

**ASSESSMENT OF THE FACTORS AFFECTING MICRO
ENTEPRENEURS IN SERVICING THEIR LOAN: THE CASE OF
PRIDE KARIAKOO BRANCH**

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ENTEPRENEURS IN SERVICING THEIR LOAN: THE CASE OF
PRIDE KARIAKOO BRANCH**

**By
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Fulfillment of the Requirements for the award of Master of Business
Administration – Cooperate Management (MBA - CM) of Mzumbe University**

2013

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled **Assessment of factors affecting micro entrepreneurs in servicing their loan – A case of PRIDE Tanzania, Kariakoo branch** in partial/fulfillment of the requirements for award of the degree of Master of Business Administration – Corporate Management of Mzumbe University.

Signature

Major Supervisor

Signature

Internal Examiner

Accepted for the Board of.....

DEAN/DIRECTOR, FACULTY/DIRECTORATE/SCHOOL/BOARD

DECLARATION

I, Baraka Bwire declare that no part of this dissertation has been taken from existing published or unpublished material without due acknowledge and that all secondary material used has been fully referenced.

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Date

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Any dissertation cannot be written without having relevant data. The success of a research work of any magnitude and importance cannot be easily attained without the co-operation and assistance that the researcher is accorded by whoever is connected with such work.

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I wish like to state hereby that all deficiencies or errors that may be contained in this document are absolutely my role responsibility.

DEDICATION

This dissertation is dedicated to my lovely mother Herodia, my wife Maria and my son David.

LIST OF ABBREVIATIONS AND ACRONYMS

ACB	Akiba Commercial Bank
AMCOS	Agricultural Marketing Cooperatives Societies
BDS	Business Development Services
CIDA	Canadian International Development Agency
Clknet	Country Level Knowledge Networks
DCB	Dar es Salaam Community Bank
DMS	Direct Microfinance Scheme
FBO	Faith Based Organization
KCB	Kilimanjaro Community Bank
MBA	Master of Business Administration
MFIs	Microfinance Institutions
MSMEs	Micro, Small and Medium Enterprises
MUCOBA	Mufindi Community Bank
NGO	Non – Governmental Organization
NMB	National Microfinance Bank
NORAD	Norwegian Agency for Development
PRIDE	Promotion for Rural Initiative and Development Enterprises
REPOA	Research for Poverty Alleviation
ROSCA	Rotation Savings and Credit Associations
SACA	Savings and Credit Associations
SACCOS	Savings and Credit Cooperatives Society
SEDA	Small Enterprise Development Agency
SIDO	Small Industries Development Organization
SMEDP	Small and Medium Enterprises Development Policy
SMEs	Small and Medium Enterprises
TASAF	Tanzania Social Action Fund
TCE	Triangular Credit Extension
UNCDF	United Nations Capital Development Fund
URT	United Republic of Tanzania

USAID United States Agency for International Development
VICOBA Village Community Bank

ABSTRACT

This study assesses various factors affecting micro entrepreneurs in servicing their loan from microfinance institutions in Tanzania. Promotion for Rural Initiative and Development Enterprises (PRIDE) Tanzania, Kariakoo branch was the study area chosen for this study. Officials at PRIDE Kariakoo branch formed the unit of analysis and they were divided into three categories of head of departments, supervisors and operational staff. Another unit of analysis was PRIDE Kariakoo branch customers.

Despite growing in number of microfinance institutions, access to finance by micro entrepreneur is still a challenge as most of them lack credit history and holding defaulting history. This study then tries to dig into details to understand what other factors that affect micro entrepreneurs in servicing their loans; specifically the research also seek to examine the operating environment of micro entrepreneurs, to assess loan usage and its impact on micro entrepreneurs business, to assess viability of the loan write up (identify gap between write ups and implementation) and assessing the effectiveness of the Business Development Services (BDS) provided to the clients before and after accessing the loan. The research used both primary and secondary data sources. For primary data, observation, questionnaire and interview were used to collect data.

The study found that lack of good business infrastructure, poor record keeping, poor and misuse of loan received, PRIDE direct microfinance scheme in place, high interest rates, poor capital base and low operating capital, withdrawing from the business and lack of saving culture are some of the factors affecting MSME's to service their loan from microfinance institutions.

The research suggests a need for a serious turnaround from Direct Microfinance Scheme to Triangular Credit Extension scheme and a need for all stakeholders to join hands for developing a sound business infrastructure for MSME's growth and development in the country.

The researcher really hopes that output from this study will be of practical use to PRIDE.

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CHAPTER ONE

AN OVERVIEW OF THE STUDY

1.1 Introduction

This study intended to examine factors that affect micro entrepreneurs in servicing their loans from Micro-finance Institutions (MFI). It managed doing so by examining various factors surrounding business operation of the micro entrepreneurs and repayment/loan delinquency. The study focused on challenges facing micro entrepreneurs in managing production process from the loans and making sure repayments are done as per schedule. In this case, this chapter provides the background to the problem, statement of the problem, study objectives both general and specific, and significance of the study, research questions, scope and limitation of the study. It also provides a summary of how the dissertation is organized.

1.2 Background to the Study

Empirical evidence shows that a dynamic and growing Micro and Small Enterprises (MSEs) sector has a serious challenge of accessing finance and financial services for both start up and established businesses (Kessy and Temu, 2010). This has necessitated the government to create an SME window for accessing loan and other financial assistance through regulating lending procedures, encouraging private Non-Governmental Organizations (NGOs) and microfinance institutions to operate and so reaching the SMEs (Small and Medium Enterprises) easily (United Republic of Tanzania (URT), 2002). It is from that commitment then, microfinance institutions in the country have been flourishing every year and all providing financial services to SME (Ngowi, 2009). SME Development Policy of 2002, states that, micro entrepreneurs have small capital (less than 5 million) (URT, 2002).

Kyaruzi (2007) stressed that, micro entrepreneurs in Tanzania forms a special component that requires higher intervention on financial services such as access to loans and credit facilities. Mnenwa and Maliti (2009) put emphasis on this by putting forth three (3) areas of their concern as to accessing financial services such as loan and credit extension, financial consultation including proper record keeping,

investment incentives and loan proprietary services that will be tailored to suite different cluster and which will act as loan repayment catalyst.

Promotion for Rural Initiative and Development Enterprises (PRIDE) Tanzania was established in 1994 and gained popularity in early 2000 when microfinance operations got a serious nod from the Government and public at large. Kariakoo branch was opened in 2006 and since then it has been giving financial support to various groups of businesses. According to PRIDE Quarter Operation Report of 2011, micro business clusters from Posta, Kisutu, Kariakoo, Ilala and part of Chang'ombe benefits from this branch while 4,862 members were active and 1,715 were non active. Loans are given to micro entrepreneurs who have formed groups and registered both individually and groups and assessment is done for the entire group before extending loan to them. Groups/individuals who have completed all the necessary requirement gets loan within 72 working days.

Most of the PRIDE Kariakoo customers are women mainly dealing with selling eggs, batik, mitumba business (both clothes and shoes), vegetables, fruits and home appliances; their operating capital is low and mostly are in temporary spaces and lack technical skills, management skills and financial skills together with proper record keeping (Olomi & Allen, 2003). To these customers, accessing financial services for microfinance has improved and not so difficult as it was in early 2000; the problem only remain with startups businesses (Rweymamu et al., 2003). Promotion for Rural Initiative and Development Enterprises (PRIDE) is a good example of Microfinance Institution (MFI) that provides those financial supports with small value collateral thus widens chances for many micro entrepreneurs to access loans for their business expansion and growth.

Richardson et al. (2004) highlighted that, while access for funding is becoming more accessible for micro entrepreneurs in Africa as a result of institutional capacity development, still a large number of micro entrepreneurs accessing financial support lack financial services knowledge and poor management of fund and thus, most of

them fail to return the money and to pay on time as agreed with delinquency rate being so high and non-convincing.

Kimambo (2007) emphasized on the need for MFI to open a business advisory consulting unity that will be focusing on rendering financial awareness and knowledge to SMEs (Micro inclusive). She further pointed that, access to loan by micro entrepreneurs should bring about positive effects to their business rather than crisis and dilemma of how and where best to invest the amount accessed as in MFI loan plan can change without objections from the financiers.

According to REPOA (2009), micro entrepreneurs in Tanzania are not qualifying for loans from banks and other microfinance institutions and that, the biggest reason is not collateral as most think but lack of credit history and history of non-repayment that they possess. Thus, this study intended to examine different factors that affect micro entrepreneurs in servicing their loans from Micro-finance Institutions (MFI). It did so by examining various factors surrounding business operation of the micro entrepreneurs and repayment/loan delinquency. The study therefore, focused on challenges facing micro entrepreneurs in managing production process from the loans and making sure repayments are done as per schedule.

1.3 Statement of the Problem

Huge amount of money is dished out by MFI in various forms (mainly loans) to micro entrepreneur in Tanzania to speed up and growing their business (Mnenwa and Maliti, 2009). However, only 30% of the loans are repaid under formal agreed procedures (REPOA, 2009). Further the REPOA study highlighted that, there are loan defaulters that responsible MFI have decided to write them off since the possibility of repaying the loan by that group is minimal.

Growing SMEs segment (micro inclusive) requires not only access to finance but also strong available Business Development Services (BDS) which will play a linkage role between micro entrepreneurs and MFI and further ensure it minimize chances for wastage, risk and losses that may result from credit/loan sourcing

(Ngowi, 2009). Kuratko and Hodgets (2007) emphasized that, for any country to grow its SME sector both commercial banks and MFI should be ready to invest in improving this sector. This investment should be in both financial and non-financial aspects as access to loan is one thing but its management and investment idea is another.

According to Promotion for Rural Initiative and Development Enterprises (PRIDE) Kariakoo branch, there were more than TShs. 164 Million loaned out to micro entrepreneurs in various clusters between 2009/2010 and that the amount was supposed to be fully repaid (returned to Pride) by December 2012 (3 years loan). However, as of January 2013 only 42% of the loan amount was recovered. It has been difficult to collect the remaining 58% as some clients failed to comply with the repayment schedule and some dropped out completely and became loan defaulters.

It is however logical to believe that, an increase of MFIs in Tanzania is correlated with increase (in number) of micro entrepreneurs that access financial services especially loans. However, loan recovery and repayment by micro entrepreneurs is a big challenge that prompted the need for this study to examine various factors that affect micro entrepreneurs in servicing their loans from MFI.

1.4 Research questions

This study was also guided by the following questions;

- i. What is the operating environment of micro entrepreneurs that are accessing loans from MFI in Tanzania?
- ii. What are the uses of loan and credit services received from MFI?
- iii. What benefits have been accrued from the use of the loan?
- iv. What specifics are included and assessed in loan application write ups in relation to what the loan is actually spent on?
- v. How effective are the Business Development Services (BDS) provided by PRIDE to micro entrepreneurs expecting to receive loan and after receiving loans?
- vi. What are the challenges facing micro entrepreneurs in servicing loan and credit services provided by MFI?

1.5 Objectives of the Study

1.5.1 General Objective

The main objective of this study was to examine various factors that affect micro entrepreneurs in servicing their loans from PRIDE Kariakoo Branch.

1.5.2 Specific Objectives

Specifically the study aimed at the following;

- i. To examine the operating environment of micro entrepreneurs.
- ii. To assess loan usage and its impact on micro entrepreneurs business.
- iii. To assess viability of the loan write ups (identify gap between write ups and implementation).
- iv. To assess the effectiveness of the Business Development Services (BDS) provided to the clients before and after accessing the loan.

1.6 Significance of the Study

The researcher believe that the findings of this study will be useful to many SME's, microfinance institutions and the government in general in Tanzania as it will help in giving a clear picture of micro entrepreneurs challenges in servicing their loan and assisting MFI's in putting forth, standards and parameters for accessing such services and servicing the same.

It will also act as a foundation for further studies on the same or related fields of challenges facing micro entrepreneurs in servicing loan from MFI in Tanzania by different scholars, SME stakeholders, MFI forums, decision makers, research fellows and other academicians easily accessible to the researcher and one of the biggest PRIDE branches in Tanzania.

1.7 Scope of the study

This research was conducted in Dar es Salaam, whereby at organization level, PRIDE Tanzania, Kariakoo branch was selected for the study. The researcher has selected this branch because it has big number of members than other branches in Dar es Salaam and mainly servicing micro entrepreneurs operating in Kariakoo area.

1.8 Limitations of the Study

- **Resource constraints;** time constraints and inadequate finance were two main resource constraints faced by a researcher thus forced the researcher to concentrate with only one branch (Kariakoo as a case study) otherwise; he could cover other branches for comparison

Further; the study was conducted while researcher's other commitments continue. These commitments included employment, studies and other family and social responsibilities.

Lack of adequate funds for conducting the study affected the quantity of data collected during the study. This hampered the researcher to conduct the study effectively.

- **Accessing information limit;** in conducting this research, a researcher was faced with some serious challenges in accessing information for addressing the research questions. (Issues relating to interest, repayment time and collateral for microfinance officers and profit, nature of operations, record keeping for micro entrepreneurs) As expected, there were difficulties in responding to questions by micro entrepreneurs and the micro finance officers.

This challenge was addressed by further elaborating to respondents the need and importance of this study and assuring them that, these information are strictly for academic purpose only and will never be used for rivalry advantage and competition or otherwise.

- **Poor participation by respondents;** due to lack of knowledge and the usefulness of the report were among of the factor that hindered in collection of data by the researcher. Most of the people from were agree the impact of the information and its usefulness and also it's the culture of the most Tanzanian that they don't want corporate in providing information especially when it deals with education

1.9 Organization of the Dissertation

This dissertation is divided into six chapters; with each chapter carrying unique specifics relating to the subject matter of the assignment.

Chapter one

This chapter carries back ground to the problem, statement of the problem, objectives, questions and significance of the study. It further highlights limitation faced and scope of the study.

Chapter two

The chapter two of this dissertation includes both theoretical and empirical literature reviews connected to the topic. It begins with the conceptualization of key words, microfinance policy in Tanzania, different microfinance theories in practice and direct relating to the topic and concluding by drawing a conceptual framework.

Chapter three

This chapter deals with different techniques that the researcher has applied in collecting data necessary for this research. In this chapter, population is defined and sample drawn and different data collection technique applied for collecting data are discussed. Techniques for data analysis are hereby discussed

Chapter four

In this chapter, only data analysis is presented with data taking different format of tables, figures and qualitative statements. All analysis is drawn from questionnaires, interview, observation and documentary review.

Chapter five

This chapter discusses the findings from chapter four basing on the leading objectives of the study.

Chapter six

This chapter draws summary of the study, conclusion, policy implementation and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The purpose of this chapter is to review various theories and empirical studies on the subject matter. This chapter is expected to add knowledge and familiarize the researcher with any relevant information about problem being studied. The chapter starts with conceptualization of the key terms, theoretical literature review which comprise of an overview of micro enterprises, microfinance role in the economy,

SME sector in Tanzania, emergence of microfinance institutions in Tanzania, SME operations, PRIDE loan procedures and risk involving and lastly the chapter is closed by a conceptual framework.

2.2 Conceptualization of the key terms

Small and Medium Enterprises

This terminology refers to Small and medium enterprises. It is however, used interchangeably with the term MSME referring to Micro, Small and Medium Enterprises. In the context of this report, the two terminologies whenever used mean the same and that is micro, small and medium enterprises.

Microfinance institution

This refers to an organization that offers financial services to the very poor and is abbreviated as MFI. Again here, two terminologies are in use microfinance and microcredit; though in a critical look there exist difference between the two, in the context of this report the two terminologies are the same.

Financial Institution

This term, refers to the totality / combination of both commercial banks and microfinance institutions providing credit services to clients however; in the context of this report, the term microfinance is not limited to only financial credits but extended to non-financial services too.

Business Development Services

Business Development Services refers to all technical and professional services provided and extended to SME's this include, capacity building in various forms and not limited to financial services.

Direct Microfinance Scheme

Direct Microfinance Scheme (DMS) refers to a microfinance scheme whereby, microfinance institution / company deals direct with a client and extend to him credit facility / loan. In the context of this report the meaning is not exceptional

Triangular Credit Scheme

Triangular Credit Scheme (TCE), is also referred to as Triangular credit extension and is abbreviated as TCE and refers to credit scheme whereas, MFI or Commercial banks prefer to deal with small MFI who will then loan the loaned amount to them. In return, small MFI collects repayments from members to submit them to commercial banks and commercial banks provide capacity building to members before accessing loans / credit from small MFI. In return (in what looks like phase two of the system) these individuals will be strong enough and henceforth; qualifying for direct scheme. Again, in the context of this research, the meaning is not exceptional

Microenterprises

The MSE nomenclature is used to mean Micro and Small Enterprises however; commonly used term is SME which refers to Small and Medium Enterprises. It is sometimes referred to as micro, small and medium enterprises (MSMEs). The MSEs cover non-farm economic activities mainly manufacturing, mining, commerce and services (URT, 2003). According to Kessy and Urio (2006), MSEs can be defined as a productive activity either to produce or distribute goods and or services, mostly undertaken in the informal sector.

The Tanzanian government defines MSEs according to sector, employment size, and capital investment in machinery. A micro-enterprise is one with fewer than five employees, a small enterprise with 5-49 employees, a medium enterprise with 50-99 employees and a large enterprise with more than 100 employees. Capital investments range from less than TShs 5 million to over TShs 800 million (Table 2.1). This definition would exclude a number of informal economy enterprises, peasant farmers, and Tanzanians engaged in lower-level income-generating activities (URT, 2003).

Table2.1 Business Category classification in Tanzania

Category	Employees	Capital Investment in Machinery (TShs)
----------	-----------	---

Micro enterprise	1 – 4	Up to 5 million
Small enterprise	5 – 49	Above 5 million to 200 million
Medium enterprise	50 – 99	Above 200 million to 800 million
Large enterprise	100+	Above 800 million

Source: URT (2003).

Small and medium enterprises (SMEs) play a major role in economic development in every country, including in African countries. Studies indicate that in both advanced economies and developing countries SMEs contribute on average 60 percent of total formal employment in the manufacturing sector (Ayyagari et al., 2007). For African economies, the contribution of the SME sector to job opportunities is even more important. Taking into account the contribution of the informal sector, SMEs account for about three-quarters of total employment in manufacturing (Ayyagari et al. 2007).

2.3 Microfinance and Microfinance institution

2.3.1 Overview

Microcredit and microfinance are relatively new terms in the field of development, first coming to prominence in the 1970s (Robinson, 2001; Otero, 1999). Prior to then, from the 1950s through to the 1970s, the provision of financial services by donors or governments was mainly in the form of subsidized rural credit programmes. These often resulted in high loan a default, high loses and an inability to reach poor rural households (Robinson, 2001).

Robinson states that the 1980s represented a turning point in the history of microfinance in that MFIs such as Grameen Bank and BRI2 began to show that they could provide small loans and savings services profitably on a large scale. They received no continuing subsidies, were commercially funded and fully sustainable, and could attain wide outreach to clients (Robinson, 2001).

Also the term “microcredit” came to prominence in development (MIX3, 2005). The difference between microcredit and the subsidized rural credit programmes of the 1950s and 1960s was that microcredit insisted on repayment, on charging interest rates that covered the cost of credit delivery and by focusing on clients who were

dependent on the informal sector for credit (ibid.). It was now clear for the first time that microcredit could provide large-scale outreach profitably.

The 1990s “saw accelerated growth in the number of microfinance institutions created and an increased emphasis on reaching scale” (Robinson, 2001). Dichter (1999) refers to the 1990s as “the microfinance decade”. Microfinance had now turned into an industry according to Robinson (2001). Along with the growth in microcredit institutions, attention changed from just the provision of credit to the poor (microcredit), to the provision of other financial services such as savings and pensions (microfinance) when it became clear that the poor had a demand for these other services (MIX, 2005).

A crucial element in the development of the SME sector is access to finance, particularly to bank financing, given the relative importance of the banking sector in serving this segment. Firm-level data collected by the World Bank show that access to finance is perceived as one of the main obstacles to doing business (World Bank, various years).

A number of studies have shown that financing is a greater obstacle for SMEs than it is for large firms, particularly in the developing world, and that access to finance adversely affect the growth of the SME sector more than that of large companies (Schiffer and Weder, 2001; Beck et al., 2005; Beck et al., 2006). It is, therefore, unsurprising that the international development community has listed SME access to finance as an important policy priority.

In developing countries there are big numbers of individuals who are financially under saved. However, microfinance programs and institutions have globally recognized as a prospective component of strategies of development organizations, governments, and societies to promote enterprises in developing countries (Hulme, 2004).

Through serving these groups, the owner of micro and small enterprises (MSEs) are expected to accumulate wealth and therefore grow after time. Specifically, microfinance institutions provide a broad range of services including deposits, loans,

payment services, money transfer and insurance to the poor/low-income households and their enterprises (Ngowi, 2009).

In addition, some of microfinance institutions provide non-financial services such as training, business advice, market assistance and counseling to their clients (Hishigsuren, 2004; CIDA, 1999). It is from this standing that microfinance institutions are seen to be a critical element to the poor and low income earners in developing economies because their services target the clients who have been excluded from other formal institutions.

2.3.2 Microfinance Role in the Economy

Microfinance has a very important role to play in development according to proponents of microfinance. UNCDF (2004) states that studies have shown that microfinance plays three key roles in development, these are;

- i.Helps very poor households meet basic needs and protects against risks,
- ii.Is associated with improvements in household economic welfare,
- iii.Helps to empower women by supporting women's economic participation and so promotes gender equity.

Otero (1999) illustrates the various ways in which “microfinance, at its core combats poverty.” She states that microfinance creates access to productive capital for the poor, which together with human capital, addressed through education and training, and social capital, achieved through local organization building, enables people to move out of poverty. By providing material capital to a poor person, their sense of dignity is strengthened and this can help to empower the person to participate in the economy and society. The aim of microfinance according to Otero (1999) is not just about providing capital to the poor to combat poverty on an individual level, it also has a role at an institutional level. It seeks to create institutions that deliver financial services to the poor, who are continuously ignored by the formal banking sector.

Kuratko et al. (2007) state that; the poor are generally excluded from the financial service sectors of the economy so MFIs have emerged to address this market failure. By addressing this gap in the market in a financially sustainable manner, an MFI can

become part of the formal financial system of a country and so can access capital markets to fund their lending portfolios, allowing them to dramatically increase the number of poor people they can reach (Otero, 1999). More precisely, commentators such as Littlefield et al. (2003), Simanowitz and Brody (2004) and the IMF (2005) have commented on the critical role of microfinance in achieving the Millennium Development Goals (MDGs).

Simanowitz and Brody (2004:38) state that, “microfinance is a key strategy in reaching the MDGs and in building global financial systems that meet the needs of the poorest people.” Littlefield et al. (2003:43) state that “microfinance is a critical contextual factor with strong impact on the achievements of the MDGs...microfinance is unique among development interventions: it can deliver social benefits on an ongoing, permanent basis and on a large scale.”

Referring to various case studies, they show how microfinance has played a role in eradicating poverty, promoting education, improving health and empowering women (2003). However, not all commentators are as enthusiastic about the role of microfinance in development and it is important to realize that microfinance is not a silver bullet when it comes to fighting poverty. Hulme and Mosley (1996), while acknowledging the role microfinance can have in helping to reduce poverty, concluded from their research on microfinance that “most contemporary schemes are less effective than they might be” (1996). They state that microfinance is not a panacea for poverty-alleviation and that in some cases the poorest people have been made worse-off by microfinance. Rogaly (1996) finds five major faults with MFIs. He argues that:

- i. They encourage a single-sector approach to the allocation of resources to fight poverty
- ii. Microcredit is irrelevant to the poorest people
- iii. An over-simplistic notion of poverty is used
- iv. There is an over-emphasis on scale, and
- v. There is inadequate learning and change taking place.

Wright (2000:53) states that much of the skepticism of MFIs stems from the argument that microfinance projects “fail to reach the poorest, generally have a limited effect on income...drive women into greater dependence on their husbands and fail to provide additional services desperately needed by the poor.” In addition, Wright says that many development practitioners not only find microfinance inadequate, but that it actually diverts funding from “more pressing or important interventions” such as health and education. As argued by Navajas et al. (2000), there is a danger that microfinance may siphon funds from other projects that might help the poor more.

They state that governments and donors should know whether the poor gain more from microfinance, than from more health care or food aid for example. Therefore, there is a need for all involved in microfinance and development to ascertain what exactly has been the impact of microfinance in combating poverty.

Considerable debate remains about the effectiveness of microfinance as a tool for directly reducing poverty, and about the characteristics of the people it benefits (Chowdhury et al., 2004). Sinha (1998) argues that it is notoriously difficult to measure the impact of microfinance programs on poverty. This is so she argues, because money is fungible and therefore it is difficult to isolate credit impact, but also because the definition of ‘poverty’, how it is measured and who constitute the ‘poor’ “are fiercely contested issues.”

2.4 Theories

In this study there are some theories which are supportive and help in directing the study. These theories include; the Microfinance Theory of Change (by Chris Dunford), Frequency Repayment Theory (Jain and Mansuri 2003), Quasi – Hyperbolic Preference Theory (by Fischer & Ghatak), the Joint Liability Theory, Simultaneously Theory (Chowdhury 2005 and Aniket 2006), and Sequential Repayment Theory (Chowdhury 2008).

2.4.1 The Microfinance Theory of Change

This theory simply states that, a poor person goes to a microfinance provider and takes a loan to start or expand microenterprises which yield enough net revenue to

repay the loan with major interest and still have sufficient profit to increase personal or household income enough to raise the person's standard of living. In this theory there were three key steps which lead a SME in taking loan from MFIs (Dunford 2012). One is to take loan from a microfinance institution, two is to invest the money in a viable business and three is to manage the business to yield major return on investment.

2.4.2 Frequency Repayment Theory

This theory looks at repayment modes and trends existing on repayment schedules. In this theory therefore; Borrowers are typically required to repay their loans in regular installment, beginning soon after the loan is given out. This aspect of the repayment schedule is usually explained as inducing "fiscal discipline" among borrowers. Jain and Mansuri (2003) argue that an alternative rationale for this loan repayment structures lies in the difficulty of monitoring borrower's actions. The potential for moral hazard leads MFIs to use innovative mechanisms, such as regularly scheduled repayments, which indirectly co-opt the better-informed informal lenders.

Conversely, this installment repayment structure allows informal lenders to survive. Further, they show that this linkage can not only expand the volume of informal lending, but also raise the interest rate in the informal sector.

2.4.3 Quasi – Hyperbolic Preference Theory

This theory states that "it is hard to take a huge wad of bills out of one's pocket and pay the lender. There is enormous temptation from one's family to use that money to meet immediate consumption needs. Borrowers find this incremental process easier than having to accumulate money to pay a lump sum because their lives are always under strain, always difficult" (Fischer & Ghatak, 2009).

In this case, Fischer & Ghatak (2009) believe that, MFI needs to capture beliefs of their clients that; they (clients) do benefit from Fiscal discipline required by frequent repayment is critical to achieving high repayment rates.

This theory provides solutions to three major aspects:

i. Insecure savings

- ii. Demand of future consumption from other family members
- iii. Behavioral bias towards current consumptions

2.4.4 The Joint Liability Theory

The term the joint liability can be interpreted in several ways which can be lumped under two categories; known explicit joint liability and implicit joint liability

i Explicit joint liability

Under this categories; when one borrow cannot repay her/his loan, group member are contractually required to repay in her/his stead.

Such repayment can be enforced through the threat of common punishment, typically the denial of future credit to all members of the defaulting group; or by drawing on a group saving fund that serves as collateral.

ii Implicit joint liability

Borrowers believe that, if a group member defaults, the whole group will become ineligible for future loans even if the lending contract does not specify this punishment. One form in which this can happen is if the microfinance organization itself chooses to fold its operations when faced with delinquency.

2.4.5 Simultaneously Theory

This theory applies mostly in group lending approach. Under this theory; for example; in a two – member group, one member gets a loan only after the previous member has paid a number of her installments properly. This creates an additional stake for the member who comes in later to monitor the previous who comes in later to monitor the previous one. Indeed, with simultaneous lending, borrowers will under – monitor (Chowdhury, 2005; Aniket 2006)

2.4.6 Sequential Repayment Theory

In this theory, implicitly assumes that; there is an escrow account such that part of the first round borrower's revenue is taken away from her and returned to her/him only if the second round borrower repays. This is a form of collateral creation, which if practically feasible, could indeed overcome one of the key underlying problems that generate credit constraints (Chowdhury, 2008).

In conducting the expected research, the researcher will concentrate much on / use two theories which are; Microfinance theory of change and frequency repayment theory. The microfinance theory of change emphasize on having viable business plan for both startup and expanding business operations and consider the fact that, there is high interest rate in return for paying such loans.

The frequency repayment theory emphasizes on the need of having frequency payment scheme / installments just to help clients manage better their cash flows and growing business. In this case therefore; the researcher will critically examine the applicability of the two theories between PRIDE Tanzania and their clients / customers

2.5 SME Sector in Tanzania

2.5.1 SME Policy

Tanzania issued a SME Development Policy (SMEDP) in 2002. According to United Republic of Tanzania (URT, 2002) the Policy Mission is *“To stimulate development and growth of SME activities through improved infrastructure enhanced service provision and creation of conducive legal and institutional framework so as to achieve competitiveness.”* From the Policy Mission, it is clear that the areas of policy focus in the efforts to make SMEs competitive are improvement of infrastructure, enhancement of service provision and creation of conducive legal and institutional framework.

All stakeholders supporting SME in Tanzania are therefore may consider supporting activities that will contribute towards the above areas of focus (infrastructure, service provision and legal and institutional framework). The SME Development Policy was designed to address the constraints that SMEs face and tap into the full potential of the SME sector. This policy will serve as a guideline for all stakeholders to stimulate the establishment of new SMEs and to build the competitiveness of existing ones. The expected outcome is that SMEs will make a significantly increased contribution to economic development in Tanzania. The success of this policy depends mostly on the cooperation of all stakeholders (URT, 2002).

2.5.2 Emergence of Micro Finance Institution in Tanzania

Up to around 1995, microfinance was a relatively new concept, most linked to woman and poverty alleviation. Only a few institutions and donors were involved (most notably USAID and NORAD). The government tried to woo commercial banks to give credit to the small and median scale enterprises, the so called the “missing middle”. They supported this process through the establishment of credit guarantee schemes, setting up credit and business development service parastatals to deliver general training, entrepreneurship training, and credit, but in all this micro enterprises were left out of the question (Ngowi, 2009; Kyaruzi, 2007).

It was not until February 2001 that the national microfinance policy was launched. The key objective of the policy was to establish the basis for evolution of an efficient and effective micro finance system that served the low – income segment of the society. Among other things, it also spelt out the national vision for the development of the micro finance as a tool for poverty eradication through the widespread access to micro financial service right across the country, in both rural and urban areas, on a commercially sustainable basis, therefore contributing the economic growth of this nation. It is intended that micro finance will integrate with the mainstream financial system with the flexibility that ensure that the special features are not compromised (URT, 2001).

Since then the Tanzanian micro finance has been increasing vibrant, with many more player enter the field. Apart from PRIDE, the other key players are National Microfinance Bank (NMB), AKIBA commercial bank, CRBD, FINCA, and Small Enterprise Development Agency (SEDA). Beside these, other banks, such as Tanzania postal bank, have recently introduced microfinance products, or plan to do so in the future. Even the mainstream banks are beginning to take the keen interest in this sector. CRDB bank went a further step and incorporated a dedicated subsidiary for micro finance while standard chartered and Barclays are showing strong interest in the SME sector.

A large number of medium sized and smaller local microfinance institutions, such as community banks, (Dar es Salaam Community bank (DCB), Kilimanjaro Community Bank (KCB) and Mufindi Community bank (MUCOBA) are three well-known examples), religious group, and NGOs, as well as several Savings and Credit Cooperatives Society (SACCOS), Savings and Credit Associations (SACAs) and ROSCA (“UPATU”) are operating with limited local outreach. Nearly all the commercial banks are now aggressively offering consumer lending to salaried employees with a number of them targeting lower – end employees. There is evidence that in a number of cases; these loans were used as start-up capital for small business to supplement the family income (Ngowi, 2009; Rweymamu et al, 2003; Kessy et al., 2010).

2.5.3 Microfinance Policy in Tanzania

According to Tanzania microfinance Policy of 2001, the government considers the microfinance system as an integral part of the financial sector that fall within the general framework of its financial sector reform policy statement of 1991. The overall objective of the policy, therefore, *“to establish the basis of evolution of an efficient and effective micro finance system in the country that serve the low income segment of the society and thereby contribute of the economic growth and reduce poverty” by:*

- i. Establishing a framework within which micro finance operation will develop.
- ii. Laying out the principles that will guide operation of the system
- iii. Serving as a guide for coordinated intervention by the respective participants in the system; and
- iv. Describe the rule of implementing agencies and the tools to be applied to facilitate development.

The policy covers the provision of financial services to households, small holder farmers and micro entrepreneurs in rural area as well as in urban sector. It cover a range of financial service include savings, credit, payment and other services. Clients use these services to support the enterprises and economic activities as well

as their household financial management and consumption needs. Financing for all type of legal economic activities included e.g. Commerce, trade, manufacturing and agriculture. For policy purpose, the definition of small and micro enterprises cannot be determined through arbitrary limit such as the number of employee or the value of assets or sales. Rather, the policy is directed at service at low income families and their enterprises that have lacked access to financial services from mainstream financial institutions.

2.5.4 Micro Finance institutions in Tanzania

Micro finance institutions in Tanzania are well established in city centers and provide more credit access to urban entrepreneurs than rural ones (CLKnet Forum, 2012). Amount of money extended to entrepreneurs in form of credit is huge in terms of lump sum however; very insignificant when it comes to individual entrepreneur since each individual receive less than 5 million from these institutions (Kyaruzi, 2007). MFI in Tanzania are all risk averse as they insist more of collateral than a needful analysis of how best can micro entrepreneur manage his / her own business to grow financial muscles and hence to have collateral (CLKnet Forum. 2012). According to Ngowi (2009), MFI in Tanzania operates in a very profitable mode with high interest rates, tight procedures and regulations and simple operating procedures, however; with multiple micro credit extensions that provides follow up challenges and dilemma.

Repayment capacity by credit takers is another big challenge facing these institutions as most of the MSE's are still petty traders and with difficulties surrounding their operations and general SME environment in Tanzania, growing their muscles into small and medium has been a very big challenge (Olomi & Allen 2003).

2.6 SMEs Operations

2.6.1 Business and Entrepreneurs Characteristics

Business characteristics depend on size, age and operations of the firm / business (Kottler & Keller, 2009). For MFI in Tanzania however; the similarities looks so similar and close relating to each other, they all operating in high profit

maximization environment, they all risk averse and are all collecting high interest rate from lenders (Olomi 2006).

Kyaruzi (2007) concludes that, MFI in Tanzania operates in towns and only religion and faith base MFI goes to the rural and pointed SEDA and world vision being the leading faith base institutions with wide coverage in the rural. With exception of commercial banks, the rest offers very insignificant and only targeting micro entrepreneurs who ask for very low capital for continuation and not startups (Kitindi et al., 2007). Kitindi (2007) further continued by citing that; banks and other lenders use business information provided by firms to analyze their present performance and predict future performance.

Financial information acts as indicator of borrower's future prospects and ability to service a loan. Availability, quality and reliability of business information can reduce information problems between bank and borrowers, hence alleviate credit rationing. Therefore, generation and effective use of financial information is essential in accessing funds from external sources. Information asymmetries, where capital providers have less information on the financial circumstances and prospects of small firms than owner managers are regarded as the root of small business finance problems.

As for SME/MSME, are faced with the problem of accessing bank credits, lack of credit history and creditworthiness (Kuzilwa and Mushi, 1997; Kitindi 2007; Ngowi 2009). Poor physical and financial infrastructure and poor record keeping are other features of SME in Tanzania. According to Kyaruzi (2007), Ngowi (2009), Olomi and Allen (2006), the following are features of Tanzania SME's;

- i. Lack of sufficient information and lack of access to Business Development Services (DBS)
- ii. Intense competition amongst themselves
- iii. Lack of and poor infrastructure include premises
- iv. Poor capital and inadequate operating capital
- v. Poor record keeping especially financial ones

vi.Intense competition among themselves and perishability of commodities

According to Kessy (2006), most of the SME's are operating in a temporary base environment with very shaking capital base and facing a very big challenge / problem of legal compliance and high interest rates/cost associating with accessing financial support. According to Joseph and Maila (2012) in their research titled improving grassroots microfinance in rural Tanzania, Rufiji district highlighted that, grassroots microfinance are so weak and that covers SACCOS, ROSCA, SACA, AMCOS and VICOBA.

They further pointed that; the structure of microfinance in Tanzania can be divided into three which are; Microfinance as commercial banks, microfinance as private institutions and microfinance as grassroots.

Microfinance as commercial banks; commercial banks here deals with extending credit facilities / services to individual members and other microfinance institutions that later extend it to individuals.

Microfinance as private practice institutions, it is divided into three categories of pure private which includes all in for profit institutions such as PRIDE, FINCA, Bay Port etc. The other category is Faith based organizations (FBO) which include institutions like world Vision, SEDA etc. The last category involves Non – Governmental Organizations such as Umoja Trust Fund, UYACODE etc. The third category is Microfinance as grassroots (Joseph and Maila, 2012). This is the serious category that is supposed to be developed to bring about real development and meaning of its existence, this includes, SACCOS, VICOBA, ROSCA, SACA and Agricultural Marketing Cooperatives Society (AMCOS) (though not exactly connected to microfinance rather closely connected to cooperative societies).

They further insisted that, though it is a bit difficult to plot government direct participation in these three categories, their roles still exist through Tanzania Social Action Fund (TASAF) which plays major role in improving and developing grassroots microfinance in rural Tanzania.

One of the biggest challenges facing SME's who access loan and other financial services from Microfinance institution is lack of knowledge and spending the money in other social services not intended for (Joseph and Maila, 2012). They stressed that, more than 80% of SME's received loan from microfinance institutions for the past one year spent it in paying for medical bills, school fees and other social related matters.

The duo concluded by drawing lines of relation and integration between loans and credit from microfinance by saying; through SACCOS, members can establish a social fund which will be responsible for extending credits only and the big fund for loan strictly for developing their businesses.

2.6.2 Accessing Loan by MSME's

Access to loan by SME's in Tanzania have not been easily as expected (looking at the extent of MFI coverage and operation in Tanzania) as many of them still operating in a non-professional ways with poor record keeping, lack of collateral and weak business plan which fails to convince and break through standard set by banks and other MFI (Kitindi, 2007). MFI in Tanzania are mainly concerned with capacity of MSME to repay the loan within agreed repayment schedule, it is however; a matter of concern as to why most of SME fail to comply (Kessy et al., 2010). Olomi (2006) stressed that, most SME's taking loan do not use the money for the intended purpose and spread the amount into various businesses and henceforth fail to concentrate and deliver the best from the money received.

Ngowi (2009) highlighted that, if money received as credit is not spent on intended purpose, the chance is very high that, such an organization will not grow and continue to suffer from operating capital issue. He further highlighted that; lack of Business Development Services (DBS) for most of SME's is a leading factor that causes many SME's accessing loans to fail in repayment; the DBS in reference here include training on capital and wealth management, money management, record keeping, marketing strategies which includes, product, product development, pricing, packaging, target market and branding.

Low and poor technology are among factors that hinder micro entrepreneurs development, this goes further to defining product type, target market and entry mode to market (Mushumbusi et al. 2004) he further suggested that, if all these factors are not triggered loan repayment by SME's will always be a nightmare.

2.6.3 Challenges Facing SMEs

Toroka and Wenga (1997) in their paper Tanzania's experience with SME development clearly pointed out that, SME's and even bigger companies in Tanzania are faced with a serious challenge of innovation, creativity, technology application and financial services. On financial services, the duo highlighted that, lack of credit facilities is a very big challenge and that, high interest rates, lack of proper record keeping, poor managerial skills and poor physical infrastructure especially office premises is one of the factor that hinder SME access to loan. They further suggested that, since failure by individuals SME's to service their loan is increasing; a need for extending loans to groups and association such as SACCOS and VICOBA is very important.

Kimambo (2007) in her research paper titled Gender and women entrepreneurship pointed that, female SME have big disadvantage as compared to male as according to our customs, assets ownership belongs to men and thus female entrepreneurs have no access to assets ownership and so lack collateral security for accessing loan. She further pointed that, most women entrepreneurs who got access to loan from MFI are micro and dealing with petty businesses with low mastery of business acumen, poor record keeping, low operating capital, and low quality products accompanied by poor packaging, branding and value proposition.

A failure to loan repayment by SME is not a new thing as most of them do have multiple businesses / use of the loan taken. Due to life difficulties and complication involving sustainable income; most of micro entrepreneurs found themselves forced to use loan amount to service other family related issues such as financing children's education, financing medical services etc (Pallangyo, 2008).

Mutembei (2009) critically opposed two variables involving in credit extension to SME, these variables are; high interest rates charged to SME and poor lending scheme. She further pointed that, banks and MFI (other than SACCOS & VICOBA) dealing with individuals direct was the most tedious and poor system of credit extension. She suggested that, the correct way of managing credit risk involving default and missing purpose of which the loan was applied for. She concluded by recommending triangular credit extension as a perfect approach toward servicing micro entrepreneurs.

Laura, 2006 in her paper the role of micro and small scale industries in poverty alleviation specify that, many small scale industries fail to compete because of insufficient capital and lack of credit extension involved with expansion and growth of the business. She further suggested that, for loans to be of meaningful and help growing business; MSME's need to group themselves into clusters and these clusters should represent them in the banks for loans and credit services rather than individuals.

Reviewing different literature and empirical literature used in this chapter, there are three theories / concepts to concentrate with. These concepts are, direct microfinance scheme, business development service concept and triangular credit extension scheme.

Direct microfinance scheme is commonly used and a case in our study however; the scheme has come under serious critics and rejection over the recent. Both MFI and commercial banks are all trying to reduce risk associating with loan defaulters and loosing chunk amount of money and so trying to move from this method. The supporters of this scheme in other hands advocates on taking total control of the entire system, managing client base and putting an eye into operation and so claim full authority.

Kuratko et al. (2007) suggested that, this system need to be abandoned as it is so tedious and consume a lot of time and resources and further, hinder Microfinance

development. Kitindi (2007) insisted that, only financial records, business idea and organization / firm reputation are enough justification for extending credit on this scheme and mainly focuses on micro entrepreneurs both formal and informal. Joseph (2004) despite not supporting this scheme has however given praise of the system identifying it as the only simple method to accessing credit though very risky and difficult to manage.

2.7 Business Development Services Concept

Business Development Services (BDS) is very important aspect of consideration before any credit / loan extension. For SME's to be able to service well their loans, credit knowledge, finance knowledge, business management in general should be well endorsed to them and that, any failure to comply will result into continues falling of the sector and poor credit servicing habit will continue.

Ngowi (2009) emphasis that, DBS is a key to any business and that, before applying for loans; SME's should make sure that, they have enough knowledge of the business they are in for o expecting to enter to, financial management knowledge and most fundamental, business operational ethics. Kuratko et al. (2007) highlighted that, it is not by intention that most micro entrepreneurs can't manage to service their loans properly but it is a result of lack of proper business knowledge and in adequate training and mastery on various matters / issues related to business in general. DBS comes as a package in different forms.

Most common form in Tanzania is financial services in a sense of loan and credit extension however; the form which sound more realistic and important prior to financial access is capacity building to SME industry in general in various forms such as training, seminars, workshop, coaching, counseling and mentorship (Kessy et al., 2006) Kuratko et al. (2007) highlighted that, there is a big number of dying SME businesses in Africa since most of them seek financial boost before managerial and skills qualification first. Mutembei (2009) posed a question as to what should first start and given priority between capacity building and financial boost. In her view, a better management will entail strong financial sources including loan and further

claims that cannot be achieved through direct scheme as it only focuses on extending credit to members / clients without deep analysis of business viability.

2.8 Triangular Credit Extension Scheme

This concept receive a serious support over recent from different angles ranging from scholars, financial institutions, government agencies and even development partners. According to Joseph (2004) and Laura (2006), triangular credit extension is the only solution toward ensuring sustainable credit recovery mechanism. Avoiding risk and recovering all loaned money, it requires triangular system to ensure safety as risk in dealing with SACCOS is very minimal than dealing with individuals. It appears that, financial institutions feels more comfortable and secure dealing with SACCOS / VICOBA rather than individuals for three basic reasons; first, most SACCOS / VICOBA deals with specific clusters hence easy in terms of developing a certain specific cluster and second; it is more secured to deal with an institution which is registered (SACCOS) than an individual and lastly, is economic factor of multiplier effect. Under this, the multiplier effect is seen to be bigger when dealing with SACCOS / Cluster than in dealing with an individual (Kuratko et al., 2007)

Joseph (2004) insisted that, triangular credit extension scheme is the only realistic scheme as it seek first to build capacity to SME's through training and seminars on issues around finance management, credit management and spending pattern control and later, extend them with credit and loans via SACCOS. In this case; SACCOS are charged with monitoring and collection and repayment of the loans to commercial banks; in his view, triangular scheme is the most effective form of managing MFI in Tanzania.

Kimambo (2007) in her research paper titled Gender and woman entrepreneurship in Tanzania gave it a node to triangular credit scheme by arguing women to organize themselves into groups and use their groups to accessing loan and credit facilities. She believe that, by so doing women can be able to raise their confidence, own assets and collateral security needed for such services when it comes to individual after some times. She further argues that, whenever dealing as a group loan amount can be big as compared to when dealing as an individual. The system is safer and has massive multiplier effect as compared to any form of operational credit scheme.

Pallangyo (2008) pointed three main advantage of this scheme which is;

- Cost effective and easy to manage
- Strong multiplier effect which stimulate growth of the entire economy and paving way for development of new and existing small and medium enterprises
- Less risk by both parties and high growth rate of MFI usage by MSME sector in Tanzania

2.9 Pride Tanzania

2.9.1 Pride Loan Procedures

PRIDE loan procedures start with an individual being a member of PRIDE by registration and by declaring type and kind of business he / she is in for and provide all necessary documents as an evidence to support that. The procedures requires that, for individuals who are yet to formalize their operation to form a group which will be registered with local authorities “*serikali ya mtaa*” to bring about legality of the group and the local authority to accept taking charges and risk on their behalf in case of defaults and / or absence after loan.

According to PRIDE Tanzania; the second step is accepting and reviewing write-ups (for those who are in a very formal kind of business) and interview for those who are informal and would not know and understand meaning, use and importance of a write-up. After a critical evaluation the loan is given to the winning write-ups and follow-up is made on monthly services upon members meeting for session feedback and repayment.

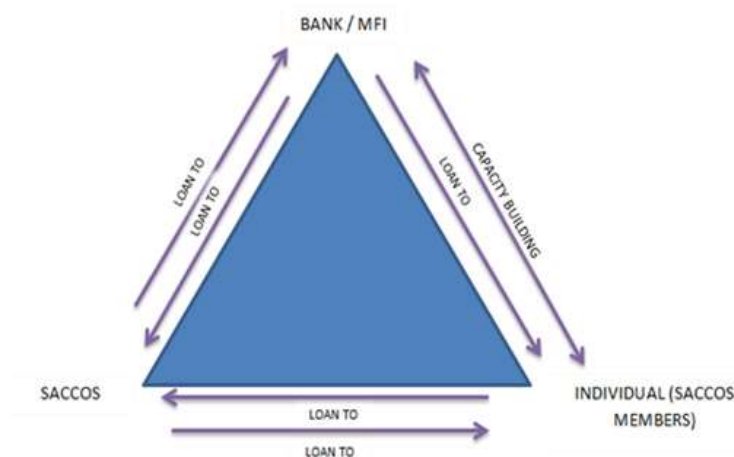
2.9.2 PRIDE Risk Prediction

According to PRIDE Tanzania; risk is perceived in two major ways which include failure of repayment and on time repayment. However, according to Ngowi and Milanzi (2006), MFI should concern with risk perception in terms of project viability, consistency repayment of loan and persistence project operation. In this case; Pride focus is mainly on recovering their money instead of providing more benefit and capacity to SME business. According to Pride; follow up for loan takers is very crucial and intensive with loan officers making follow up through weekly and monthly cluster meetings and sometimes to assessing business operation of the SME only when seen struggling in repayment.

2.10 The Conceptual Framework

Miles and Huberman (1994) defined a conceptual framework as a visual or written product, one that explains, either graphically or in narrative form, the main things to be studied the key factors, concepts, or variables and the presumed relationships among them. Triangular credit extension is one of the best scheme used as modern way of managing risk involving with credit/loan defaulters through three variables drawn by this model. These three variables are; banks / MFI, MFI in form of SACCOS/VICOBA and clients in form of individual SME's. This triangle flows from the top level of the bank/MFI to the left side which is SACCOS and from the left to the right which is a client and further in what looks like the second phase, the triangle is completed by seeing a movement from the right to left and from the left to the top and from the top to downright (Figure 2.1)

Figure 2. 1 Triangular credit ext tension



Source: researcher's analysis, 2013

In this case, the researcher believed that, the only way commercial banks and microfinance institutions other than SACCOS can do to avoid risk and ensure recovery is by starting dealing with SACCOS which then, will take again loan with reference of the previous records to its members with capacity building service left

unto the hands of commercial banks. Once the individuals are able to strengthen their financial muscles they will have power and strength enough to start dealing with commercial banks/large MFI directly.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodology which the researcher used to conduct this study, and fulfill the objectives of the research. The chapter discusses the overall approach to the research process. The research adopted case study approach as a main method of inquiry. It further discusses the research process that comprised of secondary and primary researches followed by a discussion of case study sample; which was, Pride Tanzania – Kariakoo branch.

3.2 Research Design

Kothari (1990) define a research design as the arrangement of conditions for collection and analysis of data in manner that aims to combine relevance to the research purpose. The research design is the conceptual structure within which research is conducted

Cooper et al. (2003) define research design as the plan and structure of investigation so conceived as to obtain answers to research questions. Research design consists of research methodology, methods, as well as data collection and analysis techniques depending on the aims and objectives of the research. It gives a detailed plan of the study and had been used to guide and focus the research (Collis et al., 2003). The researcher had a crucial issue in developing the research design, which was not just the choice between quantitative or qualitative methods, but involves much more fundamental issues like ontology is preliminary concerning with what is considered real.

Thus; social science research are related to the nature of reality. There are two broad and contrasting positions: objectivism that holds that there is an independent reality and constructionism that assumes that reality is the product of social processes (Neuman, 2003).,Epistemology is a reasech method that builds from ontology, as one of the established what is considered acceptable knowledge, it must then be decided how to accumulate knowledge.

Epistemology concerns itself with how we come to know and certain broad distinction arise (although these are not inclusive of all research ers, some of the terminology used is debatable) and methodology (Guba et al., 1994 cited in Easterby-Smith et al., 1991).

The study carried out at PRIDE Tanzania – Kariakoo branch. Kombo and Tromp (2006:70) define a research design as the structure of the research. It is the “glue” that holds all of the elements in a research project together. There are a number of types of research design. These includes descriptive, experimental, case study, action research, quasi-experimental design or explanatory, but to name few.

In this study both desk and field researches methods were used, which was both descriptive and analytical. The descriptive research method was chosen because it was an appropriate means of achieving the study’s objective. For example, Kothari (1993) has suggested that descriptive research designs have to be used when the researcher seeks to describe the phenomenon under study e.g. measuring items such as frequency of the customers using the PRIDE Tanzania services.

The PRIDE Tanzania, Kariakoo Branch was used as a case study. As defined by Yin (2003:13), "a case study is an empirical inquired that; investigates a contemporary phenomenon within its real life context especially when the boundaries between phenomenon and concept are not clearly evident."

The principle difference between case studies and other research studies is the focus of attention on individual case and not the whole population of cases. Most studies search for what is common and pervasive. However, in the case study, the focus may not be on generalization but on understanding the particulars of that case in its complexity.

3.3 Area of the Study and Population

The study was conducted at Pride Tanzania, Kariakoo branch. The researcher has selected this branch because it has big number of members than other branches in Dar es Salaam and mainly servicing micro entrepreneurs operating in Kariakoo area. The population available for this study was 3,167 made of 3,147 active members of Pride Tanzania, Kariakoo branch and 20 officials from Pride Tanzania – Kariakoo branch. From this population, a sample was drawn.

After drawing the population required for this study, a list of members from association member and individual was developed and was divided into two major groups, which are association Pride members which refers to SACCOS, ROSCA, VICOBA and individual Pride members together with Pride Tanzania – Kariakoo branch officials.

3.4 The Sample and Sampling Techniques

3.4.1 Sample Size

According to Saunders et al. (2003) sample size is the number of respondents selected from the population carefully to be representative of the whole population with the relevant characteristics. Kothari (2006) defines sample as a collection of some parts of the population on the basis of which judgment is made small enough to convenient data collection and large enough to be a true representative of the population from which it had been selected. Sample size refers to a number of items to be selected from the universe to constitute a sample.

In this study, a total of 100 respondents sample was drawn from the population (Table 3.1). The sample included 100 members and staff of PRIDE Tanzania; Kariakoo Branch, whereby 75 were customers, 5 Head of departments, 6 supervisors and 14 other staffs form Kariakoo branch.

Table 3. 2The Sample Size

Targeted interviewees	Total Sample Size	Sample Size by Gender	
		Male	Female
Customers	75	37	38
Head of departments	5	3	2
Supervisors	6	4	2
Other staffs	14	6	8
Total	100	50	50

3.4.2 Sampling Techniques

In this study, a simple random sampling technique was deployed in obtaining sample from the population that was categorized into three groups namely: association PRIDE members, individual PRIDE members and PRIDE Tanzania Kariakoo branch officials. This involved the random selection of specific number of representatives from a list of association PRIDE members, individual Pride members and PRIDE Tanzania Kariakoo branch officials in the population. In this case every respondent from the internal (staff members) and external (members of association/ clients) organization had an equal chance of being included in the sample.

3.5 Types of Data and Data Collection Procedures

Primary and secondary sources of data were used in this study. In order to collect primary data, interviews were conducted and a set of questionnaires were administered. This did not limit the power of observation in the operation of both entrepreneurs and Pride Tanzania with high concentration being in operational ethics and business practices of the micro entrepreneurs.

3.5.1 Primary Data

Primary data refers to the information a researcher obtains from the field i.e. from the subject in the sample. These data may be in the form of values obtained from the

operational definition of the variables in the study. These values are usually presented in the form of frequency distribution (Abel and Olive, 1999). Collections of primary data were done through interview method, questionnaire method as well as observation method.

3.5.1.1 Questionnaire Administration

Questionnaire method is a method in which a set of questions is used for collecting data and carrying out the social research. It is considered to be a convenient method of obtaining a limited amount of information from a large number of persons (Rwegoshora, 2004). He further insisted that, “A questionnaire is a list of questions to a number of persons for them to answer.

It secures standardized results that can be tabulated and treated statistically”. Questionnaire enabled the researcher to collect information from respondents scattered in a wide area. The mixed questionnaires (research tools) were used to collect data from all respondents involved. Appendices I and II present the questionnaire used for customers and branch staff respectively.

3.5.1.2 Interview

Interview method is the direct method, or direct collection of data. It is recognized as the most important method of collection of data. Through this method, we can know the views, opinion and ideas of other persons. It is a method of social interaction. Young (2005) defines interview as, “a systematic method by which one person enters more or less imaginatively into the inner life of another who is generally a comparative stranger to him.

In this case, specifically research interviews were done for PRIDE Tanzania, Kariakoo branch officials, association PRIDE members and individual PRIDE members just to cover some holes left by questionnaires. Appendix III shows the interview guide used in this study.

3.5.1.3 Observation

According to Kothari (2004), observation is the method where the information is sought by the way of own direct observation and environment scanning without involving respondents. The researcher made observations on how PRIDE officials

offered service to their customers and also observed some customers operating environment, business ethics and operational behavior. Thus, observation method allowed the researcher to see the situation before getting information from respondents

Observation is a deliberate study through eyes as one of the method of scrutinizing collective behaviors and complex social institutions as well as the separate units composing of totality. In summary therefore; this case, the researcher observed operational ethics, quality and business operations for both micro entrepreneurs and PRIDE Tanzania, Kariakoo branch.

3.5.2 Secondary Data

Secondary data refers to the information a researcher obtains from research articles, books etc which may be classified as quantitative (numerical) or qualitative in words or phrases. The researcher used the appropriate secondary data sources to reflect the nature of problem seeking to understand more about challenges facing micro entrepreneurs in servicing loans from microfinance institutions in Tanzania. Here, the researcher focus was more on loan repayment reports, defaulter's report, financial reports from micro entrepreneurs etc.

3.6 Data Processing and Analysis

In general, data analysis is the ability to break down information and to elucidate the components and the correlation between them (Saunders, et al., 2007). According to Collins and Hussey (2003), data analysis is the structuring, organizing and analyzing data from which conclusion can be drawn and verified.

Once the data began to flow in, attention turned to data analysis, the exercise was well executed which allowed space for data analysis to follow. The first step in the data analysis was data preparation. This step consisted of data editing, coding, and data entry. The second step was preparation of descriptive statistical summary, which is a preliminary step leading the researcher to understanding of the collected data. Descriptive statistics were produced with the aid of Statistical Package for Social Sciences (SPSS) and the findings were organized in form of frequency tables and figures.

Qualitative data analysis involved some theories and statement will be analyzed, Naughton et al (2001). The qualitative research methodology treats people as research participants and not as objects as in the positivist research approach. This emphasis can be an empowering process for participants in qualitative research, as the participants can be seen as the writers of their own history rather than objects of research (Casey, 1993).

This methodology enables the participants to make meanings of their own realities and come to appreciate their own activities, interviewing key people, taking life histories, constructing case studies, and analyzing existing documents or other cultural artifacts. The qualitative researcher's goal is to attain an insider's view of the group under study.

CHAPTER FOUR

PRESENTATION AND ANALYSIS OF THE FINDINGS

4.1 Introduction

This chapter deals with the presentation of findings and a discussion of the various responses gathered from the questionnaire. It is structured following the research objectives format. The research intended to examine the operating environment of micro entrepreneurs, assessing loan usage and its impact on micro entrepreneurs business, assessing viability of the loan write ups (identify gap between write ups and implementation), and assessing the effectiveness of the Business Development Services (BDS) provided to the clients before and after accessing the loan.

4.2 General Respondents Information

PRIDE officials were categorised into three categories namely; Heads of department, Supervisors and Other staff; only one set of questionnaire was administered to them to serve the purpose. Results for the questionnaire distributed to all these groups / categories were as follows; only 60% of the questionnaires were collected from head of departments, 67% were collected from supervisors and 43% were collected from other staffs. All in all; in all departments only 52% of the respondents responded and attempt the questionnaires. The table 4.1 below shows the questionnaires distributed versus those collected from PRIDE officials.

Table 4. 2 Questionnaires response rate - PRIDE officials

Details (category)	questionnaire distributed	questionnaire collected	percentages
Head of departments	5	3	60%
Supervisors	6	4	67%
Other staffs	14	6	43%
Total	25	13	52%

Source: researcher's analysis, 2013

The researcher also targeted 75 PRIDE- customers whereby, all of them were covered by questionnaires. However; only 48 questionnaires were collected which equals to 64% of the respondents, whereas; male were 19% of the respondents and 81% females of the respondents. Table 4.2 below shows the questionnaires distributed versus questionnaires collected from PRIDE – customers.

Table 4. 3 Questionnaire response rate- PRIDE customers

Details	Distributed	Collected	Percentages
Male	37	9	19%
Female	38	39	81%
Total	75	48	64%

Source: researcher's analysis, 2013

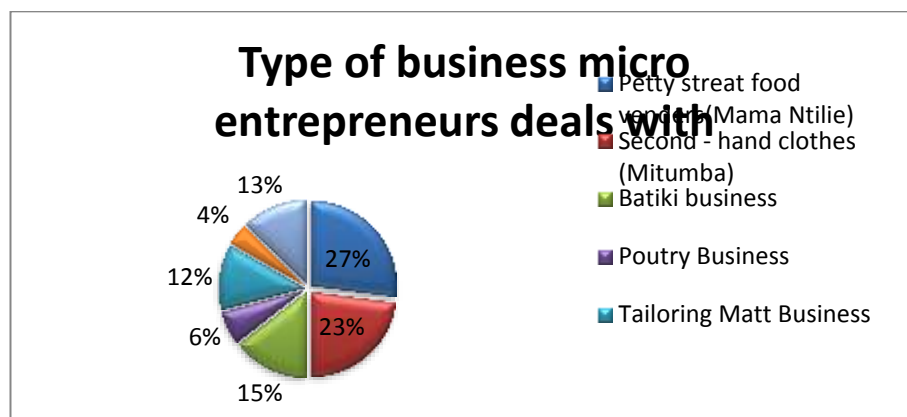
In an attempt to get the information that was not covered by the questionnaire, the researcher managed to visit twenty (20) customers and holding an interview with them. Unstructured interview was mainly used just to allow them enough room to express themselves. Further, the researcher managed to hold 3 sessions of structured interview with PRIDE officials for the same reasons.

4.3 The operating environment of micro entrepreneurs

4.3.1 Nature and types of business

Data from the field show that 27% of the respondents said were dealing with petty street food vender (mama ntilie), 23% of the respondent were dealing with second-hand clothes business (biashara ya mitumba), 15% of respondents were dealing with batiki business, followed by tailoring matt business which were 13% of the respondents, then fresh eggs merchants were 13% of the respondents, followed by poultry business were 6% of the respondents, then lastly 4% of the respondents were dealing with lady's saloon business. Figure 4.1 below shows the percentages of the respondents in regard to the question asked.

Figure 4. 2 Types of businesses micro entrepreneurs

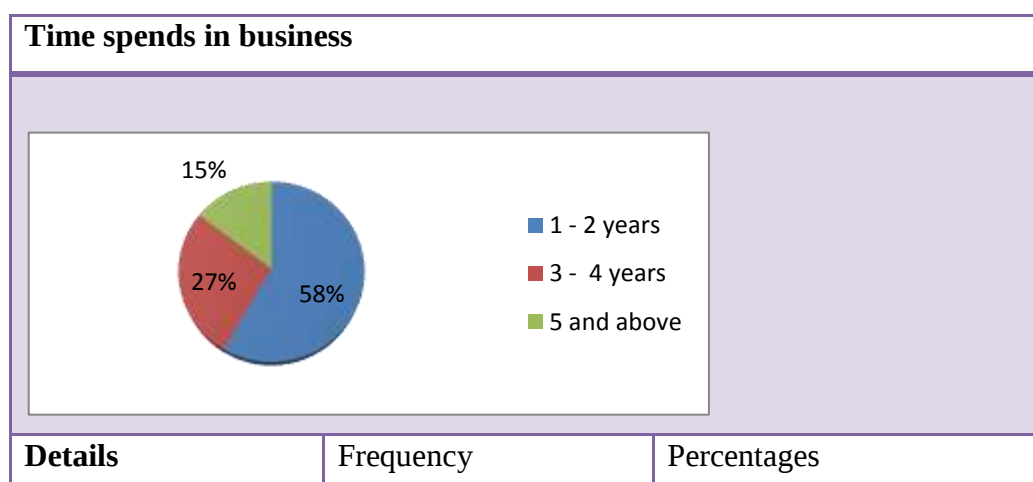


Source: researcher's analysis, 2013

4.3.2 Time spent by micro entrepreneurs in their business

Data from the field shows that; 58% of the respondents they spent 1 – 2 years in their business, and 27% of the respondents spent 3 – 4 years in their business, while 15% of the respondents they spent 5 and above years in their business. Figure 4.2 below the percentages of the respondents in regard to the question asked.

Figure 4.3 Time spent by micro entrepreneurs in business



1 - 2 years	28	58%
3 - 4 years	13	27%
5 and above	7	15%
TOTAL	48	100%

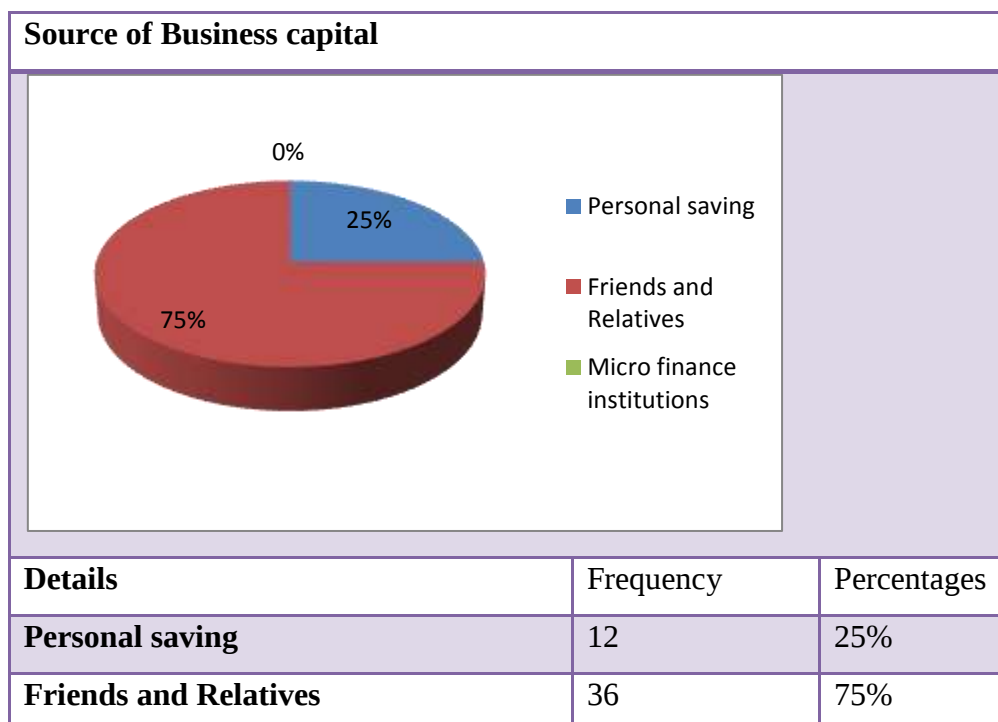
Source: researcher's analysis, 2013

From the Figure 4.2 above; it is clearly that, 58% of the customers have been in business for not more than two years and 27% not more than four (4) years which make a cumulative summary of 85% of the customers being in business for less than five years.

4.3.3 Source of capital for business

From the data collected it was found that, 75% of the respondents got their initial capital from friends and relatives, 25% of the respondents had their initial capital from their personal saving and 0% from micro finance institutions. The Figure 4.3 below shows the percentages of the respondents in regard to the question asked concerning source of capital for their businesses.

Figure 4.4 Sources of capital for micro entrepreneurs



Micro finance institutions	0	0%
Total	48	100%

Source: researcher's analysis, 2013

In an interview with PRIDE officials; it was noted that, PRIDE do not provide capital for startup business in fear of risk and loan defaulting. Of the three (3) interviewee representing head of departments, all three (3) equivalent to 100% said they don't support startup businesses, and so for supervisors which four (4) interviewed were all concern with risk involving with startup business and so saying they don't support such an idea while supervisor recognized the need for funding startup businesses (though very insignificant) by only 1 person out of 5 supporting the idea.

4.3.4 Business registration

It was further found that, 81% of the respondents who answered the question if their businesses are registered they said no, while 19% of the respondents their businesses were registered. This means that most of the micro entrepreneurs in Tanzania they were not registered and there is a little recognition by the authorized ministry. This means in the country (the government) have put no effort to support the underground economy which on other hand is the base of the economic growth of the nation and the living standard of the people in general.

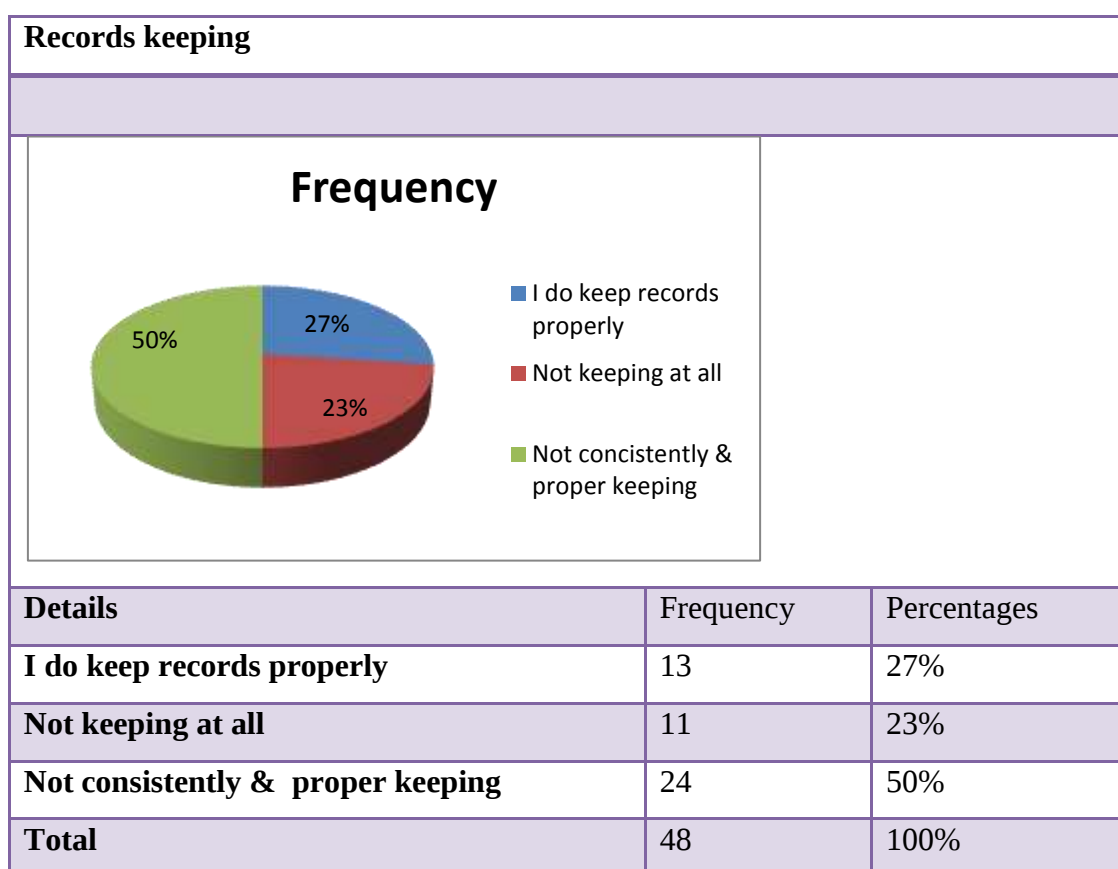
In an interview with PRIDE officials it was noted that, the only mechanic in place to trace viability of the business is through reference by their fellow members, guaranteed amongst themselves and when needed an introduction letter from the local government offices (serikali za mitaa). Asked if business registration and licensing is a big consideration for them, all twelve (12) interviewed PRIDE officials said it is not necessary since they are dealing with micro entrepreneurs in the true meaning of the term micro. Thus business registration is not the big issue by the PRIDE in handling the small and micro entrepreneurs in the country. .

4.3.5 Records keeping

It was also found that, 50% of the respondents were not consistent in keeping proper record of the business, especially with regard to revenue versus expenditures (expenses). Figure 4.4 below show the percentages of the respondents in regard to

the question asked as to whether records are not consistently and not proper kept; 27% of the respondents were found keeping records properly, and 23% were not keeping the records at all.

Figure 4. 4 Records keeping



Source: researcher's analysis, 2013

In an interview with customers; fourteen (14) out of twenty (20) interviewed said they don't see any important of keeping the record and that what matters for them is they have made sales and getting money to sustain their livings plus paying for the loan. In other hand; PRIDE officials are also not interested with records as their main focus is collecting whatever they have loaned out to customers. Record keeping

should be a focus of an individual customer at his / her own capacity to determine the flow of his / her business and not otherwise. Table 4.3 below summarize responses from customers and PRIDE officials on different issues regarding record keeping as picked from an interview conducted.

Table 4. 4 Records keeping dynamics of the respondents

Records keeping dynamics						
Issue	Respondents					
	Customer s	NO	Percen t	Official s	NO	Percen t
Is record keeping very important for your business and of high consideration?	20	14	70%	12	12	100%
Are you very keen and detailed on making follow-up of records and other business and financial indicators/performance of your business(for customers)/ of your customers (officials)	20	16	80%	12	12	100%

Source: researcher's analysis, 2013

4.4 Loan usage and its impact on micro entrepreneurs business

4.4.1 Loan application and rejection

On loan application and rejection, it was noted that; 73% of the respondents never had their loans applied rejected while 27% of the respondents had theirs rejected.

In an interview with both customers and PRIDE officials, the common reasons noted for loan rejection were failure of a customer to comply with procedures, lacking referees and members non willingness to stand in for him / her as guarantors and if the loan so applied is for financing a startup business. From documentary review (PRIDE loan application – policy and procedures) it was further noted that; for a customer to access loan at PRIDE has to abide to PRIDE policies which require him / her adhering to the following;

- Readiness to take loan by having an already running business
- Paying Tshs. 1,200/= as an entry fee,
- Weekly meeting which includes, collection of weekly repayment and paying weekly contingency fee of Tshs. 3,000/=
- It is foremost Important to note that, customers are in groups, hence everybody should get reference from the other member and agree to cover member's loan in case he / she default

The researcher further noted that; the process of loan application and service delivery for PRIDE; mostly covers one week since 60% of the respondents said it take one week for the whole process until they receive loan, and 30% of the respondents said it takes two weeks until receiving of loan and 10% of the total respondents said it take maximum one month. According to PRIDE officials in an interview with them, they stressed that, loan processing exercise takes a maximum of two (2) week for big loans and which is personal (not group) and a minimum of eight (8) working days depending on analysis done by PRIDE on an individual person whilst for group loan (which in many cases are small) covers a maximum of one week (1) days and a minimum of three days depending on customer adherence to what is required by PRIDE for him / her getting the said loan.

It was also noted that; most of the loans taken by PRIDE customers are ranging from Tshs. 110,000 - Tshs. 300,000, since 29% of the respondents were in this category, 19% of the respondents they tend to apply and receive loans ranging from Tshs. 610,000 – Tshs. 900,000. while 17% of the respondents tend to apply and receive loans in a range of Tshs. 10,000 – Tshs. 100,000 and Tshs. 310,000T – Tshs. 600,000Tshs, followed by 13% of the respondents who apply and receive loans

ranging from Tshs. 910,000Tshs – Tshs. 1,200,000, and the rest 6% of the respondents tend to apply and receive loans ranging between Tshs. 1,200,000 – Tshs. 1,500,000. This means most of the PRIDE clients used to apply and receive loans ranging between Tshs. 100,000 – Tshs. 900,000 which is 82% of all respondents. However; a category from Tshs. 10,000 – Tshs. 600,000 counts 63% of the respondents (Table 4.4).

Table 4. 5 Loan amount received versus application time table

	withi n 1 week	within 2 weeks	within month	1 TOTA L	Percentage
(10,000 100,000)Tshs	5	3	0	8	17%
(110,000 300,000)Tshs	11	2	1	14	29%
(310,000 600,000)Tshs	7	1	0	8	17%
(610,000 900,000)Tshs	4	3	2	9	19%
(910,000 1200,000)Tshs	2	2	2	6	13%
(1200,000- 1500,000)Tshs	0	3	0	3	6%
TOTAL	29	14	5	48	100%
Percentage	60%	30%	10%	100%	

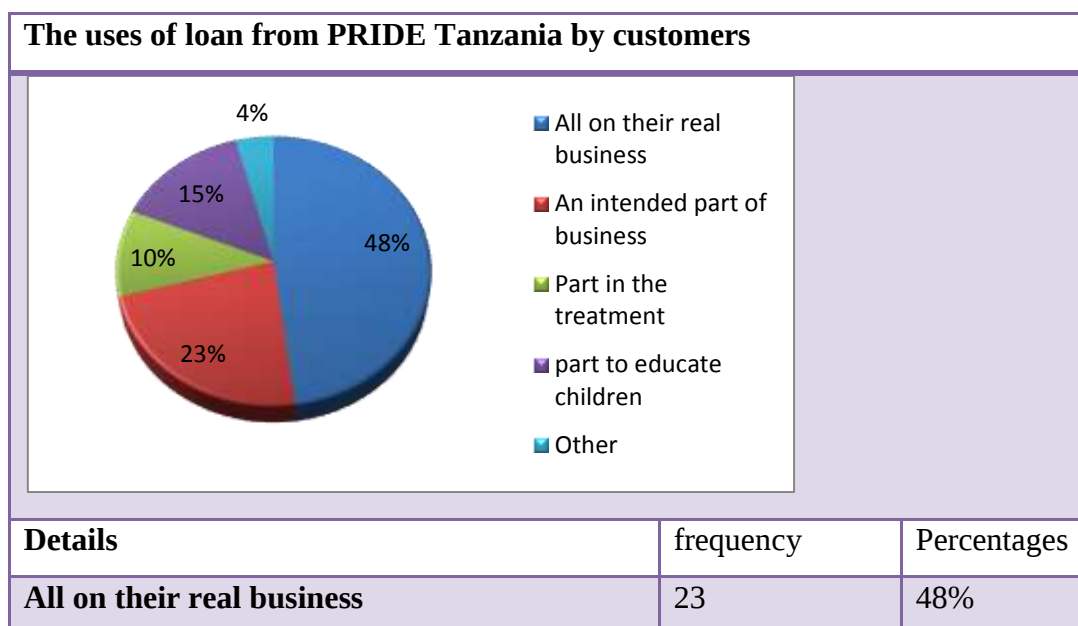
Source: researcher's analysis, 2013

Thus, the researcher discovered that despite of the fact that PRIDE Tanzania dealing with loans, their policy and procedures give a room to micro entrepreneur who have already be in business industry, especial those who can afford to return loan with interest within three months depending on amount of money customers asked for. Also the form of operation limit clients to stand alone since they need to form a group which will bail one of the member or all members in loan application and the group to be responsible for pledge once one apply for loan. This means in order to be qualified for loan you must organize and gain trust from PRIDE members.

4.4.2 Loan Usage

Usage of the loan amount received was another component tested by the researcher; in this component it was noted that; 48% of the respondents who accessed loan from PRIDE used all of their loan on growing and developing their businesses, 23% of the respondents used significant amount on their business and the remaining on other issues while 29% of the respondents said to have used significant amount of the loan amount to carter for their social economic issues such as paying for school fees, medication and treatment and other non defined social activities (Figure 4.5).

Figure 4. 5 Uses of loan from PRIDE Tanzania by customers



An intended part of business	11	23%
Part in the treatment	5	10%
part to educate children	7	15%
Other	2	4%
Total	48	100%

Source: researcher's analysis, 2013

In an interview with customers, 60% of them admitted to have used the loaned amount in non intended objective for applying for with excuses attributed to poor social service facilities and growing hardship in managing daily business. PRIDE officials in other hand; they are aware of a possibility of a customer may probably use the loaned amount in what was not initially intended, however; it sounds as non of their business to them as what counts to them at the end is the ability of that particular customer to repay his / her loan on time. It was further observed that; business performances for those who truly used the loan to grow and develop their business were very healthier with some growth noticed while the rest struggling with growth.

4.4.3 Loan repayment and interest rates

In an interview with PRIDE officials it was noted that, repayment time starts from three (3) months to one (1) year with a limited exception of big personal loan which may go up to two (2) years. Interest rate for group loan range from 28% - 30% depending on assessment done by PRIDE themselves while for personal loan (which are very limited) is 26%. A customer upon repaying in full his loan amount can afford another loan (in a different bracket) which will also be charged an interest rate of the same region as the previous.

The researcher interest was to assess if at any point, customer has ever fail to repay their loan amount; from the questionnaire it was noted that, 67% of the respondents had never failed to comply with repayment schedules while 33% failed to comply with repayment schedules.

Asked on the interview about reasons for failure to comply, customers pointed out four main reasons being;

- Intense competition amongst themselves. As micro entrepreneurs with low knowledge of business technology – how, they end up doing the selling of the products of less substantial and not complementary, and also no innovation and creativities which resulted to chase the same customers daily.
- Decrease in frequency of purchase by consumers. The economic fluctuation of the nation leads the people to concentrate consuming the necessity goods to fulfill their basic needs and having exceptional with leisure goods or services hence decrease in purchasing power of customers and product consumption by customers
- Putting the loan into non business activities – social economic issues such as school fees, uniforms, treatment and medications, social gathering like funerals, weddings and entertainment.
- Low profit made, hence difficult to apportion between loan repayment, business and own daily living expenses
- Withdrawing from the business for personal use
- In other hand, when PRIDE officials were asked, eight (8) out of twelve (12) which is about 67% pointed at business discipline issue being the main cause for the failure however; that do not affect them (PRIDE) much since they will hold group members liable for the failure of whoever within the group failed to comply. It was further noted that, in case of permanent default, group members bear the liability.

Viability of the loan write up

The researcher wanted to establish if PRIDE does assess the viability of any project before approving it for loan; it was however noted that, there is very little attention put on details of the business hence no need for a business write up, data from findings show that 100% of the total respondents answered NO, thus; PRIDE doesn't consider project write up for evaluation before giving loan

The researcher further wanted to know the extent of business development services such as training, workshops, avenues for business crafting and development provided by PRIDE and if the customer themselves have got sustainable business plan. Due to information from field and interviews with PRIDE management in general, researcher found that only PRIDE can offer to their customers were to give them directives about loan's repayment schedules and interest calculations only. And this

was due to the fact that nature of micro entrepreneurs in our country its complex” time limitation and financial capability of accessing the entrepreneurship knowledge and skills it’s a challenge to them, hence for PRIDE, none of such services are offered by them.

4.6 Effectiveness of the Business Development Services

From questionnaires and interview, it was noted that there was very few Business Development Services offered to customers by PRIDE for growing and developing their businesses. Apart from policies and procedures emphasis, little was noted to be done by PRIDE. However, it was noted from documentary review that, back in 2009 they had outsourced that service to other firms however; they were not concerned in anyhow with mobilizing their customers or assisting paying for such services. Contracted firm had sole responsibility of mobilizing Pride customers and train them with customers individually paying for such service.

4.6.1 Attending of any training, seminars and workshops

From interview and observation made; the researcher found that PRIDE Tanzania don’t provide seminars or workshop to their customers concerning overall business techniques and entrepreneurship in general. PRIDE Tanzania provides training only on how to calculate loan interest from the applied loan by customers and payment schedules every week to ensure default chances are minimized; the customers on interview commented on the nature of their operations (Micro) saying, they spent much time on their business activities thus limit their involvement in business training, workshops, seminars etc and further commented on how they feel getting involved in these seminars, trainings and workshops and feel they are so expensive and non affordable for them (Table 4.5).

Table 4.6 Customer's views on training, seminars and workshops

	Participation			Valuing Training			Development catalyst			
	Yes ; hav e	No; don 't hav	Tota l	Yes; can't affor d	No; don 't nee	Tota l	Goo d	Avera ge	Poo r	Tota l

	time	time			d					
Frequency	4	16	20	6	14	20	4	9	7	20
Percentages	20%	80%	100%	30%	70%	100%	20%	45%	35%	100%

Source: researcher's analysis, 2013

From Table 4.5 above, it is clearly that, most of PRIDE customers do not value trainings, seminars and workshops by 70% and 80% do not have time to spend on training and workshops. Further; 35% think training, seminar and workshop are all poor catalyst for their business development and 45% think they have an average impact while, only 20% think positive of the three.

4.6.2 Regular visits by PRIDE staff and appreciation of the progress and challenges of the business

In an interview with PRIDE officials, all of them said they do not visit customer's business places to assess how he / she conducts business unless it is a personal loan which is big as that not an important element to them. Further, on responds from questionnaires by customers, 88% of the of the respondents said they have never been visited by PRIDE Officials and only 12% said they have been visited by PRIDE officials but that was in 2009.

Also a researcher discovered that; PRIDE does not pay much attention to customers who joined in group since they organized themselves and each member is bailed by the other within group members and failure of one member to submit his / her repayment entails cost sharing by all group members and that's why each group member is required to pay Tshs. 3,000 as weekly contingency fund (refundable upon completion of loan repayment by all members), but they only considered individuals who came for personal loan.

CHAPTER FIVE

DISCUSSION OF THE FINDINGS

5.1 Introduction

This chapter tries to discuss and summarize the findings as shown in chapter four (4). The chapter puts together discussion and summary of the key findings and tries to draw some more elaborative view of the study. It start with discussing the operating environment of micro entrepreneurs, Loan usage and its impact on micro entrepreneurs business, viability of the loan write up (identify gap between write-ups and implementation), the effectiveness of the business development services provided to the clients before and after accessing the loan, and testing the applicability of holding theories leading this research work.

5.2 Operating environment of micro entrepreneurs

As shown in the findings, most of the PRIDE customers are petty traders who fall under micro business category. Further; most of them have little experience on business as 85% of them have less than five (5) years in the business. Out of the 85%, 58% have an experience of 1 – 2 years only and 27% an experience of 3 – 4 years. In this context, most of the Micro entrepreneurs are immature and so can't manage different business dynamics and challenges present in the market considering poor business infrastructure available for them. Despite SME policy explaining about provision of good infrastructure to MSMEs but its applicability is still a huge challenge to the micro entrepreneurs.

PRIDE customers are also operating in a very fragile and temporary environment as 65% of them being in none permanent structures. Of the 65%, street food vendors (Mama Ntilie) counts 27% while second hand clothes (Mitumba) business counts 23% and Batiki business (mostly women) counts 15%. This finding is similar to what was observed by Kuzilwa & Mushi (1997), whereby they highlighted the risk involving SME's lack of permanent structures and non registration of their businesses.

As shown in the findings, most of these businesses are neither registered nor licensed and that make the loaning action too risky and also making their business so informal and none trustworthy in the eyes of many financial institutions including microfinance institutions and particularly PRIDE. It was further noted that, there is very little efforts done so far to promote and develop a serious business operating infrastructure for micro entrepreneurs leaving most of them continuing operating as hawkers, peddlers and street vendors.

The government in other hand has a significant role to play in identifying the presence of micro entrepreneurs in the country and serious consider it as a vehicle for economy growth; in this case, the researcher believe it is vital for government to join hand with other stakeholders to rectify the situation.

Record keeping is also a serious challenge facing PRIDE customers; as per findings, most of customers are not concerned with either making profit or not; their biggest concern is they have made physical sale in a day and that; they are able to meet the weekly repayment target at PRIDE. In determining the usefulness of record keeping, micro entrepreneurs require training, seminars and workshops. Currently, due to low level of business understanding, skills and professionalism they tend to see no / little value of record keeping attached to their business growth and development.

Again, this is similar to Olomi & Allen (2003) findings when they highlight the need for business registration and licensing and transforming the sector into formal. In other hand, Ngowi (2009) highlighted the need for proper record keeping, licensing and registration. Further; Olomi (2006), Mushumbusi (2004), Laura (2006) and Kitindi (2007) all made a concern over the above discussed issues.

From the findings, it is clear that PRIDE does not fund / loan start up businesses and that all respondents had accessed capital from other sources such as friends and relative, own personal savings etc. the only holding factor / reasons for PRIDE not funding start up businesses is a fear of defaulting and risky involving losing their money. It is therefore; limiting chances for creative and innovative business idea support. This is Tanzanians SME's phenomenon as neither micro finance institutions nor other financial institutions in the country does support start up business, hence limit the exploration and exploitation of the opportunities available in the country.

Kimambo (2007), highlighted that, most of microfinance institutions do not fund start up businesses because of risk involving. Joseph (2004), Kyaruzi (2007) and Pallangyo (2008) highlighted weakness of Microfinance institutions in Tanzania to fund start up businesses and developing the sector in the country. This study also as noted above; noted the same situation still happening.

5.3 Loan usage and its impact on micro entrepreneurs businesses

It is clearly that; PRIDE has two types of loans; personal loans (very limited and applied to few upon critical analysis and requires fixed non movable assets as collateral) and group loans which commonly apply to all micro entrepreneurs who in

this case, are referred as to customers. Loan procedures for groups are very clear and does not require collateral as group members amongst themselves bear a burden of reference and so carry the entire burden in case of defaults.

This is quite exceptional as many literatures (Kyaruzi (2007), Joseph (2004), Kuratko (2007), Kuzilwa & Mushi (1997) highlighted the “must have” criteria of collateral for whoever wants to access loan from microfinance institutions. Kimambo (2007), pointed how microfinance institutions are regarded as non development partners through taking customers properties which were presented as collateral whenever a customer fail to adhere to repayment schedules.

Meeting once a week is a good idea in attempt to make the relation a bit strong and involving since no PRIDE officer visit them, reducing a monthly repayment burden by encouraging weekly repayment collection is also a best practice to note. However; a weekly contingency fee of Tshs. 3,000/= refundable shown in the findings, sounds like adding more burden to customers.

Interest rate of 28% - 30% sounds to be so high considering the fact that; these are micro entrepreneurs who needs more of soft loans with little procedures / requirement / no collateral and with little interest rate. Here a researcher tries to think a little far by assuming a loan of Tshs. 600,000/= payable within one year; upon one year end, the customer will be paying PRIDE Tshs. 168,000/= extra as interest making the amount paid back by customer to be Tshs. 768,000/= for 28% while for 30% an extra Tshs. 180,000/= will be paid to PRIDE as interest making the amount paid back by customers Tshs. 780,000/=.

This indeed, is a very big interest to be covered by customers who are all micro entrepreneurs; in comparison to market rates whereby, SACCOS interest vary between 3% - 9% and commercial banks from 17% - 30% with wide repayment period range. In this case therefore; loan procedures and easy accessibility of loan remained to be the only benefits that micro entrepreneurs (customers) enjoy from PRIDE loans.

This case reflects direct what microfinance theory of change explains; the theory simply states that, a poor person goes to a microfinance provider and takes a loan to start or expand microenterprises which yield enough net revenue to repay the loan with major interest and still have sufficient profit to increase personal or household income enough to raise the person's standard of living.

In this theory there were three key steps which lead a SME in taking loan from MFIs Dunford (2012). One is to take loan from a microfinance institution, two is to invest the money in a viable business and three is to manage the business to yield major return on investment

It was however observed that, micro entrepreneurs are not able to access loan for start up businesses and further; investing the money received into viable business and manage business to yields major return on investment as cited by the theory.

Ngowi (2009), Kyaruzi (2007), Rweymamu (2003) and Joseph & Maila (2012) highlighted on high interest rate charged to entrepreneurs and call for the need of looking at lowering the interest rate to reduce interest paying burden.

Thus; the whole system of loan usage by micro entrepreneurs, loan repayment and interest rate and time spend in business were the biggest challenge to them since they are business immature to handle the business dynamics and challenges.

Most of the PRIDE clients (micro entrepreneurs) spend much time concentrating with loan repayment collection rather than developing their business, this means they all looking after meeting PRIDE's policy and procedures, hence micro entrepreneurs remain stagnant in their business.

5.4 Viability of the loan write-ups

As per findings, PRIDE business model allows them to have minimum supervision on the loan. Group members in this model have sole responsibility of supervising themselves and monitor their own performances. The system of bidding all members

unto paying defaulters' loan left the supervision burden into the shoulders of group members and less with PRIDE.

This in one way is advantageous since members have space to share amongst themselves best practices and providing solution for their challenges and problems. However; in another hand, this may disturb customers and make them more involved in collection and ensuring repayment are done more than concentrating on growing their businesses. Distributing liabilities of defaulters amongst group members sound like adding more burdens to customers and so bringing down their efforts growing and developing their businesses.

Further; the analysis shows an existence of a serious challenge on loan usage as only 48% of the customers admitted to have spent the wholly loan amount to the business while the rest which is 52% had spend the loan amount in other issues. Some used the part of the loan in business and the rest in other social economic activities while others used the wholly loan amount into social economic activities such as children school fees, uniforms, medication and treatment and other social gatherings such as weddings, funerals etc. this indeed affect the business performance and hinder growth cum development of such particular business.

Different literatures emphasis of business write-up as the first and foremost criteria for accessing loan. Kyaruzi (2007), Ngowi (2009) & Pallangyo (2008) emphasis on the need for business write-ups and business plan for accessing loans Ngowi (2009) went further saying, no loan without a write up and a sound business plan.

However; this was observed to be different with PRIDE as business write-ups is not essential for them as group customers bail themselves (refereeing each other) and should have an already running business.

On the loan usage; the literatures and our findings agrees as pointed by Joseph & Maila (2012) that, over 80% of micro entrepreneurs received loan for the past 1 year (Rufiji district) did not use the loan as requested for as they spent it in paying

medical bills, school fees and other social related matters such as funerals, weddings etc.

5.5 The effectiveness of the Business Development Services

As per findings, there is very low Business Development Services (BDS) provided to customers by PRIDE; only loan procedures, processes and policies while customer themselves; feel less important for BDS and too expensive. A real commitment from both cannot be established and there exist a very big vacuum which no one amongst themselves is ready to fill.

Borrowing from literatures it provides that; for any business to grow and develop it requires serious commitment and invests on BDS. In this case, as it was noted; there is nothing like a business write up review to qualify for loan and most of the customers does not have business plans and don't see a need at all.

A fact that, PRIDE officials do not visit their customers and the institution (PRIDE) do not provide training, workshop, seminars to their customers and customers are not valuing its importance it is obvious that; level of business mastery is very low and poor business foundation and growth prosperity.

5.6 Direct microfinance scheme versus Triangular credit scheme

Borrowing from literature and other studies; Direct Microfinance Scheme (DMS) refers to a microfinance scheme whereby, microfinance institution / company deals direct with a client and extend to him credit facility / loan As shown in the literature review, this scheme is highly opposed and regarded as the poorer and weak scheme of dealing with micro finances and micro entrepreneurs (ref pg 26). As noted in the data analysis this is the actual practice of PRIDE Tanzania, Kariakoo branch.

In other hand, while most of research fellows and academicians stress on the importance of using a triangular credit extension scheme as the best option and solution to monitor performance and ensure development of SME's PRIDE are still very far from recognizing this scheme, apply it and make it their operational tool in their dealings.

5.7 Testing the holding microfinance theory

There are two theories holding this research, Microfinance theory of change and frequency repayment theory. The microfinance theory of change emphasize on having viable business plan for both startup and expanding business operations and consider the fact that, there is high interest rate in return for paying such loans. The frequency repayment theory emphasizes on the need of having frequency payment scheme / installments just to help clients manage better their cash flows and growing business Dunford (2012)

5.7.1 Microfinance theory of change

Despite of high interest rate noted to be charged by PRIDE Kariakoo branch, loan to support start up businesses is not available and qualifications for loan granting does not consider business write up or any concrete business plan. The truth of the matter in this case; customers are charged 28 % - 30% interest rate however; preliminary requirement for accessing loan from PRIDE does not require a business write up. In this case therefore; this theory does not hold by 100% on this research.

5.7.2 Frequency repayment theory

This theory emphasizes on the need of having frequency payment scheme / installments just to help clients / customers manage better their cash flows and growing business. This theory holds by little as PRIDE encourages frequent repayment scheme (noted, weekly repayments + contingency fee) but could not connect direct with helping customers manage better their cash flow and growing business as PRIDE do not bother with situational and business development of customers businesses.

Loan repayment collection is what sounds very important to them rather than making sure customers business are growing and developing depending on available strategic initiatives and plan to support customers in place by them.

5.7 Exception case – Explicit joint liability theory

This theory appears as exceptional one as it was not thought (in the first sight) but proved to be so applicable in this research. However; as it was noted in this research, PRIDE apply this theory to all customers falling under group loan scheme.

This theory in general entails that; when one borrows cannot repay her / his loan, group members are contractually required to repay in her / his stead Such repayment can be enforced through the threat of common punishment, typically the denial of future credit to all members of the defaulting group; or by drawing on a group saving fund that serves as collateral. Therefore; looking at what and they way PRIDE are treating their customers; it is clearly that, this theory holds by 100%.

However; despite the fact that, explicit joint liability theory sound to hold in this research; the researcher feels that the right theory for application in this case is microfinance theory of change and frequency repayment theory. However; failure of the two to hold by 100% entails the followings

- i.Lack of serious commitment and statement of intent from PRIDE to develop micro entrepreneurs
- ii.PRIDE have more of business (trade) mind set rather than developing micro entrepreneurs and microfinance institutions practices in Tanzania
- iii.The two theories are more appropriate for developing countries economy and that; the missing components of business development services is an intention to skip development components of business and industry at large
- iv.The explicit joint liability theory add more burden to customers upon failure by others and is not an option (choice) of customers and thus; limit him / her business growth chances through accessing more financial support in case of default.

CHAPTER SIX

SUMMARY, CONCLUSION AND POLICY IMPLICATIONS

6.1 Introduction

This chapter focuses into four main sections; section two being the summary of the findings, while section three provides the conclusion based on research findings; section four states the policy implications of the study and section five provides the suggestions for areas for further research.

6.2 Summary of the findings

This study was about assessing factors affecting micro entrepreneurs in servicing their loan with a case study of PRIDE Kariakoo branch. Loan to micro entrepreneurs is very important for growing their businesses and ensures financial strength in form of financial capital.

The research was guided by one general objective and four specific objectives which helped the researcher to arrive to this very report. The general objective of this study was to examine various factors that affect micro entrepreneurs in servicing their loans, and the specific objectives were :- One were to examine the operating environment of the micro entrepreneurs, Two were to assess loan usage and its impact on micro entrepreneurs business, Three were to assess viability of the loan writ- up (identify the gap between write – up and implementation) and four were to assess the effectiveness of the business development services provided to the clients before and after the loan from Pride Kariakoo Branch.

The researcher used questionnaire, interviews, observation and document review to collect data for this report. The secondary data were obtained from PRIDE Kariakoo branch while for primary data; the researcher distributed the questionnaires, which was personally administered to both PRIDE Kariakoo branch officials and customers and also interview was also conducted by researcher to both PRIDE officials and customers. The researcher further; observed customers with PRIDE officials meetings and so observed statements made, meetings formalities, agendas and flowing, officials and customers facial expression were observed during the study.

Factors affecting micro entrepreneurs in servicing their loan from PRIDE were noted to have included the following;

The operating environment of micro entrepreneurs Intense competition amongst themselves hence spread purchase pattern of their customers which leads to low sales turnover, volume and less profit. With less profit then; it becomes difficult to apportion between loan repayment, business and own daily living expenses. Decrease in frequency of purchase by consumers is another reason for failure of micro entrepreneurs in servicing their loans as that left them with little income.

Loan usage and its impact micro entrepreneurs business whereby, some micro entrepreneurs are putting the loan received into none business activities with social nature such as paying for children's school fee, uniforms, treatment and medication, social gathering like funerals, weddings and entertainment. Withdrawing money from the business for personal use is another factor causing such difficulties in servicing loans received from PRIDE; this may be a result of lack of saving culture amongst many Tanzanian and a serious lack of Business Development Services (DBS) to support micro entrepreneurs.

The viability of the loan write – up (the gap between write – up and implementation) It is also in researcher's view that, lack of serious supervision, commitment to support rather than money by PRIDE is another factor affecting micro entrepreneurs in servicing their loans.

The effectiveness of the business development services (BDS) to the clients before and after the loan, as a result from findings the researcher discovered that PRIDE Tanzania they don't provide business development services to their clients due to the nature and characteristics of small and micro entrepreneurs in Tanzania; where time were the key factor and also the financial capability of their clients limit them in receiving trainings and workshops about business development services

In attempt to overcome the factors noted above, the researcher recommends the followings;

- i. Business write up assessment is very important as commit the customer and can be used as a tool to measure and express intent of the applicant and further showing the viability of the business idea.
- ii. PRIDE should start getting more involved with the supervision as that will add value to customers business by them providing some business and technical advice and leaving customers with enough time to concentrate with growing and developing their businesses. Through this, PRIDE may also save a lot of money that could have been misused by customers.
- iii. Weekly repayment and feedback meeting should continue to be encouraged and collection done as usual just to reduce a burden of repayment at the end of month however; weekly contingency should be discouraged and the researcher is proposing to be collected once in a month at the same tune of Tshs. 3,000/= just to reduce burden of contribution + payments from customers
- iv. Interest rate charged by PRIDE is very high compared to the commercial market price and thus, put more burden unto the shoulders of customers who most of them a poor and micro operating hence should be reduced to reflect the real operating environment of customers
- v. PRIDE should provide their customers with more trainings on business management and techniques rather than concentrating only with their own policies and procedures
- vi. Customers in other hand are supposed to be cooperative amongst themselves, sharing best practices and develop saving culture which will reduce chances for them

withdrawing from the business for personal use and usage of money in none business activities.

- vii. Customers should improve in keeping their business records to ensure proper record keeping which helps tracking business financial performances and promote professionalism and growing business mind set and knowledge
- viii. Customers need to formalize their business through registration and licensing to add value on their business, legality and authenticity of what they are doing.
- ix. Joint explicit theory in place put more pressure to customers and increase liability to them and further minimize potential loan access in the future for customers upon default by one member in the group. In the eyes of the researcher; looking at Tanzania micro entrepreneur operating environment and their nature, microfinance theory of change would suit and more realistic than joint explicit

6.3 Conclusion

Analyzing and review of a project write up is the most important component of consideration when it comes to giving out loan. This not only ensures satisfaction by microfinance of the project viability but also provide a blue print of the entire project and so easy for monitoring and evaluating its performance.

Business Development Services (BDS) is another important tool for growing micro entrepreneurs and microfinance in Tanzania as BDS provide platform, infrastructure and capacity building to both micro entrepreneurs and microfinance in general. BDS in this case, would have ensured all dots are joined and put plan to improve and develop the industry in general. This is very important as most of micro entrepreneurs have less knowledge, low capital level, low understanding and mastery of business etiquette. For any business to grow it requires a concrete and realistic business plan; in other hand, close supervision which is both professional and authentic is required.

Record keeping is also very important for any business growth, at any point in business records is vital as it gives a clear indication of how the business is performing in terms of financials and other general aspects of business. In this case;

promoting saving culture, business mind and financial management to entrepreneurs is very important and something worth appreciation as it gear toward improving the general micro entrepreneurs' business environment.

The researcher also argues customers to improve and holds unto discipline of businesses by stopping withdrawing from business for personal use, using loan amount to finance social activities such as weddings, funerals etc and so staying put to the intended use.

The researcher finally proposes a turnaround approach by PRIDE Tanzania by approaching the business using Triangular Credit Extension Scheme (TCE) than Direct Microfinance Scheme (DMS) approach currently in place. This scheme / concept receive a serious support over recent from different angles ranging from scholars, financial institutions, government agencies and even development partners. It is perceived to be the only solution toward ensuring sustainable credit recovery mechanism, avoiding risk and recovering all loaned money, it requires triangular system to ensure safety as risk in dealing with Micro finance institutions such as PRIDE and SACCOS/VICOBA is very minimal than dealing with individuals.

It appears that, financial institutions feels more comfortable and secure dealing with micro finance institutions such as PRIDE Tanzania, SACCOS / VICOBA rather than individuals for three basic reasons; first, most micro finance institutions deals with specific clusters hence easy in terms of developing a certain specific cluster and second; it is more secured to deal with an institution which is registered (PRIDE Tanzania) than an individual and lastly, is economic factor of multiplier effect. Under this, the multiplier effect is seen to be bigger when dealing with Micro finance institutions / Cluster than in dealing with an individual

Triangular credit extension scheme is the only realistic scheme as it seeks first to build capacity to SME's through training and seminars on issues around finance management, credit management and spending pattern control and later, extend them with credit and loans via MFI such as PRIDE Tanzania. In this case; Micro finance

institutions are charged with monitoring and collection and repayment of the loans to commercial banks; in his view, triangular scheme is the most effective form of managing MFI in Tanzania. It has strong multiplier effects which stimulate growth of the entire economy and paving way for development of new and existing small and medium enterprises.

6.4 Policy implications

Under this category, the researcher is critically looking at policy implication for the current and future use and has managed to point at three main areas namely; Tanzania microfinance policy, microfinance institutions and other stakeholders.

For Tanzania microfinance policy, the researcher realize that, nothing has been specifically indicated as to which theory amongst microfinance theories available is ideal for Tanzania context and how each category of businesses in the country should be treated. The policy should specify and put fourth conditions necessary that every microfinance institution should be drawing from it and this will be meaning a real commitment from the policy itself in growing and developing the industry

For microfinance institutions, the researcher argues more commitment from them in developing the industry especially group micro entrepreneurs which is the foundation for cluster development and that, giving out loans without emphasizing on write ups and plan is unfair and not promoting professionalism and growing the category. Further microfinance institutions should have business development desk which among other things will deal with recommending improvement on policies, procedures and technical assistance to their customers. The interest rates also should focus and reflect the real life of micro entrepreneurs and their operating environment

For stakeholders, the researcher has drawn three categories here; stakeholders within the industry other than microfinance institutions themselves, capacity building and professional service providers and lastly are Government. For stakeholders within the industry other than microfinance institutions the researcher focuses on customers who seriously need to change their mindset, being honest, professional and enthusiastic. They need to improve so as they can be able to improve their business, their living standards and up their understanding and mastery of business. For capacity building and professional service providers, the researcher calls upon them

to step up and help formalizing the category by helping micro entrepreneurs with legal registration and licensing, providing them with tailor made trainings, seminars and workshops which will up their understanding, knowledge and mastery of business and so helping formalizing the category into a professional operating business. Further, service providers will help building the gap noted between micro entrepreneurs and microfinance institutions and may help this business category with viable business write-ups, concrete business plans etc. lastly, for Government, the researcher suggest frequent review of the central microfinance policy and further review of operations of microfinance institutions is required to strike balance between the two parties in attempt to provide micro entrepreneur with more advantage on growing his / her business and growing the category at large.

6.5 Suggestion for future studies

The findings from this research provide a foundation and measurement base for the future research regarding factors affecting micro entrepreneurs in servicing their loans from PRIDE Tanzania; Kariakoo branch. It is from this fact then; the researcher is hereby inviting other researchers, academicians and research fellows to conduct more detailed research and studies on this topic; just to bring more and more insights and the truth into light about different issues relating to what the researcher has discussed. The results and implications of this study are however; constrained by limited scope of businesses as it has almost focused much on CSD and ignore some up growing segments of water and juices and thus, for anyone who makes reference to this report, has to avoid generalization and be critical in making reference to this report.

INTERVIEW CHECKLIST

Over all understanding of the system (microfinance)

- When did you join PRIDE?
- Why did you join?
- What benefit are you getting for being PRIDE member?
- Are you goods for going achieved or not yet?

Payment method of system

- How do you comment on PRIDE payment modes?
- Are interest charged realistic and comfortable to you?
- Are payment schedule realistic and affordable?
- Is group / joint liability approach comfortable to you?

Business development services

- Availability of PRIDE employee
- Value addition by PRIDE employees to micro-entrepreneurs
- Is training and other consultancy services available and appreciated by you?
- How important is business development services for the growth of your business?

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APPENDIX I

QUESTIONNAIRE FOR PRIDE TANZANIA – KARIAKOO BRANCH CUSTOMERS

Introduction

I'm Baraka Bwire, MBA – cooperate management student at Mzumbe university, Dar es salaam campus collage; I am conducting a research titled; Assessment of the factors affecting micro entrepreneurs in servicing their loans as partial requirement for fulfilling this program. I hereby, request your corporation toward filling this questionnaire so as can achieve completing this program.

The information provided herein this questionnaire will solely be used for academic purpose and not otherwise.

I thank you in advance for your corporation toward filling this questionnaire. Thanks

A. personal details / information

Full Name:

1. Sex:

2. Age

3. Location

4. Time spent so far as PRIDE member / client

.....

B. Business information

1) What kind / type of business are you dealing with?

.....

.....For how long
have you been doing this business?

.....

.....

1) Where did you get the capital for your business?

a) Personal savings

b) Soft loans from friends & relatives

c) Loan from microfinance Institutions

2) Is your business registered? Put tick (V) where appropriate)

(a) Yes (b) No

3) Do you keep proper records for your business daily focusing on income and expenses?

C. Information on Loan & Loan repayment

Have you ever applied for PRIDE loan and rejected? (Explain)

.....
.....

What were the requirements / criteria for you getting loan from PRIDE?

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

How long did it take to get the applied loan and how much was it?

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

Have you ever failed to repay the loan on time as required by PRIDE repayment schedule?

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

How did you spend / use the loan received from PRIDE? Put tick (v) where necessary

- a) All in expected / targeted business
- b) Part in other business
- c) Part in health and medication
- d) Part in paying for school fees & uniforms

e) Other social gatherings such as weddings, funerals etc

D. Information on Business knowledge & Business Development Services

1. Have you ever attended any training / seminar / workshops organized by PRIDE for the past two (2) years? Explain

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

2. Does PRIDE officials pay you visit frequently to understand your business and challenges you facing?

a) Yes b) No.....

If Yes; what features are they interested in?

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

3. Have you been getting professional services and advice from PRIDE Tanzania on growing and developing your business?

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

Introduction

I'm Baraka Bwire, MBA – cooperate management student at Mzumbe university, Dar es salaam campus collage; I am conducting a research titled; Assessment of the factors affecting micro entrepreneurs in servicing their loans as partial requirement for fulfilling this program. I hereby, request your corporation toward filling this questionnaire so as can achieve completing this program.

The information provided herein this questionnaire will solely be used for academic purpose and not otherwise.

I thank you in advance for your corporation toward filling this questionnaire. Thanks

A: personal details/ particulars

1. Full name
.....
2. Designation / title.....
3. For how long have you been with working with PRIDE Kariakoo.....

B: Operational details

1. How many members are there in this branch?
.....
2. What are the qualifications for someone to become a member?
.....
.....
.....
.....

C: Loan(s) details

1. Who qualify for loan from your organization?
.....
.....
.....

2. What pre-requisites that one/ a business should poses to qualify for loan?

.....

.....

.....

3. Do you support (loan) startups businesses/ concepts

a) yes b) no.....

If No, why?

.....

.....

.....

4. What are the criteria in setting up repayment time and repayment schedules?

.....

.....

.....

.....

.....

5. What actions (including disciplinary / legal measures) are taken on whoever failed to comply with both repayment schedule and repayment time?

.....

.....

.....

.....

6. What support do you offer to your customers to ensure that, they comply with repayment schedule and time?

.....

.....

.....

D: Business Development Services (DBS)

1. What services do you render to customers other than loan and credit extension?

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

2. Is there any formal training, workshop or seminars that are extended to customers before and after given loans by your organization?

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

3. Does regular visiting on customer's business done to improve their business and ensure both growth and sustainability?

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

Thanks