

**IMPACT OF MICROFINANCE LOANS ON THE
PERFORMANCE OF SMES:
THE CASE OF SMES IN MBEYA URBAN**

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THE CASE OF SMES IN MBEYA URBAN**

**By
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**Dissertation Submitted in Partial fulfillment of the requirements for the Degree of
Master of Science in Accounting and Finance (Msc A&F) of Mzumbe University**

2013

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled The Impact of microfinance Loans on performance of SMEs: the case of SMEs in Mbeya, in partial fulfillment of the requirement for the degree of Masters of Science in Accounting and Finance (Msc A&F) of Mzumbe University.

Major supervisor

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DECLARATION

I *Fadhili B. Mahenge* do hereby declare that this dissertation is my own work and that it has not been submitted to any other University or Higher Learning Institution for any academic or professional award.

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DEDICATION

This dissertation is dedicated with love to my wife Beatrice Mbawala, My son Prince, My lovely mother Bernadetha Mahenge and my *late* brother Florian B. Mahenge (*may the almighty God rest his soul in peace, Amen*)

ABBREVIATIONS AND ACRONYMS

BOT	Bank of Tanzania
FAO	Food and agriculture organisation
GDP	Gross domestic product
IFPRI	International food policy research institute
ILO	International labour organisation
K-Rep	Kenya rural enterprise programme
NGO	Non governmental organisation
NMB	National microfinance bank
OLS	Ordinary least square
SACCOS	Savings and credit cooperative society
SIDO	Small industries development organisation
SME	Small and medium enterprises
SPSS	Statistical package for social sciences
UNCDF	United nations capital development fund
UNDP	United nations development programme
URT	United republic of Tanzania
USAID	United states agency for international development
UWAMU	Association of traders, savings and credit Uyole
VETA	Vocational education training authority

ABSTRACT

Microfinance institutions (MFIs) were established to fill the gap in the financial system in Tanzania that emerge following rejection of poor entrepreneur (marginalized group) by commercial banks in accessing debt capital. These MFIs provide an avenue whereby small and medium scale entrepreneur can now acquire capital to start or expand their business. Therefore researcher become interested to finds the impact of loan from MFIs on the performance of SMEs in Mbeya urban

This was the survey study covered 100 SMEs found in Mbeya urban particularly Uyole, Sido and Mwanjelwa markets. Researcher adopted cross-sectional design due to limitations of dataset obtained from the respondents. They claimed to have no records for past financial year and therefore researcher had to collect only data that was available during the time he was making survey for data collection exercise from SMEs managers/owners.

The study used both primary and secondary data, and in order to estimate impact of loans from MFIs on performance of SMEs researcher employed OLS regression because dataset contain continuous values and errors are independent and identically distributed (errors have equal variance), therefore according to Carter-Hill et al.(2001), suggest that, the model that contain continuous values as well as with residual that are uncorrelated and with equal variance can be correctly estimated by using the OLS regression analysis. Empirical findings of the study revealed that, loan has a direct impact on the performance of SMEs as the variables sales, assets and the number of employees has increased by applying a proxy of a natural logarithm of a variable debt (Indebts)

Following the results of the study it is high time for further research to be conducted on the study area by using panel data methodology because it allow controlling for unobservable heterogeneity of individual firms as well as makes it possible to exclude biases deriving from the existence of individual effects (Gujarat, 2004).

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CHAPTER ONE

BACK GROUND AND PROBLEM SETTING

1.0 Background of the problem

It is now increasingly recognised that the Small and Medium Enterprises (SMEs) play a crucial role in employment creation and income generation. Indeed SMEs development is closely associated with more equitable distribution of income and thus important as regards to poverty alleviation. Small and medium scale enterprises can take pivotal role in implementing the World Bank's strategy "reaching the poor" because the small-scale sector, which consists of micro, small and medium-sized enterprises, is often seen as an important driving force for economic development and industrialization in Africa. It can contribute to the mobilization of resources, employment, poverty alleviation and economic growth (Balunywa, 2002).

In line with the above arguments, in many economies, small and medium scale enterprises (SMEs) are many and engage a significant proportion of the population from both rural and urban areas. Moreover, SMEs produce affordable goods and services, create a large proportion of jobs and thus contribute significantly to countries development and economic growth (Frempong, 2009; Masakure et al., 2009). The ILO/UNDP (2000) reported SMEs as players of almost indispensable developmental role through income and employment generation and the contribution to general society and local economies. For instance in Tanzania, SMEs have managed to create 20% of employment opportunities and it is estimated that, one third of Tanzanian Gross Domestic Product (GDP) originates from SMEs (URT 2002).

Despite their role in the economy, SMEs are described as unorganized or unregistered or parallel economy or non-institutional or black market or underground market (Shuaib, 2004). Due to the above description, SMEs have very limited access to financial services from formal financial institutions in particular credits to meet their working and

investment capital needs. Rweyemamu et al. (2003) argued that formal financial institutions have failed to serve the low income earners and their enterprises in both urban and rural communities. Commercial banks practices such as demand for conventional collateral; credit rationing; preference for high-income clients and large loans; bureaucratic and lengthy procedures of providing loans keep most of the low income earners outside the boundary of the formal sector of financial institutions in developing countries.

Asymmetric access of capital / finance from commercial banks have led to the situation whereby self-financing, local moneylenders and microfinance schemes are considered as an alternative funding sources to SMEs. Microfinance schemes have therefore been the only approach that is appropriate in providing credit to the low income earners who are not accepted by other sources of finance. These schemes are willing to lend small amounts to first-time or less creditworthy borrowers and most of the times to those lacking collateral (Ahmed, 2009; Pretes, 2002). They use credit methodologies that employ effective collateral substitutes, short loan processing time, innovative recovery practices, and working capital loans to micro entrepreneurs (Hassan and Renteria-Guerrero, 1997; CGAP, 2003). The methods being adopted enable clients of microfinance schemes (SMEs) to grow through increasing incomes, to some extent creating employment and lifting the poor out of poverty (Kwame, 2008).

In order to increase contribution of SMEs on GDP, various initiatives have been undertaken such as establishment of microfinance institution (MFIs) to rural areas. These initiatives of establishing microfinance institutions in rural areas mainly focus on reducing obstacles to SMEs in searching for capital. As it has been pointed out by (Olu, 2009) that, small SMEs faces financing obstacles twice as much compared to large SMEs, then establishment of MFIs aimed to ease access to capital by small firms.

The government of Tanzania under presidency of Jakaya Kikwete has taken the agenda of empowering small and medium scale entrepreneur to another edge by giving seed capital to small and medium scale entrepreneur in groups so as to solve the prominent problem to them of accessing capital from commercial banks. The government realizes that, SMEs provide employment to majority of Tanzanian who are living in urban and rural areas. Therefore by providing capital to them, significant number of Tanzanian could be engaged in production and therefore a significant growth in economy was projected to be realized.

Given the fact that, its seven years now since the effort to empower small and medium scale entrepreneur was initiated by establishing MFIs and giving capital to them directly through their formally established group, researcher find it important and appropriate time now to assess the impact of loan issued by MFIs on performance of SME's.

1.2. Statement of problem

Due to the nature of financial sector in Tanzania, micro institutions has become an important instrument in filling the financing gap left by banks. These MFIs tend to provide an avenue whereby small and medium scale entrepreneur who suffer institutional obstacles such as missing collateral and lack of experience to mention a few, in accessing capital from commercial banks, can now acquire capital to start or expand their business from MFIs.

UWAMU is the oldest and giant saccos in Mbeya urban, serving about 500 clients out of which there are about 200 SMEs from three (3) wards. UWAMU was established in July 2001 and licensed by Bank of Tanzania (BOT) in August 2001 to offer banking services to the communities of Mbeya urban and neighboring vicinity. It opened its doors to the public in September 2001. The fact that UWAMU has been rendering finance services to SMEs in Mbeya urban for more than twelve (12) years now to fill the gap left by commercial banks in providing finance services to entrepreneur who do not meet criteria set by commercial banks despite the fact that, still they need finance services from

financial institutions so that they can full fill their entrepreneurship mission, then, researcher is interested to study the Impact of loan from MFIs on performance of SMEs in Mbeya urban. Various studies (e.g. Gem, 2001; Schlogl, 2004; Aydemir, 2005; Kwame, 2008) have explained determinant of SME's performance however, neither of these studies explain the phenomenon in southern highland of Tanzania and in particular Mbeya urban which is characterized by large number of SMEs operating in various sectors of the economy from meta work, business enterprises, agriculture and mining. All of these enterprises depend on MFIs to access capital to expand their business or to start new ventures. Therefore with regards to the above view point it is important to study the impact of loan from MFIs on performance of SMEs found in Mbeya urban.

1.3. Objective of the Study

1.3.1. General objective

The main objective of the study is to assess the Impact of loan from MFIs on performance of SMEs in Mbeya urban.

1.3.2. Specific objectives

- i. To determine the impact of MFIs Loan on firms performance.
- ii. To determine the impact of MFIs Loan on firms growth.
- iii. To determine the impact of loan from MFIs on number of employees of SMEs in Mbeya urban

1.4. Research Questions

- i. How does MFIs loan affect the firm's performance?
- ii. How does MFIs loan affect firm's growth?
- iii. How MFIs lending does affects the number of employees of SMEs?

1.5. Significance of the Study

SMEs are very crucial for smooth development of large industries and stable economy of countries. The importance of SMEs to the economy have been empirically validated

by various authors such as (Frempong, 2009; and Masakure et al., 2009) who found that, SMEs produce affordable goods and services, create a large proportion of jobs and thus contribute significantly to countries development and economic performance. Therefore, this specific study on impact of loan from MFIs on performance of SMEs in Mbeya urban will add new knowledge regarding the impact of loan from MFIs on SMEs performance. Nevertheless, the study will also enable the researcher to fulfill partial requirement for the award of Masters of Science in Accounting and Finance of Mzumbe University.

1.6. Limitations of the Study

The study on the impact of loan from MFIs on performance of SMEs is a survey study conducted in Mbeya urban in Mbeya region. Mbeya urban has 36 wards with average of 500 registered SMEs thus much time were consumed to accomplish the survey on all SMEs operating in the area. Therefore, since the study required researcher to make a survey to all SMEs in the area that have accessed credit from MFIs so as to collect data, then, poor infrastructure limited smooth undertakings of the study.

Lack of knowledge by some SMEs owners made the process of data collection difficult as they were not ready to provide accurate data fearing that a researcher is an officer from Tanzania revenue authority

Moreover, time is another constraint limited the study due to the fact that, the exercise of doing research was to be undertaken parallel with normal duties of the researcher from his employers as the study leave was granted to cover only the period when the researcher was doing his coursework. The need to undertake two assignments made the time to be very limited for undertaking of this study.

1.7 Scope of the study

This study aims at finding out the impact of MFIs loans on performance of SMEs. Therefore the study was conducted at Mbeya urban in Mbeya region. The researcher decided to choose Mbeya urban due to fact that, UWAMU which is the provider of debt capital to SMEs is located in Mbeya urban and prior research conducted by a researcher there is no evidence to suggest that similar study like the one intended has been conducted in the area.

CHAPTER TWO

LITERATURE REVIEW

2.0. Introduction

In this chapter researcher provide in depth explanation of key concepts used in the study according to the literature reviewed. In this chapter researcher explain definitions of concepts as well as giving detailed explanation on concepts and theories underlying the study. Moreover, researcher provide empirical literatures from the work of other scholars who have done research that on area that employ concepts as the ones to be used in this particular study. Empirical review helps to provide an understanding on how other scholars have operationalized the same concepts in the same context or in different context as compared to the context in which this study will be conducted. Also in this chapter researcher provide concise explanations on how various concepts will be measured and then after being operationalized so as to understand the nature and extent of relationships between variables in the study.

2.1 Theoretical Review

2.1.1 SMEs in Tanzania

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. 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 formalized undertakings engaging between 5 and 49 employees or with capital investment from Tshs.5 million to Tshs.200 million. Medium enterprises employ between 50 and 99 people or use capital investment from Tshs.200 million to Tshs.800 million (URT, 2002). This is illustrated in the table below:

Table 2.1 Categories of SMEs in Tanzania

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

Source: URT SME development policy 2002

2.1.2. The concept of microfinance

Microfinance is defined as a development tool that grants or provides financial services and products such as very small loans, savings, micro-leasing, micro-insurance and money transfer to assist the very or exceptionally poor in expanding or establishing their businesses. It is mostly used in developing economies where SMEs do not have access to other sources of financial assistance (Robinson, 1998).

In addition to financial intermediation, some MFIs provide social intermediation services such as the formation of groups, development of self confidence and the training of members in that group on financial literacy and management (Ledgerwood, 1999). There are different providers of microfinance (MF) services and some of them are; nongovernmental organizations (NGOs), savings and loans cooperatives, credit unions, government banks, commercial banks or non bank financial institutions.

The target group of MFIs are self employed low income entrepreneurs who are; traders, seamstresses, street vendors, small farmers, hairdressers, rickshaw drivers, artisans blacksmith etc (Ledgerwood, 1999).

2.1.3. Theory of Microfinance

In this section the theoretical bases of microfinance analysis is explored within the overarching context of high risks. This, plus heavy transaction costs and mounting loan losses due to loan delinquency and default are some of the many factors that have failed to provide microfinance institutions financial self sustainability in some countries. The propositions that are made in this study are that poor people if given access to capital and guided properly are in a position to implement and manage income generating business enterprises. In other words, poor people too, have the capacity to run economic activities just like the rest of society given a congenial environment. The second assumption is that once the financial systems are established, the poor people are able to use it (the financial tools) for productive purposes and progressively incorporate themselves into the financial milieu, repaying the loans, and accumulating savings.

This approach is considered to be important because of the low economic status of poor households, more specifically household's risk and vulnerability (structural risks, crisis and emergencies, life cycle risks etc.). It is argued here that there is a general likelihood that the microfinance approach is targeted at low income households.

Recent developments in African and other developing countries reinforce the contention that microfinance or microcredit structures are essential for development of rural areas in consideration of the fact that areas of development in these countries have been traditionally urban-centered. As has been argued by the United Nations Capital Development Fund (UNCDF), "the development of microfinance institutions over the last two decades and a number of success stories have lent credence to the idea that microfinance is a major stimulus for development in the countries of the South, and that is a powerful instrument for combating poverty."

Adopting rather economic dimensions, the report suggests two basic assumptions why the development of microfinance has taken such a dramatic and important turn. These assumptions fit in with factor distribution and availability whereby the missing factor of production (from among land, labour, and capital), is supposed to be provided in order to give impetus to development. The first assumption is that poor populations possess the capacity to implement income generating activities (but) that the main limitation to their initiative is the lack of access to capital. This limitation arises because of two main reasons: financial markets are still in their infancy; and that given their poor track record and lack of collateral, the existing financial institutions are reluctant to extend credit facilities to poor people or their organizations.

Another factor is that often, mutual associations and thrift societies that have dealt with financial institutions have been huge failures. In spite of this negative evaluation, the idea persists that poor people given access to capital and guided properly are in a position to implement and manage income generating business enterprises. In other words, poor people too, have the capacity to run economic activities just like the rest of society given a congenial environment. The second assumption is that once the financial systems are established, the poor people "were able to use it as the financial tools for productive purposes and progressively incorporate themselves into the financial milieu, repaying the loans, and accumulating savings."

It has been reported that at an international conference in 1998, donors and governments renewed their commitments to advancing women, regenerating environmental resources and providing sustainable livelihood for all. The contention is that microfinance is at the core of each of these three goals. This is because microfinance provides the means to generate income that eventually leads to a sustainable development. Invariably, microfinance programmes constitute and provide the drive to develop a "broad access" to the financial resources crucial to the poor (among whom women comprise the majority), in order to provide the basic requirements for sustainable development.

Microfinance programmes and institutions have gained widespread acceptance across Africa. Research demonstrates that large scale directed government credit programmes have proved far too costly to manage, as they have always been dogged by poor coordination, inadequate funding, administrative overlap, corruption, general inefficiency and ineptitude. With the help of external funding from bilateral and multilateral organizations most countries in Africa, including Tanzania have adopted micro entrepreneurship as an alternative approach to development, in order to avoid these negative tendencies. The intent is to by-pass corrupt public officials, make credit directly available to the very poor and thereby promote their self-sufficiency. The World Bank, United Nations Development Programme (UNDP), United States Agency for International Development (USAID), Canadian, Swedish and Danish governments have all made funds available to microfinance non-governmental organizations in Nigeria with varying levels of success.

Microfinance institutions have rapidly evolved in the last decade and have been able to create significant income and employment opportunities for the poor in developing countries. The institutions have reached out to many disadvantaged micro entrepreneurs and have them to build operational and financial self-sufficiency. In some countries such as Nigeria, microfinance programmes founded on sound conceptual footings, and channeled through rural banking have failed because of these limitations. This is in spite of the over-investment in this sector by government as was identified by international financial institutions (the World Bank and the International Monetary Fund) and the consequent restructuring of the economy that Tanzania and other countries embarked on in the mid-1980s.

Other scholars and policy analysts have identified the inhibiting factors that make rural microfinance enterprises unsuccessful. Yaron (cited by Iheduru, 2002) identified high risks, heavy transaction costs and mounting loan losses as some of the many factors that drained state resources, yet the programmes have reached only a fraction of the target population consequently have failed to provide financial self sustainability.

The last decade has also witnessed the evolution of microfinance institutions that created significant income generating opportunities for the poor in developing countries. These microfinance programmes have been noted to make great strides towards financial self sufficiency. Successful programmes often cited to buttress these assertions are the Grameen Bank in Bangladesh, BancoSol in Bolivia operated by ACCION, Bank Rakyat Indonesia's (BRI) Unit Desa (village bank) programme in Indonesia. The Grameen Bank is the foremost example of a rural-based microfinance institution.

In a recent study, it was reported that the bank has helped to increase significantly household incomes, productivity, labour force participation, and rural wages thereby reducing the level of absolute poverty to a level of 75% lower than in villages without such programmes. After it transformed from a community-based lending institution to a for-profit commercial bank, the BancSol made loans to over 10,000 customers at repayment rates of over 99.5%. In addition to these successful examples, there are African cases such as the Kenya Rural Enterprise Programme (K-Rep), the City Savings in Ghana, The Centennial Bank in Uganda, The Community Bank in South Africa, and the People's Bank in Nigeria. The African microfinance institutions have not been objects of much research. However a recent report has it that K-Rep while not intending to transform to a commercial bank opted to use the banking framework to fill an important gap that commercial banks have been unable or unwilling to fill in Kenya.

It has been identified that one of the problems that microfinance institutions have faced in developing countries is that it has always included social welfare projects which divert attention from financial sustainability to welfare issues. Thus microenterprises had limitations in reaching their target populations, the poorest of the poor. In order to remain relevant and to reach the relevant constituency, a microfinance institution must be able to provide the development activities necessary to generate financial sustainability. This is because microfinance programmes are said to promote democracy, free markets, and a strong middle class, and essentially complement the bottom-up development in the administrative structure of post structural adjustment economies.

2.1.4. Importance of Small and Medium Enterprises

It is estimated that about a third of the GDP originates from the SME sector. According to the Informal Sector Survey of 1991, micro enterprises operating in the informal sector alone consisted of more than 1.7 million businesses engaging about 3 million persons, which was, about 20% of the Tanzanian labour force. Though data on the SME sector are rather sketchy and unreliable, it is reflected already in the above data that SME sector plays a crucial role in the economy.

Since SMEs tend to be labour-intensive, they create employment at relatively low levels of investment per job created. At present, unemployment is a significant problem that Tanzania has to deal with. Estimates show that there are about 700,000 new entrants into the labour force every year. About 500,000 of these are school leavers with few marketable skills. The public sector employs only about 40,000 of the new entrants into the labour market, leaving about 660,000 to join the unemployed or the underemployed reserve. Most of these persons end up in the SME sector, and especially in the informal sector. Given that situation and the fact that Tanzania is characterized by low rate of capital formation, SMEs are the best option to address this problem (URT, 2002).

SMEs tend to be more effective in the utilization of local resources using simple and affordable technology. SMEs play a fundamental role in utilizing and adding value to local resources. In addition, development of SMEs facilitates distribution of economic activities within the economy and thus fosters equitable income distribution. Furthermore, SMEs technologies are easier to acquire, transfer and adopt. Also, SMEs are better positioned to satisfy limited demands brought about by small and localized markets due to their lower overheads and fixed costs. Moreover, SME owners tend to show greater resilience in the face of recessions by holding on to their businesses, as they are prepared to temporarily accept lower compensation.

Through business linkages, partnerships and subcontracting relationships, SMEs have great potential to complement large industries requirements. A strong and productive industrial structure can only be achieved where SMEs and large enterprises not only coexist but also function in a symbiotic relationship. However, the linkages between SMEs and large enterprises are very weak in Tanzania. SME development Policy, therefore, creates the potential for enhancing linkages within the economy. In addition, SMEs serve as a training ground for entrepreneurship and managerial development and enable motivated individuals to find new avenues for investment and expanding their operations.

There are also opportunities indicating a bright future for SME sector development in Tanzania. This includes the various on-going reforms that are oriented towards private sector development and, thus, lay the ground for SMEs development. In addition, the recognition of SME sector that it has higher potential for employment generation per capital invested attracts key actors to support SME development programmes. Since SME development does contribute significantly to poverty alleviation, resources earmarked for poverty alleviation will also be availed to the SME sector.

Various initiatives towards improving the infrastructures and especially roads do provide an added opportunity for SME development. Furthermore, there are several ongoing schemes aimed at strengthening SME service providers such as Small Industries Development Organisation (SIDO), Vocational Education Training Authority (VETA), National Microfinance Bank (NMB) and various Industrial Support Organizations. These interventions do provide opportunities for performance of the SME sector. Given the fact that Tanzania is endowed with abundant natural resources, the creation of enabling business environment will facilitate exploitation of these resources through SMEs. This is again an opportunity for SMEs development.

2.1.5. Microfinance products and services for SMEs development

According to Bennett (1994) and Ledgerwood (1999) MFIs can offer their clients who are mostly the men and women who could be below or slightly above the poverty line a variety of products and services. The most prominent services is financial, that they often render to their clients without tangible assets and these clients mostly live in the rural areas, a majority of whom may be illiterate. Formal financial institutions do not often provide these services to small informal businesses run by the poor as profitable investments. They usually ask for small loans and the financial institutions find it difficult to get information from them either because they are illiterates and cannot express themselves or because of the difficulties to access their collateral (farms) due to distance. It is by this that the cost to lend a dollar will be very high and also there is no tangible security for the loan. The high lending cost is explained by the transaction cost theory.

The transaction cost can be conceptualized as a non financial cost incurred in credit delivery by the borrower and the lender before, during and after the disbursement of loan. The cost incurred by the lender include; cost of searching for funds to loan, cost of designing credit contracts, cost of screening borrowers, assessing project feasibility, cost of scrutinizing loan application, cost of providing credit training to staff and borrowers, and the cost of monitoring and putting into effect loan contracts. On the other hand, the borrowers may incur cost ranging from cost associated in screening group member (group borrowing), cost of forming a group, cost of negotiating with the lender, cost of filling paper work, transportation to and from the financial institution, cost of time spent on project appraisal and cost of attending meetings, etc (Bhatt and Shui-Yan, 1998). The parties involved in a project will determine the transaction cost rate. They have the sole responsibility to reduce the risk they may come across (Stiglitz, 1990).

Microfinance triangle comprise of financial sustainability, outreach to the poor, and institutional impact. There are costs to be incurred when reaching out to the poor and most especially with small loans (Christabell, 2009). The financial institutions always try to keep this cost as minimum as possible and when the poor are in a dispersed and vast geographical area, the cost of outreach increases. The provision of financial services to the poor is expensive and to make the financial institutions sustainable requires patience and attention to avoid excessive cost and risks (Adam and Von Pisce, 1992).

The deliveries of MFIs products and services have transaction cost consequences in order to have greater outreach. Some microfinance institutions visit their clients instead of them to come to the institution thereby reducing the cost that clients may suffer from (FAO, 2005). For MFIs to be sustainable, it is important for them to have break-even interest rates. This interest rates need to be much higher so that the financial institution's revenue can cover the total expenditure (Hulme and Mosley, 1996a). The break-even rate which is higher than the market rate is defined as the difference between the cost of supply and the cost of demand of the products and services. The loan interest rates are often subsidized (Robinson, 2003).

The loans demanded by smaller enterprises are smaller than those requested by larger ones, but the interest rates remain the same. This indicates that, per unit cost is high for MFIs targeting customers with very small loans and possessing small savings accounts (Robinson, 2003). Even though the interest rate is high for applicants requesting very small loans, they are able to repay and even seek repeatedly for new loans. The social benefits that are gained by clients of MFIs supersede the high interest charged (Rosenberg, 1996). The high interest rate is also as a means to tackle the problem of adverse selection where a choice is made between risky and non risky projects. The good clients suffer at the expense of the bad ones (Graham Bannok and partners, 1997). Microfinance clients admit that convenience is more important to them than return (Schmidt and Zeitinger, 1994).

Low-income men and women have a serious hindrance in gaining access to finance from formal financial institutions. Ordinary financial intermediation is not more often than not enough to help them participate, and therefore MFIs have to adopt tools to bridge the gaps created by poverty, gender, illiteracy and remoteness. The clients also need to be trained so as to have the skills for specific production and business management as well as better access to markets so as to make profitable use of the financial resource they receive (Bennett, 1994). In providing effective financial services to the poor social intermediation is required. This is “the process of creating social capital as a support to sustainable financial intermediation with poor and disadvantaged groups or individuals” (Bennett, 1997). Some microfinance institutions provide services such as skills training, marketing, bookkeeping, and production to develop enterprises. Social services such as health care, education and literacy training are also provided by some MFIs and both enterprise development and social services can improve the ability of the low-income earners to operate enterprises either directly or indirectly (Legerwood, 1999).

The services provided to microfinance clients can be categorized into four broad different categories namely;

- (i) Financial intermediation or the provision of financial products and services such as savings, credit, insurance, credit cards, and payment systems should not require ongoing subsidies.
- (ii) Social intermediation. This is the process of building human and social capital needed by sustainable financial intermediation for the poor. Subsidies should be eliminated but social intermediation may require subsidies for a longer period than financial intermediation.
- (iii) Enterprise development services or non financial services that assist micro entrepreneurs include skills development, business training, marketing and technology services, and subsector analysis. This may or may not require subsidies and this depends on the ability and willingness of the clients to pay for these services.

Social services or non financial services that focus on advancing the welfare of micro entrepreneurs and this include education, health, nutrition, and literacy training. These social services are like to require ongoing subsidies and are always provided by donor supporting NGOs or the state (Bennett, 1997; Ledgerwood, 1999)

2.2. Empirical Review

In this section researcher provide review of the work published by other scholars that provide empirical observations on issues pertaining to the impact of loan acquired by SMEs from MFIs and its effect on performance of SMEs.

2.2.1. SME performance and development

The purpose or goal of any firm is to make profit and grow and ultimately maximizing wealth of shareholders. A firm is defined as an administrative organization whose legal entity or frame work may expand in time with the collection of both physical resources, tangible or resources that are human nature (Penrose, 1995). The term performance in this context can be defined as an increase in size or other objects that can be quantified or a process of changes or improvements (Penrose, 1995). The firm size is the result of firm performance over a period of time and it should be noted that firm performance is a process while firm size is a state (Penrose, 1995). The performance of a firm can be determined by supply of capital, labour and appropriate management and opportunities for investments that are profitable. The determining factor for a firm's performance is the availability of resources to the firm (Ghoshal, Halm and Moran, 2002).

Enterprise development services or business development services or nonfinancial services are provided by some MFIs adopting the integrated approach. The services provided by nonfinancial MFI services are; marketing and technology services, business training, production training and subsector analysis and interventions (Ledgerwood, 1999). Enterprise development services can be sorted out into two categories.

The first is enterprise formation which is the offering of training to persons to acquire skills in a specific sector such as weaving and as well as persons who want to start up their own business. The second category of enterprise development service rendered to its clients is the enterprise transformation program which is the provision of technical assistance, training and technology in order to enable existing SMEs to advance in terms of production and marketing.

Enterprise development services are not a prerequisite for obtaining financial services and they are not offered free of charge. These charges are subsidized by the government or an external party so as to recover the full cost in providing the services which will be impossible by the MFI. The enterprise development services may be very meaningful to businesses but the impact and knowledge that is gained cannot be measured since it does not usually involve any quantifiable commodity. It has been observed that there is little or no difference between enterprises that receive credit alone and those that receive both credit packages and integrated enterprise development services (Ledgerwood, 1999).

2.2.2. Impact of MFIs Loan on firm's performance.

These institutions are those that provide savings and credit services for small and medium size enterprises. They mobilize rural savings and have simple and straight forward procedures that originate from local cultures and are easily understood by the population (Germidis et al., 1991). It is known worldwide that the poor cannot borrow from the banks. Banks do not lend to them because they do not have what is required to be granted a loan or to be provided with the bank services. The lack of financial power is a contributing factor to most of the societal problems. These problems emanate from poverty and it is known that with poverty one is bound to suffer so many consequences ranging from lack of good health care system, education, as well as nutrition. Microfinance has proved this bank concept to be wrong. They target the poor who are considered risky but the repayment rate turns to be positive as compared with the regular commercial banks (Zeller and Sharma, 1998).

Accessing credit is considered to be an important factor in increasing the development of SMEs. It is thought that credit augment income levels, increases employment and thereby alleviate poverty. It is believed that access to credit enables poor people to overcome their liquidity constraints and undertake some investments such as the improvement of farm technology inputs thereby leading to an increase in agricultural production (Hiedhues, 1995). The main objective of microcredit according to Navajas et al, (2000) is to improve the welfare of the poor as a result of better access to small loans that are not offered by the formal financial institutions.

Diagne and Zeller (2001) argue that insufficient access to credit by the poor just below or just above the poverty line may have negative consequences for SMEs and overall welfare. Access to credit further increases SME's risk-bearing abilities; improve risk-copying strategies and enables consumption smoothing overtime. With these arguments, microfinance is assumed to have positive impacts toward the performance of SME's.

It is argued that MFIs that are financially sustainable with high outreach have a greater livelihood and also have a positive impact on SME development because they guarantee sustainable access to credit by the poor (Rhyne and Otero, 1992).

Buckley (1997) argue that, the indicators of success of microcredit programs namely high repayment rate, outreach and financial sustainability does not take into consideration what impact it has on micro enterprise operations and only focusing on "microfinance evangelism". Carrying out research in three countries; Kenya, Malawi and Ghana, Buckle (1997) came to the conclusion that there was evidence to suggest that, there was significant and sustained Impact of loan from microfinance services on clients in terms of SME development, increased income flows or level of employment.

Zeller and Sharma (1998) argue that microfinance can aid in the improvement or establishment of family enterprise, potentially making the difference between alleviating poverty and economically secure life.

On the other hand, Burger (1989) indicates that microfinance tends to stabilize rather than increase income and tends to preserve rather than to create jobs.

A study of thirteen MFIs in seven countries carried out by Mosley and Hulme (1998) concludes that household income tends to increase as the income and asset position of the debtors improve. Diagne and Zeller (2001) in their study in Malawi suggest that microfinance do have significant effect in household income, meaning that, they have effect on SME development. Investing in SME activities will have no effect in raising household income because the infrastructure and market is not developed.

Some studies have also argued that using gender empowerment as an impact indicator; microcredit has a negative impact (Goetz and Gupta, 1994; Ackerly, 1995; Montgomery et al, 1996). Using a “managerial control” index as an indicator of women empowerment, it came to conclusion that the majority of women did not have control over loans taken by them when married. Meanwhile, it was the women who were the main target of the credit program. The management of the loans was made by the men hence not making the development objective of lending to the women to be met (Goetz and Gupta, 1994). Evidence from an accounting knowledge as an indicator of women empowerment concluded that women are marginalized when it comes to access on credit (Ackerly, 1995).

2.2.3. Problems that faces SMEs when executing their operation

Formal financial institutions have failed to provide credit to the poor and most of whom are found in developing countries and to be more specific in the rural areas. The reasons given by Von Pischke (1991: 143-168) is that their policies are not meant to favour the poor. The poor are mostly illiterate and banks lack those skills to target these rural customers. In these areas, the population density is very low causing high transaction cost by the financial institutions since they need to move for long distances and also takes time to meet the customers (Devereux et al 1990:11).

SMEs in developing countries are considered to be too unstable by banks to invest in. Due to this instability, the banks consider SMEs to have high risk and the costs these banks suffer to monitor the activities of the SMEs are high. Hossain (1998), Bhattacharya, et al. (2000) and Sia (2003) identify that formal financial institutions (banks) are reluctant to lend to SMEs since investing in SME activities is considered by banks to be very risky. They find it risky in the sense that if invested in, and in an event of unfavorable business conditions, they have low financial power, assets, and easily go bankrupt (Sia, 2003). The cost of borrowing from banks is very high and this prevents SMEs to borrow from this institution but these costs to borrow are sometimes subsidized by the government (Meagher, 1998). The application process for a loan is long and difficult for SMEs to meet up with the demands (Hossain, 1998).

The collateral demanded by banks for a loan is based on fixed assets and which are very high in order to hinder these businesses to acquire loans. They cannot afford these collaterals which include; estates, and other fixed assets valued usually at 200% of the loan (Meagher, 1998). The major setback that prevents SMEs to get funding from external sources is the problem of information asymmetry. That is the magnitude of the deviation of the correct information that is needed by the lending institution (Bakker, Udell, and Klapper, 2004).

Banks use cash flows and profitability to measure or to assess the worthiness of a business. This is a very expensive and, not a good method to measure the credit strength of rural SME. Production and distribution in the rural areas is influenced by social factors that are often neglected by enterprises in developing countries (Otero et al, 1994). Agriculture dominates rural activities in developing countries and is dependent on the weather conditions for its output. An enterprise in this sector is considered risky because its outcome is undetermined.

2.3. Conceptual Framework

2.3.1 Variables and their measurements

In order to determine the Impact of loan from MFIs on performance of SMEs researcher adopts and operationalized various variables in this study. Variables employed in this study can be categorized into two main categories namely dependent variables and independent variables which are sometimes referred as explanatory variables.

2.3.1.1. Dependent variable

There is little agreement in the existing literature on how to measure performance, and scholars have used a variety of different measures. These measures include, for example, growth of sales, employees, assets, profit, equity, and others (Davidsson and Wiklund, 2000). Also, the time span over which performance is analyzed in the literature varies considerably, ranging from one to several years. Moreover, performance has been measured in absolute or relative terms. However, the most common means of operationalizing firm performance is through relatively objective and measurable proxies such as sales turnover; total assets and number of employees. These measures are relatively uncontroversial (methodologically) and data tend to be easily available, increasing the scope for cross-study comparability (Freel and Robson, 2004). In this study researcher adopt the above mentioned proxies namely; sales turnover; total assets and number of employees to measure performance of SMEs in Mbeya urban. Therefore, performance is defined as the difference between the logarithms of a firm's sales revenues in periods t and $t - 1$ (Honjo and Haranda, 2006).

2.3.1.2. Explanatory variables

A number of factors have been used empirically by different authors to explain variation on performance of SMEs. Scholars such as (Honjo and Haranda, 2006; Wiboonchutikula, 2002; Wiklund, Patzelt and Shepherd, 2009; Sogorb-Mira, 2005; Garcia-Teruel and Martinez-Solano, 2008) suggests that; firm specific characteristics such as internal finance, capital structure, leverage, production efficiency, future performance opportunities, age; networking ability of manager / owner and strategy employed by manager / owner are important performance determinants.

Businesses of different sizes and ages may exhibit different organizational and environmental characteristics which in turn may influence performance. The same is true for firms in different industries. Therefore, additional firm-specific characteristics are included as explanatory variables in our analysis to capture these effects. Age is defined as the number of years a firm has been operating in the market (since the date of incorporation) and is expected to have a negative relation with firm performance. Thus, we suggest that younger firms are more likely to grow faster than older ones.

Researcher used the variable debt ratio (Dratio) to measure the extent of external financing. The variable is the proxy for proportion of long term debt on capital employed by SMEs in their operations provided by MFIs. This variable was also used by Raheman and Nasr (2007) and herewith is the mathematical expression on how to obtain Dratio of SMEs.

$$\text{Debt ratio (Dratio)} = \left(\frac{\text{long term debt}}{\text{Total equity} + \text{long term debt}} \times 100\% \right)$$

Networking created by managers / owners is said to have an impact on performance of SMEs. What managers know must influence their strategy and the performance of their business.

Therefore, the way they acquire and use information will be of vital importance (Dewatripont, 1994). A common presumption has been that, all things being equal, more networking permits greater information acquisition and communication and so will be associated with larger, more profitable and faster growing firms Barkham et al. (1996). Of particular importance was the opportunity afforded to firms for linkage with external innovation networks, and the build-up of embeddedness, or the institutional basis for the enhancement of social capital. Regarding the above role played by networking in conducting activities, therefore, researcher employed the binary variable networking of managers (Netwk) to test its impact on performance of SMEs.

Age of the firm is one of the variables that affect performance of the firm. Previous research has suggested that the paths to performance can differ systematically by firm-level factors such as firm age (Fisher and Reuber, 2003; Delmar and Davidsson, 1998). Penrose (1999) presented the view that a firm's performance pattern is dependent on its age, size, and industry affiliation. As Delmar et al. (2003) have shown; firm performance patterns are related to the demographic characteristics of firms such as firm age. Therefore in this study researcher adopted the variable age of the firm (*Fage*) whereby researcher uses the ordinal scale to measure this variable.

Firm performance and performance are much affected by strategy, which involves choices along a number of dimensions and can be represented by a firm's overall collection of individual business-related decisions and actions (Mintzberg, 1978; Miles and Snow, 1978). Though there is a variety of definitions of the term of strategy, it can accurately be conceptualized as a pattern of strategic variables, because the elements of strategy – the individual business-related decisions and actions – are interdependent and interactive (Galbraith and Schendel, 1983). It is argued that the identification of strategy patterns permits a more complete and accurate depiction of overall strategic behavior (Hambrick, 1983; Robinson and Pearce, 1988). In this end, researcher employed the binary variable SME strategy (SMEstrgy) to assess the Impact of loan from strategy (es) chosen by manager / owner of SME on performance of SMEs.

Therefore, with regards to variables explained above, researcher can summarize all variables in the following econometric Models to estimate the Impact of loan from MFIs lending on performance of SMEs in Mbeya urban. In that end, models can be drawn as follows;

$$performance_{it} = \beta_0 + \beta_1 Dratio_{it} + \beta_2 Netwrk_{it} + \beta_3 Age_{it} + \beta_4 Strgy_{it} + \varepsilon_{it} \dots\dots\dots (ii)$$

Whereby:

β_0 = Coefficient of a constant

β_1 ; and β_2 , = Coefficient of explanatory variables employed in the model

ε = An error term that represent unobserved factors in the model

To estimate this model, researcher use O.L.S regression analysis. This model is used because our data contain continuous values and errors are independent and identically distributed (errors have equal variance), therefore according to Carter-Hill et al.(2001), suggest that, the model that contain continuous values as well as with residual that are uncorrelated and with equal variance can be correctly estimated by using the OLS regression analysis.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.0. Introduction

In this chapter researcher specify methodological approach employed in the study. In this end researcher explain step by step operationalization of concepts in order to arrive to the point whereby scientific answers to research questions can be obtained. Researcher organizes this chapter into five sections. The first section is about research design then followed by specific area of the study. Third section is about targeted population for this study. The fourth section is about sample size used and techniques employed to obtain the required sample size. The last section is explaining types of data that used in the study.

3.1 Research Design

Research design is the arrangement of conditions for collections and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedures (Kothari, 2004). It constitutes a blue print for the collection, measurement and analysis of the data (ibid). Research design represent a logical and systematic plan prepared for directing a research study and specifies the objectives of the study, the methodology and techniques to be adopted for achieving objectives of the study (Krishna swami, 2006). In this study, researcher adopted a survey design. This is due to the fact that, this design enables the researcher to generalize findings obtained to the entire population. Also this particular design is flexible in terms of data collection methods and analysis (Ndunguru, 2007).

3.2 Area of Study

The study was conducted at Mbeya urban in Mbeya region. Researcher decided to choose Mbeya urban due to the fact that, UWAMU which is the provider of debt capital to SMEs is located in Mbeya urban and prior research conducted by researcher did not show any evidence to suggest that similar study like the one intended has been conducted in the area. Therefore it is high time to study the contribution of UWAMU in economic viability of the area in which it is operating.

UWAMU is along the great southern highland trunk road from Dar es Salaam to Zambia and is strategic to both residents as well as business men in Mbeya urban and nearby vicinity. This is due to the fact that at least 70 SMEs get different services from UWAMU Saccos.

3.3 Population

Population of study is a group of individuals who have one or common characteristics that are of interest to the researcher (Best and Khan, 1998). In addition population is referred as a full set of cases from which a sample is taken (Saunders, 2007). SMEs registered in Mbeya urban are herewith referred as the study population for this particular study. This is due to the fact that registered SMEs in the region can be readily traced as the register contain physical addresses of where these SMEs are executing their business and where their offices are located. Also from the register researcher obtain other information such as mobile phone number of managers / owner of SME and this information was very helpful to the researcher during data collection exercise.

3.4. Unit of analysis of the study

Unit of analysis of a study refers to a specific case / item that researcher must specify where the level of investigation will focus on the collection of data about organisations, departments, work groups, individuals, or objects. In this particular study, SMEs that acquired loan from MFIs were referred as unit of analysis.

3.5. Observational Unit

Observational unit is defined as the entity on which measurements are obtained. The unit of analysis and observational unit are the same for most of the research, but not always. With regards to this particular study, in order to capture the impact of loan from MFIs on performance of SMEs in Mbeya region, questionnaire was used to collect information from key informants who are managers / owners of SMEs and therefore unit of observation for this particular study was SME manager / owner.

3.6 Sample size and Sampling techniques

In this study researcher used sample of 70 SMEs that have received loan from MFIs. Random sampling technique was used to draw sample from the population. Researcher used random sampling technique because the approach enable the study to be endowed by a more representative sample from which application of other statistical tests can be performed and the results obtained can be generalized to the entire population.

3.5. Data type

This study used primary data as well as secondary data. Primary data was collected by using structured questionnaires administered by researcher to respondents whereas secondary data was obtained from the office of Mbeya City Council and from financial records of individual SMEs. Secondary data refers to information or facts or statistical materials which are not originated by researcher himself whereas primary data are those data collected by the researcher from the source.

3.6. Data Analysis Procedure

Data analysis refers to the process of synthesizing raw information collected by the researcher into more meaningful state. Researcher used computer software like statistical package for social sciences (SPSS) and Stata SE 11 to analyse data so as to assess the impact of loan from MFIs on performance of SMEs.

CHAPTER FOUR

PRESENTATION OF FINDINGS AND DISCUSSION

4.1. Introduction

In this chapter researcher presents findings obtained from data analysis which enabled researcher to respond adequately and efficiently on prior determined research questions which were designed to provide knowledge regarding the impact of loan from Microfinance Institutions on level of sales of SMEs in Mbeya urban and effect of loan from Microfinance Institutions on firm's growth.

4.2. Demographic characteristics of respondent

In this section researcher presents some important demographic characteristics of respondents such as age of respondent, economic status of respondent, sex of respondent, and education level of respondent. In this end, researcher provides description of age of respondent. Table 4.1 below shows that, there were 25 respondents (35.7%) whose age range from 18 to 30 years old. Also there were 41 respondents (58.6%) whose age range from 31 to 45 years old. Moreover, there was other group of 4 respondents (5.7%) whose age range from 46 to 60 years old.

Table.4.1. Description of respondent's age

Age of respondents	Frequency	Percent
18 - 30 Years	25	35.7
31 - 45 Years	41	58.6
46 - 60 Years	4	5.7
Total	70	100.0

Source: Researcher's own data 2013

Apart from age of respondent, herewith is another description of demographic characteristic of respondent according to their sex. According to De Matteo (2005) validity of research results depends on whether results can be generalized to variety of

demographic and descriptive characteristics. Therefore researcher provides description of sex of respondent in view of the argument above.

Table.4.2. Description of respondent’s sex

Category	Frequency	Percentage (%)
Female	28	40
Male	42	60
Total	70	100.00

Source: Researcher’s own data 2013

Educational level is another demographic characteristic captured by researcher from data collected to suffice the purpose of this study. Table 4.3 below shows different level of education attained by respondents. Analysis shows that, there are 37 respondents (52.9%) who are holders of primary education, 31 respondents (44.3%) who are holders of secondary education and 2 respondents (2.9%) who are diploma holders.

Table.4.3. Education level of respondents

Education level	Frequency	Percent
Primary level	37	52.9
Secondary level	31	44.3
Diploma holders	2	2.9
Total	70	100.0

Source: Researcher’s own data 2013

4.3. Descriptive Statistics

Descriptive statistics is concerned with numerical description of a particular group observed. Much simple educational research involves descriptive statistics and provides valuable information about the nature of a particular group or class. Descriptive statistics mostly do provide information concerned with frequency distribution usually in percentages of items under study, information about normality of distribution skewness and kurtosis of data, measures of central tendency (i.e. mean, median and mode), measures of dispersion (i.e. standard deviation) and measures of relationship (i.e.

coefficient of correlation). In this section researcher presents descriptive statistics with regard to the following variables namely; age of the business (Age_0), Strategy employed to run SMEs (Strategy), association that SME manager is engaged (Membership), Change in number of employees after acquisition of loan from MFIs (Employee), Change in the level of sales (ChangeSales), change in total assets of the firm (ChangeAsset) as well as the proportion of loans used to finance assets of SMEs (Dratio). Table 4.4 below shows frequency distribution of SMEs that employ specific strategy in due course of conducting their day to day activities.

Table 4.4 SMEs with specific strategy in running their business

SMEs with / without strategy	Frequency	Percent
Yes	59	84.3
Otherwise	11	15.7
Total	70	100.0

Source: Researcher's own data 2013

Analysis shows that, 59 SMEs (84.3%) of total SMEs surveyed by researcher employ different strategies in pursuing their day to day activities. Study reveals that, SMEs uses quite number of strategies such as giving trade discount to customers, selling on credit to customers, as well as taking goods to customers instead of fetching goods from SME's warehouses. Out of SMEs surveyed, 21 SMEs (30%) were found to execute credit sales in selling their goods to customers, 20 SMEs (28.6%) distribute goods to their customers and 18 SMEs (25.7%) offer trade discount to their customer in order to speed up sales. The remained 11 SMEs (15.7%) did not employ any strategy to maximize their sales.

Apart from the use of different strategies that SMEs do employ to maximize their sales, the study also found that, SME's manager / owner engage into different association for the sake of building network with other stakeholders from which they can get access of more information relevant in their business, getting access to entrepreneurship training, getting access of soft loan easily and promptly.

Table 4.5 below shows descriptive statistics with regard to SME's specific strategy employed by various managers of SMEs in Mbeya urban.

Table 4.5 Membership with association

Category	Frequency	Percent
Yes	52	74.3
Otherwise	18	25.7
Total	70	100.0

Source: Researcher's own data 2013

With regards to the table above, 52 SMEs (74.3%) were found to have membership in SACCOS around Mbeya urban whereas 18 SMEs (25.7%) were found to disregard benefits accrued from being a member of SACCOS and therefore they are not registered in any SACCOS within Mbeya.

4.2.1. Descriptive Statistics regarding effect of loans on level of Sales of SMEs

In this section, researcher presents findings that describe effects of loan from MFIs on level of sales of SMEs in Mbeya urban. Table 4.6 below describes various measures of central tendency with regards to some of independent variables. Analysis shows that, out of all SMEs surveyed by researcher, they have maximum of eight (8) employees and minimum of 0 employees. This means, the sample of this study is made up of small enterprises as the number of employees hired by enterprises is less than 49 (URT, 2003). Moreover SMEs surveyed shows that, their mean value of sales per year is Tshs 2,278,491 with maximum value of Tshs 11,520,000 and minimum value of Tshs 860,670. Regarding the level of debts used to finance assets of SMEs in Mbeya urban, findings shows that, SME in Mbeya urban are financed with maximum loan of Tshs 2,400,000 and the minimum level of debt taken by SME is 350,000.

Table 4.6 Measures of central tendency

	n	Minimum	Maximum	Mean	Std. Deviation
Change Employee	70	0	8.00		
Change Sales	70	860,670	11,520,000	2,278,491.	334,000
Change Debt	70	350,000	2,400,000	803,142.	61,850

Source: Researcher's own data 2013

Apart from measures of central tendency examined by researcher, hereby are correlation coefficients of variables employed in the study by researcher. In this particular study, the aim was to determine the effect of loans acquired by SMEs from MFIs on performance of SMEs in Mbeya urban. General observation shows that, there is weak correlation among variables employed in the study. Weak correlation among variables implies that, there will be no the problem of collinearity among variables and therefore estimation results will be free from the problem of multi collinearity of variables.

To start, let us have a look on the degree of correlation between debts acquired from micro finance institutions and the level of sales. The two variables are hereby shown to have very weak positive correlation. The positive correlation implies that, the level of debts and the level of sales of SMEs move in the same direction. This means, when SMEs increases the proportion of loans in financing assets, the level of sales tend to increase as well. Moreover, the positive correlation between debts and level of sales may be explained increase in capital of SMEs which are now capable of increasing their operations and in turn cause increase in the level of sales of SMEs.

The study also was geared to examine the effect of loans from micro finance institutions on the level of assets acquired by SMEs in Mbeya urban. Findings on table 4.6 show that, there is weak positive correlation between debts acquired by SMEs and the level of assets acquired by SMEs. This implies that, when SMEs acquire loans they can use the same loan to acquire assets to facilitate increased operations of SMEs which in turn will lead into increased sales and profitability of SMEs.

In line with same argument regarding the effect of loans acquired by SMEs on performance of the firm, table 4.7 also shows that effect of the loan on another measure of performance of SMEs, which is number of employees. In this end, findings reveal weak positive correlation between debts and number of employees acquired by SMEs. In this study researcher found very weak positive correlation between loans acquired by SMEs and the variable number of employees hired by SMEs. Positive correlation implies that, increase in loan acquired by SMEs led into increase in number of employees employed by SMEs.

Table 4.7 Coefficient of correlation of variables

	Change Employee	Ln(Sales)	Ln(Debts)	Ln(Assets)	Business Age	Membership_1	Strategy_1
Change Employee	1.0000						
Ln(Sales)	0.3006	1.0000					
Ln(Debts)	0.1061	0.5200	1.0000				
Ln(Assets)	0.2108	0.5884	0.4813	1.0000			
Business Age	0.3070	0.3448	0.3076	0.4561	1.0000		
Membership_1	0.2660	0.4382	0.3283	0.3577	0.4755	1.0000	
Strategy_1	0.1952	0.3551	0.2858	0.4367	0.5004	0.2848	1.00

Source: Researcher's own data 2013

Apart from the variable debts that measure the effect of loan on dependent variable, researcher also employed other explanatory variables in the model so as control for the effect of other extraneous variables. Business age was employed in the study as control variable to capture the effect of managerial experience on performance of SMEs. Age of the business is the proxy for management experience in running SMEs. In this particular study, findings reveals that, age of the business have positive correlation with the level of sales of SMEs ($r = 0.3448$). In addition age of the business was found to have positive correlation with the assets acquired by SMEs in Mbeya urban ($r = 0.4561$). Furthermore, findings reveals that, age of the business have positive correlation with number of employees hired by SMEs in Mbeya urban.

Therefore, we can sum up argument by saying experience of the management of SMEs influence performance of SMEs in Mbeya urban because all the variables employed in the study have been found to have positive correlation with experience of managers.

These findings are in line with findings obtained by various scholars who examined the relationship between age of the business as a proxy for management experience. Scholars such as, Duchesneau and Gartner (1990) showed that the founders of failed ventures had less management experience than the founders of successful firms. Similarly, Lee and Tsang (2001) showed that management experience influences sales performance. Bigsten and Gebreeyesus (2007) found that the management experience of founders had a positive effect on employment performance. These entrepreneurs are able to manage their firms better because previous experience from managing a business provides training in many of the skills needed for recognising and acting on entrepreneurial opportunities, including negotiation, decision making styles, ways to serve markets, and methods for dealing with customers and employees (Shane 2007).

Membership in various associations was examined by researcher to assess to what extent does SMEs benefits from associations established by managers / owners of SMEs. This is due to the fact that, SMEs are highly affected by the problem of information asymmetry and these associations in a way act as a way to minimize the problem if not solving the problem. The same argument also were found from the study of Mateev (2010) who argue that, SMEs are informationally more opaque, more financially constrained, and are more dependent on loans when outside financing is needed. For a bank, the limited information available about the SME increases the risk associated with providing financing, which induces the bank to reduce loan maturity and increase the interest rate. To optimize loan conditions, SMEs have an incentive to build a relationship with their bank(s) in order to minimize the information asymmetry. The association between bank debt maturity and relationship lending is widely investigated (see Ortiz-Molina, and Penas, 2004; Hernandez and Koeter, 2008).

For instance, Hernandez and Koeter (2008) find that, firm-specific characteristics such as size, age, and close firm-bank relationships increase the likelihood of obtaining longer-term bank loans which are less costful as compared to loans which have short repayment period. In this study, researcher found positive correlation between association of SMEs and SMEs performance. This implies that, SMEs performance does depend on association established by managers / owner.

To be more specific when assessing the effect of association established by managers of SMEs on SMEs performance, researcher examines specific effect of association on various proxies variable for performance. Analysis shows that, all variables for performance namely; level of sales, level of assets acquired and number of employees of SMEs. The positive correlation between established association by managers of SMEs and SMEs performance were found to be weak, and therefore, enable further test statistics to cause the problem of multi-collinearity.

Strategy(ies) being used by managers /owner of SMEs also have been found to affect performance of SMEs. Various scholars such as (Mateev, 2010, Koeter, 2008 and Storey, 1994) found that managers who were able to set smart strategies took their SMEs to the next milestone in terms of performance and development unlike those managers who run their business without employing as specific strategy despite the fact that, business world of today, the underlying philosophy is customer centered so as to ensure high level of retention of customers.

In this study, researcher employed the binary variable strategy to assess its effect on performance of SMEs in Mbeya urban. Findings from analysis correlation among variables reveals that, there is positive correlation between strategy and the variable sales level of SMEs, assets level of SMEs, and number of employees hired by SMEs Mbeya urban

4.4. Estimation results

This section presents estimation results obtained from regression analysis performed by researcher. Regression analysis is a statistical tool for the investigation of relationships between variables. This tool enables the researcher to ascertain the causal effect relationship of one variable upon another (Koop, 2005; Gujarat, 2004). Moreover regression analysis enables us to quantify the effect of the causal variables upon the variable that they influence, and also to assess the “statistical significance” of the estimated relationships, that is, the degree of precision that the true relationship is close to the estimated relationship (Gujarati, 2004). Therefore we are presenting results of regression analysis performed on our variables of interest to show clearly causal effect relationship among our variables employed in the study and the level of the statistical significance of those variables employed in this study.

4.4.1. Estimation results regarding the impact MFIs Loan on firm’s performance

In section 2.3.1.2 researcher specified a model aimed to answer the first research question that says how MFIs does affect the firm’s growth. Debt ratio is used as a proxy of MFI loans and sales turnover, is used as proxy of firms performance. Results presented on table 4.8 below shows clearly that MFIs lending have very significant positive impact on the firm’s performance.

Table 4.8: Estimation results on effect of MFIs lending on firms performance (level of sales).

Level of sales	[1]	[2]
Ln Debts	1.4150 (0.001)***	1.396 (0.001)***
Business Age	1.3543 (0.835)	
Network	2.3416 (0.167)	2.012 (0.157)
Strategy	3.098 (0.029)**	3.071 (0.0278)**
_Constant	4.962 (0.005)***	3.7812 (0.0041)***
R ²	47.64	48.78
N	70	70

Note: *, **, and *** indicate the level of significance at 10 percent, 5 percent and 1 percent respectively.

Source: Researcher's own data – 2013.

Findings show that, debts acquired by SMEs significantly improve performance of sales of SMEs in Mbeya urban. Furthermore, analysis shows that, increase in debts by 1 unit, causes increase in level of sales of SMEs in Mbeya urban by 1.415 units. This positive correlation of debts and sales level is very significant at 1% level of significance (p values = 0.001). This findings support the argument that asserts that, access to external capital is a crucial inhibiting factor with regards to performance of SMEs. This is evident as per analysis because these results succinctly show improved performance of sales due to the influence of external funding from MFIs in Mbeya urban.

In line with the same argument, other scholars also studied influence of external funding on SMEs performance and reveals the same results. For instance, (Moreno, 2008) who studied the role of credit on small business success. In his study, Moreno (2005) found that, credit access is a critical factor in performance of small business. In this particular study, researcher empirically found that, credit / debts acquired SMEs in Mbeya urban significantly improved sales level of SMEs. Moreover, findings implies that, having microfinance scheme at the moment which supplement that deficit left by commercial banks in rural areas and to un privileged community.

By so doing, MFIs will enable SMEs to increase their level of income which in turn will led into increased contribution of SMEs on Tanzanian economy by contributing more in creation of employment opportunities following the increase in sales which in turn will cause a need for more people to be engaged in growing SMEs as a results of debts acquired from micro finance schemes.

The second variable examined by researcher in this particular study was association created by manager / owner of SMEs in discharging their duties in Mbeya urban. The aim of the researcher was to assess the impact of associations created by managers / owners of SMEs on the level of sales of SMEs. In this study researcher used the binary variable network to capture the effect of association on performance of SMEs in Mbeya urban. As said earlier, networks created tend to reduce the effects of information opacity which is predominant feature in SMEs. In this end, researcher uses a binary variable association to capture the impact of networks created on sales level of SMEs in Mbeya urban.

Networks created by managers / owners is said to have an impact on performance of SMEs. It is often argued that SMEs are informational more opaque, more financially constrained, and are more dependent on loans when outside financing is needed. For a bank, the limited information available about the SME increases the risk associated with providing financing, which induces the bank / MFIs to reduce loan maturity and increase the interest rate. To optimize loan conditions, SMEs have an incentive to build a relationship with their bank(s) / MFIs in order to minimize the information asymmetry. The association between bank debt maturity and relationship lending is widely investigated by various scholars (Molina and Penas, 2004; Koeter, 2008). These scholars found that, firm-specific characteristics such as size, age, debt and financial situation, close firm-bank relationships increase the likelihood of obtaining longer-term bank loans.

Empirical findings obtained by researcher shows that, the variable network which is a proxy for association reveals that, network of SMEs manager / owner have positive correlation with sales level of SMEs in Mbeya urban. Moreover, analysis shows that, networks created influences increase in sales though its effect is not significant. This positive correlation between networks and sales level suggest that apart from the role served by network in reducing information opacity, also network created by SMEs manager create social ties with the market and therefore impliedly it binds customers to purchase products from the person whom they know each other as they find to be socially indebted and being compelled purchase to those suppliers whom they know. Also, the positive correlation between networks and sales level may be explained by positive word of mouth from those whom managers have created relationship with them and therefore they do advertisement impliedly in favor of SMEs manager / owner.

Strategy employed by SME manager / owner was another variable assessed by researcher to determine its impact on performance of SMEs. This is due to the fact that, firm performance and performance are much affected by strategy, which involves choices along a number of dimensions and can be represented by a firm's overall collection of individual business-related decisions and actions (Mintzberg, 1978). In this particular study researcher employed the variable strategy to control for the effect of debts acquired by SMEs in Mbeya urban.

Empirical findings obtained in this particular study reveals that, there is significant positive correlation between sales level of SMEs in Mbeya urban and strategies employed by managers / owners of SMEs at 5% level of significance ($p - values = 0.0278$).

In line with the above argument, findings regarding the impact of strategy on sales level of SMEs support argument made by some previous scholars who assert that, people with smart strategy are more likely to start a business and lead their business to grow than people with poor strategy (Judge and Bono 2001 and Kirby 2003).

Furthermore, it is argued that smart strategy is embodied with a philosophy that tend to set challenging goals, persist even in situations of failure, and approach difficult tasks as challenges to be mastered rather than issues to be avoided (Mintzberg, 1978; Miles and Snow, 1978). On the other hand, poor strategy employed by managers/ owners avoid difficult tasks, tend to have low levels of aspiration and commitment to their goals and give up easily (Mintzberg, 1978).

Last but not least researcher employed the other variable business age as control variable in the study. The reason is that, age of the business does reflect management experience of the SME. In this particular study, findings reveals that, age of the business have positive correlation with sales level of SMEs in Mbeya urban. This implies that when the age of SME increases also sales level of SMEs tend to increase. However, test statistics findings reveals that the effect of business age on sales level of SMEs in Mbeya urban is not significant.

Result obtained implies that, managers / owners of SMEs with more management experience tend to form ventures that experience vast sales performance than founders with less management experience. These findings are in line with findings obtained by various scholars who examined the relationship between age of the business as a proxy for management experience.

Scholars such as, Duchesneau and Gartner (1990) showed that the founders of failed ventures had less management experience than the founders of successful firms. Similarly, Lee and Tsang (2001) showed that management experience influences sales performance. Bigsten and Gebreeyesus (2007) found that the management experience of founders had a positive effect on employment performance.

Furthermore, findings show that, the model by itself is very significant at 1% level of significance. In addition, findings reveals that, independent variables employed by researcher in the study are able to explain variations in dependent variable by 47.64%

($R^2 = 0.4764$) and leave 52.36% of variations in dependent variable explained by other unobserved factors represented by the error term and not explained by factors employed in the model.

4.4.2. Estimation results regarding the impact of MFIs loan on firm’s growth.

In section 2.3.1.2 researcher specified a model aimed to answer the second research question that said; how does MFIs lending influence the firms’ growth. The increase in the level of assets in this study signifies the level of growth. In this section (4.4.2) we are presenting findings obtained from model 2. Results presented on table 4.9 below shows the impact of MFIs lending on firm’s growth. In this model firms’ growth is dependent variable where change in assets level was used as the measure of firm’s growth.

Table 4.9: Estimation results on effect of MFIs lending on Level of Assets

Level of assets	[1]	[2]
Ln Debts	1.2883 (0.003)***	1.2718 (0.003)***
Business Age	2.2739 (0.0104)**	2.264 (0.011)**
Network	0.9108 (0.423)	
Strategy	2.5537 (0.065)**	2.4557 (0.0671)**
_Constant	3.8942 (0.0041)***	3.3813 (0.001)***
R^2	38.93	39.87
N	70	70

Note: P-values are in parentheses below the coefficients *, **, and *** indicate the level of significance at 10 percent, 5 percent and 1 percent respectively.

Source: Researcher’s own data – 2013.

Debt ratio (Debt) was used as a proxy variable to measure the extent of MFIs lending on SMEs in Mbeya urban. Findings show that, debts acquired by SMEs have significant impact on the firm’s growth. In particular, the results show those firms’ assets level increases as the level of loans increases.

This means that SMEs make use of the loans acquired to finance the expansion of the business. Increase in assets is one of the indications of business growth. This positive correlation between the amount of debts employed by SMEs and level of assets acquired is very significant at 1% level of significance (p values = 0.003).

Findings obtained implies that, having microfinance scheme at the moment which supplement that deficit left by commercial banks in rural areas will enable unprivileged community to increase their level of income which in turn will led to increased contribution of SMEs in reaching millennium development goals of reducing income poverty by year 2025. Moreover, the growth of SMEs in Mbeya urban due to MFIs lending enable SMEs to contribute more in creation of employment opportunities.

The second variable examined by researcher in this particular study was association created by manager / owner of SMEs in discharging their duties in Mbeya urban. The aim of the researcher was to assess the impact of associations created by managers / owners of SMEs on the level of assets acquired by SMEs. In this study researcher used the binary variable network to capture the effect of association on performance of SMEs in Mbeya urban. As said earlier, networks created tend to reduce the effects of information opacity which is predominant feature in SMEs

Networks created by managers / owners is said to have an impact on performance and hence growth of SMEs. It is often argued that SMEs are informational more opaque, more financially constrained, and are more dependent on loans when outside financing is needed. For a bank, the limited information available about the SME increases the risk associated with providing financing, which induces the bank / MFIs to reduce loan maturity and increase the interest rate. To optimize loan conditions, SMEs have an incentive to build a relationship with their bank(s) / MFIs in order to minimize the information asymmetry.

Empirical findings obtained by researcher shows that, the variable network which is a proxy for association reveals that, network of SMEs manager / owner have positive correlation with sales level of SMEs in Mbeya urban, but the influence of MFIs lending on the level of assets acquired by SMEs in Mbeya urban is not significant.

Apart from the variable network association discussed above, strategy employed by SME manager / owner was another variable assessed by researcher to determine its impact on firms' growth. The strategy involves choices along a number of dimensions and can be represented by a firm's overall collection of individual business-related decisions and actions (Mintzberg, 1978). In this particular study researcher employed the variable strategy to control for the effect of debts acquired by SMEs in Mbeya urban. Empirical findings obtained in this particular study reveals that, there is significant positive correlation between the growth of the firm and the strategies employed by managers / owners of SMEs at 10% level of significance ($p - values = 0.0671$). Moreover, findings regarding the impact of strategies employed by managers / owners of SMEs reveal that, change in strategies employed increases the chances to increase sales of SMEs which in turn led into the need to increase assets to accommodate the increase in sales.

In line with the above argument, findings regarding the impact of strategy on sales level of SMEs support argument made by some previous scholars who assert that, people with smart strategy are more likely to start a business and lead their business to grow than people with poor strategy (Moreno, 2008; Storey 1994). On the other hand, poor strategy employed by managers/ owners avoid difficult tasks, tend to have low levels of aspiration and commitment to their goals and give up easily (Mintzberg, 1978).

In this particular study, we find also that, age of the business have significant positive correlation with the level of assets acquired by SMEs in Mbeya urban. Moreover, analysis shows that when the age of SME increases, the level of assets acquired by SMEs tend to increase as well.

Moreover test statistics findings reveals that, correlation between age of the business and assets level is very significant at 5% level of significance ($p\text{- values} = 0.011$). Result obtained implies that, managers / owners of SMEs with more management experience tend to form ventures that experience vast increase in value of assets than founders with less management experience. These findings are in line with findings obtained by various scholars who examined the relationship between age of the business as a proxy for management experience. Scholars such as, Duchesneau and Gartner (1990) showed that the founders of failed ventures had less management experience than the founders of successful firms.

Similarly, Lee and Tsang (2001) showed that management experience influences sales performance. Bigsten and Gebreeyesus (2007) found that the management experience of founders had a positive effect on employment performance. These entrepreneurs are able to manage their firms better because previous experience from managing a business provides training in many of the skills needed for recognizing and acting on entrepreneurial opportunities, including negotiation, decision making styles, ways to serve markets, and methods for dealing with customers and employees (Shane 2007).

Moreover, some findings (e.g., Davidson 1991; Storey 1994; Woldie, Leighton and Adesua 2008) have supported the argument that younger managers are more likely to be successful in their firms than older managers because younger managers have more energy, higher aspirations and are more likely to be dedicated to work for long hours, which is an important attribute for a business to be successful. Conversely older managers are likely to have reached their final aspirations and thus performance is of little importance. However, a different set of studies argues that older managers are more likely to be successful in their firms than younger managers (Harada 2003). The logic is that older managers are more experienced and have gone through many challenges, which make them strong and confident.

CHAPTER FIVE

SUMMARY, CONCLUSION AND POLICY IMPLICATIONS

5.0. Introduction

This chapter presents summary, conclusion and policy implications in relation to the study that aim to determine the impact of MFIs financing on performance of SMEs at Mbeya urban. Section 5.1 presents summary of the main findings obtained in the study, whereas the next section is about conclusion made out of the study by researcher and the last section is about policy implication in relation to the study. Furthermore subsequent section highlights areas where future researcher can dwell on.

5.1. Summary of Findings

In this study researcher aimed at determining the impact of MFIs lending on the performance of SMEs in Mbeya urban. The second specific objective of the study was to determine the impact of MFIs lending on the growth of firm. With regard to the first research objective, the study reveals that, *in Debts* a proxy for MFIs lending has positive and significant correlation with the variable sales level of SMEs in Mbeya urban. In addition to the impact of MFIs lending on the level of sales, findings depict that, MFIs lending also has significant impact on the growth of the firm.

Apart from the impact of debts as proxy for MFIs lending on performance of SMEs, also researcher employed other explanatory variables in the model to control for the effect of the variable debts on dependent variable. Findings regarding other explanatory variables/control variables reveal that, network created by managers / owners of SMEs significantly affect performance of SMEs when performance was measured by using the variable sales level of SMEs. In other statistical test, network created by managers / owner was found to have no significant impact on performance of SMEs in the first and the second model.

Another control variable employed in the model by researcher was strategy used by managers/ owners of SMEs to execute their operations. Findings reveal that, strategy employed by the manager / owner of SMEs have significant positive impact on performance of SMEs with regards to the first and the second models. Also researcher employed the variable age of the business as control variable in analysis. Findings shows that, age of the business have significant positive impact on performance of SMEs Mbeya urban. In this study, age of the business being a proxy for management experience was found to have significant impact on performance of SMEs in all of the three models used to perform statistical tests.

5.2 Conclusion

In order for Tanzania to engage fully SMEs improving her economy, there is a need to reinforce contribution made by SMEs. This motive can be taken to another milestone by having reliable and adequate sources of external capital to SMEs which in turn will enable SMEs to acquire external sources finance to finance their viable investment project which in turn will lead into performance of SMEs and therefore increase their contribution in micro economy as well as macro economy of Tanzania. Moreover, the motive to improve contribution of SMEs into the economy should take into account other important attributes of SMEs performance such as provision of relevant education to SMEs manager / owner so that they can have capability to design various strategies to execute their operations and being able to establish networks that will be helping them to get relevant information in making various number of strategic decisions.

5.3 Recommendations

With regard to the findings of this study, researcher is hereby put forward the following recommendation as reflections of what have been observed in the study undertaken at Mbeya urban. Researcher observed that, majority of managers/ owner of SMEs do not have specific trainings that match with the industry in which they are operating.

Therefore, lack of proper trainings inhibits managers / owners of SMEs to exploit all potential opportunities available in the industry in which they are operating. Moreover, researcher found that, there is no prior conceived purpose for establishing business to majority of managers / owners of SMEs the fact that makes them to have no baseline from which they can set their long term plans as well as short term plans. Therefore, there should be initiatives to alert managers / owners of SMEs that they need to have statement of intent from very beginning of their venture.

5.4. Policy Implications

In this study researcher examined the impact of MFIs lending on performance of SMEs by using cross sectional data methodology which treat all observation as having collected at a single point of time due to the problem of availability of enough data that suffice the requirement of panel data. Therefore future research need to be conducted on the study area by using panel data methodology because it allows controlling for unobservable heterogeneity of individual firms as well as makes it possible to exclude biases deriving from the existence of individual effects (Gujarati, 2004).

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QUESTIONNAIRE

Introduction

Dear respondent

My name is Fadhili B.Mahenge a student of Mzumbe University (Morogoro campus) pursuing master degree of science in accounting and finance (Msc.AandF). I am conducting a research on the impact of loan from microfinance institutions (Saccos) on performance of SMEs in Mbeya urban. This questionnaire is solely given to you for the purpose of collecting data that will be used strictly for academic purpose. As per Mzumbe University bylaws, every master's student should conduct a dissertation as a partial fulfillment for the award of master's degree. With regards to the requirement from Mzumbe University, I hereby request your cordial response to fill this questionnaire and all information that will be collected will be treated at high level of confidentiality and solely for academic purpose.

SECTION A

1. Sex: Male () Female ()
2. What is your age?
 - i. 18 – 30 years old
 - ii. 31 – 45 years old
 - iii. 46 – 60 years old
 - iv. 61 – and above
3. What is the level of your education?
 - i. Primary level
 - ii. Secondary level
 - iii. Certificate holder
 - iv. Diploma holder
 - v. Degree holder
 - vi. Holder of post graduate degrees

4. What is your occupation?
 - i. Professional employed person
 - ii. Self employed person
 - iii. Civil servant
 - iv. Labourer
 - v. Farmer
 - vi. Student
 - vii. Other

4a. When did you start doing business in Mbeya city in your industry?

1. Less than 2 year
2. For 3 – 5 year
3. For above 5 years

Question 5

How many years does your SME have in operation?

Question 6(a)

Do you have specific strategy to apply when undertaking your business transactions?

Answer

1. YES
2. NO
3.

Question 6b

If the answer to the above question (6a) is YES, then could you please specify main strategy (ies) that you have been applying in doing business?

1.
2.

Question 7b

If the answer to the above question (7a) is yes, do you perceive any gain out of such kind of associations you have been involved? Please explain.

Question 8a

How many employees do you have currently?.....

Question 8b

How many employees were present before acquiring loan?

Fill in the table given below

Table A: Before acquiring loan

Respondents	Average level of sales	Average level of assets	Average level of debtors	Average level of creditors	Tax paid
X					
Y					
Z					

Table B: After acquiring loan

Respondents	Average level of sales	Average level of assets	Average level of debtors	Average level of creditors	Tax paid
X					
Y					
Z					

The end

Thank you very much for your cordial concern.