ASSESSMENT OF THE EFFECTIVENESS OF GROUP LENDING MECHANISMS TO WOMEN ENTREPRENEURS IN MICRO-FINANCE INSTITUTIONS IN TANZANIA:

THE CASE OF PRIDE TANZANIA, MOROGORO BRANCH

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By

Gladys Macmillan Masimba

Research Report submitted in partial fulfillment of the requirements of the Master's degree of Business Administration of Mzumbe University

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CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled ***Assessment of the Effectiveness of Group Lending Mechanisms to Women Entrepreneurs in Micro-Finance Institutions in Tanzania: The Case Of Pride Tanzania, Morogoro Branch***, in Partial Fulfillment of the Requirements for Award of the Degree of Master of Business Administration (MBA) of Mzumbe University

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Major Supervisor

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I, **Gladys Macmillan Masimba,** declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other university for a similar or any other degree award.

Signature ______________________________

Date____________________________________

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I appreciate the contribution of my friends, classmates and all who in one way or another provided contribution to this work. I thank you for everything and I pray that God may grant the desire of your hearts.

DEDICATION

This work is dedicated to my late father Mr. Macmillan Masimba, my Beloved husband Dennis Mujuni Kayanda and my beautifully daughters Alinda Joan and Nyemo Ninsima, whose love made me the way I am.

ABBREVIATIONS AND ACRONYMS

EG	Enterprise Group
GDP	Gross Domestic Products
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
MEG	Market Enterprise Group
MFIs	Micro-financial Institutions
MSEs	Micro and Small Enterprises
NGOs	Non-Governmental Organizations
PRIDE	Promotion of Rural Initiative and Development Enterprises Limited
SACCOS	Savings and Cooperative Societies
SPSS	Statistical Package for Social Sciences
TSH	Tanzanian Shilling
TV	Television
URT	United Republic of Tanzania

ABSTRACT

The study mainly assesses the effectiveness of group lending mechanisms to women entrepreneurs in Micro-financial Institutions in Tanzania. The study interviewed 120 respondents using the questionnaires, interviews and reviews of documents.

The study found that PRIDE Tanzania used ways/techniques of two categories, the promotion techniques and organizational techniques to attract clients. The promotion techniques included using colleagues; using local leaders; and mass/social media. The organizational techniques included loan size; training; and favorable policy. The study also found that PRIDE helped the borrowers to have loans at number of times to invest in their businesses. It was found that the amount of loans increased as the borrowers repaid the loans. The study also found that the lending groups of PRIDE were faced by a number of challenges. These challenges included the untrustworthy among the group members; low education among the group members; family errands; low technology; and competition.

The study concludes that there are ways that are employed by PRIDE to attract clients to join the lending groups. These ways are promotional and organizational techniques. The study also concludes that the loans given by PRIDE were important in the expanding and improving the well-being of the borrowers. The loans made the investment capital grow, increase employment opportunities, and the amount of loans give to increase in amount. The study also concludes that there are a number of challenges facing the group lenders in PRIDE. These challenges include untrustworthy among the members; low education, low technology; family problems and competition.

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CHAPTER ONE

1.1 Introduction

This chapter introduces the background of the study, problem statement, objectives of the study (general and specific objectives), research questions, scope, and significance of the study.

1.2 Background information

Globally, women form 40% of the world's total working population, and female labour force participation has been increasing faster than that for men, especially in the context of economic globalization (ILO, 2013; Otobe, 2011). Women entrepreneurship has attracted increasing attention in recent years in light of concrete evidence of the importance of new business creation for economic growth and development (Langowitz and Minniti, 2007). However, literature argues that women entrepreneurship has traditionally focused on the micro-level, including an exploration of the distinctive characteristics of female and male entrepreneurs in terms of motivation, personality traits, or experience for example, or the features of their firms as in size, goals, access to capital, management, and performance, more systematic attention has been accorded in recent years to the influence of macro-level factors on entrepreneurship generally, and female entrepreneurship specifically (Verheul *et al*., 2006; Baughn *et al*., 2006).

In Sub Saharan Africa, women are nowadays involved in income generating ventures that contribute economically to the family and community growth (Babalola, 2009). Although, in most cases entrepreneurship is perceived as a male domain because its task are often associated with masculine behaviour (Uhlaner and Thurik, 2005), females are however, now involved in entrepreneurial activities possibly not only as a means for economic survival but also as a means of positive social repercussions for themselves and their social environment (UNCTAD, 2000). Thus, according to the involvement of females entrepreneurship may have arose from the disequilibrium between their aspirations and the perceived valuation of the labour market offers (Lee and

Venkataraman, 2006). Women in most African countries who are employed are not easily progressing at the work-place and they are prone to job discrimination (Mkwawa, 2005). Makombe *et al.* (2006) points out that traditionally in Sab Saharan Africa feminine; service oriented; utilizing traditional skills with small capital investment and low returns.

Women's entry into business in Tanzania is a recent phenomenon; mainly a result of the economic crises and restructuring programmes which have led to a drastic decline in real wages as well as formal employment opportunities (Diyamet, 2012). Increased participation of women in entrepreneurship has not only improved their access to independent cash income and their control over economic resources, but also posed socio-cultural challenges (Wangwe, 2004). For example, now women are increasingly contributing to meeting household economic needs, a role that was traditionally left to men in many societies (Diyamet, 2012). However, women's efforts to participate in entrepreneurship are limited by different factors such as lack of skills and knowledge on the business they undertake, stiff competition due to large number of small businesses in the same industry (tailoring, food processing, batik making, beauty salon etc.) as a result of small capital required to start such business which are affordable to women (Kessy and Urio, 2006). Lack of confidence, lack of access to new market, lack of access to credit facilities from commercial banks, lack of business premises, cultural factors, and perception of commercial banks on women owned entrepreneurs are other factors (ILO, 2003).

Tanzania as one of the poorest countries, MFIs have been encouraged to enable small entrepreneurs to access financial services which in turn tend improve people's socio-economic activities at household level and hence poverty reduction (Omar, 2008). In Tanzania, micro and Small Enterprises contribute 12% and 34% of rural and urban employment respectively as well as up to 32% of the GDP (Kessy and Urio, 2006).

PRIDE Tanzania was among the first MFIs to start to provide its services Tanzania. It was incorporated under Cap 212 as a company limited by guarantee on 5th May 1993, with the objective of providing financial and non-financial services to micro, small and medium enterprises operating primarily in the informal sector (BOT, 2010). PRIDE was set up with the specific ambition of acting as a change agent for poor entrepreneurs by assisting them to improve their economic base through provision of credit, technical and training assistance. It caters for entrepreneurs who have nothing to start with (Baruti, 2007). Both, small-scale entrepreneurs who intend to start a business and entrepreneurs who already have small businesses are eligible for loans (Gogadi, 2011).

1.3 Problem statement

Evidences show that many banks and other financial institutions in Tanzania have recently begun targeting the poor by extending collateral-free and low interest microcredit and loans. It is estimated that more 800 institutions provide financial services to low-income borrowers in Tanzania (MF Transparency, 2011). The microfinance institutions and formal institutions have done a good job in the financial intermediations in the country by increasing financial accessibility to majority of citizens. There are evidences that commercial banks and microfinance are linking and expanding financial services in both low and middle class populations in urban and rural areas (Piprek, 2007).

PRIDE Tanzania is one of the fast growing microfinance institutions in Tanzania. PRIDE Tanzania started in 1994 with the aim of testing the applicability of the Grameen Bank micro-lending model in Tanzania (Kironde, 2002). PRIDE collects from its clients "loan insurance funds" which are used to augment its lending capacity. Loans provided range from Tshs. 50,000/= to Tshs. 5,000,000/= and beneficiaries are those with ongoing businesses only. Over 80% of the borrowers are women. Loans are only provided to individuals in groups. Loans are graduated. The lending rate is around 30% (Kironde, 2002).

Despite its operation in Tanzania since 1994 (for more than 20 years) providing loans to small entrepreneurs more particularly women (Wangwe, 2004), the effectiveness of PRIDE Tanzania to group lending mechanism to women entrepreneurs is not known.

The intention of this study therefore, is to reveal the effectiveness of PRIDE Tanzania to group lending mechanism to women entrepreneurs in Tanzania.

1.4 Research Objectives

1.4.1 General objective of the study

The general objective of this study is to assess the effectiveness of group lending mechanisms to women entrepreneurs in Micro-finance Institutions in Tanzania.

1.4.2 Specific objectives

Specific objectives of the study are:

i. To assess the ways used by the PRIDE Tanzania to attract clients to form lending groups in the study area.
ii. To assess how group financing has improved individual businesses and their wellbeing in the study area
iii. To assess challenges faced by group borrowers in group lending mechanism in the study area

1.5 Research questions

i. What are the ways used by PRIDE Tanzania to attract clients to form lending groups in the study area?

ii. How has group financing improved individual businesses and their wellbeing in the study area?

iii. What are the challenges faced by group borrowers in group lending mechanism in the study area

1.6 Significance of the Study

The finding of the study will be beneficial in different cases from the national level to the grass-root level as described as follows;

1.6.1 At the national level

This study will assist the Bank of Tanzania and other banks under it in collaboration with Ministry of Finance in extending knowledge on how Micro Finance Institutions can improve credit terms and loans through formulation of new policies that will favor both side MFIs and all lenders

1.6.2 At the institutional level

The study will be of importance to PRIDE Tanzania to improve strategies in provision of loans to clients in ensuring the increased productivity and competitive advantage in the business market

1.6.3 Academicians and researchers

The study will be beneficial to academicians and researchers as they will use the findings for future reference.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter gives information related to group lending and women entrepreneurship in micro finance institutions. The review of the relevant literature is an instrumental tool in widening knowledge pertaining to important issues related to this study and identifying approaches that could be relevant in increasing group lending in financial institutions.

2.2 Theoretical literature review

2.2.1 Definition of terms

2.2.1.1 Entrepreneur

In this study, the terms entrepreneur and owner-manager are used interchangeably to define a person who both owns the firm and takes overall responsibility for the strategic and operational direction of the business (Nsubili, 2012).

2.2.1.2 Women entrepreneurs

Women Entrepreneurs may be defined as the women or a group of women who initiate, organize and operate a business enterprise. Like a male entrepreneurs a women entrepreneur has many functions. They should explore the prospects of starting new enterprise; undertake risks, introduction of new innovations, coordination administration and control of business and providing effective leadership in all aspects of business (Nsubili, 2012).

2.2.1.3 Group lending

Group-lending is a program under which borrowers from financial institutions who cannot offer any collateral are asked to form small groups. Group members are held jointly liable for the debts of each other. Formally speaking, what joint liability does is to make any single borrower's terms of repayment conditional on the repayment performance of other borrowers in a pre-specified and self-selected group of borrowers (Ghatak, 1999).

2.2.1.4 Microfinance Institutions

These refer to organizations which provide small loans to small entrepreneurs who lack the official document to collateral demanded by banks (IFAD, 2006). The term microfinance is derived from the name finance. Microfinance is the provision of financial services, primarily savings and credit to poor households that do not have access to formal financial Institution. The term 'Micro' implies that the size of the financial transaction is small (Gidaspov, 2002).

2.3 The concept of group lending

Group lending refers to the practice of working with clients in small groups (typically comprised of three to seven neighbors) (Aghion and Morduch, 2000). Loans are made to individuals, but the group as a whole is held jointly liable should repayment difficulties arise. Economic theorists have been particularly interested in group lending, and nearly all of the economic work on microfinance focuses on the incentives induced by joint liability in group lending contracts, building on lending models pioneered by microfinance leaders like Bangladesh's Grameen Bank and Bolivia's BancoSol. The Grameen Bank has been credited with addressing the structural determinants of poverty, economic and social status of women, and sources of vulnerability (Wangwe, 2004). Microfinance and "group lending" have come to be closely associated (Ghatak, 1999).

Group lending can improve efficiency based on the self-selection of borrower groups and the effect on the pool of borrowers. Dellien (2005) discusses group lending that it builds social networks that enable groups to select members who are creditworthy under group lending the role of loan officers is to provide structure, training on loan processes and administrative support. Group lending differs from individual lending since under individual lending, loan officers bear principle responsibility for loan decisions; they screen, and monitor their clients as well as come up with mechanisms of enforcing repayment. Second, the principle incentives for repayment of group loans is joint liability, group reputation, credit rating and future access to credit for each member, all of which are directly contingent on each member upholding their obligations. In group lending model the borrowers know each other. Group lending is often viewed as a success, primarily because of its high repayment rates, usually over 90%, and low-cost delivery system.

2.4 Women entrepreneurs

Worldwide, many women are entrepreneurs despite the fact that entrepreneurship emerges from an individual's creative spirit into long-term business ownership, job creation, and economic security (Jahanshahi, 2010). Women bring commitment and integrity because they care about economic empowerment, entrepreneurial development and innovation. Female entrepreneurs seek the professional and personal support that is found in business associations. Economic globalization has encouraged the expansion of female business ownership (Redzuan and Abu-Samah, 2012).

The growing economic power and influence of women-owned businesses are changing the shape of the global economy. The global impact of women entrepreneurs is just beginning to gain intensity. Worldwide, the number of female business owners continues to Women Entrepreneurs in the Global Economy increase steadily. For example, women produce more than 80 percent of the food for Sub-Saharan Africa, 50-60 percent for Asia, 26 percent for the Caribbean, 34 percent for North Africa and the Middle East, and more than 30 percent for Latin America. Female entrepreneurs are active at all levels domestically, regionally, and globally (Jahanshahi, 2010). Women entrepreneurs are significantly affecting the global economy: Research about human capital factors in women's entrepreneurship is more than 35 years old. (Greene, Amy, 2009). Women in advanced market economies own more than 25% of all businesses.

In Tanzania, women's entry into business is a recent phenomenon; mainly as a result of the economic crises and restructuring programmes which have led to a drastic decline in real wages as well as formal employment opportunities (Rutashobya, 1995). Women's involvement in business can also represent an additional responsibility on top of the multiple roles that they have traditionally played in society (Gogadi, 2011). For example now women are increasingly contributing to meeting household economic needs, a role that was traditionally left to men in many societies for along time. Indeed, one of the limitations of the existing literature on entrepreneurship in Africa, and in Tanzania in particular, is its treatment of women entrepreneurs as a homogeneous group (Rutashobya 1995).

Moreover, Tanzania's women entrepreneurs face many obstacles including access to finance simply because women do not own property. They are supposed to provide collateral, but due to social and cultural norms and values of African societies including women not being allowed to own land or not being allowed to be employed and earn their own cash, most of the time women fail to provide collateral. So, this becomes a great challenge in accessing finance. Due to this fact, female entrepreneurs use relatively low level of capital in starting their firms. Rutashobya, (1995) in addition states that high percentages of female entrepreneurs start their firm with their own savings or support from family and friends. Even when they are doing business, they lack the skills and necessary technologies including pricing strategies, promotion strategies and distribution strategies. And in this competitive world, if one lacks such strategies, is lacking a very big component in a business.

2.5 Microfinance industry in Tanzania

Commercial banks and micro-financial institutions in Tanzania have gone into significant changes after the linearization of the banking system. The reforms removed barriers to entry of commercial banks and micro-financial institutions and supported the improvement of institutional framework and more efficiently the performance of the institutions, with this it has affected the profitability of financial institutions and increased banking competition (Qin and Pastory, 2012).

Micro and small enterprises are considered as crucial contributor to the Tanzanian economy due to its contribution to the national objective of creating more employment opportunities generating income and reducing poverty for the majority of the low income households living in urban areas (URT, 2003). However, Ishengoma and Kappel (2006) claim that the level of financial capital of most micro enterprises in Tanzania is insufficient to give suppliers credit and to do necessary investments and that the poorest micro entrepreneurs lack financing even for working capital. However, Henriksen and Svoldal (2010) argue that in Tanzania 80 percent of MFIs lending is directed towards enterprises and only 20 percent is consumption loans. URT (2003) and Kessy and Urio (2006) add that micro and small enterprises contribute more than 30 percent of Gross Domestic Products (GDP) in Tanzanian economy.

In most cases in Tanzania MFIs provide credits to small entrepreners especially women who are involved in activities such as tailoring, food vendors, food processing groups, batik making industries, beauty salons etc. Through delivering credit and savings services to small entrepreneurs, micro-finances send a tangible message to the poor that they do count, they are important and that their hard work can pay off. It offers opportunities for the poor to make choices, plan for the future and create a more secure financial base for their families (Mkwawa, 2005).

2.6 Government's effort towards establishment of microfinance services

Since early 1970s the Government of Tanzania has been concerned with the provision of micro credit to small business enterprises. In 1991 the Government initiated financial sector reforms to create an effective and efficient financial system. The lynchpin of those reforms was the government's commitment to allow banking institutions to operate on a commercial basis, making business and management decisions free from government intervention within the norms of prudential supervision. To implement this commitment, the principal elements of the financial sector reform included liberalization of interest rate, elimination of administrative credit allocation, strengthening of the Bank of Tanzania role in regulating and supervising financial Institution, restructuring of state-owned financial institutions and allowing entry of private banks both local and foreign - microfinance and community banks inclusive (Mkwawa, 2005).

In Tanzania the National Microfinance policy was formulated in the year 2000 in order to guide the establishment and operations of Microfinance Institutions (The National Microfinance Policy in 2000). According to the National Micro-Finance policy among other things the importance of micro-finance in Tanzania has increased due to the following reasons:

Firstly, the majority of Tanzanians, whose incomes are very low, access to financial services offers the possibility of managing scarce household and enterprise resources more efficiently, protection against risks, provision for the future, and taking advantage of investment opportunity etc. Savings services from the MFIs benefits the low-income people. Secondly, credit services can perform as the same as savings and can help some enterprises and families to make some important investment. Thirdly, to reduce the increasing poverty which is prevalent and in the rural and urban settings. Fourthly, Micro-finance addresses the financial needs of major sector of Tanzanian population (National Microfinance Policy, 2000). The National Microfinance Policy stipulates a range of institutions involved in the provision of services, including specialized and non-specialized banks, non-bank financial institutions, rural community banks, cooperative banks, SACCOS, and NGOs.

2.7 PRIDE Tanzania

Wangwe (2004) considers PRIDE Tanzania as one of the largest financial Non-Governmental Organizations in Tanzania since it started to operate in 1994 with a dedication to provide micro finance services to the poor. As part of a national wide initiative for poverty reduction, PRIDE Tanzania has been pursuing its objective of assisting micro entrepreneurs by providing loans and technical skills. There are indications; however, that poor infrastructure poses a challenge to the spread of rural financial services in the country. For example, the policy of PRIDE is that “branch offices must be placed in locations where there are basic infrastructure requirements to support both branch operating requirements and the relative comfort of PRIDE officers”. This shows the true nature of a majority of organizations that claim to cater for the poor rural population. Because of its commercial orientation, PRIDE has a target group mainly comprising of the lower middle income and non-poor population.

According to Kessy and Urio (2006) PRIDE Tanzania’s main objective was to provide financial services to the low income entrepreneurs in Tanzania, and this is in line with its mission statement which is imbedded on sustainable financial and information services network for small and micro-entrepreneurs in order to promote their business growth, enhance their income and create employment.

Moreover, Makombe (2006) reports that PRIDE Tanzania offers loans based on the Grameen-style group methodology. PRIDE’s clients are typically micro-entrepreneurs that do not have the level of collateral required by financial institutions like Banks. In general, groups of 5 people called an Enterprise Group (EG) apply for loans for investment in their existing businesses. This group combines into ten groups to form one large group of 50 called a Market Enterprise Group (MEC). The loan provided works through peer pressure to ensure loan repayment. A part from that, members of the group offer one another support, advice, and also act as guarantors in case one member of the group defaults on his or her payment. Compulsory weekly savings collected as part of loan insurance scheme and which is refundable upon exit is the only saving product used. Although clients are given half yearly bonus payout on compulsory savings, there is still a need to re-organize for voluntary saving (Mkwawa, 2005). The majority of PRIDE members are typically women, though the organization offers its services to both men and women. PRIDE Tanzania is not only operating in Tanzania, but PRIDE Tanzania is one division of the larger PRIDE network that exists throughout Africa.

2.8 PRIDE Tanzania and group lending

PRIDE started in 1994 with the aim of testing the applicability of the Grameen Bank micro-lending model in Tanzania (Kironde, 2002). PRIDE also collects from its clients "loan insurance funds" which are used to augment its lending capacity. In effect PRIDE is mobilising services which is not allowed by law. The fund also acts as collateral for loans and had accumulated to over Tshs 6.5bn/= in 2000. Loan provided range from Tshs 50,000/= to Tshs 5,000,000/= and beneficiaries are those with ongoing businesses only. Over 80% of the borrowers are women. Loans are only provided to individuals in groups. Loans are graduated. The lending rate is around 30% (Mkwawa, 2005).

2.8.1 Amount given

Kessy and Urio (2006) while investigating on the Loan sizes provided by PRIDE Tanzania found that the loans offered by PRIDE Tanzania are too small. The reason to certify is that PRIDE Tanzania starts lending at 50 000 TSH for new borrowers. This rate was set in 1994 when PRIDE started its operations in Tanzania. The value of 50 000 TSH in 1994 is not the same today, given the devaluation of the shilling against the US dollar. Most of the visited MSEs indicated that source of funds is a big problem and when asked why, as there are institutions offering loans. The Loans, however, given by microfinance programs are often very small (Mkwawa, 2005). Small loan amounts attached with the lack of a grace period and weekly repayments usually force microcredit clients to enter subsistence activities in the informal sector, which require only small amounts of capital, rather than investing in entrepreneurial activities with better growth prospects (Tundui and Mgonja, 2010).

2.8.2 Interest rates charged by PRIDE Tanzania

The interest rates charged by PRIDE Tanzania are very high since the interest rates that the borrower has to pay the lender and there are other direct and indirect costs incurred by the clients (Kessy and Urio, 2006). These costs include registration fees; weekly compulsory savings and the loan application fee make the interest rates to be very high

(Wangwe, 2004). Studies however, show that most microfinance programs charge very high interest rates higher than those charged by commercial banks (Tundui and Mgonja, 2010). Since the cost of capital is greater than the return on investment, clients end up facing loan repayment difficulties.

2.8.3 Repayment period of the loans

Kent and Sotomayor (2007) addresses the issue of repayment period in PRIDE Tanzania and revealed that the repayment period ranges from six months for small loans to twelve months for large loans. Kent and Sotomayor, (2007), however, add that MSEs consider the repayment period as a short period especially for those who are supposed to pay within six months. Also the weekly repayment of interest and part of the principle of the loan limits many MSEs from growth (Kessy and Urio, 2006).

2.9 Emperical literature review

Otobe (2014) examine the extent to which the ILO-supported projects have contributed to women's economic empowerment and well-being through entrepreneurship. It was found by the study that the projects had Enhanced employability through skills development of poor women has been an effective way to have low-skilled women participate in the labour market, getting them more economically active. The project expected to institutionalize non-formal training for women in the urban informal economy in order to ensure sustainability of its achievements. However, this was not included in the project objectives, and not enough emphasis was put on ownership and commitment at the decision-making levels of the government institutional partners, to ensure that the training networks would be expanded and strengthened, and materials developed to be widely distributed in the future. Instead, the project concentrated on training individual trainers and master trainers in government institutes.

Diyamett (2012) investigated the role and effect of loan attained by Micro and Small enterprises from Micro Finance Institutions in fostering innovation, among women owned enterprises. The study findings revealed that women who own micro and small enterprises in Dar es Salaam do innovate but the effect and role of loan played a minimal in the innovation in these enterprises. The popular kind of innovation activities that is performed is more of adoption and modification than that of introducing completely new products and ways of productions.

Nsubili (2012) examined the influence of the characteristics of entrepreneurs on the growth of SMEs in Tanzania. The study found that personality traits, such as the need for achievement, internal locus of control, risk taking propensity, innovativeness and self-efficacy exert an influence on the growth of SMEs in Tanzania. It was also found that cognitive characteristics of the entrepreneurs are positively related to the growth of SMEs: entrepreneurial alertness, attitude towards entrepreneurship, different cognitive styles and entrepreneurial motivation. Interestingly, the findings suggest that cognitive characteristics do mediate the relationship between personality traits and the growth of SMEs.

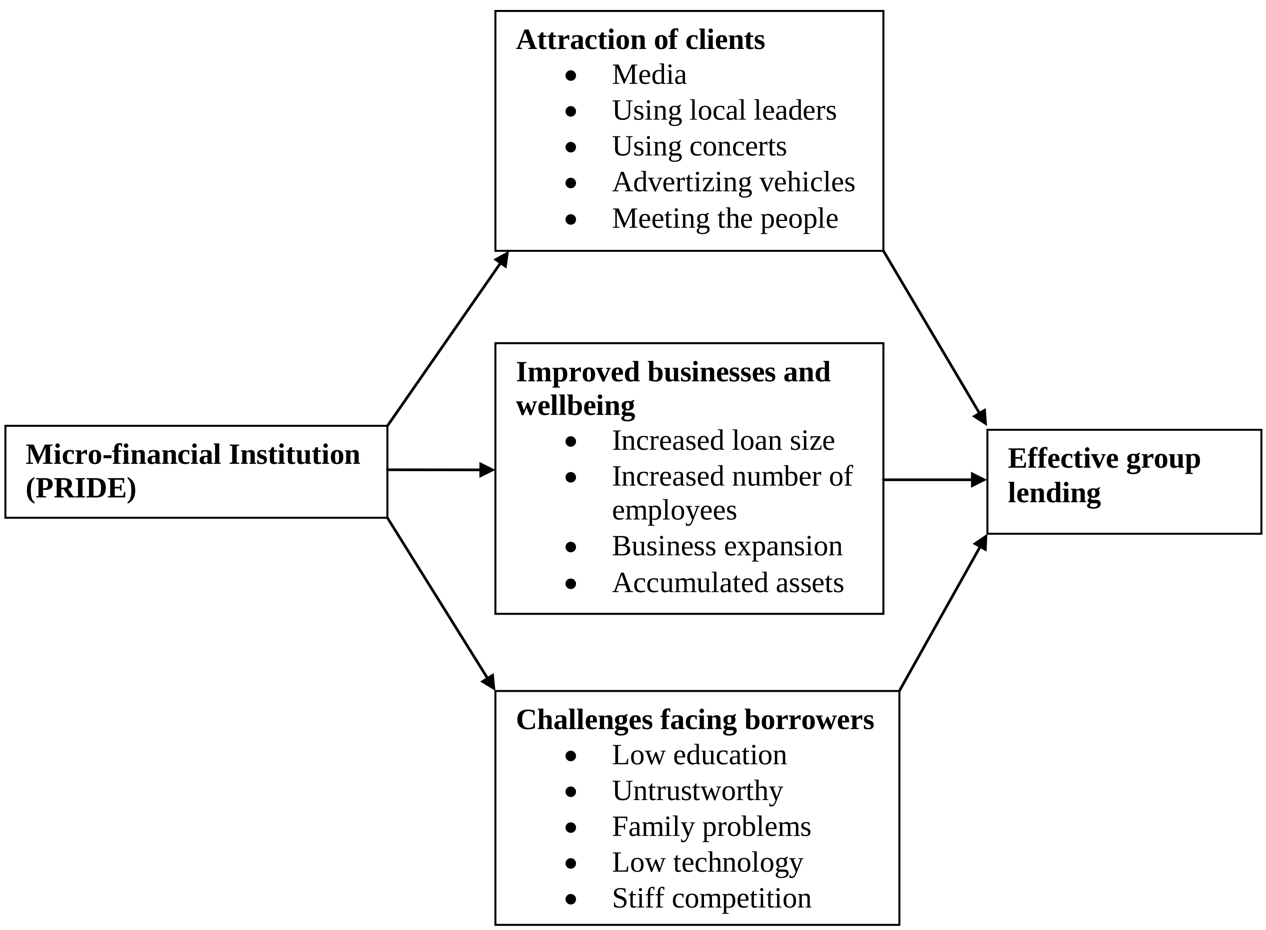
Attanasio *et al*. (2011) compared the effectiveness between group lending and individual lending under evidence from random field experiment in Mongolia. The study found that although microfinance institutions across the world are moving from group lending towards individual lending, this strategic shift is not substantiated by sufficient empirical evidence on the impact of both types of lending on borrowers. The study found a positive impact of access to group loans on food consumption and entrepreneurship. Among households that were offered group loans the likelihood of owning an enterprise increases by 10 per cent more than in control villages. For individual lending on the other hand, there was no significant increase in consumption or enterprise ownership.

Babalola (2009) investigated the influence of psychological capital on women entrepreneurs' innovative behaviour with female entrepreneurs in Nigeria. The result indicates that women with high self-efficacy and internal locus of control scored higher on entrepreneurial innovative behaviour than women with low self-efficacy and external locus of control. There was also a significant relationship between highly educated women and lowly educated women. Women are encouraged to belief in themselves while their acquisition of higher education will provide impetus for growth and achievement in entrepreneurial innovative activities.

2.10 Conceptual framework

The expectation of the study is that effectiveness of group lending in financial institutions is due to the effective ways used by the MFIs to attract clients to form groups to borrow. The study assumes that if there are aspects of promotion and marketing such as using marketing vehicles, using media, using local leaders to gather their people to talk to them, using concerts etc. as indicated in Figure 2.1 below.

Figure 2.1: Conceptual framework



Source: Researcher’s design (2015).

The assumption of the study is indicator of the improved individual businesses and clients' wellbeing are issues such as increased loan size, increased number of employees for the enterprise, expanded businesses, increased income of the entrepreneurs, increased assets accumulated by the entrepreneurs and the markets for the entrepreneurs' products will be expanded as indicated in Figure 2.1 above.

The groups of the entrepreneurs may be faced by various challenges which if observed positively, can create prospects for the entrepreneurs. These challenges may include low education among the group members, untrustworthy among the entrepreneurs, family problems, poor technology and stiff competition from other entrepreneurs.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology in this study gives a blueprint of the ways to be used to conduct research. This chapter describes some important areas that are going to be addressed in research activity. It describes the areas of the study, research design, population, sampling methods, research instruments and techniques to analyze data.

3.2 Area of the study

The study was conducted at PRIDE Tanzania, in Morogoro municipality. The main focus of the study was lending groups of women entrepreneurs served by PRIDE Tanzania. PRIDE Tanzania was selected because it is one of the pioneers of microfinance in Tanzania, and it was thus one of the ideal MFI for this study on microfinance and women entrepreneurs. Also, PRIDE Morogoro branch was selected because it was the first branch of PRIDE to be launched in Morogoro region and it has been in operation since 1996 compared to other two branches (Kihonda and Ifakara) which started operating in 2012. Additionally, the area has not been studied enough. So, it was of importance to have the findings on the effectiveness of group lending mechanism to women entrepreneurs as served by PRIDE Tanzania.

3.3 Research design

The study used a case study design which allowed the flexibility of the study and use of the research tools. Also the case study design allows the entire organization to be investigated in-depth and with great attention on a particular problem (Milanzi, 2009). It also gives insight into a particular problem or situation, it studies a detailed investigation of individuals, groups or a whole organization. The case study design was vitual for this study for it facilitated detailled information of the lending groups in the institution.

3.4 Target population

The target population for the study was made up of the women who were clients and members of the borrower groups of PRIDE Tanzania, Morogoro branch. Also, some respondents with key information including PRIDE credit officers and officers in the management area in the branch were included in the sample size.

3.5 Sample size and sampling techniques

3.5.1 Sample Size

To obtain the sample size of the study, the researcher applied the rule of thumb whereby the sample size of the study was 120 respondents. The distribution of respondents was as follows;

Table 3.1: Respondents Distribution

Department	Respondents	Percent
Credit officers	2	1.7
Managers	2	1.7
Women entrepreneurs	116	97.0
Total	**120**	**100.0**

Source: Researcher (2015)

3.5.2 Sampling techniques

3.5.2.1 Simple random sampling method

Simple random sampling technique was used to select the lending groups (group of customers) from which the respondents were taken. The list of all borrower groups was given by the PRIDE credit officers. From the list of all borrower groups, simple random sampling was applied.

3.5.2.2 Convenience sampling technique

The study used convenience sampling technique to select women entrepreneurs for inclusion in this study. The respondents were selected based on their accessibility to the researcher. The reason for selecting this technique was the assumption of the researcher that any of members of the group is capable of giving appropriate information for the study.

3.5.2.3 Purposive sampling method

The study used purposive sampling to the credit officers and officers at the management level. The researchers assumed that the officials of the institution had detailed information about the operation of PRIDE in terms of policies, strategies and plans to raise women entrepreneurs' income through grating loans.

3.6 Data Collection Methods

In data collection, the researcher involved both primary and secondary sources of data.

3.6.1 Primary Data Collection Methods

Primary data were collected from the respondents (women entrepreneurs) in PRIDE Morogoro branch. The research tools to be used included questionnaires and interviews were used.

3.6.1.1 Questionnaires

The questionnaires of closed and open ended questions were distributed to the women entrepreneurs conveniently. The respondents were asked to fill the questionnaire in ample time for accuracy and then the researcher collected them after some time. The questionnaires contained simple, direct and clear questions in order to avoid ambiguity and to facilitate appropriate answers. Also, questionnaires were set in such a way that they covered research objectives so as to make sure that that the study is focused.

3.6.1.2 Interviews

The study used the interview method to obtain information form PRIDE officials (credit officers and managers). The interviewer being aware of the important area of study allowed the interviewee to give more explanations and being able to grasp the opinion of the respondent towards the matter under discussion.

3.6.2 Secondary data

The study used the available data collected earlier by other researchers and other documents than research, such as official statistics, administrative records/publications or other accounts kept routinely by organization. The study used documentary review to gather secondary data. The documentary review surveyed documents such as books, journals, newspapers, magazines, and administrative records. The study used Mzumbe University Library, some records or publications by PRIDE Tanzania and Internet to collect the relevant information for this study.

3.7 Data analysis

In this study, data analysis involved preliminary data analysis that comprised sorting, coding and summarizing and organizing the data in such a manner that they answered research questions (Yin, 1994). An approach to data analysis involved both qualitative and quantitative techniques.

3.7.1 Quantitative data analysis

The data were captured onto Statistical Package for Social Science (SPSS) for analysis. The descriptive statistics that involved frequency distribution on respondent's background information. Descriptive statistics in form of frequencies and percentages were used in the analysis and presentation of data.

3.7.2 Qualitative Data Analysis

The process of qualitative data analysis was based on data interpretation. The data that will be collected from the interviews, discussions and documents were reduced to contents, sub-contents and categories. The researcher marked quotes that were useful in generating the contents and carefully considered information that was contrary to the emerging contents.

CHAPTER FOUR

FINDINGS AND DISCUSION

4.1 Introduction

This chapter presents findings and discussion of the data collected. In this chapter, the findings of the study were presented and discussed based on the research questions presented in chapter one.

4.2 Respondents' demographic characteristics

The demographic characteristics of the respondents were based on age, marital status, education level and the time the respondents had been conducting business. The study interviewed a total of 120 respondents who included the members of the borrower groups (women entrepreneurs); PRIDE credit officers and PRIDE managers. The data can be shown in the Table 4.1 below.

Table 4.1: Respondents' demographic characteristics

Variable	Category	Frequency	Percent
Age of respondents	20-30	8	6.7
	31-40	64	53.3
	41-50	18	15
	51-60	30	25
Marital status	Single	7	5.8
	Married	113	94.2
Education level	Primary	67	55.8
	Secondary	53	44.2
Time in business	1-3	27	22.5
	4-6	74	61.7
	above 10	19	15.8

Source: Field data, 2015

4.2.1 Age of respondents

The results from the Table 4.1 show that majority 64 (53.3%) of respondents were of the age between 31 and 40. These results imply that majority of respondents were of these age because it is the productive age. 30 to 40 years is when the couples in the family have increased demands due the factors of having a number of children and other depends. These factors demand the family to increase income to meet the family needs. Following the increased demands of the expanded family, the both wife and husband have to involve themselves in productive activities like business.

Also, the results in Table 4.1 show that 8 (6.7%) of respondents were aged between 20 and 30; 18 (15%) of respondents were aged between 41 and 50; 30 (25%) of respondents were aged between 51 and 60. The results suggest that the interviewed women entrepreneurs had their age ranging between 20 to 60 years. This might be due the fact that many women in Tanzania tend to opt for self employment as most of them do not get the opportunities to be employed in the offices like man.

ILO (2003) identifies the motives that make many women to involve themselves in business that most of the women entrepreneurs are engaged in business as a way of creating employment for themselves. Other motives mentioned by the same study include supplementing income, security, enjoyment of the work they are doing, use of existing competencies, and doing business as a hobby. Most start informal activities at home either as hobbies or means of meeting household needs, and later develop these into serious business activities. Early socialization and role models play a big part in motivating women to start business.

4.2.2 Marital status Distribution

The results in Table 4.1 show that majority 113 (94.2%) of respondents were married while 7 (5.8%). The results would mean that many women join entrepreneurship after being married in order to provide their assistance to their husbands to raise income of their families. The main reasons for starting businesses after being married were to create their own jobs and to reduce dependency on their husbands' income. From the study by ILO (2003) revealed that married women indicated that it is unwise to rely totally on their spouses' income, because anything can happen to the spouse leading to serious consequences for the family.

4.2.3 Education level of respondents

The results in the Table 4.1 show that majority 67 (55.8%) of respondents had primary level of education whereas 53 (44.2%) of all respondents had secondary school education level. The results suggest that many women who do not get opportunities to attend education in post secondary school levels tend to involve themselves in non formal activities in order to generate income for their livelihood. The dominant informal sector economic activities normally attended by women in many parts of Tanzania are such as food vending, basketry, charcoal retailing, local brewing, vegetable retailing; chicken raising etc.

4.2.4 Time spent in business

From the Table 4.1, the results show that majority 74 (61.7%) of respondents had 4-6 years in business. Other 27 (22.5%) of respondents had 1-3 years in business; and 19 (15.8%) of respondents had above 10 years in business. The results imply that all respondents had enough experience in business that could enable them to give the valid information needed by the study.

4.3 Ways used by PRIDE to attract clients to join borrowing groups

Following the second research question that demanded to the ways used by PRIDE Tanzania to attract clients (women entrepreneurs) to join lending groups. The ways used by PRIDE Tanzania were found to be divided into two categories, the promotion techniques and organizational techniques.

4.3.1 Promotion techniques

The respondents were told to mention the techniques used by PRIDE Tanzania to promote itself to the customers. The mentioned ways used by PRIDE Tanzania are shown in the Table 4.2 below.

Table 4.2: Ways used to attract clients in PRIDE Tanzania

Responses	Frequency	Percent
Colleagues	93	77.5
The local leaders	25	20.8
The mass media (such as newspaper, TV, Radio etc)	2	1.7

Source: Field data, 2015

4.3.1.1 Using the colleague women borrowers

From the results in Table 4.2 show that majority 93 (77.5%) of respondents said that PRIDE Tanzania used the women clients to convince their fellows to join lending groups in PRIDE. It was revealed to the study that during the training provided by PRIDE, the clients were convinced to call others especially their colleagues in the streets to come and join them. The respondents reported that they were given leaflets which when given to their friends they were attracted to join.

The results suggest that using the colleagues is the best way to attract clients because the potential borrowers tend to get experience from their friends who have borrowed and started business to get experience. Also from their friends they get directions and best ways to follow to join the groups to receive the loan. The experience and directions they get attract them to grow and become like their friends.

4.3.1.2 Using local leaders

The results in the Table 4.2 show that 25 (20.8%) of respondents said that PRIDE Tanzania used the local leaders and influential people to influence them to join the lending groups to borrow from PRIDE. It was reported that the management and officials of PRIDE associated with the local leaders to attract the clients. It was said that the local leaders and other influential people pronounced the importance of joining the lending groups.

The results imply that the managers and officials of PRIDE Tanzania used the local leaders as their marketing practice to attract clients.

4.3.1.3 Social/mass media

The data in the Table 4.2 show that a few 2 (1.7%) respondents said that PRIDE Tanzania used social/ mass media to join groups the women clients. They revealed that PRIDE Tanzania used media like website, newspaper, radio and TV to promote itself the people.

The results suggest that PRIDE had not utilized the media enough to promote itself to attract clients to join it. If the media were utilized sufficiently, they could more clients especially the youths since most of the youth most of whom are unemployed are using the media most this time.

4.3.2 Organizational techniques

The respondents were asked to tell the organization techniques used by PRIDE Tanzania to satisfy them to decide to join the lending groups. The respondents mentioned what attracted to become borrowers in PRIDE Tanzania.

Table 4.3: Organizational techniques used to attract clients in PRIDE

Technique	Frequency	Percent
The loan size give	78	65
Training given by PRIDE	67	55.8
The policies of PRIDE	47	39.2

Source: Field data, 2015

4.3.2.1 The loan size

The results in Table 4.3 show that 78 (65%) of respondents were satisfied with the size of the loan given by PRIDE that they were attracted to join the lending groups. It was contended that with the loans provided at appropriate amounts, women could start business that could support them economically.

The findings imply that PRIDE Tanzania had done something important and great by providing the favourable size of loans to women whom for a long time had been disadvantaged, denied by other financial institutions especially banks which usually need title deeds or car log books which most Tanzanian women do not have. By doing this PRIDE Tanzania had supported a number of women traders to improve performances in their small business.

4.3.2.2 Business training and education

The results in Table 4.3 show that 67 (55.8%) of respondents said that they were attracted by the training given by PRIDE. They remarked the business training and business education attracted them since it assured them success in their business activities. It was reported that in training the clients were trained in the best ways to handle the loans in their investments and how to make records in their business.

The implication of the findings is that PRIDE had organized the training and business education that promised the women clients the brighter future that they were attracted to join the lending groups. This is due to the reason that training and business education have considerable relationship with client's output and productivity upon completion of the training. Lack or insufficient training could affect petty traders' performance since the most of the small traders lack skills and knowledge on issues such as financial handling and management which are important aspects for the persons dealing with business.

4.3.2.3 Policies of PRIDE

The results in the Table 4.3 show that 47 (39.2%) of respondents said that they were attracted by the policies of PRIDE to support women especially the women petty traders. It was reported that PRIDE policy focused on empowering women by expanding business relationships with women-owned enterprises, including small businesses, and women entrepreneurs in order to support gender-sensitive solutions to credit and lending barrier. It was reported by the respondents that the policy promised them empowerment in their economic and social well-being.

The implication of the results is that PRIDE policies are the catalyst in building the capacity and capabilities to women for income-generation and saving mobilization. The policies led the women to be given loans to be utilized in a variety of both business and non-business activities including dairy cow raising, cattle fattening, poultry farming, weaving, basket making, leasing farm and other capital machinery, and woodworking. This is the best way to empower women for their livelihood improvement.

4.4 Improved business and well-being of the group borrowers

In this section, the study intended to answer the second research question that demanded the extent to which has group financing improved individual businesses and their wellbeing in the study area. The section put emphasis on the services provided by PRIDE to the clients and how these services improved business and well-being of the group borrowers.

4.4.1 The times the clients had taken loans from PRIDE

The study longed to understand the number of times the clients had taken loans from PRIDE. The study found that 10 (8.3%) of respondents had taken the loan once; 23 (19.2%) of respondents had taken the loans twice; 20 (16.7%) of respondents had taken the loans thrice; 57 (47.5%) of respondents had taken the loans four times and 10 (8.3%) of respondents had taken the loans more four times. The results are summarized in the following Table 4.5

Table 4.4: Times the clients had taken the loan for PRIDE

Times taken loan	Frequency	Percent
Once	10	8.3
Twice	23	19.2
Thrice	20	16.7
Four times	57	47.5
More than four times	10	8.3

Source: Field data, 2015

The results suggest that the women clients had experience in dealing with the loans given. This would mean that the loans given had positive outcomes in their business for it seems that they had taken the loans the first time, second time, third time and the fourth time and the loans had paid them.

The results imply that providing women petty traders with loans of their own is the great way of helping them build their capital and improve their trading performances. In this process, PRIDE Tanzania is laying the building blocks for a truly financially inclusive society since most of the women petty traders are not qualified to borrow from banks. What PRIDE Tanzania does is to empower them so that to make them to grow economically and to perform better in their business activities. Stressing on this, Mashindano (2010) stipulates that urban women and, in particular, urban educated women are advantageous since they enjoy relatively higher access to economic opportunities and experience less domestic violence.

4.4.2 The loan size the clients started with

The study was interested to know the amount of loans the clients started with. The study found that majority 74 (61.7%) of respondents started with the loan of 50,000 – 150,000 shillings; 27 (22.5%) of respondents started with the loan of 200,000 -350,000 shillings; 14 (11.7%) of respondents started with 400,000 – 550,000 shillings; and 5 (4.2%) of respondents started with the loan above 550,000 shillings.

Table 4.5: The loan size the client started with

Amount	Frequency	Percent
50,000 – 150,000	74	61.7
200,000 – 350,000	27	22.5
400,000 – 550,000	14	11.7
Above 550,000	5	4.2

Source: Field data, 2015

The results are comparable to that by Makorere (2014) which reveals in the study that the amount of the first loans received from the financial institutions ranged from 50,000 shillings, to 500,000 shillings, with a mean loan value being 275,000 shillings.

The results suggest that the clients were given the loans in small amounts that were manageable for the repayments. The management in repayment of the loans supports the lending groups to be trusted by the institution that results to the increased amount of the loans to the group members.

4.4.3 The current loan amount given to clients

The respondents were asked to mention the amount they were receiving currently. The results in 4.5 show that 7 (5.8%) of respondents were receiving the amount ranging 50,000 and 150,000 shillings; 25 (20.8%) of respondents were receiving the amount ranging between 200,000 and 350,000 shillings; 81 (67.5%) respondents were receiving the amount ranging between 400,000 and 550,000 shillings; and 7 (5.8%) of respondents were receiving the amount above 550,000 shillings. The respondents reported that the amount would increase as the lending group was active to repay the loans.

Table 4.6: The current amount given to clients

Amount	Frequency	Percent
50,000 – 150,000	7	5.8
200,000 – 350,000	25	20.8
400,000 – 550,000	81	67.5
Above 550,000	7	5.8

Source: Field data, 2015

The results suggest that being active groups in repaying the loans given to them helped the women entrepreneurs to receive the increased amount which would help them to expand their businesses, start new business and own assets (property) like land, buildings etc.

4.4.4 The number of employees the client started with

The study intended to know the number of the employees the clients started with. The results in Table 4.7 show that 96 (80%) of respondents reported that they started their businesses without any employees; 20 (16.7%) of respondents reported that they started their business with 1-2 employees; while 4 (3.3%) of respondents reported that they started their business with 3-4 employees.

Table 4.7: The number of employees the clients started with

Number of employees	Frequency	Percent
Non	96	80
1-2	20	16.7
3-4	4	3.3

Source: Field data, 2015

The results suggest that majority of respondents started their business without employees to assist them simply because at the start the business was small because the small capital most of the entrepreneurs had. The entrepreneurs avoided employees at the starting moments because most of the business owner tends to avoid pay necessary government contribution, so as to maximizing profit.

4.4.5 Current number of employees

The respondents were asked to tell the number of employees they had employed by then. The results in Table 4.8 reveal that 14 (11.6%) of respondents had no employees; 77 (64.2%) had 1-2 employees; 20 (16.7%) of respondents had 3-4 employees; and 9 (7.5%) of respondents had 5-6 employees.

Table 4.8: The current number of employees of the clients

Number of employees	Frequency	Percent
Non	14	11.6
1-2	77	64.2
3-4	20	16.7
5-6	9	7.5

Source: Field data, 2015

The results suggest that the loans given by PRIDE to women entrepreneurs had supported the women to establish the enterprises most of which were micro-enterprises and some few enterprises that made them to create employment opportunities. The study by Stevenson and St-Onge (2005) reveals that a micro-enterprise is one with fewer than five employees, a small enterprise with 5-49 employees.

4.4.6 The starting capital of the investment

The study intended to know the amount of the capital the respondents used to start up their business. The findings in the Table 4.9 show that 54 (45%) of respondents started their business with the capital of less than 50,000 shillings. Other 48 (40%) of respondents started their business with their capital ranging between 50,000 and 150,000 shillings. Some other 12 (10%) of all respondents started their business with the capital of 20,000-350,000 shillings. A few 6 (5%) of respondents started their business with the capital between 400,000 and 550,000 shillings.

Table 4.9: The clients' start up amount of capital

Start up amount	Frequency	Percent
Below 50,000	54	45
50,000 – 150,000	48	40
200,000 – 350,000	12	10
400,000 – 550,000	6	5

Source: Field data, 2015

The results suggest that most of the respondents started their business with less than 200,000 shillings. The intention was to invest the amount they had to grow. At starting points, the environment is always difficult. The entrepreneurs were capable of struggling within the hard environment to start up their businesses. According to Stevenson and St-Onge (2005) women operating in the informal economy lack the ability to accumulate the savings required for the start-up process – women with poor levels of education are less likely to have accumulated savings from previous employment. Tanzanian women, as is the case with women entrepreneurs in many countries throughout the world, are reported to be "risk adverse", with limited capacity to absorb the cost of failure.

4.4.7 The current amount of capital invested in business

The study found that 25 (20.8%) of respondents had investment of below 500,000 shillings. Other 27 (22.5%) of respondents had the investment of 500,000 – 1,000,000 shillings. Other 41 (34.2%) of respondents had the investment of 1,000,000 – 2,000,000 shillings. Other 12 (10%) of respondents had the investment of 2,000,000 – 3,000,000 shillings. Other 6 (5%) of all respondents had the investment of 3,000,000 -4,000,000 shillings. Other 6 (5%) of all respondents had the investment of 4,000,000 – 5,000,000 shillings; while a few 3 (2,5%) of all respondents had the investment of above 5,000,000 shillings.

Table 4.10: The clients' start up amount of capital

Start up amount	Frequency	Percent
Below 500,000	25	20.8
500,000 – 1,000,000	27	22.5
1,000,001 – 2,000,000	41	34.2
2,000,001 – 3,000,000	12	10
3,000,001 – 4,000,000	6	5
4,000,001 – 5,000,000	6	5
Above 5,000,000	3	2.5

Source: Field data, 2015

The results suggest that the amount of capital invested in business increased as the entrepreneurs continued conducted business. This might be due to the loans and credit assistances given by PRIDE Tanzania. The study by Makorere (2014) reveals that although, not necessary always that credit does not influence capital to increase. In spite of increasing on capital being influenced by other variables, credit and credit services have an impact on improving working capital. Credit always used to reduce poverty of people rural and urban areas. This is due to the reason that credit in most times is used to buy raw materials, implements and technologies so as to enhance business to run its operations properly.

4.5 Challenges facing the group borrowers in PRIDE Tanzania

The respondents were asked to tell the challenges they were facing in their group lending processes to attend their business dealings. The most mentioned challenges include the following;

4.5.1 Untrustworthy among group members

It was reported that many lending groups have the women (members) who are not trustworthy. The promises which are given by these members are not fulfilled. It was revealed that some of the members of the groups were hiding the time of the repayments of the loans. For example, it was said by one of the member of one of the group;

> *"When it comes the time to collect money to repay the loan, some are not seen. They hide themselves. You go her home, she is not there; you go to her business station, she is not there. The members of the family of the one at the business post tell you she is on journey. When you try her phone, the calls and messages are not answered. When this happens, other members have to repay for the missing members. This is a great challenge"*

4.5.2 Low education of the group members

The study found that low education levels among the group members of the challenging aspect. It was reported by the respondents that most of the group members knew how to read, write and count but at the limited levels. The members of most groups knew how to read but only Swahili. They could not be able to read and understand things like leaflets and announcements written in other languages like English. This limited them because they missed some important information that was expressed in other languages more than Kiswahili.

Also, writing for some members of some groups was a challenge. It was reported that some even failed to fill the forms or letters to apply for the loans. These people had to seek assistance from other people. This could cost them because it could take long time to get someone to write for them to the extent that some could miss the deadline put by the groups. It was furthermore, reported that some felt shy to express their ignorance and at the end of the day they failed to get the loans.

Arithmetic was another problem facing the group members. Mathematics was reported to be important in business dealings. Those members who were poor at mathematics faced frequent losses in their businesses. Some members of the lending groups witnessed that their problems in counting was one of the factors letting the down and causing to lag behind their fellow members. It was reported that much money was lost because of the problem in arithmetic.

4.5.3 Family Responsibilities

It was revealed to the study family responsibilities were the one of the drawbacks facing the members of the lending groups. It was reported that members were given loans for the business, they found themselves spending the money for the family problems instead of investing the money in business. For example, it was said;

> *"You find it is the day you have taken loan from PRIDE with great ambitions to invest the whole amount in business, but it happens that some problems raise in the family that you cannot imagine. It is when the children are returned home because of school fees, it is when a member of the family becomes sick, it is when you are called by the parents that there are problem at home. So you are obliged to take some amount from the loan to pay the fee, or to send the sick to hospital or travel to the parents and you cannot go there empty handed. So you find yourself remaining with nothing but the task to repay the loan and the group members do not understand you"*

4.5.4 Competition from other Lenders

It was revealed to the study that members of the lending groups faced the competition of two kinds. First, was the competition from other groups borrowing from PRIDE. With these groups the competitions are over the loans in PRIDE that if one group does not do well, the loan in higher amount is given to the group that does favourably. The groups are not given the same amount, but depending on the number of members and the experience of the group in borrowing. When they are given loan, they go to the streets and run business of the same kind in the same areas. They compete for same customers. When the members of the group are not able to match with the competition, most of the fail to run business and opt to stay idle.

The other competition is from the borrowers from other institutions like banks (CRDB, NMB, NBC, Exim etc), FINCA and others. Some of them are given bigger amount of loans than the borrowers from PRIDE. With their big amount bring stiff competition in the market because they are able to have goods of higher quality than the borrowers of PRIDE are. This becomes a challenge because the customers automatically are attracted to the big enterprises with goods of higher quality.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of the findings and discussion. The chapter also gives the conclusion of the presented and discussed results. Finally, the chapter provides the recommendation regarding the presented and discussed results.

5.2 Summary of the findings

The study was all about assessing the effectiveness of group lending mechanisms to women entrepreneurs in Micro-financial Institutions in Tanzania. The specific objectives were; to assess the ways used by the PRIDE Tanzania to attract clients to form lending groups in the study area; to assess how group financing has improved individual businesses and their wellbeing in the study area; and to assess challenges faced by group borrowers in group lending mechanism in the study area.

It was found by the study that PRIDE Tanzania used ways/techniques of two categories, the promotion techniques and organizational techniques to attract clients. The promotion techniques included using colleagues; using local leaders; and mass/social media. The organizational techniques included loan size; training; and favourable policy.

It was also found that PRIDE helped the borrowers to have loans at number of times to invest in their businesses. It was found that the amount of loans increased as the borrowers repaid the loans. The loans given to the entrepreneurs expanded their business as the result the number of employees increased with the expansion of business (enterprise). It was found that the loans given to the entrepreneurs increased their capital to be invested in the business.

It was also found that the lending groups of PRIDE were faced by a number of challenges. These challenges included the untrustworthy among the group members; low education among the group members; family errands; low technology; and competition.

5.3 Conclusion

Basing on the results and discussion given, a number of conclusions can be drawn. The study concludes that there are ways that are employed by PRIDE to attract clients to join the lending groups. These ways are promotional and organizational techniques. The study also concludes that the loans given by PRIDE were important in the expanding and improving the well-being of the borrowers. The loans made the investment capital grow, increase employment opportunities, and the amount of loans give to increase in amount. The study also concludes that there are a number of challenges facing the group lenders in PRIDE. These challenges include untrustworthy among the members; low education, low technology; family problems and competition.

5.4 Recommendations

Basing on the conclusions given, the study recommends the following;

5.4.1 To PRIDE

The study recommends that PRIDE should plan to give the increased amount to match the changing life. The given loan of 50,000 outdated compared to the life of today. The amount should be increased to at least 200,000 shillings if PRIDE intends really to empower women.

5.4.2 To clients

The clients should trustworthy and focused. They should be serious with the loans given that it is invested in business. The loans should not be used for the family obligations so that to reduce the problems of repayment.

5.4.3 To the government

The government should provide assistance to the financial institutions since the institutions like PRIDE do not have sufficient capital to cater for the needs of all borrowers, that is why the clients are given a little amount so as to make sure the little amount the institution has covers all the borrowers

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APPENDICES

QUESTIONNAIRES PRIDE CLIENTS (WOMEN ENTREPRENEURS)

SECTION 1: RESPONDENTS' DEMOGRAPHIC CHARACTERISTICS

What is your gender?

1	Male	
2	Female	

What is your age group? (years)

1.	Below 20	
2.	20 to 30	
3.	31 to 40	
4	41 to 50	
5	51 to 60	
6	Above 60	

What is your marital status?

1.	Single	
2.	Married	
3.	Separated	
4	Divorced	

What is your highest level of education?

1.	Non formal	
2.	Primary	
3.	Secondary	
4.	College	
5.	University (degree)	

For how long have you been in business? (years)

1.	Below 1	
2.	1 to 3	
3.	4 to 6	
4.	7 to 10	
5.	Above 10	

What business are you dealing with?

1.	Food shop	
2.	Tailoring	
3.	Poultry	
4.	Others …………………………………	

SECTION 2: WAYS USED BY PRIDE TO ATTRACT CLIENTS TO JOIN LEDNDING GROUPS

What attracted to join lending group in PRIDE?

1.	The loan size give	
2.	Training given by PRIDE	
3.	The policies of PRIDE	
4.	Others (specify)	

How did you know about PRIDE lending groups

1.	From the mass media	
2.	From the local leaders	
3.	Concerts	
4.	Advertizing vehicles	
5.	Others (Specify)	

SECTION 3: IMPROVED BUSINESS AND WELL-BEING

How many times have you taken loan from PRIDE?			Which loan size did you start with?		
1.	Once		1.	Below 50,000	
2.	Twice		2.	50,000 – 150,000	
3.	Thrice		3.	200,000 – 350,000	
4.	Four times		4.	400,000 – 550,000	
	More than four times		5.	Above 550,000	

What amount of loan size are you taking now?			What number of employees did start with?		
1.	Below 50,000		1.	Non	
2.	50,000 – 150,000		2.	1-2	
3.	200,000 – 350,000		3.	3-4	
4.	400,000 – 550,000		4.	5-6	
5.	Above 550,000		5.	7 and above	

How many employees are having now?			What total capital did you start with?		
1.	Non		1.	Below 50,000	
2.	1-2		2.	50,000 – 150,000	
3.	3-4		3.	200,000 – 350,000	
4.	5-6		4.	400,000 – 550,000	
5.	Others (specify………………….)		5.	Others (Specify…………………..)	

What total capital do you have today?	What changes have you done in your business?

CHALLENGES FACING GROUP BORROWERS	
Can you please tell the extent to which low education is a problem to group borrowers?	**How is group lending affected by untrustworthy among group members?**
What are the normal family problems affecting group lending?	**What is the impact of low technology to the group lending?**
Can you tell how far is competition from the other groups is a problem to your group?	**Can you please mention other challenges facing group borrowers in PRIDE?**

INTERVIEW QUESTIONS TO PRIDE CREDIT OFFICERS AND BRANCH MANAGER

A. Ways to attract women clients to join lending groups

1. What are the ways do you use to attract clients?
2. What is the interest rate do you charge for the lending groups?
3. What ways do you use to undertake training to group borrowers?
4. What procedures do you follow to give loans to group lending?

B. Improved business and individual well-being

5. Which minimum amount of loan do you give to the starting entrepreneurs?
6. What is the maximum amount of loan do you given to the borrowers?
7. How do you know that the loan you give is really invested in business?
8. What role does PRIDE Tanzania play to ensure market accessibility to group borrowers?

C. Challenges facing group borrowers

9. From your experience, what do you think are the main causes of delay for repayments of loans among the borrowers?