

The Role of Government Microfinance Credit Scheme in Tanzania A Case of NEDF-SIDO

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Abstract: *National policies and plans are designed by government to manage effectively the resources' allocation to ensure sustainable development and national goals are attained. One of the efforts which has been undertaken by the governments in developing economies is to ensure welfare of people is maximized while poverty minimised. In 1994, Government of Tanzania established Microfinance Credit Scheme known as National Entrepreneurship Development Fund under Small Industries Development Organisation (NEDF-SIDO) to finance and support all small entrepreneurial business activities. Despite that microfinance sector in Tanzania has existed for some years and still growing with a promising contribution to the society, access to financial services has been one of the critical challenges to small and micro entrepreneurs. This paper examines the role of Government Microfinance Credit Scheme in Tanzania by collecting data from interviews with SIDO's Officials and NEDF-SIDO reports from July 1994 to March 2014. All data employed were computed and organised by applying basic and descriptive statistics approach. The data shows some improvement of NEDF-SIDO services in each year despite poor performance particularly on loan repayment in its first seven years of operation where by the rate was below 85%. Nonetheless, NEDF-SIDO has played great role on amount and size of loans issued, women empowerment, distribution of resources in urban and rural, promotion of production sector, provision of entrepreneurial business training and link between entrepreneurs and microfinance/financial institutions.*

Keywords: *Entrepreneurial Business Activities, Financial Services, Government Microfinance Credit Scheme, NEDF-SIDO, Microfinance*

I. Introduction

Over the past few decades, microfinance has been one of the agenda which captured attention particularly to policy makers and researchers in poverty alleviation in both developing and developed countries as well. However Microfinance sector has been popular and become one of the effective economic key players in supporting and enhancing low income class against poverty, women empowerment, small and micro enterprises development as well as entrepreneurship sector in emerging economies.

In developing economies particularly Africa, the role played by microfinance sector has been expanding the frontier of finance by providing loans and other financial services to less privileged, underserved and poor households. Some policy makers in Africa assert that access to finance is one of the key to unlocking growth for poor farm families as much as for expansion of business activities in both informal and formal sector. Governments of developing states have been initiating different measures and policies to ensure financial systems play efficient roles to boost economy and strengthen investment environment in their countries. However, access to financial services has been a challenge to low income class, poor households, small farmers and small entrepreneurs in both urban and rural. Developing economies need more than funds while effective and inclusive means of channeling financial services and funds are very crucial and more effective to potential sectors which can be most effective such as agricultural and exports sector [1].

Realistically, many people in developing countries have less opportunity to access financial services despite of existing number of commercial banks and other financial services. Based on that situation, the introduction of microfinance services seems as an alternative approach for accessing financial services to low income households, small farmers and small businesses in both urban and rural [2, 3].

Government of Tanzania initiated Microfinance Policy to ensure an efficient and effective financial system that supports expansion of financial services to underserved and low-income households since as asserted that it is significant to integrate microfinance sector with financial as well as economic system of the country [4, 5]. Despite that microfinance sector in Tanzania has been experiencing remarkable growth due to an increase number of firms engaged in provision of microfinance services, the need for financial services is still there as many people are still excluded from financial services while outreach to the poor is still low [6, 7]. Therefore this paper will address the role of Government Credit Scheme in Microfinance Sector, a case of NEDF under SIDOTanzania.

II. Literature Review

2.1 Overview

Microfinance with a notion of microcredit was first launched in 1976 by Muhammad Yunus in Bangladesh who awarded Nobel Peace Prize in 2006 for his remarkable initiatives and contribution to fight against poverty. Muhammad Yunus, US educated Bangladeshi economist is the founder of Grameen Bank in 1983 with a reputation of building upon microfinance models of microcredit and became a role model to many microfinance institutions [8, 9]. The concept of microfinance refers to financial services tailored to low-income households, a powerful tool for reducing poverty by enabling people to increase their incomes, save and manage risk.

Microfinance institutions provide technical support on social intermediation services such as the formation of groups, training to the group members and capacity building on self-confidence on financial skills and business management. According to the concepts of microfinance there are different providers of microfinance services such as Non-Government Organizations (NGOs), Savings and Credit Cooperatives (SACCOs), Credit Unions (CUs), Microfinance Banks, Government Financial Services Schemes, and Non-Bank Financial Institutions. Most of customers in microfinance institutions are underserved households, low-income households, small businesses, small farmers and micro-enterprises excluded by profit oriented commercial banks [4, 10-14].

Most of microfinance institutions often offer variety of financial services to mostly men and women who are slightly below or above poverty line. The very popular characteristics of microfinance institutions are: lender of small loans/ micro credit either without or with minimum terms and conditions for securing loan to majority of low-income households who are regarded as poor, with low education, illiterate and either self-employed or unemployed. This emanates with the fact that many profit oriented financial institutions such as commercial banks do not often provide financial services to informal sector such as unregistered micro-entrepreneurial small businesses mostly operated by low-income households. Most of micro-enterprises and small businesses operate by employing very small initial capital/fund, not registered, generate very small profit margin and do not have standard book-keeping as part of business financial accounts [15-19].

2.2 Microfinance Sector in Tanzania

Tanzania is among developing economies in Sub-Saharan Africa with a GDP 43.65 billion USD, Gross National Income per capita of 860 USD and estimated population of 49.25 million [20]. Tanzania has been regarded as an example of a peaceful nation in Africa that has both investment opportunities and internal political stability, kept her pace firmly on the socio-economic' developmental path. Regardless of many socio-economic' challenges such as shifting of economic system from socialism to free market economy, multi-party political system, poverty and low productivity in agriculture, many initiatives have been taken to ensure steady progress in economic growth and development in general. For two decades in comparison with other East African countries, Tanzania has experienced rapid economic growth with an annual average growth of 7% [12, 20]. According to 2013 FinScope data, only 14% of Tanzanians are using bank products which is much less than other East African countries. However, currently Tanzania has been experiencing rapid growth in mobile money services.

According to World Bank Data, Tanzania poverty headcount ratio at national poverty lines (% of population) is 28.2% and mostly are participating in small business activities such as small farming, small businesses and other related activities which are regarded informal as informal sector [21]. Despite that there are more than 34 licensed Banks in Tanzania, the demand for financial services is unmet while many people are excluded from reliable banking services in both rural and urban areas (Cho-Berrof, 2000; ILO, 2001; ILO, 2011). However, the Government of Tanzania initiated Microfinance Policy (MOF, 2000) to ensure an efficient and effective financial system that supports expansion of financial services to underserved and low-income households since as asserted that it is significant to integrate microfinance sector and financial/economic system of the country [5, 21-23].

According to statistics Tanzania has financing gap while only 13% of population have access to bank loans. Microfinance services have been one of valuable approaches to an excluded population which does not have privilege to access financial services and also considered by most financial institutions as ineligible. This notion has created a critical challenges and making the huge part of population undeserved. In 2001 the approval of the National Microfinance Policy marked an official acknowledgement of the sector as an approach for poverty reduction. However, Small Enterprise Development Agency (SEDA) and Akiba Commercial Bank (ACB) were already in operation since 1995 and 1997 respectively [5]. One of the factors motivated the Government to consider microfinance as an incentive for poverty reduction was the achievement of Grameen Bank in Bangladesh while the founder Muhammad Yunus has been one of remarkable experts in development of Microfinance sector globally.

Since establishment and approval of Microfinance Policy in 2001 after initiatives taken in 1991 as part of financial reform, microfinance has become more effervescent with many private microfinance institutions and public as well participating to serve low-income households. Major forms of microfinance institutions in Tanzania are; NGOs, Banks, Member-Based Organizations and Associations, VICOBA, SACCOs and Government Credit Schemes such as credit facilities provided by NEDF under SIDO [5]. Basically, credit facilities from microfinance institutions in Tanzania, are been used to finance entrepreneurial activities such as small agri-businesses, small businesses such as retail shops, carpentry, tailoring, fishing, and hand crafts. The related specific objectives microfinance services is to empower women, improve standard of living and development of entrepreneurial business activities to reduce poverty [9, 24-26].

Microfinance sector in Tanzania has many players such as Banks; National Microfinance Bank (NMB), CRDB Microfinance Company LTD, AKIBA COMMERCIAL BANK, ACCESS BANK, EQUITY BANK, Tanzania Postal Bank (TPB); NGOs; FINCA, PRIDE; Member Based Credit Associations such as SACCOs and VICOBA; Government Credit Schemes such as NEDF under SIDO and PTF. However a large number of medium and small-sized local microfinance institutions such as Community Banks; Dar es Salaam Community Bank (DCB) and Mufindi Community Bank (MUCOBA) are performing well in microfinance sector. In addition, Microfinance NGOs based Institutions and SACCOs have limitation in outreach since many of them are introduced to serve particular group of households in the society, for instance in many government offices there are different number of SACCOs which serve particular workers at a given office. Currently, most of Commercial Banks particularly in urban are offering credit facilities to low-income salaried employees where by in a number of cases, loans offered are been employed as initial capital for start-up of small businesses to supplement family income [27-29] [30].

Nonetheless, most Tanzanians' common source of finance as credit is borrowing from either family relatives or friends and informal sources of finance. It has been asserted that almost 12.5% of people acquired credit facilities are obtained from formal financial service. Therefore the government of Tanzania has been taking efforts to promote Public Private Partnership (PPP) by initiating National Financial Inclusion Framework to implement action plans and set targets for expanding financial inclusion within a period of three years from 2014 to 2016 [31].

2.3 Small Industries Development Organization in Tanzania (SIDO)

SIDO was established in 1973 by Ministry of Commerce currently known as Ministry of Trade, Industry and Marketing. The main objective of SIDO is to promote development of small and micro industry sector in Tanzania. SIDO's functions involve policy formulation and direct support of SMEs in urban and rural. Some of the SIDO's main activities are; technology development for small industries, provision of credit services for SMEs, training, hire-purchase schemes of small scale industrial equipments, technology transfer through twinning arrangements and exchange programs with other developed countries.

Our concern in this paper is microfinance credit facilities where by the government after the permission from the parliament, it had established special government microfinance credit scheme to be used as source of credit facility to either individuals or groups of entrepreneurs from SMEs sector with the main objective of providing small loans for start-up entrepreneurial business activities, entrepreneurship trainings as well improving business infrastructures, tools and technology which add value in production of goods and services. In 1994 National Entrepreneurship Development Fund (NEDF) was established for the purpose of provision of credit facilities to micro and small entrepreneurs and entrepreneurial activities related to agriculture, fishing, livestock keeping, manufacturing and other which generate income while contribute in poverty reduction.

2.4 National Entrepreneurship Development Fund (NEDF)

National policies and plans are designed by the government to manage effectively the resources' allocation to ensure sustainable development and national goals are attained. One of the efforts which has been undertaking by the Governments of Developing Countries is to ensure welfare of people is maximized by reducing poverty in the society.

NEDF as one of Government Credit Schemes has been managed by SIDO under special agreement from the Central Government through Ministry of Industry and Trade Tanzania. The management and initiatives procedures are also under National Coordination Committee (NCC) chaired by Permanent Secretary from Ministry of Industry and Trade and other members from Ministry of Finance, Ministry of Industry and Trade, Ministry of Constitution and Law, Prime Minister's Office, National Microfinance Bank (NMB), Tanzania Chamber of Commerce, Industries and Agriculture (TCCIA) and SIDO. Since the establishment of this Fund, National Coordination Committee has been working tirelessly to ensure that all main NEDF objectives are achieved effectively. NCC assesses the financial reports in each quarter of year to ensure proper management of resources, provides management and technical advices to ensure that NEDF is financially sustainable [32]. Through NEDF, different programmes have been established with different purposes. These programmes have

been mainly supported by the Government of Tanzania with an assistance of technical support and resources from donors such as Government of the Netherlands, India, SIDA, World Bank and Hungary[32].

2.4.1 Management of Fund

NEDF-SIDO has set proper management system on allocation of funds, distribution of financial resources according to priority, assessment of loan applications, processing of loan applications, disbursement of loan, distribution of interest generated from loan issued, auditing of fund, monitoring and evaluation to ensure that financial resources from the fund are used for specific objectives as intended. SIDO regional offices are responsible for preparation of requests for additional fund to finance loan applications which meet terms and conditions. SIDO regional offices are required to have clean financial reports that show the utilization of funds allocated and distributed as loans offered to applicants with a proof of signatory documents from each regional offices attached with a report of each loan applicant information, size of loan applied (amount) and repayment information. NEDF has been audited by government's Controller and Auditor General (CAG) according to law since all government agencies must be audited by CAG annually[32].

2.4.2 Loan Repayment

It has been asserted that management of state owned enterprises has different challenges particularly on management of financial resources. According to statistics NEDF-SIDO has been improving in managing loan repayment since its establishment in 1994. The first seven years of its operation shows that the repayment of loan issued was less than 85% though started to improve in 2001/02 which recorded above 85% as shown on "Table 1". One of the challenges due to experience was poor management and monitoring of loan issued as the first five years from 1994 the country was experiencing the new economic system after shifting from state owned economy to free market therefore the country was in transition period. The second factor is poor skills on management of microfinance and credit institutions while professional experts are needed to manage financial risks and other important aspects that ensure sustainable growth of Microfinance Institution. Third, poor assessment and monitoring of loan applicants where by some did not meet the requirements but were given loans either because of false information submitted or lack of intensive scrutinizing procedures of loan applications. Nonetheless, NEDF-SIDO has shown improvement in recent years as March 2014 the loan repayment rate was 91.02% as shown on the "Table 1".

Financial Year	Loan Repayment Rate %
1994/95	60.7
1995/96	68
1996/97	69.5
1997/98	71.5
1998/99	81.1
1999/2000	74.6
2000/01	84.3
2001/02	85.6
2002/03	86.7
2003/04	87.9
2004/05	88.47
2005/06	87.2
2006/07	87.73
2007/08	88.8
2008/09	90.13
2009/10	90.78
2010/11	90.13
2011/12	90.48
2012/13	90
2013/March 2014	91.02

Table 1. NEDF-SIDO Loan Repayment Rate from 1994/95-March 2014

III. Methodology

3.1 Methodology of the Study

This study employed different data collection techniques since it involved primary and secondary data. Primary data were collected through interviews and discussions with NEDF-SIDO's officials while secondary data were obtained from NEDF-SIDO reports from July 1994 to March 2014. The data explored from 21 regional NEDF-SIDO offices, computed and organised by using MINITAB statistical software. Basically, data were analyzed by tables, graphs and descriptive statistics. This paper examined the role of Government Microfinance Credit Scheme in Tanzania based on the case of NEDF-SIDO.

IV. Findings and Discussion

This section presents findings and discussion on the role of NEDF-SIDO as Government Microfinance Credit Scheme in Tanzania. The study's findings are summarized in form of tables, graphs and descriptive data explored from NEDF-SIDO reports from July 1994 to March 2014 as follows:-

4.1 The Role of NEDF-SIDO as Government Microfinance Credit Scheme in Tanzania

According to the roles and responsibilities based on Microfinance Policy in Tanzania, as other aspects of financial sector development, the major role of Government of Tanzania is to create conducive environment that supports and allows suitable offering of microfinance services to the public. In 1994 National Entrepreneurship Development Fund (NEDF) as a Government Microfinance Credit Scheme was established for the purpose of provision of credit facilities to micro and small businesses, entrepreneurial activities related to agriculture, fishing, livestock keeping, manufacturing and other entrepreneurial activities which generate income and hence contribute in poverty reduction.

In financial budget year 1994/95, the parliament of Tanzania approved 800 million Tsh (approx. equivalent to 2 million USD (1994)). Then, Ministry of Industry and Trade issued 500 million Tsh (approx. 1.25 million USD (1994)) to initiate NEDF followed by each annual contribution as shown on "Fig 2" below. In 2005 NEDF-SIDO was given 1 billion Tsh from the central bank to stimulate the economy by offering microfinance loans to entrepreneurs. This plan was initiated to support National Program for Economic Growth and Poverty Eradication which introduced for the purpose of maximizing welfare of people in the society. The Central Government has been providing funds to finance this NEDF since its establishment.

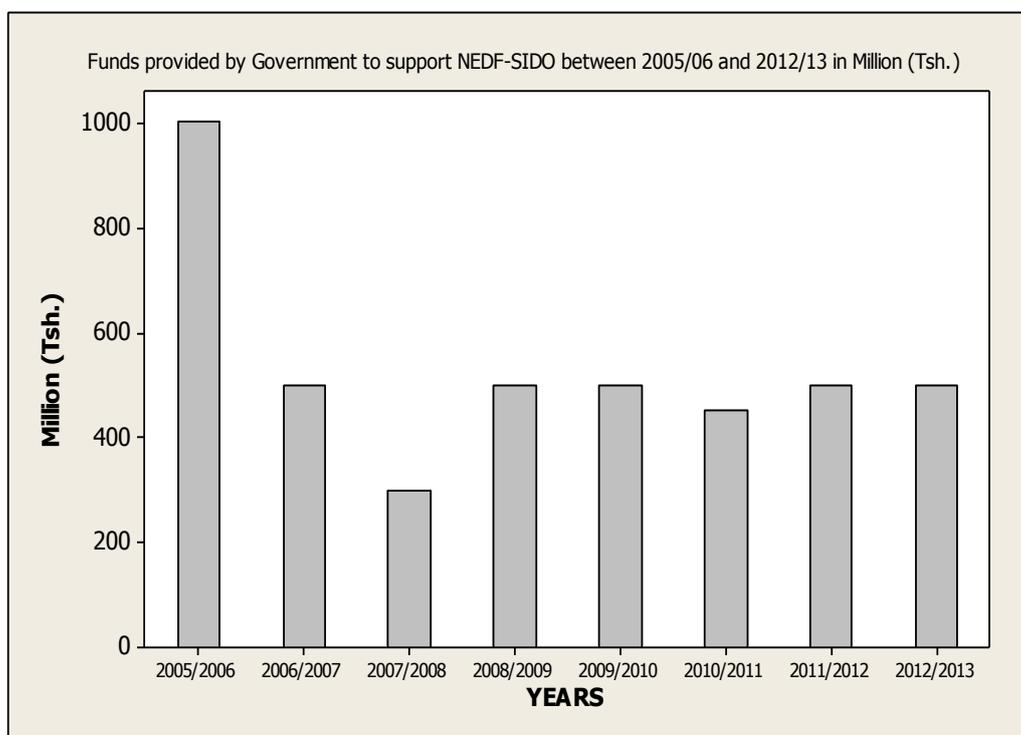


Fig 1. Funds issued by Government of Tanzania to support NEDF-SIDO from 2005/06-2012/13

Since 1994 to March 2014 loans application of 173,852 with value of 105,681.81 million Tsh was processed and assessed while 66,253 loan applications with the value of 39,679.162 million Tsh was approved and issued as shown on "Fig 2". In recently years 2013/14 a total number of 9,791 loan application was received

with the value of 8,884.75 million Tsh while 6,331 were approved with the value of 6,385.45 million. However due to insufficient fund total number of 4,963 loans was issued with the value of 4,725.85 million Tsh.

In addition, total number of 66,253 with value of 39, 679.162 million Tsh were approved and issued to entrepreneurs which is 38.1% of the number of all loan applications received and an average value of 598,903 Tsh for each loan issued as shown on “Fig 2” and “Fig 3” below.

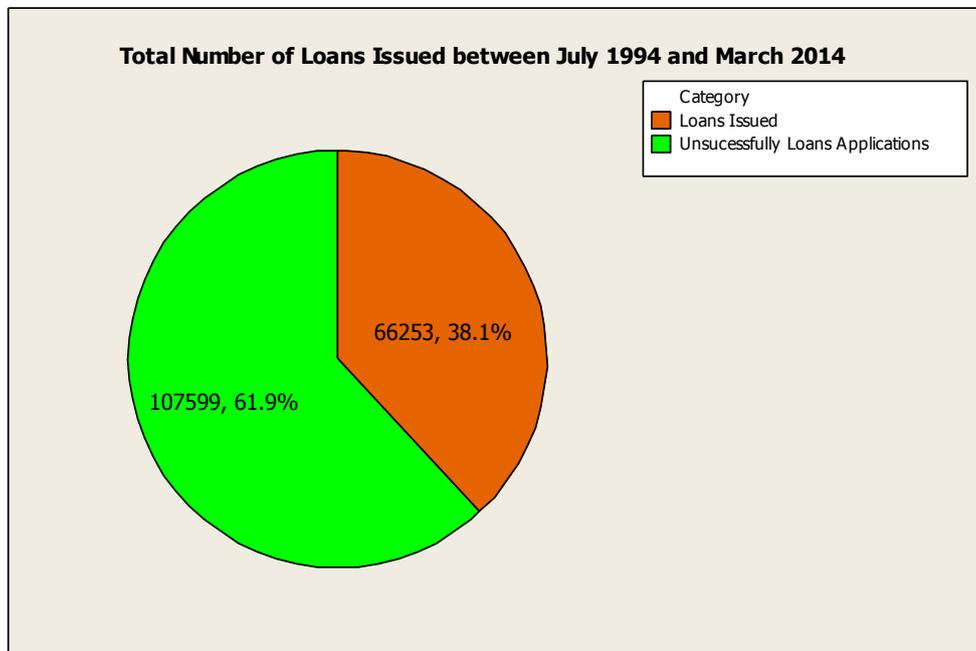


Fig 2.Total number of loans issued from July 1994-March 2013

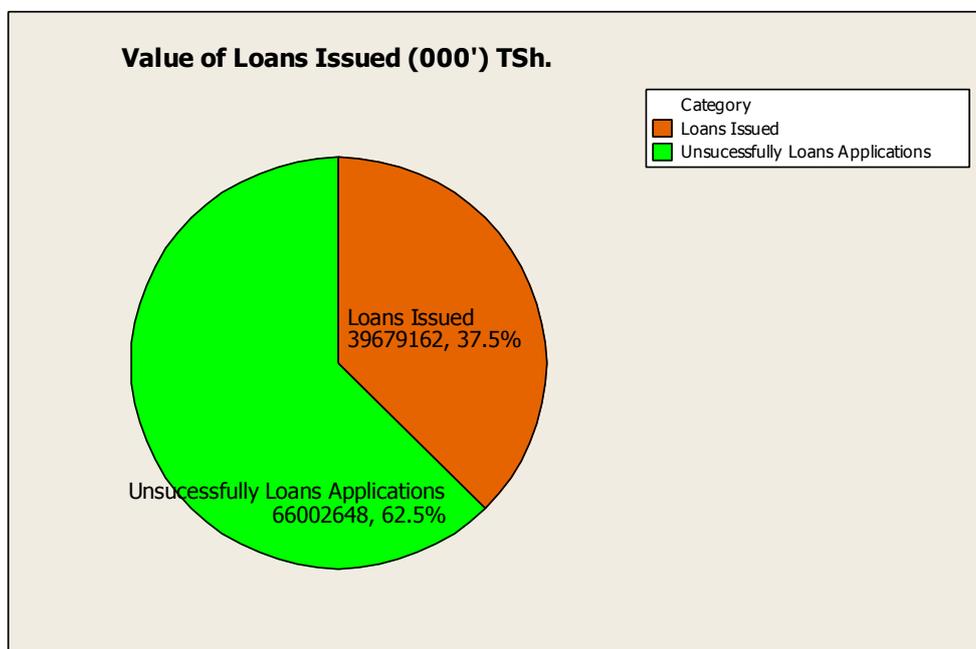


Fig 3.Total value of loans issued from July 2014-March 2013

4.1.1 Amount and Size of Loan Issued

Since the introduction of NEDF in 1994, the maximum size of loan issued was 500,000 Tsh. For a long time the loan beneficiaries from this fund were from small business sector with the fact that huge number of loan applications were from that sector. Nonetheless, for attracting other applicants from other sectors such as manufacturing sector, the maximum size of loan issued have been increased to 2.5 million Tsh, this stimulates production in manufacturing sector and ensure sustainable development. It has been estimated that since the introduction of NEDF, the number of jobs that has been created is approximately 129,615 with an average of

6172 jobs in each region as shown on “Table 2”: “Fig 4”. The value of loans issued were 39,679,162 million Tsh in whole country which is an average of 306,130.33 Tsh per single job created. The average of loan applications were 8279 in 21 regions while loans issued were 3155 as “Fig 4”.

Regions	Loans Applications Received		Total Loans Issued		Jobs Created
	Number	Value (000') Tsh	Number	Value (000') Tsh	
Arusha	8,533	3,956,120	3,475	2,454,444	7,218
Dar-es-salaam	10,454	5,936,150	5,233	1,955,553	10,731
Dodoma	12,785	5,039,490	6,824	2,368,890	8,424
Iringa	7,231	4,309,600	4,230	2,246,870	6,377
Kagera	3,900	2,598,300	1,246	621,792	2,545
Kigoma	7,539	3,694,300	2,592	1,817,987	4,837
Kilimanjaro	13,599	7,460,460	2,437	1,584,149	7,994
Lindi	3,692	3,394,100	1,600	901,558	3,252
Manyara	6,173	5,609,090	2,389	2,435,088	2,904
Mara	5,597	3,568,550	2,997	1,921,299	6,384
Mbeya	7,662	4,913,400	2,343	1,228,193	4,909
Morogoro	10,906	6,013,580	2,813	2,131,575	5,079
Mtwara	6,656	3,240,290	1,001	527,656	2,129
Mwanza	4,576	4,369,100	1,313	1,407,534	2,290
Pwani	5,527	3,488,720	2,462	1,537,735	7,222
Rukwa	7,028	4,249,400	2,707	1,281,171	5,276
Ruvuma	14,612	12,426,880	4,000	4,015,003	9,223
Shinyanga	8,128	6,075,100	2,189	1,470,691	4,771
Singida	14,476	7,263,280	9,160	4,821,779	18,005
Tabora	5,812	4,193,600	2,924	1,818,471	5,773
Tanga	8,966	3,882,300	2,318	1,131,724	4,272
Total	173,852	105,681,810	66,253	39,679,162	129,615

Table 2. Total number of loan applications and loans issued in 21 NEDF-SIDO regional offices as March 2014

Descriptive Statistics: Loan Applications, Value of Loans Issued, ...

Variable	Total Count	Mean	SE Mean	Variance	Sum
Loan Applications	21	8279	732	11237463	173852
Value of Loan Applications(000)	21	5032467	467163	4.58306E+12	105681810
Loans Issued	21	3155	421	3724763	66253
Value of Loans Issued(000)	21	1889484	221513	1.03043E+12	39679162
Number Jobs Created	21	6172	780	12783587	129615
Value of Loan Applications(000)	21	5032467	467163	4.58306E+12	105681810
Value of Loans Issued(000)	21	1889484	221513	1.03043E+12	39679162
Loans Issued	21	3155	421	3724763	66253

Variable	Minimum	Median	Maximum
Loan Applications	3692	7539	14612
Value of Loan Applications(000)	2598300	4309600	12426880
Loans Issued	1001	2592	9160
Value of Loans Issued(000)	527656	1817987	4821779
Number Jobs Created	2129	5276	18005
Value of Loan Applications(000)	2598300	4309600	12426880
Value of Loans Issued(000)	527656	1817987	4821779
Loans Issued	1001	2592	9160

Fig 4. Descriptive statistics of NEDF-SIDO total loan applications and loans issued with their value as March 2014

4.1.2 Women Empowerment

According to statistics, total number of 66,253 loan applications were approved and issued with the value of 39,679.162 million Tsh. Among them, 52.45% were issued to women while 45.73% were issued to men, and 1.82% were issued to joint application of both women and men. This has been show on “Table 3”. However the value of loans issued to men was 48.14% compared to 46.54% of women since men invest more in projects which need huge amount of fund (finance) in all sectors while women prefer to invest in small entrepreneurial activities for the purpose of raising their household income and improve standard of living of their families[10, 33]. According to SIDO’s reports, effort has been taken to promote and provide small-sized loans to small groups in which loan applicants form group to secure loan. This approach has been effective particularly to small-sized loans where by it simplify monitoring of loan repayment. Moreover, this approach minimizes transaction costs, big number of loan applicants are reached at the same time and loan applicants guarantee themselves in their groups for securing loan which promotes unity and good relationship among loan applicants in the group. In Dar-es-salaam, Dodoma, Iringa and Singida many women have been engaging in entrepreneurial business activities in comparison to other regions as shown on “Table 4” that the total number of loans of issued to women in those four regions is higher than others. This is the fact that these regions have more opportunities particularly in small entrepreneurial business activities.

Gender	Number of Loans	%	Value of Loans	%
Women	34,749	52.448946	18,468,456	46.544471
Men	30,295	45.726231	19,100,517	48.1374
Joint	1,209	1.824823	2,110,189	5.3181289
Total	66,253	100	39,679,162	100

Table 3. Total number and value of loans issued according to Gender as March 2014

Regions	Women		Men		Joint	
	Loans	Value (000') Tsh	Loans	Value (000') Tsh	Loans	Value(000')Tsh
Arusha	1,983	1,264,936	1,334	940,998	158	248,510
Dar-es-sala	3,606	1,304,047	1,594	636,073	33	15,433
Dodoma	4,124	1,414,760	2,699	953,730	1	400
Iringa	2,220	1,098,000	2,010	1,148,870	-	-
Kagera	712	319,663	526	300,279	8	1,850
Kigoma	1,481	981,554	1,098	773,433	13	63,000
Kilimanjaro	1,337	744,925	1,070	731,074	30	108,150
Lindi	723	362,226	874	537,482	3	1,850
Manyara	1,252	1,162,157	1,106	1,167,131	31	105,800
Mara	1,204	730,308	1,790	1,189,491	3	1,500
Mbeya	1,066	483,824	1,219	720,619	58	23,750
Morogoro	1,211	846,955	1,187	1,060,520	415	224,100
Mtwara	368	177,776	616	327,632	17	22,248
Mwanza	520	418,707	642	599,364	151	389,463
Pwani	1,180	720,565	1,279	815,670	3	1,500
Rukwa	984	460,955	1,722	815,216	1	5,000
Ruvuma	1,873	1,324,255	1,929	1,855,663	198	835,085
Shinyanga	1,185	672,543	963	779,098	41	19,050
Singida	5,235	2,725,645	3,919	2,093,884	6	2,250
Tabora	1,265	705,233	1,620	1,071,988	39	41,250
Tanga	1,220	549,422	1,098	582,302	-	-
Total	34,749	18,468,456	30,295	19,100,517	1,209	2,110,189

Table 4. Total loans and value distribution according to gender as March 2014

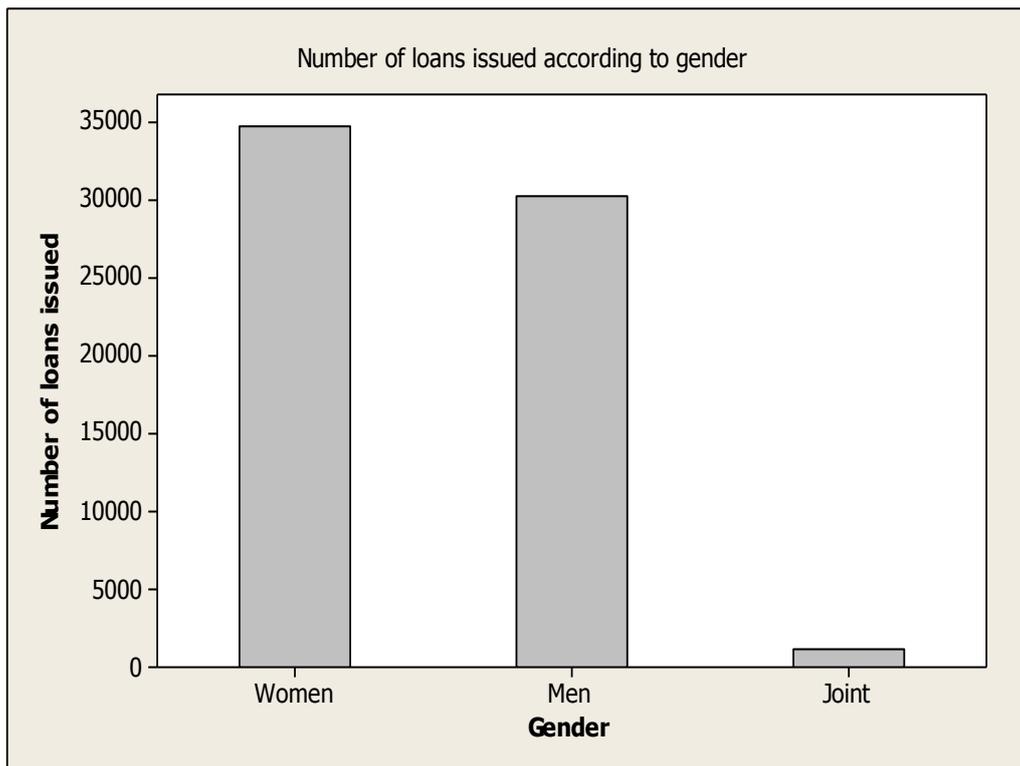


Fig 5.Total number of loans issued based on gender analysis as March 2014

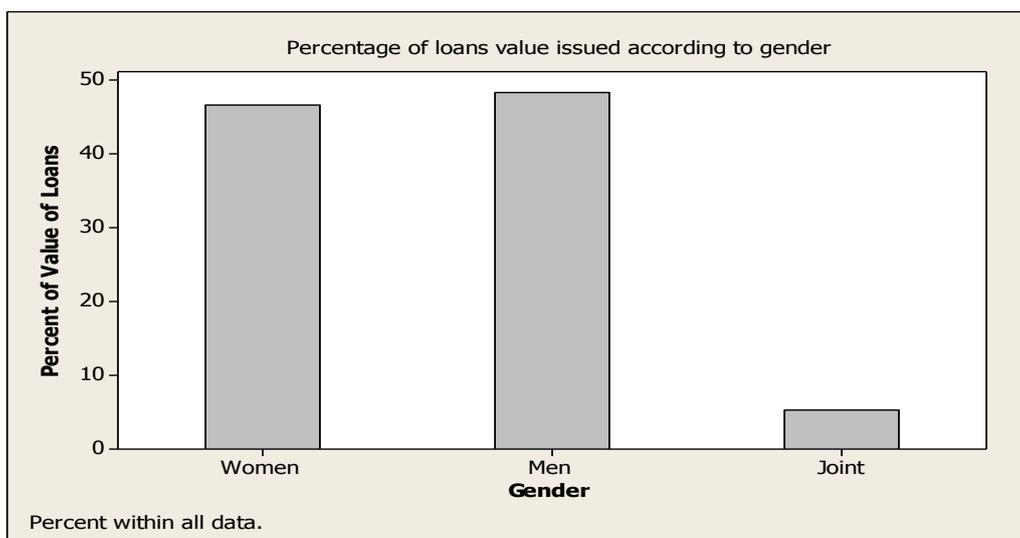


Fig. 6Percentage of total loans value issued based on gender analysis as March 2014

4.1.3 Distribution of Resources in Urban and Rural

Statistics show that since establishment of NEDF to March 2014, 66.71% of total number of loans were issued in urban location while 33.29% were issued in rural areas. This has been shown on “Table 5” below. Regardless of challenges which affect sustainable provision of loans to targeted group of households to achieve the objectives, operational costs has been one of the challenges. Nonetheless, NEDF under SIDO has managed to increase the total value of loans issued in rural areas, for instance in nine months 2013/14 (July 2013-March 2014) an increase of total number of loans issued in rural areas were 5.81% while the total value of loans was 7.22% in comparison to statistical data which end in June 2013. The average number of loans issued in urban and rural were 2105 and 1050 respectively, this is the fact that poor infrastructure in rural areas has been a critical challenge to reach rural households. The minimum amount of loans issued in urban in rural were 875 and 46 respectively which is very low as shown in “Fig 7”. However many people in rural areas have scattered settlements which affects many microfinance institutions to reach targeted population.

Location	Loans Issued	%	Value of Loans (000') Tsh	%
Urban	44,197	66.709432	27,765,954	69.97616
Rural	22,056	33.290568	11,913,208	30.02384
Total	66,253	100	39,679,162	100

Table 5. Percentage of total loans and values issued based on location analysis between urban and rural in 21 regional NEDF-SIDO offices as March 2014

Descriptive Statistics: Urban Loans, Urban Loans , Rural Loans, Rural Loans

Variable	Total					
	Count	N	Mean	SE Mean	StDev	Sum
Urban Loans	21	21	2105	246	1127	44197
Urban Loans Value (000)	21	21	1322188	141422	648077	27765954
Rural Loans	21	21	1050	270	1235	22056
Rural Loans Value	21	21	567296	112001	513252	11913208

Variable	Minimum	Median	Maximum
Urban Loans	875	1957	5760
Urban Loans Value (000)	463542	1195877	3083873
Rural Loans	46	607	4995
Rural Loans Value	30602	377650	1737906

Fig 7. Descriptive statistics of total number of loans and values issued in urban and rural in 21 regional NEDF-SIDO offices as March 2014

4.1.4 Promotion of Production Sectors

NEDF as one of the government schemes under SIDO which deals with provision financial assistance in form of microfinance approach to stimulate entrepreneurial and economic activities in the society has been taking tireless efforts to promote entrepreneurs to invest in productive projects which stimulate employment opportunity as well as generating income. The statistics show that total number of loan applications approved and loan issued from July 1994 to March 2014 which compose 49.03% were provided to business sector particularly small businesses since it generates income and profit in a short time at a very minimal initial start-up capital.

However, NEDF under SIDO has been taking emphasis to promote entrepreneurs to invest more in production sector and gives opportunity to loan applicants who invest production sector by providing different training such as food preservation, quality of products, mushroom farming, chalks production, packaging and value added. However, technical training and supports have been provided by SIDO since its establishment where by entrepreneurs managed to acquire innovative ideas and technical skills to increase the value and quality of their products produced. Moreover, NEDF under SIDO has been giving priority to production sector by offering grace period of six months to specific projects or business ideas which related to production sector. These efforts have increased number of loan applications related to production sector by 3.03% in nine months between July 2013 and March 2014. NEDF under SIDO has been providing a privilege opportunity to entrepreneurs in production sector to participate in SIDO Entrepreneurial Exhibition which held annually in regional, national and international level that gives them a platform to advertise their products and expand the products' market. The business sector is the leading sector in microfinance services since many of its entrepreneurial activities demand minimal amount of start-up capital as shown on "Table 6" below it constitutes 49.06% of loans issued in 21 NEDF-SIDO regional offices as March 2014 followed by production sector which comprises 44.08% of total loans issued. Service sector is the last one since it needs at least sufficient fund to operate entrepreneurial activities as it employs machines such as stationery centers, transportation sector, construction and tourism sector. However NEDF-SIDO has taking initiatives to enhance promotion of production sector as one of potential sectors which generate jobs and stimulate production of goods and services. According to "Fig 8", fishing and mining are the last sector which received less number of total loans in comparison to other sectors as the fact that all activities related to this sector demand huge amount of money to find its operation while microfinance has a limited size of loan to be issued and often either small or micro loans.

Sectors	Number loans	%	Loans issued (000' Tsh	%
Business	32,504	49.06042	14,053,979	35.41904
Production sector				
Industry	11,222	16.9381	9,456,620	23.83271
Agriculture	7465	11.26741	4,777,700	12.04083
Livestock ke	9287	14.01748	6,796,359	17.12828
Fishing	1015	1.532006	627,542	1.58154
Mining	217	0.327532	175,400	0.442046
Total	29,206	44.08253	21,833,621	55.02541
Service sector				
Stationery s				
Transportat	4,543	6.857048	3,791,562	9.55555
Constructio				
Tourism				
Total	66,253	100	39,679,162	100

Table 6. Percentage total number of loans and values issued in different sectors in 21 NEDF-SIDO regional offices as March 2014

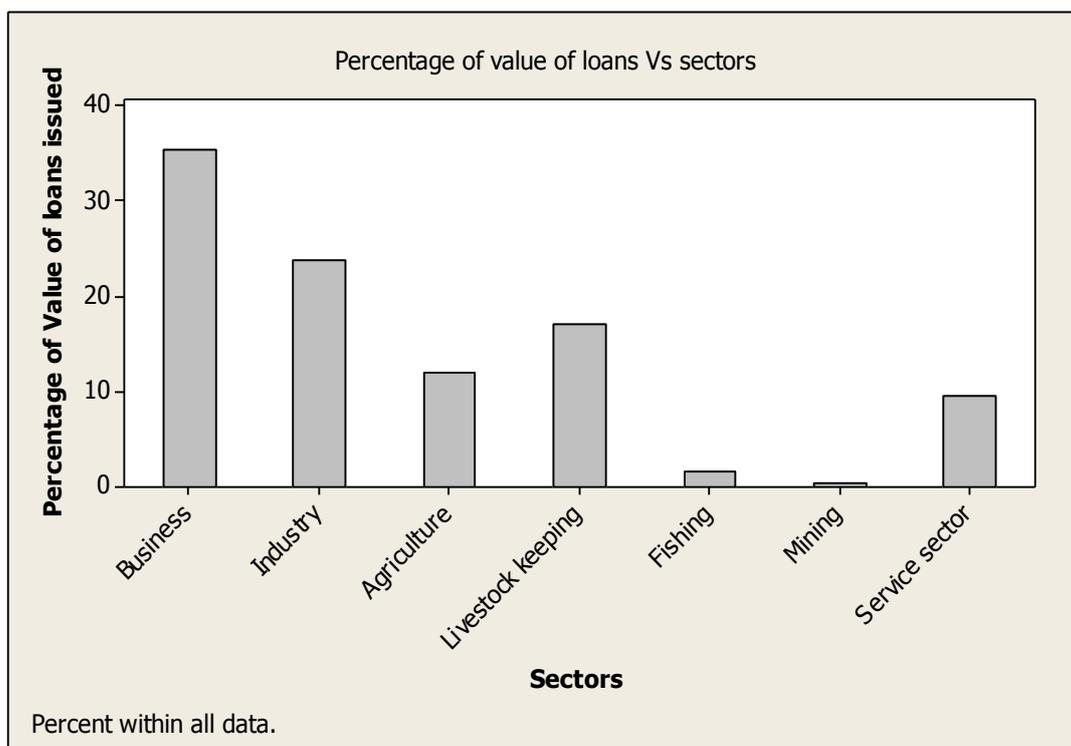


Fig 8. Percentage of loans value issued based on sectors in 21 NEDF-SIDO regional offices as March 2014

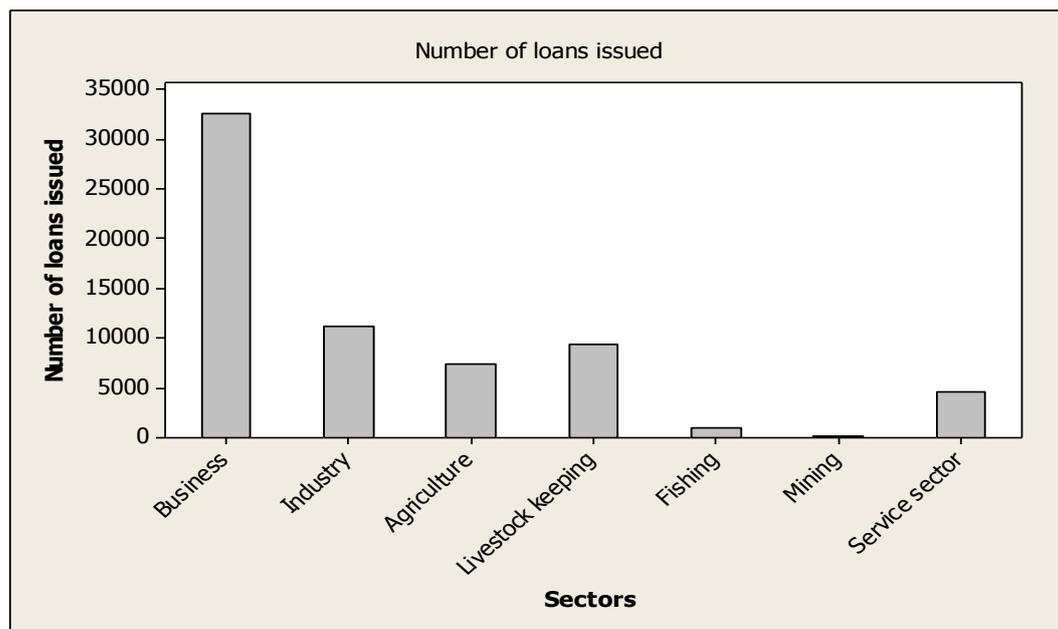


Fig 9. Total number of loans issued based on sectors in 21 NEDF-SIDO regional offices as March 2014

4.1.5 Provision of Entrepreneurial Training

NEDF under SIDO proved that loan applicants particularly in Microfinance Sector may perform well if they will be given entrepreneurial training before acquiring credit facilities. This enables them to operate their business activities effectively with benefit since the training set fundamental foundation on how to start and operate profitable businesses. The training often covers management and operation of business entity, marketing strategies, book-keeping, setting of prices, formalization of business according to business law, management of daily business transactions' information, Taxes, use of financial services, product packaging, product value added, product innovation and technical support. These are crucial aspects for any successful business entity since affect businesses either direct or indirect. These trainings help to minimize misuse of loans secured for particular purpose, minimizes risks related to; bankruptcy, market trend, competition, macro-economic factors and lack of proper business skills and knowledge.

Despite that SIDO has been offering training to loan applicants, it also offers special training program to other SIDO clients' particularly small business entrepreneurs who do not secure loans from SIDO but wants to acquire knowledge and entrepreneurial skills on operation and management of small businesses as well as management of financial resources. Social education has been priority in these training while efforts have been taken to educate entrepreneurs to take their healthy, family and education for children. Finally, the main objective of these trainings in general is to enable loan applicants to manage well their financial resources in their entrepreneurial business activities since it is the fact that credit facilities issued to each applicant as financial booster (gear) in their businesses which is a liability (should be repaid back) and not as gifts or otherwise.

4.1.6 Link between Entrepreneurs and Microfinance/Financial Institutions

It is the fact that business an ongoing concern which experience growth as one of the sustainability factor for any successfully business entity. Business can be started with a very minimal initial start-up capital but as it grows in terms of production or services offered, increase in market share, expansion of branches and number of customers it obviously needs sufficient fund to finance operation and other costs that might be incurred due to its growth. NEDF under SIDO found another alternative approach to finance these kind of entrepreneurial businesses by linking them with other Microfinance and Financial Institutions which offer at least from five million Tanzanian Shillings (5 million Tsh) and above. This effort has been very helpful and convenient to some of entrepreneurs who intend to expand their business activities. The table below shows the beneficiaries of this program of NEDF-SIDO and other Financial Institutions as shown the distribution in each region. Despite that total number of loans resulted from NEDF_SIDO link between entrepreneurs and other financial institutions are mainly from Ruvuma, Tanga and Mwanza but the highest value of loans issued is from Manyara since it has many people are participating in small mining activities which demand huge capital compares to entrepreneurial business activities "Fig 10".

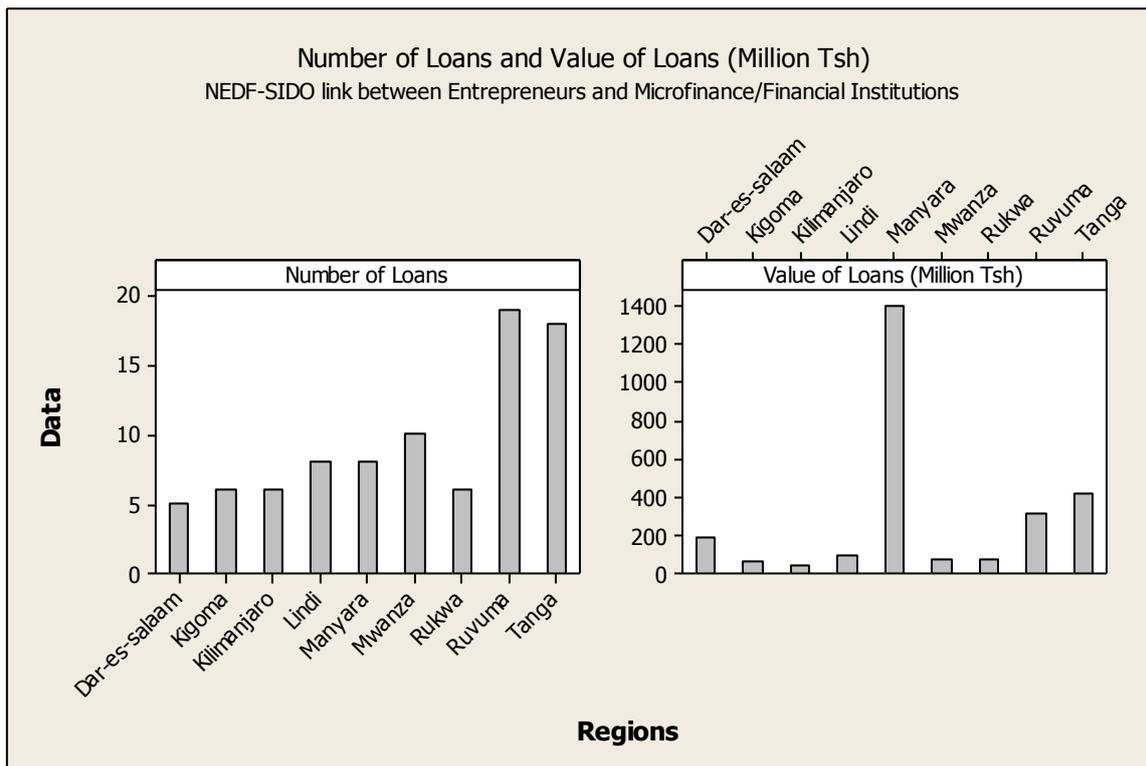


Fig 10. NEDF-SIDO link of entrepreneurs and total loans offered by financial institutions in 9 regions as March 2014

4.2 Achievement of NEDF-SIDO

NEDF-SIDO has achieved at certain point in some few aspects that can be assessed through statistical data from year to year as follows:- An increase of projects and entrepreneurial business activities financed particularly related to production sector. For instance between July 2013 and March 2014 there is an increase of 0.59% of entrepreneurial activities financed related to production sector after emphasizing entrepreneurs to invest in production sector.

NEDF-SIDO has been taking tireless efforts to provide and expand services in rural areas regardless of challenges which affect the provision of financial services. In between July 2013 and March 2014 there was an increase of loans issued in rural by 5.12% in comparison to the end of the financial year 2012/13. This was due to an improvement of infrastructure in regional offices, availability of transportation facilities which enables rural households to be reached and application of member-group loan approach which serves many number of rural households.

The ratio of number and value of loans offered based on gender equality has been improved in each year, for instance value of total loans issued to women was 46.549% in comparison with 47.98% of men which is a very small difference and is caused by some few men’s entrepreneurial business projects which needs more funds to be financed.

According to NEDF-SIDO reports, total estimation of 129,615 employment opportunities were created as a result of issuing total number of 66,253 loans issued with the value of 39,679 billion Tsh as March 2014. Nonetheless, repayment rate has been improved each year and currently has reached 91.02%. In general there is a sign of improvement in some significance areas such management of financial resources, application of ICT and effective monitoring and evaluation.

V. Conclusion

For a period of ten years and nine months, the Government of Tanzania has been taking different initiatives through NEDF-SIDO to provide financial services as capital in form of microfinance approach to many small and micro-business entrepreneurs from different sectors. The objective is to maximize entrepreneurs’ potentials to establish sustainable businesses and expand their entrepreneurial business activities.

NEDF-SIDO has proved that Government Microfinance Credit Schemes play a significant role in promoting production and economic related activities in the society. The most important aspects to be considered by NEDF-SIDO should be application of effective and suitable approaches in providing sustainable

credit facilities by scrutinizing and assessing loan applicants on their repayment ability as well as evaluation of their entrepreneurial business activities.

To monitor and evaluate the trend of repayment rate where by PAR should be less than 1% for securing the sustainability of fund to provide services and grow. In addition, debtors who failed to pay should be taken for further actions such as discounting the debts or reschedule their repayment approach instead of writing off their debts. Training is the basic and fundamental aspect to all loan applicants in which emphasis should be kept on effective utilization and importance of loan repayment on time. Loan applicants who are repaying on time should be awarded a special privilege such as application of loans at a discount rate.

Application of ICT and provision of training to staffs will enable them to work efficiently as well as meet the standards. Training should focus on application and management of computerized clients' information, importance of keeping database of loan applicants' information in a computerized system, monitoring and evaluation of loan applicants' debts.

NEDF-SIDO should improve training services related to entrepreneurial business activities and consultancy services on effective utilization of credit facilities, business innovation, marketing strategies, product quality and added value. These are significant and fundamental training in improving entrepreneurial business entities to achieve sustainable business.

NEDF-SIDO should expand its services in rural areas by issuing small and micro loans at minimum transaction through member-group loans since can be managed and monitored at minimum transaction cost. More than 70% in Tanzania are living in rural areas and participating in agricultural and small business activities therefore the demand of financial services is higher than in rural areas but they need proper and suitable approach that can favor them to secure small and micro loans with tight restrictions. The concept of innovative microfinance programs based on group-lending methods has been remarkable to many low-income households by the belief that such programs reach the poor and have an impact on various measures of their welfare, including economic measures such as wealth and income. It operates on the basis that low-income households who are regarded as poor will invest loans in small business activities, small farming and other small production activities with the expectation of generating profits and repaying back loans while their businesses grow hence enable large number out of poverty [11, 34].

It is an expectation that NEDF-SIDO will undergo sustainable development and make steps ahead in providing services based on professionalism and innovative ideas that increase efficiency and promote entrepreneurship in Tanzania.

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