



Contribution of microfinance loans to women entrepreneurs in Tanzania: Reflections from the case of the National Microfinance Bank (NMB) in Arusha City

Dr. Netho Ndilito (PhD)¹

jfnethondilito@gmail.com

<https://orcid.org/0009-0005-2301-5496>

¹Ministry of Lands, Housing and Human Settlements Development, Dodoma, Tanzania

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ABSTRACT

This research looked at the contribution of National Microfinance Bank (NMB) loans to women entrepreneurs in Arusha City, Tanzania. The need for this present study stems from ongoing discussions in the literature regarding microfinance's function in bettering the livelihoods of the poor. This is more so in emerging economies, e.g., the Philippines, India, Indonesia, and several countries in Africa, where evidence has remained vague. Notwithstanding the fact that microfinance institutions (MFIs) in Tanzania have undergone accelerated growth, the vast majority of small-scale businesses struggle to remain afloat. It has been noted that most businesses stagnate or, worse, fail within the first five years of operation. As such, this issue underscores the value of critically evaluating whether microfinance interventions, especially those focusing on women entrepreneurs, are attaining their intended objectives, namely poverty reduction and economic empowerment. This study was guided by the following specific objectives: (i) to document and analyze benefits of NMB's loan to women entrepreneurs, (ii) to examine the use of loans by women entrepreneurs, and (iii) to identify factors affecting loan performance in women enterprises and NMB. This research was anchored on the empowerment theory. This study utilized a case study research design. The targeted population encompassed women entrepreneurs and NMB staff in Arusha City. A sample size of 138 responders was purposively and randomly chosen. Data was obtained through structured questionnaires and interviews and later analyzed thematically and statistically in order to address the study objectives. The key findings indicated that NMB loans contributed positively to women entrepreneurs. This was through boosting incomes, bettering asset ownership, and raising their social standards. Accessing loans allowed women beneficiaries to finance basic needs like food, education, shelter, and health care. In addition, it assisted in diversifying their business portfolios. Nonetheless, challenges were encountered. They comprised diversion of loans, deceit, and late repayment. These curtailed the sustainability of the program. In the same vein, the minimum loan amounts availed proved to be meager to generate substantial profits. As a result, it limited entrepreneurs' capacity to expand their businesses. This study's outcomes concluded that despite the fact that NMB loans have the ability to lift the well-being of women entrepreneurs, their impact on poverty eradication remains limited without complementary measures. This research recommended that NMB ought to empower borrowers by means of training them in business management and operational skills. It also suggested that loan amounts should be increased so as to enhance business growth and sustainability. These kinds of interventions will be beneficial to the institution through better repayment rates. To the beneficiaries, there will be increased profitability and long-term business success.

Keywords: Arusha, Empowerment Theory, Microfinance, National Microfinance Bank, Women Entrepreneurs, Tanzania

I. INTRODUCTION

Microfinance is the provision of financial services to low-income, poor and very poor self-employed people (Vossenber, 2023). Microfinance has the ability to strengthen micro enterprises and encourage best practices among operators of small and medium scale enterprise. Microfinance has evolved as an economic development approach intended to benefit low income men and women. In addition to financial intermediation, Nyabakora (2020) noted that many microfinance institutions provide social intermediation services such as group formation, development of self-confidence, and training in financial literacy and management capabilities among members of a group. Microfinance clients are typically self-employed, low income entrepreneurs in both urban and rural areas. According to Nyingo (2020) clients are often traders, street vendors, small farmers, service providers and artisans and small producers such as blacksmiths and seamstresses. Usually, their activities provide a stable source of income (often from more than one activity). Although they are poor, they are generally not considered to be the poorest of the poor.



Solomon (2020) highlighted that microfinance, and the impact it produces, go beyond just business loans. The poor use financial services not only for business investment in their microenterprises but also to invest in health and education, to manage household emergencies, and to meet the wide variety of other cash needs that they encounter. The range of services includes loans, savings facilities, insurance, transfer payments, and even micro-pensions. Evidence from the millions of microfinance clients around the world demonstrates that access to financial services enables poor people to increase their household incomes, build assets, and reduce their vulnerability to the crises that are so much a part of their daily lives. In the words of Solomon (2020) access to financial services also translates into better nutrition and improved health outcomes, such as higher immunization rates. It allows poor people to plan for their future and send more of their children to school for longer. It has made women clients more confident and assertive and thus better able to confront gender inequities.

According to Mulenga and Muuka (2024) microfinance clients manage their cash flows and apply them to whatever household priority they judge most important for their own welfare. Thus, microfinance is an especially participatory and non-paternalistic development input. Access to flexible, convenient, and affordable financial services empowers and equips the poor to make their own choices and build their way out of poverty in a sustained and self-determined way. Lack of access to finance is often cited as a key reason why poor people remain poor. Realizing this fact, the Bank of Tanzania supported the Government's objective of poverty reduction by ensuring that the financial sector plays a greater role in boosting economic growth so that it contributes more effectively to attaining the Government's objective of poverty reduction (Magali, 2021).

Deliberate efforts to free the economy from financial repression were undertaken by the government, including the elimination of the state controls and introduction of market mechanisms. The President Commission of enquiry (Nyirabu Commission) was formed in 1988 to set the milestone for liberalization of the financial sector in Tanzania (Magali, 2021). The year 1990 was the turning point in financial sector reprograms spearheaded by the Bank of Tanzania. On the basis of the Nyirabu Commission, the Bank embarked on a series of reforms in an effort to promote the development of a market based financial sector as a strategy to turn around the deteriorating economy and accelerate economic growth. The strategy was kicked off by the Banking and Financial Institutions Act adopted in 1991 (now BFA 2006) which paved way for entrance of private, foreign and domestic investors in the financial sector.

A number of studies have been carried out on the impact of finance, particularly microfinance on economic development. In fact, academic interest that shows the impact of microfinance on entrepreneurial development is evidenced by the fact that some academic journals have devoted special issues to research establishing this linkage. Some scholars focused on the mechanism by which poverty is reduced. Mlowosa et al. (2014) focus their article on the ability of microfinance to reach the poor and vulnerable. They focus their article in such a manner because of concerns that microfinance is only serving people slightly below or above the line of poverty, however the really poor and destitute are being systematically excluded. By contrast, Minai et al. (2021) analyze the impact of microfinance on firms and individual wellbeing. Madiwa (2021) focus on business performance and household income to establish a link between the availability of microfinance and overall wellbeing of the poor.

However, they seek to explain non-participation in the microfinance evolution, stating that while microfinance is used as a viable tool in fighting poverty, more than 75% of the poor individuals choose not to participate for various reasons. Thus, the question of whether microfinance improves or worsens entrepreneurial development is stills worthy of further research such as the one being undertaken in this study. In addition, the impact of microfinance on social economic development has not received adequate research attention in Tanzania. Research also shows most of the studies on impact of microfinance on, say entrepreneurial development that have been reported were carried out on industrialized countries. This means that there is a major gap in the relevant literature on developing countries including Tanzania, which has to be covered by research. This research attempts to fill this gap by studying the situation in Tanzania and providing more empirical evidence on the growth and development-effects of microfinance by use of selected Women small and medium enterprises.

The present study aims at developing a deeper understanding on the contribution of microfinance practices on improving the lives of the Women and or the microfinance clients who are typically engaged on SME and micro businesses and whose livelihoods have been subjected to poverty circles more often. It will focus specifically within the geographical scope of Arusha city as case study using the National Microfinance Bank (NMB) as sample representative from microfinance institutions. Findings of this study formed the basis for the practical action against access to finance and economic development in the country.



1.1 Statement of the Problem

The importance of microfinance to entrepreneurial development made the Central Bank of Tanzania adopted it as the main source of financing entrepreneurship in Tanzania. Despite this, however, finance is still considered as one of the major hindrances to entrepreneurial development in Tanzania (Magali, 2021). While government and Non-Government Organizations (NGOs) have been engaging a number of programmes and policies to encourage entrepreneurship in the country, Tanzania is still on the list of the poorest countries in the world with unemployment level rising alarmingly. Microfinance supports mainly informal activities that often have a low return and low market demand. It may therefore be hypothesized that the aggregate growth and development impact of microfinance is modest or even non-existent. If true, the growth and development impact of microfinance observed at the participant level represents either income redistribution or short-run income generation from the microfinance intervention. It is therefore necessary at this junction to undertake an assessment of the extent to which microfinance can impact development in Tanzania-using Women owned small scale businesses. That is the overall objective of this study.

According to practical observations for Tanzanian small businesses, most of them 'never celebrate their first anniversary as they fight an uphill battle from the start and fail in the first five years (Nyabakora, 2020). This performance pattern has raised cynicism on whether or not MFIs are playing their effective role to enhance poverty eradication function as per the essence of their origin or establishment. Contrary to this trend, a common scenario for Tanzanian microfinance is that, despite unsatisfactory performance in the small-scale business enterprises, the microfinance institutions on the other hand, are gaining growth and expansion momentum in rapid pace and this call for a need to examine the economics of growth and development of these institutions in a bid to provide input to public policy makers, among others. Furthermore, reluctance to accept the findings about the impact of microfinance on improving the lives of the poor in the Philippines, India, Indonesia and in some African countries has highlighted the need for further systematic reviews of the evidence of the contribution of microfinance on the poor elsewhere. This study aims at assessing the operational impact of National Microfinance Bank (NMB) on wellbeing improvement of its non-corporate customers, specifically-Women entrepreneurs. The choice for NMB was made under special observation that, this institution has relatively wide outreach in the region and country at large through its extensive branch networks that were set up during the pre-reform era when was under the umbrella of National Bank of Commerce (NBC).

1.2 Research Objectives

The study is guided by the following specific objectives: (i) to document and analyze benefits of NMB's loan to Women entrepreneurs (ii) to examine the use of loans by Women entrepreneurs and (iii) to identify factors affecting loan performance in Women enterprises and NMB.

1.3 Research Hypotheses

The study key Hypotheses being that:

H₀: NMB loan has been beneficial to Women entrepreneurs (Null hypothesis) and,

H₁: NMB loan has not been beneficial to Women entrepreneurs (Alternative hypothesis). In terms of theoretical framework, this study was guided by empowerment theory that underpin the contribution of NMB to women entrepreneurs in accessing credit facilities.

II. LITERATURE REVIEW

2.1 Theoretical Framework

2.1.1 Empowerment Theory

This theory was advanced by Julian Rappaport in the 1980's within community psychology (Narayan, 2002). Empowerment theory stipulates the process through which individual persons and groups take control over their lives by accessing resources, enhancing self-efficacy and exercising decision-making power. This theory argues that sustainable change is most efficient when marginalized and vulnerable groups of people are active participants in shaping their social and economic outcomes, rather than passive aid recipients.

In this present study, empowerment theory offers a lens for looking at how microfinance loans from the National Microfinance Bank (NMB) influence women entrepreneurs in Arusha. By accessing credit, women are expected to strengthen their businesses, improve household welfare, and increase their social standing. The theory is particularly relevant as it connects financial inclusion to broader goals of poverty reduction, women's agency, and community



development, while also helping to explain challenges such as loan diversion, limited loan sizes, and repayment difficulties that may restrict full empowerment.

2.2 Empirical Review

2.2.1 Benefits of NMB's loan to women entrepreneurs

Nyingo (2020) performed research on access to finance among business owners in Kinondoni Municipality, Tanzania. By embracing a case study design with a mixed-methods approach, he obtained data through structured questionnaires. The sample was purposively chosen comprising of small-scale entrepreneurs. This was complemented with in-depth interviews for triangulation. The obtained data was analyzed using descriptive statistics and thematic analysis. Research outcomes hinted that business owners who had access to formal loans benefited through increased working capital, productive assets acquisition in addition to recording better sales. In the same vein, better access to finance boosted business credibility of business owners. This allowed them to expand their customer base and network. The study highlighted the direct economic merits of microfinance, which are applicable in the case of women entrepreneurs accessing NMB loans in Arusha.

In Kosovo, Shkodra et al. (2021) used a survey research design in order to assess the role of microfinance institutions in enhancing entrepreneurship for women traders. Data was collected through structured questionnaires and interviews from women borrowers. This was enhanced by engaging with microfinance managers for in-depth interviews. Analysis of data entailed descriptive statistics alongside content analysis to include numerical and qualitative aspects. Outcomes of this study hinted that loans advanced by microfinance banks enabled women to set up new businesses, diversify their products and services as well as improving their family welfare. This research also captured non-financial benefits e.g. more self-confidence, better skills in decision-making and enhanced social networks. Findings of this research allude that microfinance offers many benefits. There is economic development and social empowerment both explaining advantages of NMB loans to women entrepreneurs in Arusha.

Solomon (2020) did an analytical research on women empowerment as a core promoter of national development through microfinance. His research utilized a survey research design. Data was derived from secondary data sources and analyzed by means of descriptive statistics to connect engagement of microfinance with developmental results. The outcomes of research elucidated that women's access to microfinance boosted their participation in economic work. Similarly, it increased consumption in the household and increased investments in education and health. At the same time, empowerment benefited women to control income, trade mobility and community leadership. These findings posit that microfinance loans have various merits. Women's enterprises are strengthened, household welfare is improved and socio-economic development is increased. As a result, the relevance of NMB's interventions in Arusha is reinforced.

Thaher et al. (2021) aimed to assess the effect of microfinance services on women entrepreneurship in Jordan. The researchers adopted a quantitative research design. Through structured questionnaires which were administered to women entrepreneurs, data was obtained and analyzed later using multivariate regression. Study outcomes posited that microfinance services more so credit based, improved business revenue substantially. It also generated employment opportunities in the local economy. Nonetheless, the analysis alluded that credit alone had limited long-term impact. To this end, more benefits were actualized when credit was boosted with savings and training services. Women who took part in bundled programs attained better sustainability and growth in their respective businesses. Findings of this research shows the combined value of complementary services in maximizing the benefits of loans. This is a crucial insight that is applicable for evaluating NMB's loan offerings in Arusha.

2.2.2 Loan use by women entrepreneurs

Vossenbergh (2023) performed a research to evaluate the different uses of loan in entrepreneurship and strategies for promoting women's entrepreneurship in developing economies. The researcher used a mixed-methods policy-analysis technique, combining secondary cross-country data review with qualitative case evidence from program assessments. His research synthesized quantitative outcomes on size of the business, sectorial choices and finance gaps with qualitative evidence on how women specifically use financial products. Vossenbergh's analysis pointed out that women in most cases utilize loans for various business and household demands. According to the researcher, loans were used to settle school fees, consumption purposes as well as for topping up working capital. This multi-purpose use of business loans affects controlled outcomes of business ventures and repayment behaviour. The study noted that program design which entails loan size, frequency of repayment and associated training directs the manner in which loans are allocated by women. To this end, it is imperative to highlight this setting when studying loan use among NMB's clients in Arusha.



Mwalasha (2020) did a study on the use of micro-finance insurance loans offered by microfinance institutions on women business owners in Nakuru County Kenya. He used a cross-sectional survey design with open-ended questionnaires. The questionnaires were distributed to a stratified sample of women microfinance clients. In addition, key informant interviews were undertaken with MFI staff. The generated data were descriptively analyzed whereby logistic regression was performed to test associations between loans uptake and indicators of empowerment and loan utilization. Study outcomes highlighted that micro-finance loan products boosted propensity of women entrepreneurs to direct loan funds more into productive investment e.g asset purchase and inventory. This is instead of solely using loans for household consumption, as insurance minimized the need to reserve loan proceeds for risk-coping. Pragmatically, for Arusha, this hints that the presence or absence of risk-cutting products at NMB will impact greatly observed trends of loan use among women entrepreneurs.

Mng'ang'a et al. (2020) did a case study on microfinance institutions' contribution to women's loan use in Serengeti District, Tanzania. Data was generated from a purposively chosen sample of women borrowers in the district. Focus group discussions with bank employees complemented the short quantitative survey. Analysis of data encompassed thematic coding of qualitative transcripts with simple comparative statistics on shifts in income and enterprise [both pre- and post-loan]. The researchers opined that majority of women business owners reported using loans for business expansion and stock acquisition. On the other hand, a vast minority diverted portions to household requirements more so during economic shocks. In the same vein, women possessing basic bookkeeping knowledge and who participated in group lending models were better positioned to report predominant business loan use. This research points to the value of borrower capabilities and lending modalities in elucidating heterogeneity use of loans. In this regard, this study is directly relatable when assessing NMB clients in Arusha.

Mulenga and Muuka (2024) performed an analysis of the village banking model's effect on women's loan use in Zambia. The researchers embraced a quasi-experimental design. It was used to compare use of loans by women beneficiaries of village banking groups with non-participants. Data was matched on observable features whereas sources of data entailed household surveys and program records. Obtained data was analyzed using propensity score matching and regression analysis. Research outcomes hinted that village banking bolstered women's access to regular and small-value loans. In this regard, this encouraged high rates of reinvestment into micro-enterprises as monitoring of groups and social collateral improved discipline in repayment. It also pressure women entrepreneurs to utilize funds in a productive manner. The study outcomes highlighted a bolstered uptake of savings alongside collective investment culture among village-bank members. This in turn influenced more and better sustained business use of loan proceeds. This results allude that NMB's product delivery structure e.g. personal versus group/village banking will direct how women utilize loan funds in Arusha.

In summation, these empirical studies posit consistent trends applicable to Objective 2. As such women business owners in most instances utilize loans for different business and household purposes. These entail design of products e.g insurance, savings, loan size and schedule. For delivery model, there is village banking/group versus personal. Regarding capabilities of borrowers, there is financial literacy and bookkeeping. All these attributes shape the allocation of loan funds; and complementary services and social collateral mechanisms tend to direct loan use more toward productive ventures. For this specific research, determining loan use should encompass disaggregate categories. This will elucidate observed heterogeneity in utilisation of business loans.

2.2.3 Factors affecting loan performance in women enterprises

Awojobi (2019) undertook a systematic review of literature on factors that determine microcredit loan performance as a strategy for poverty reduction in Nigeria. The review synthesized empirical outcomes from various studies by adopting content analysis to point out recurring themes regarding variables influencing microcredit performance. Outcomes of research indicated that performance of loans is affected substantially by high rates of interest, inadequate sizes of loans and weak repayment monitoring structures. Results of this study also depicted challenges of diversion of loan funds to non-productive uses due to social and household pressures. These insights demonstrate that structural and contextual factors. Some of these were institutional policies and client socio-economic conditions. This, in the end, play a beneficial aspect in determining loans performance. These outcomes are relevant to NMB's operations in Arusha.

Ayatakshi-Endow and Steele (2021) looked at challenges confronted by women entrepreneurs in loan performance in Brazil. The study focused on issues pertaining balancing of multiple gendered roles during the Covid-19 pandemic. By adopting a qualitative research design hinged on semi-structured interviews with women business owners, their research employed thematic analysis to gain insights on loan usage and repayment behavior during crisis. Research results indicated that responsibilities for families, income volatility and poor institutional support increased the risk of loan



default. To this end, it curtailed ability of women business owners to reinvest borrowed funds into their enterprises. The study outcomes stressed that socio-cultural expectations and external shocks e.g global pandemics, substantially affect loan performance by straining capacity to repay loans. For NMB setting in Arusha, this underpins the benefits of accounting for gendered responsibilities and external risks when assessing women's loan performance.

Bandiera et al. (2018) set out to undertake a large-scale randomized control trial (RCT) in several African nations to assess programs on women's empowerment. It encompassed financial access and repayment with training and mentorship. The design of this research assigned women randomly to treatment and control groups. Derived data was analyzed by use of econometric regression models to test causal effects. Outcomes of analysis demonstrated that while access to credit bolstered women's entrepreneurial work, loan performance was strongly influenced by complementary elements. These included skills in financial literacy, mentorship as well as group-based lending mechanisms. Women business owners who got finance and non-financial support exhibited higher repayment rates and more sustained business growth. This evidence highlights that financial capital alone is insufficient for strong loan performance, suggesting that NMB loans in Arusha may perform better when bundled with training and mentorship.

Baruah and Bezbaruah (2020) analyzed the link between financial access and business loan performance among urban unorganized sector enterprises in Assam, India. By embracing a cross-sectional survey design, data was obtained through structured questionnaires from small-scale entrepreneurs. It was thereafter analyzed using regression techniques. Analysis outcomes hinted that finance access positively affected business performance. However, loan performance was hindered by variables e.g inadequate working capital, lack of market access, and poor business management practices. Enterprises equipped with better financial literacy and modest record-keeping demonstrated stronger loan repayment behavior and business growth. The study suggests that loan performance is a function of access to finance, also depending on managerial skills of borrowers and the business environment. Relevant to NMB in Arusha, these study outcomes depict that capacity-building and market linkages are critical determinants of loan performance to women entrepreneurs'.

2.3 Conceptual Framework

This concept illustration depicts the relationship of major research variables, which are independent variables, intervening variables and dependent variables.

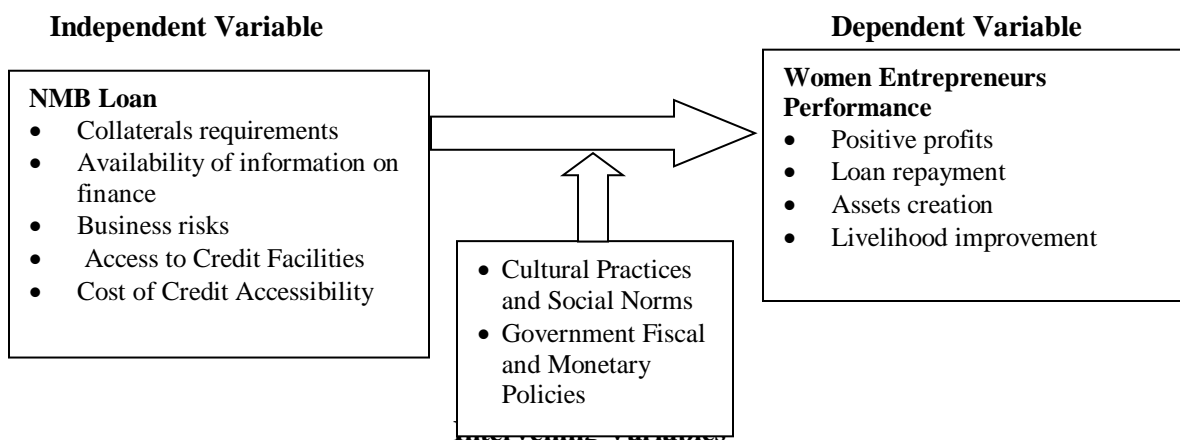


Figure 1
Conceptual Framework

The figure above depicts the interrelationship between independent variables and the response (dependent) variable. It is through being a borrower or saver that NMB can influence business performance of Women entrepreneurs. There is a general consensus that access to financial services is important for the poor entrepreneurs to raise productivity, create broader assets base, generate profitable income and thereby be able to use it in financing most of their livelihood needs such as clothing, food, education, health, as well as shelter. The achievement of this relationship between NMB loaning (independent variable) and performance of Women entrepreneurs (dependent variable) is all dependent on the workings of intervening variables which are being represented herewith by government economic policies as well as the cultural practices and social norms of the society under which Women are residing with



2.4 Research gap

Besides, the empirical evidences emerging from various studies about the effect of microfinance on economic development have so far yielded mixed results that are inconclusive and contradictory. Thus, the question of whether microfinance improves or worsens entrepreneurial development is stills worthy of further research such as the one being undertaken in this study. In addition, the impact of microfinance on social economic development has not received adequate research attention in Tanzania. Research also shows most of the studies on impact of microfinance on, say entrepreneurial development that have been reported were carried out on industrialized countries. This means that there is a major gap in the relevant literature on developing countries including Tanzania, which has to be covered by research. This study attempts to fill this gap by studying the situation in Tanzania and providing more empirical evidence on the growth and development-effects of microfinance to women.

III. METHODOLOGY

3.1 Research design, Sampling and Data Collection

This study is based on case study design chosen because the sampled elements and the variables that are being studied are simply being observed as they are without making any attempt to control or manipulate them. Data were collected from a sample of enterprises to determine the relationship between household lives improvement (the dependent variable) and microfinance practices (the independent variable). Questionnaires and interview guides were used to obtain data. The theoretical population of the study consists of the entire microfinance clients in the country. However, the study was restricted to Arusha City as case study for reasons based on the fact that it is the commercial center of the East African Community (EAC) and that the concentration and predominance of Microfinance clients or businesses and stakeholders in Arusha are easily identifiable. For effective coverage and lower cost, purposive sampling technique was used to select the participating population that has constituted study sample size of 138 respondents using International Fund for Agricultural Development (IFAD) general formula as follows:

$$n = t^2 \times p (1-p)/m^2$$

Where:

n = required sample size

t = confidence level at 95% (standard value of 1.96)

p = estimated percentage of the target population (10%)

m = margin of error at 5% (standard value of 0.05)

Calculassions:

$$n = 1.96^2 \times 0.1 (1-0.1) / 0.05^2$$

$$n = 3.8416 \times 0.09 / .0025$$

$$n = 0.345744 / 0.0025$$

$$n = 138$$

It should be pointed out that limited financial resources at the researcher's disposal could not permit or allow for a greater sample size.

3.2 Data Analysis

As for data analysis the data collected was processed, analyzed (using MS excel-one of the Microsoft office packages) and interpreted accordingly (and in relation to the guiding specific objectives of the study) with the aid of descriptive statistical techniques such as total score and simple percentage. Frequency tables for access to finance and welfare improvement data were then generated, considering the relationship between independent and dependent variables in the conceptual framework. The qualitative data was also collected, transcribed, and grouped. Oral consent to participate in the study was obtained from all respondents.

Data gathered through documentary and secondary sources was subjected to content analysis (analysis based on the content of materials). With no algebraic jargon, this study is purely a descriptive survey utilizing primary and secondary data to interrogate narratively the effectiveness or extent to which microfinance practices has impacted welfare of poor segment in Tanzania, using data from National Microfinance Bank (NMB) and its clientele operating in Arusha city, with employment expansion, savings and loan balances per client as proxies for improved living condition.



3.3 Research Paradigms

Paradigm in research are accepted ways of looking at reality and are methods or approaches of generating knowledge that are held by a group of intellectuals who have a wide influence on the subject matter. There are two research paradigms, namely phenomenology and positivism. There are two paradigms of doing research, these include positivistic and phenomenology. Positivistic is statistics and qualitative based research approach to arrive at the conclusion while phenomenology is qualitative based research approach in arriving at conclusion (Kothari, 2004). The study used positivism paradigm. The approach was preferred by the study as the study started reviewing about what others have done (theory), operationalizing the concepts or variables, data collection, analysis and finally theory development.

3.4 Validity and Reliability of Data

Sound measurement must meet the test of validity and reliability (Kothari, 2004). Validity refers to the extent to which a test measures what we actually wish to measure, is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure (Kothari, 2004). It is a degree to which results obtained from the analysis of the data actually represents the phenomenon under study. The questionnaires were subjected to scrutiny by other researchers for validation purposes. A researcher passed through questionnaires and made an assessment in order to measure what was intended to be measured. As for reliability, (Mugenda & Mugenda, 2003) reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials. Is the ability of instruments to ensure consistently the phenomenon it is designed to measure. The study used the test and retest procedure in which the pilot questionnaires were compared with the field questionnaire and observe if they give the same results. Also, the study ensured that external sources of variations such as boredom, fatigue and the like are minimized to a possible extent.

3.5 Ethical Considerations

The study was conducted by taking into the consideration of various ethical matters. The following research ethics were highly considered during conducting research: - respect to the team and respondents who involved in this study, secrecy and confidentiality of the information obtained but also stay focused on the study conducted.

IV. FINDINGS & DISCUSSION

4.1 Demographic characteristics of respondents

Out of 138 questionnaires, only 80 were duly filled and returned. The demographic profile below covers the basic attributes commonly used in microfinance and women-entrepreneurship studies: age, education level, marital status, years of business experience and sector of enterprise. Tables 1 to 5 display frequency and percent distributions (sample size = 80).

Table 1

Age distribution of Respondents (n = 80)

Age group (years)	Frequency	Percent (%)
18 - 24	8	10.0
25 - 34	30	37.5
35 - 44	25	31.3
45 - 54	12	15.0
55 and above	5	6.3
Total	80	100.0

From the outcome, majority of responders (68.8%) were aged between 25 and 44 years. This showed that responders were predominantly young-to-middle-aged entrepreneurs. This is a group which is normally active in microenterprise expansion and responsive to credit for working capital and investment. Predominance of 25–44 year olds with 1–6 years of experience indicates entrepreneurs who are growth-oriented but may lack advanced managerial skills. This justifies later analysis of training and business-record controls as moderators of loan benefit and performance.

**Table 2***Highest Education Level Attained (n = 80)*

Education level	Frequency	Percent (%)
No formal education	3	3.8
Primary school	20	25.0
Secondary school	37	46.3
Vocational / Certificate	10	12.5
Diploma	7	8.8
Degree and above	3	3.8
Total	80	100

According to table 2 above, almost half of the responders (46.3%) had secondary education. On the other hand, only a small number held tertiary degrees. These outcomes hint that training and simple record-keeping tools could substantially improve loan utilisation and business planning. High number of responders possessing only secondary or lower education implies that NMB's financial literacy and loan-application procedures should be accessible and that training is likely to increase productive use of credit.

Table 3*Marital Status (n = 80)*

Marital status	Frequency	Percent (%)
Single	18	22.5
Married	48	60.0
Divorced / Separated	8	10.0
Widowed	6	7.5
Total	80	100

From the findings above, majority (60%) of responders stated being married, which has implications for household financial obligations and time availability for business activities. With 60% married, household obligations are a likely channel for loan diversion or repayment pressure. These are elements that determine performance of loans.

Table 4*Years of Business Experience (n = 80)*

Years of experience	Frequency	Percent (%)
Less than 1 year	6	7.5
1 -3 years	28	35.0
4 -6 years	24	30.0
7 - 10 years	12	15.0
More than 10 years	10	12.5
Total	80	100.0

Table 4 posits that most responders (65%) had 1–6 years of business experience. This suggests many businesses were still in formative or growth stages. This highlights high demand for short-term working capital and capacity-building.

Table 5*Primary Business Sector (n = 80)*

Sector	Frequency	Percent (%)
Retail / Trade	40	50.0
Services (hairdressing, tailoring, food services, etc.)	20	25.0
Manufacturing / Production	8	10.0
Agriculture / Agro-processing	6	7.5
Other	6	7.5
Total	80	100.0



Outcomes of this research posited that half of the sample (50%) operates in retail/trade, followed by services. Sector concentration informs product design for instance, short-term, small-value revolving credit suits retail, while manufacturing may need larger/longer loans or equipment finance. The Dominance of retail/service sectors supports analyzing loan size, frequency and repayment schedules tailored to short cash-cycle enterprises.

4.2 Contribution of NMB Loans to Women Entrepreneurs' Business Growth

4.2.1 Descriptive Results

Table 6 below illustrates the respondents' thoughts concerning the impact of NMB loans on the expansion of women entrepreneurs' enterprises. The table encapsulates responses from 80 participants, outlining their levels of agreement or disagreement with claims concerning business expansion, profit margins, asset purchase, market access, and overall business performance as affected by NMB loans.

Table 6

Contribution of NMB Loans to Business Growth (n = 80)

Statement	Strongly Disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly Agree (%)	Mean	Interpretation
NMB loans enabled me to expand my business operations	5.0	6.3	11.2	47.5	30.0	3.91	Positive contribution
Access to NMB loans improved my profit margins	3.7	7.5	12.5	46.3	30.0	3.92	Positive contribution
NMB loans helped me acquire business assets (e.g., equipment, stock)	2.5	6.2	15.0	51.3	25.0	3.90	Positive contribution
NMB loans improved my access to new markets and customers	6.3	8.7	21.2	40.0	23.8	3.67	Moderate contribution
My overall business performance improved due to NMB loans	3.8	7.5	12.5	50.0	26.2	3.88	Positive contribution

The results depicted in table 6 demonstrate that NMB loans make significant contributions to women entrepreneurs' growth and sustainability in Arusha. To begin with, the majority of responders confirmed that loans facilitated business expansion (Mean = 3.91). This reinforces reviewed evidence that access to credit enables scaling up of operations and broadening of product offerings. Responders also reported improved profit margins (Mean = 3.92). This aligns with the view that loans serve as working capital, enhancing liquidity and stabilizing returns, particularly when invested in productive ventures. Research outcomes further depict that asset acquisition was supported by NMB loans (Mean = 3.90). Women were able to buy stock, equipment, and other productive assets, consistent with earlier studies which emphasize the long-term empowerment value of asset-building through credit. Similarly, findings highlighted improved access to new markets received a lower score (Mean = 3.67), it still reflected moderate gains. This suggests that credit alone is not sufficient for market expansion; complementary services such as training and networking are equally vital, as supported by Solomon (2020). Additionally, Thaher et al. (2021) observed that more benefits were actualized when credit was boosted with savings and training services. Women who took part in bundled programs attained better sustainability and growth in their respective businesses.

4.2.2 Thematic Analysis from Interviews

Interviews further confirmed the quantitative outcomes.

One woman entrepreneur explained:

"Before I received the loan, my shop was really small, but I managed to add more stock and even open another branch."

Another emphasized profitability:

"The loan gave me capital that stabilized my cash flow. I no longer struggle to pay suppliers, and my profits have increased."

A third responder highlighted asset acquisition:

"I bought a refrigerator for my restaurant using the loan. This has helped me serve more customers and increase daily sales."

From NMB staff, the transformative role of loans was highlighted:



“We have witnessed women who started with very small kiosks expand into registered businesses after accessing loans.”

“Our microfinance products are designed to empower women, not just to give them money but to help them grow sustainably.”

Both quantitative and qualitative outcomes converge to show that NMB loans positively impact women entrepreneurs by enabling business expansion, boosting profitability, and facilitating asset acquisition. The descriptive data highlighted measurable improvements, while interview narratives gave depth to these statistics by illustrating real-life transformations. These outcomes are consistent with the Solomon (2020), who underscores that microfinance loans play a central role in women’s empowerment and enterprise growth, though limitations in market expansion suggest the need for additional non-financial support services.

4.3 Utilization of NMB Loans by Women Entrepreneurs

4.3.1 Descriptive Results

Table 7 presents the descriptive findings on the utilisation of NMB loans by women entrepreneurs. The table encapsulates the replies of 80 participants, emphasising the principal applications of the loans, which encompass company investments, allocation to household expenses, debt repayment, assistance for children's education and health requirements, and the degree of autonomy in making decisions on loan utilisation.

Table 7

Utilization of NMB Loans (n = 80)

Statement	Strongly Disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly Agree (%)	Mean	Interpretation
I used the loan mainly for business investment (e.g., stock, equipment)	2.5	5.0	10.0	52.5	30.0	4.03	High utilization for business
Part of the loan was diverted to household expenses	6.2	10.0	18.8	42.5	22.5	3.65	Moderate diversion
I used the loan to repay other debts	7.5	12.5	15.0	40.0	25.0	3.63	Moderate diversion
The loan enabled me to pay for children’s education and health needs	5.0	11.2	17.5	45.0	21.3	3.67	Moderate contribution
Loan utilization decisions were made independently by me	3.8	6.2	15.0	50.0	25.0	3.86	Empowering

The results depicted in the table allude that most responders used their loans for business investment (Mean = 4.03). This demonstrates responsible borrowing and supports the literature that highlights microfinance as a tool for productive economic activity rather than mere consumption. However, a significant portion admitted that part of the loan was diverted to household expenses (Mean = 3.65). This reflects dual financial pressures on women, who often juggle entrepreneurial and domestic responsibilities. Reviewed studies by Mng’ang’a et al. (2020) and Mwalasha (2020) have similarly noted that diversion of loans, while sometimes reducing immediate business growth, plays a crucial role in sustaining family welfare. Additionally, some respondents revealed using loans for repaying other debts (Mean = 3.63). This suggests overlapping credit burdens and highlights the risk of debt cycling, an issue flagged in literature as a challenge in microfinance sustainability. Finally, the finding that many women made independent decisions on loan utilisation (Mean = 3.86) indicates empowerment and growing financial autonomy. This aligns with Mulenga and Muuka (2024) who asserted that microfinance enhances women’s decision-making power, even when loan usage spans both business and household needs.

4.3.2 Thematic Analysis from Interviews

Several women shared experiences on how they used their loans:

“I used most of the money to expand my tailoring business, but some went to paying school fees for my children.”

“The loan really helped me stock up, but at the same time, I had to use part of it to settle hospital bills.”

A few admitted challenges:

“I had other debts, so I was forced to use part of the loan to repay them, which slowed my business growth.”

Bank staff acknowledged these realities:



“We encourage clients to use loans strictly for business, but in practice, many women balance between household and enterprise needs.”

“Our monitoring shows that while diversion occurs, most loans still improve livelihoods and businesses.”

Both descriptive and qualitative outcomes demonstrate that while the primary utilization of NMB loans is for business investment, diversion to household needs and debt repayment remains common. This dual use reflects the multiple roles women entrepreneurs play as business owners and family providers. These findings support Vossenber (2023) who acknowledges that microfinance loans as both economic and social tools, empowering women to balance business sustainability with household welfare.

4.4 Factors Affecting Loan Performance in Women Enterprises and NMB

4.4.1 Descriptive Results

Table 8 presents the descriptive findings concerning the principal parameters influencing loan performance among women entrepreneurs who have obtained NMB loans. The table encapsulates the perspectives of 80 respondents about interest rates, business performance, financial management competencies, household obligations, and the support and oversight offered by NMB.

Table 8

Factors Affecting Loan Performance (n = 80)

Statement	Strongly Disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly Agree (%)	Mean	interpretation
High interest rates affect my ability to repay the loan on time	2.5	5.0	10.0	48.7	33.8	4.06	Major challenge
Business performance influences my repayment capacity	1.2	3.8	11.2	51.2	32.6	4.10	Strong influence
Lack of financial management skills affects my loan use and repayment	5.0	7.5	13.8	47.5	26.2	3.83	Significant factor
Household responsibilities sometimes interfere with loan repayment	3.8	6.2	15.0	48.8	26.2	3.88	Notable challenge
Support and monitoring from NMB enhances loan performance	2.5	5.0	12.5	50.0	30.0	4.00	Positive influence

The outcomes presented in Table 8 indicate that high interest rates are a major factor affecting loan repayment (Mean = 4.06). This aligns with Awojobi (2019) who emphasizes that costly borrowing terms reduce repayment discipline and increase the risk of default. Similarly, business performance strongly influences repayment capacity (Mean = 4.10). Women whose businesses thrive repay on time, while those experiencing market downturns struggle. Literature underscores this direct relationship between enterprise profitability and loan performance. The study also found that limited financial management skills hindered effective loan utilization and repayment (Mean = 3.83). This reflects reviewed evidence that lack of bookkeeping, budgeting, and record-keeping often undermines women entrepreneurs' ability to maximize loans. Finally, household responsibilities (Mean = 3.88) emerged as a barrier, with many women balancing caregiving roles alongside entrepreneurial duties. On the positive side, NMB's monitoring and support (Mean = 4.00) enhanced repayment discipline, showing the importance of institutional guidance in sustaining loan performance. This outcomes are reinforced by Bandiera et al. (2018) who argued that loan performance was strongly influenced by complementary elements. These included skills in financial literacy, mentorship as well as group-based lending mechanisms. Women business owners who got finance and non-financial support exhibited higher repayment rates and more sustained business growth.

4.4.2 Thematic Analysis from Interviews

Women entrepreneurs expressed mixed experiences:

“When my business slowed down, I really struggled to pay back the loan because the interest was too high.”

“Sometimes, I use business money to take care of family issues, and this delays my repayment schedule.”

Some also acknowledged their own challenges:

“I didn't have proper records, so I mismanaged part of the loan.”



From NMB employees, institutional factors were emphasized:

“Loan repayment is often tied to the performance of the women’s businesses. When markets are good, repayment improves significantly.”

“We provide financial literacy training and regular follow-up, and this helps many women manage their loans better.”

Outcomes of this research allude that performance of loans is influenced by a host of structural, personal and institutional elements. In this regard, high rates of interest coupled with unstable business performance remain critical barriers. Also, poor financial management skills alongside competing household responsibilities further complicate repayment. However, institutional support from NMB bolsters performance by establishing discipline of borrowers. These results concur with Mulenga and Muuka (2024), who observed that borrower capacity and institutional practices determine loan outcomes in women’s enterprises.

4.5 Hypothesis Testing

This study sought to test the undermentioned hypotheses:

H₀: NMB loan has been beneficial to women entrepreneurs.

H₁: NMB loan has not been beneficial to women entrepreneurs.

Table 9

Hypothesis Testing Results (n = 80)

Hypotheses	Test Statistic used	P- value	Decision Rule ($\alpha = 0.05$)	Result	Interpretation
H ₀ : NMB loan has been beneficial to women entrepreneurs	One-sample t-test on mean responses ($\mu > 3.0$ benchmark)	0.001	Reject H ₁ if $p < 0.05$	H ₀ accepted	Loans have significantly benefited women entrepreneurs

The one-sample t-test was performed using the mean composite score from key benefit indicators (business expansion, profitability, asset acquisition, market access, and overall performance). The average mean score was 3.87, which is significantly above the neutral value of 3.0, with a p-value of 0.001 (< 0.05).

Thus, the null hypothesis (H₀) is accepted, postulating that NMB loans have been beneficial to women entrepreneurs in Arusha City. The alternative hypothesis (H₁) is rejected.

The above statistical result concurs with descriptive outcomes and qualitative evidence. Women entrepreneurs confessed positive and favorable transformations in their businesses. These also encompassed expansion and improved profitability. To this end, NMB staff alluded that their loan products were meant to encourage sustainable women-led enterprises.

V. CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

This research set out to look at the contribution of NMB loans to women entrepreneurs in Arusha City, Tanzania. It focused on the benefits of the loans, their utilization and factors influencing loan performance. Study outcomes posit that NMB loans have contributed substantially to women’s business growth. This is through facilitating expansion, increasing profitability and encouraging acquisition of assets. Although access to new markets was only moderately enhanced, the overall evidence demonstrated that NMB loans positively impacted both the economic empowerment of women and the sustainability of their enterprises.

This study also deduced that utilization of loans extended beyond business investment. Loans were used for household and social needs e.g. education, healthcare and settling debts. Key variables e.g high interest rates, scant knowledge in financial management and competing household duties emerged as notable challenges to loan performance. Institutional support and monitoring from NMB were noted to be key in encouraging discipline during repayment. On the whole, these outcomes highlight that microfinance loans remain a crucial tool for empowering women. However, their impact is shaped by personal circumstances and institutional structures.



5.2 Recommendations

Hinged on the study outcomes, it is recommended that NMB and other microfinance institutions ought to continue to advocate access to credit for women entrepreneurs while at the same time complementing this support with capacity-building programs in financial management, record-keeping, and market linkage strategies. Tailored and customized training programs can assist women optimize utilization of loans for growing businesses. This will curb diversion of loans into non-productive uses.

In the same vein, this study suggests a review of loan terms, more so interest rates. This is endeared to make repayment more manageable in addition to shielding borrowers from over-indebtedness. Similarly, NMB ought to improve its monitoring and mentorship programs. This is geared to ascertain that women entrepreneurs receive continuous guidance in directing their businesses. At the same time, collaborative initiatives between financial institutions, government bodies and development partners are paramount. This will avail holistic support that extends credit access to include training, infrastructure, and market access. These measures will maximize the long-term impact of microfinance on women's empowerment.

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