

**CONTRIBUTION OF MICRO-FINANCE INSTITUTIONS TO  
THE GROWTH OF SMALL AND MEDIUM ENTERPRISES IN  
MUNICIPALITIES:  
A CASE OF BUKOBA MUNICIPAL COUNCIL**

**By  
Marco Kige**

**A Dissertation Submitted in Partial Fulfillment of the Requirements for Award  
of the Degree of Master of Business Administration (MBA) of  
Mzumbe University  
2013**

## **CERTIFICATION**

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation / thesis entitled **Contribution of Micro-Finance Institutions to the Growth of Small and Medium Enterprises in Municipalities; A case of Bukoba Municipal Council** in partial / fulfillment of the requirements for award of the degree of Master of Business Administration of Mzumbe University.

---

**Major Supervisor**

---

**Internal Examiner**

---

**External examiner**

Accepted for the Board of School of Business

---

**DEAN, SCHOOL OF BUSINESS**

**DECLARATION  
AND  
COPYRIGHT**

I, Marco Kige, declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other University for similar or any other degree award.

**Signature** .....

**Date** .....

**© 2013**

This dissertation is copyright materials protected under the Berne convention, the copyright act 1999 and other international and national enactments, in that behalf, on intellectual property. It may not be produced by any means in full or part, except for short extracts in fair dealings, for research or private study, critical scholarly review or discourse with an acknowledgement, without the written permission of Mzumbe University, on behalf of the author.

## **ACKNOWLEDGEMENT**

I wish to acknowledge with sincere gratitude the advice, comments, assistance and encouragement, I received from many people in the process of producing this dissertation.

Through the preparation of this study I was privileged to work under Edward Makoye of Mzumbe University as my supervisor. His valuable criticism, guidance and easy accessibility helped me a lot in shaping my research proposal and in producing the dissertation in the present form.

I am also grateful to my wife Melisa and daughters Jacqueline, Julia, Judith, Joan and Jovina who never stopped encouraging me to pursue my studies to this end.

I also thank my friends and discussion members who made my life at Mzumbe University easy and their cooperation, support and advice is what has complimented this work to this quality.

Lastly people who help me in one way or another to make this study a success, besides all the shortcomings of this study remain my responsibility without staff of various MFIs in Bukoba for their cooperation and encouragement may God bless them all.

## **DEDICATION**

I dedicate this work to my wife and children for their incredible support during production of this academic work.

## **LIST OF ABBREVIATIONS**

|         |                                                           |
|---------|-----------------------------------------------------------|
| CBOs:   | Community Based Organizations                             |
| FINCA:  | Foundation for International Community Assistance         |
| GDP     | Growth Domestic Product                                   |
| LDCs    | Less Developed Countries                                  |
| MEs:    | Micro Enterprises                                         |
| MFI:    | Micro Finance Institutions                                |
| MSE     | Micro and Small Enterprises                               |
| MSMES   | Micro Small and Medium Enterprises                        |
| NGOs:   | Non-Government Organizations                              |
| NMB:    | National Microfinance Bank                                |
| OECD:   | Organization for Economic Co-operation and Development    |
| PRIDE:  | Promotion of Rural Initiative and Development Enterprises |
| SACCOS: | Savings and Credit Cooperative Societies                  |
| SEWA:   | Self Employed Women's Association                         |
| SMEs:   | Small and Medium Enterprises                              |
| TAMFI:  | Tanzania Association of Microfinance Institutions         |
| UK:     | United Kingdom                                            |
| UNCDF:  | United Nations Capital Development Fund                   |
| UNCTAD: | United Nations Conference on Trade and Development        |
| UNFPA:  | United Nations Population Fund                            |
| URT:    | United Republic of Tanzania                               |

## **ABSTRACT**

Small and medium sized enterprises in both developing and developed countries play important roles in the process of industrialization and economic growth. A crucial element in the development of the SME sector is access to finance, particularly to bank financing. Microfinance Institutions emerged to serve the financial needs of un-served or underserved group of people in the community such as SMEs. Though there are many studies which have tried to link MFIs and SMEs, yet there are no enough studies showing MFIs' role to support SMEs and extend it to living standard of those who run the SMEs

The objective of the study was to evaluate the contribution of Micro-finance Institutions to the growth of small and medium enterprises in Bukoba Municipality. Specifically the study aimed at examining the extent to which SMEs develop measures for the growth in Bukoba Municipality, finding out the extent to which Microfinance Institutions improve business growth and living standard of SMEs owners, analysing on how utilization of the financial services provided by Microfinance Institutions support the improvement of household's income.

The study evaluated the contribution of Micro-finance Institutions to the growth of small and medium enterprises. The findings have covered respondents profile such as age, education level and experience of small business owners and operators. The findings showed that many of these SMEs at Bukoba developed important measures for growth such as business registration, possession of substantial experience in business. However, the study revealed that these SMEs have big weaknesses in other measures such as the size of loans taken being small, lack of entrepreneurship skills, and the fact that many SMEs do not attend SMEs' forums.

The findings revealed that there is lack of technical support to SMEs from MFIs, and at the same time SMEs are viewed as organisations which have low credibility by MFIs.

The study revealed that it is not easy for SMEs to obtain loans from MFIs, some of the obstacles being high interest rate and collateral security.

The current study has further identified the contribution of MFIs to the growth of SMEs in Bukoba municipality is not as expected, the support is a little bit impressive and still a lot have to be done to address problems and constraints such as lack of technical support from MFIs and limited access to loans. The study ended up with important recommendations to various stakeholders.

## TABLE OF CONTENTS

|                                                               |          |
|---------------------------------------------------------------|----------|
| CERTIFICATION .....                                           | i        |
| DECLARATION AND COPYRIGHT .....                               | ii       |
| ACKNOWLEDGEMENT .....                                         | iii      |
| DEDICATION .....                                              | iv       |
| LIST OF ABBREVIATIONS .....                                   | v        |
| ABSTRACT .....                                                | vi       |
| TABLE OF CONTENTS .....                                       | viii     |
| LIST OF TABLES .....                                          | xi       |
| LIST OF FIGURES .....                                         | xii      |
| <br>                                                          |          |
| <b>CHAPTER ONE</b> .....                                      | <b>1</b> |
| <b>BACKGROUND OF THE STUDY</b> .....                          | <b>1</b> |
| 1.0 Introduction .....                                        | 1        |
| 1.1 Background of the problem .....                           | 1        |
| 1.2 Statement of the problem .....                            | 2        |
| 1.3 Research objectives .....                                 | 3        |
| 1.3.1 Main objective .....                                    | 3        |
| 1.3.2 Specific objectives .....                               | 4        |
| 1.4. Research question .....                                  | 4        |
| 1.4.1 Main research question .....                            | 4        |
| 1.4.2 Specific research questions .....                       | 4        |
| 1.5 Significance of the study .....                           | 4        |
| <br>                                                          |          |
| <b>CHAPTER TWO</b> .....                                      | <b>6</b> |
| <b>LITERATURE REVIEW</b> .....                                | <b>6</b> |
| 2.0 Introduction .....                                        | 6        |
| 2.1 Conceptual definition .....                               | 7        |
| 2.2 Micro Finance Services .....                              | 7        |
| 2.3 Micro Finance Institutions as driving force for SME ..... | 8        |
| 2.4 Size and Characteristics of SME Sector .....              | 10       |

|                                                                                          |           |
|------------------------------------------------------------------------------------------|-----------|
| 2.5 Contribution of SME to the Economy.....                                              | 12        |
| 2.6 Sources of SME Financing.....                                                        | 12        |
| 2.7 The Links between Financial Sector Development, Growth and Poverty<br>Reduction..... | 13        |
| 2.8 Deficiencies in Financial Sectors in Developing Countries.....                       | 13        |
| 2.9 Financial Systems are Fragile.....                                                   | 14        |
| 2.10 Financial Systems are Incomplete.....                                               | 14        |
| 2.11 Roles of MFI's on Household.....                                                    | 15        |
| 2.12 Problems facing SME in accessing Credits.....                                       | 16        |
| 2.13 Theoretical Review.....                                                             | 17        |
| 2.14 Clients of Micro-Finance.....                                                       | 18        |
| 2.15 Microfinance Institution and Low Income Earners.....                                | 19        |
| 2.16 Empirical Literature Review.....                                                    | 20        |
| 2.16.1 Contribution of MFI's to the SME's owners.....                                    | 20        |
| 2.16.2 Household Income.....                                                             | 23        |
| 2.16.3 Sources of Household Income.....                                                  | 23        |
| 2.16.4 The Conceptual Model/ Framework.....                                              | 27        |
| <b>CHAPTER THREE.....</b>                                                                | <b>30</b> |
| <b>RESEARCH METHODOLOGY.....</b>                                                         | <b>30</b> |
| 3.0 Introduction.....                                                                    | 30        |
| 3.1 Study Area.....                                                                      | 30        |
| 3.2 Research Design.....                                                                 | 30        |
| 3.3 Population.....                                                                      | 31        |
| 3.4 Sampling Techniques.....                                                             | 31        |
| 3.4.1 Purposive sampling.....                                                            | 31        |
| 3.5 Sample size.....                                                                     | 31        |
| 3.6 Data Collection Methods.....                                                         | 32        |
| 3.6.1 Questionnaires.....                                                                | 32        |
| 3.6.2 Interviews.....                                                                    | 32        |
| 3.7 Data Analysis and Interpretation.....                                                | 32        |

|                                                                                                    |    |
|----------------------------------------------------------------------------------------------------|----|
| 3.8 Ethical Issues .....                                                                           | 33 |
| <b>CHAPTER FOUR</b> .....                                                                          | 34 |
| <b>PRESENTATION OF FINDINGS</b> .....                                                              | 34 |
| 4.1 Introduction .....                                                                             | 34 |
| 4.2 The profile of the respondents .....                                                           | 34 |
| 4.3 The objectives of the study .....                                                              | 36 |
| 4.3.1 The extent to which SMEs develop Measures for Growth .....                                   | 37 |
| 4.3.2 The extent to which MFIs improve business growth and living standard of<br>SMEs owners ..... | 41 |
| 4.3.3 How loan provided by MFIs support the improvement of SMEs and<br>household's income .....    | 44 |
| <b>CHAPTER FIVE</b> .....                                                                          | 47 |
| <b>DISCUSSION OF THE FINDINGS</b> .....                                                            | 47 |
| 5.1 Introduction .....                                                                             | 47 |
| 5.2 The extent to which SMEs develop Measures for Growth .....                                     | 47 |
| 5.3 The extent to which MFIs improve business growth and living standard of<br>SMEs owners .....   | 48 |
| 5.4 How loan provided by MFIs support the improvement of SMEs and<br>household's income .....      | 49 |
| <b>CHAPTER SIX</b> .....                                                                           | 50 |
| <b>SUMMARY AND POLICY IMPLICATIONS</b> .....                                                       | 50 |
| 6.1 Introduction .....                                                                             | 50 |
| 6.2 Summary of the study .....                                                                     | 50 |
| 6.3 Conclusion .....                                                                               | 51 |
| 6.4 Recommendations .....                                                                          | 52 |
| 6.5 Areas for further researches .....                                                             | 53 |
| <b>REFERENCES</b> .....                                                                            | 54 |
| <b>APPENDICES</b> .....                                                                            | 61 |

## LIST OF TABLES

|                                                                                |    |
|--------------------------------------------------------------------------------|----|
| Table 2.1: Category of SMEs in Tanzania .....                                  | 11 |
| Table 2.2: Summary of Household Level Findings .....                           | 22 |
| Table 3.1: Population and Sample Size of the Study .....                       | 32 |
| Table 4.1: Gender of the Respondents .....                                     | 34 |
| Table 4.2: Age Range.....                                                      | 35 |
| Table 4.3: Educational Level of the Respondents.....                           | 35 |
| Table 4.4: Marital Status .....                                                | 36 |
| Table 4.5: Type of Business Enterprise .....                                   | 36 |
| Table 4.6 Business Registration.....                                           | 37 |
| Table 4.7: Duration of being in SMEs .....                                     | 38 |
| Table 4.8: Loan Size of the Business/SMEs .....                                | 39 |
| Table 4.9: Receiving Business and Entrepreneurship Skills.....                 | 39 |
| Table 4.10: SMEs forums attended since inception of Business .....             | 40 |
| Table 4.11: Nature of SME .....                                                | 40 |
| Table 4.12: Duration of Company's Operations.....                              | 41 |
| Table 4.13: Growth after loan received from MFIs .....                         | 42 |
| Table 4.14: Receiving of entrepreneurial training from MFIs.....               | 42 |
| Table 4.15: Technical support offered from MFIs.....                           | 43 |
| Table 4.16: Organizations which support SMEs in Tanzania.....                  | 43 |
| Table 4.17: SME's are viewed to have low credibility by MFIs.....              | 44 |
| Table 4.18: Number of times Business has taken Loan.....                       | 45 |
| Table 4.19: MFI plays major role in the performance of SMEs .....              | 45 |
| Table 4.20: Loan provided to SMEs by MFI helps to improve their business ..... | 46 |

**LIST OF FIGURES**

Figure 2.1: The Schematic Model for the growth of SMEs. ....27

# **CHAPTER ONE**

## **BACKGROUND OF THE STUDY**

### **1.0 Introduction**

This chapter presents background information to this study. The chapter includes the following components: background to the study, statement of the research problem, objectives of the study, research questions, significant of the study and definition of the key terms.

### **1.1 Background of the problem**

Given the great potential of small and medium sized enterprises to bring about social and economic development, it is of no surprise that the performance of SMEs is of all huge concern to the government of different countries in the world. Small and medium sized enterprises in both developing and developed countries plays important roles in the process of industrialization and economic growth, by significantly contributing to employment generation, income generation and catalyzing development in urban and rural areas (Hallberg, 2000; Olutunla,2001; OECD, 2004; Williams, 2006).

A crucial element in the development of the SME sector is access to finance, particularly to bank financing, given the relative importance of the banking sector in serving this segment. Firm-level data collected by the World Bank show that access to finance is perceived as one of the main obstacles to doing business (World Bank, 2001). A number of studies have shown that financing is a greater obstacle for SMEs than it is for large firms, particularly in the developing world, and that access to finance adversely affect the growth of the SME sector more than that of large companies (Schiffer and Weder, 2001; Beck et al, 2005; Beck et al, 2006). It is, therefore, unsurprising that the international development community has listed SME access to finance as an important policy priority.

Empirical studies find that the share of SMEs in GDP is significantly increasing in Tanzania with average of 16% and 18%. This reveals the importance of SME growth and employment generation (Maliti, and Mnenwa 2008). However, prevalence of credit market failure is an important constraint on the growth of SMEs. Since the closure rate of SMEs is higher than larger enterprises, the financial service providers tend to consider SME financing risky (Elinaza, 2013). Much as like in microfinance, SME financing also requires innovations in lending technology that could reduce the risk to the lender in ways that does not increase the overall transaction cost to the entrepreneur. With the aim of generating employment opportunities through SME growth, Akiba Commercial Bank of Tanzania launched a special SME lending scheme in 2002, other banks are such as CRDB PLC, NBC (Leonidas; 2011, URT, 2003).

## **1.2 Statement of the problem**

Microfinance Institutions (MFI) have evolved as economic development organisations intended to benefit low-income households (Kinde, 2012). The benefits are channelled through the provision of financial services especially to those who face formidable barriers in gaining access to mainstream financial service institutions.

Microfinance Institutions emerged to serve the financial needs of un-served or underserved group of people in the community as a means of meeting development objectives (ibid). Low income earners are vulnerable to socio-economic problems such as poverty, unemployment, low returns from existing business and lack of motivation in undertaking new business. Other low income earners face a problem of unavailable cheap/ low cost source of working capital from Financial Institutions especially Commercial Banks due to lack of collateral required to acquire loans from these Financial Institutions.

Availability of finance especially from banks are generally not attuned to lending to low income earners because most of them cannot provide the collateral, elaborate business plans and track records demanded by standard bank lending. This leads to Non-Governmental Organizations (NGO's) and some projects to set up credit programmes with support from donors. However, in order to minimize default, almost all of the credit programmes have adopted the group-lending models which require beneficiaries to attend weekly meetings and to enforce repayments through peer pressure. This substantially increases the transaction costs, along with the very small value of loans disbursed, and discourages the serious entrepreneurs from joining the programmes.

Previous studies have been discussing about the growth and importance of SMEs to various countries economies, for example Lin and Li (2001) analyzed the importance of SMEs in China, Man, Lau, and Chan (2002) drew upon the concept of competitiveness and the competency approach. Furthermore Bruhn, Karlan and Schoar (2013) showed empirically the role of consulting services on Small and Medium Enterprises in Mexico. MFI's provide a broad range of services including deposits, loans, payment services, money transfer and insurance to the poor/low-income households and their enterprises such as SMEs (Chijoriga, 2000).

However there are very few empirical evidences which show the extent at which MFIs has been helping SMEs to perform what they have been expected to perform and signifies its objectives. It is from this context that the researcher attempts to find out the contribution of micro-finance institutions to the growth of small and medium enterprises in municipalities; a case of Bukoba Municipal Council.

### **1.3 Research objectives**

#### **1.3.1 Main objective**

The general objective of this study is to evaluate the contribution of Micro-finance Institutions to the growth of small and medium enterprises in Bukoba Municipality.

### **1.3.2 Specific objectives**

Specifically this study will centre on the following objectives:-

- i. To examine the extent to which SMEs develop measures for the growth in Bukoba Municipality.
- ii. To find out the extent to which Microfinance Institutions improve business growth and living standard of SMEs owners.
- iii. To analyse on how utilization of the financial services provided by Microfinance Institutions support the improvement of household's income.

### **1.4. Research question**

#### **1.4.1 Main research question**

What are the the contribution of Micro-finance Institutions to the growth of small and medium enterprises in Bukoba Municipality?

#### **1.4.2 Specific research questions**

The study will answer the following research questions:-

- i. What is the extent of measures do the SMEs developing for the growth in Bukoba Municipality?
- ii. What is the extent to which Microfinance Institutions improve business growth and living standard of SMEs owners?
- iii. How does the utilization of the financial services provided by Microfinance Institutions support the improvement of household's income?

### **1.5 Significance of the study**

The study offers empirical evidence on the impact of microfinance services on the growth of micro and small enterprises for use in short term and long term interventions especially in the fight against poverty in Bukoba Municipality. A study of this nature is equally very important because it is going to enlighten the government and the public on the role of MFI in formulating policies that are affordable to SMEs for the growth and improve the standard of living to owners in

Bukoba municipality. Furthermore, the study stimulates further researchers on areas of which the research indicates.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

The chapter include a number of key issues such as Background information and Conceptual definitions that incorporates, Microfinance services, Microfinance institutions as a driving force for SMEs, Size and characteristics of SME sectors, Contribution of SME to the economy, Sources of SME financing, The growth of business, The links between financial sector development, Growth and poverty reduction, Deficiencies in financial sectors in developing countries, Fragility of financial system, Incomplete of financial system, The role of MFI's on household, Problem facing SMEs in accessing credits, Theoretical review, Clients of microfinance and Microfinance and low income earners.

Recently, initiative has been done to developed countries to make sure the SMEs access the banks easier in order to improve efficiency as well as profitability and financial products that are tailored to the needs and it has been shown that having good financial services to micro enterprises increased productivity (EU,2013).

Instead of having different environments in developing and developed countries in business aspects, to serve the SMEs is similar, such as information asymmetry, high perceived risk and high administrative costs and high innovations practiced by developed countries to improve SMEs access bank services will also conscientize developing countries to pose a great concern to SMEs seem more valuable in increase volume and quality of services (Rutashobya, 2001).

The evidence has shown that if MFIs are properly managed provide positive effect to the poor in provision of credit service and the positive role of MFI is poverty reduction to micro enterprises (Chijoriga and Cassimon 2001).

MFI has weaknesses to formal financial services in Tanzania as well as developing countries that the system is incomplete and deficient due to many poor people do not access formal financial services as 90% do not have bank account ( ibid).

Credits provision is better than grants, the way in which enabling the MFIs to recycle resources to different sources to diversify risk in business. The process of granting loans to micro enterprises will have to serve the poor people freeing them from poverty (Rutashobya 2001).

### **2.1 Conceptual definition**

Wrenn (2005) define microfinance as “the attempt to improve access to small deposits and small loans for poor households neglected by banks.” Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector.

The micro credit was early targeted the poor whereby repayment of the credit was very important to the business by charging interest rate to cover the cost of the loan. Micro credit was for serving the poor emerging entrepreneurs not for profit making and was focused on standardized credit products that intended to serve the poor sustainably, the business which the poor invest their skills, creativity and energy expect to survive in the challenging environments and keep hope to success (Littlefield, et al 2003).

### **2.2 Micro Finance Services**

Microfinance is the provision of financial services to the intended group of people of the low income with the same motive and affording to repay principal and interest. These poor households have no access to the service offered by formal financial institutions. Micro refers to the parameter of financial transactions that are made by lender or borrower (Matabisi, 2010).

In essence the microfinance was concerned with credit and savings although, recently, mix services such as insurance, leasing, payment transfers and remittances are being introduced. Demand for microfinance services remains for the micro entrepreneurs who survive by generating income through very small business activities (Ibid).

Microfinance services had been existed before the introduction of the modern bank loan system came into use. Poor entrepreneurs could share available resources within the community by offering their collateral that was affordable in their capacity. When we talk of microfinance services we mean the provision of financial services that will be granted in lower income earners that not need a huge collateral instrument to be granted to the credit offered. Apart from other literatures, microfinance services is a low income earners financial services offered to any formable individual groups that aim of collecting their entrepreneurial skill by accessing affordable capital to develop their business in generating profit through collective effort of granted loans (Sinha and Patole 2002).

For instance in India, the individuals grouping form the consortium that organize themselves and granted loans to generate income to their own activities (Muench, 2000). It becomes the habit to other MFIs have been established for the purpose of either to provide financial service to the low income earners is profitable to them or it is for the decree of the government to provide the service as corporate social responsibility (UNCTAD, 2001).

### **2.3 Micro Finance Institutions as driving force for SME**

In the moment, the priority is given to micro enterprises, self-employment activities and household enterprises. These are considered to be important drivers for achieving social and economic development. In developed and developing countries, micro credit has become very vital tools for economic development (Filipović, and Petraković,2005).

Microfinance in providing credit to low income earners has become a driving force to the development and create conducive environments in investment industry which provide many opportunities to the growth of small and medium enterprises by given them skills and knowledge in doing business. Women empowerment has been prioritized currently to make them capable due to historical standing of undermining women in socio-economic development. The provisions of micro-credit alone is not the solution of poverty reduction but is the way smoothing lifestyle to the community in fact the main purpose of microfinance is not openly exposed to the targeted poor people as an instrument to make get away from poverty (ibid).

Basically, the MFI focused on women owned enterprises by giving them credits in order to empower them. The logic behind is that many majority people in the world are women and good clients of MFI are poor self-employed people with low levels of education which is difficult to them to access financial institutions (Sinha and Patole 2002).

It has been dialogues on link the between micro-credit and poverty reduction. No prove has been made on the range of micro financial services that predominate on improving the poor people with their micro enterprises in increasing standard of living. In fact the evidence has been shown that the micro enterprises after receiving credits the situation become worse and micro financial institutions increase risks either in granting loans or on the emerging of the new micro enterprises (Matabisi, 2010).

Managing own enterprises is very risky to poor people that is the reason why people like to be employed than being self-employed by avoiding to lose their injected capital in the enterprise (Wright and Mutesasira 2001).

Money-lenders do not like to poor borrowers in their track. This is because many of these poor borrowers spend their credits in consumption smoothing instead of enhance their enterprises' income.

Money-lenders emphasize investments of working or fixed capital in micro enterprises, but when it happens the credit is spent differently causing the risk in repayment of the loan to the micro financial institutions whereby it loses the meaning of the credit. The purpose of the credit is to make the poor people get away from poverty and leave the micro enterprise free from debts but when it comes different there is no relief to poor household (Matabisi, 2010)

Developed countries like U.K, micro-credits are used to assist the low-income people to enhance their income when there is a low earning. On the other hand, in most African countries credits are usually meant to finance enterprises. For instance, in South Africa, 95% of the loans went to finance businesses, 2% for consumption and 1% each for housing materials, school fees and other needs (Kachesa, 2000).

Many countries in Africa, they much emphasize on big business and pay less attention to small, micro, medium enterprises with low levels of sustainability (Matabisi, 2010)

#### **2.4 Size and Characteristics of SME Sector**

SME are the engine of economic growth in most economies in contribution in social and economic sphere, its importance act as the cornerstone of the industrial and manufacturing sectors. In Asia the SME is more sounding than in the West. In countries such as Japan, Taiwan, South Korea and China, SME are the backbone of the industrial and manufacturing sectors. Their number and contribution to total employment in these economies are well over 95% and 70% respectively.

Likewise, in the Asian economies, SME generally account for upwards of over 90% of establishments, between 20-40% of total domestic output and employ between 75-90% of the domestic workforce (UNCTAD, 2001).

In Tanzania SMEs are the major contributors to the economy though are disregarded in accessing financial institutions. The SMEs nomenclature is used to mean micro, small and medium enterprises.

It is sometimes referred to as micro, small and medium enterprises (MSMEs). The SMEs cover non-farm economic activities mainly manufacturing, mining, commerce and services. There is no universally accepted definition of SME. Different countries use various measures of size depending on their level of development (Olomi, 2005).

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.5.0 million. The majority of micro enterprises fall under the informal sector. Small enterprises are mostly formalised 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 Tshs.800 million(URT,2003,Olomi,2005). This is illustrated in the table below:

**Table 2.1: Category of SMEs in Tanzania**

| Category          | Employees     | Capital Investment in Machinery (Tshs) |
|-------------------|---------------|----------------------------------------|
| Micro enterprise  | 1 – 4         | Up to 5 mil                            |
| Small enterprise  | 5 – 49        | 5 mil to 200 mil                       |
| Medium enterprise | 50 – 99 Above | 200mil.to 800 mil                      |
| Large enterprise  | 100 +         | Above 800 mil                          |

**Source: URT, 2003 and Olomi, 2005**

In the case of this research proposal the researcher will expect visit micro and small enterprises that range from one shilling to two hundred million (1-200,000,000) shillings who struggles to access MFIs services for their business prosperity in Bukoba Municipality.

## **2.5 Contribution of SME to the Economy**

The SME in Asia contribute a disproportionately limited share of 20% to 30% to gross sales value or manufacturing value added and only between 10% and 20% to export earnings. Comparatively, in the Developed Nations, SME contribute 50% of total value added in the European Union (for example, in Germany, SME contribution to Gross National Product is 57% and 30% to direct exports), between 40% and 50% of manufacturing output in Japan, Republic of Korea and Taipei, China and in the United States, 30% to sales value (RAM, 2005).

In most cases larger firms hinder the advancement of the SMEs to the growth. The SME link the large firms in performing competitively in the world market. It creates a number of employments in many countries up to 90% of the domestic workforce. The SME gain integration into global economy and equity in terms of wealth distribution (UNCTAD, 2001).

## **2.6 Sources of SME Financing**

Different sources provide funds to SME. Around 75-90% of SME rely on internal savings, retained earnings and borrowing from family, friends and money lenders that is known as informal sector as opposed to the 3-18% which have access to formal sector finance such as banks, capital markets, venture capitalists etc (UNCTAD, 2001).

When start companies the rate of funding from the formal bank sector is even lower. For example, only 12% of SME in Indonesia had access to bank financing while in Singapore, it is estimated between 20-25% from one source (Association of SME) and 49% from external source (RAM, 2005). In Malaysia, 47.3% of SME had access to bank funds compared to 32.4% that relied on internal funds and 11% from family and friends (UNCTAD, 2001).

In a study conducted by Kessy and Urio (2006) on contribution of MFI on poverty reduction in Tanzania, the researchers covered four regions of Tanzania which are Dar es Salaam, Zanzibar, Arusha and Mwanza. The study findings pointed out that to large extent MFI operations in Tanzania has brought positive changes in the standard of living of people who access their services, clients of MFI complained about high interest rate charged, the weekly meeting was pointed out as barrier as the time spent in weekly meeting could be used to other productive activities.

## **2.7 The Links between Financial Sector Development, Growth and Poverty Reduction**

The evidence has shown that instead of having measurement and definitional problems of proportional between financial sector development through MFI's, growth and poverty reduction. Developing countries have great impact on financial sectors compared to the developed one because when changes are made to the mode of operand things become different (Pradhan, 2010).

Basically, countries with less developed economy face a stronger impact on financial sector on growth of economy (Goodhart, 2004). Countries with high level of education cannot harvest full potential of financial sector unless the sector is fully developed and not forgotten that less developed financial sector come up with negative development because it limits the market players (Pradhan, 2010).

Financial sector has positive effects on poverty reduction, though is cumbersome to show direct effects of access to financial services on poverty alleviation this is due to lack of data (ibid).

## **2.8 Deficiencies in Financial Sectors in Developing Countries**

The financial systems of developing countries still suffer from shortcomings and market inefficiencies that have an impact at various levels of the business environment. This can be seen in the following areas;

## **2.9 Financial Systems are Fragile**

The global financial crisis has revealed massive financial misconduct that has long been a part of our markets but has been submerged by the euphoria that has dominated these markets (Tomasic, 2011).

It is widely accepted that the quantity or percentage of non-performing loans (NPLs) is often associated with bank failures and financial crises in both developing and developed countries. In fact, there is abundant evidence that the financial/banking crises in East Asia and Sub-Saharan African countries were preceded by high non-performing loans. The current global financial crisis, which originated in the US, was also attributed to the rapid default of sub-prime loans/mortgages. In view of this reality it is therefore understandable why much emphasis is placed on non-performing loans when examining financial vulnerabilities (Khemraj and Pasha, 2009).

## **2.10 Financial Systems are Incomplete**

In some African countries many people do not possess formal bank accounts. It is where the incompleteness of this financial system occurred and the estimate show 90% of people not access formal financial system ((Tomasic, 2011).

Formal financial sector is a barrier to the developing countries in accessing capital and money markets are still poor. There is some few developing countries benefit the macroeconomic stability, in this fact there are few investors need to invest for long-term because of insecurity of unexpected markets to their business. The same as private sector are not enjoying financial services. Lack of medium and long-term lending and business needs such as collaterals, interest rates to be high and regulatory frameworks that not favor the environment. On the other hand, rules on contingency provisions are too strict for micro enterprises transactions especially, acknowledgement of mortgages only which are expensive to register and microfinance institutions do not always have a specific regulatory status (ibid).

## **2.11 Roles of MFI's on Household**

MFI operates to the environment surrounded within the communities where face a number of challenges. The MFI has the identity that need to be protected within the organization and outside the organization to protect its reputation to customers. Many MFI's operate in communities. The MFI are profit making organization that inspires to operate in long-term basis and offer services to clients by giving them required priority apart from constraints encountered in operation. Both men and women need to be empowered in transforming microfinance programs in order to create good relationship between them. Microfinance acts as a central governor that controlling and monitoring strategies that lead the communities to the right way that will make them to trust the service delivered (Zhuang, et al 2009).

Microfinance institutions in world have made an effort to soften rules and regulations that make use of their products be accessible to achieve the goal of capturing customers.

The experience shows that SME's spend more of their income on their households especially when granted micro credit to increase their incomes, it comes the time of welfare to the whole family to improve ((Tomasic, 2011).

In its report on its survey findings the Special Unit on Microfinance of the UNCDF explains, "Women's success benefits more than one person. Several institutions confirmed the well-documented fact that women are more likely than men to spend their profits on household and family needs. Assisting women therefore generates a multiplier effect that enlarges the impact of the institutions' activities."

Helen Todd (1996) studied Grameen Bank's impact on long-term borrowers in Tangail, Bangladesh. She found that "the most successful families were those husbands and wives working in partnership, where both were major economic actors". She also found that out of the 40 borrowers she interviewed, 10 had no control over their loans. "They were just taking the money and pipelining it to a husband, a son, a father-in-law, or some other male within the household sometimes a male outside the household, which was an even more exploitative situation."

In some cases, studies have revealed that other family members substantially increase their participation both in the business and with the household chores (Okamura, 2011).

Microfinance has the potential to have a powerful impact on household. Household need, want and profit from credit and other financial services. MFI's provide such services at low rates. Wariara Mbugua of UNFPA says, "No longer can this strategy be reduced to simple income generating activities through revolving funds, but rather it entails and includes other elements of empowerment such as leadership, self-management, networking and entrepreneurship" (Mbugua,2000).

### **2.12 Problems facing SME in accessing Credits**

Finance is the key to any development. The growth of small and medium sized enterprises in any country depends much on accessing to finance. In the modern world finance is the driving force to acquire technologies and create competitiveness, in all kind of advancement of development that individual, group, family and nation obtain should be originated from accessing finance (Chijoriga, 2000).

Two major theories can be used to explain the case of deterioration in credit quality in Nigerian banks. First is the theory of adverse selection, where as a result of high collateral demand and high interest rates, credit market boom in the country only favor institutional and individual borrowers who are less considerate of the harsh lending conditions, and who in turn are more prone to default (Ezeoha,2011). According to Llanto and Badiola (2009) many developing countries faced sharply tighter credit and higher interest rates from 2009. Helayel (2009) as quoted by Llanto and Badiola (2009) comments that for the poorest borrowers, who spend most of their meagre incomes on food, the burden of interest payments will be heavier, which may lead to more loan delinquencies.

In developing countries banks use to lend money in low risks and expect high return from borrowers, in doing that there will be no micro enterprises to prosper due to the burden of repayment of debt to banks and give chance large firms to remain champions in business competition (Chijoriga, 2000).

The SMEs face problems of capital generation in the case of international business arena. Most of the international financial institutions do not consider the SMEs situation because they know their financial position in repayment debt to be difficulty therefore there will be no security in the debt (ibid).

Commercial banks and investor do not favour micro enterprises to serve them, it is done purposely to the borrowers of this nature knowingly that they have high risk with insufficient security in borrowing meaning that they cannot provide accounting record of their own business, high costs of getting a credit is one of the reason discourage SMEs in loan application compared to the profit expected from investment and banks fear of insufficient of accounting records that will lead to lack of financial information (Helayel (2009).

Many governments and international financial institutions do subsidize on credits aiming to reduce transaction cost to make many poor people and micro enterprises get ease to access credits, banks in countries with transition economies prefer to lend to government and public sectors (ibid).

### **2.13 Theoretical Review**

In 1950s and 1970s government and donors concentrated much on agricultural credits where subsidies was given to improve productivity and incomes to MEs and low income earners. During 1980s much effort was put on micro enterprises to poor women to invest in small businesses whereby loans were provided to this group to empower them in asset accumulation and increase household income (Chijoriga, 2000).

The prosperity of some micro enterprises depended on the way they design their product, delivery and structure on how it operates and the serious financial institutions that were intentionally to serve the low income earners. MFI's are called "micro" because of the small size of their transactions and "finance" because they provide safe and reliable financial services to the low income earners. The experience has shown that low income earners become good customers of liable in financial institutions. The world of MFI's is diverse. They exist in various legal forms, including non-governmental organizations (NGOs), credit unions, non-banking financial intermediaries and commercial banks (DFID. (2004).

Financial services which are well organized make access to low income earners and micro enterprises to face MFI in ease way that will contribute to create, own and accumulate wealth and assets to enable them be secured (Littlefield et al, 2003).

#### **2.14 Clients of Micro-Finance**

Microfinance clients are those people of low and it difficult for them to access financial institutions formally. These people are of low cadres who most them located in rural areas and are self-employed, household entrepreneurs and small income generating to make their ends meet. Different from rural areas, in urban microfinance have diverse activities such as street vendors, artisans, shopkeepers and service providers. Micro enterprises and self-employed people are group of poor struggle for their survival through the help of microfinance institutions that are the solution of unmet needs (Littlefield et al, 2003).

Micro credit services may increase by microfinance institutions to expand the market scope of products to saving, payment, remittance services and insurance products to poor farmers who wish to save their money after harvesting rather than borrowing money from micro finance the process they see to be difficulty to them (ibid).

### **2.15 Microfinance Institution and Low Income Earners**

The microfinance is the privilege that the low income earners never had it before, the service that tries to raise the standard of living by provide them with credits and savings services that was not a normal thing to the self-employed people to possess, in LDC the poor people have been in the margin of the national economies most of governments do not bother the contributions of the low income earners and regard them to have no security for granting credits (Wrenn, 2005).

The low income earners have been put away from access resources and potential opportunities that could make them prosper and raise their standard of living by increasing incomes (Snodgrass and Sebstad, 2003). Emergence of MFI's came for poorer to LDC which acts as an instrument to provide financial services to low income earners to make them self-employed in activities of their choices.

To make good assessment to micro credit programs is to revisit the targeted group in which the MFI established for capacitating in terms of employment, income, consumption, assets possession, children schooling and nutrition, credits and savings services should be tailored to the needs of micro-entrepreneurs. Hence when the group well access to micro credits has to enjoy the achievements mentioned above (ibid).

Quoting Robinson, William (2003) asserts that lack of access to institutional commercial finance unnecessarily limits the options and lowers the financial security of the people throughout the world. However, when available savings services permit lower income people to store permanent, seasonal, or temporary excess liquidity safely for the future use and to obtain returns on their assets, credit services enable the use of anticipated income for present investment or consumption. If it were widely available, institutional commercial microfinance could improve the economic activities and the quality of life of hundreds of millions of people in the developing world. The presence of both savings and credits sides of microfinance widely is not enough to improve economic activities and standard of living. Microfinance should be very well oriented and distributed.

At the same time, people should be aware of the benefits of microfinance and good skills in order to attain improved economic activities and standard of life.

Business activities will not expand without finance, when are barriers in financial services will have direct impact in enterprise development. To get rid of with vicious circle the financial services should be enhanced to achieve the targeted goals (William (2003). MFIs are very important compared to individual money lenders in the reason that it provides appropriate financial services of lower costs to the low income earners (Llanto and Badiola, 2009).

## **2.16 Empirical Literature Review**

### **2.16.1 Contribution of MFI's to the SME's owners.**

According to Littlefield (2003), MFI is an attractive development strategy for a wide spectrum of actors, combining values of market driven service provision, entrepreneurship, self- help and aid to the poor. The potential for reaching and assisting large numbers of households on a sustainable basis made MFI's a popular development investment in the 1990s. Today, there are thousands of MFI's programmes established with the benefit of development funding.

According to Snodgrass (2002), the AIMS Impact Hypotheses reveals that, participation in micro- finance programs at a household/ family level leads to increased income; increased assets; and increased welfare (in such aspects as food, security, housing and health). In the AIMS framework, a household is defined as a single person or a group of person who usually live and eat together, whether or not they are related by blood, marriage or adoption (Snodgrass et al, 2002). AIMS have undertaken a number of studies on the impact of MFI's services. The studies focused on three different geographical regions; Asia, Africa and Latin America. These regions were operationally sustainable or on their way to achieve operationally sustainability (Snodgrass et al, 2002). The following are some descriptive findings from the three countries studied. In India (Asia) through SEWA Bank, survey from the AIMS studies respondents and their families draw on an average of 2.6% Income sources.

Semi- permanent employment and salaried jobs, both primarily male activities, brought in 17.4% and 11% of household income respectively (Snodgrass et al, 2002). Informal sector activities contributed over 70% of total income. In the two years interval between surveys, the average household income of panel members increased substantially in real terms (Snodgrass et al, 2002).

Thus, for the entire sample the rise averaged 13.9%. Borrowers were able to boost their average incomes by 16.2%, while savers managed an even higher percentage increase (17.3%) and non-clients experienced a smaller 6.8% rise (Snodgrass et al, 2002).

The largest contributors to increasing household income were salaries and semi-permanent employment. Incomes earned by survey respondents in their primary economic activities increased by only 5.4%. Credit and savings in sample households suggest that, loans from SEWA bank supplemented, but did not displace borrowing from Informal sources (Snodgrass et al, 2002). SEWA Bank borrowers borrowed about as much from informal lenders as other households in the sample. No one in the sample had much access to credit from other banks. So SEWA Bank provided “additionally” in access to institutional credit for households in the sample (Snodgrass et al, 2002). Average financial savings were small. SEWA members kept seventy five percent of their financial savings in SEWA Bank accounts. Various forms of Informal savings were also popular, but there was little saving in other banks or in securities (ibid).

In Zimbabwe through Zambuko Trust, the AIMS studies reveal that households in the sample averaged 2.6% income per household in 1997. For continuing clients of Zambuko Trust, average household income was significantly higher in 1997 than the average for departing clients and non- clients (RAM, 2005). Between 1997 and 1999, the average household income for continuing clients fell in real terms while the averages for the other two groups increased. Nevertheless, continuing clients continued to have the highest average household income of the three groups (RAM, 2005).

However, the study conducted by AIMS show the highly dynamic nature of low-income households and the complex ways they respond to downward economic pressures and financial shocks as well as to opportunities (Jalilian, Kirkpatrick, 2005). The studies confirm that the impacts of Microfinance at household level are conditional and heterogeneous.

In two of the three countries, there were positive impacts on the level of household income (total and per capita). Micro-credit improves the ability of household to respond to opportunities as indicated by AIMS findings. They show positive impacts on household income levels, diversification of household income and expectations on and ownership of physical assets (ibid). The findings also show that clients use Microfinance to increase and smooth household income and build assets. Therefore, the findings suggest that Microfinance can improve the ability of clients to respond to opportunities (Jeanneney, and Kpodar, 2005).

Increased income is important for households and can translate into improvements in other aspects of household welfare. Even when household income does not increase, households can still benefit in other ways from Microfinance.

**Table 2.2: Summary of Household Level Findings**

| <b>HOUSEHOLD LEVEL</b>                           | <b>FINDINGS</b>                                                                                                                                                               |
|--------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Household Income level (total and per capital)   | Positive impact in India and Peru, but not in Zimbabwe.                                                                                                                       |
| Household income diversification                 | Increased diversification in Zimbabwe and among the poor in Peru. No impact on diversification of their borrowing or saving in India.                                         |
| Housing improvements and durable goods purchases | Positive impact on both housing and durable goods among repeat borrowers in India. Positive impact on durable goods but not housing in Zimbabwe. No impact on either in Peru. |
| Expenditure on food by the poor                  | Some positive impact in Peru and Zimbabwe. No impact in India, except slight impact for repeat borrowers.                                                                     |
| Ability to cope with shocks.                     | Small positive impacts in India, no impacts in Zimbabwe and small negative impacts in Peru.                                                                                   |

Source: The AIMS- Summary of Household level Findings, 2002

### **2.16.2 Household Income**

The Impact Survey Report of the Mercy Corps International on Micro-credit program in Bosnia-Herzegovina reveals the following; all survey respondents were asked if their household incomes had increased, decreased or remained the same (Muench, 2000). No statistically differences were found when a T-test was used to compare the means of the client and no-client groups.

However, the data results did show that lower percentage of clients than non- clients reported that their household incomes increased or remained the same. For both clients and non-clients almost 50% claimed that their incomes increased between October 1998 and October 1999 (Muench, 2000). When newer clients were compared with non- clients, an interesting result was found; a higher percent of older clients than either non- clients or newer clients reported a stable income over the previous 12 months (Muench, 2000).

The explanation for these patterns can be found in the reasons interviewees gave for why their household incomes increased or decreased (ibid, 2000). Of respondents who reported that their income decreased, 70% of newer clients, 60% of older clients and 58% of non- clients said the drop was due to business difficulties (Muench, 2000). For those interviewees who answered that their income increased, the majority reported the increase was due to either the creation of new business or the expansion of an existing business. Newer clients who used their loans either to start a business or greatly expand their current one, may have experienced more volatile income patterns than clients who are on their second or later loan and thus have greater experience (Muench, 2000).

### **2.16.3 Sources of Household Income.**

The study conducted by UNCTAD (2001) reveals that respondent households in Uganda tended to have one more source of income. Between 1997 and 1999 the change in the average number of income sources was similar between client and non-client households.

In 1999 nearly three-fourths of the respondents ranked an enterprise as their households' most important source of cash income (UNCTAD, 2001). The findings on income sources reveal that respondent households have tended to diversify their sources of income since 1997. Client households were significantly more likely than non-client households to launch a new enterprise and the average number of enterprises begun by the households were significantly higher among client households. Most households do not have wage, salaries, or rental income that provides a steady flow of money. They depend on their enterprises and agricultural production for their livelihood. Thus, MFI programs provide clients the opportunity to establish new enterprises even though the program loans have to be secured by an existing enterprise (UNCTAD, 2001).

Littlefield et al. (2003) say that, Microfinance, and the impact it produces go beyond just business loans. The poor use financial services not only for business investment in their micro enterprises but also to invest in health and education to manage household emergencies and to meet the wide variety of other cash needs that they encounter. Evidence from the millions of Microfinance clients around the world demonstrates that access to financial services enables the poor people to increase their household incomes, build assets and reduce their vulnerability to the crises that are so much a part of their daily lives (Littlefield et al. 2003).

Microfinance clients manage their cash flows and apply them to whatever household priority they judge most important for their own welfare. Thus, Microfinance is an essentially participatory and non-paternalistic development input (Llanto and Badiola (2009).

Access to flexible convenient, and affordable financial service empowers and equips the households to make their own choices and build their way out of poverty in a sustained and self-determined way (Muench, 2000). Microfinance is unique among development interventions. It can deliver these social benefits on an ongoing, permanent basis and on a large scale.

Many well- managed Microfinance institutions throughout the world provide financial services in a sustainable way; free of donor support. Microfinance thus offers the potential for a self- propelling cycle of sustainability and massive growth while providing a powerful impact on the lives of the poor, even the extremely poor (William, 2003).

Microfinance allows household to protect, diversity and increase their sources of income; the essential path out of poverty and hunger. Microfinance also helps safeguard poor households against the extreme vulnerability that characterises their everyday existence. Some components/ services offered like loans and savings help smooth out income fluctuations and maintain consumptions levels even during loan periods (William, 2003), the availability of financial services act as a buffer for sudden emergencies, business risks, seasonal slumps or any event in the family that can push a poor family into destitution.

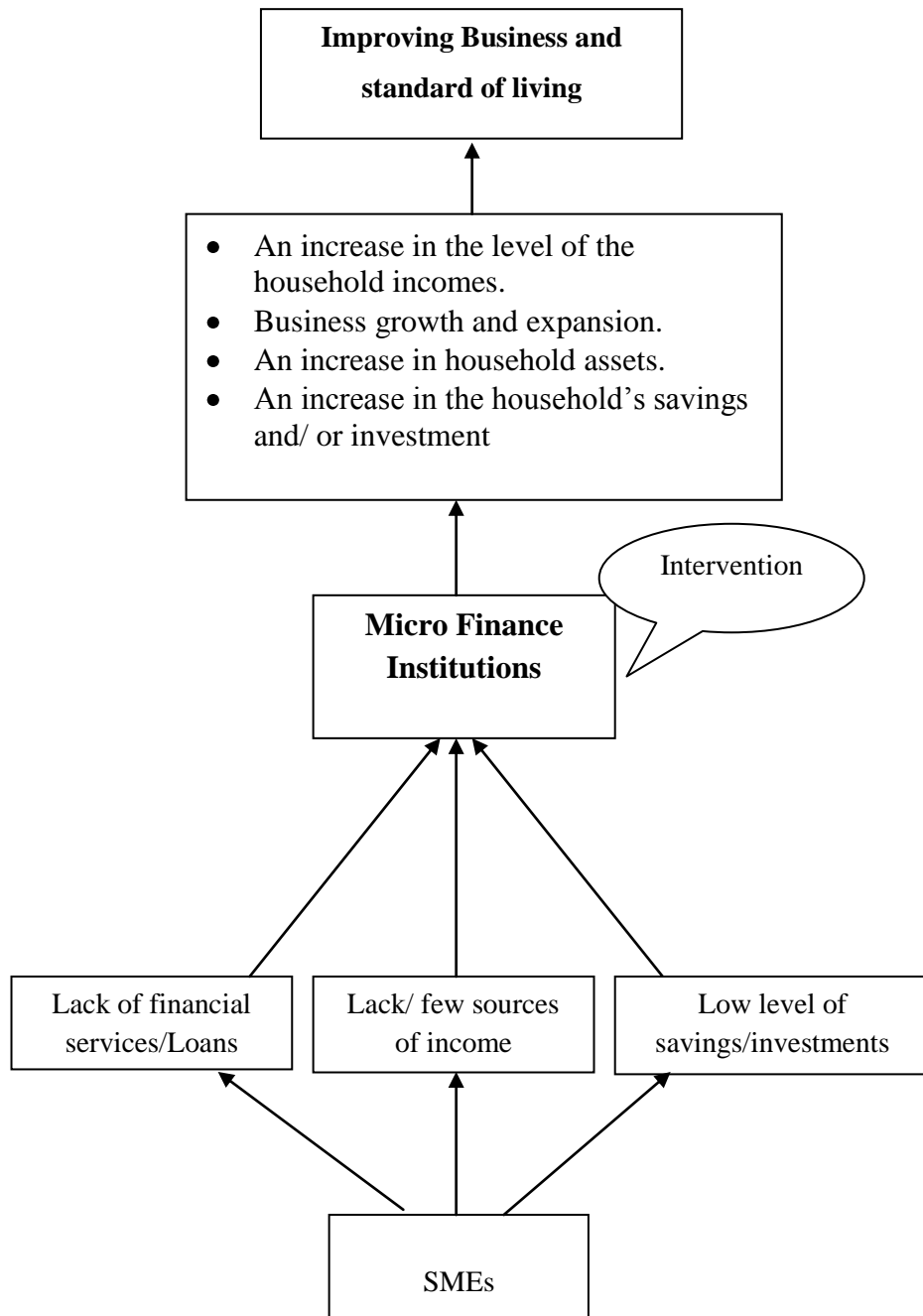
Gulli, (1998) points out that “Microfinance should be seen as the provision of small scale financial services to business and households traditionally kept outside the financial system rather than the more narrow view of Microfinance as services for poor micro enterprise owners”. Likewise, Wagenvoort (2003) argues that small income earners need financial services, not just loans. He shows that programmes that offer only loans force a borrower to obtain deposit, savings and cheque services elsewhere. He further argues that finance is important. Therefore according to him the entrepreneurs of all income levels with appropriate projects will find loans as a development challenge.

Microfinance addresses the key issues of collateral and risk in unconventional ways. When a commercial bank lends money, the borrower is normally required to put up collateral. The poor have no collateral of significant value, thus shutting them out of the commercial credit market. Microfinance Institutions (MFIs) lend against alternative forms of collateral which have proven around the world to be extremely credit guarantees (Llanto and Badiola 2009).

A better understanding of Microfinance issues, based on both best practices and worst practices, has led to more efficient and sustainable Microfinance programs (William, 2003). However, a number of MFIs and their clients and portfolios increase. It is clear that there is a need for an enabling police environment to be put in place at the local and national levels. The objectives of these policies are, first of all, to recognize the beneficial role that MFIs play in saving the needs of low-income households. They also need to focus on support services, both financial and non-financial that MFIs would require (William, 2003).

#### 2.16.4 The Conceptual Model/ Framework

Figure 2.1: The Schematic Model for the growth of SMEs.



Source: Developed by Researcher (2013)

Figure 2.1 above shows the structure of variable relationships that will be investigated and the logical of the variables. This is the schematic conceptual framework for this study.

The model assumes that, low income earners face three problems. These are lack of formal financial sources, few sources of income as well as low level of savings/investments. This situation has made the MFIs to emerge so as to offer financial services to the poor.

Different government authorities, NGOs and CBOs through different strategies have made efforts to change the situation. Various approaches and interventions have been made through the provision of financial services by MFIs. Through these efforts some changes have emerged. Low income earners can now access financial services through MFIs and more opportunities for savings and investments have started to appear.

This chapter discusses an overview of MFIs, the way Micro-finance services are provided, challenges faced by MFIs and clients as well as the contribution of MFIs to the economy. In addition, the chapter discussed the roles of MFIs on households as well as problems facing SME's in accessing loans.

#### **Operational definition;**

- **Improving business and standard of living;** meaning to advance in terms of development growth in SMEs and owners to change lifestyle in a positive way. Indicators of development are such as possession of house, new lands, households furniture, ability to take children to better schools and health centres
- **Increase in the level of the household incomes;** it means that change in earnings, for instance the household manage to possess amount of money that was never before or increase of salaries to employees after the achievement of business through MFIs access.

- **Business growth and expansion;** meaning that household's business to have the new picture by starting small business and become large business in terms of capital and number of employees.
- **An increase of household assets;** meaning through accessing MFIs the household make development in possessing a bungalow instead of owning nothing or a mud hut and other of the same.
- **Increase in the household's savings or investment;** it means that achievement obtained through MFIs accessibility whereby household can save his/her extra amount of money or diversify the business for the growth.
- **Microfinance institutions;** meaning that provides microfinance products and services to low income clients, such as PRIDE, SACCOS, FINCA, TAMFI, NMB and other Commercial banks.
- **Lack of financial services/loan;** meaning that poor or low income earners not easy to access MFIs due to formal and unaffordable formulated policies to get served. Such as to have a loan there should possess a high valuable collaterals and remoteness of the households to reach the service,
- **Lack/few sources of income;** meaning that low income earners have no reliable source of income that will be justifiable to serve the loans when granted.
- **Low level of savings/investment;** meaning that low income earners have hand to mouth business, hence, they have minimal amount to save or invest. Therefore, there is a little chance for them to grow.
- **Low income earners;** meaning that poorer people with low income to them it is difficult to get three meals per day.
- **SMEs;** For the purpose of this study, SMEs refer to enterprises which engage up to 20 people in most cases family members, employing capital, mounting up to 50 million and having a turnover of up to Tshs, 80 million per annum, SMEs are mostly formalized undertakings.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This chapter explains how the research was carried out. Thus the study area, research design, study population, sampling techniques, sample size, data collection methods, data analysis and interpretation, data reliability and viability, data processing and analysis, ethics review, data quality control, work plan and tentative budget.

#### **3.1 Study Area**

This study was conducted in Bukoba Municipal that is located on longitude 31°.45' to 31°.55' and latitude 1°.15' to 1°.00'. The municipal has fourteen wards that are Nyanga, Buhembe, Kahororo, Nshambya, Kagondo, Rwamishenye, Kashai, Hamugembe, Kibeta, Bilele, Miembeni, Bakoba, Kitendaguro and Ijuganyundo. The reason for selecting this area is accessible for the researcher to collect data, run interviews and make follow-up in order to have a successful and reliable research findings. Bukoba Municipality is also an area of experience of the researcher and availability of MFIs.

#### **3.2 Research Design**

To successfully carry out the research, the cross sectional research design was used. This is due to the fact that the study focused on this topic at a particular time of study (Gupta, 2002). This is because this is an academic research which faced a time constraints. Thus, the study employs a survey strategy. In order to conduct an empirical investigation, a descriptive research designs was used. The objective of the descriptive research design is “to portray an accurate profile of a situation” (Gupta, 2002).

### **3.3 Population**

The population in this study was 300 SME's owners and 10 officers from MFIs which carries various business activities in Bukoba Municipality. This study included both formal (businesses which are in conformance with generally accepted standards) and informal businesses which are enterprises which are not separate legal entities independent of the households or household members who own them.

### **3.4 Sampling Techniques**

In selecting respondents to the questionnaires and interview purposive sampling technique was used.

#### **3.4.1 Purposive sampling**

This technique is a bias one that targets the specific respondent to have specific information. Taking into consideration of the nature of the study and the limit of time, the sample was drawn by using purposive or judgmental sampling technique. Under this technique, the researcher picked, 300 SMEs employees for questionnaire and 10 officers from different MFIs for interview who had information regarding to SMEs.

### **3.5 Sample size**

The study involved a sample of 60 Small and Medium-Sized Entreprises, whereby from each SME, 5 employees were picked. Also 10 officers from MFI based at Bukoba Municipality were picked for interview. This made the total sample of 300 SMEs staff for questionnaires and 10 officers from MFIs for interview. The study units were individual entrepreneurs who were owners or managers of their businesses. From each ward, the study purposively picked 10 SMEs, these were those SMEs which had at least once obtained fund from MFIs and put the fund in business furthermore the study selected 5 individuals from each SME.

**Table 3.1: Population and Sample Size of the Study**

| S/No | Wards       | Number of SMEs | Selected Sample | SMEs's Employees |
|------|-------------|----------------|-----------------|------------------|
| 1    | Rwamishenye | 15             | 10              | 5                |
| 2    | Kashai      | 18             | 10              | 5                |
| 3    | Hamugembe   | 12             | 10              | 5                |
| 4    | Miembeni    | 16             | 10              | 5                |
| 5    | Bakoba      | 10             | 10              | 5                |
|      | Total       | 89             | 60              | 300              |

Source: Bukoba Cooperative Union, 2013

### **3.6 Data Collection Methods**

The research employed different techniques such as Questionnaire, observation and in-depth interview were employed in collecting data, both primary and secondary data were used.

#### **3.6.1 Questionnaires**

The total of 300 SMEs' owners within Bukoba municipality that were surveyed using a comprehensive structured questionnaire captured data which reflects the role of Micro financial institutions in financing SMEs. The questionnaires were filled by respondents who were able to read and write.

#### **3.6.2 Interviews**

An interview is a purposeful discussion between two or more (Mark Saunders, et al, 2009, p320). Using the method of interviewing, it helps the researcher to get reliable and valid data which are relevant to the research questions. This technique was used by the study to get additional information from 10 MFIs' officers.

### **3.7 Data Analysis and Interpretation.**

This study used quantitative technique of data analysis. The information obtain from the questionnaires were sorted according to respondents sample groups. Editing was done on accuracy, consistency and completeness of the information and be classified. The information was computerized and processed using SPSS computer software.

The analysis of quantitative data involved production and interpretations through frequency, tabulation and graphs. The SPSS was used to analyse the data that lead to the answer of research question. The dependent and independent variables will be quantitatively measured basing on the ranks and weight which was assigned, on the likert-scale.

### **3.8 Ethical Issues**

A researcher who is conducting human subject research should be aware of the ethical issues. A researcher needs to submit research ethics application for approval before the research. The researcher was ethically bound to respect the participant's human dignity, free and informed consent, privacy and confidentiality, and justice and inclusiveness. Before the study, the participants were informed the nature, purpose and procedures of the study. Participants were free to answer specific questions, and withdraw from this study at any time, for any reason. In all cases the researcher did not press for answers to questions that may embarrass the participants or make them feel uncomfortable.

## CHAPTER FOUR

### PRESENTATION OF FINDINGS

#### 4.1 Introduction

This chapter presents the analyzed data, facts and findings collected from earlier formulated research instruments. The sections in this chapter provide general findings from the field responses. The researcher goes further by discussing what have been obtained.

A total of 300 questionnaires were equally distributed to various respondents from 60 Small and Medium-Sized Entrepreneurs running and managing business at Bukoba Municipality; 10 officers from different MFIs at Bukoba were interviewed.

#### 4.2 The profile of the respondents

The profile of the respondents included in this study includes; gender, age range, marital status, education and type of business. A collection of facts with regard to profile of the respondents are summarized on table 4.1, table 4.2, table 4.3, table 4.4 and table 4.5 below:

**Table 4.1: Gender of the Respondents**

|        | Frequency | Percent |
|--------|-----------|---------|
| Male   | 215       | 71.7    |
| Female | 85        | 28.3    |
| Total  | 300       | 100.0   |

Source: The researcher (2013)

The vast majority of the respondents, gender wise, were men 71.7% while women were just 28.3%. As it has been in many areas, women are just dominated.

**Table 4.2: Age Range**

|                | Frequency | Percent |
|----------------|-----------|---------|
| Below 18 years | 14        | 4.7     |
| 18- 28 years   | 18        | 6.0     |
| 29-38 years    | 123       | 41.0    |
| 39- 48 years   | 61        | 20.3    |
| 49-58 years    | 64        | 21.3    |
| 59 and Above   | 20        | 6.7     |
| Total          | 300       | 100.0   |

Source: The researcher (2013)

From table 4.2 above, many respondents' age ranges between 29-38 years (41%), 39 – 48 years (20.3%), 49-58 years (21.3%) while respondents who range between 18-28 years are just 6% and those above 59 years are 6.7%

**Table 4.3: Educational Level of the Respondents**

|                     | Frequency | Percent |
|---------------------|-----------|---------|
| None                | 4         | 1.3     |
| Primary Education   | 41        | 13.7    |
| Secondary Education | 170       | 56.7    |
| Certificate Level   | 30        | 10.0    |
| Diploma Level       | 45        | 15.0    |
| University Level    | 10        | 3.3     |
| Total               | 300       | 100.0   |

Source: The researcher (2013)

If you look at the table 4.3 above is surprising that most of these entrepreneurs are not such much educated. Most of them are having secondary education (56.7%), it is strange that university level are just 3.3%, diploma level 15% and certificate level 10%.

**Table 4.4: Marital Status**

|          | Frequency | Percent |
|----------|-----------|---------|
| Married  | 188       | 62.7    |
| Single   | 37        | 12.3    |
| Widowed  | 37        | 12.3    |
| Divorced | 38        | 12.7    |
| Total    | 300       | 100.0   |

Source: The researcher (2013)

A careful scrutiny from above table (4.4) reveals that married people are much involved in entrepreneurship (62.7%); single people are made by only 12.3%, widowed 12.3% and divorced 12.7%.

**Table 4.5: Type of Business Enterprise**

|                      | Frequency | Percent |
|----------------------|-----------|---------|
| Manufacturing        | 34        | 11.3    |
| Service              | 101       | 33.7    |
| Commercial and Trade | 165       | 55.0    |
| Total                | 300       | 100.0   |

Source: The researcher (2013)

Many of these entrepreneurs from Bukoba Municipality, are concentrated in doing commercial and trade (55%), while service is done by only 33.7% of the respondents, manufacturing has the lowest number of business people, it comprise only 11.3%, this is displayed in table 4.5 above

### **4.3 The objectives of the study**

At this juncture, the study presents the findings as per the three established objectives; this study's specific objectives are, to examine the extent to which SMEs develop measures for the growth in Bukoba Municipality, to find out the extent to which Microfinance Institutions improve business growth and living standard of SMEs owners and to analyse on how utilization of the financial services provided by Microfinance Institutions support the improvement of household's income.

### 4.3.1 The extent to which SMEs develop Measures for Growth

The first objective of this study was to examine the extent to which SMEs develop measures for their growth in Bukoba Municipality. Measures for growth are determined by many things such as registration of SMEs in business, ability to remain in business for a long time, the size of loans being received by the SMEs etc. To be able to address this objective the researcher used several questions in the prepared questionnaire. The study wanted to know if business of the respondents SMEs were legally registered. And SME cannot start grow if at first it is not registered as a legal business, through registration SMEs increased the level of credibility in receiving loans, for instant without having TIN (Taxpayer Identification Number) you could not be granted loan, the results are summarised on table 4.6 below

**Table 4.6 Business Registration**

|       | Frequency | Percent |
|-------|-----------|---------|
| Yes   | 222       | 74.0    |
| No    | 78        | 26.0    |
| Total | 300       | 100.0   |

Source: The researcher (2013)

The above table reveals that, the vast majority of the businesses (74%) are registered businesses; only 26% of the businesses are not registered. Unregistered businesses are unlikely to grow as they will be faced with a lot of legal problems, such as inability to access loans from MFIs, which in turn means no growth.

With regard to this objective, the study also wanted to know how long the respondents have been in the business, the answers are summarized in table 4.7 below;

**Table 4.7: Duration of being in SMEs**

|                   | Frequency | Percent |
|-------------------|-----------|---------|
| Less than 1 year  | 20        | 6.7     |
| 1-2 years         | 80        | 26.7    |
| 3-5 years         | 160       | 53.3    |
| More than 5 years | 40        | 13.3    |
| Total             | 300       | 100.0   |

Source: The researcher (2013)

From the table above, it shows that many of these businesses have not been in operation for a long time, most of them (26.7% and 53.3%) have been in operation between 1-2 years and 3-4 years respectively, the oldest firms are only 13.3% and the youngest firms are only 6.7%. This (short duration) indicates that growth in respect to experience is minimal, hopeful after some more years, these SMEs will be reached the standard stature of growth in the area of experience in the business. Those who have been the business for a long time (more than 5 years) are on the advantage side, as already have massive experience of market, networking and operation skills such as financial analysis.

On respect of the same objective, the study wanted to know the size of loan (size of loan is the amount of money borrowed in relation to value of proposed business) the businesses normal apply.

The size of the loan is determined by factors, the value of the current property the business has and the borrower's qualifying ratios and credit history. One can notice on table 4.8 below that many of these firms take small size loans, as one can notice, 66% of them take small loans, and 26.7% only take the large loans while 7.3% use their own resources. It follows then that as long as these SMEs stick to small size loans, their growth pace won't be impressive, it will take a little bit longer to reach the highest growth.

**Table 4.8: Loan Size of the Business/SMEs**

|                   | Frequency | Percent |
|-------------------|-----------|---------|
| Small loans       | 198       | 66.0    |
| Large loans       | 80        | 26.7    |
| Use own resources | 22        | 7.3     |
| Total             | 300       | 100.0   |

Source: The researcher (2013)

Furthermore, the study wanted to have information on the frequencies which the businesses at Bukoba receive entrepreneurship skills such as sales skills, motivational skills, time management skills and finance management skills. To be able to reveal the level of the measures SMEs take for the growth. Table 4.9 below reveal that 24% of the firms have got the entrepreneurship skills several times, 7.3% of the businesses got the skills rarely while the vast majority of the respondents (68.7%) have never received any of the entrepreneurship skills.

**Table 4.9: Receiving Business and Entrepreneurship Skills**

|                     | Frequency | Percent |
|---------------------|-----------|---------|
| Several Times(7-15) | 72        | 24.0    |
| Rarely (1-7)        | 22        | 7.3     |
| None (0)            | 206       | 68.7    |
| Total               | 300       | 100.0   |

Source: The researcher (2013)

In connection to entrepreneurship skills possible frequencies acquisition, the study also inquired about SMEs forums attended since the beginning of the business. These forums bring together various SMEs to discuss their performance, challenges and the best ways to get solutions; it is through these forums great networking is established with other SMEs stakeholders such as the government. The results are summarized on table 4.10 below.

**Table 4.10: SMEs forums attended since inception of Business**

|             | Frequency | Percent |
|-------------|-----------|---------|
| Many (4-10) | 71        | 23.7    |
| Few (1-4)   | 112       | 37.3    |
| None (0)    | 117       | 39.0    |
| Total       | 300       | 100.0   |

Source: The researcher (2013)

The table display that 23.7% have attended many (number of times an SME has attended forums) SMEs forums, 37.3% have attended few SMEs forums and many of the respondents (39%) from these SMEs have never attended any SMEs forums. It follows then that the firms which have not attended the forums (39%) and those who have rarely attended (37.3%) will be missing exposure and networking which normally results from these forums and hence jeopardizing their chances for growth.

**Table 4.11: Nature of SME**

|                         | Frequency | Percent |
|-------------------------|-----------|---------|
| Private Limited Company | 80        | 26.7    |
| Public Limited Company  | 21        | 7.0     |
| Partnership             | 103       | 34.3    |
| Sole Proprietor         | 10        | 3.3     |
| Family Owned Business   | 83        | 27.7    |
| Others                  | 3         | 1.0     |
| Total                   | 300       | 100.0   |

Source: The researcher (2013)

Further investigations reveal that there are different nature of SMEs, 26.7% of the SMEs are private Limited Companies,7% are public limited companies,34.3 % of SMEs are partnerships,3.3% of SMEs are sole proprietor SMEs, family owned businesses make 27.7% of all the SMEs in Bukoba, while others are by just 1%,all these are as per table 4.11 above. Since majority of these companies partnership, it follows then that business risks are minimized hence incredible growth.

Public limited companies are also many, which means that many people from general public can join these SMEs through share buying hence boosting its growth.

As per table 4.12 below, most of these companies have been in business for less than 5 years, some of them (23.3%) have been in operation between 5 and 10 years, between 11 and 15 years there are 20% while 21% of the companies have been operating between 16 and 20 years, companies which have been there over 20 years are only 6.7%. Since the experience is low growth pace is slow, with time however, the speed of growth will increase.

**Table 4.12: Duration of Company's Operations**

|                          | Frequency | Percent |
|--------------------------|-----------|---------|
| Less than five (5) years | 85        | 28.3    |
| Between 5 and 10 years   | 70        | 23.3    |
| Between 11 and 15 years  | 60        | 20.0    |
| Between 16 and 20 years  | 65        | 21.7    |
| Over 20 years            | 20        | 6.7     |
| Total                    | 300       | 100.0   |

Source: The researcher (2013)

Basing on the fact that the vast majority of the SMEs are registered businesses, and that they have been receiving a substantial number of entrepreneurship skills, and that most of these firms are young with the great potential to grow it is concluded that these firms are walking through the required measures of growth with big chance to grow more.

#### **4.3.2 The extent to which MFIs improve business growth and living standard of SMEs owners**

The second objective of this study was to find out the extent to which Microfinance Institutions improve business growth and living standard of SMEs owners. The study therefore posed several questions in the questionnaire to get the extent at which MFIs improve business growth and living standard of SMEs owners.

The study therefore asked the respondents if businesses have grown up after receiving loans from MFIs. Growth criteria are determined by positive change of capital, more number of staff and increment in profitability. Table 4.13 display the findings as it is shown that 63.7% agree that there is a significant growth of their businesses after the receipt of loans from MFIs, only 36.3% have different views on that as they said there have been no growth of their businesses. Business growth is manifested by increased revenue, greater good sales and increasing of profitability. Gained profits will be used to boost SMEs owners' standard of living by enabling them to buy lands, build better houses, taking their children to better school and hospitals.

**Table 4.13: Growth after loan received from MFIs**

|       | Frequency | Percent |
|-------|-----------|---------|
| Yes   | 191       | 63.7    |
| No    | 109       | 36.3    |
| Total | 300       | 100.0   |

Source: The researcher (2013)

In connection to the same objective, it was the interest of the researcher to reveal if at all MFIs offers training to SMEs, the study therefore asked the respondents to say whether they have been receiving training from SMEs or not. Table 4.14 below reveal the findings, whereby 74.7% of the respondents claimed to have not been receiving the training while on the other side 25.3% claimed that they have been receiving the training. Interview with those went through training reveals that skills with regard to finance management and sales were acquired from MFIs' training for SMEs which make them to perform well as a company.

**Table 4.14: Receiving of entrepreneurial training from MFIs**

|       | Frequency | Percent |
|-------|-----------|---------|
| Yes   | 76        | 25.3    |
| No    | 224       | 74.7    |
| Total | 300       | 100.0   |

Source: The researcher (2013)

Furthermore the study inquired to know if there is any technical support SMEs got from MFIs, technical support are highly required to help SMEs to make sure funds have a better impact on the ground. As per the table below (table 4.15) it still discouraging to know that it is little what MFIs offered technical to support SMEs as 76.3% said no while 23.7% said yes as per table below.

**Table 4.15: Technical support offered from MFIs**

|       | Frequency | Percent |
|-------|-----------|---------|
| Yes   | 71        | 23.7    |
| No    | 229       | 76.3    |
| Total | 300       | 100.0   |

Source: The researcher (2013)

However as per table 4.16 below, it is revealed that MFIs in Banks and SACCOS are the organisations which have been highly supporting SMEs in Bukoba contrary to the government which offers support only indirectly through guaranteeing SMEs to get loans from banks. It can be seen that respondents who say the government (central) offers support are 8.3%, local government are 11.7%. On the other hand those who are saying banks are 50.7% and SACCOS are 29.3%.

**Table 4.16: Organizations which support SMEs in Tanzania**

|                  | Frequency | Percent |
|------------------|-----------|---------|
| Government       | 25        | 8.3     |
| Local Government | 35        | 11.7    |
| Banks            | 152       | 50.7    |
| SACCOS           | 88        | 29.3    |
| Total            | 300       | 100.0   |

Source: The researcher (2013)

**Table 4.17: SME's are viewed to have low credibility by MFIs**

|                   | Frequency | Percent |
|-------------------|-----------|---------|
| Strongly Agree    | 209       | 69.7    |
| Agree             | 70        | 23.3    |
| Disagree          | 7         | 2.3     |
| Strongly disagree | 9         | 3.0     |
| Undecided         | 5         | 1.7     |
| Total             | 300       | 100.0   |

Source: The researcher (2013)

Table 4.17 above however; show that SMEs are viewed as organisations which have low credibility by MFIs. The vast majority (69.7%) of the respondents strongly agree with the statement and 23.3% agree. On the other side 2.3% disagree, 3% strongly disagree and 1.7% undecided on the claim that SMEs are viewed to have low credibility by MFIs. Most of the time banks and other MFIs have been reluctant to offer loans to SMEs at the required speed; this is confirmed to higher levels of degree of hurdles to be met by SMEs before they receive the loans.

MFIs therefore improve SMEs operations which in turn make the life of SMEs owners, its employers and its suppliers of materials better off. However there is more room for improvements if MFIs will increase the level of trust and consider SMEs to be credit worth.

### **4.3.3 How loan provided by MFIs support the improvement of SMEs and household's income**

This study aimed at analysing on how utilization of the loans provided by Microfinance Institutions support the improvement of household's income. Just as it was argued by Bulow and Maro (1995) financial sector has positive effects on poverty reduction, though is cumbersome to show direct effects of access to financial services on poverty alleviation this is due to lack of data. Several questions were put forward to with regard to this objective as summarized below.

The study wanted to verify first them to what extent loans have been taken by SMEs at Bukoba Municipality. Many of the businesses at Bukoba have taken loans from MFIs several times, 80.1% of the respondents conceded that, very insignificant number of businesses have taken the loan once (16.6%) while only 3% have not taken the loan, this is as per table 4.18 below.

**Table 4.18: Number of times Business has taken Loan**

|                     | Frequency | Percent |
|---------------------|-----------|---------|
| Once (1)            | 50        | 16.6    |
| Several Times (2-5) | 241       | 80.1    |
| None (0)            | 9         | 3.0     |
| Total               | 300       | 100.0   |

Source: The researcher (2013)

Now, since the level of loan taken by SMEs is high, then it was logical to find out if the loan obtained and utilized has helped SMEs to grow and perform well. The study therefore asked the respondents to show their level of agreement on the contention that MFI plays major role in the performance of SMEs in Bukoba, table 4.20 reveals that 46.5% of the respondents strongly agree with that contention, 36.2% of the respondents agree with the statement, 5% strongly disagree and 2.7% are undecided.

**Table 4.19: MFI plays major role in the performance of SMEs**

|                   | Frequency | Percent |
|-------------------|-----------|---------|
| Strongly Agree    | 140       | 46.5    |
| Agree             | 109       | 36.2    |
| Disagree          | 28        | 9.3     |
| Strongly disagree | 15        | 5.0     |
| Undecided         | 8         | 2.7     |
| Total             | 300       | 100.0   |

Source: The researcher (2013)

Furthermore the study went deep to straight away require the respondents to show their level of agreement on the argument that loan provided to SMEs by MFI helps to improve their business.

Those who strongly agreed with that were 85.7%, those who agree were 3%, those who disagree were 2.3%, strongly disagreed were 5% and undecided on this were 3.7% as per table 4.20 below.

**Table 4.20: Loan provided to SMEs by MFI helps to improve their business**

|                   | Frequency | Percent |
|-------------------|-----------|---------|
| Strongly Agree    | 258       | 86.0    |
| Agree             | 9         | 3.0     |
| Disagree          | 7         | 2.3     |
| Strongly disagree | 15        | 5.0     |
| Undecided         | 11        | 3.7     |
| Total             | 300       | 100.0   |

Source: The researcher (2013)

The above findings implies that loan provided by MFIs to SMEs has massively boosted their business and performance in general, this means SMEs owners are in position to meet the needs of their families, households income is therefore increased hence business owners can buy food for their families, take their children to better schools, meet health expenses, being in position to buy houses and other domestic equipments.

## **CHAPTER FIVE**

### **DISCUSSION OF THE FINDINGS**

#### **5.1 Introduction**

This study was intended to evaluate the contribution of Micro-finance Institutions to the growth of small and medium enterprises in Bukoba Municipality. The findings have covered respondents profile such as age, education level and experience of small business owners and operators.

At this particular chapter the researcher discusses the results obtained in chapter four by revealing the contribution of Micro-finance Institutions to the growth of small and medium enterprises. This discussion is done according to the objectives and research questions of this study as indicated in chapter one and results shown in chapter four.

#### **5.2 The extent to which SMEs develop Measures for Growth**

Exploration on the extent to which SMEs develop measures for the growth in Bukoba Municipality was the first objective of this study. The summary of the findings show that many of these SMEs at Bukoba have developed important measures for growth such as business registration, preparation of training. As far as business is concerned, it is good because it is one of the legal requirements in Tanzania, in Tanzania, all business entities require legal registration and a business license to operate in the country, SMEs as type of the business must therefore be registered to operate smoothly (US Commercial Service, 2011).

However, the study reveals that these SMEs have big weaknesses in other measures such as the size of loans taken as most of them (66%) take small loans, lack of entrepreneurship skills as vast majority of the SMEs (68.7%) have got none of it, lack of attendance to SMEs' forums as most of them has attended few times (37.3%) or not at all (39%) since the inception of the business.

The above findings such as those on lack of skills with SMEs in Bukoba are considered as great elements which influence the growth of SMEs negatively, Bulow and Maro, (1995) showed provision of knowledge and skills of entrepreneurship is critical in the growth of SMEs, if SMEs miss this critical element will slow down the growth of the SMEs. They should therefore begin to give weight to those important measures to boost up their growth as business companies.

### **5.3 The extent to which MFIs improve business growth and living standard of SMEs owners**

The second objective of the study was to determine the extent at which MFIs improve business growth and living standards of SMEs owners, questions posed in the questionnaire reveal that many SMEs (63.7% ) had their businesses grown up after they have received loans from MFIs. Furthermore the study reveals that MFIs are the main supporters of SMEs in Tanzania. The loan acquired by the firms and wisely invested yield positive results such as increase of profitability, which can be re-invested or used to support owners' life. The study reveals that business owners have managed to buy lands, build houses, buy household equipment, taking their children to better schools and afford to feed their families as a result of profits earned from their SMEs.

This supports the findings of Chijoriga and Cassimon, (1997) who argue that Microfinance Institutions emerged to serve the financial needs of un-served or underserved group of people (SMEs) in the community as a means of meeting development objectives, also Khandker, (1998) argue that Microfinance Institutions (MFIs) have evolved as economic development organisations intended to benefit low-income households.

However there is lack of technical support to SMEs from MFIs, and at the same time SMEs are viewed as organisations which have low credibility by MFIs. This is contrary to the findings of Bendera (1997) who suggests that the priority should be given to micro enterprises, self-employment activities and household enterprises.

Among other things, priority includes taking care of issues such as having fair and affordable and relatively lower interest rates, training to SMEs technical support such as tactics and strategies to win market. These are considered to be important drivers for achieving social and economic development.

#### **5.4 How loan provided by MFIs support the improvement of SMEs and household's income**

The third objective of study aimed at analysing on how utilization of the financial services provided by Microfinance Institutions support the improvement of household's income. The study revealed that there the respondents to show their level of agreement on the argument that loan provided to SMEs by MFI helps to improve their business. Those who strongly agreed with that were 85.7%, those who agree were 3%, those who disagree were 2.3%, strongly disagreed were 5% and undecided on this were 3.7%.

Through interview it is revealed that the improved business as a result of loans will have health financial status (high profits), greater products sales to mention few due enabled investment. This would then spilled over and have positive significant effect to the income of the owners of the SMEs.

This is because financial services which are well organized make access to low income earners and micro enterprises to face MFI in ease way that will contribute to create, own and accumulate wealth and assets to enable them be secured (Littlefield et al, 2003).

## **CHAPTER SIX**

### **SUMMARY AND POLICY IMPLICATIONS**

#### **6.1 Introduction**

This chapter presents the summary, conclusion and policy implication with reference to the findings found in previous chapter in order to help all stakeholders in Small and Medium Enterprises.

#### **6.2 Summary of the study**

The study's prime objective was to evaluate the contribution of Micro-finance Institutions to the growth of small and medium enterprises in Bukoba Municipality. Specifically the study aimed at examining the extent to which SMEs develop measures for the growth in Bukoba Municipality, finding out the extent to which Microfinance Institutions improve business growth and living standard of SMEs owners, analysing on how utilization of the financial services provided by Microfinance Institutions support the improvement of household's income.

The study focussed on 60 Small and Medium-Sized Entrepreneurs running and managing their businesses and 10 officers from MFI based at Bukoba Municipality. Various methods of data collection were used to gather data for this study; methods such as questionnaire, interview, and documentary review were employed. Analysis means the computation of certain indices or measures along with searching for patterns of relationship that exist among the data groups, the SPSS was used to analyse the data that lead to the answer of research question.

The results from analysis and discussion show that many of these SMEs at Bukoba have developed important measures for growth such as business registration, possession of substantial experience in business. However, the study revealed that these SMEs have big weaknesses in other measures such as the size of loans taken as most of them take small loans, lack of entrepreneurship skills as vast majority of the

SMEs have got none of it, lack of attendance to SMEs' forums as most of them has attended few times or not at all since the inception of the business.

More results revealed that MFIs are the main supporters of SMEs comparing to other institutions such as central and local government, loans from MFIs have helped a great growth to most of the SMEs at Bukoba. However it was found that there is a considerable lack of technical support from SMEs, the majority of MFIs end in offering loans with no technical support such as the best way to perform their business.

The study revealed that it is not easy for SMEs to obtain loans from MFIs, with high interest rate and collateral security mentioned as main constraints in obtaining credits.

### **6.3 Conclusion**

The summary of the findings show as per the first objective show that many of these SMEs at Bukoba have developed important measures for growth such as having their businesses registered, preparation of training. As far as business registration is concerned, it gives them qualifications for loan provisions and it is good because it is one of the legal requirements in Tanzania, in Tanzania, all business entities require legal registration and a business license to operate in the country, SMEs as type of the business must therefore be registered to operate smoothly (US Commercial Service, 2011). However, the study reveals that these SMEs have big weaknesses in other measures such as the size of loans taken as most of them take small loans.

The second objective of the study was to determine the extent at which MFIs improve business growth and living standards of SMEs owners, employees and suppliers. The study reveals that business owners and their employees have managed to buy lands, build houses, buy household equipments, taking their children to better schools and afford to feed their families as a result of profits earned from their SMEs.

The third objective of study aimed at analysing on how utilization of the financial services provided by Microfinance Institutions support the improvement of household's income. The study revealed that there the respondents to show their level of agreement on the argument that loan provided to SMEs by MFI helps to improve their business. Through interview it is revealed that the improved business as a result of loans will have health financial status (high profits), greater products sales to mention few due enabled investment. This would then spilled over and have positive significant effect to the income of the owners of the SMEs.

This is because financial services which are well organized make access to low income earners and micro enterprises to face MFI in ease way that will contribute to create, own and accumulate wealth and assets to enable them be secured (Littlefield et al, 2003).

#### **6.4 Recommendations**

The current study has identified the contribution of MFIs to the growth of SMEs in Bukoba municipality is not as expected, the support is a little bit impressive and still a lot have to be done to address problems and constraints such as lack of technical support from MFIs and limited access to loans. This study is therefore recommend that;-

- ❖ There should be a close relationship between MFIs and SMEs to find out the best way to work together for mutual benefits. This will eventually provide room for discussion of the existing problems and come up with better solutions. On the same thinking the study recommends that there should be more forums whereby MFIs and SMEs meet and discuss issues related to loans and business
- ❖ The financial institutions need back their money; therefore, in order to be assured of their money the borrowers should have proper and adequate business knowledge, and skills imparted to their clients. Taking into account the fact that most of the borrowers are inexperienced, they need to be able to cope with the global economy which is becoming broader less with major competitors

penetrating the markets, and calling for the “survival for the fittest.” If the SMEs do not have the required business skills to analyze market opportunities, run profitable businesses professionally, they might fail due to stiff competition and as a result repayment of their loans would thus become difficult if not a nightmare and hence the financial institutions being at risk.

- ❖ To be fair, the government should work with the financial institutions to set up a preferential policy amendment that will give women entrepreneurs’ credit priority. For example, there could be a special basket fund to empower SMEs economically with relatively lower interest rates and better repayment schedules in order to reduce the repayment burden.
- ❖ Furthermore, the credit institutions should implement a flexible loan system that does not keep the SMEs in hard conditions once they fail to repay their installments in time. It has been observed that failure to repay the installment within two periods makes the borrower harassed something that would have required a discussion with the borrower to see the cause of the failure and solve the problem together.

### **6.5 Areas for further researches**

Further research can be done on other concepts related to the role of MFIs in supporting SMEs such as concentration on SMEs which are run by women or young people only, coverage to other geographical areas are encouraged. Studying facets of SMEs where Microfinance are doing better, for example other studies can be done to compare how MFIs support, help in SMEs in tourism against SMEs involved in agriculture.

## REFERENCES

- Adam,J. and Kamuzora, F. (2008). *Research Methods for Business and Social Studies*. Mzumbe Book Project: Mzumbe University, Morogoro Tanzania.
- Chijoriga, M. M. (2000): “The Performance and Sustainability of Micro Finance Institution in Tanzania” Working Paper.
- Chijoriga, M.M, D. Cassimon (2001); Micro Enterprise Financing: Is There a Best Model? Education limited Harlow England Firm Growth: Does Firm Size Matter?” *Journal of Finance* 60, 137–177.
- DFID. (2004). *Financial Sector Development: A pre-requisite for Growth and Poverty Reduction?* Department for International Development (DFID), Policy Division.
- Eelinaza,A (2013) *Government Focuses on Boosting SMEs* retrieved from <http://www.dailynews.co.tz/index.php/biz/22671-government-focuses-on-boosting-smes> on 20/10/2013
- EU (2013) *Improving access to finance for SMEs: key to economic recovery*, Brussels, retrieved from [http://europa.eu/rapid/press-release\\_MEMO-13-393\\_en.htm](http://europa.eu/rapid/press-release_MEMO-13-393_en.htm) on 20/07/2013
- Ezeoha A.E (2011) *Banking consolidation, credit crisis and asset quality in a fragile banking system: Some evidence from Nigerian data*, *Journal of Financial Regulation and Compliance* Vol. 19 No. 1, pp. 33-44 ,Emerald Group Publishing Ltd
- Filipović,S. and Petraković, D. (2005) *SME Sector Development by Improving*

*Financial Support: Serbia Compared To Other See Countries*, South-Eastern Europe Journal of Economics 2 (2005) 273-293

Goodhart, C. A. E. (2004). *Financial Development and Growth: Explaining the Links*. Palgrave Macmillan, New York.

Gupta, S.P. (2002): *Statistical Methods*. Sultan Chand & Sons 23, Daryaganj, New Delhi-110002.

Jalilian, H. and Kirkpatrick, C. (2005). *Does Financial Development Contribute to Poverty Reduction*. Journal of Development Studies, 41: 636-656.

Jeanneney, S. G. and Kpodar, K. (2005). *Finance Development, Finance Instability and Poverty*, CASE WPS/2005-09. University of Auvergne.

Kachesa, (2000); *Rural Finance Expansion: Experience in commercialization. Selected South African Micro Finance Case Studies in Rural Financing*.

Kessy, S.A and Urio, F (2006). *The Contribution of Microfinance Institutions to Poverty Reduction in Tanzania*, Research Report No. 06.3 – REPOA, Mkuki na Nyota Publishers, Dar es Salaam

Khemraj, T and Pasha S. (2009) *The determinants of non-performing loans: an econometric case study of Guyana*. Presented at the Caribbean Centre for Banking and Finance Bi-annual Conference on Banking and Finance, St. Augustine, Trinidad

Kinde, A.B (2012) *Financial Sustainability of Microfinance Institutions (MFIs) in Ethiopia*, European Journal of Business and Management, Vol 4, No.15,

- Kombo, D.K. and Tromp D.L.A (2006). *Proposal and Thesis Writing. An Introduction*: Nairobi, Paulines Publications Africa. Don Bosco Printing Press.
- Kothari, Cc. R (1997): *Research Methodology*, 2nd Ed. Wishwa, Prakashan, New Delhi, India.
- Krishnaswami, O.R and Ranganatham .M. (2009). *Methodology of Research in Social Sciences*. Himalaya Publishing House. Mumbai.
- Leonidas; K. (2011) *Rural Finance Challenges in Tanzania – the case of Kibaigwa Financial Services and Credit Cooperative Society (KIFISACCOS) in Kongwa District*, Business Minds Africa
- Lin,J.Y and Li,Y (2001) Promoting the Growth of Medium and Small-sized Enterprises through the Development of Medium and Small-sized Financial Institutions;Economic Research Journal
- Littlefield, E., Murdugh, J. & Hashemi, S. (2003): *Is Microfinance an Effective Strategy to Reach the Millennium Development Goals? Focus Note Series no. 24*. Washington: CGAP -Consultative Group to Assist the Poor.
- Llanto G.M and Badiola J.A.R (2009) *The Impact of the Global Financial Crisis on Rural and Microfinance in Asia; Discussion Paper Series No. 2009-24 (Revised)*; Philippine Institute for Development Studies, Makati City, Philippines
- Maliti, E. and Mnenwa R. (2008) *The Role of Small Business in Poverty Alleviation; The Case of Dar es Salaam*, Tanzania; Research Report 082,Dar es Salaam, REPOA

- Man, T.W.Y., Lau, T and Chan,K.F(2002) The competitiveness of small and medium enterprises : A conceptualization with focus on entrepreneurial competencies; *Journal of Business Venturing*,Vol;17 Is. 2
- Matabisi, L. M. (2010). *Microfinance as a tool for financial services reconstruction in post-conflict communities: A study of post-conflict microfinance in the Democratic Republic of Congo*. Retrieved by <http://academicarchive.snhu.edu> on 28/6/2013
- Mbugua, W. (2000) *Gender and HIV/AIDS: Social Mobilization and the Role of Leaders, Technical Support Division, UNFPA, New York*
- Meyer, R (1989): “Financial services for Micro-enterprises: Programmes or Markets?”In Levitsky, J (Ed): *Micro-enterprises in the Developing Countries*.IT Publication, London-United Kingdom.
- Muench, S (2000): *Impact Survey Report of the Mercy Corps’ International- Micro-credit Program. Bosnia- Herzegovina. -Submitted to Microfinance Centre-Warsaw, Poland.*
- Okamura,K.(2011) *When banks pick lemons: The Reputational Impact of borrower Bankruptcy on other borrowers*; University of Oxford
- Olomi, R.(2005) *Enhancing SMEs Contribution to Employment And Poverty Reduction Within National Poverty Reduction Strategy.*
- Pradhan R.P (2010) *The Nexus between Finance, Growth and Poverty in India: The Cointegration and Causality Approach*;Vinod Gupta School of Management; Indian Institute of Technology Kharagpur, India, *Asian Social Science* Vol. 6, No. 9

- RAM Consultancy Services (2005): SME Access to Financing: Addressing the Supply Side of SME Financing. REPSF Project No. 04/003
- Rutashobya,L.(2001) Female Entrepreneurship in Tanzania:Constraints and Strategic Considerations.Proceedings of the International Academy of African Business and Development,Washington,D.C.,
- Saunders, M.L.P. & Thornhill, A (2009) Research method for business students. Pearson
- Schiffer, M. and B. Weder, 2001. "Firm Size and the Business Environment: Worldwide Survey Results". IFC Discussion Paper, 43. The World Bank, Washington DC
- Sinha.S. and Patole,M. (2002) *Microfinance And The Poverty Of Financial Services: How the Poor in India Could be Better Served* ;EDA Rural Systems PVT Ltd ,Gurgaon, India
- Snodgrass, D. and Sebstad, J. (2002): Synthesis Report Client in Context: The Impacts of Microfinance in Three Countries – AIMS, Washington, D.C. USA. -Report Submitted to Monique Cohen, Ph. D. Office of Micro Enterprise Development Global Bureau, USAID.
- The United Republic of Tanzania: Ministry of Finance (MoF) (2000): The National Micro-Finance Policy. Dar es Salaam-Tanzania.
- Tomasic, R (2011) *The financial crisis and the haphazard pursuit of financial crime*, Journal of Financial Crime Vol. 18 No. 1, pp. 7-31 Emerald Group Publishing Limited

UNCTAD (2001): Improving the Competitiveness of SMEs in Developing Countries. "The Role of Finance to Enhance Enterprise Development. Conference Trade and Development, United Nations, New York and Geneva

United Nations, Concept Paper: Building Inclusive Financial Sectors to Achieve the Millennium Development Goals (International Year of Microcredit, United Nations, 2005)

URT (2003). Small and Medium Enterprise (SMEs) Policy

US Commercial Service (2011) Doing Business in Tanzania: 2011 Country Commercial Guide for US Companies retrieved from [http://photos.state.gov/libraries/tanzania/231771/PDFs/Country\\_Commercial\\_Guide\\_2011\\_Tanzania.pdf](http://photos.state.gov/libraries/tanzania/231771/PDFs/Country_Commercial_Guide_2011_Tanzania.pdf) on 10/5/2013

Wagenvoort, R., (2003), *SME finance in Europe: introduction and overview*, EIB Papers, Volume 8, No 2.

William S. (2003): The Contribution of Microfinance in Alleviating Poverty- A case of PRIDE Tanzania in Arusha. Unpublished Thesis Presented for the Masters of Business Administration (Finance and Banking) - Mzumbe University.

Wrenn; E. (2005) *Micro-Finance Literature Review*; retrieved from [http://www.google.co.tz/url?sa=t&rct=j&q=&esrc=s&source=web&cd=10&ved=0CJYBEBYwCQ&url=http%3A%2F%2Fwww.dochas.ie%2FShared%2FFiles%2F%2FMicroFinance\\_literature\\_review.pdf&ei=Blt\\_UvWjCJSQ0QWZiYCIAg&usg=AFQjCNHYtpKZTdARHwVC5mP\\_B7MluUMi1g](http://www.google.co.tz/url?sa=t&rct=j&q=&esrc=s&source=web&cd=10&ved=0CJYBEBYwCQ&url=http%3A%2F%2Fwww.dochas.ie%2FShared%2FFiles%2F%2FMicroFinance_literature_review.pdf&ei=Blt_UvWjCJSQ0QWZiYCIAg&usg=AFQjCNHYtpKZTdARHwVC5mP_B7MluUMi1g) on 2/8/2013

Wright G.A.N and Mutesasira L (2001) *The Relative Risks to the Savings of Poor People; MicroSave – Market-led solutions for financial services*

Zhuang, J et al (2009) *Financial Sector Development, Economic Growth, and Poverty Reduction: A Literature Review*

**APPENDICES**  
**APPENDIX I: QUESTIONNAIRES**  
**COVER LETTER**

Dear respondents,

I am a student of the School of Business (SOB) Mzumbe University writing my masters 'thesis on the topic: "The Contribution of Microfinance Institutions to the growth of Small Scale Enterprises in Tanzania: The Case of Bukoba Municipal". Find attached here, a copy of the questionnaire I have designed to get your response on issues related to this topic. I will really appreciate it if you spend a few minutes of your time filling this questionnaire.

Your response is important and will enable me to make a proper analysis of my research. Your response shall be treated confidentially and anonymously. I kindly request you to complete this questionnaire honestly.

Thank you for your assistance as I anticipate your response.

**Please tick the appropriate range**

1. What is your sex
  - i. Male [    ]
  - ii. Female [    ]
  
2. Age Range
  - i. Below 18 years [    ]
  - ii. 18- 28 years [    ]
  - iii. 29-38 years [    ]
  - iv. 39- 48 years [    ]
  - v. 49-58 years [    ]
  - vi. 59 and above [    ]

3. Educational level of the respondent

- i. None [ ]
- ii. Primary Education [ ]
- iii. Secondary Education [ ]
- iv. Certificate level [ ]
- v. Diploma level [ ]
- vi. University level [ ]

4. Marital status

- i. Married [ ]
- ii. Single [ ]
- iii. Widowed [ ]
- iv. Divorced [ ]

5. What Type of your business enterprise.

- i. Manufacturing [ ]
- ii. Service [ ]
- iii. commerce & trade [ ]

6. Where is your business located .....

7. Is your business registered?

- i. Yes [ ]
- ii. No [ ]

8. For how long have you been in the SMEs?

- i. Less than 1 year [ ]
- ii. 1-2 years [ ]
- iii. 3-5 years [ ]
- iv. More than 5 years [ ]

9. What kind of loan sizes your business applying for?

- i. Small loans [      ]
- ii. Large loans [      ]
- iii. Use own resources [      ]

10. Do you receive any business and entrepreneurial skills of SMEs apart from your experience?

- i. Several times [      ]
- ii. Rare [      ]
- iii. None [      ]

11. How many SMEs forums have you attended since the inception of your business?

- i. Many [      ]
- ii. Few [      ]
- iii. None [      ]

12. Nature of SME's. Please tick as appropriate

- i. Private Limited Company [      ]
- ii. Public Limited Company
- iii. Partnership [      ]
- iv. Sole Proprietor [      ]
- v. Family Owned Business [      ]
- vi. Others (please specify) [      ]

13. For how long has your company been in operations (please tick as appropriate)

- i. Less than five (5) years [      ]
- ii. Between 5 and 10 years [      ]
- iii. Between 11 and 15 years [      ]
- iv. Between 16 and 20 years [      ]
- v. Over 20 years [      ]

14. Which of the following are the Constraints to Sourcing credits in your area?

- i. High interest rate [    ]
- ii. Collateral security [    ]
- iii. Mode of repayment [    ]

15. Since you are in business how many times have you taken loan?

- i. Once [    ]
- ii. Several times [    ]
- iii. None [    ]

16. What was the main reason your Bankers refused offering you loan?

- i. To avoid Bank Problem [    ]
- ii. No Security to pledge [    ]
- iii. Too small equity base [    ]
- iv. Lack of experience [    ]

17. Does the conditions and procedures of Micro Finance Institutions favours your business in obtaining loans?

- i. Yes [    ]
- ii. No [    ]

18. Does your business grow after receiving loan from MFIs?

- i. Yes [    ]
- ii. No [    ]

19. Do you receive any business and entrepreneurial training from MFIs?

- i. Yes [    ]
- ii. No [    ]

20. Do you get any technical support offered by MFIs?

- i. Yes [      ]
- ii. No [      ]

21. In your opinion, which of the following organizations support SMEs in Tanzania?

- i. Government [      ]
- ii. Local government [      ]
- iii. Banks [      ]
- iv. SACOSS [      ]

22. Please **rank and tick** the opinion on the contribution of MFI to the growth of your business guided by the questions in the table below following the 5 systematic order provided: **(v) strongly agree, (iv) agree, (iii) Disagree, (ii) strongly disagree, (i) Undecided**

|                                                                                                                | Strongly Agree | Agree | Disagree | Strongly Disagree | Undecided |
|----------------------------------------------------------------------------------------------------------------|----------------|-------|----------|-------------------|-----------|
| In most cases SME's are viewed to have low credibility by MFI                                                  |                |       |          |                   |           |
| Information for credit is very limited among SME's                                                             |                |       |          |                   |           |
| MFI managers have a key role to play for better performance of SME's                                           |                |       |          |                   |           |
| Among challenges facing SME's from accessing financial loan from MFI are legal obstacles & corruption problems |                |       |          |                   |           |
| Most of the MFI's do not have separate SME's department                                                        |                |       |          |                   |           |
| Lack of quality information is the biggest hindrance and obstacles to SME's lending                            |                |       |          |                   |           |
| MFI plays major role in the performance of SME's                                                               |                |       |          |                   |           |
| Loan provided to SME's by MFI helps to improve their business                                                  |                |       |          |                   |           |
| Discrimination by MFI in providing loan affects SME's                                                          |                |       |          |                   |           |

26. Any other comments? -----  
-----  
-----  
---

**Thanks for your understanding and support.**



(b) Is the rate charged affordable to Clients? Please give reason(s) to your answer

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

6. How does Micro-finance Institutions builds capacity of the Clients toward saving(s) and Investment(s)?

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

7. (a) Are there any cases which have occurred as a result of clients failure to pay back their debts (loans) provided by Micro-finance Institutions?

.....  
.....

(b) If Yes, what actions are taken?

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

8. Generally, what is your view(s) concerning the contribution of Micro-finance Institutions in Increasing households income?

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

**Thanks for your time and Cooperation**

**APPENDIX III: TENTATIVE WORK PLAN**

The researcher intends to conduct the study from January 2013 to September 2013.

Activities to be performed and their durations are indicated in figure two below:

**The Researcher’s Tentative Work Plan.**

| Month /Activity           | Jan<br>2013 | Feb<br>2013 | Mar<br>2013 | Apr<br>2013 | May<br>2013 | Jun<br>2013 | July<br>2013 | August<br>2013 | Sept<br>2013 |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|----------------|--------------|
| Literature Review         |             |             |             |             |             |             |              |                |              |
| Developing Research Tools |             |             |             |             |             |             |              |                |              |
| Testing Research Tools    |             |             |             |             |             |             |              |                |              |
| Data Collection           |             |             |             |             |             |             |              |                |              |
| Data Coding and Analysis  |             |             |             |             |             |             |              |                |              |
| Report Writing            |             |             |             |             |             |             |              |                |              |
| Sending work to editor    |             |             |             |             |             |             |              |                |              |
| Submission                |             |             |             |             |             |             |              |                |              |

#### **APPENDIX IV: TENTATIVE BUDGET**

This study will be conducted by the researcher and two researcher assistants in 14 wards at Bukoba Municipality. Data will be collected for 40 working days. The researcher will be paid full per diem (shillings 65,000) for working days and assistant researchers will be paid half per Diem. The distribution and breakdown of estimated costs are as shown below:

|                                                                         |                  |
|-------------------------------------------------------------------------|------------------|
| Researcher: Per Diem for 40 days x 65000/=                              | 2,600,000        |
| Two researcher assistants $\frac{1}{2}$ x 65,000/= x 40days x 2 persons | 2,600,000        |
| Stationeries                                                            | 451,000          |
| Data analysis                                                           | 300,000          |
| Printing Cost                                                           | 500,000          |
| Editing cost                                                            | <u>100,000</u>   |
| Grand Total                                                             | <u>6,751,000</u> |