

**THE CONTRIBUTION OF MICROFINANCE IN THE DEVELOPMENT OF
WOMEN'S SMALL BUSINESSES IN TANZANIA**

A CASE OF MOROGORO MUNICIPAL

**By
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**A Dissertation Submitted in Fulfillment of the Requirements for Award of the
Degree of Masters of Business Administration of Mzumbe University.**

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommended for acceptance by the Mzumbe University, a dissertation entitled: **The Contributions of Microfinance in the development of women’s small businesses. : A Case of PRIDE in Morogoro Municipal**, in partial fulfillment of the requirements for the degree of Masters of Business Administration of Mzumbe University.

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DEDICATION

I dedicate this work to my beloved parents the late **Dr.Nathanael Luvanga** and **Mrs.Rhoda Luvanga** who always knew the importance of education to the extent of making me what I am, my beloved daughter **Deborah Deogratias** and my beloved husband **Deogratias Emmanuel** who always supported me and prayed for success. My father I dare say I am grateful being her daughter.

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ABBREVIATIONS AND ACRONYMS

MFI	Microfinance Institution
MDG	Millennium Development Goals
SACCOS	Saving and Credit cooperative societies
UN	United Nation
IMF	International Monetary Fund
SME's	Small and Medium enterprises
UNDP	United Nation Development programme
PRIDE	Promotion of rural initiatives development
NGOs	Non-Governmental Organizations
BRAC	Bangladesh rural advancement committee
ADB	African Development Bank
TSHS	Tanzania shillings
USA	United States of America
WB	World Bank
FINCA	Foundation for International Community Assistance
NMB	National Microfinance Bank
SME's	Small and Medium entrepreneurs
VICOBA	Village Community Bank
TWB	Tanzania Woman Bank

ABSTRACT

The development of women, especially in developing countries like Tanzania hinges on intervention of a development of small businesses. In recent microfinance has been strongly recommended as an intervention that could assist poor people to improve their standard of life. Their contributions to the development of small businesses has rise to 90% and also there is link between microfinance and small businesses in poverty alleviation.

This study aimed to assess the contribution of Microfinance in the development of women's small businesses in Morogoro Municipal. The research methodology employed was Case study. The study interviewed distributed 100 questionnaire to respondents; simple random sampling procedure was used in the selection of SME's owners but only participants (82) responds while purposive sampling procedure was use in the selection of 16 key informants. Data were collected using questionnaires, observations and interview for primary data and for secondary data documentary review was used. Descriptive statistics were used in analyzing the data such as frequency and percentage.

The findings from respondents revealed that; 14 were male (17%) and 68(83%) were female. 69(84%) were self employed and 13(16%) were employed. Furthermore the results found that although government registered MFI's and give permission for doing business but they didn't make follow up to the clients to know if they are benefited with such services which are provided to them.

Result shows that the collaboration and intensive participation of the government to the Microfinance Institutions like PRIDE and others will improve efficiency and effectiveness to the small businesses growth development.

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CHAPTER ONE

1.0 Introduction

This chapter comprises introduction as subsection one and subsection two present background of the study, subsection three problem statement, subsection four research objectives, subsection five research questions as well as subsection six present significance of the study.

1.1 Background of the study

From the late 1970s to the mid 1980s, Tanzania's economy was characterized by extensive administrative controls, and suffered from severe internal and external economic imbalances that have dominated the economic atmosphere in the region since the late 1970s, largely as a result of inappropriate exchange rate and pricing policies, expansionary financial policies and deep rooted structural problems.(IMF, 1993).

Between 1980 and 1985, the economy experienced low or negative growth in real GDP as production and exports decline and capacity utilization fell. Inflation was high, averaging over 30% per year; the balance of payment registered large deficits and a country faced a severe shortage of foreign exchange reserves, leading to an accumulation of external payment arrears.(IMF, 1993).

Tanzania adopted structural adjustment program (SAP) like any other developing country that intended to stabilize microeconomic enterprises aspect of the economy and increase economic growth. The poor and vulnerable group were adversely affected especially those who did not have either enough resources under various circumstance (UNIDO, 1994; Bagachwa 1994). Adoption of SAP brought more effect on women than men. Available literature shown that the poor in Tanzania of whom the majority are a woman has a great extent fallen in a burden and hence resulting to many problems related to their minimum participation in economic activities or roles in the society in general (UNIDO, 1994).

However there was Economic Recovery Program (ERP), supported by the IMF and the World Bank, was initiated in 1986, aimed both at macroeconomic stabilization and structural reform of the economy. External policies initially addressed the substantial over evaluation of the Tanzanian shilling by implementing a series of discrete devaluations. The real effective exchange rate depreciated by over 60% in 1986 and by a further 60% between 1987 and 1989.

Despite the large adjustments, the Tanzanian shilling remained over evaluated during the first few years of the adjustment program, and the spread between the official and the parallel exchange rates while reduced considerably, persisted. In 1992, the reform of the exchange system was intensified when Tanzania introduced foreign exchange bureaus, which are authorized to buy and sell foreign exchange at freely negotiated rates.

In 1991, the government initiated a comprehensive reform of the financial system. The banking sector was opened to private sector participation both domestic and foreign and the rigid structure of fixed interest rates and differentials was replaced by a single maximum lending rate.

Reform in the public sector management was introduced in order to increase effectiveness of the civil service and to improve efficiency of parastatal enterprise. In an effort to promote private sector investment and participation in the economy the following specific measures were introduced: Firstly, liberalization of the marketing of food and export crops, secondly, adoption of a National investment promotion policy, thirdly, participation in industrial parastatals in form of buy-outs and joint ventures, and lastly opening doors to private banking. This situation leads to the situation of unemployment and poverty all over the world, in high rate in developing countries especially in Sub Saharan nations. Tanzania was among of the nation which affected with this situation indeed in the light of ongoing and generally decline job opportunities in the formal sector, even college graduates are finding it hard to get paid employment. “it is no wonder that the number of Tanzanian informal sector operators with University degrees increased from zero in 1991 to 1582 in 1995 (Luvanga, 1997).

The world over, the pursuit of development has taken the direction of economic development. Both men and women are involved in the development process although in the past the women to the comparison of men were marginalized and disadvantaged in various aspect of development.

A World Bank report of 2006 shows a strong correlation between reductions in poverty and the development of financial sector. The goal of micro finance is to adopt financial services to meet the needs of the poor people who usually lack to mainstream banks through Micro enterprises and small enterprises (SMEs) have come to be one of the women options. Majority of women who were affected by SAP decided to join self employment as their source of income generating act.

1.2 Statement of the problem

Micro and small or medium sized enterprises (SMES) make important contribution to the development. The Economic performance of Sub Saharan Africa and other region over the past three decades has been closely associated with savings and investment (UN Microfinance in Africa, 2008).

Tanzania like other countries in Sub Sahara microfinance has been applied a poverty eradication strategy. This provide facilities to the people with low income especially women by providing them micro credit with small interest rate and other microfinance services as an impetus to exploit their productivity and develop their business to help them to improve their livelihood.

“Microfinance is not a panacea for poverty and related development challenges, but rather than an important tool in the mission of poverty eradication” (ibid)

Despite the microfinance has had strong links with women in the development of their live hood in Tanzania, but still as Tanzania country poverty exists amidst the attempt of provision of microfinance create the room for exploring how far microfinance has

benefited the women in the urban and rural areas. There are a large number of microfinance institutions in Tanzania but women fail to get out of poverty. Thus the aim of this study was to find out micro finance institution within this area as well as the services provided to women. In so doing, the study was provided the information about the role played by microfinance institution to the women who involved in SMEs.

1.3 Research objectives

1.3.1 General objective

To assess the contribution of microcredit towards women's with small business growth in Morogoro municipal, Tanzania.

1.3.2 Specific objective

- i. To describe the current institutional services provided by PRIDE to its customers in the study area.
- ii. To assess whether women benefited with different support given by the PRIDE LTD.
- iii. To describe challenges customers in repaying back microcredit as well as its impacts.

1.4 Research questions

The main research question of this study is whether the contribution of micro finance sector develops women in small and medium enterprises.

- i. To what extent women are aware on services that are provided by microfinance institution?
- ii. What are the techniques employed by the microfinance institutions in giving financial support to women in doing business?
- iii. To what extent women in SME's are benefiting from services provided by the microfinance institution to them?
- iv. What challenges are women facing in accessing and utilizing the funds from MFIs?

1.5 Significance of the study

The study is significant to women entrepreneurs, SMEs, the government and micro financial sectors. Women entrepreneurs will be able to gain knowledge and skills on how to access financial support from microfinance sector.

As well as to the government to make appropriate policy for improving SME's and micro finance sector. Suggestion and recommendations from the study can enable the government and women to make improvement to the poverty alleviation and reduction program, which aims at supporting SME's.

Furthermore the study can be useful for other researchers in increasing knowledge to the area of microfinance sector. In other side the study serves as a partial fulfillment for my degree of Masters of Business Administration with Corporate Management (MBA-CM).

1.6 Organization of the study

The study is organized into six chapters. Chapter one is on the introduction and background of the study, statement of the problem and objective of the study, significance of the study, limitation and delimitations of the study. Chapter two is on the literature related to the study, Chapter three provides information on the research methodologies employed during the study. Chapter four is on presentation of the data, Chapter five is analysis of the collected data and chapter six is on the summary of the study, study findings conclusion and recommendation.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The study was aimed at establishing the role of microfinance institutions in the development of women who involved in small businesses.

Promotion of rural initiative and development enterprises limited (PRIDE TANZANIA) is a microfinance institution involved in the provision of credit to small and micro entrepreneurs in Tanzania. It started its operation in January 1994 with its first branch and head office in Arusha region. Its product based on grameen model of Bangladesh which structured in such away that poor people especially those in rural areas are organized in groups, trained entrepreneurship in various skills and given credit to fight against poverty. PRIDE members have been implementing Millennium Development Goals (MDGS) National strategy for poverty reduction (MKUKUTA) Tanzania vision 2025 and financial inclusion strategies etc.

2.2 Definition of key terms

There are some terms or a word that was feature frequently in this research. The meaning of this words and terms help to understand the contents of the research. The definitions are based on the researcher's understanding of how these words and terms have been used in the research. They include the following:

Entrepreneurship is considered as the driving force behind changes in the economy as well as business environment. The term entrepreneur has evolved over the years to be used to mean an individual (group of individuals) who has the ability to see and evaluate the business opportunity existing in the environment and take advantages of it.

According to Cantillon (1734) “**An entrepreneur** is the agent who buys factors of production at certain prices in order to combine them into a product with a view to selling it at uncertain prices in future.

J.B Say(1832) a French economist, has defined an **entrepreneur** as the economic agent who unites all means of production land of one, the labor of another and the capital of yet another and thus produces a product.

According to Zimmer,W.T (1999)**Entrepreneur** is one who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying significant opportunities and assembling the necessary resources to capitalize on them.

According to Cole (1946)'' entrepreneurship is the purposeful activity of an individual or a group of associated individuals undertaken to initiate maintain and aggrandize profit by production or distribution of economic goods and services.

In the words of Higgins entrepreneurship is meant the function of seeking investment and production opportunity, organizing an enterprise to undertake a new production process, raising capital, hiring labor, arranging the supply of raw materials, finding site, introducing new technique, discovering new sources of raw materials and selecting top managers for day to day operations of the enterprise.

According to Kao (2003), Entrepreneurship is the attempt to create value recognition of business opportunity, the management of risk taking appropriate to the opportunity and through the communicative and management skills to mobilize human financial and material resources necessarily to bring a project to fruition.

Generally Entrepreneurship is the process of identifying opportunities in the market place marshalling the resources required to pursue these opportunities and investing the resources to exploit the opportunities for long term gains. It involves creating wealth by bringing together resources in new ways to start and operate an enterprise

2.2 Microfinance Sector in Tanzania

2.2.1 Microfinance

While definitions differ, micro finance is taken to refer to the provision of financial services, primarily savings and credit but also other financial services, to poor and low-households that do not have access to formal financial institutions.

The Asia Development Bank (ASDB) in their micro-finance services development strategy (2000) defined it that: Micro finance is the provision of a broad range of financial services such as deposits, loans, payment services, money transfers and insurance to poor and low income households and their micro enterprises.

Micro finance also can be defined as the provision of appropriate financial services to significant number of low-income earners and or economically active people in order to improve their condition and local economies (Kosiura, 2001).

According to Menon (2005) Microfinance is the extension of small loans to individual who are too poor to qualify for traditional bank loans, as they have no assets to be offered as guarantee.

The micro finance industry has received a lot of attention in the last 15th years due to experience of drastic failure of government organized credit facility for rural development in the eastern, central and southern Africa (Mashinga, 2002).

In Tanzania, the financial sector reform set in motion a decade ago including liberalizing interest rates, eliminating administrative credit allocation, strengthen Bank of Tanzania's role in regulating and supervising financial institutions, restructuring state owned financial institutions, allowing entry of private banks into the markets (Gallardo and Randhawa, 2003).

2.2.2 The role of Microfinance Institution to Small and Medium Entrepreneur

Studies indicated that the MFIs sector is recognized to be a source of employment and income for the poor in developing countries compared to developed countries where about a quarter of all people in working age are engaged in microfinance.(Ost,1998: Mwaisela 2010)

In Tanzania, the contribution of microfinance institution is also acknowledged for the development of the SMEs and the informal sector at large. PRIDE Tanzanian's profile (June 2007) indicates that its mission focuses on achieving a dual bottom line objective.

Accordingly, the dual bottom line objective refers to achievement of profitability as a means (not the end in itself) of achieving the social objective of changing lives. Towards this end, PRIDE Tanzania has had significant positive impact on the lives of the majority of its borrowers over the years.

According to Huppiet al (1990: Mwaisela 2010), failure of formal financial institutions to serve poor led to the evolution of alternative systems of financial intermediation such as credit cooperatives and group.

Mlowe (1994) reveals that, there exists a gap between credit demand and supply, due to reluctance of most banks and other financial institutions to lend to the rural population because of the associated follow up costs.

2.2.3 Main provider of Micro Finance Institution

In Tanzania microfinance institution is registered formal financial institution that registered depending on the legal status taken by the person/ people registering the institution.

Tanzania has several microfinance institutions all over the country that are issuing loans and deposit facilities to the women.

The institutions that provide microfinance services are the real driving force behind the achievement of the ultimate goal stated in this policy statement.

The government goodwill accomplish little without the effort and commitment of financial institutions NGO's, SACCOS and other service providers such institutions are free to develop micro finance services on the basis of their own internal objectives, whether profit, poverty alleviation, self help or other motivations. The following are the major service providers: SACCOS, PRIDE (Rural initiatives and Development enterprises), FINCA (Foundation for International community assistance), and PTF(Presidential Trust Fund), Mwangi Rural community bank and Mufindi community bank, CRDB, BRAC,TWB (Tanzania women bank), COVENANT BANK, SIDO, NMB, TPB, VICOBA (Village Community Bank), FAULU, MEDA, ACB, PTF, SEDA, NGOs and other funds include CREW, SELF and Gatsby Trust.

In all these microfinance institution the women have always taken an active role and active interest in the service they provide to them.

2.2.4 Lending Model in Microfinance

Basically there are two lending model in microfinance, the study conducted by BOT 2002 indicates two microfinance delivery methods namely solidarity group lending and individual lending.

2.2.4.1 Group Lending Model

The group lending model is the most common and is offered by some government related institutions, privately owned institutions and NGOs. It has been a breakthrough approach to lending small amounts of money to a large number of customers who are poor and can't offer collateral (Ledger wood, 1996: Mwisela 2010).

This was pioneered in 1976 by the Grameen Bank in Bangladesh, which is also the predominant in microfinance industry. The model requires potential customers of microfinance institution to organize themselves into group of five members which are in turn organized into centers of around five to seven such groups. Members make regular loans (Delhi and Ahmadabad, 2002; Sriram, 2002).

According to the study in Bangladesh quoted by Meade (2001) the borrower are placed into group of 10 to 20 people which meet regularly with the loan officer of the microcredit program. Also to the study in PRIDE members form group of people into 1 to 50 people know as MEC.

Accordingly, members have individual savings and loan accounts with the microfinance institution, and the main function of the groups and centers is to facilitate the financial intermediation process, through performing tasks such as holding regular weekly meeting, collecting compulsory saving, guaranteeing loans to individual members and conducting loan appraisals for fellow members. Collective responsibility of the group serves as collateral on the loan.

2.2.4.2 Self Help Groups

This is another group lending method, where members form a group of up to 20 members. The group formation process may be facilitated by anon governmental organization (NGO) or the microfinance institution or bank itself or it may evolve from a traditional rotating savings and credit group (ROSCA) or other locally initiated grouping (Delhi and Ahmadabad, 2002; Sriram, 2002).

Members make regular savings contributions with SHG which opens savings account in the groups name with the microfinance institution or bank. The bank or microfinance institution makes loan to the SHG, in the name of the group, which is then used by the group to supplement its own funds for on lending to its members.

2.2.4.3 Credit Unions

Credit unions are cooperative financial institutions. In developing countries, credit union have 9million members, 60% of which are in Africa and Caribbean credit unions collect savings and provide short term loans(Otero and Rhyne,1994: Mwaisela 2010).

2.2.4.4 Village Banking

This model developed during the 1980's, as an alternative to rural credit in Bolivia based on the assumption that village communities would make the best managers of their own banking system (Nelson et al, UNIFEM, 1996).

According to this study the purpose was to organize informal banks which could use a line of credit from a financial intermediary to provide non collateralized loans to members, a place to invest savings and promote solidarity.

2.2.5 Demand for Microfinance Institutions

The challenge in Tanzania's development remains that of identifying sustainable ways of enabling the main sectors of the economy agriculture and micro enterprises, to achieve their growth potential.

Msami 1999: Masimba 2010 points out that experience from elsewhere shows that well designed microfinance programmes can make a significant impact on the living condition of the poor.

Therefore, support to the micro financial services sector in Tanzania is considered an essential and critical ingredient in the development agenda.

2.2.6 Supply of Microfinance in Tanzania

Following the closure of branches of publicly owned banks an institutional gap in the provision of financial services to the low income population has widened. Access to financial services by the rural population is less due to closure of many of the rural branches and the absence of medium and long term financing as a result of the restructuring of the development finance institutions (Rubambe 2002: Masimba 2010).

Institutions that provide services in rural Tanzania can be categorized as formal, semi formal and informal institutions (Mutetasira 1999: Masimba 2010).

2.2.7 Women in Tanzania and their Participation in Microfinance institution

World Bank (2002) figures women account for 25% of the total population in Tanzania. Despite women being the majority, Tanzania is still male dominated, which imposes both social and legal disadvantages on women. Women's advancement on different fields of development has been constrained by their multiple roles played in the society, as well as the existing customary law and traditional values. It was observed that women borrowers generally tend to have higher repayment rates than men in microfinance institution and they tend to utilize their credit for the purpose it was acquired and exercise higher repayment discipline (UNDP 2005).

Women access to borrow comes with the ability to borrow, save and increase incomes which enhance the poor women confidence and enabling them to better confront the systemic gender inequities (UNDP 2005).

“Over 3300 microfinance institutions reached 133 million clients with a microloan in 206. 93 million of the clients were among the poorest when they took their first loan 85% of the poorest clients were women. (Microcredit report, 2007).

“Microcredit plays a critical role in empowering women; helps deliver newfound respect, independence and participation for women in their communities and their households. (ILO, 2007).

According to UNESCO(1997) over eight million very poor people especially women are benefiting from different microfinance institution. The situation is the same to Tanzania, experiences shows that women are the most beneficiary group of microfinance institution.

2.2.8 Impact of Microfinance on Women Entrepreneurs

According to analysis of findings from South Asia by Kabeer(2005), a review of microfinance effort from various parts of the world suggest that access to microfinance

has had positive economic impact as members begin to invest in asset rather than consumption.

According to ILO (1998), it is widely assumed that micro finance will have a positive impact on women's livelihood in:

- i. Leading to higher income that will help women to better perform their reproductive role as brokers of the health, nutritional and educational status of other household members.
- ii. Increasing women's employment in micro enterprises and in improving the productivity of women's income generating activities.
- iii. Enhancing their self confidence and status within the family as independent producers and providers of valuable cash resources to the household economy.

In Latin America, a study in Ecuador found a significant increase in hourly income for women and inefficiency and productivity of their enterprises (Buvinic, Berger and Jaramillo, 1989).

As has already been mentioned elsewhere in this study, microfinance is a sufficient tool for/to eradicate poverty. However access to financial services protects and empowers the poor by mitigating them from risks and giving them choices. Financial services help the poor to cope with common features to their lives: vulnerability. Whether they save or borrow, evidence shows that when poor people have access to financial services, it leads to the following: the strengthening of the poor people security of life, the formation of material capital and the growth of their economy. As for Africa, microfinance has got the impact on the following areas:

2.2.8.1 Impact of savings

Rutherford (1999) noted that access to more and better ways of turning savings into lump sums- helps poor people, especially women, from sliding deeper into poverty and helps them lay foundations for their ambitions to better themselves and their families.

This and other studies by Johnson et, al (1997) and (Graham et al, 1999) had similar conclusions that show: poor do save, have a need to save and use savings for a variety of reasons, which include daily expenditure, to fix a leaky roof, to pay for health care, consumption smoothing, accumulation to meet life cycle needs and to send children to school.

In summary the three studies together with the findings from INAFI member institutions responses during a study (Mwaniki,2006) has indicated that the poor save to and accumulate some lump sums for: emergencies, consumption smoothening, other needs and events and daily expenditure. The details on these findings that clearly indicate that microfinance programs have had a positive impact on the live hoods of poor clients through their savings products.

2.2.8.1.1 Accumulation for Emergencies

Poor people use their savings to cope with unanticipated events such as sickness, theft, fires, accidents and deaths among many others.

2.2.8.1.2 Consumption smoothening

The poor also save during high income seasons in order to have some money to spend when the incomes are low this is common among smallholder farmers due to seasonal fluctuations of their incomes. Hashimu et al point out” microfinance helps safeguard poor household against the extreme vulnerability that characterizes their daily existence.

2.2.8.1.3 Daily expenditures and needs

Poor people like all others need to keep cash safely in order to manage and deal with day to day expenses and occurrences, including financing small amounts held in highly liquid form.

2.2.8.2 Impact of credit products

2.2.8.2.1 Financial Assets

A number of impact studies have demonstrated that microfinance clients have been able to accumulate financial assets through the financial services offered by the MFIs and other formal and informal financial institution. Especially where the financial institutions are offering a number of loan products e.g. for emergency, health, education many clients tend to use their productive loans to expand business capital and generate more profits. This way they are able to grow their business and generate even more income. A study by Hossain(1988) undertaken on the Grameen bank clients' stated, "the most direct effect of the Grameen bank has been on the accumulation of capital by the poor.

2.2.8.2.2 Working Capital

Many MFIs SACCOS and informal lenders provide their clients with small size loans repaid over a period of 3-12 months. These loans are therefore mainly use to working capital. This enables them to increase their working capital, which in turn results in more sales and profits. The surpluses are then used to increase the household's asset base and therefore reduce their vulnerability to risk. The institutions under the study confirmed this finding.

2.2.8.2.3 Purchase Productive Assets

Productive assets like sewing machines, welding tools, coolers, beauty saloon equipment, furniture for hotels etc. These assets are usually bought out of the income surplus as the enterprise matures.

2.2.8.3 Social impact of microfinance

2.2.8.3.1 Social assets: Education and health

A number of studies have demonstrated that households that have access to microfinance spend more on education than non clients households. Studies shows that children of clients of microfinance programs are more likely to go school and stay longer in school. Studies dropout rates are much lower in microfinance client households.

To support this priority, many microfinance programs are developing new savings and credit products specifically tailored for school fees. The AIMS study of Zambuko Trust clients in Zimbabwe found positive impact on enrolment ratios of boys 6-16 years old from 1997-1999. The data for repeat borrowers suggest that cumulative loans increase the like hood that client's children aged 6-21 would stay in school.

The Uganda study by Graham et.al concluded that many of the clients of MFIs were using their productive loans to send their school and pay for their health services. Many more studies undertaken in this area have also confirmed that both education and health (and particularly education) are some of the most valued results of access to credit.

2.2.8.4 Political Impact of Microfinance

The financial services and social intermediation role of microfinance programs may build human assets by improving self esteem, bargaining power, or autonomy of its clients. This can give the clients more control over every decision they make and enable them enter leadership positions or make balanced decisions and judgments in matter regarding politics (Sebstad et al 2000).

2.2.9 Microfinance and the Millennium Development Goals

The millennium Development Goals(MDGs) are globally adopted targets for reducing extreme poverty by 2015 and they address income poverty, hunger and disease, lack of education, infrastructure and shelter, gender exclusion and environmental

degradation(United Nations,2005). It has been stated that while the MDGs do not formally set target for financial sector access, low income countries need microfinance to achieve the MDGs (United Nations, 2005). This is because microfinance underpins the achievement of many MDGs and plays a key role to many MDGs strategies. Microfinance fosters financiallyself- sufficient domestic private sectors and creates wealth for low income people.

It has also been pointed out that the G8 leaders also support microfinance as an avenue of achieving the MDGs (United Nation, 2005).this is evidenced by the high level conference on enhancing access to microfinance that took place in Paris on June 2004, where they agreed that microfinance is a powerful tool to use in helping to reach the Millennium Goals and discussed how best to promote access to finance globally (United Nations, 2005).

2.2.10 Microfinance in Developing countries

There is significant literature to support the existence of microfinance in different parts of the developing world. The information obtained in other part of the developing world is given below.

Microfinance in Bangladesh

The original generations of microfinance programmes are the Grameen Bank, BRAC and Proshika and they remain the market leaders in terms of client numbers reaching seventy percent of the six million and five hundred thousand clients being served (Ryhne and Christen, 1999). These programs have grown to such a scale that they compete head to head in hundreds of village. There is growing increase in the NGO offering microfinance services whereby only five of the current NGOS existed before 1980, while three hundred and twenty began since 1990 (Ryhnen and Christen,1999). In Bangladesh, donors remain major funders accounting for forty seven percent of all loan able funds held by NGOs while commercial sources account for only fourteen percent(Rhyne and Christen, 1999).

However there are signs of changing this scene in that, formal banks are beginning to report microfinance loan and government authorities are beginning to consider revising regulation to provide a more conducive environment for saving mobilization and lending innovation(Rhyne and Christen,1999).

Until recently, nearly all microfinance programs in Bangladesh used the Grameen bank methodology of targeting loans nearly exclusively to women. In fact eighty one percent of all microfinance clients in Bangladesh are women (Rhyne and Christen, 1999). The Grameen Bank's credit system is through peer group monitoring approach where by the group has compulsory weekly meeting for the collection of savings as well as the repayment of loans installment(United Nations,1998). These group meetings are important in that they reinforce a culture of discipline, routine repayments and staff accountability (United Nations,1998). The MFIs educate local communities about the opportunities to improve their lives with microfinance, make micro loan and provide other financial services such as saving accounts and insurance, collect weekly loan payment and assist clients in solving some of the life challenges they may face (Grameen Foundation, 2002).

Microfinance in Uganda

In Uganda, the microfinance industry began in earnest after the country return and peace and macroeconomics stability and after the 1993 financial reform, which created a relatively free operating environment (Rhyne and Christen, 1999). All the microfinance programs in Uganda remain strongly backed by donors and include both Banks and NGOs such as Centenary Rural Development Bank, FINCA, FAULU, PRIDE, FAULU, FOCCAS, UGAFODE, UWESO, UWFCT and World Vision. This is emphasized by Ditcher and Kamuntu in the UNDP Microfinance assessment report for Uganda (1994), where they report that NGOs involved in Micro credit include NGOs linked to an International family or network that focus on microfinance, NGOs which are International in character and do some credit services, National NGOs which cover part or the whole country or those doing credit work but not part of any international family

and the localized, community based NGOs, that are small with few if any linkages to outside.

In Uganda, like other developing countries, microfinance is promoted by NGOs, government, commercial banks and microfinance institutions. The approach also hinges on the use of groups especially for the MFIs while the bank use both the groups and individuals to access the services. The MFIs are spread throughout the country and the focus has also been mainly women.

2.3 SMEs in Tanzania

SMEs all over the world are known to play a major role in socio economic development. The SME's nomenclature is used to mean Micro, Small and Medium enterprises. It is sometimes referred to as micro, small and medium enterprises (MSME's).

The SME's cover non farm economic activities mainly manufacturing, mining, commerce and services. There is no universally accepted definition of SME's. Different countries use various measures of size depending on their level of development.

According to the United Nation Industrial Development Organization (UNIDO, 2002), SMEs make up over 90% of business worldwide and account for between 50% and 65% of employment.

According to Lome Convention, SME employ more than 10 persons operating mainly in the formal sector. Craft enterprises are mainly found in the semi formal sector carrying out simple transformation of primary products, while micro enterprise are normally formal sectors with as many as 10 workers although the usual number is one or two with or without some part time assistants.

The commonly used yardsticks are total number of employees, total investment and sales turnover. In the context of Tanzania, micro enterprises are those engaging up to 4 people, in most cases family members or employing capital amounting up to Tshs.5 million. The majority of microenterprises fall under the informal sector.

Small enterprises are mostly formalized undertakings engaging between 5 and 49 employees or with capital investment from Tshs.5 million to Tshs.200 million. Medium enterprises employ between 50 and 99 people or use capital investment from Tshs.200 million to 800million.

This is illustrated in the table below:

Table2.1 Categories of SME’s in Tanzania

Category	Employees	Capital investment in machinery (Tshs.)
Micro enterprises	1-4	Up to 5mil.
Small enterprises	5-49	Above 5mil. to 200mil.
Medium enterprises	50-99	Above 200mil. to 800mil.
Large enterprises	100+	Above 800mil.

Source: URT, (2002)

NB: If the event of an enterprise falling under more than one category, then the level of investment will be the deciding factor.

2.3.1 Importance of small and medium enterprises

- i. SME’S mobilize the idle savings of the public through the issues of industrial securities. Investment of public savings in industry results in productive utilization of national resources. Rate of capital formation increases which is essential for rapid economic growth. Thus an entrepreneur is the creator of wealth.
- ii. Generation of employment, SME’s generate employment both directly and indirectly. Direct, self employment as entrepreneurs offers the best way for independent and honorable life. Indirectly, by setting up large and small scale business units they offer jobs to millions. Thus entrepreneurship helps to reduce the unemployment problem in the country.

Estimate show that there are about 700,000 new entrances into the labor force every year. About 500,000 of these are school leavers with few marketable skills. The public sector employs only about 40,000 of the new entrants into the labor market, leaving about 660,000 to join the unemployed or the underemployed reserve.

- iii. Backward and forward linkages, an entrepreneur initiate change which has a chain reaction. Setting up of an enterprise has several backward and forward linkages. Example the establishment of a steel plant generates several ancillary units and expands the demand for iron ore, coal etc. However, the linkages between SME's and large enterprises are very weak in Tanzania. SME's development policy, therefore, creates the potential for enhancing linkages within the economy. (URT, 2002).

2.4 Theoretical review

2.4.1 Sociological theory

This approach explains about individual's decision making in making career choices on entrepreneurship or other careers. In this approach, factors such as social class, family composition and background, parental occupation will strongly influence entrepreneurial decision making. Choices are normally limited by the experience and expectations that individual face their socio world (Bridge et al, 1998).

Sociological theories suggest that specific social context and reference groups influence entrepreneurial behavior and performance. According to Harre and Gullet 1994, Tundui 2012) human behavior is the sum of interaction of people with one another and with the environment.

It is a collective activity in which people work with others to fulfill their intentions and achieve their projects according to local rules and norms (Harre, 1999: Tundui 2012).

Hare and Gillet (1994) argue that actions that people accomplish make up a discursive practice. A discursive practice is defined as the repeated and orderly use of some sign system, in which these uses are intentional and directed toward something.

Example a young person with a business owning parent may well be expected to join the family business while the son of the employed laborer will be socialized quite different.

Bird (1989) stated that sociologist's characteristics such as being the first child, being an immigrant and having early role models have been associated with an entrepreneurial personality.

Sociologists emphasizes on importance of entrepreneurial opportunity in the entrepreneurial process.

2.4.2 Social capital theories

This theory refers social capital as the informal benefits that individuals and organizations derive from their social structures and networks.

In this theory social relationships are the key to derive help guidance and useful information from their related entrepreneurs. For example entrepreneurs of Kenya are likely to help entrepreneurs of Kenya with needed knowledge if they know each other and have social relationship rather than entrepreneurs from Uganda with whom there is no social relationship.

Therefore informal interpersonal relationship among entrepreneurs facilitate the business venture cooperation hence improve performance among businesses.

2.4.3 Motivation theory by McClelland

According to McClelland, a person has three (3) types of needs at any given time, which are: Need for achievement (get success with ones own effort, need for power (to dominate, influence others); need for affiliation (maintain friendly relations with others)

The need for achievements is the highest for entrepreneurs. This theory is also known as Achievement motivation/ theory of high achievement. McClelland identifies two characteristics of entrepreneurship doing things in a new and better way and decision making under uncertainty.

2.4.4 Firm Growth theories

According to neo classical economic theory, the size of the firm is determined by the efficient allocation of available resources utilized by available technologies. Accordingly, the observed size is an efficient size, which means that long term costs are minimized at that point.

Neo classical economic theorists assume that firm growth follows the assumption of profit maximizing behavior and the shape of the production cost functions (Davidson, 1991: Tundui, 2012). Therefore the firm will grow until it has reached the size at which long term marginal costs equal price, which is assessed as the optimum size of the firm (You, 1995: Tundui, 2012).

According to this theory growth constitutes a limited process, is a continuous process that arises the moment that management strives to exploit underused resources to the utmost, the only limit being the coordinating capacity of the management team to inspire confidence and security.

2.4.5 Gender Differences

Scholars distinguish the term gender and sex. Sex refers to biological aspects and gender refers to the meanings attached to differences between women and men within society (Costa et al, 2001: Tundui, 2012). A persons sex (male or female) is based on physiological characteristics whereas a persons gender (masculinity or feminists) is based on different roles, activities and levels of power and values, which has resulted in the gendered division of labor gendered access to resources, such as land and education; and men's more dominant control over decision- making processes.

This has generated a discourse on tradition and ideology that legitimizes and justifies this male control (Nchimbi 2002: Tundui, 2012).

2.5 Empirical Literature Review

The review of literature has shown how the trend of this study increased in the society. Available evidence indicates that most women owned MSEs in developing countries, generally result from unsatisfied household needs. With men losing their formal sector employment under adjustment programs women are expected to contribute more their household needs. (Rutashobya 1995: Olomi, 2000).

Women find themselves in a situation where paying for their families, food, education, clothing or other necessities become difficult. (Mbughuni and Mwangunga: Idabaga, 2002).

Made and Whande, (1989) and Nchimbi (2002) concluded that starting a business is one of the very few avenue through which women (especially poor and low earners)

The result also indicated that the factors influencing entrepreneurs to start their own business are significantly related to the ways they measure success. Female entrepreneurs who perceive their business in terms of profitability and growth had high business performance as measured in financial terms compared to female entrepreneurs who perceive their success in terms of other criteria. The results indicate that factors influencing entrepreneurs to start their own business (start up motives); their individual characteristics as well as their perceptions of business success differ by gender (Nchimbi, 2002).

To review the entire financial regulation in Tanzania in order to sort out what is relevant to MFIs and to have consistent prudential regulatory rules. Moreover, these provisions have to simplify in order to be convenient to MFIs.

To define clearly the strategy on how to integrate SACCOS and NGOs into the emerging microfinance regulatory framework and what policy environment, resources and capacity requirement will be required, not only by Institutions but also by the regulatory bodies.

Chijoriga (2000) evaluated the performance and financial sustainability of MFIs in Tanzania, in terms of the overall institutional and organizational strength client outreach, and operational and financial performance. In the study, 28MFIs and 194 MSEs were randomly selected and visited in Dar esSalaam, Arusha, Morogoro, Mbeya and Zanzibar regions. The findings revealed that, the overall performance of MFIs in Tanzania is poor and only few of them have clear objectives, or a strong organizational structure. It was further observed that MFIs in Tanzania lack participatory ownership and many is donor driven. Although client outreach is increasing, with branches opening in almost all regions of the Tanzanian mainland, still MFIs activities remain in and around urban areas. The author concluded that to low population density, poor infrastructures and low household income levels as constraints to the MFIs performance. Many of these MFIs have no clear mission and objective.

Empirical evidence shows that formal financial institutions have remained reluctant to extend credit facilities to poor borrowers due to information asymmetries and high transaction costs of lending to the poor and small businesses problems, formal financial institutions failed to reach the poor and MFIs were established as a financing alternative to the MSEs who constitute the majority of the Tanzanian population (Chijoriga, 2000).

Other studies on microfinance services, in Tanzania were carried out by Kuzilwa (2002) and Rweyemamu et al, (2003). Kuzilwa examines the role of credit in generating entrepreneurial activities. He used qualitative case studies with a sample survey of businesses that gained access to credit from a Tanzanian government financial source. The findings reveal that the output of enterprises increased following the access to the credit. It was further observed that the enterprises whose owners received business training and advice, performed better than those who didn't receive training.

He recommended that an environment should be created where informal and quasi-informal financial institutions can continue to be easily accessed by micro and small businesses.

Mashera (2007) argues that microfinance service providers play major roles in uplifting the economy by reaching the poor through supporting income generation. Activities for low-income household. They also strengthen and expand formal financial systems such as savings, loans to cooperatives and credit networks.

Simba (2003) argues that many MFIs have been supporting clients in the informal sector by offering microcredit, training as well as advisory services. Some of them have graduated into the formal sector where they feel quite secure and are generating jobs and incomes for fellow Tanzanians.

Likwelile (2003) indicates that MFIs role is central in facilitating small scale business. In order to facilitate SMEs, the MFIs need to widen the reach, develop appropriate products to satisfy varying demands (small-scale mining, fishing, out growers and so on), promote professionalism in their management and provide infrastructure services (RIS).

The main targeted group is women. He referred to a research carried by REPOA (1999) which revealed that 500000 women in the country have benefited from this programme. Women, its argued are good in paying credit at 80% to 100%. According to REPOA the main problem with this programme is the small size of the credits given which doesn't suffice to their investment and hence the programme has failed to alleviate poverty.

2.6 Conceptual Framework

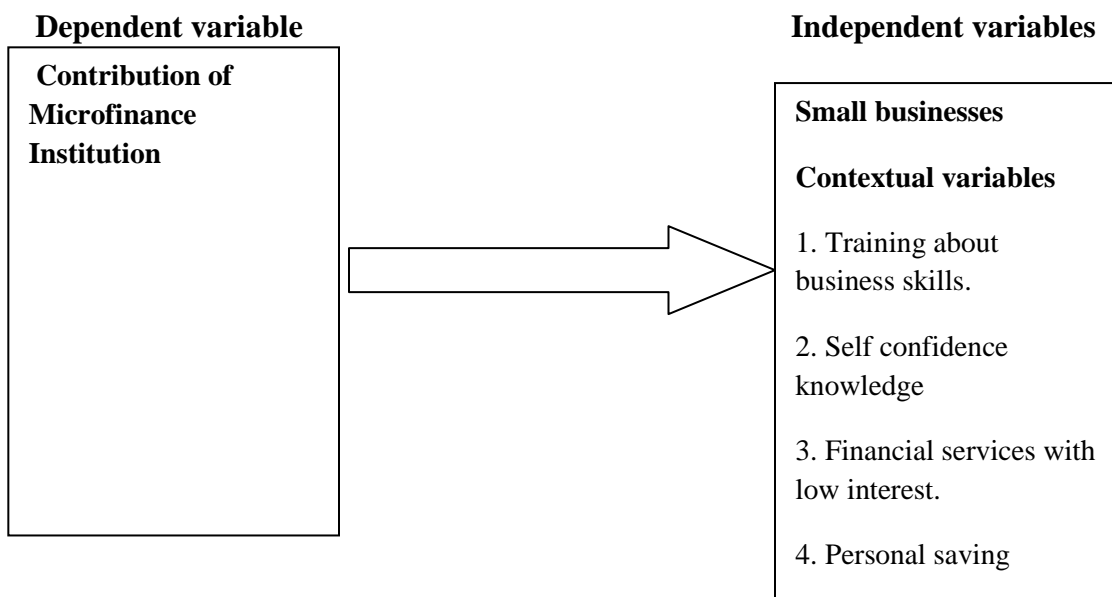
Figure 2.1 provides the conceptual framework. It gives the relationship between the dependent and independent variables. The contribution of Microfinance institution is the dependent variables while independent variable includes the growth of women small businesses.

Training about business skills and self confidence in doing businesses, savings (financial services), and loan services. It assumed that, if microfinance's institution provides those in a perfect way and small businesses utilize well the opportunities, they would be in position to have adequate profit, increased capital and being able to diversify their business in order to minimize risks.

Small business owner is the dependent variables through their demographic factors which are age, gender, education, employment, number of dependents and other factors like capital, amount given from PRIDE, business status, sales size influenced the growth development of small businesses woman in Morogoro Municipal.

Figure 2.1 Conceptual framework

Schematic diagram of variables relationship of small businesses growth and microfinance institution.



CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter comprises the following subsection namely; study area, research design, population and sample size; sampling procedure; data collection methods and data analysis techniques.

3.1 Study area

The study was conducted at PRIDE Morogoro branch and Kihonda branch as at Morogoro Municipal respectively. The study population was PRIDE staff members and customers who are at the time of data collection were beneficiary of such microfinance services.

3.2 Research design

Case study research design was adopted. The researcher used case study design because the case study enables the researcher to study deeply few cases in the system. A case study generally aims to provide insight into a particular situation and often stresses the experiences and interpretations involved in the study.

According to Tuckman (1974), data from case studies are greatly comprehensive and reliable because of their ability to explore instances in depth and enables the researcher to get information which is purposive and comprehensive.

3.3 Study population and unit of inquiry

The study population was all PRIDE staff and customers who at the time of data collection were beneficiary of such microfinance institution which are PRIDE.

So, the population for this study was made up of PRIDE employees responsible for providing services to SMEs owner's in the Morogoro Municipality.

3.4 Sample and sampling technique

3.4.1 Sample size

Sample constitutes the few items selected from the population for the study (Kothari, 2004). From this definition the sample will be different women groups who engaged in doing business from such institution, also a few number of workers and other beneficiary people. Sample was be used to select the women respondent from microfinance institution.

Table 3.1 Sample size determination

Types of respondents	Population PRIDE	Sample size
Branch manager	2	1
Credit officers/loan officer	8	5
SMEs Owner	4021	100
Overall	4031	106

Source: PRIDE MOROGORO, 2013.

3.4.2 Sampling procedure

The study used two sampling procedures namely; Simple random and Purposive sampling.

3.4.2.1 Simple random sampling technique

Respondents were selected in such a way that each has equal chance of being selected. This technique was used in the selection of owners of SME's only.

The reason for using this method is that, it helps to choose respondents equally without criteria for selecting.

3.4.2.2 Purposive sampling

The researcher purposively selected key informants using purposive sampling technique based on their job position. Groups are all administrators like branch manager, supervisors and credit officers.

This ensured that the respondents who was participated was selected and not those who didn't know anything about the issue or topic as well as who will be targeted of the researcher. This method was helped also to select the staff from specific institution.

3.5 Data collection methods

The study was employed both method primary and secondary source of data.

3.5.1 Primary data collection method

Primary data collection methods were used by the researcher to collect data from the field was included: interview, questionnaire, observation and Focus Group discussion.

3.5.1.1 Interview

The researcher used unstructured interview, which helped to obtain data/ information from the managers, supervisors and head of departments and individual of each of the respective units of inquiry. This method was be appropriate because it allowed inner probing, thus enable to obtain needed information. In this case the researcher was used the questions which guided the discussion with the respondents who were key informers and thus needed to elaborate on several issues.

3.5.1.2 Focus Group Discussion

The study used focused groups discussion of six (6) members in each group to collect data from women involved in doing business with such microfinance institution.

This method used to be appropriate because it allows inner probing thus enable to obtain needed information and also it will help in discovering of new information from different members of the group.

3.5.1.3 Observation

The researcher used observation (practical observation) method in data collection in order to complement information's that was not being obtained from interview and focused group discussion. This information's was included the eye witness during the study in real situation which assisted the researcher to justify what will be revealed from the interview and questionnaires. Observation method was being helpful because it seeks to obtain the immediate reactions of the respondents regarding what they think and perceive when undertaking their activities.

3.5.1.4 Questionnaires

Questionnaires are used to obtain information's from Small business owners as well as branch officers. Every individual was given enough time to answer question comfortably and freely.

3.5.2 Secondary data collection methods

3.5.2.1 Documentary review

The study used documentary review in order to access stored data regarding the contribution of Microfinance institution towards women in Small business development. Documents to be reviewed were comprised of Small business profiles, progress reports, and guidelines to access business, books, journals and minutes.

3.6 .1 Data analysis

Data were processed and coded by using Software packages for analysis especially SPSS,

Data collected was be summarized, coded and analyzed both descriptively and descriptive statistically. Then, these data was processed using computer package called Statistical Package for Social Sciences (**SPSS**). Frequency distribution and percentages was to describe major variables.

3.6.1.1 Descriptive analysis

Descriptive analysis data from interviews and observation can be analyzed using content analysis (by analyzing texts regarding authenticity, or meaning from respondents' responses on "who says what, to whom, why, to what extent and with what effect?").

3.6.1.2 Descriptive statistical analysis

Quantitative data were analyzed by using descriptive statistics. Data were collected from structured questions from structured questionnaires can coded to facilitate data entry in the computer. Figures such as pie chart, line graphs and tables can used to illustrate the results.

CHAPTER FOUR

PRESENTATION OF FINDINGS

4.0 Introduction

This chapter provides data analysis and discusses major findings from the study. The fieldwork comprised the administration of questionnaire, interview and documentary review.

This section tries to scrutinize the data into a critical analysis in order to obtain information that can provide answer to the questions which developed by researcher. The study was related to the microfinance contribution to the women involves in small business. The study area was PRIDE LTD Morogoro in Morogoro Municipal.

This chapter is present the findings established through the data the data collected from the respondents, the respondents were persons who had participated in the MFIs in the area as well as key informants from the MFIs credit/ loan officers. These provided the findings that are presented in this chapter.

4.2 Demographic characteristics of respondents

Table 4.1 Demographic characteristics of respondent

Characteristics of respondents		Frequency	Percent
Gender profile Male		14	17
Female		68	83
Age profile	18-25	3	4
	26-30	19	23
	31- 45	55	67
	46+	5	6
Marital status	Married	65	79
	Unmarried	10	12
	Widows	7	9
	Divorced	0	0
Education level	No education	0	0
	Primary level	21	26
	Secondary	53	63
	College	6	8
	University	2	3
Occupation	Self employed	69	84
	Employed	13	16
Household dependents	1-5	43	52
	6-10	39	48
	Above	0	0

Source: Field data 2013

Table4.1 shows that demographic characteristic it's a variable which plays a lot to the development of the small businesses.

It was important to find out from respondent their marital status, age, education levels, occupation and the number of dependents they have. These specific characteristics would affect their participation in microfinance institution as well as in their firm.

4.2.1 Gender

The research explores views from MFIs. A total of 82 respondents gave their opinions

Table 4.2 Gender profile

Gender	Frequency	Percent
Male	14	17
Female	68	83
Total	82	100

Source: Field data 2013

From table 4.2 shows that about 83% of the respondents were women it means that women are main participants in the small business as well as the main customers to the microfinance institutions.

The women being the main actors in the micro finances could be as a result of the fact that they are very sympathy to the welfare of their household members.

4.2.2 Age group of the respondents

Table 4.3 Age group

Age	Frequency	Percent
18-25	3	4
26- 30	19	23
31- 45	55	67
46 and above	5	6
Total	82	100

Source: Field data (2013)

Table 4.3 show that the majority of the respondents were having the age from 31- 45, most of the people of particular age has a lot of abilities especially family responsibility. So they are in need of money the best way for them is to establish small businesses and joined to the microfinance institutions.

4.2.3 Marital status

Table 4.4 Marital status result

Marital Status	Frequency	Percent
Married	65	79
Unmarried	10	12
Widows	7	9
Divorced	0	0
Total	82	100

Source: Field data (2013)

Table 4.4 shows that majority of the respondents was married which are 65%, compared with single and others like widows and divorced. The married person were also found that have a lot of responsibility to their families so to be joined in the microfinance institution and establish a businesses is one of the options for poverty eradication.

4.2.4 Education level distribution

Table 4.5 Education level

Educational level	Frequency	Percent
No education	0	0
Primary	21	26
Secondary	53	63
College	6	8
University	2	3
Total	82	100

Source: Field data (2013)

Table 4.5 shows that about 53(63%) of the respondents Research findings indicate that MFIs clients have different education qualifications that may have an impact on loan repayment (see table 4.4)

4.2.5 Occupation

Table 4.6 Occupation

Occupation	Frequency	Percent
Employed	13	16
Self employed	69	84
Total	82	100

Source: Field data (2013)

Table 4.6 shows that about 69(84%) of the respondents were self employed while about 13(16%) of the respondents surveyed were employed. This result implies that majority of business owners are business people. They are not employed to any other sector of employment. Their day to day livelihood depends on business success. These people are attracted to microfinance services because they own no property and require small amount to inject their small businesses.

4.2.6 Household dependents

Table 4.7 Household dependents

Household dependents	Frequency	Percent
1-5 dependents	43	52
6-10 dependents	39	48
Above 10	0	0
Total	82	100

Source: Field data (2013)

A table 4.7 shows that about 43(52%) of the respondents have 1-5 household dependents while about 39(48%) were 6-10 dependents. This result implies that majority of the respondents have responsibility in their families so they must find alternative for their livelihood and their families too.

4.3 Business Characteristics

4.3.1 Business owners

All the respondents who answer the questions have owned their small business which are 82%, although owned the business but the time for having the business has different from one to another.

4.3.2 Business duration

Business duration is one of the characteristics of the business, duration of the business it helps to know the strength and weakness of the business.

Table 4.8 Business duration

Duration	Frequency	Percent
1-4 years	15	18
4-6 years	43	53
7-10 years	20	24
Above 10	4	5
Total	82	100

Source: Field data 2013

Table 4.8 shows that about 43(53%) were range from 4 -6 years of business duration, 7 -10 years about 20(24%), a few are less than one year. This result implies that majority of the respondents were struggling to improve their business for joining to the microfinance.

4.3.2 The current status of the business when applied the loan

Table 4.9 Current status

	Frequency	Percent
Newly	6	7
Young	37	45
Growing	28	34
Well established	8	10
Mature	3	4
Total	82	100

Source: Field data 2013

A table 4.9 shows that about 37(45%) of the respondents had almost new business while 3(4%) are mature current status. This stage is essential to the growth development of any business in the world. This result implies that most of the owner of the business is in the early current status so they joined to it for improving their business.

4.3.3 Business performed by MFIs clients

Table 4.10 Business Types Performed by PRIDE clients

Type of Business	Frequency	Percent
Food and Restaurants	41	50
Kiosk/ stores	10	12
Stationeries	3	4
Retail/ wholesale shop	15	18
General business	13	16
Total		100

Source: Field data (2013)

4.3.4 Capital for starting business

The study observed that most of SME's owners had limited working capital that could lead to the growth of business. A large number of respondents starting their business with a small amount of money. In their interview section a large number of respondents said that the capital for starting their business was small so this is becoming difficult for doing their business.99.9% of the respondents start their business with a capital range from 100000/= - 2000000/= Tshs.

So they in need of the money to rise for their business and this assistance receive from microfinance institution which is PRIDE. PRIDE like any microfinance institution have their amount which given to their clients as a starting point for their loan.

The table below shows the amount PRIDE provide for their client as the loan and their interest,

Table 4.11 Amount which PRIDE provide to their clients (Tshs)

Loan size	Level		Repayment	Interest	Saving	TOTAL
300,000/=	1	20	15,000	1800	3000	19,800
		25	12,000	1800	3000	16,800
600,000/=	2	40	15,000	3600	3000	21,600
		50	12,000	3600	3000	18,600
1200,000/=	3	40	30,000	7200	3000	40,200
		50	24,000	7200	3000	34,200
2000,000/=	4	40	50,000	12,000	3000	65,000
		50	40,000	12,000	3000	55,000
3000,0000/=	5	40	75,000	18,000	3000	96,000
		50	60,000	18,000	3000	81,000

Source: PRIDE Morogoro portfolio (2013)

4.3.5 Firm growth

The issue of firm growth development it depends on the measure for the development, all respondents agrees that they in need of growing their firm as well as business.

To make sure that they in need joined in microfinance institution this is PRIDE for more assistance. Researcher tries to look on business diversification, increased working capital, increased sales, increased employees as well as increases profits.

All respondents which were asked they agree that they believe PRIDE can help them in the development of their businesses because they got assistance of loan from PRIDE.

4.3.5.1 Business diversification

The result shown that 23(28%) of the respondents tries to diversify their business although the rest are not familiar with the process of diversification. It needs education to businesses owner to know how they can diversify their business. This process can helped them in the growth of their businesses because through diversification can expand their capital as well as business growth.

4.3.5.2 Increased working capital

The working capital also increased to 50% because the starting capital was small so their capital increased after joining to PRIDE. PRIDE provide to them according to the level so the amount increase after finishing the first level (Table 4.11).

4.3.5.3 Increased sales size

70% of the respondent their sales size increases because they have enough money to increase products for their businesses. The respondent agreed that the starting capital was not enough to them until they joined to the PRIDE institution.

4.3.5.4 Increased employees

Most of the businesses when they starting their business they don't have employee, but when time goes on they employ the assistance in their business. Also the number of employees increases according to the demand of the businesses.

4.3.5.5 Increased profits

80% Of the respondents agreed that they increased its profit in their businesses. So it implies that PRIDE helped small businesses in their business growth.

4.3.6. Procedures for credit acquisition

The respondents were asked whether or not easy to get loan from pride and also if the condition for loan were suitable to them. Most of them were agree it easy if you had a friend from the group to join with them. Although there are condition and procedure for clients to get loan as follow: PRIDE microfinance as like others microfinance is an NGO offering credit in form of cash to micro entrepreneurs. In Tanzania, it was incorporated in 1993. PRIDE Tanzania issued its first loan in May of 1994 and has registered significant growth over the years.

PRIDE Tanzania is currently operating with a network of 26 branches countrywide and has outreach of over 63,000 clients. Regions with PRIDE Tanzania branches are: Arusha, Tanga, Dar as Salaam, Kilimanjaro, Dodoma, Morogoro, Iringa, Mwanza, Shinyanga, Mbeya, Mara, Tabora, Kigoma, Shinyanga, Singida and Ruvuma.

4.3.6.1 Conditions for obtaining loan

In order to secure loan, the loan applicants must be in a self selected groups of five individuals with a valid operating small business, this act as collateral. The five people should not include people from one family i.e. husband, wife or children. This reduced the risk in case the whole group takes loan and disappears, punctuality is very much observed especially before the individual receives the first loan, as this as one of the screening mechanism and it can also be a limitation for the client to receive the proceeding loan. Applicants should also reside within 5-kilometer radius from branch operational areas; the applicant should be mental health and not less than 18 years. Applicants should also have loan Insurance Fund (LIF) of at least 25% of the applying loans.

4.3.6.2 Amount of loan provided by PRIDE to their customers

The value of loan provided ranges between Tanzania shillings 50,000/= (about US\$50) and 10,000,000/= (about US\$5, 000) targeted to credit beneficiaries i.e. micro entrepreneurs and businessman, Clients have to graduate from lower to higher loan cycle. Interest loan terms range between 25 to 100 weeks depending on loan size. The accepted duration for loans repayment varies from 6month/25 weeks/100 keeps according to client decision based on loan level either group loan (Tanzania shillings 50,000/= to 1,000,000/=) and premium loan (Tanzania shilling2,000,000/=to Tanzania shillings. 10,000,000/=) respectively. The repayment interval for the loan is done weekly for group loans and monthly for premium loan depending on loan contract with an interest rate 30% per month and 22%-28% per month respectively. The repayment rate at the time being is 99%.

4.3.6.3 Lending Methodology

The lending methodology is based on the solidarity group lending model adopted from the Grameen Bank model operating in Bangladesh. Under this model, loan applicants have to form a self-selected group of five people in order to qualify for a loan. PRIDE Tanzania adopted this model due to its success in Bangladesh in reaching the poor and covering its operational costs. Some modifications include the target beneficiaries and areas of operations. PRIDE Tanzania operates in regional centers and targets economically poor people running micro and small scale enterprises (MSEs).

The following are the lending conditions, terms and procedures of PRIDE Tanzania.

i. Formation of a group: PRIDE Tanzania requires loan applicants to form a group of self –selected five members for guarantee purposes. The grouping is normally made at two levels. At the lower level there is a group of five clients called an Enterprise Group (EG). The second level of normally made up of ten EGs to form one big group of fifty clients called a Market Enterprise Committee (MEC). Clients are required to form a group of five self selected members as a prerequisite for loan consideration because they

guarantee groups. Also in the case of default, it is even easier to make a follow up, since each group member knows each other better than the lender.

ii. Training; before the disbursement the first loan, PRIDE Tanzania's new clients who are in an MEC group have to attend a one hour pre loan weekly training for the first four weeks. The pre loan training normally aims at familiarizing the clients with PRIDE Tanzania's loan terms and conditions. During training the clients have to pay a registration fee of Tanzania shillings 1200 each. In addition the clients are required to pay a Tanzania shillings 1500/= per week to the Loan Insurance Fund (LIF). This LIF contribution is refundable once a client decides to quit the programme. An orientation is made within the first four weeks of the pre loan training where of the pre loan training where the new MEC and EG group members visit each other's place of business and residence to learn about with each other.

iii.Loan Application and Approval: When a new client joins a group of five members and after having met all the basic requirements such as attending a training and paying both registration fee and the LIF of Tanzania shillings 1200 (about US\$1.2) and 9000(about US\$9) for the first six weeks respectively, he/she becomes eligible to apply for the first loan of Tanzania shillings 50,000 (US\$ 50). This implies that, on the fifth week, the appraisal is done and on the sixth week the first loan is issued. In other words, it takes six weeks before a new client get the loan. Existing clients may apply for a loan after a successful repayment of the previous loan. Normally a client graduates from lower to higher of loan size. This is done to motivate the clients to have good repayment

iv.Weekly Meetings: PRIDE requires its clients to attend weekly meeting in the branch offices behavior in order to move to a higher loan size. Weekly meetings constitute the discussion of the loan application and approval, the loan repayment and payment of LIP, and normal take one hour. When one or more clients or in a MIC group fail to repay the loan according to agreed installments, the whole MEC group is stalled till the money is raised. A technique for pressurizing the clients to repay the loan installments on time.

- iv. **Interest Rates and Repayment Period:** PRIDE Tanzania has eight loan cycles through which client may graduate from small loan to large one. The interest charged varies with the size of the loan. Larger loans attract lower interest rates and vice versa. Interest rates range from 24% to 30% per annum. Loans offered by PRIDE Tanzania are mainly in the form of short-term working capital. Few investment loans of less than one year maturity are offered. The loan which required collateral are Tanzania shillings 3 million (US\$5, 000). The type of collateral depends on the MEC's decision. PRIDE Tanzania in this case act is the custodian of that collateral. The repayment period ranges from six months for smaller loans to twelve months for large loans.

4.3.7 PRIDE and their services to the clients

The activities and services are available were established to be offered to the process of accessing the services are both group and individual application.

The respondents explain that PRIDE provides loans to the clients as a primary activity and service to the community. The loan usually depends on the amount which clients intend to undertake. There is starting amount for the client to receive. PRIDE also provides training and skills development to with the service provided, encourage personal saving.

4.3.8 Reason for applying microcredit

The study revealed that MFI clients joined the institutions to seek for loans for different reasons. This was done through interviewed respondents about the reason which forced them to made loan from PRIDE. 85% of the respondents said that they joined the MFI so as to get funds for increasing their working capital and improve their businesses. 5% of the respondents said that they joined MFIs in order to get loans to open new business. From the data, 7% clients said that they joined the MFIs to get funds in order to satisfy both business and family needs such as school fees and build their houses.

The finding also found that one loan is used to pay to another institutions, loans/ capital for solving family problems.3% of the respondents said that they joined the institutions due to other reasons such as good policies of MFIs and the loan were not for business and repayment are not from the business.

4.4 PRIDE and their services to its clients

4.4.1 PRIDE is the best way of ensuring growth of small businesses

The result shows that 23(28%) of the respondents strong agreed with this statement, 48(59%) also agree with the researcher that this MFI is the best to ensure growth of their businesses, 8 are neutral and 3(4%) disagree. So due to this it means that they agree with the PRIDE. This it implies that PRIDE LTD it's the best way of ensuring growth of small businesses, that is the reason for them to select PRIDE as a source of their finance.

4.4.2 PRIDE has played an important role in elevating status of your enterprise

Result shown that 24(29%) of the respondents they strong agree with the statement, while about 48(59%) agreed with it, 7(9%) are neutral and 3respondents disagreed with such situation.

4.4.3 PRIDE provides loans on time when needed by the clients

Result shown that 20(24%) of the respondents strong agreed with it, while 50(61%) agree, 9(11%) are neutral and 3 respondents disagreed. The result implies that PRIDE provides loan on time when needed by the clients. The respondents who interviewed tried to express about provision of the loan on time that lead to the growth of their small businesses.

4.4.4 PRIDE credits come with affordable interest rates

The result shows that 20(24%) of the respondents strong agreed with this situation, while 12(15%) of the respondents agreed with this situation, while 30(37%) disagreed with the situation. The implication is that although provided best services to their clients but the issue of interest rate is a problem.

4.4.5 PRIDE credit satisfies the financial needs of small businesses

Result shows that 18(22%) of the respondents strong agreed, 42(51%) of the respondents agreed, while 17(21%) are neutral and 5(6%) are disagreed with the situation. The implication is that the respondents agreed PRIDE credit satisfies the financial needs of small business because it involves different clients with small capital and others.

4.4.6 You are satisfied with the treatment clients get from PRIDE employees.

The result shown that 11(13%) of the respondents are strong agree with the situation, 43(52%) agreed, while 16(20%) of the respondents are neutral and 12(15%) are disagreed. The implication shows that 43(52%) of the respondents agree with the treatment get from PRIDE employees.

4.4.7 Varieties of PRIDE credits provide enough room to shelter the needs of all types of small business owners

The result shown that 19(23%) of the respondents are strong agreed with the situation, 48(59%) are agreed with the situation of the PRIDE, 10(12%) are neutral while 5 respondents disagreed. The implication is that the varieties of PRIDE credits provide enough room to shelter the needs of all types of small business owners.

4.4.8 I will recommend PRIDE credit to others.

All respondents were asked whether or not if they will recommend others to PRIDE 44% strong agreed, 41% agreed, 10 % neutral, 1% disagreed and 4% strong disagreed. The implication is that PRIDE is the best institution to the small businesses.

4.5 Challenges facing small businesses owner in their business undertakings

4.5.1 Lack of market information regarding market opportunities

The researcher found that 17(21%) of the respondents are strong agreed with the challenge, 44(54%) of the respondents are agreed of it, while 15(18%) are uncertainty while 6(7%) are disagreed. This implies that market information is among of the challenges to small businesses.

4.5.2 Little links to access finance

Result shown that 28(34%) of the respondents strong agreed with the situation, 46(56%) of the respondents are agreed with it, while 8(10%) are neutral, and no one who disagreed with the situation. This result implies that little links to access finance is a challenge which facing small business owners.

4.5.3 Lack of skilled personnel

17(21%) of the respondents are strong agreed with the challenge, while 46(56%) are agree, while 12(15%) are neutral, 7(9%) are disagreed. In an interviewed with respondents lack of skilled personnel raise as a challenge which faced small business owner in business undertaking.

4.5.4 Financial management skill

The researcher found that financial management skill it's among of the challenge which faced small businesses, the result shown that 18 (22%) of the respondents are strong agreed, 45(55%) are agreed with it, while 9(11%) are neutral, 7(9%) are disagreed and

3(4%) are strong disagreed. This implies that a financial management skill to the owner of the small business is a challenge to them.

4.5.5 Planning skills

The researcher found that planning skills it's also a challenge to small businesses, the result shown that 17(21%) of the respondents are strong agreed, 50(61%) of the respondents are agreed with it, 8(10%) of the respondents are neutral while 7(9%) of the respondents are disagree. Planning skills is an integral part of the management of any business due to this result it implies that planning skills is a challenge to their business undertakings.

4.5.6 Customer care skills

The researcher found that customer care service it could be one of the challenges faced small businesses, so asked respondent the result shown that 8(9%) of the respondents strong agreed, 48(58%) of the respondents agreed too, while 10(12%) of the respondents where neutral, while 8(10%) disagree. So the implication is that customer care skills is a challenge to the businesses.

4.5.7 Market knowledge and training

The knowledge of market is very essential to the businesses the researcher found that it is a challenge so want to know whether it's true or not from the respondents. The result shown that 9(11%) of the respondents strong agreed, 49(60%) of the respondent agree while 10 (12%) of the respondents are neutral while 9 (11%) disagreed. The implication is that the market knowledge it is a challenge to them.

4.5.8 Inflation rate

In most of developing countries like Tanzania inflation it's a great challenge to the small businesses, so researcher need to know if it's a challenge to them.

The result shown that 53(65%) of the respondents strong agreed, 15(18%) agreed, 6(7%) of respondents are uncertainty, while 8 (10%) disagreed. It implies that the instability of the country currency is a challenge to the small business owner.

4.5.9 High interest rate

In developing countries financial institutions have charged high interest rates so the researcher needs to know if in this institution it is a challenge to the businesses. In developing countries microfinance institutions set a high interest rate which leads to the problem of the small business owner.

Table 4.12 Challenges facing SMES in their business undertakings

Challenges	Choice				
	Strong agree	Agree	Uncertain	Disagree	Strongly disagree
a. Lack of market information regarding market opportunities.	17	44	15	6	0
b. Little links to access finance	28	46	8	0	0
c. Lack of skilled personnel	17	46	12	7	0
d. Financial management skill	18	45	9	7	3
e. Planning skills	17	50	8	7	0
f. Customer care skills	8	48	10	8	8
g. Market knowledge and training skills	9	49	10	9	5
h. Knowledge of human resource practices.	14	38	17	7	6
i. Inflation rate	53	15	6	8	0
j. High interest rate	42	18	8	9	5

Source: Field Data (2013)

CHAPTER FIVE

DATA ANALYSIS AND DISCUSSION OF THE FINDINGS

5.1 Introduction

This chapter provides data analysis and discusses major findings from the study. The fieldwork comprised the administration of questionnaires, interviews, discussion and documentary review.

5.2 Respondents characteristics

5.2.1 Gender Results

Eighty three (83%) percentages of respondents were female and seventeen percent were male as indicated in the figure. This indicated that women are much financed by microfinance institution and they are involved in informal business than men. This was because the study was focused on the women who had been practically engaged in the access and utilization of MFIs. This also emphasized by Goodland et al (1993), who found out that women have a special position in the provision of microfinance because they are often among the poor and they make a substantial contribution to a country's development.

5.2.2 Age group

The majority of respondents who were (67%) are older than thirty years. This could be attributed to the fact that this age group has several responsibilities to undertake especially paying school fees and feeding the family. Thus when the available funds are not enough, they resort to MFIs in order to fulfill their obligation. These people are also well respected in the community and are well known to the leader of the community and this minimizes the cases of defaulting and running away from the community. The MFIs are also hesitant give to the youth loans because are mobile, they can move to another location anytime they complete the repayment.

Thus the MFIs concentrate on mature people who may have the titles, are permanent residents of the area and are well established in the area.

5.2.3 Marital status

Marital status of respondents

The above figure shows that the majority of the respondents that was (79%) were either legally or traditionally married. The married persons were also found in the study to be more steady and faithful in loan repayment than the single person who would default and run away from the area without paying. It was also found that because some MFIs focus on women, the husband encourages their women to get the loan to start business, or pay school fees or purchase household item and they in turn assist in loan repayment.

5.2.4 Educational level

Research findings shows that PRIDE clients have different education qualifications that may have an impact on loan repayment; most of the clients do not know how to keep business records, although they acquire formal education. The presence of people that have gone to school also eases the sensitization process and training about business development and loan utilization and repayment. This is because the educated people would grasp the ideas faster than those with low education level or those who haven't education. It was also found out that the issues of expansion and diversification of businesses, asset accumulation, interest calculations were all found to be well understood and practiced by the educated people in the loan group.

5.2.5 Occupation

The majority of respondent were self employed which are 84%, the respondent who are professional such as teachers and other civil servants are 16%. It implies that most of the small businesses they don't have formal occupation, they done self employment.

5.2.6 Household dependents

All the respondents had dependents to support as a family that included mostly children who go to school. The highest number of dependents for the respondents is the group of one to five persons with fifty one (51%) percent while other respondents with forty nine percent (49%) exceeded five dependents. The numbers of dependents featured as a contributory factor to the need and utilization of the loan from MFI. This is because the bigger the family, the greater the demands for the basic necessities of life like food, clothing, shelter and education.

5.3 Business characteristics

5.3.1 Time duration of the business

The time duration for the respondents is very important to their growth of business and their firm development, 53% ranges from 4-6 years from the time of starting their business 24% range from 7- 10 years, 18% from 1-4 years and 5% above 10 years.

5.3.2 Business status

Business status of the business it shows how the firm or business growth from one stage to another. 7% are newly business, 45% young business, 34% growing business, 10% well established and 3% mature business. But this it means that most of the business in this sector is not well established that is the reason of joining PRIDE for improving their firm and businesses. Some clients engaged in retail and wholesale but most of these respondents are engaged in retail business.

5.3.3 Capital for starting business

The study observed that most of SME's owners had limited working capital that could make a growth of businesses. A large number of the respondents there capital are not enough to make the growth of their business.99.9% of the respondents start their

business with a capital range from 100000/= - 2000000/= Tshs. So they in need of the money to rise for their business and this assistance receive from microfinance institution which is PRIDE.

5.3.4 Reason that made MFI clients to seek for loan and uses of loan

The study revealed that MFI clients joined the institutions to seek for loans for different reasons. 85% of the respondents said that they joined the MFI so as to get funds for increasing their working capital and improve their businesses. 5% of the respondents said that they joined MFIs in order to get loans to open new business. From the data, 7% clients said that they joined the MFIs to get funds in order to satisfy both business and family needs such as school fees and build their houses. The finding also found that one loan is used to pay to another institutions, loans/ capital for solving family problems.3% of the respondents said that they joined the institutions due to other reasons such as good policies of MFIs and the loan were not for business and repayment are not from the business.

5.3.5 PRIDE and their services to the clients

The activities and services are available were established to be offered to both men and women the process of accessing the services are both group and individual application.

The respondents explain that PRIDE provides loans to the clients as a primary activity and service to the community. The loan usually depends on the amount which clients intend to undertake. There is starting amount for the client to receive. PRIDE also provides training and skills development to with the service provided, encourage personal saving. The training taking place before the clients taking the loan, these training encounters assist the clients to share the experiences and challenges.

5.4 Microfinance and its role in the development of firm growth of women in Small businesses

In order to identify the role of microfinance institution to the development of firm growth, the respondents were requested to explain about PRIDE, what they do, the services what they have benefited from how they used to obtained from PRIDE. The key informants from the PRIDE also explained the services provided by the PRIDE, the target group, the process of acquiring loan, challenges faced, solution and how PRIDE had played role to the growth of the firm.

5.5 Challenges faced in accessing PRIDE clients in accessing credit

The respondents explain their challenges in accessing the loans, although they get services from PRIDE microfinance's. Some of the challenges were explained below;

Table 5.1 Challenges faced in accessing PRIDE services

Challenges faced	Frequency	Percentage
Short repayment period	2	3
High interest rate	26	25
Getting trustworthy group	6	5
Small amount given at a time	8	10
Weekly repayment	8	10
Lack of investment opportunity	8	7
Long procedure	8	10
Too much paper work	4	3
Lack of business education	8	10
Small amount of capital	6	7
Insufficient number of expert	8	10
Total	82	100

Source: Field data (2013)

5.5.1 Short repayment period

The respondents complain about the repayment period being too short, this was because the repayment done in a short period after getting loan. This was rather too short a period for business to have yielded any returns from which to get money to pay the loan. This implies that owner of the small businesses faced s challenge of the repayment period so to them it is difficult.

5.5.2 High interest rate

The majority of respondents they agreed that the high interest rate was a challenge to them, there is an issue of group collateral it was also a problem to them it was becoming rather difficulty to get trustworthy group member. In developing countries microfinance sector has set a high interest rate which becomes a challenge to small businesses owner.

5.5.3 Getting trustworthy group

PRIDE LTD has set a rule the client to join in MEC must have a group, but to the extent it is a difficult task to them. It is also a challenge because if the clients didn't know any person within the group it will be difficult t him/ her to be joined in the institution.

5.5.4 Small amount given at a time

The result shown that the amount which given to the client was too small example in the table 4.11 the first level of credit is Tshs 300000/= which is not enough to them. It implies that the amount given to customers it needed to be increased for future development of the small businesses.

5.5.5 Weekly repayment

It is becoming hard to the small businesses to return money weekly, because it too short time to accumulate money in their business. This implies that owner of the business has got hard time because a week is not enough for money to flow in the businesses.

5.5.6 Lack of investment opportunity

This is a great challenge to small businesses, the ability of getting opportunity to investment it is too worse.

5.5.7 Long procedure

The long procedure of accessing the loan was mentioned as a problem to the clients of this microfinance. It was reported that the period between application and actual disbursement was too long for the clients. It implies that long procedure it is a challenge to the owner of the business.

5.5.8 Too much paper work

The paper work involved the filling form and signing agreements and contract and most of the respondents were not enough educated it becoming a challenge to them. It was pointed that there were letter of recommendation from local authorities. It implies that most of the respondents are not higher educated so doing a too much paper work it is a challenge to them.

5.6 Challenges faced in utilizing the finances from PRIDE

Table 5.2 Challenges faced in utilizing the finances

Challenges faced	frequency	percentage
Difficulty of fulfilling repayment schedule	8	10
Diversion of funds to attend to other problems	14	20
Shall/repayment period	13	15
Short repayment period	23	25
Too many deduction	18	20
MFIs don't know/consider beneficiaries problem like death of a beloved one or sickness	8	10
Total	82	100

Source: Field data 2013

5.6.1 Diversion of fund to attend to other problem

The majority of the respondents faced a challenge of diversify their funds to other social problems. The most common activities which respondents diversifying their money are paying school fees. The respondents borrow money for their business but because they don't have alternative means used it for their social problem.

5.6.2 Small amount given at a time

The small amount which are given have a lot of effect to the businesses, this amount was not enough to them.

5.6.3 Short repayment period

As explained earlier the time for repayment was affected the flow of money in the business. The repayment period was weekly which is a short period for them to control the flow of money in their business. It implies that it can be difficult to owner of the business to make profit in a short period.

5.6.4 Too many deduction

It was noted that there were too many deduction of money which are given to the clients, so if the customer need 300000/= in the actual amount didn't received a full amount. The respondents claim that they paid even the amount which is not received.

CHAPTER SIX

CONCLUSION AND RECOMMENDATION

6.0 Introduction

This chapter presents the conclusion on the research question, recommendation and is for future research in related topics. The study was aimed at establishing the role which is played by microfinance to women small businesses growth. The literature on microfinance and how it operates was review. The questionnaire distributed to 100 participants but only 82 respondents the questionnaire. The study area was PRIDE and the respondents included clients participating in the microfinance activities and the loan officers.

6.1 Pride and their services provided

PRIDE is a case study of microfinance institution which the researcher done her research in the Morogoro Municipal area. This institution provided services such as credit facilities, training, supervision and monitoring, saving mobilization and banking facilities for the clients. PRIDE provides services either to a group, individual, woman or man. The collateral required could be group securities/ guarantees and it is determined by the amount of loan.

The researcher find out the challenges faced by women in accessing and utilizing the funds obtained from PRIDE. It was established that women faced challenges like high interest rate, small amount of money given, short grace period, diversion of funds, difficult in fulfilling the repayment schedule, small profit, too many deduction. These challenges have brought about some negative attitudes about PRIDE to the extent that are regarded as property grabbers because they confiscated their property of the defaulters. Thus the poor performance in terms of poor payment and defaulting is caused too much worry about the repayment instead of concentrating on working hard to get money to pay back the loan.

6.2 Recommendation from Women owner of small business

PRIDE should try as much as possible to increase the money given to the clients so as to enable them to expand and diversify their investment opportunity, reduce the interest rates so that all the profit realized do not go towards paying back the loan and also increase the grace period to allow the growth of the firm and their business.

Table 6.1 Suggestion from respondents

	Percentage	frequency
Reduce interest rate	15	18
Collaboration of other MFI's	3	4
Support from employees	3	4
Increase on the grace period	11	14
Increase on the money given	19	22
More education about loan	3	4
Limit one client to one MFI's	11	14
Government intervention	4	5
Diversify business	4	5
Handle individual problem instead of a whole	8	10
Total	100	

Source: Field data 2013

The respondents had suggestions that could overcome the challenges they faced, the respondents suggested that they could increase the money given so as to allow them to expand their business.

It was suggested that the government should be involved in the provision of regulations to govern the microfinance clients, interest rate and safe guard of the client property.

There was also a suggestion that PRIDE should continuously sensitise their client on loan repayment and utilization.

6.3 Recommendation of the study

6.3.1 Recommendation for other microfinance institution

The respondents recommended that to another microfinance institution should reduce the interest rates, increase the amount given as loans to their clients and assess repayment capabilities before loan provision. Further request are made to microfinance institution continuously supervise, monitor and follow up their clients adequately and closely to avoid diversion of fund, to improve on customer care and not rely on group only but also considers individual merit as well.

6.3.2 Recommendation for the government

The government should involved in determining the interest rate, centralize the interest rate such that the rate is uniform for the MFI's and also monitor the services of the MFI's. The respondents also recommended that the government could protect the borrowers from the MFI's and provide training for the access and utilization of MFI'S services. Government as a policy maker as the duty to make follow up to those microfinance's and their operation.

6.3.3 Recommendation for microfinance clients

The respondents recommended that microfinance clients in other MFI's should be trained thoroughly before taking credit facilities for an enterprises, use money for intended purposes only and avoid money misuse and diversion of fund. The client also urged to study the microfinance operation before accessing its services and also support each other with skills, supervision and monitoring as a group. The clients are further encourages to get more investment opportunities instead of only one, have an business before borrowing the money and not to use credit to start business but rather to expand or diversify business.

6.3.4 Recommendation for further research

The respondents recommended that further research should be carried out on the impact of MFI's on the women who engaged in small business as well as in Agricultural sector.

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APPENDICES

APPENDIX I

THE CONTRIBUTION OF MICROFINANCE INSTITUTION TO THE FIRM GROWTH DEVELOPMENT OF WOMEN IN SMALL BUSINESSES.

A CASE OF MOROGORO MUNICIPAL

Dear respondent

This questionnaire aims to collect data for partial fulfillment of the requirements for the award of Masters Degree of Business Administration awarded by Mzumbe University.

Therefore the researcher declares that, this research is for academic purpose only. Thank you in advance.

PLEASE NOTE: Your name should not appear anywhere in this document.

PART A: BACKGROUND INFORMATION

Circle the correct answer

1. Marital status

- a) Single b)Married c)Widower d)Widow

2. Age group

- a) 15 -20 years b)21 – 25 years c)26 – 30 years d)31 -35 years e)36- 40 years
f)Above 40 years

3. Educational level

- a) Primary level b)Secondary level c)College / Institute d)University

4. **Occupation**.....

5. Number of household members.....

PART B: BUSINESS INFORMATION

1. Do you own a small business?

a) Yes b) No

2. If the answer is YES, for how long have you operated that business?

a)1-3 years b) 4-6years c)7-10years d)More than 10 years

3. Which of the following describe the current development of your business?

a) Newly started b) Young c) Growing d) Well established e) Mature

4. What type of business are you operating?

a) Retail shop b)Wholesale Retail c)wholesale shop d)Others

Specify

PART C: UTILIZATION OF LOANS BY SMEs FOR THEIR GROWTH AND EXPANSION.

1. What was your net asset value when you started your business?

.....

2. Was your asset value sufficient to enhance your business?

.....

3. If Yes in 6 above, did you need the loan from financial Institutions?

a) Yes b)No

4. If Yes in 7above, how much did you secure from financial Institution called PRIDE?

5. If you applied for loan for your business please answer the following

i) Was it easy to get a loan to be given a loan?

.....

ii) What criteria does MFI use to offer loans?

.....

iii) Are the criteria easy to be met?

a) Yes.....b) No

iv) What are the necessary conditions for you to access loan from such MFIs?

.....

6. What other services which PRIDE provided to you?

Specify

i.

ii.

iii.

iv.

7. What are the reason that made to seek loans and the uses of loans?

8. Rate the situation concerning PRIDE and their services in Morogoro

Read each statement carefully and put tick (V) in the appropriate box which you agree with according to the key.

		Strong agree	Agree	Neutral	Disagree	Strong disagree
a.	PRIDE is the best way of ensuring growth of small businesses.					
b.	PRIDE has played an important role in elevating status of your enterprise.					
c.	PRIDE provides loans on time when needed by the clients.					
d.	PRIDE credits come with affordable interest rates.					
e.	PRIDE credit satisfies the financial needs of small businesses.					
f.	You are satisfied with the treatment clients get from PRIDE employees.					
g.	Varieties of PRIDE credits provide enough room to shelter the needs of all types of small business owners.					
h.	I will recommend PRIDE credit to others.					

PART D: CHALLENGES FACING SMEs IN THEIR BUSINESS UNDERTAKINGS

9. Please indicate your Agreement or disagreement regarding the challenges as follows
 SA=Strong agree 2) A= Agree 3) U= Uncertain 4) D= Disagree 5) SD= Strong disagree

	Choice				
Challenges	Strong agree	Agree	Uncertain	Disagree	Strongly disagree
a. Lack of market information regarding market opportunities.					
b. Little links to access finance					
c. Lack of skilled personnel					

d.Financial management skill					
e. Planning skills					
f.Customer care skills					
g. Market knowledge and training skills					
h. Knowledge of human resource practices.					
i.Inflation rate					
j. High interest rate					

10. What do you think would be other challenge you encounter always?

(Specify)

- i.
- ii.

11. What challenges do you face in accessing MFIs in your business?

12. What challenges do you face in utilizing the funds from MFIs?

13. In your opinion how has MFIs contributed to the economic status of your firm?

THANKS

FOCUSED DISCUSSION

Focused Group questions for business women

Topic: The contribution of Microfinance Institution in the development of women in Small businesses.

1. Participants to introduce themselves: their name, age group, education level
2. What type of business are you operating?
3. Year when you began involvement in PRIDE?
4. What services have you received from the PRIDE?
5. What have you done with the money you access from the PRIDE?
6. What challenges do you face in accessing MFIs in your business?
7. What challenges do you face in utilizing the funds from PRIDE?
8. In your opinion how has the PRIDE contributed to the economic status?
9. Do you think PRIDE empowered the women in their business? Please explain in detail.
10. What recommendation do you give to;
 - MFIs
 - Government
 - Others stakeholder

APPENDIX III:

INTERVIEW

Interview Guide questions (Loanofficers).

1. What type of services which provided with your institution?
2. Which criteria used to screen customers in PRIDE?
3. Which gender is more dominant in your Institution?
4. What are challenges facing PRIDE in the provision of individual loan?