Do small businesses benefit from microfinance loans in the era of free market capitalism? A critical analysis of PRIDE, Tanzania

Musa Magufuli[⁎], Anicet Rwezaula[‡] & Mwoya Byaro[§]

Abstract

This study examines the perceptions of small business operators on microfinance loans received from PRIDE (Promotion of Rural Initiative and Development Enterprises)-Tanzania in Kinondoni Municipality in relation to poverty reduction. The study involved 96 small business owners who worked in hair-dressing and cutting salons, food vendors, and tailor shops in Kinondoni Municipality. We used a cross-sectional design for data collection, which included structured questionnaires, interviews, and focus group discussions. Additionally, we analyzed quantitative data using descriptive statistics. The findings show that about 74% of small businesses had initial capital of less than 500,000 Tanzanian shillings or US$190 to start a business, while PRIDE prefers group loans. Small business borrowers expressed dissatisfaction with the loans offered by PRIDE. The focus group discussions suggest that the provision of loans has not contributed to an improved standard of living but rather trapped people in poverty as they sell their assets to repay the loans. Factors that lead small businesses to fail to repay the loans include high PRIDE operating costs, higher risk associated with lending to poor businesses, and lack of collateral or credit repayment histories among borrowers. These findings imply that PRIDE-Tanzania aligns with the neoliberal agenda, relying on market mechanisms to provide financial services to small businesses in Kinondoni that cannot translate into an improved standard of living, but rather into poverty. The policy implication is for policymakers to develop revised policies that regulate the operations of other microcredit institutions to protect the interests of small business owners.

Keywords: Microcredit; Poverty Reduction; Small Businesses; PRIDE; Tanzania

JEL Classification Codes: G21, I32, P12

[⁎] President's Office Public Service Management and Good Governances, P. O. Box 670, Dodoma, Tanzania. Corresponding author Email: musa.joseph@utumishi.go.tz

[‡] Institute of Rural Development Planning, P. O. Box 138, Dodoma, Tanzania, Email: arwezaula@irdp.ac.tz

[§] Institute of Rural Development Planning, P. O. Box 11957, Mwanza, Tanzania, Email: mbyaro@irdp.ac.tz

1. Introduction

Microcredit, or small-scale loans granted to low-income individuals and groups, has become a significant tool for poverty alleviation and economic empowerment around the world. This approach to development financing is based on the belief that even the poorest of the poor, when given access to financial resources, can generate income and improve their living conditions. Over the years, a significant body of research has emerged to examine the impacts, mechanisms, and potential innovations associated with microcredit.

The establishment of MFIs (Microfinance Institutions) can be traced back to various historical and social developments (Yunus, 2007). For instance, Grameen Bank, established in Bangladesh in 1983, aimed to provide small loans, known as microcredit, to impoverished individuals, particularly women, to help them start or expand small businesses (Sharma & Kumar, 2019). The success of the Grameen Bank model inspired the growth of microfinance institutions worldwide. Microfinance originates from the concept of self-help groups, where community-based organizations formed members to pool their savings and provide loans to each other. This model originated in India in the 1970s and gained popularity as a way to empower women and promote financial inclusion (Sharma & Kumar, 2019). Therefore, self-help groups have been instrumental in the formation of microfinance institutions globally.

On the other hand, in recent decades, microcredit has gained significant support to address global poverty, inequality, and uneven development in the era of neoliberal globalization. This approach relies on debt-based solutions, particularly small interest-bearing loans, to finance small-scale business entrepreneurship (Gott, 2023). The promise of microcredit is part of a development strategy that aligns with the larger movement toward financial capitalism, the creation of private debt through privatization, and the dissolution of the social state. Additionally, stories of inclusion, participation, and gender empowerment are used to justify microcredit (Tanima et al., 2023).

The study by Mukono (2012) suggests that Tanzania, in the early 1990s, initiated various efforts, led by the government, NGOs, CBOs, and private organizations, to raise awareness among individuals obtaining credit for their business endeavors to alleviate poverty levels within communities. To address this situation, the government introduced policies and programs such as the National Youth Development Policy of 1996, the Small and Medium Enterprise Development Policy of 2003 the National Social Security Policy (NSSP) of 2003, the National Poverty Eradication Strategies (NPES) of 1998, and the National Strategy for Growth and Reduction of Poverty (NSGRP) of 2002. These policies aim to establish a conducive environment that enhances loan accessibility safeguards the rights of entrepreneurs to access loans and establishes viable plans that ensure marginalized individuals living in poverty can access essential resources such as working tools, capital, and markets for their products.

In Tanzania, micro and small-scale enterprises have been recognized as significant contributors to employment and income (Ayalu, et al., 2023; Kazungu, 2023;Mashenene & Kumburu, 2023; Endris & Kassegn, 2022). According to the Tanzania National Informal Sector Survey conducted in 2019, micro-enterprises alone employed approximately 24% of the total labor force, with an estimated 2.7 million enterprises, of which 98% are micro and small-scale enterprises (Kasoga &

Tegambwage, 2021). In Tanzania, the SMEs contribute to more than 30% of GDP and is more than 50% of job creation in the private sector (URT, 2019).

PRIDE (Promotion of Rural Initiative and Development Enterprises) is a microfinance organization in Tanzania that was established in 1994 to eradicate poverty and promote economic development by providing financial services to marginalized individuals and small businesses in both urban and rural areas. Since it is not known how small business owners perceive the microcredit financial institutions, this study aims to analyze the perceptions of small business owners towards loans they receive from microfinance institutions in Tanzania, focusing on PRIDE, for several reasons. First, the study assesses the experiences, perceptions and satisfaction levels of people who receive micro-credit. Second, it examines the strategies borrowers use to cope with the pressure to repay their loans to microcredit institutions. Policymakers can use the findings of this study to evaluate the effectiveness of current microcredit initiatives, evaluate their impacts, and formulate effective programs that can effectively alleviate poverty and promote entrepreneurial endeavors. By understanding the strengths and weaknesses of various microcredit models, policymakers can make well-informed choices when it comes to formulating and executing effective programs.

Our contribution to the literature is threefold: First, we provide an analysis of the perception of microfinance among small business entrepreneurs, focusing on the activities of PRIDE-Tanzania's to provide a clear picture of other similar microfinance operations in the country. We explore the socio-demographic characteristics of loan recipients, the nature and types of loans accessed, and the perceptions of borrowers towards these loans. Second, our study's novelty relies on its use of different data collection methods, including structured questionnaires, interviews, focus group discussions, and documentary reviews. This multi-method approach enriches the study's findings and insights, providing a well-rounded understanding of the topic at hand. Then, the study contributes to our understanding of the role of microcredit in poverty reduction in developing countries. Third, it seeks to identify potential avenues for future research and thus contribute to the ongoing academic discussion on microcredit. The rationale for this study is grounded in the increasing importance of microcredit as a tool for poverty reduction and economic development, especially in developing countries such as Tanzania.

The paper is organized as follows. Section two presents a literature review, whereas, section three presents the methodology. Results and discussion are shown in section four, while the last section concludes the study.

2. Literature Review

2.1 Theoretical framework on microfinance and poverty reduction

2.1.1 The Theory of Empowerment

The concept of empowerment theory aims to support marginalized individuals, groups, and communities in attaining economic independence to enhance their quality of life. This theory confronts barriers within systems that hinder individuals from meeting their fundamental needs (Zimmerman, 2000;Koppenhafer et al., 2023). Microfinance institutions offer individuals the opportunity to access and manage resources, enabling them to establish a secure and enduring means of livelihood. Additionally, these services provide tangible advantages in terms of material gains derived from this access and control (Abebe & Kegne, 2023; Meressa, 2020).

The empowerment theory is related to the study since the nature of operation of PRIDE was in group lending model. In this study, we utilized the theory of empowerment to analyze the social processes that contribute to micro-credit schemes aimed at assisting the marginalized poor. We also examined the individuals' experiences, perceptions, and satisfaction with micro-credit scheme loans, as well as the strategies employed by borrowers to manage the pressure of loan repayment to micro-credit institutions.

2.1.3 Village Bank Model

The village bank model was first introduced in Bolivia by John Hatch in the 1980s (Perez et al., 2011). This model provides loans to groups of 30 to 60 members, mostly women. The village bank itself takes out a loan from an executive agency, which is then distributed among individual members. The initial loan amount of $50 is repaid weekly over four months, with equal portions allocated to both the principal and interest. Loan repayments are collected during regular meetings, and by the end of the 16th week, the principal amount along with the accrued interest is returned to the lending agency. It is worth noting that the village bank model differs from the Grameen banking model in terms of its objectives. Similar to this study, the village bank model aims to empower rural women in groups by providing them with small loans to improve their living standards through entrepreneurial activities. In contrast, the Grameen Bank primarily focuses on assisting economically active individuals with low incomes who often face difficulties in accessing loans from traditional banking institutions (Perez et al., 2011).

2.2 Empirical review

The literature review aims to analyze the utilization of microfinance in the context of the neoliberal agenda. Turner (2023) argues that capitalist entrepreneurs create wealth an bring about a new culture, legal framework, and experts in political economy and industrial technology. On the other hand,Bateman (2023) criticizes microfinance and its negative impact on poverty eradication. He suggests that microfinance only helps impoverished individuals manage their uncertain income, and the highinterest rates resemble the compensation system of Wall Street. However, Bateman (2023) proposes using conditional cash transfers as an alternative to microfinance for people living in poverty or belonging to at-risk groups, enabling them to address their immediate financial needs instead of relying on inefficient microfinance institutions.

Tanima et al. (2023) conducted a study that focused on the concept of critical dialogic accountability in the context of microfinance and women's empowerment. The study involved various stakeholders such as microfinance representatives, women borrowers, their husbands, program volunteers, and gender change activists. The aim was to explore the challenges and possibilities associated with microfinance and women's empowerment programs. The study demonstrates how critical dialogic action can support marginalized communities in their efforts to hold those in positions of power accountable and promote more empowering approaches to development by employing challenging arguments and developing different perspectives based on the actual experiences of impoverished women with neoliberal microfinance programs.

Alemu and Ganewo (2023) conducted a study to evaluate the influence of formal microcredit on borrowers' income in rural Ethiopia. The results indicate that microcredit had a significant and favorable effect on the borrowers' income. Similarly, Phan et al. (2023) investigated the impact of microcredit on poverty vulnerability in rural Vietnam and found that access to microcredit greatly reduces poverty vulnerability in rural Vietnam. Basumatary et al. (2023) examined the effects of microcredit on the allocation of time for both men and women, with a particular focus on understanding the connection between microcredit and women's empowerment. The study findings reveal limited evidence supporting a direct correlation between microcredit and women's empowerment. Despite being involved in credit groups, women still predominantly dedicated their time to wage and non-market activities, indicating that microcredit alone does not significantly change the reality.

Tshishonga (2023) argues that despite the expansion of microfinance, it has failed to effectively contribute to the empowerment and development of women. As a result, women have often found themselves burdened with excessive debt or falling victim to exploitative lenders. The study highlights that microfinance, despite its aim to promote financial inclusivity, remains trapped within the framework of neoliberal development policies, where loans are increasingly commercialized for profit generation by commercial banks.

On the other hand, microfinance institutions fail to prioritize evaluating training programs, compensation structures, and borrower-friendly policies for microcredit recipients (Sah et al., 2023). There are several obstacles to the expansion of informal lending, such as insufficient funds, delayed repayments, absenteeism, lack of financial knowledge, dropouts, preconceived notions within groups, and business failures (Shau, 2022). However, implementing recovery strategies, such as consistent customer reminders and extending the recovery period, can improve the financial performance of microfinance institutions (Teneng & Kehdinga, 2024). Given the literature background, no analysis of microfinance perception among small business owners in Tanzania was found in the reviewed literature. This study therefore highlights how small entrepreneurs perceive microfinance loans from PRIDE.

3. Methodology

3.1 The study area and sample size

The study was carried out in Kinondoni Municipality in 2016, which has a significant number of borrowers compared to other municipalities in the country. PRIDE-Tanzania in Kinondoni Municipality was selected for the study due to its extensive over 30-year operation. According to PRIDE-Tanzania report,the majority of small business operators were found in Kinondoni municipality. This study aligns with the 2012 Tanzania National Census, which indicates that Kinondoni Municipality has surpassed other municipalities in terms of population size.

A total of 96 small business operators in the hair-dressing and cutting salon, food vending, and tailor-made businesses were included in the sample. All of these individuals were borrowers of micro-credit from PRIDE microfinance in Kinondoni. In the first place, respondents were grouped into strata, that is small business operators in the hair-dressing and cutting salon, food vending, and tailor-made businesses as established by PRIDE-Tanzania. From each stratum, systematicsampling was employed to select respondents from a list of small business operators as provided by PRIDE - Tanzania. The selected respondents participated in the study by filling in the structured questionnaires. Additionally, key informants for the study consisted of four loan officers from PRIDE—Tanzania. The data collection process encompassed the use of structured questionnaires, in-depth interviews, and documentary reviews. Also, Focus Group Discussions (FGDs) were conducted to reflect the diverse range of emotions experienced by respondents toward microfinance loans. The FGDs conducted based on the categories of the small business operators namely hair-dressing and cutting salon, food vending, and tailor-made businesses. In other words, the study involved both quantitative and qualitative approaches. The study analyzed quantitative data by descriptive statistics and content analysis for qualitative data obtained through FGDs. To ensure validity of data collection tool, the study conducted pretesting of the questionnaire.

4. Results and discussion

Table 1 presents the socio-demographic characteristics of the study respondents. The age of the respondents ranged from 19 to 61 years. The majority of them had primary education, were married, and had an initial capital of less than TZS 500,000/= to start their businesses. The loan received from PRIDE-Tanzania was ranging from TZS 50,000 to TZS 1,500,000/=. About 36% received loan ranging from TZS 500,000 to less than TZS 1,000,000 while about 12% receved loan ranging between TZS 1,000,000 to TZS 1,500,000.

Table 1: Social Background Characteristics of Respondents

Characteristics		**No. of respondents**	**Percentage**
Gender	Male	48	50.0
	Female	48	50.0
		Total (n) = 96	
Age group (Years)	Below 35	51	53.1
	35 years and above	45	46.9
		Total (n) = 96	
Level of education	Primary education or less	73	76.0
	Secondary education or above	23	24.0
		Total (n) = 96	
Marital status	Married	62	64.6
	Single	34	33.4
		Total (n) = 96	
Primary business	Hair Salon	32	33.3
	Food vending	34	35.4
	Tailoring	30	31.2
		Total (n) = 96	
Initial Capital to start business	500,000/= or < less	71	74.0
	500,000 /= and > above	25	26.0
		Total (n) = 96	
Amount of loan received from PRIDE (TZS)	50,000 < 100,000	24	25.0
	100,000 < 500,000	27	28.1
	500,000 < 1,000,000	34	35.4
	1,000,000 to 1,500,000	11	11.5
		Total (n) = 96	

Note: 500,000/= is equal to US $190

Table 2 displays the type of loans requested according to the participants' social background characteristics. Table 2 indicates that a majority of male respondents (83.3%) had accessed short-term loans while a small minority (16.7%) had long-term loan access. According to PRIDE Tanzania, long-term loans were those considered to be repaid for one year, while the repayment of less than a year was considered to be a short-term loan. Respondents with primary education or less had both long and short-term loans compared to those with secondary education. In general, the participants had accessed short-term loans more frequently than long-term loans. Considering the age group, respondents aged less than 36 years, the majority (82.4%) in that category accessed short term loan. The reason for providing them with short term provided by PRIDE-Tanzania was due to the fact that, majority in this group of small business operators have no collateral in case they fail to repay the loan. It implies that, little trust is vested to this group hence receive short term loan.

Table 2: Nature of loan solicited across social background characteristics

Characteristics		N	Nature of loan	
			Long term	**Short term**
Gender	Male	48	8(16.7%)	40(83.3%)
	Female	48	10(20.8%)	38(79.2%)
Age group (Years)	Below 35	51	9(17.6%)	42(82.4%)
	35 years and above	45	9(20.0%)	36(80.0%)
Level of education	Primary education or less	73	15(20.5%)	58(79.5%)
	Secondary education or above	23	3(13.0%)	20(87.0%)
Marital status	Married	62	14(22.6%)	48(77.4%)
	Single	34	3(8.8%)	31(91.2%)
Initial Capital to start business	500,000/= or < less	71	11(15.5%)	60(84.5%)
	500,000/= and >above	25	6(24.0%)	19(76.0%)
Amount of loan received from PRIDE (TZS)	50,000 < 100,000	24	0	24(100.0%)
	100,000 < 500,000	27	0	27(100.0%)
	500,000 < 1,000,000	34	11(32.3%)	23(67.7%)
	1,000,000 to 1,500,000	11	3(27.3%)	8(72.7%)

Table 3 displays the types of loans accessed across social characteristics. As Table 3 indicates, most of the respondents prefer group lending loans over individual loans. Only 12.5 percent (n= 12) received loan individually, while the rest 87.5 percent (n=84) reported to receive loan from PRIDE- Tanzania in groups. Microfinance Institutions (MFIs) generally prefer to provide loans to groups rather than individuals because group lending has been proven to be more effective in achieving the objectives of microfinance, such as poverty alleviation and financial inclusion. Group lending relies on the concept of social collateral, where borrowers within a group act as guarantors for each other's loans, reducing the need for traditional collateral, such as property or assets, which may be scarce among low-income individuals. In a group lending model, borrowers are jointly responsible for repaying the loans taken by their fellow group members.

Table 3: Type of loans accessed across social background characteristics

Characteristics		N	Type of loan accessed	
			Individual lending	**Group lending**
Gender	Male	48	12(25.0%)	36(75.0%)
	Female	48	8(16.7%)	40(83.3%)
Age group (Years)	Below 35	51	14(27.5%)	37(72.5%)
	35 years and above	45	7(15.6%)	38(84.4%)
Level of education	Primary education or less	73	10(13.7%)	63(86.3%)
	Secondary education or above	23	8(34.8%)	15(65.2%)
Marital status	Married	62	15(24.2%)	47(75.8%)
	Single	34	3(8.8%)	31(91.2%)
Initial Capital to start business	500,000 /= or < less	71	8(11.3%)	63(88.7%)
	500,000/= and > above	25	9(36.0%)	16(64.0%)
Amount of loan received from PRIDE (TZS)	50,000 < 100,000	24	0	24(100%)
	100,000 < 500,000	27	6(22.2%)	21(77.8%)
	500,000 < 1,000,000	34	4(11.8%)	30(88.2%)
	1,000,000 to 1,500,000	11	2(18.2%)	9(81.8%)

Note: 500,000/= is equal to US $190

Table 4 presents the level of satisfaction with loans across borrowers with various social characteristics. Overall, the results (Table 4) indicate that more than 50% of respondents characteristics expressed dissatisfaction with their loans, as opposed to those who reported being happy with their loan experiences. When respondents were asked about their reason for dissatisfaction, 65% mentioned high interest rates charged by MFIs to be the reasons for borrowers not being satisfied with their loans. These rates are often considerably higher than those offered by conventional banks, making it difficult for borrowers to repay their loans and exacerbating their financial difficulties. Additionally, 35% of respondents were dissatisfied due to a lack of transparency in the loan process. This lack of transparency can lead to misunderstandings and dissatisfaction among borrowers.

Table 4: Loan satisfaction across borrowers' social background characteristics

Characteristics		N	Loans satisfaction across borrowers	
			Satisfied	**Not Satisfied**
Gender	Male	48	21(45.8%)	27(54.2%)
	Female	48	20(41.7%)	28(58.3%)
Age group (Years)	Below 35	51	21(41.2%)	30(58.8%)
	35 years and above	45	20(44.4%)	25(55.6%)
Level of education	Primary education or less	73	30(41.1%)	43(58.9%)
	Secondary education or above	23	11(47.8%)	12(52.2%)
Marital status	Married	62	28(45.2%)	34(54.8%)
	Single	34	12(35.3%)	22(64.7%)

Table 5 reveals that the entrepreneurs' views on loans are more exploitative than helpful. Despite being considered a tool for poverty reduction and economic empowerment; microfinance loans have been criticized for their exploitative nature. This can be attributed to several factors, including the highinterest rates that often accompany microfinance loans. Due to the high administrative costs of serving low-income borrowers, microfinance institutions (MFIs) charge higher interest rates than traditional banks, which can range from 20% to 50% or even higher (Turner, 2023). This makes it difficult for borrowers to repay their loans and break free from the cycle of debt.Furthermore, hidden charges are commonly associated with microfinance loans. MFIs may charge late payment fees, processing fees, insurance premiums, and other incidental costs. These fees considerably increase the overall cost of borrowing and further burden the borrower.

Table 5: Entrepreneurs' perception on loans

			Perception	
Characteristics		**N**	**Helpful**	**Exploitative**
Gender	Male	48	13(27.1%)	35(72.9%)
	Female	48	11(22.9%)	37(77.1%)
Age group (Years)	Below 35	51	12(23.5%)	39(76.5%)
	35 years and above	45	12(26.7%)	33(73.3%)

4.1 Result from Focus Group Discussion (FGD)

The results obtained from the Focus Group Discussion were summarized to reflect the diverse range of emotions experienced by respondents toward microfinance loans.For instance, regarding the total amount borrowed from PRIDE, one respondent expressed that: "*When we take out loans, it becomes apparent upon closer examination that a significant portion of our funds is allocated towards covering operational expenses.* For instance, I allocate a sum of 50,000*/= Tanzanian shillings each month for business frame rent, and nearly Tanzanian shillings 40,000/= for transportation expenses. However, it is crucial to acknowledge that regardless of the circumstances, one must ultimately repay both the rent and the loans" (*Female Borrower).

Based on the nature and types of loans, one male respondent from a food vendor made a statement about the different types of loans available. He said,"*The nature of loans is based on the different types of loans available. Loan facilities typically have two established groups. The first group consists of individuals with lower incomes who obtain short-term loans, while the second group comprises higher-income earners who secure long-term loans"* (Male food vendor).Similarly, another female respondent explained, "*If an individual has obtained a loan, such as 50,000/= or 100,000/= Tanzanian shillings, they would fall into the category of short-term loanssince were required to repay in less than a year. However, if the loan amount exceeds one million, the individual would probably be categorized as having a long-term loan"*(Female food vendor).

According to one respondent, "*acquiring a loan as a micro or small-scale entrepreneur necessitates being a member of a group comprising a minimum of five individuals*" (Male owner of hair-cutting barber). This requirement was confirmed by the respondent's personal experience when they approached PRIDE for a loan three weeks ago. The loan officer for PRIDE emphasized the importance of group membership in facilitating the loan application process.

According to the types of loans provided, the majority of participants indicated that loans were not helpful to them but rather took advantage of borrowers. Additionally, it was uncovered that the interest rate imposed was significantly elevated at 28%. The weekly repayment procedure was explained as excessively burdensome and inflicted psychological distress akin to torture.One female borrower respondent stated, "*Shortly after receiving the loan, the borrower is expected to commence the repayment process the subsequent* week." similarly, a respondent highlighted that the weekly repayment schedule fails to consider circumstances such as illness, caregiving responsibilities, or a decline in business performance.

Although microfinance presents prospects for economic empowerment and the reduction of poverty, borrowers may encounter difficulties in repaying their loans as a result of factors such as restricted income, unforeseen expenses, or economic downturns. The study has shown that loan term**s** and conditions, such as high interest rates and inflexible repayment schedules, exacerbate borrowers' difficulties, leading them to adoptcoping strategies, such as selling assets to repay loans, as reported by 26% of respondents. However, such a strategy can have negative long-term consequences on their livelihoods and well-being. This observation is not new to be reported among the poor, the study by Mwami (2002), and Mukono (2012) both points out that poor people opt to sell out their assets to continue to survive.

One participant expressed their concerns regarding the challenges associated with selling their assets. She said, *"The loan we(41%) have taken from PRIDE has placed us in a difficult position, as there are instances where we experience a lack of customers and sales.When faced with no other viable options, the immediate recourse is to sell our assets to prevent further humiliation.* We have already sold numerous assets, such as furniture, clothing, and valuable ornaments, in an attempt to avoid being trapped in a state of disgrace" (Female borrower).

Overall, the operation of microfinance has indeed been influenced by the neoliberal era, which is characterized by the belief in free markets, limited government intervention, and individual responsibility. Therefore, PRIDE-Tanzania aligns with this neoliberal agenda as it relies on market mechanisms to provide financial services to small businesses in Kinondoni. However, the study suggests that the interest rates charged on loan and inflexible repayment schedules imposed by microfinance institutions such as PRIDE-Tanzania exacerbate borrowers' difficulties hence trapping them in a state of poverty. Instead of translating into an improved standard of living, microfinance loans can lead to asset sales, humiliation, and long-term negative consequences on borrowers' livelihoods and well-being.

5. Conclusion

The study employed a cross-sectional design for data collection, utilizing structured questionnaires, interviews, and focus group discussions. Descriptive statistics were used to analyze the quantitative data. The results show that the majority (74%) of small businesses started with less than 500,000 Tanzanian shillings or US$190 as initial capital. Overall, small business borrowers express dissatisfaction with the loans offered by PRIDE, perceiving them as exploitative rather than beneficial. Focus group discussions show that the loans have not improved their standard of living, but rather pushed them into poverty as they sell their assets to repay the loans. The high operating costs of PRIDE, the higher risk associated with lending to poor businesses, and the lack of collateral or credit repayment histories among borrowers are factors that contribute to loan default. The findings suggest that PRIDE-Tanzania aligns with the neoliberal agenda, which promotes market mechanisms to provide financial services to small businesses, but does not translate into an improved standard of living for borrowers. Policymakers should develop revised policies to regulate the operations of microcredit institutions since the current policy (Small and Medium Enterprise Development Policy of 2003) does not provide indicative measures in case microcredit institutions charge high interest rates on loans, thereby protecting the interests of small business owners. Microfinance operates within the assumption of integrating poor people within the logic of Western capitalist exploitative nature.

The study recommends further research using logistic regression analysis to identify other determinant factors for accessing loans through other microfinance institutions.The study's limitations include human bias,as all data was collected from a single source of small business entrepreneurs. Another limitation includes a very small size of 96 respondents.

There is a need for more research on the role of microfinance in empowering poor and small business entrepreneurs, especially in developing countries. This will help to understand the specific circumstances under which microfinance may not benefit small business entrepreneurs and to develop strategies to address these challenges. Overall, continued investigation of the impact of microfinance and poverty alleviation will be crucial for developing effective solutions to global poverty challenges.

Conflict of interest statement

The authors declare no conflict of interest with PRIDE-Tanzania or any other organization related to the findings presented in this study. The results are solely based on the authors' interpretation.

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