

ABSTRACT

This study intended to examine the impact of microfinance institutions on the performance and growth of micro and small enterprises (SMEs) in Tanzania. The study was carried out at PRIDE Tanzania Limited headquarters situated in Arusha City. In examining the impact of microfinance institutions to the performance and growth of micro and small enterprises, the study found out the cost incurred by MSEs while accessing MFI financial services, examined whether MFI financial services improve the performance and growth of MSEs in Tanzania and assessed the challenges faced by MSEs while dealing with MFI loans. The researcher used case study research design. In this study primary and secondary data were used; primary data was collected from PRIDE Tanzania Limited branches named Arusha, Mianzini and Mbauda in Arusha city. Questionnaires were circulated to the PRIDE Tanzania staff and client to give their view and others who needed assistance were interviewed. Questionnaires, 60 in total were issued where amongst them 15 was for PRIDE Tanzania's staff and 45 were for PRIDE Tanzania's clients. In total 44 questionnaires were completed and returned whereby 10 were for PRIDE Tanzania's and 34 were for PRIDE Tanzania's clients who represented the MSEs. In the case of secondary data, documentary review was used whereby information was received from PRIDE Tanzania's operation manager.

Data analysis was done by using quantitative and qualitative techniques. The techniques used include table presentation, percentages, graphs and using explanations to show differences in frequency which assisted the researcher to draw conclusion. The study revealed that micro and small enterprises depend on microfinance services and large number of the sample taken admitted that their businesses grew after using PRIDE Tanzania services. Services mentioned were loan credit, savings account, insurance, training and networking.

However, there are some challenges facing MSEs while accessing to microfinance services. According to the study results most of the respondent mentioned, high interest rate, high costs of accessing loan, repayment time, grace period and group lending. These happen to be the obstacle of the performance and growth of their businesses. The study recommend that government should reduce cost to MFI and issue regulation that will cover all MFIs and the ceiling of interest rate be set and known. In the case of PRIDE Tanzania the group lending product, time for repayment and grace period would be revisited and set in such a way that it offer relief to its clients.