

Impact of Co-operative Financial Services on Growth and Development of Small Businesses in Tanzania

By

Daniel Ngugi

St. Augustin University of Tanzania, Mwanza Centre

(2011)

Abstract

The concept of informal cooperatives has aroused considerable interest in recent years. Several studies on the subject show that on average, over 80% of business finance for small and medium enterprises (SMEs) comes from the informal cooperative financial sector. Small business groups, individuals and family members, usually come together; pool their meagre financial resources together in social groupings that are beneficial to each group member. Financial services are the basis and the prerequisite for overall development even though in Africa, access to the services is not only limited but is beset by operational setbacks. The information sector for example, has weak or ineffective organisation structures and management, and unfriendly policies and thus may not be effective for the SMEs. The study analysed the role of financial services to the development of small scale fish businesses in Mwanza Municipality. The purpose of this study was to analyse how informal financial co-operatives impact on the growth and development of small scale fish business in Tanzania. The study revealed the presence of a statistical relationship between the informal cooperative financial services and the level of growth and development of small scale fish business in Tanzania. However, a number of opportunities for improving the relationship were identified. Informal financial co-operatives in Mwanza play a major role in the growth and development in the region but lack an appropriate and feasible structures so as to trigger long term growth and development in small scale businesses. Relationship between informal financial institutions and small scale businesses require proper understanding and enhancement to enable sustainable development in Africa. This paper was based on a sample of twenty Mwanza fish sellers, studied through structured interviews.

Key words: Informal co-operatives, financial services, banks, credits, loans, interest rates, Africa, financial development, growth