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THE CONTRIBUTION OF MICROFINANCE INSTITUTIONS (MFIs) SERVICES TO POVERTY REDUCTION AMONG MICRO AND SMALL ENTREPRENEURS IN IRINGA MUNICIPALITY, TANZANIA.

Mrindoko, A. E.[1] and Pastory, D. [2]
[1&2] *Department of Accountancy, College of Business Education, Dar es Salaam, Tanzania.*
[1]*a.mrindoko@cbe.ac.tz*
[2]*d.pastory@cbe.ac.tz*

ABSTRACT

Purpose: The major purpose of this study was to assess the contribution of Microfinance Institutions (MFIs) to poverty alleviation among micro and small entrepreneurs of Iringa municipality, Tanzania.

Design/Methodology/Approach: The study involved 333 micro and small entrepreneurs who own/manage micro and small enterprises and had accessed MFIs services. The study applied a cross-sectional survey design under a mixed research approach. The data were solicited from micro and small entrepreneurs using a structured questionnaire, and from key informants using an interviews guide. Among 333 questionnaires that were distributed, 320 questionnaires were used for data analysis as the rest were not usable because they contained incomplete data. Data analysis was done using correlation analysis: Chi-square, Kendall tau-b, Phi, and Cramer's V.

Findings: The study revealed that micro and small enterprises were involved in manufacturing, agriculture, service, and commerce. The study found that most MFIs services have not improved micro and small entrepreneurs' income. However, the result shows that MFIs services have contributed to the reduction of poverty among micro and small entrepreneurs in Iringa municipality.

Implications/Research Limitations: This study was a cross-sectional study, it is therefore impossible to draw any conclusions about the underlying contributions or impacts of MFIs services on poverty reduction among micro and small entrepreneurs over time. In addition, because all of the data in this study was collected from a single source 'micro and small entrepreneurs, there is a likelihood of common bias.

Practical Implications: The findings of this paper would be useful for micro and small enterprises as it will be an eye-opener regarding the ability of MFIs to provide them with the capital they need and not just cash for consumption purposes. Also, institutions involved in the facilitation and regulation of microfinance services will gain from the results of this study since they promote policy review and encourage the use of MFIs services by micro and small entrepreneurs.

Originality/Value:: Due to mixed results from different scholars about the impact of MFIs on the alleviation of extreme poverty among micro and small entrepreneurs, this suggests that the contribution of MFIs in the eradication of extreme poverty has not been established. Therefore, this study intended to fill the gap by investigating the extent to which microfinance institutions' services contribute to the reduction of extreme poverty among entrepreneurs in micro and small enterprises with particular regard to Iringa Municipal, Tanzania.

Keywords: *Micro; Microfinance Services; Poverty Reduction; Small Entrepreneurs; Tanzania*

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INTRODUCTION

Globally, Microfinance Institutions (MFIs) have become important parts of development and economic rejuvenation strategies (Todaro & Smith, 2012; Chomen, 2021). According to researchers (Awojobi, 2019; García-Pérez, Fernández-Izquierdo & Muñoz-Torres, 2020), Microfinance (MF) services can help people with low income to lessen poverty, enhance the administration of their business, lift their productivity, acquire superior profits on investments, and advance the quality of their living standard and other peoples in society. Usually, MFIs provide small loans to people with low income while hoping to increase labour productivity and investment, so that their household incomes are improved (Arouri, Ben Youssef, Durairaj, Dahmani, & Mungomba, 2014; BeklentİlerȊ & Alemu, 2018; Khan, Khan, Fahan, Ali, Khan & Luo, 2020). Microfinance goes beyond the provision of small credit to low-income people and micro and small entrepreneurs (David & Thankom, 2009; Tasos, Amjad, Awan & Waqas, 2020). Microfinance contributes financial services such as savings, money transfers, payments, remittances, and insurance among others to the micro and small entrepreneurs based on market-driven and commercial approaches (Christen,1997; Austin, 2011).

According to Beck, Demirguc-Kunt, & Levine (2005) and the United Nations Department of Economics and Social Affairs (2020), micro and small entrepreneurs constituted over 70% of the total workforce in the manufacturing sector in the majority of developing countries. Ayyagari, Demirgüç-Kunt, & Maksimovic (2011) and Meressa (2020) added that Micro And Small Enterprises (MSEs) are the growth engine in many of the world's countries. Moreover, the figures from the Chinese National Bureau of Statistics show that in 2012 Micro, Small, and Medium Enterprises (MSMEs) accounted for 99.4% of all businesses in China, and MSMEs earned 59% of China's GDP and contributed 60% of the total sales. Microfinance in Latin America is a very important component of the financial sector and supports MSEs in the context of integrated programs such that provision of small loans, training of entrepreneurs, helping entrepreneurs with market assessments, providing sales assistance to entrepreneurs, and technical assistance (Peck, 2012; García-Pérez, Fernández-Izquierdo & Muñoz-Torres, 2020).

In the Asian continent, most MFIs have taken the largest amount of savings and credit and have served a lot of people more than on other continents in the global. However, there are major differences contained within the continent. For instance, East Asia is for the most part well served by microfinance institutions. The largest numbers of members and the largest allocation of lending and saving mobilization in terms of GNP are in Bangladesh, Indonesia, Thailand, and Vietnam (Lapeneu & Zeller, 2001; Microfinance Barometer, 2019). In Africa, microfinance has contributed to the capacity building of people living in difficult conditions, to the development of jobs, the creation and accumulation of wealth, and bring about the sustainability of social-economic conditions in those communities (Buchenrieder, Gnilachi & Benjamin, 2019; Gidigbi, 2021). However, challenges remain. For instance, today, as other continents continue to register sustainable economic growth and development, Africa is not only lagging behind but also trapped in a vicious circle of poverty (Nwani & Osuji, 2020; Ssembajjwe & Nwadi, 2020; Ssembajjwe, 2021) and donor dependency syndrome (Mhango,

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2017; Mahembe & Odhiambo, 2019) which have been identified by some critics as among the roots practically interfere with real and sustainable development.

In the Tanzanian context, the social and economic state of affairs is of inferior quality, seeing that 50% of Tanzanians are measured as people living in difficult conditions, and nearly 33% of people live in horrible poverty (URT, 2010). Most of these poor are micro and small entrepreneurs (Madiwa, 2021) whose population amount to 2,685, 404 as of 2017 (Fortune of Africa, 2017) and constitute 95% of all business activities in the country and represent about 35% of the country's GDP (Tanzania Invest, 2017). In the report of the National Bureau of Statistics (NBS) regarding the Household Budget Survey (HBS) of 2012/13, it was found that the percentage of the total population who live under the national food poverty line and beneath the national basic needs poverty line was 18.9 % and 35.7% respectively. Moreover, social-economic indicators as well confirm that income poverty disparities were growing among rural or urban people and between urban and rural populations. According to URT (2005), the urban poor constitute about 13% compared to 87% in rural areas. In addition, the disparity has been observed across and within regions and districts (URT 2005).

To end poverty, Tanzania prepared plans for alleviation of poverty which are described in the national strategies for growth and poverty reduction such as the National Strategy for Growth and Reduction of Poverty phase I (NSGRP-I) of 2005-2010, Tanzanian Vision 2025 of 1995, the National Poverty Eradication Strategy of 2010, Poverty Reduction Strategy Paper (2000,) and National Strategy for Growth and Reduction of Poverty phase II (NSGRP II) of 2010-2015. They emphasize the importance of poverty reduction through equity, everlasting economic expansion, and improvement of living conditions. Given the importance of microfinance in poverty reduction, the National Micro-Finance Policy (NMP) was announced and put in effect in 2000 with the major objectives of setting up a foundation for the growth of a well-organized and effective micro financial system in the country, to serve people with low-income such as small enterprises, and in so doing add to economic development and lessening of poverty (URT, 2000; URT 2005). The NMP's focal point is to make financial services available to households, smallholder farmers, and MSEs in both urban and rural. The NMP focuses on a range of financial services, including savings, credit and payment.

As a result of NMP, many MFIs have been established and introduced various packages of micro-credits. In the 1990s there were only 825 MFIs which increased to 1,875 in 2005 (BOT, 2005; EEA, 2009). In 2012, the country was estimated to have more than 5000 MFIs (Girabi & Mwakaje, 2013). The evidence shows that microfinance activities are increasing (Ahlen, 2012; Rabodiba, 2019). The sector rose from 3.3% in 1996 to 7.2% in 2003 (Semboja, 2004), slowed down then picked up to 11.3% in 2009 (BOT, 2009). This is supported by recent studies conducted by Brown, Mackie, Smith & Msoka (2015) and Rabodiba (2019). Despite the increase and efforts taken to integrate small enterprises into micro-financing, more people are still living in extreme poverty in both urban and rural areas (Kaseva, 2017; Mng'ang'a, Nyabakora & Nyagali, 2020) as statistics show that the poverty situation in Tanzania, about 12 million people in Tanzania still live in poverty (World Bank Report, 2015). The presence of many MFIs is considered as increased access to microcredit

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among small enterprises in Tanzania and this leads to more investment which enhances income generation and thus plummets poverty.

Despite the efforts and a large number of MFIs and the broad assortment of products and services offered, still, poverty is severe among owners of micro and small enterprises (URT, 2010; WB, 2015). The question here is why extreme poverty is still among micro and small Tanzanian entrepreneurs? Also, due to mixed results from different scholars about the impact of MFIs services on the reduction of extreme poverty among micro and small entrepreneurs, this suggests that the contribution of MFIs in the eradication of extreme poverty has not been established without a doubt. Therefore, the current study has been determined to fill this gap by investigating the extent to which microfinance institutions' services contribute to the reduction of extreme poverty among entrepreneurs in micro and small enterprises with particular regard to Iringa Municipal, Tanzania. However, to benefit from MFIs services and get out of extreme poverty, characteristics such as household size, type of business, size of business, business location, business experience, and sex and education levels must keenly be considered. Therefore, this study also analyzed the associations between the contribution of MFIs services to poverty reduction and the demographic characteristics of MSEs and entrepreneurs.

2.0 LITERATURE REVIEW

2.1 Theoretical Frameworks on Microfinance and Poverty Reduction

This study was guided by one theory: The theory of Empowerment and two models: Grameen Bank Model and Village Bank Model.

2.1.1 The Theory of Empowerment

Empowerment theory as postulated by Zimmerman (2000) involves using interventions to guide the community on the way to attaining a sense of control. Communities might feel without help in their lives for an assortment of reasons. Thus, empowerment theory’s center of attention is on how tyranny contributes to this experience and how the community can get out of the situation. It focuses on assisting disadvantaged people at individual, group, and community levels to gain the personal, interpersonal, economic, and political power to improve their livelihood. In essence, the theoretical thinking of empowerment theory challenges systems that thwart or hamper people from fulfilling their esteemed needs (Perkins & Zimmerman, 1995). External bodies or agents are fundamentals for capacity building for the reason that people require a fresh body of ideas, comprehension, and information to transform their conception, and mindset as it will encourage them to take action against the impediments in their household and communities. Empowerment is considered a continuing change process that involves personal determination in the course of making choices that can better the well-being of an individual and that of the community (Kabeer, 2005; Mosedale, 2005). It has been argued that for extreme poverty reduction, interventions like the provision of microfinance services should contribute to the emancipation of poor people by providing them with the means to make a living. Microfinance institution services provide the right to use and control of the resources to make a sustainable and long-term livelihood as well as getting the material benefits of this access and control (Carr 2000; Mosedale 2005). This raises a spirit of independence and does not meet existing needs (Kabeer 2005). For this

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study, the theory of empowerment provided the analytical tools to examine how micro and small entrepreneurs' access to microfinance services and their participation in income-generating activities have served as a poverty reduction tool. Due to a lack of skills, assets, and financial resources micro and small entrepreneurs are displaced by commercial banks, and thus deprived of getting big loans. So, microfinance is a tool to provide these resources to poor entrepreneurs.

2.1.2 Grameen Bank Model

Grameen Bank's concept was introduced in the village of Bangladesh in 1976 by Professor Mohammad Yunus winner of the 2006 Nobel Peace Prize (Yunus, 2007). Bank Grameen's objectives are to extend banking services to people with low living standards to generate opportunities for own employment for large unused resources (Yunus, 2007). The Grameen Bank has launched a poverty-based poverty reduction program for the participatory model of poverty reduction in rural poverty (Yunus, 2007). The Grameen Bank model is helpful in the current study as it shows diverse ways which can facilitate to lessening of extreme poverty in the community.

2.1.3 Village bank model

The village bank model was developed for the first time in the 1980s in Bolivia by John Hatch (Fotabong, 2011). The village bank lends to groups of 30-60 members, more often than not all women. Village bank receives the loan from the executive agency to lend to individual members of the bank. Therefore, the first 50 dollars individual loan is paid weekly on equal capital and interest rates for a period of four months. The payments for the loan are collected at the ordinary meeting and at the end of week 16; returns the principal amount of the loan plus the interest amount to the enforcement body. This model is different from the Grameen banking model in its goals; the goal of the village bank model is to advance small loans to rural women to enhance their living standards through entrepreneurship while the Grameen Bank focuses on assisting the economically active people with low income, who in most cases or situations are barred from bureaucrat sources of loans such as bank loans (Fotabong, 2011).

2.2 Empirical Analysis of Relevant Studies

Gwandu (2017) reported the impact of MFIs on the income of MSE owners/ managers who possessed an improved position to access microcredit facilities. Gwandu found that microcredit is a critical tool in enhancing the income of underprivileged people. The author revealed that microfinance had a noteworthy effect on the returns of MSEs' owners, and this income can be used to accelerate the speed toward self-employment. Even though microfinance is very important for MSE performance its functions are regularly associated with some Transactions Cost (TC) enforced not just by time used up in the application process but also by monitoring and administration roles. The findings as well revealed that microfinance faces considerable operation costs on credit; the average TC on credit was approximately 28% which is greater compared to IIM (2014) where TC was something like 7%. The high TC linked with micro loans has at all times been the researchers' and policymakers' concern. A considerable decrease in TC for borrowers and other customers has been advocated as the main mantra of microfinance.

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Nahamya et al. (2013) conducted a study in eastern Uganda on the impact of microfinance service delivery on the growth of SMEs. The findings point out that while MFIs have functioned lower than an average standard owing to some challenges in the industry, they have had a significant effect in connecting SMEs and underprivileged people to sources of micro-credit and added to their wellbeing in terms of business growth ad accumulation of capital and stock. According to Nendakulola (2015), MFIs have had a positive effect on the growth of SMEs. Some of the critical contributions of MFIs include; greater access to credit, savings enhancement, and provision of business, financial and managerial training. In a study by Gazia & Trived (2015) on the evolution of microfinance institutions and their contribution to the development of micro, small and medium scale enterprises in Mumbai, the study found the mixed impact of MFIs on the growth and development of MSMEs. Awojobi (2019) assessed poverty reduction through microfinance services and reported that microcredit influences poverty reduction among micro and small entrepreneurs who are beneficiaries of microcredit in Nigeria.

Berhanu, Amare, Gurmessa, Bekele & Chalchisa (2021) found that educational level, family size; land size, and non/off-farm income of the households influenced microcredit utilization positively. Moreover, Berhanu et al (2021) study revealed that due to the use of MFIs services large proportion of households is food secure in Ethiopia. Moreover, a study by Kimathi (2015) in Mvomero district in Tanzania indicates that entrepreneurs in small-scale businesses have accessed and gained from micro-finance services. Yet, small-scale businesses face a lot of challenges when accessing microfinance services. As a result, scholars have recommended that MFIs must formulate more supple, rational, and attractive conditions or pre-requisites in financing small-scale businesses. As well, the government and regulatory institutions should set good monetary structures and legal framework which allows the MFIs to finance startups. Moreover, Tasos et al., (2020) unveiled a direct connection involving microfinance and the poverty level in the household. As such, micro financing services for low-income people have reduced extreme poverty. Thus microfinance contributed to poverty reduction.

The study by Mohammad et al. (2015) on the impact of microfinance programs on the income and consumption of households in Bangladesh found that there was no noteworthy difference between members and non-members of microfinance. Mohammad and others found that the longer period people were members in MFI by one percent increase their income and consumption increased by a difference of 0.03 over non-members. Thus, it was established that an additional period of being a member of MFI is associated with a lower level of poverty. Mlowosa (2014) conducted a study in Arusha Tanzania on the role played by improving the economic status of women. Found that in the course of providing yielding 'soft' loans women's social and economic position in the community was enhanced from low living standards in difficult conditions to a better life. Results revealed that the majority of women who benefited from loans increased their investment and used the profits to meet family needs. On the contrary, a study by Gidigbi (2021) found that the microcredit provisions by the specialized banks in Nigeria are not very effective in poverty reduction. This may have been attributed to the fact that the micro-credits are not reaching intended borrowers as many of the lending components do not reduce poverty.

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3.0 RESEARCH METHODOLOGY

3.1 Area of the study

The study was conducted in Iringa municipality. The municipal has been chosen as the area of study because there is a high number of microfinance institutions lending to a vast number of MSEs (Mgulambwa, 2017). Another reason to choose Iringa municipality is one of the urban centers that record notable social economic and physical growth (Iringa Municipal Council Report, 2017). The study will be conducted in four *mitaa* of Kihesa, Ruaha, Itamba & Nduli

3.2 Research Design and Approach

This study adopted a descriptive cross-sectional design because data were collected at a single point in time for micro and small entrepreneurs who have been accessing MFIs services for about three years and over. The data captured the involvement of MFIs' services in lessening the poverty level. The cross-sectional design has been used because permits researchers to gather data from several sources and cases at a given point in time to analyse correlations across an assortment of constructs and variables under inquiry (Kothari, 2007; Saunders *et al.*, 2007). Moreover, the study employed a mixed-method approach whereby both quantitative and qualitative methods were applied in an approach whereby the quantitative method dominated the study and a qualitative method was used to help explain quantitative findings (Kothari, 2007). As stipulated by Creswell (2014), the reason for applying the mixed approach was to describe thoroughly and correctly the situation in the area of the study about the impact of MFI services on poverty reduction among micro and small entrepreneurs. Using this approach only primary data was collected using questionnaires from respondents. Also, a personal in-depth interview was used to ask questions through face-to-face contact with the key informants (loan officers) to collect qualitative data. The questionnaires were pre-tested by the researcher on 20 respondents in Dodoma municipal.

3.3 Sample size and Sampling Procedures

The target population for this study involved all micro and small entrepreneurs in the Iringa Region who have been accessing MFIs services for three years and beyond. Both random and purposive samplings were employed to choose the respondents to be surveyed. Purposive sampling was used to select the officers from MFIs as key informants for the study. Key informants are a group of people believed to have concrete knowledge regarding the subject matter of the study (Kombo & Tromp, 2006). Moreover, random sampling was used to select micro and small entrepreneurs who had accessed MFIs services for over three years consecutively and each individual have an equal chance to be selected. First, a researcher with the help of MFI officers and ward community development officers compiled a list of micro and small entrepreneurs who have accessed MFIs services for three years and more in every village. Then using a list a researcher selected micro and small entrepreneurs using a lottery method. In the end, a researcher compiled another list of micro and small entrepreneurs who were selected and later was used to distribute the questionnaire for the survey.

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3.4 Sample size
According to the updated list of micro and small entrepreneurs, there were a total number of 2719 small entrepreneurs that had been accessing MFIs services for three years and more in the four villages. The sample size for the study was obtained by using the Yamane (1967) formula: $n = N/(1+Ne^2)$. Where n = Sample size, N=Total number of entrepreneurs who have been accessing MFIs services in the study areas for three years and above with certain characteristics, e= precision factor coefficient (5%). Therefore, sample size 'n' = (2719) / 1+ (2719) $(0.05)^2$ = 333. Therefore the total sample was 333 micro and small entrepreneurs.

3.5 Data Processing
In this study, 333 sets of questionnaire were used to collect data and 320 respondents responded, which is a 96% response rate. After data collection, each questionnaire was inspected for errors; and after that, they were cleaned and then coded and entered into the SPSS software for analysis. All questionnaires which were found to be properly filled were used for analysis. This is by Churchill (1996) who suggested that a questionnaire must provide the necessary data for the topic under investigation.

3.6 Analysis
Qualitative and quantitative data analysis was used in this study as described in the following sections:

3.6.1 Qualitative Analysis
Thematic analysis was used to analyze data from interview transcripts to recognize patterns of frequent themes and sub-themes that correspond with the research questions. Themes are patterns within qualitative data obtained during an in-depth interview with key informants, which are very significant to the narration of a phenomenon under investigation and are usually associated with the specific research questions. Procedures for analyzing qualitative data were informed by the works of Lacey & Luff (2001) and Creswell et al. (2004).

3.6.2 Quantitative analysis
The quantitative analysis was done using descriptive statistics and econometric models. Regarding descriptive statistics, data were estimated for frequencies and percentages, and correlations such as Chi-square, Cramer's V, and Kendall's tau-b. The Chi-square test for independence was applied to test the relationship between two categorical variables. The Chi-square cross-tabulation was performed and interpreted as a test of association or independence. So, when we conducted a Chi-square test, we wanted to have a rough estimate of if there was a relationship between the two variables under inquiry. To test for the strength and direction of the association, Kendall's tau-b and Cramer's V correlations coefficients were estimated. The decision to use various correlation coefficients was based on the differences in the type of variables, which responded to the assumptions of a specific method. The assumptions of each correlation method directed the selection of each correlation coefficient.

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4.0 RESULTS AND DISCUSSION

This section presents research findings regarding the contribution of MFIs to poverty alleviation among micro and small entrepreneurs in the Iringa Municipality.

4.1 Demographic characteristics

This section describes micro and small entrepreneurs' personal characteristics namely; sex, education level, and household size. Also, enterprise characteristics such as business type and location of business are discussed to the contribution of MFIs services to the reduction of extreme poverty.

4.1.1 Respondents' Sex

The findings of this study in Table 1 show that the majority of surveyed micro and small entrepreneurs were female 76% (n=243) and males were only 24.0% (n=77). This study corroborates with Yunus & Weber (2007) who found that in some MFIs like the Grameen Bank, 96% of their clients are women. However, the small difference in proportions of the clients' sex between the Grameen Bank and this study sample could be explained by differences in social, economic, and cultural factors that influence group formations and access to loans in Tanzania and Indonesia. Also, the study conforms to Malamsha & Emanuel (2014) and Hussain, Mahmood, and Scott (2019) who found that MFIs focus on women because are better payers than men, and lending to women is considered to have by and large greater effect on household wellbeing in terms of food and schooling. Thus, lending to women, therefore, contributes to the reduction of household extreme poverty and improves human capital formation.

Concerning the association between the sex of entrepreneurs and poverty reduction, the chi-square test of independence and the Phi correlation coefficient was determined. The results in Table 1 depict that 73.7% (n=179) of female and 75.0% (n=58) of male micro and small entrepreneurs agreed that they had seen improvement in their business since receiving MFIs services. Therefore, the difference was not significant χ^2 (1, N=320) = 0.008, p=.928 indicating that the two variables are independent of each other. This implies that there is no association between the sex of entrepreneurs and poverty reduction. The likelihood ratio is as well not significant (0.928) at 95% confidence. Therefore, the likelihood of being poor is similar for both females and males. In addition to the chi-square test of independence, a Phi coefficient of correlation was computed, and the results show a weak, positive relationship between the sex of micro and small entrepreneurs and poverty reduction, which was statistically not significant (=0.013, ρ=0.928). Thus, the results signify there is no association between the two variables. Literary, the sex of entrepreneurs does not influence the poverty level among micro and small entrepreneurs.

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Vol. 8, No. 1 (2022), pp. 253-279
http://www.ajaronline.com
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Table 1: Distribution of Respondents' Sex

Variables	**Sex**						
	Male	Female	χ^2	p-value	df	Correlation coefficient	p-value
Poverty reduced			0.008	0.928	1	Phi= 0.013	0.928
Yes	75.0%	73.7%					
No	25.0%	26.3%					
Total	**24%**	**76%**					

Source: Field data 2021

4.1.2 Respondents' education level

As for education, the majority of the micro and small entrepreneurs possess a medium education level ranging from secondary to diploma in different academic and professional fields. About 50.0% (n=160) of micro and small entrepreneurs had secondary education (i.e. form four and six) and 24.0% (n=77) of entrepreneurs possess certificate/diploma education (Table 2). As the majority possess secondary to diploma level of education, translations of policies and regulations as well as innovation to new competitive products in the market are likely to occur. This is because this level of education is sufficient to successfully undertake business activities in a small enterprise. To entrepreneurs, education level is an exceptionally essential determinant in the decision-making process and ability to take, manage and repay the loan.

Table 2: Distribution of Respondents' Education Level

Variables	**Poverty reduced**							
	Yes	No		χ^2	p-value	df	Correlation coefficient	p-value
Education level			**Total**	1.513	0.679	3	Cramer's V = 0.174	0.679
Primary	88.9%	11.1%	18%					
Secondary	68.0%	32.0%	50%					
Certificate/Diploma	75.0%	25.0%	24%					
Degree	75.0%	25.0%	8%					

Source: Field data 2021

Moreover, the association between the education level of micro and small entrepreneurs and poverty reduction was estimated. The results in Table 2 revealed that the education level of micro and small entrepreneurs does not influence poverty reduction through MFIs services. The result χ^2 (3, N=320) = 1.513, p=.679 show that the two variables are independent of each other. To establish the strength and course of the association, the correlation based on Cramer's V coefficient was estimated. The results indicate a medium, positive correlation between the education level of micro and small entrepreneurs and poverty reduction in Iringa Municipal, which was statistically not significant (Cramer's V=0.174, ρ=.679). Therefore, poverty reduction through the use of MFIs services doesn't depend on the entrepreneur's education level. However, the finding of the current study is contrary to many studies

African Journal of Applied Research
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(Mazengo, 2011; Haule, 2015; UNESCO, 2017; Giovetti & McConville, 2020) which have found that education level help in coping with poverty and making a rational decision for the development of the business and hence poverty reduction.

4.1.3 Household size

Results in Table 3 distribution of micro and small entrepreneurs' households size at Iringa Municipal revealed that entrepreneurs with small household sizes were 26.00% (n=83) and those with medium household sizes were 52.0% (n=166), whilst those with large household sizes were 22.00% (n=71). Moreover, the chi-square results show that there is no significant (p=0.962) difference among the entrepreneurs with small or medium, or large household sizes in reducing extreme poverty in their households. In addition to the chi-square test of independence, Cramer's V coefficient of correlation was applied to estimate the connection between the household size of micro and small entrepreneurs and poverty reduction in Iringa municipality. The results in Table 3 show that there was a positive, wean, and the non-significant association between household size and poverty reduction, (Cramer's V= 0.040, ρ=0.962). Thus, the results confirm the independence between the two variables. That means household size does not experience influence the poverty level of micro and small entrepreneurs in Iringa municipality. The findings are in line with (Libois & Somville, 2018; Abanokova, Dang & Lokshin, 2020). However, a vast number of researchers have found household size is a very important determinant of poverty reduction (Fusco & Islam, 2020; Pantaleo & Ngasamiaku, 2021; Aikaeli, Garces-Urzainqui & Mdadila, 2021). The rationale for this may be about the burden of rearing the children. A bigger household size means a heavy burden to pay for school, food, clothes, medical, housing, and recreational expenses. This might erode entrepreneurs' income and give the financial standing of their businesses a serious beating; which would result in an accelerated poverty level. Thus, the burden of caring for large families seems to negatively affect the impact of the MFIs services on poverty reduction.

Table 3: Distribution of Respondents' Household Size

Variables	**Household size**							
	Small	Medium	Large	χ^2	p-value	df	Correlation coefficient	p-value
Poverty reduced				0.079	0.962	2	Cramer's V = 0.040	0.962
Yes	76.9%	73.1%	72.7%					
No	23.1%	26.9%	27.3%					
Total	**26.0%**	**52.0%**	**22.0%**					

Source: Field data 2021

4.1.4 Business location

Findings from Table 4 indicate that 54% (n=173) were located very near about 0-5 Km from the Central Business District of Iringa Municipality, while the remaining were located near which is within 6-10 Kms. Moreover, the cross-tabulation between the location of the micro and small businesses and poverty reduction among micro and small entrepreneurs revealed

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that the two variables are not independent of each other. It was found that 70.4% of micro and small enterprises located within a 5 Km radius had provided evidence that their poverty level decreased and 78.3 (n=14) of micro and small enterprises located 6-10 Km experienced the same. Chi-square test χ^2 (1, N=320) = 0.402, p=0.526 shows that business location and poverty reduction do not have a significant relationship.

Table 4: Distribution of Respondents' Business Location

Variables	**Business location**						
	Very near	Near	χ^2	p-value	df	Correlation coefficient	p-value
Poverty reduced			0.402	0.526	1	Phi= 0.090	0.526
Yes	70.4%	78.3%					
No	29.6%	21.7%					
Total	**54.0%**	**46%**					

Source: Field data 2021

The Phi coefficients of correlation were applied to determine the strength and direction of the association between the business location and poverty reduction. The results show a non-significant (τ_b=0.090, ρ=0.526) relationship, which is a positive but weak connection between the business location and poverty reduction in Iringa Municipality. Thus, in this study, the business location was found to not influence poverty reduction. The findings of this study corroborate with Sefian, Davies & Bown (2016), Maksimov, Wang & Luo (2017), Mgembe (2019), Chin (2020), and Engidaw (2021a). This suggests that micro and small enterprises near to production and service centres generate cost-saving ability as a result their income increases, and hence the owners are likely to reduce the level of poverty in their households. Mgembe (2019) and Engidaw (2021a) argued that firms near towns can benefit from conventional economic aspects, such as wage and resource accessibility, but also the existence and quality of infrastructure and infrastructure services.

4.1.5 Type of business sector

The results of this study in Table 5 indicate that majority of micro and small entrepreneurs in Iringa municipality are in the trading of general goods 34% (n=109), food vending 42%(135), and services provisions 20% (n=64). Concerning the association between the business sector in which micro and small entrepreneurs operate, the chi-square test of independence and Cramer's V correlation coefficient were determined. The results in Table 5 depict that 76.50% (n=83) of micro and small entrepreneurs in commerce (trading) agreed that their business had improved through MFI services. Similarly, 76.20% (n=103) and 60.00% (n=38) of small enterprises which engage in food vending and services had attained some business improvement. Thus, the difference was not significant χ^2(4, N=320) =1.828, p=0.767, implying that there is no association between the business sector and poverty reduction. Cramer's V coefficient of correlation was estimated to determine the strength and direction of the association. The results indicate a strong, direct correlation connecting the type of business sector and poverty reduction, which was statistically not significant (Cramer's V=0.191, ρ=0.767). Thus, in this study, the business sector was found to not influence the

African Journal of Applied Research
Vol. 8, No. 1 (2022), pp. 253-279
http://www.ajaronline.com
http://doi.org/10.26437/ajar.03.2022.18

reduction of poverty in Iringa municipality. The findings are in line with Barkham, 1992; Storey & Greene, 2010; Fernández, Iglesias-Antelo, López-López, Rodríguez-Rey & Fernandez-Jardon, 2019; Moussa, 2020). However, a high number of studies carried out have found significant differences between the type of business and income growth rates of the firms (OECD, 2009; 2013; Uddenberg, 2015; Engidaw, 2021b).

Table 5: Distribution of Business Sector

Variables	**Poverty reduced**							
	Yes	No	**Total**	χ^2	*p*-value	df	Correlation coefficient	p-value
Business sector/type				1.828	0.767	4	Cramer's V = 0.191	0.767
Manufacturing	100%	0.0%	**2.0%**					
Commerce	76.5%	23.5%	**34.0%**					
Services	60.0%	40.0%	**20.0%**					
Agriculture	100%	0.0%	**2.0%**					
Food	76.2%	23.8%	**42.0%**					

Source: Field data 2021

4.8 Influence of MFIs on reduction of poverty among micro and small entrepreneurs

As earlier stated, the purpose of this study was to determine the contribution of MFIs services to the reduction of extreme poverty among micro and small entrepreneurs in Iringa municipality. However, to reduce poverty micro and small entrepreneurs must also make sure they improve their income. The empirical results of this study suggest that MFIs have significant consequences on micro and small entrepreneurs' income. The descriptive analysis in Table 6 shows that 74.0% (n=237) of small enterprises did not agree to have recorded improvements in their business activities since using MFIs services. Only 26% (n=83) of micro and small entrepreneurs agreed to record some improvements in their businesses. During an in-depth interview with a key informant, the study was informed that very few micro and small entrepreneurs' businesses have recorded improvements. Due to the low improvement in micro and small businesses in Iringa municipal, results in Table 7 show that 78.0% (n=250) of micro and small entrepreneurs reported that their income had not improved. When asked about the difference from previous income before using MFI services, micro and small entrepreneurs said that the income of their enterprises had not increased.

Table 6: Business had improved

Variable	Response	Frequency	Percentage
Business improved since using MFIs services	Yes	237	74.0
	No	83	26.0
	Total	**320**	**100.0**

Source: Field Data 2021

However, the study was informed by key informants that MFIs services have influenced the income of micro and small entrepreneurs differently. They argued that micro and small entrepreneurs can now afford better education and health due to their engagement with MFIs.

African Journal of Applied Research
Vol. 8, No. 1 (2022), pp. 253-279
http://www.ajaronline.com
http://doi.org/10.26437/ajar.03.2022.18

Key informants argued that micro and small entrepreneurs' income increase can be observed in the ownership of new assets. Many micro and small entrepreneurs had purchased or acquired valuable assets such as houses and land. This discrepancy in opinion between micro and small entrepreneurs and key informants might be endorsed by the truth that small loans provided by MFIs are largely used to smooth consumption and development expenditures of the households and then use their constant income to repay those loans. After completing loan repayment they take another loan to finance another purchase of assets or for paying school fees and other household expenditures. In essence, their income remains constant but loans from MFIs help them smooth their expenditures.

Table 7: Chi-square of Loan amount and Income

Variables	**Income Increased**							
	Yes	No	**Total**	χ^2	p-value	df	Correlation coefficient	p-value
Business sector/type				6.502	0.090	3	Kendall's tau-b = 0.022	0.858
Up to 800.000	0%	100%	**6.0%**					
800,000-1,600,000	12.5%	87.5%	**16.0%**					
1,600,001-2,400,000	57.1%	42.9%	**14.0%**					
Above 2,400,000	18.8%	81.2%	**64.0%**					
Total	**22.0%**	**78.0%**	**100%**					

Source: Field data 2021

To determine the influence of loan amount on the income of MSEs the cross-tabulation between the amount of MFI loans received per year and MSEs' income was performed. The results in Table 7 indicate that 12.5% (n=19) of MSEs who borrow up to 800,000 TZS from MFIs o use MFIs services agreed to have their income increased, so like 18.8% of those who borrow above 2,400,000 TZS, while those who borrow between 1,600,001-2,400,000 about 57.1% agreed to have recorded increased income in their businesses. The results show a non-significant $\chi^2(3, N=320)= 6.502$, p=.090 correlation, implying that there is no association between loan amount borrowed from MFIs and the income of micro and small entrepreneurs in Iringa municipality. Then, Kendall's tau-b correlation was estimated to determine the strength and direction of the association. The results indicate a weak and non-significant correlation linking the amount of loans borrowed by entrepreneurs and income increase ($\tau_b=0.022$, $\rho=0.858$). Though the association is positive, there is very little evidence to suggest that the change in income of micro and small enterprises does depend on the amount of loans from MFIs.

In principle, there are a lot of factors to consider which affect the income of micro and small entrepreneurs. They include business skills, level of revenues, ownership of business assets, level of poverty, number of dependants as well as social networking. However, most literature (Ifelunini & Wosowei, 2012; Adu-Gyamfi & Ampofo, 2014; Gwandu, 2017; Mousa, 2020) on the impact of MFIs services on micro and small enterprises' income has revealed that services provided by MFIs have a positive effect on the income of micro and

ISSN: 2408-7920

African Journal of Applied Research
Vol. 8, No. 1 (2022), pp. 253-279
http://www.ajaronline.com
http://doi.org/10.26437/ajar.03.2022.18

small enterprises. In Tanzania, Kato & Kratzer (2013) revealed a significant income disparity between MFIs members and non-members. Members of MFIs have more control over savings and income generated from the business. Recent studies in Tanzania indicate that MFI services have a positive impact on micro and small performance (Gwandu, 2017; Magembe, 2017; Nyingo, 2020)

4.9 Contribution of MFIs Services to Reduction of Extreme Poverty

In this section, the contribution of MFI services to the reduction of extreme poverty among micro and small entrepreneurs through the improvement of social services was analysed followed by the analysis of MFIs' contributions to the improvement of the status of social services received by micro and small entrepreneurs. Partly the improvement and affordability of social services by micro and small entrepreneurs such as health, education, and food as well as the acquisition of assets and ownership of houses indicates the reduction in poverty among them. This section analyses the affordability of better education, health services, sufficient food, and the ability to acquire assets and construct houses as influenced by the MFIs services in Iringa municipality.

Table 8: Extent Microfinance Institutions Contribute to Reduction of Extreme Poverty

MFIs contribution	LI	LoI	NLNH	HI	HeI	Mean	Rank
On food security	5	20	159	536	190	3.79	1
On better education	19	28	144	520	145	3.56	2
On better health services	19	58	144	364	265	3.54	3
On acquisition of assets	5	182	102	440	0	3.04	4
On better shelters	24	144	288	192	0	2.70	5

Source: Field Data, 2021

Key: LI= lowest improvement; LoI= lower improvement; NLNH= neither low No high; HI= high improvement; HeI= highest improvement

4.9.1 Contribution of MFI services on food security

In the case of food security, the findings in Table 8 reveal that micro and small entrepreneurs said that MFIs services have contributed to high improvement in their food security and only recorded the highest mean score of 3.79 acknowledging that MFIs services had the highest impact on their food security. During the in-depth interview, the study was informed that micro and small entrepreneurs who access loans from MFIs use the amount of money obtained as loans to increase their businesses and use gained income to purchase food for their families or directly use the loans to buy food and make their families food sufficient. The findings corroborate with Berhanu, Amare, Gurmessa, Bekele & Chalchisa (2021) who found that MFIs services enabled poor families to acquire assets and increase their income, which was used to ensure household food security. Similarly, studies by Brau & Woller (2004), Parvin (2012), Maleko, Basili, Liheta, Aikaruwa, Lukas & Sumari (2013), Angko (2013), Mago & Cephas (2014), Gerli (2015) and Purnawan & Brunori (2020) revealed that MFIs interventions create a very important impact in contributing to food security and thus reducing extreme poverty among micro and small entrepreneurs.

ISSN: 2408-7920

4.9.2 Contribution of MFI services to better education services

Moreover, the findings in Table 8 of this study indicate that micro and small entrepreneurs agreed that they had high and highest improvement respectively in access to better education. It had a mean score of 3.56. These disagreements occur owing to the variation in poverty levels among rural people in different countries (Mosley & Hulme, 1998; Haule, 2008). The finding is similar to what UNESCO (2017) and Giovetti & McConville (2020) reported that micro and small entrepreneurs who possess assets such as land, livestock or have a relatively higher loan with MFIs than others are likely to report affordability to better education services than who do not, and hence poverty reduction. Similarly, Nichols (2004) reported that microfinance services had caused a direct effect on the life of micro and small entrepreneurs in rural China. Their expenditure on schooling and medical services has increased and for this reason, their living standard has been better.

4.9.3 The extent MFI services contributes to better health services

The surveyed micro and small entrepreneurs in this study were asked to evaluate their livelihood after engaging with MFIs. The findings in Table 8 reveal that micro and small entrepreneurs said that their access to better health services has high and highest improvement respectively. It had a mean score of 3.54. These results conform to the triangulated information from in-depth interviews with key informants who ruled out that access to better health services and other social services had highly improved. More than 60.0% of micro and small entrepreneurs who lives in Iringa municipality have succeeded due to MFIs services while the remaining 40% did not. One of the KI argued that:

"MFIs services such as small loans aimed at improving the livelihood of the society, however in an actual sense we see some people lost their land due to debts, some lose their collateral (land, houses) and livestock... however some can afford better health and education services for themselves and their family members...I think the most important thing is how one uses the loan... some use it to buy assets while others use it for household consumption and other activities that do not generate income for the household... so, many borrowers especially the micro and small borrowers lives improves"

Therefore, with the large number of small entrepreneurs who engaged in MFIs services such as loans their living standard was found to have been improved. Micro and small entrepreneurs usually use the acquired loans as working capital for their businesses or to sustain domestic consumption levels as opposed to investing in fixed capital such as the purchase of modern technology (Nourse, 2002; Arouri et al., 2014; Gidigbi, 2021). Since, programs of MFIs especially concerning micro-credit normally involve loan repayment weekly; so to repay loans they usually sell assets such as land instead of repaying those loans using profits from micro and small enterprises (Mosley & Hulme, 1998). However, relatively larger borrowers' livelihood improved because they repay their debts using profits gained from their enterprises and gain the advantage of borrowing. This is supported by Haule (2008) and Gidigbi (2021) and Awojobi (2019) that MFIs programmes that focus on households with relatively higher income (those near the poverty level) have by far greater influence on household income, whilst those under the poverty line were not lifted much, and those which are lowest (the poorest) their welfare to some extent was reduced. This is

African Journal of Applied Research
Vol. 8, No. 1 (2022), pp. 253-279
http://www.ajaronline.com
http://doi.org/10.26437/ajar.03.2022.18

because the poorest are more likely to be risk-averse (World Bank, 2001; Rweyemamu et al., 2003; Kasali, Ahmad & Lim, 2015) so they earn little and as a result, they become less able to afford better health and other social services.

4.9.4 Contribution of MFI services to the acquisition of assets

Apart from the ability to construct their own houses also their capacity to obtain valuable assets such as land, vehicles and motorcycle were analysed. The results in Table 8 show that small entrepreneurs agreed that they had a high improvement in the acquisition of valuable assets. It had a mean score of 3.04. The finding of this study corroborates with Mago & Mago (2014) and Berhanu et al. (2021) who reported that micro and small entrepreneurs who are members of MFIs use loans accessed from MFIs to buy livestock, land, build houses, and other properties. Therefore, MFIs services can assist to minimize the susceptibility to business and economic risk for the reason that they can help micro and small entrepreneurs to diversify their incomes through assets acquisition (Austin, 2011; Onyele & Onyekachi-Onyele, 2020) and improve their living standards.

4.9.5 Contribution of MFI services to better shelters

In the case of the construction of their own houses, micro and small entrepreneurs revealed that their ability to construct their own houses had the lowest to low improvement. It had a mean score of 2.7. Unlike the findings of this study, Arouri et al. (2014) found that micro and small entrepreneurs who were engaged with microfinance owned residential buildings.

4.10 Contribution of MFIs to the reduction of extreme poverty

To determine the influence of MFIs services on the income of MSEs the cross-tabulation between the use of MFI services and MSEs' income was performed. The results in Table 9 show that there is a weak association between the two variables. The results depict that 7.7% (n=03) of MSEs who use MFIs services and 17.90% (n=07) who did not use MFIs services agreed that the income of their enterprises had not increased. The result shows that there is a non-significant (p=0.090) association involving the MSE's income and MFIs services. The likelihood ratio is more insignificant at a 95% confidence level with a p-value of 0.102. That means the change in income of micro and small enterprises does not depend only on MFIs services. In principle, there are a lot of factors to consider which affect the income of micro and small entrepreneurs. They include business skills, level of revenues, ownership of business assets, level of poverty, number of dependants as well as social networking. However, most literature (Ifelunini & Wosowei, 2012; Adu-Gyamfi & Ampofo, 2014; Gwandu, 2017; Moussa, 2020) on the influence of MFIs services on the income of MSEs revealed positive effects of MFIs services on the income of MSEs. In Tanzania, Kato & Kratzer (2013) revealed a significant difference between the income of members of MFIs and non-members. Members of MFIs have more control over savings and income generated from the business. Recent studies in Tanzania show that microfinance has a positive impact on micro and small performance (Gwandu, 2017; Magembe, 2017; Nyingo, 2020).

ISSN: 2408-7920

African Journal of Applied Research
Vol. 8, No. 1 (2022), pp. 253-279
http://www.ajaronline.com
http://doi.org/10.26437/ajar.03.2022.18

Table 9: Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.502[a]	3	.090
Likelihood Ratio	6.217	3	.102
N of Valid Cases	50		

Source: Field Data 2021

The results of this study regarding the general contribution of MFIs services to the reduction of extreme poverty in Table 10 show that 50% (n=15) of micro and small entrepreneurs answered that their poverty status has been elevated. About 20.0% (n=10) reported low poverty reduction and 30% (n=...) experienced lowest poverty reduction. The findings corroborate that of De Goey (2012) who found that improvement in welfare is un-necessarily associated with an increase in income, thus challenging the assumptions on which microfinance is based. Also, the findings corroborate with Onyele & Onyekachi-Onyele (2020) who reported that MFIs services enable the poor and low-income group and MSMEs to participate in economic production and activities which make them independent, and assist them to create and accumulate wealth and in this manner reduce poverty. Also in their own words, Awojobi (2019) and Khan et al., (2020) iterated that MFIs services especially loans have the potential to reduce extreme poverty by improving access and affordability of social services like education, and health, shelters, nutrition, and food security. Similar findings were also reported by Okafor, Ezeaku & Ugwuegbe (2016), Jolaoso & Asirvatham (2018), and Kumari, Azam & Khalidah (2019).

Table 10: Poverty Reduction

Reduction of extreme poverty	**Frequency**	**Percent**
Lowest Improvement	02	04.0
Low Improvement	13	26.0
Neither Low Nor High Improvement	10	20.0
High Improvement	23	46.0
Highest Improvement	02	04.0
Total	**50**	**100.0**

Source: Field Data 2021

According to Mosley (1999), microfinance greatly adds to the lessening of poverty through its influence on increasing income. But the mechanisms to reduce poverty differ from one institution to another. Generally, an institution that provides typical smaller loans can reduce poverty to a great extent by lifting borrowers on top of the poverty line, while institutions providing larger loans can reduce poverty to a large extent by expanding labour demand amongst underprivileged people. World Bank (2012) and Gidigbi (2021) found MFIs services caused increased levels of indebtedness among now deprived communities and exacerbated economic, social, and environmental vulnerabilities. Therefore, poverty reduction strategies should consider the status of targeted people, and also poor people with different levels of poverty must be targeted differently for the strategies to realise the intended results. Most poverty reduction programmes and strategies fail because of poor project identification and planning, which distorts the implementation, monitoring, and evaluation of the project.

African Journal of Applied Research
Vol. 8, No. 1 (2022), pp. 253-279
http://www.ajaronline.com
http://doi.org/10.26437/ajar.03.2022.18

5.0 CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

This chapter presents a summary of the study, the major findings, conclusions, and pertinent recommendations concerning the main findings of the study. The major purpose of this study was to assess the impacts of the contribution of microfinance institutions to poverty alleviation among small entrepreneurs of Iringa municipality in the Iringa Region, Tanzania. The descriptive results of this study revealed that surveyed micro and small entrepreneurs were involved in different economic activities such as manufacturing, agriculture, service, and commerce such as crop selling, food, cosmetics, stationery, garments, bar, and restaurants. In general, the cross-tabulation of micro and small entrepreneurs' social-economic characteristics and change in poverty status reveals a significant difference in how MFIs' services have impacted their poverty status. This significance lies in the differences in their sex, household (family) size, education level, business location, and type of business. Essentially, the empirical results of the study suggest that the MFIs efficiency has no significant effect on micro and small enterprises' income, but has helped them climb out of extreme poverty. Based on the findings of the study, it has been concluded that MFIs services have enabled micro and small entrepreneurs to improve their livelihood in terms of access to better health, education, and shelter as well as improved food security. In other words, MFIs services have enabled micro and small entrepreneurs to get out of extreme or absolute poverty. However, the study concludes that MFIs services have not contributed to reducing micro and small entrepreneurs' income poverty.

5.2 Recommendations

Moreover, under the lenses of the study's findings, it has been recommended that MFIs accept less collateral so that micro and small entrepreneurs become more confident in securing loans that will lead to increased income and material assets, and improved household livelihood. Also, there is a need for MFIs to reduce bureaucracy in loan applications to give customers more opportunities to run their businesses and repay their loans without affecting their businesses. In addition, the Government of URT is argued to incorporate the MFIs development model into the National Poverty Reduction Strategy and also review cooperative and microfinance policies. Reviewing the Policies will bring on board the MFIs guiding principles while maintaining autonomy and ownership of the scheme by members themselves. Furthermore, this study recommends to the micro and small entrepreneurs to nurture the microfinance sector to raise the essential capital and attain entrepreneurial knowledge and skills to get going and expand business with no worry about formalised collateral. Some micro and small entrepreneurs were not geared up to join MFIs worrying that MFI is to be regarded with suspicion, as such; effectual sensitization should be conducted on the entrepreneurs.

5.3 Limitations and Suggestions for Future Studies

This study has several inevitable limitations. Therefore, further study should be conducted shortly by extending the present study. The present study can be broadened further by adding more demographic and social-economic variables of micro and small entrepreneurs' behavioural variables such as innovativeness, personality, risk-taking capacity, self-efficacy, locus of self-control, confidence, and aggressiveness, which could play the same crucial part in determining the influence of MFIs services on reduction of poverty among them. Moreover, because this was a cross-sectional study, it is impossible to draw any conclusions about the underlying contributions or impacts of MFIs services on poverty reduction among micro and small entrepreneurs over time. In addition, because all of the data in this study was collected from a single source 'micro and small entrepreneurs, there is a likelihood of common bias. Therefore, other researchers are encouraged to collect information from various sources, including the general public who are witnesses to the social and economic transformation of micro and small entrepreneurs in their area of residence, government officials, and policymakers, for future studies. Finally, the generalisability of the study is limited as a result of the small geographical area. The study covered only Iringa municipality, thus, a future study must focus on other areas having dissimilar geographical surroundings so that they can be compared and see if MFIs services can contribute to poverty reduction differently in different situations.

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