitted their organization as it enable them to grow into their business and only 2(10%) respondents said no the reason be because they provide small amount of money with a big interest which is painful to them to fulfill in time and that can’t even support to start a new business as an entrepreneur. Within any society, financial services provide a means for people and businesses to obtain credit and manage available assets on a continuous basis. Access to financial services enables existing businesses to grow and provides the starting capital for starter businesses. Microfinance institutions provide these services within
communities that have limited resources and few avenues for economic development. People within these communities can use microloans to develop small businesses based on their existing talents and skill sets as a matter of fact the support that are shown by MFIs to these SMEs have a great impact to their growth regardless the ability of these SMEs paying back capacity. As a result, loan terms tend to carry high costs with no guarantee that lenders will remain in one place for any length. In contrast, microfinance institutions typically work alongside government organizations and also have ties with larger global organizations. In addition, microfinance institutions make modern technologies available to borrowers in the form of credit cards, ATMs and mobile phone banking capabilities.

4.6 Determinant Issues Used by Microfinance Institutions to Allow Small and Microfinance Enterprises Accessing Fund From Them.

The study was interested to examine if the issues that used by MFIs to determine the borrowing capacity favorable to these SMEs 15(75%) respondents say yes and 5(25%) respondents say no as the figure below shows:

Figure 4. 11: The favorable of determinant issues to SMEs into accessing Loan and other Services

Source: Field Research, 2014
The good number of SMEs respondents who answered the above question as was asked by the researcher on if the issues relating to borrowing capacity favorable to them 15(75%) respondents agree to the question. by that statistics it shows that they are highly relying to these SMEs one being Ecobank into getting loan to facilitate to their growing businesses and these term that were set by many MFI targeting into benefiting them though realizing their business trend grow and facilitate the poverty reduction goal that mostly set to them.

However only 5(25%) respondents when asked the same question with the researcher disagree as they said that there is a massive chain that is involved by many banking into setting the sound system for them to finally access these fund and loans offered by these MFIs.

When asked if they are feel confident on the service obtained through relying into these determinant issues 17(85%) respondents say yes and 3(15%) respondents say no as the table below shows.

| Table 4.9: The level of confident SMEs feel on the determinant issues set by MFIs into accessing Loan from them. |
|-----------------|-----------------|-----------------|-----------------|-----------------|
| Frequency       | No: of respondents | Percentage |
| Yes             | 17               | 85             |
| No              | 3                | 15             |
| Total           | 20               | 100            |

Source: Field Research, 2014

The above table shows that 17(85%) respondents agree as they said that they are confident with the level of these loan determinant issues that are set by the MFIs into accessing loan from them and this analysis shows that the MFIs strategically has set an outstanding system that enable al to seek and get loan from them to start up their own investment and hence their growth, quite like to the few 3(15%) respondents who denied the fact that they are not confident to those determinant issues as they only trend to foster those who have collateral and other potential and qualification to access loan from MFIs.
4.7 The extent of financial supports from Microfinance Institutions have been facilitating the growth of Small and Micro Enterprises.

When asked if this MFI direct their potential support to your organization 16(80%) respondents say Yes and 4(20%) respondents say No as the figure below shows

**Figure 4.12: The potential of support of MFIs to SMEs**

![Pie chart showing 80% Yes and 20% No]

Source: Field Research, 2014

The above figure shows that 16(80%) respondents say yes as they agree to the questions asked if this MFI direct it potential support toward their need and only 4(20%) respondents say no, when asked by the researcher they say that many MFIs direct their support toward corporate goals that are beneficial to their sustainability and hence the small goals toward serving the SMEs are not given a high priority.

When asked if their organization are benefited with these schemes provided with MFIs to improve the organization general performance in terms of business growth, creation of employment and generation of income. 18(90%) respondents say yes and 2(10%) respondents say no as the table below shows:
Table 4.10: The benefit schemes provided by MFIs that improve the organization general performance

<table>
<thead>
<tr>
<th>Frequency</th>
<th>No: of respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>18</td>
<td>90</td>
</tr>
<tr>
<td>No</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Research, 2014

The table above show that 18(90%) respondents when asked by the researcher on various schemes they say yes, that access to credit and other schemes can play a pivotal role in economic growth. Banks and lending institutions provide the services that allow people to save and invest available assets and resources, which further supports and strengthens economic activity. Within underdeveloped communities, the role of microfinance institutions provides the credit access and financial services needed to develop income-earning businesses.

The MFIs commitment to establish a Microenterprise Loan Fund targeted at start-up, newly established, or growing micro enterprises is the response to a level of unmet demand in our country for micro-finance. Banks will continue to be the main supplier of finance to the micro-enterprise sector. However, due to its focus on job creation and the benefits this creates, the new Microenterprise Loan Fund will have a greater risk appetite than Banks could possibly have and therefore will be able to fund and help create and sustain additional micro-enterprises which cannot satisfy conventional Bank credit criteria. This model of having a SMEs Lender working in partnership with MFIs industry to promote enterprise and support job creation is becoming increasingly common in our country.

2(10%) respondents who answer no have the following to say when viewed in a macroeconomic context, microfinance is a very cost effective job creation/protection mechanism generating a high rate of return. In many cases the business promoters and any other staff hired come from the unemployed ranks and are therefore drawing State benefits. Existing employees who choose the entrepreneurial route and set up
their own business are also likely to create a residual employment opportunity in their previous organization.

The vast majority of micro-finance applicants are engaged in locally tradable services. While most may not have the potential for growth in terms of internationally tradable businesses, there are significant benefits to be gained by the development of a successful micro enterprise sector. In addition to contributing to the economic and social agenda, it yields exchequer gains in terms of employment sustained and created, savings on welfare payments and increased direct and indirect tax payments.

When asked if there are other services that contributed to their growth apart from loan 14 respondents said that they are offered with service such as savings account 14(29%), insurance 14(29%) and transfers 14(29%), only a fraction of the population even has a bank account. And only 6(13%) said it only provide single account insurance, as the figure below shows:

Figure 4. 13: The other services distribution offered by MFIs rather than Loan.

Source: Field Research, 2014
Most people have no suitable option for saving money. Larger sums of money can often not be kept at home, since protection from thieves is lacking. People therefore often save in the form of material assets, e.g. they buy livestock.

The advantages of money – versatile usability and divisibility – are thereby lost. One of a respondent suggest strongly that bank account allows people to save money in a secure and suitable form. Microfinance institutions are often the only possibility for people with low income to open such an account.

To avoid carrying cash for the purchase of goods or for relatives, the customers of many microfinance institutions are able to conduct transfers. This obviates the need to travel long distances to hand over money and the risk associated with cash payments the respondents also suggest that. 6(13%) respondents said that despite microfinance institutions offer to them a form of insurance – so-called single account micro insurances (13%)”. Even one’s own account may be considered a certain insurance.

Minor setbacks and short-term financial needs of a limited extent can be absorbed by one’s own savings. But the dangers for people in our developing countries and threshold countries are significantly higher than they are for developed countries: The poor living conditions make disease more probable. People are often malnourished, the quality of water is poor, and the possibilities for an adequate level of hygiene do not exist.

The risk of accidents is relatively high, since safety regulations are often ignored or cannot be complied with. Finally, the possibility of being affected by a natural disaster is also significantly higher than for us. People living below or barely above the poverty line are exposed to dangers against which a micro insurance can offer a certain level of protection and hence provision of these other guaranteed services are limited in its nature.
When asked if this MFI is giving priorities to the achievement of poverty reduction goal to their company 15(75%) respondents say Yes and 5(25%) respondents say no as the table below shows.

**Figure 4.14: The MFIs priorities attitude to the poverty reduction goal as aspired to SMEs.**

<p>| | |</p>
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Yes</td>
<td>75%</td>
</tr>
<tr>
<td>No</td>
<td>25%</td>
</tr>
</tbody>
</table>

Source: Field Research, 2014

The above figure shows that 75 percent of respondent say Yes to the question as asked that the this MFI has given them priorities toward achievement of poverty reduction goals through various service offered and conducting various appraisal meeting to ensure that they are achieving their goals and only 25 percent of respondents say no as they are not supplied with the necessary service they perceive it to be best to achieve their objectives as was answered and observed by the researcher.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction
This chapter provides a summary of the major findings, conclusion and recommendations in relation to the stated purpose. It also gives suggestions on areas for further studies. The purpose of this study was to see how far Microfinance Institutions does have support the growth of Small and Micro enterprises at ECOBANK specifically being a case; it was attempting to answer the following questions What are the types of financial support Microfinance Institutions provide to Small and Micro Enterprises?, What are determinant issues used by Microfinance Institutions to allow Small and Micro enterprises accessing fund from them? And to what extent does financial support from Microfinance Institutions facilitating the growth of Small and Micro Enterprises?

5.1 Summary
The study investigated Microfinance Institutions support to the growth of Small and Micro Enterprises. The study was conducted at Ecobank Dar es salaam. The objectives of the study were; to identify types of financial support Microfinance Institution provide to Small and Micro Enterprises, to determine issues which influence Small and Micro Enterprises when accessing funds from Microfinance Enterprises and to assess the extent financial supports from Microfinance Institutions have been facilitating the growth of Small and Micro Enterprises. A case study design was used, a sample of 60 respondents was used. Data collection methods were interview and documentary review whereas data collection instruments were questionnaire, interview guide and documentary analysis schedule. Data collected was analyzed based on research objectives.

The study found that large number of respondents 70% percent from Ecobank participate in providing financial service to the SMEs as their daily operation. the
study found out that (67.5%) of respondents who are participating in offering the service comment that the service offered enhance to a large extent to their daily operation, majority of respondents (92.5%) identify formalization toward financial services offered to them has a clear process of customer loan application. upon asked if this MFI direct their all effort into serving and ensure growth of SMEs a study identify good number of respondent (97.5%) were priorities its service parameter into serving them.

The study also identify that a good number of respondents from SMEs owner that make of (90%) are benefited with these schemes provided with MFIs to improve the organization general performance in terms of business growth, creation of employment and generation of income. It was found out that (75%) of respondents identify that the issues used by MFIs to determine their borrowing capacity favorable and encourage them to apply for loan. Finally the study found the large number of respondents (90%) are benefited from the services that are offered by Ecobank and hence to facilitate their growth.

The study concluded that the problem proposed by the study has been to assess types of financial support, the determinant issues used by MFIs to allow SMEs accessing fund from them and to what extent these support facilitating the growth of these SMES, Existence of MFIs is seen as a basis for not only big corporation but for SMEs to be guaranteed with a growth and prosperity in term of investment and related entrepreneurial endeavor in the light of financial assistance they get.

The findings reveal that the process of application for loans starts with small amount and after repayment the client can apply for next higher amount. This process was observed to be a limiting factor for those customers who needed a large amount right from the beginning. This is true because it takes an unnecessarily long time for those seeking a large loan to obtain enough funds to meet their needs. In addition to the time taken to receive large loans, the clients also raised concerns about the time
frame from the receipt of the loan to the time of starting repayment, which is just one week after the disbursement of funds in most cases.

The study recommended that Although recent developments in and other developing countries bring argument that microfinance or micro credit structures are essential for development of rural areas that are typified and engulfed by complete absence of basic amenities of life, the development of microfinance institutions (MFIs) over the last two decades and a number of success have lent credence to the idea that microfinance is a major stimulus for development in many countries including Tanzania in bringing such a remarkable development to SMEs, and that is a powerful instrument for combating poverty.

5.2 Conclusion
The major conclusion of this study is drawn from the facts stated as specific objectives of the study. The study found that the nexus between the existence of MFIs and the support they provide to SMEs is a twofold fact. These facts are based on the position of MFIs to supply with necessary support to SMEs entrepreneurial capability to access the financial service from them. In both scenarios, findings demonstrate that MFIs capabilities, significantly influence the performance of a SMEs in which the size of the firm has no influence whatsoever on competitive advantage. Evidence from the study suggests that whether an SMEs is conservative or entrepreneurial, small firms capable of developing, nurturing, and deploying human resources with appropriate assistance from MFIs is better situated to compete rather than others which lack those competences in the context of developing countries.

The differences in performance among SMEs has been largely influenced by the variation in terms of the MFIs competences they possess. Evidence from the study shows that in order to leverage the potential of MFIs, SMEs are required to nurture, develop, or acquire necessary competences that can differentiate their progress since acquiring of financial services from the bank. To a large extent MFIs operation in
Tanzania has brought about positive changes in the standard of living of people who access their services. Although some of the clients have not benefited, most MFIs clients have benefited positively.

### 5.3.1 Recommendations for immediate action

The following recommendations are put forward in order to improve operations of MFIs to facilitate the growth of these SMEs.

The interest rate should be lowered to a level that would cover MFIs’ operating expenses and at the same time facilitate the growth of their clients’ business, by so doing multiple business line of these SMEs will be opened and the loan will be accessed easily. The banking industry is seen as a major instrument to facilitate loan and other service that will not only enable the loaners to invest but to grow in them if the interest rate favors them.

MFIs should consider the possibility of increasing the grace period and reducing the frequency of repayment so as to provide for clients with long term loans turn to businesses such as farming. With this due regard it will enhance the applicability and deployment of all necessary effort by SMEs into achievement of their goals.

The poor state of the infrastructure, especially rural roads, was pointed out as the main reason why MFIs fail to operate in rural areas. In addition to improvement of infrastructure the Government of Tanzania, in collaboration with MFIs, should introduce trade exhibitions to their micro and small businesses in order to expand the MSEs’ market coverage and MFIs should restructure their training contents to include improving their clients’ business skills. They should organize regular business training for their clients and qualified training institutions should conduct this.

Regarding the issue of small base loans, the MFIs should be flexible by raising the minimum base to reflect changes in the value of money over time. With this also it will enable the SMEs to shape their portfolio with value for money and prevailing
market condition that are in the country. The Contribution of Microfinance Institutions to the growth of SMES in Tanzania will hence be realized to take a major stance toward excellence.

5.3.2 Areas for Further Research
As the interest rates have been observed to be a serious problem, there is a need to conduct a study to determine rates that would cater for the operating expenses of MFIs and at the same time facilitate the growth of their clients’ business. There is a need to conduct a comparative study between member based MFIs Savings and Credit Cooperative Societies (SACCOS) in rural areas and MFIs operating in urban areas. This would delineate the rural-urban structure of MFIs operations.
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World Bank, (2003); Small and Medium Enterprise Mapping of Tanzania
APPENDICES

APPENDIX 1

A: Questionnaire for ECOBANK Officials

PERSONAL INFORMATION

Please give your answer by putting a tick (√) in the appropriate space or write your answer in the space provided:

1. Gender

<table>
<thead>
<tr>
<th>S/No</th>
<th>Gender</th>
<th>Tick (√)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Male</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Female</td>
<td></td>
</tr>
</tbody>
</table>

2. Age

<table>
<thead>
<tr>
<th>S/No</th>
<th>Age Group</th>
<th>Tick (√)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>21-30</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>31-40</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>41-50</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>51-60</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>60 and above</td>
<td></td>
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</tbody>
</table>

3. Marital Status

<table>
<thead>
<tr>
<th>S/No</th>
<th>Marital Status</th>
<th>Tick (√)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Married</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Single</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Divorce</td>
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</tr>
<tr>
<td>4</td>
<td>Separate</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Widow</td>
<td></td>
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</tbody>
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4. Level of education

Put a tick [√] at the correct answer

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<thead>
<tr>
<th>S/No</th>
<th>Education Level</th>
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<td>Certificate</td>
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</tr>
<tr>
<td>2</td>
<td>Diploma</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Bachelor Degree</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Postgraduate degree (e.g Masters &amp; PhD)</td>
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</tbody>
</table>
5. Occupational status

Put a tick [√] at the correct answer

<table>
<thead>
<tr>
<th>S/No</th>
<th>Occupational Status</th>
<th>Tick (√)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Director</td>
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</tr>
<tr>
<td>2</td>
<td>Manager</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Senior staff</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Junior staff</td>
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</tr>
</tbody>
</table>

What are the types of financial support Microfinance Institutions provide to Small and Micro Enterprises?

1. In your position how often do you participate in offering financial service activities to customer? (1: least often, 4: most often) 1 2 3 4

2. What are financial services which are offered by your Organization?
   a) ……………………………………………………………………….
   b) ……………………………………………………………………….
   c) ……………………………………………………………………….

What are the determinant issues used by Microfinance Institutions to allow Small and Micro enterprises accessing fund from them?

3. Does your financial institution have clear process of analysis of customer loan applications? (Please tick) YES ( ) NO ( )

4. If the answer above is yes, what are the criteria that an applicant should meet before offering services (loan) to him or her?
   a) ……………………………………………………………………….
   b) ……………………………………………………………………….
   c) ……………………………………………………………………….

5. Do the conditions and procedures set by MFIs favours the Small and Micro enterprises clients? (Please tick) YES ( ) NO ( )

6. Do you think customers are able to meet such criteria? (please tick)
To what extent does financial support from Microfinance Institutions facilitating the growth of Small and Micro Enterprises?

3. Do this MFI direct their services to the Small and Micro Enterprises business?
   (Tick please) YES ( ) NO ( )

7. Do customers reached by these schemes improve their general performance in terms of business growth, creation of employment and generation of income?
   YES ( ) NO ( )

8. Apart from loan do you think other services you are offering to your clients contribute to their business growth? (Please tick)
   If YES how ...........................................................

   If NO, what should be done so that loans/ services offered can promote their growth?..............................................................

9. Do this MFI give priorities to the achievement of poverty reduction goals?

(Thank for your cooperation)
APPENDIX 2
B: Questionnaires for SMEs Owners

PERSONAL INFORMATION
Please give your answer by putting a tick (√) in the appropriate space or write your answer in the space provided:

1 Gender

<table>
<thead>
<tr>
<th>S/No</th>
<th>Gender</th>
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<tbody>
<tr>
<td>1</td>
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<td>Female</td>
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</tbody>
</table>

2 Age

<table>
<thead>
<tr>
<th>S/No</th>
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<td>4</td>
<td>51-60</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>60 and above</td>
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</tr>
</tbody>
</table>

SECTION B RESPONDENTS QUESTIONS
What are the types of financial support Microfinance Institutions provide to Small and Micro Enterprises?

1. What are the type of financial support that get from Microfinance Institutions?
   a) ........................................................................................................
   b) ........................................................................................................
   c) ........................................................................................................

2. Are these support benefit your organization?
   (a) YES
   (b) NO
   If yes to what extent
   ........................................................................................................
   ........................................................................................................
   ........................................................................................................
   ........................................................................................................
   ........................................................................................................


What are the determinant issues used by Microfinance Institutions to allow Small and Micro enterprises accessing fund from them?

(3) Are these issues used to determine Loan borrowing capacity favourable?
   (a) YES
   (b) NO

(4) Are you feel confident on the service obtained through relying into those determinant issues?
   (a) YES
   (a) NO

To what extent does financial support from Microfinance Institutions facilitating the growth of Small and Micro Enterprises?

5. Do this MFI direct their potential support to your organization? (Tick please)
   YES (  ) NO (  )

6. Do your organization benefited with these schemes provided with Microfinance Institution to improve the organization general performance in terms of business growth, creation of employment and generation of income?
   YES (  ) NO (  )
   If Yes to what extent
   ……………………………………………………………………………………………
   ……………………………………………………………………………………………

7. Apart from loan do you get from this Microfinance institution what other service contribute to your organization growth? (Please tick)
   ……………………………………………………………………………………………
   ……………………………………………………………………………………………

8. Do you think this Microfinance Institution give priorities to the achievement of poverty reduction goal to your organization? (please tick)
   YES (  ) NO (  )

(Thank for your cooperation)