

**Microcredit and Small Business Growth: The Case of Akiba Commercial Bank
(ACB), Moshi Branch**

By

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This study assessed the role of microcredit to Small Businesses (SBS) growth using Akiba Commercial Bank (ACB), Moshi branch as a case study. The study was guided by the following research questions; what are the conditions and criteria used in evaluating SBS creditworthiness? What are the contributions of ACBs microcredit to SBS growth? How do the small businesses use microcredit funds? What are the challenges faced by SBS and ACB in managing microcredit? The study has revealed that microcredit is an essential ingredient for promoting SBS growth. It shows that the ACB's microcredit has played a great role to SBS growth in capital growth, sales and purchases improvement, changes in types of businesses, increase in number of businesses, increment in varieties of products and growth in profit. The study findings also show that majority of the SBS face different challenges in managing microcredit such as lack of financial and business management skills, price fluctuations, small amount approved by bank, shift competition, stealing of commodities, price fluctuation due to high cost of living and high loan interest rate charged by the bank. ACB also faces challenges in managing microcredit client like multiple loans, cheating on collaterals and businesses information, poor/weak securities or collaterals, poor business records, low level of clients' knowledge and understanding of banking matters, high rate of defaulting, poor cash flows and lack permanent residence which lead to some of the clients to vacate and disappear without taking full payments of the loans. This study concluded that despite the challenges, microcredit has a great contribution to SBS growth and recommends for policy changes and improvement.