

ABSTRACT

Similar to other nations both industrialized and non-industrialized, one of the main aims of microeconomic policies in Tanzania is to raise the economic growth of the country by decreasing the inflation which affects microfinance institutions' lending rates. Motivated by this controversial, this dissertation examined the effect of inflation on microfinance institutions' lending rates, taking PRIDE Tanzania as a case study.

It was realized that inflation is positively related with lending rates. Yearly time series data for the time from 1994-2013 (appendix 2) was applied by using the Ordinary Least Squares regression analysis (OLS) to look at the effect of inflation on lending rates. In testing the regression analysis, coefficients of correlation were established to show the existence of the relationship between inflation and lending rates and to describe such relationship between inflation and lending rates.

The outcomes of the regression analysis suggest that the entire model's variables are kept constant. Inflation has no effect on microfinance institutions' lending rates especially PRIDE Tanzania. The findings also show that there is a short run relationship existing between inflation and lending rates at PRIDE Tanzania.

Information (data) was gathered through documentary review, interviews, and questionnaires. Questionnaires in this study were open-ended questions, which permitted persons to convey their views about the effect of inflation on lending rates. Interviews were carried out on the basis of a programmed interview plan. Thus both quantitative method and qualitative method were together used in the course of data gathering and information needed in the study.

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