EFFECT OF SAVINGS AND CREDIT CO-OPERATIVE SOCIETIES LENDING POLICIES AND RISK-TAKING PROPENSITY ON MICRO AND SMALL ENTERPRISES PERFORMANCE IN TANZANIA

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ABSTRACT

This study investigated the Savings and Credit Co-operative Societies (SACCOS) lending policies, risk-taking propensity and the performance of Micro and Small Enterprises (MSEs), which are SACCOS loan beneficiaries in Tanzania. Questionnaires with closed-ended questions were used in a survey of 547 respondents to capture the required information. The study employed the quantitative research approach, using Analysis of Moments Structures to test the existing relationships among the variables. Findings from the study established the existence of a moderating effect of risk-taking propensity between SACCOS lending policies and MSEs' performance. On the basis of the study findings, it is recommended that risk-taking behaviour be inculcated in society through parenting and educational programmes in a bid to have successful entrepreneurs capable of spearheading growth in SACCOS and businesses. Moreover, thorough knowledge of risk-taking propensity is an important aspect among managers of SACCOS before they advance loans to MSEs. Furthermore, there is a need to conduct research to explore the moderating effect phenomenon found in the current study whereas in the majority of the prior studies the relationship had a strong independent effect.

Key words: Risk taking propensity, Micro and Small Enterprise Performance, SACCOS Loan Beneficiaries, SACCOS lending policies

INTRODUCTION AND RESEARCH OBJECTIVE

The performance of Micro and Small Enterprises (MSEs) can be explained by the actions of entrepreneurs or by the opportunities available in a given business context (Alvarez and Barney, 2007). The discovery theory explains the opportunities that arise

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from the environment; in the context of this study, this is specific to the lending policies of SACCOS, which are independent of individual characteristics of SACCOS loan beneficiaries (Kirzner, 1973). The personal attributes of enterprise owners in utilising opportunities, on the other hand, is articulated by the creation theory which assumes that opportunities do not exist until business owners engage in an iterative process of actions and reaction to create them (Venkataramann, 2003, Aldrich and Ruef, 2006; Gartner, 1985; Weick, 1979). The discovery theory has been utilised by Annim (2009) to analysethe sensitivity of loan size to lending rates in Ghana's Microfinance sector;byMohammad and Nasrul (2010) to analyse the impact of enforcement monitoring activities, exorbitant rate of interest, repayment of out of loan capital and low loan size; to assess the clients' sensitivity on extensive margin of interest rate charges; by Karlan and Zinman (2008) to establish the loan size sensitivity to charged interest; by Morduch (1999) to examine the relationship between repayment period and loan size; by Dokki (2008) and to determine the relationship among interest rates, loan amount and grace period in Egypt; and by Namrata, Navraj and Roshan (2005) who also assessed the relationship between amounts of last loan and the amount of profit generated from its use in Nepal.

Studies related to the creation theory, which considers the impact of personal characteristics of MSEs, were conducted byMcClelland (1961), Brockhaus (1982), and Bird (1989), who found a positive influence link between (psychological attribute) moderate risk-taking propensity and entrepreneurial performance.Shafie and Fakhrul (2011) and Tang and Tang (2007) studied the relationship between risk-taking propensity and business performance. Nchimbi's (2003) research in Tanzania dwelled on gender-based characteristics among entrepreneurs.

Despite tremendous work that has been done by other researchers as cited above, the existing empirical studies lack relationships and effects that may exist between SACCOS lending policies, MSEs performance under the moderating effect of risk-taking propensity possessed by SACCOS loan beneficiaries. Such aspects have been addressed in the current study through the following research objectives: (1) To assess the impact of SACCOS lending policies on MSEs performance among SACCOSS loan beneficiaries; (2) To examine the extent of risk-taking propensity of SACCOS loan beneficiaries moderating effect on the relationship between SACCOS lending policies and performance of the MSEs.

Studying SACCOS loan beneficiaries is justified by their importance worldwide in general and in Tanzania in particular. Indeed, SACCOS serve an estimated 120 million members in 87 counties around the world and help members increase their incomes, build capital and security and provide homes for their families through MSEs

(WOCCU, 2009). Such loan facilities enable the very poor, who lack resources, attain significant success that enhance them financially and potentially for MSEs operations (WOCCU, 2009; Mwakajumulo, 2011). SACCOS in Tanzania offer most of their loan portfolio progressively to members (loan beneficiaries). In Tanzania, SACCOS loans were disbursed for four consecutive years as follows: Tanzania shillings (Tshs) 202,722,572,290 in 2008, Tshs 463,407,606,779 in 2009, Tshs 553,342,767,792 in 2010 and Tshs 627,232,559,000 in 2011 (URT, 2008, 2009, 2010, 2011). The loan increment was coupled with the growing number of SACCOS and their members. By 2011, there were 5,346 registered SACCOS with 970,655 members on Tanzania Mainland (URT, 2011). In fact, the demand for these loans is rapidly growing due to SACCOS' low costs for opening accounts, collateral provided by groups, rapidity of loan processing and competitive interest rates (WOCCU, 2009).

LITERATURE REVIEW

Performance
Consideration of performance in the current research is limited to economic or financial terms alone as suggested by Brush and Venderwerf (1991). Common measures used, according to the literature available, include growth in sales, net assets (capital) and the increase in profits (Covin and Covin, 1990; Box, White and Barr, 1993; Chandler and Hanks, 1994). The Ministry of Industry and Trade (MIT) (2012) survey in Tanzania also found that the business performances of MSEs are measured by 96.2 through turnover and 97.8 on profitability. These are objective measures of performance; there are also subjective measures which vary widely from one individual to another such as the ability to meet personal needs. For the purpose of this study measurement of performance of SACCOS loan-benefitting MSEs was limited to growth in sales, capital and profit. These measures were deemed appropriate by the researchers due to the wide support gleaned from the literature on the issue. They were also easily observable by the MSE owners, who were then able to answer questions pertaining to such measurement objectively.

Micro and Small Enterprises (MSEs)
The definition of MSEs for this research considered the size of the enterprise in terms of the number of their employees. Thus, any enterprise with 1 to 4 employees is considered as micro whereas one with 5 to 49 is considered to be a small enterprise as defined in the Small and Medium Enterprise Development Policy, MIT (2003). This definition was found to be appropriate criteria to define the MSEs because it is not affected by inflation or monetary values of investment, or sales turnover. The rest of the quantitative criteria are difficulty or costly to obtain largely due to the unreliability

of the available data and lack of proper records among micro and small enterprises in Tanzania MIT, (2012).

As the nature of this research basically entailed dealing with individual characteristics and entrepreneurial aspects of the enterprise owners, other factors such as the activity undertaken by the enterprise, its development potential, entry barriers, regulatory investment and turnover of the enterprise were not considered. The primary determining factor was that the enterprise owners were SACCOS loan beneficiaries. Owners who formed the unit of analysis for this study have been defined as individuals who founded, own, and manage businesses (Carland, Hoy, Boulton, and Carland, 1984). The choice of the owners as the unit of analysis is also supported by the survey conducted in 2012 by the by the Ministry of Industry and Trade in Tanzania, which established that up to 69.6% and 54% of the decisions are made by the owners in micro and small enterprises, respectively.

Discovery Theory and Related Empirical Literature

The discovery theory stipulates that opportunities arise from competitive imperfection in markets due to changes in technology, consumer preferences or some other attributes of the context within which an industry or market exists (Kirzner,1973). They emerged independent of individual characteristics. On the basis of this theory, SACCOS loan beneficiaries who get relevant information about the interest charged on loanable funds, loan size and loan duration may exploit fully these opportunities to enhance the performance of their MSEs than their counterpart.

The discovery theory suggests that a good SACCOS lending policy, serving as a reinforcement to people behaviours, should allow potential loan beneficiaries to grow in their enterprise performance. This can be done through the development of appropriate financial service delivering technology coupled with attractive loan terms and conditions (Meza, 2000). On the whole, the SACCOS lending policy is an important gauge for potential SACCOS loan beneficiaries' success or failure in their MSEs.

Empirical studies that have addressed the perspective of a pool of borrowers that react to interest rates and collateral set by financial and Micro finance institutions include Annim (2009) and Briones (2007). For instance, in Annim's (2009) study where he used a sample size of 2,691 units consisting of 1,589 clients and 1,102 non-clients, under the quartile regression estimation, the study revealed a significant inverse response of the loan size to the unit change in interest rates. Annim's (2009) findings literally imply that poor clients drop out with high interest rates. The problem in his findings centred on clarification of the point about the loan magnitude, whether small

or big, that possessed the inverse response to a unit change in interest rates. Also, in the study conducted by Mohammad and Nasrul (2010) in Bangladesh, it was found that enforcement monitoring activities, exorbitant rate of interest, repayment out of loan capital and low loan size were barriers hindering the micro-borrowers in MSEs. A study by Karlan and Zinman (2008) on clients' sensitivity, which was carried out by using randomised experiment, revealed that loan size was sensitive to an extensive margin of interest rate charges. However, Karlan and Zinman (2008) observed that loan maturity was more sensitive to loan size than to interest charges.

Morduck's (1999) study on microfinance promise found that the duration of micro-credit loan was influenced by specific characteristics of each micro-credit borrower and varied according to the amount of loan disbursed. The study findings, however, did not specify quantitatively the duration of the micro-credit loan (either long or short) and their respective influence on specific characteristics of individual micro-credit borrowers together with the loan size that may produce the effects established in the study. Dokki's (2008) national impact survey of Micro Finance in Egypt adopted a quantitative approach used standardised questionnaires and focus group discussions and a sample of 2,500 clients. The study established that clients cited three largest problems: interest rate, loan amount and lack of a grace period. The majority of the clients had vague ideas of the effective interest rate they actually paid. In that study, 44 percent of the drop-out clients had views that the nature of macro financial institutions' products and services was their primary reason for their dropping out, specifying that the loan amounts were too low and were not adapted to their specific needs (Dokki, 2008).

Namrata, Navraj and Roshan (2005) on their part conducted an impact assessment of SACCOS in Nepal's Hill district and found that there was a significant relationship between the amounts of the last loan to the amount of profit generated from the use of such a loan. Their (Namrata et al., 2005) study findings show that the more the amount of the last loans used in various income generating activities, the more the amount of profit generated from the loans.

In the current study, as stipulated under the discovery theory and the empirical literature of studies reviewed, we investigated the relationship between lending policy of the SACCOS and MSE performance of SACCOS loan beneficiaries. Given the existence of a positive relationship in prior studies and to fill the knowledge gap that exist in the context of Tanzania we, therefore, hypothesise:

H$_1$ *"There is a positive relationship between SACCOS lending policies and the Micro and Small Enterprise Performance of SACCOS loan beneficiaries"*

Creation Theory and Related Empirical Literature

The actions of entrepreneurs (enterprise owner) in utilising the entrepreneurial opportunities are accentuated under the creation theory. Ideally, the creation theory (Venkataramann, 2003) of entrepreneurship is based on the assumption that opportunities do not exist until entrepreneurs engage in an iterative process of actions and reaction to create them (Aldrich and Ruef, 2006; Gartner, 1985; Weick, 1979). The creation theory is a theoretical alternative to the discovery theory, primarily when it comes to explaining the relationship between entrepreneurial actions and the production of new products or services (Gartner, 1985; Venkataramann, 2003), which ultimately lead to the good or poor performance of their enterprises.

The creation theory suggests that the "seeds" of opportunities to produce new products and services do not necessarily lie in previously existing industries or markets (Alvarez and Barney, 2007).In this regard, the creation theory assumes that the entrepreneur's actions are an essential source of opportunities irrespective of its inactiveness with respect to the creation of new opportunities. Indeed, entrepreneurs do not wait for exogenous shocks to create opportunities and then provide agency to those opportunities; instead, they act (Bhide, 1999).

Risk bearing is a fundamental part of entrepreneurship because a person cannot know with certainty whether the desired products can be produced, consumer needs can be met, or whether profits can be generated before a new product or service is introduced (Tang and Tang, 2007). Research shows that people who exploit entrepreneurial opportunities have a higher propensity to bear risk than those who do not exploit entrepreneurial opportunities (Begley, 1995; Caird, 1991; Sagie and Elizur, 1999; Stewart and Roth, 2001; Uusitalo, 2001; Van Praag and Cramer, 2001).

Under the creation theory, "*bringing agency to opportunities*" (Alvarez and Barney, 2007: 16) is without meaning since opportunities do not exist independently of the actions and reactions taken by entrepreneurs to create them. Instead, opportunities only exist because of the actions and reactions of SACCOS loan beneficiaries who try to exploit them. In this sense, opportunities begin as consciousness in the minds of the entrepreneurs (enterprise owners or in this case who are SACCOS loan beneficiaries), which in turn depends on the level of risk-taking propensity and risk perceptions. As entrepreneurs begin to take action aimed at creating opportunities, this consciousness can generate social constructs that guide subsequent actions of entrepreneurs and others associated with an industry or market (Alvarez and Burney, 2007) including customers and suppliers (Berger and Luckmann, 1967; Weick, 1995).

Some of possible attributes responsible for those actions include psychological factors (personal characteristics) such as risk-taking propensity or optimism (Caird, 1991), locus of control (Shapero, 1975) and cognitive characteristics, including the high need to achieve (Busenitz and Barney, 1997; Allison, Chell and Hayes, 2000). Also, there are non-psychological factors such as family conditions (Long, 1982), the tolerance to ambiguity (Shane and Khurana, 2001) and the opportunity cost associated with decision cognitive style (Kanbur, 1980).

Basing on the theoretical and empirical literature that signify the existence of the relationship between individual characteristics of business owners and the performance of their enterprises which also depend on lending policies we therefore hypothesise:

H_2 *"The individual characteristics (risk-taking propensity) has a significant moderating effect between the lending policies of the SACCOS and Micro and Small Enterprise Performance of SACCOS loan beneficiaries"*

The Formulated Conceptual Framework

The study is guided by a conceptual framework as presented in Figure 1, which indicates the dependent variable (Micro and Small Enterprise performance), Independent variable (SACCOS lending policies) and Moderating Variable (the risk-taking propensity of the MSE owners, who are SACCOS loan beneficiaries). Hypothesis 1 has a positive direction whereas Hypothesis 2 is a non-directional. What matters in hypothesis 2 is the significant relationship, which may be positive or negative.
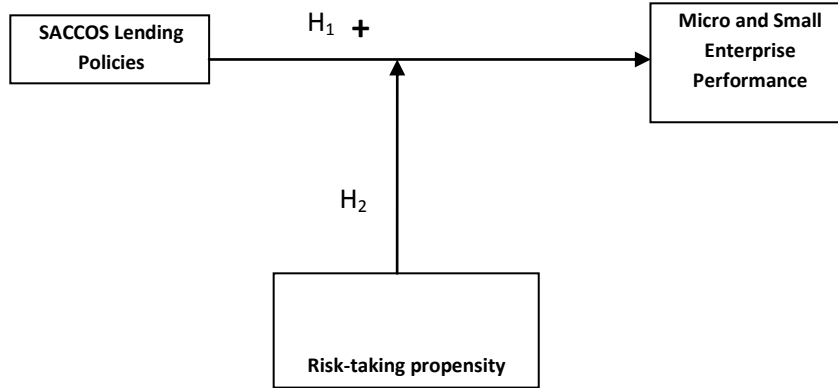
| SACCOS Lending Policies | H_1 + | Micro and Small Enterprise Performance |

H_2

Risk-taking propensity

Figure ⅃: Conceptual Framework
Source: Developed from the Literature Reviewed

METHODOLOGY

Study Area

The research was conducted in Dar es Salaam region (province). The choice of Dar es Salaam (an urban area) was based on four reasons. First, 26 percent of the SACCOS in urban areas operated in Dar es Salaam during fieldwork, the highest percentage of all regions in the country (URT, 2011). Second, the awareness of SACCOS activities is more highly recognised in urban areas than rural areas as confirmed in the SACCOS report by the United Republic of Tanzania [URT] (2009). Third, almost a third of non-rural based MSEs are in Dar es Salaam as the MIT (2012) survey affirms. The MIT (2012) statistics indicate that Dar es Salaam hosts 405,907 urban MSEs out of 1,220.464 urban MSEs found in on Tanzania Mainland. Fourth, the definition os MSEs used which originates from SME policy considers none farming MSEs (MIT, 2003).

Non-salary earning SACCOS loan beneficiaries operating in urban areas were considered in the study to avoid the complexity of behavioural characteristics of salary earners as SACCOS loan beneficiaries. The non-salary earners, who borrowed from SACCOS for the initiation of their business ventures or for boosting the existing businesses, formed the unit of analysis for this study.

Variables and their Measurements

The independent variable consisted of SACCOS lending policies, which include the following factors: loan size, loan duration, interest charged, collateral for the loan and minimum saving on the loan. Risk-taking propensity constitutes the moderating variable; it comprises optimism, high need to achieve, decision cognitive style, family condition and tolerance to ambiguity. Performance was represented by sales, capital and profit. The moderating variable causes the relationship between a dependent/independent variable pair to change. This situation is known as moderating effect or interactive effect, whereby an independent variable is affected by another independent variable (Hair, Babin, Money and Samouel, 2003). All the variables were measured through the use of the questionnaire that employed a Likert scale, whereby 1 represented strongly disagree, 2 disagree, 3 not sure, 4 agree and 5 strongly agree. The original questionnaire was in English language but was translated into Kiswahili using the translators at the University of Dar Salaam to make it more accessible and comprehensible to the cross-section of the respondents who are more competent in that language than in English.

Model and specification

The analytical model for the current study was based on regression to explain the relationship between variable Y and a number of explanatory variables presented in combinations of three equations:

$$Y = \alpha_1 + \beta_1 x_1 + U_1 \ (1), \quad Y = \alpha_2 + \beta_2 x_{1+} \beta_{3X2} + U_2 \ (2), \ Y = \alpha_3 + \beta_4 x_{1+} \beta_{5X2} + 4 \beta_6 x_{1X2} + U_3 \ (3)$$

Where; Y: Small and Micro Enterprise performance (dependent variable) and X_1: SACCOS lending policies (independent variable). X_2 Risk-taking Propensity (moderating variable). β_1, β_2 and β_4 Coefficient of variable SACCOS lending policies. β_3 and β_5 Coefficient of variable Risk-taking propensity and β_6 is the coefficient variable of the product of SACCOS lending policies and Risk-taking Propensity. α_1 to α_3: are constants and U_1 to U_3 are error terms due to measurement errors in the specification of the relationship between the dependent variable Y and the independent and moderating variables x_1, x_2, respectively.

Data Set

According to Tabachnick and Fidel (1996), the sample should be large enough to estimate reliable correlation. Also, the strength of the association between variables is taken care of. In this regard, the larger the sample size, the lower the likelihood of error arising in generalising to the population. Tabachnick and Fidel (1996: 640) provide a rule of thumb requiring a benchmark of at least 300 cases. Also, Comrey and Lee

(1992) rate a sample of 50 as "very poor", 100 as "poor", 200 as "fair", 300 as "good", 500 as "very good" and 1,000 as "excellent".

According to the URT (2008), the total number of SACCOS was 4,524 throughout the country (on Tanzania Mainland), with 1,867 located in urban areas and 2,657 in rural areas. The total number of SACCOS members were 758,828. The leading regions in terms of the number of SACCOS in urban areas were as follows (in descending order): Dar es Salaam (489, made up of 447 urban and 42 rural-based); Coast (257, 161 urban and 96 rural-based); and Shinyanga (385, 118 urban and 267 rural-based). These three regions—Dar es Salaam, Coast and Shinyanga—have 193,033, 8,693 and 41,952 members of SACCOS in urban areas, respectively. The current figures are expected to be above the statistics provided by the URT (2008). The total number of SACCOS and their members in the three regions account for about 39 percent of the whole population of SACCOS in the country's urban areas and 32 percent of the SACCOS members in the country, of which about 24 percent and 25 percent of SACCOS and their members are in Dar es Salaam, respectively. In this study, 600 SACCOS' members from 150 SACCOS (an average of four members from each SACCOS) were sampled. In all, 547 valid questionnaires were received in 2011.

The sampling frame from the population was purposively drawn from various sources particularly lists of loan beneficiaries from registered SACCOS. Other lists were compiled from Savings and Credits Co-operative Union League of Tanzania (SCCULT Ltd., 2004), Ministry of Agriculture, Food and Co-operatives, Dar es Salaam municipalities, the Central Finance Programme (CFP) and the Tanzania Federation of Co-operatives (TFC). Names of SACCOS were written on small pieces of paper from which SACCOS to be included in the study sample were randomly selected. In some cases, some SACCOS selected happened to have ceased to exist. In such cases, others were selected randomly to replace them.

Data Analysis
Before data analysis started in earnest, all the data were fed into the computer using the Statistical Package for Social Sciences (SPSS). Coding of the data was done in accordance with the layout of the questionnaire to avoid confusing the variables. The data were then checked for missing items; only few were found. In treating the missing data, the software AMOS (Analysis of Moment Structures) computes maximum likelihood estimate (Andre, 2004). In this case, Amos does conventional analysis such as simple regression analysis or estimate means. AMOS assumes that data values that are missing are missing at random. Generally, it is not always easy to determine whether this assumption is valid or what it actually means in practice (Rubin, 1976). On other hand, if the condition of data missing at random is satisfied, Amos provides

estimates that are efficient and consistent like what happened in the data analysis of this study.

The control of variables in this study was achieved through statistical techniques, particularly by computing maximum likelihood estimate performed by AMOS during data analysis (see also Ahlgren and Walberg, 1979). The data was then fitted into the structural equation models (SEMs), which are multivariable (i.e. multi-equation) regression models. The structural equations exist to represent causal relationships among variables in the model in an advanced manner. The predicted causal relationship of the variables in the hypotheses H1 and H2 were performed, where by the dependent, moderators and independent variables were analysed to identify their effects on each other.

The interaction effect was checked by looking at the value of individual variables, statistical significance of the variables and the changes in the R^2. For the interaction effect to be significantly present, initially there has to be an increase on R^2 when comparing the second and third equations (Hair, Black, Babin, Anderson and Tatham, 2006). Second, the beta coefficient of the moderating variable of the second equation has to be insignificant statistically and the beta coefficient for the independent variable in the third equation has to increase and be statistically significant (Sharma, Durand and Gur-Arie, 1981). When the beta coefficient of moderating variable in the second equation is statistically significant, then the moderating variable is just a predictor and does not necessarily indicate any interaction effect (Sharma et al., 1981).

Data collection methods

This study depends on the primary data generated from SACCOS registered authorities and the SACCOS-related loan beneficiaries. The study employed structured questionnaires to capture the required information. The data collection gathered by using individuals (principal researchers and two research assistants chosen from higher learning institutions).The questionnaires were of the two sets, one set was in Kiswahili language and the other set was in English version. The former was generated to ensure that the language barrier did not compromise the findings for those not conversant with English.

Pilot study

The pre-test (pilot) was conducted in Ilala Municipality to ensure that any misunderstandings, anomalies and ambiguities in the questionnaire were addressed. In essence, the pre-test helped to improve the research tools by enhancing clarity and ensuring that they were devoid of ambiguity likely to create problems during both the

recording and analysis of data. In addition, the pre-test helped to determine the validity of the questions in the questionnaire. Six SACCOS with 24 cases (an average of four loan beneficiaries from each SACCOS) were asked to participate in filling out the questionnaires during the pilot phase. For most questionnaires, the minimum number for a pilot is 10 (Saunder, Lewis and Thornhil, 2000).

The pilot test suggests that the cronbach's alpha coefficient for five items of the construct SACCOS lending policies produce the value of below the acceptable value, which is 0.6 and above (Nunnally and Bernstein, 1994). The factors were discussed with five of the respondents and corrections were made to improve upon the research tools. After modifications of the questionnaire in the survey, the cronbich's alpha coefficient for the constructs microfinance lending policies improved to 0.7.

RESULTS AND DISCUSSION

General characteristics of the sample

A large proportion of the 547 respondents from MSE owners among the SACCOS loan beneficiaries (42.6%) were from Ilala Municipality. These were followed by those from Kinondoni (32%) and those from Temeke Municipality were the least (25.4%). In the whole sample, 50.8 percent were male and 49.2 percent were female respondents. See table 1.

The study found that 11.2 percent of the respondents asked for loans from their respective SACCOS to improve their existing petty trade in the restaurant sector, particularly as food vendors (popularly known as *MamaLishe,* literally meaning Mother of Nutrition). These results are justified by the mushrooming prepared food vending businesses under female ownership all over the sprawling Dar es Salaam city. In this sector, the females exceeded males by about one percent. The study revealed that only 11 percent of the entire selected sample secured loans to accelerate their vehicle business sector (running town mini-buses and taxies plying the city routes).

The study established that the female-led businesses were less likely to be found in public services, high-risk businesses and mechanical works. For example, about 70 percent of female respondents interviewed indicated that businesses such as in the public transport sector were male-oriented in character. These findings support previous studies conducted by Rutashobya (1995) and Nchimbi (2003) who found that most of the female entrepreneurs are found in textiles and clothing ventures as compared to their male counterparts. In addition, the current study findings concurred with the findings obtained by Brush, Carter, Gatewood, Greene and Hart (2006), who established that the greater risk aversion among female entrepreneurs made them less

willing to trade potential gains for risks, which led them to prefer businesses with lower failure probabilities than those preferred by male entrepreneurs.

The study findings also show that 19.2 percent of the respondents used loans from their respective SACCOS to improve their engagements in other business sectors such as brick- making and selling, beauty salons, tailoring, water selling (from wells), grain selling (maize), milled flour selling. In this category of entrepreneurs borrowing from SACCOS, males accounted for 10.1 percent and females for 9.1 percent. Thus, there were more male than female entrepreneurs in this sector. These results are consistent with those by Olomi's (2001) study, who found that the proportion of women-owned firms was lower in grain milling and feed milling businesses than that of males. Closely related observations were also made in studies conducted by Carr (1993), Rutashobya (1995), and O'Riordan, Swai and Rugumyaheto (1997). These studies pointed out that women largely concentrated in labour-intensive industries with low entry barriers. For example, businesses such as "batik" clothing sellers, ordinary soft drinks, bites selling, groceries, fruit selling and fried fish sales do not require business certificates/licences from any government authorities and also need minimum capital to start them.

Table 1: Distribution of MSE Owners by Gender against Business

Gender	Type of business loans asked for					Total
	Shop	**Restaurant**	**Small scale business**	**Vehicle**	**Others**	
Male	61(11.2)	28(5.1)	92(16.8)	42(7.7)	55(10.1)	278(50.9)
Female	58(10.6)	33(6)	110(20.1)	18(3.3)	50(9.1)	269(49.1)
Total	119(21.8)	61(11.1)	202(36.9)	60(11)	105(19.2)	547(100)

Means and Standard Deviations of the Variables Tested

The analysis involved looking for mean scores and standard deviations as presented in Table 2. The purpose of this analysis was to measure the level of agreement and disagreement on the variables under consideration. Schindler and Cooper (2003) propose the determination of whether the reported standard deviations for variables used are small or large. The test is made using the formula 4/std deviation obtained. If the results obtained range between 2 and 6, they imply that most of the respondents had homogeneous opinion on the variables used. In this study, the individual factors indicated that the respondents were generally homogenous in their answers; however, when the factors are combined the deviation did exist, an outcome attributable to the

use of averages and some of the specific factors denoting negative connotations. This situation was rectified during the conduct of inferential tests.

Table 2: Means and Standard Deviations of the Variables

Independent (SACCOS Lending Policies)		Mean	Std Dev.
Loan Size	(1) Do you prefer a big amount of loan irrespective of the high interest rate?	2.22	1.271
Interest charged	(2) I don't prefer a big amount of loan when the interest rate is higher than the expected profit	2.96	1.598
Duration of the loan	(3) Duration for loan repayment given is sufficient to enable more sales volume in my business	3.49	1.308
Collateral for the loan	(4) Collateral is not part of the loan criterion, it is not affecting my business any how	2.90	1.322
Minimum saving on loan	(5) Criterion such as SACCOS membership duration, savings and trustees for loan disbursement limit the capital growth	2.97	1.314
	(6) Minimum compulsory saving for loan disbursement limits possibilities of capital growth	3.01	1.340
(7) Generally, the loan policy does not meet my expectations though I am trying to cope with the situation		3.43	1.206
All inclusive		**2.99**	**0.519**
Moderator (Risk Taking Propensity)			
Optimism	(1) Irrespective of a good or bad loan policy, success is expected	3.89	1.135
High need to achieve	(2) It is my belief that I never despair; I am able to take control of the loan payment	4.37	0.937
Decision cognitive style	(3) I depend on other people's opinion in my business decision-making	2.21	1.282
Family condition	(4) Some of my relatives and friends succeed through loans from financial institutions, including SACCOS	4.15	1.173
Tolerance to ambiguity	(5) Because of the loan my business no longer performs as it used to before	2.32	1.235
All inclusive		**3.38**	**0.510**
Dependent (Performance)			
Sales	(1) The loan repayment duration given limits the sales volume in my business	2.38	1.240
Profit	(2) My business continues to produce a reasonable profit irrespective of the repayment of the SACCOS loan	4.06	0.978
	(3) The small amount of loan disbursed minimises the chances of making higher profits in my business	3.55	1.353
	(4) The high interest rate on the loan affects the possibility of making profits in my business	3.85	1.309
Capital	(5) Due to the interest charged on the loan given my operational capital has been declining	2.31	1.165
	(6) Irrespective of the interest charged on the loan my capital has been growing	3.92	1.039
	(7) Criterion such as SACCOS membership duration, savings and trusteeship for loan disbursement limit capital growth	2.97	1.314
All Inclusive		**3.45**	**0.525**
N = 547			

The majority of the factors (four factors out of seven) of the independent variables fall under the rejection area. However, it has to be noted that items 4 and 5 use a negative connotation but when reversed the opinion tilts into a different direction. The overall

mean of the dependent variable is 2.99, which approaches the not-sure situation. The results with respect to the independent variable pertaining to SACCOS' lending policies indicate that, to a certain extent, the borrowers were not much aware of the lending policies or they disagreed with some of provisions contained therein.

Conversely, the results under the moderating variables provide a different picture as the majority (three out of five factors) plus the overall mean (3.38) fall under the agreement region. It has to be noted that factors 2 and 5 portray negative connotations; their reverse indicates a desirable risk-taking propensity and decision-making style. It can be argued, therefore, that the MSE owners—who are SACCOS loan beneficiaries—have a strong conviction that they can take risks and make their own decisions. These are characteristics that are expected among the entrepreneurs (Nchimbi, 2003; Olomi, 2001; Nafziger, Hornsby and Kuratko, 1994).

The overall mean for the dependent variable (performance), which is at 3.45, falls under the agreement region. This is also true of four factors out of seven. In fact, items 1, 5 and 7 indicate the MSEs' split opinions on the effect of the loans vis-á-vis the effect of the interest loan. Whereas the interviewees are positive that the SACCOS loans make a positive contribution to their capital and sales, they deem the higher loan interest rates to have a negative impact on their profit (see item 4). These responses confirm what is normally expected: loan interests reduce profit whereas loans improve sales and capital. These results are also consistent with the findings of Dokki (2008).

Assessment of the impact of SACCOS Lending policies and Risk-taking Propensity on MSEs' performance

Table 3: AMOS Results – Hypothesis Testing

Equation 1 : Y= α_1 + $\beta_1 x_1$ + U_1 **(Hypothesis 1)**			
$\beta_{1 = 0.369}$ $_{P} = 0.001$	$R^2 = 0.135$ p = 0.001		
Equation 2: Y = α_2 + $\beta_2 x_{1+}$ β_{3X2} + U_2 **(Hypothesis 2)**			
$\beta_{2 = 0.369}$ $_{P =} 0.001$	$\beta_{3 = 0.043}$ $_{p = 0.28}$	$R^{2 = 0.136}$ P = 0.005	
Equation 3: Y = α_3 + $\beta_4 x_{1+}$ β_{5X2} + 4 $\beta_6 x_{1X2}$ + U_3 **(Hypothesis 2)**			
$\beta_{4 = 0.609}$ $_{p = 0.044}$	$\beta_{5 =} 0.246$ p = 0.337	$\beta_{6 = -0.321}$ $_{P = 0.422}$	$R^{2 = 0.423}$ $_{P = 0.001}$
N = 547			

Regression weight for SACCOS lending policies in the prediction of MSEs' performance is significantly different from zero at ($p<0.001$) decision level $\beta_1 = 0.369$. Based on this analysis, the statistically significant positive relationship between the Micro finance policy and the Small and Micro Enterprise Performance as depicted in part of the conceptual model of the current study is established. The current study findings concur with those found by Dokki (2008) in the national impact survey of Micro finance conducted in Egypt. Such a study established three problems cited by clients of Micro and Small Enterprises; interest rate (high interest rates), loan amount and lack of a grace period. The respondents in that study attributed the overriding problems they faced to the loan amounts being extremely low and not adapted to the client's specific needs (Dokki, 2008). Also, the findings from the current study support the facts derived from the study conducted by Morduch (1999) on Micro finance promise. In that study, it was established that the duration of microcredit loan was influenced by the performance of MSEs.The findings of the current study further seem to be in line with findings obtained by Annim (2009) on the sensitivity of loan size to the lending rates in Ghana's Micro finance sector. Annim's (2009) study found a significant inverse response of the loan size to the unit change in the interest rates but his concern was not directly linked to individual characteristics.

Given the observations that R^2 has increased from 0.136 in equation 2 to 0.423 in equation 3 and that β_3 (p = 0.28) in the second equation is statistically insignificant (it cannot be considered as an independent variable) whereas β_4 (p = 0.001) is statistically significant and possesses a strong positive coefficient of **0.609**, it can be deduced that the moderating effect is, therefore, established. Hence the study has been able to establish a significant effect of the construct risk-taking propensity on the relationship between SACCOS lending policies and the performance of SACCOS MSE loan beneficiaries.

The study findings are in conformity with the philosophical stand on the teleological theory of the general concepts pertaining to entrepreneurship labelled the creation theory (Venkataramann, 2003). It assumes that the entrepreneurs' actions are an essential source of opportunities, irrespective of their passiveness with respect to the creation of new opportunities. Under the creation theory, it is claimed that opportunities do not exist until entrepreneurs engage in alternative process of actions and reactions (taking or avoiding risks for that matter as per current study) to create them (Aldrich and Ruef, 2006; Gatner, 1985; Weick, 1979). Given appropriate lending policies, those who take more risks are more likely to perform better in their MSEs than those who avoid it.

Apparently, the study findings are not consistent with the work by Shafie and Fakhrul (2011) and others who found a significant positive relationship between risk-taking propensity (taken as an independent variable) and business performance. The notable difference between the current study findings and the majority previous ones lie in the fact that in the previous studies risk-taking propensity was taken as an independent variable whereas in the current study it has been categorised as a moderating variable.

CONCLUSION AND RECOMMENDATIONS

It can be concluded that SACCOS lending policies and the risk-taking propensity of the SACCOS loan beneficiaries are important ingredients in improving the business performance of MSEs. The results of the study affirm that risk-taking propensity is an important attribute as it makes a significant positive contribution to the relationship between lending policies and the performance of SACCOS MSE loan beneficiaries. We can also state that the high interest rate (the lowest mean of 2.22) was an issue that SACCOS loan beneficiaries indicated to have their disagreement with, as compared to other factors found in the lending policies.

The loan providers, therefore, need to understand and take cognisance of the loan beneficiaries' qualities in terms of risk-taking propensity when allocating loans to them

since risk-taking propensity has a significant positive impact on the performance depending on the lending policies. Moreover, interest rates need to be looked into to avoid causing disturbances among SACCOS customers from the MSEs. Furthermore, emphasis needs to be placed on enhancing risk-taking propensity tendencies among MSEs during various entrepreneurial trainings as these characteristics are important in improving the performance of MSEs in terms of sales, profit and capital growth of their businesses. One can argue further that the inculcation of risk-taking behaviour and values has to start from childhood, using parents as role models and educationists in the country's education system as the vanguard of inculcating such values to prepare a generation of entrepreneurs with a risk-taking propensity.

The major limitation of the study is the non consideration of qualitative data which could give more insights of the variables researched from the perspective of Tanzanian SMEs. There is therefore a need for future research to be conducted to explore further the reasons among SACCOS loan beneficiaries in Tanzania supporting the moderating effect of risk-taking propensity instead of as an independent effect as other studies have been able to establish.

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