



Research Article

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Characterization of Enterprises Financed by Public and Private Credit Systems in Tanzania

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Abstract: A study was conducted in purposefully selected 10 districts in two regions, involving 166 enterprises funded by the government scheme and 201 privately financed initiatives, using participatory tools to identify setbacks. Respondents comprised operators (263) and policy makers (30) for the government and 201 private initiatives. All credit schemes targeted lowly educated groups, comprising women (61.6%), youths (34.6%) and disabled people (3.8%). Approximately 51% of the enterprises focused in agriculture whereas, others mainly centered on petty businesses (36.8%) and motorbike riding (5.4%). However, all initiatives lacked affirmative strategies for disabled people and business linkages whereas, constitutions were also not operational post-government funding. Skills in entrepreneurship, soft skills, packaging, labelling and price setting were not provided in all schemes. Furthermore, traceability, due diligence and supervision mechanisms were poor and fund divergence was common in the government scheme. Default rates in government-financed enterprises were high but low (5%) in private credit schemes.

Keywords: Pro-poor empowerment; Microenterprises; Credit systems; Entrepreneurship; Tanzania

INTRODUCTION

Agriculture plays an important role in socio-economic development and food security in most sub-Saharan African countries (Dercon and Gollin, 2014; Shimeles *et al.*, 2018) and this is despite the sector being based on small-holder systems, traditional husbandry practices and poor productivity. The low sector's performance is also attributed to poor processing, marketing, packaging and labelling capacities and inadequacies of value chains. Low productivity is further worsened by the negative impacts of climate change, which, of recent, have become critical on the African continent (Okolie *et al.*, 2022; Alemu *et al.*, 2024). Thus, poor rains; prolonged dry spells; extended drying of water bodies; wild fires, which destroy livelihoods and, water and forestry resources; flash floods as well as water distress are not uncommon. As such, a significant proportion of rural societies endure repeated cycles of poverty (Mahembe and Othiambo 2018; Adeyeye *et al.*, 2021). Therefore, adoption of climate smart innovative agricultural practices is key to optimized agricultural productivity, rural economies and employability, thereby improving the sector's contribution to Gross Domestic Products (GDP). However, this also requires formulation of supportive quality-focused supply side frameworks in order to make domestic and international trade competitive and promote diversification. In Tanzania,

these endeavors are, therefore, aligned to the strategic aims of National Livestock Development Policy, 2006; National Agriculture Development Policy, 2013 and National Fisheries Development Policy, 2015 and, hence, the Five-Year Development Plan (FYDP)-III as well as the National Development Vision (NDV), 2025.

The agricultural sector also demonstrates low employability landscapes and this is compounded by the negativity of youths; with most being pessimistic about the sector's ability to improve their living standards. This is because agriculture has, for a long time, been associated with traditional, manual and labour-intensive practices and, of low-status career (Kritzinger, 2002), which may not be in line with the current aspirations of youths for seeking transformative and technological-centred careers (Nthoasane and Teele, 2024). This tendency also cripples the sector's labour resource base (Geza *et al.*, 2021), which is provided mainly by women (Ngadi *et al.*, 2023). As a result of this, a significant proportion of rural youths rely on indecent livelihood sources, show a high degree of idleness and some drift into urban areas in search of descent life sources. However, because of limited urban resources and services, some end up being involved in indecent practices, such as alcoholism and users or carriers of illicit drugs. Therefore, this youth practice poses a great concern to authorities given that sub-Saharan African societies are becoming more youthful (Mazur *et al.*, 2018;

Rose, 2022) and that this social group has the potential to drive economic growth. It is important to note this social trend is in spite of the recent development of mining, gas, petroleum, tourism, finance, digital technology, construction and services sectors that provide limited employment opportunities.

Thus, the development of commercial agricultural sector and other industries in sub-Saharan Africa is one of the fundamental pathways in opening up economic growth and labour force landscapes (Geza *et al.*, 2023; Awotodunbo *et al.*, 2025). Therefore, efforts, which are directed at nurturing commercial production, processing and trading ventures, including establishment of Small, Medium and Micro-finance Enterprise (SMME) industry in rural areas constitute the fundamental key to enhanced equitable economic growth. This importance stems of the fact that in sub-Saharan Africa, there are about 44 million SMMEs that are the back-bone of the growth of the economy, including the private sector and employability (Musara and Nieuwenhuizen, 2021).

It is also apparent that investment in sectors of the economies in the region is mainly enabled by private credit actors, who administer commercial economic empowerment schemes with high interest rates and demanding collaterals in form of money, land or houses. These initiatives, thus demonstrate key constraints related to accessibility and affordability (Runde *et al.*; 2021). Generally, these schemes can only be utilized by economically able individuals, groups and companies/firms. As such, most small and medium business ventures, struggle to access loans from financial institutions because of limited financial status, collaterals and credit history (Tala, 2021). Thus, these commercial credit initiatives shun out the majority of resource poor societies and struggling SMMEs. Therefore, generally, this economic trend worries many government authorities given that the commercial credit windows do not support equitable and accelerated economic growths.

Thus, in Tanzania, the effort to bring aboard resource poor societies in an attempt to promote inclusive economic participation as envisaged by the FYDP-III (URT, 2019) and NDV, 2025 (URT, 2000), has been focused on recognizing youths, women and people with special needs as key vulnerable social groups. Cognizance of this, the government has, further, initiated a pro-poor economic empowerment scheme (EES) for the three social groups, that is administered, at subnational level, by Local Government Authorities (LGA). The scheme, which has been operational since 1993, is guided by the National Economic Empowerment Policy and Law of 2007 and, further aligned to the Finance Regulation (Local Government Miscellaneous Act), 290 R.E 2019. The oversight principles partly, therefore, require allocation of 10% of yearly incomes of LGAs to support SMMEs run by youths (40%) and women (40%) groups as well as people with special needs (20%).

However, despite this longstanding national strategic goal, EES has generally underperformed, as evidenced by the yearly Controller and Auditor General (CAG) audit reports to the presidency, parliament and the general public. Because of sustained poor performance of the scheme, the government has been reviewing the oversight guidance regularly and has, recently, through an advice of the parliament, halted the operations of EES for one year in order to study the conduct of the initiative and to develop new guidelines. Following this, the government commissioned (2024/25 financial year) a pilot programme, based on use of new guidelines in 10 LGAs, including bringing aboard financial institutions to manage the loan funds, while the rest authorities relied on old oversight principles.

On the other hand, resource poor communities in rural Tanzania are also beneficiaries of privately-managed pro-poor economic empowerment schemes. The schemes specifically target rural areas and marginalized communities. This includes the Village Community Bank (VICOPA) initiative, which is operated on the principle of community groups of known members and each providing shares to the group's financial resource base. These funds are then used to finance enterprises, based on sound applications, prescribed grace period and a token interest rate. Other schemes, which target marginalised communities are those of Non-Government Organisations (NGO); small financial institutions; individual money lenders; Savings and Credit Cooperative Organisations (SACCO) and commercial banks, with special schemes for resource poor. Support from family members also constituted a credible source of assistance to resource poor people families in rural areas.

Therefore, the continued underperformance of EES called for the need to characterize SMMEs, with a view of shedding light on the setbacks and merits and ultimately contributing to development of innovative oversight principles. On the other hand, identification of constraints of private pro-poor initiatives was also viewed to be fundamental in formulating innovative redress strategies.

MATERIALS AND METHODS

This study, which was premised on research partnership between the academia and sector ministry, was conducted in 10 LGAs in two regions that were purposively selected. This was done with special reference to the public sector-owned and interest-free EES and its operational conduct was compared to that of private pro-poor loan schemes. The four LGAs in Arusha region comprised Monduli (61 EES enterprises), Arusha City Council (57), Longido District Council (42) and Ngorongoro District Council (36). In Mara region, the study involved Bunda District (27), Serengeti (22), Musoma Municipal Council (18), Rorya District (11), Tarime Town Council (11) and Butiama District (9). Together, these summed up to 166 business ventures

owned by women, youth and people with special needs groups, that were funded (first, second or third round) in 2020/21, 2021/22, and first half 2022/23 financial years. EES respondents comprised group leaders and one other member from business ventures (263), based on the availability on the day of visitations as well as 30 policy makers and planners from participating LGAs.

Private loan schemes, with 201 enterprises, consisted of 53 VICOBA business ventures enterprises; 33 entities benefitting from NGOs; 7 supported by small financial institutions; 21 accredited by individual money lenders; 11 drawing support from SACCO; 12 financed

by special schemes of commercial banks and 64 funded by family members. Entreprises in all initiatives, with exceptional of the group financing system of NGOs, were operated by individuals. In this arrangement, NGOs collaborated with Village Administrative Committees in order to negotiate loan arrangements to societal groups. These group- and individual-owned enterprises that were financed by private creditors were found in study LGAs as shown in Table 1. All initiatives, with the exception of family member support (had no interest rates), had low interest rates, which were far below the commercial rates (for instance 17% for NMB Bank PLC). In total these enterprises provided 201 respondents.

Table 1: SMMEs supported by private pro-poor credit schemes

SOURCE OF FUNDS	1	2	3	4	5	6	7	8	9	10	Total
VICOBA	8	4	21	7	1	1	4	0	6	1	53
NGO	11	0	12	0	1	2	1	2	3	1	33
Small financial institutions	2	0	3	0	0	0	1	0	1	0	7
Private money lenders	7	0	6	0	1	1	2	3	1	0	21
SACCO	2	3	1	1	0	0	1	2	0	1	11
Commercial bank (special schemes)	0	4	0	1	0	0	1	4	2	0	12
Family members	28	6	17	4	3	1	1	1	1	2	64

Legend: 1 = Arusha City, 2 = Longido, 3 = Monduli, 4 = Ngorongoro, 5 = Bunda, 6 = Butiama, 7 = Musoma, 8 = Rorya, 9 = Serengeti and 10 = Tarime

The characterization of SMMEs in the study areas was conducted for a three-month cross-sectional study period (January-April 2023), using participatory tools involving pretested questionnaire, focus group discussion and use of key informants. Use of check lists and consent forms was also fundamental. In addition, for EES scheme, special components of the questionnaire, focus group discussions and in-depth interviews were organized for District Executive Directors (DED), loan officers and community development officers (CDO). Ethical clearance of the project framework was sought from the Commission of Science and Technology.

The features of the enterprises were therefore determined during days of visitations and using the above indicated questionnaire and interactions. In order to optimize respondents' participation compliances, the research teams were accompanied by respective loan officers and grassroots CDOs. Target groups were also pre-informed in order to optimize availability. However, for the aim of guaranteeing optimized respondents' impartiality, openness, truthfulness, trustfulness and confidentiality, interviews were done following use of consent forms and by interviewers in the absence of LGA staff in the venues.

The data accrued from the study were entered and stored in CSPro software. Information gathered related to education status, target category, legal guiding principles, linkages with other business groups and grassroots platforms, investment focus, economic empowerment mechanisms, traceability and supervision and loan repayment compliances. Others were

challenges experienced by enterprise actors as well as general views about the influence of the public and private credit schemes.

The data were thereafter decoded and analyzed using SPSS version 21 in order to generate key information regarding the features of SMMEs of EES and private schemes. The derived insights, specifically for EES enterprises, were enriched by inputs from the stakeholders' workshop, involving some respondents, policy makers and planners of participating LGAs and, representatives of the sector ministry.

RESULTS

Type of beneficiaries in public and private credit systems

Figure 1 shows the type of social groups that benefited from EES in various LGAs. This demonstrated that a high proportion of SMMEs were women-owned (110) whereas, those manned by youths were 42. It was further observed that only 14 enterprises were owned by people with special needs or people with disabilities (PWD) and these were found in Rorya (3), Bunda (5), Butiam (3), Tarime (2) and Serengeti (1) LGAs of Mara region. However, this was in spite of the presence of this social group in all study areas. Overall, it was further evident that EES financed enterprises used family labour (83%) notably school boys on part-time basis and only 17% was outsourced from external sources, although premised on informal arrangements.

It was further evident that although EES members formed groups and had legal principles

according to the laid-down application procedures, generally constitutional frameworks were not operational after fund disbursement. In addition, business groups also did not have inter-business linkages with other businesses and between them and processors or traders/buyers. It was also apparent that the groups never used grassroot Agriculture Marketing Cooperative Societies (AMCOS), which are present in every village as per the guidelines of the ministry responsible for

agriculture. The actor, too, never utilised farmer groups and CDOs. It is essential to note that these platforms are key entry points for economic capacity building in order to enhance skills in generating sound applications and operating performing enterprises as well as provision of business support services. The actors also did not utilise grassroot agricultural extension staff in traceability and due diligence frameworks on behalf of loan officers of LGAs.

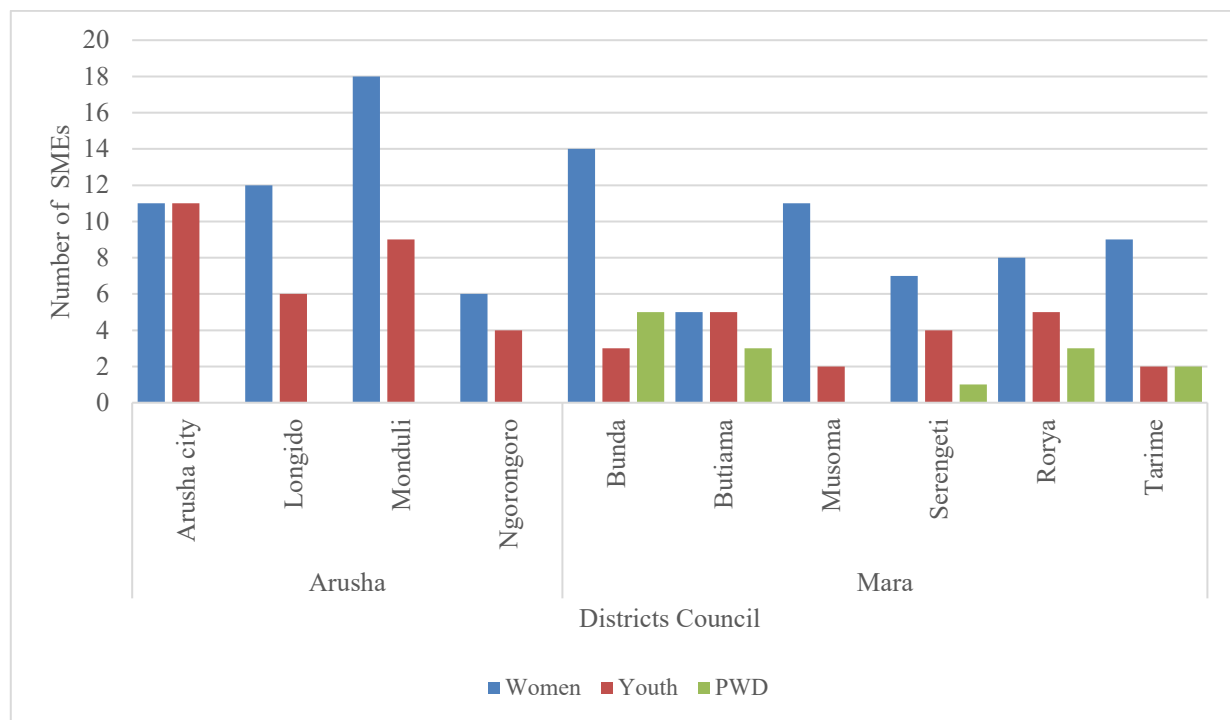


Figure 1: Participation of women, youth and people with special needs in EES enterprises

On the other hand, enterprises financed by private credit schemes were operated by women (57.7%) and youths (42.3%). These schemes, however, did not involve people with special needs. It was further evident that VICOBA and NGO beneficiary groups had constitutions that were operational at all times. Of importance too, was the finding that none of the enterprises had formal linkages with other business actors and utilised grassroot platforms or experts for support services. It was further apparent that these enterprises also depended on family labour (74%), with a few ones (26%) employing external labour on informal terms.

In connection to these patterns, education status was analysed in order to shed light about the type beneficiaries benefitting from the schemes. The results showed that primary education status of respondents of EES in Arusha (66.3%) and Mara regions (61.2%) were high and comparable. Respondents with O-level education status accounted for only 26.5% in Mara and 28.1% in Arusha regions whereas, those with education background beyond O-level were few (6.5%) in both

localities. The proportion of respondents with no formal education was small (3.1% both in Mara and Arusha regions). The results also indicated that actors supported by private loan schemes had primary education (47.5%), O-level education (27.9%) and education status beyond secondary level (7.4%). Target people with no formal education accounted for 17.2% of the respondents.

Focus of investment

EES-funded women's business groups were engaged mainly in livestock keeping, crop production and petty businesses (Table 2). It was also apparent that whereas, youth groups embarked in all sub-sectors, groups of people with special needs were involved in crop production, livestock keeping and petty business. The latter related to food vending, tailoring, bead making, soap production and second-hand clothing. The results also show that in privately supported enterprises, women were primarily engaged in petty business, crop production and livestock keeping. On the other hand, youths were involved in crop production, livestock keeping, construction, transportation using two- and three-wheeled bikes, and petty business.

Table 2: Percentages of social groups' involvement in various sectors with number of enterprises in parenthesis.

Type of Investment	Government scheme			Private schemes	
	Women	Youth	PWD	Women	Youth
Crop production	23.6 (26)	26.2 (11)	21.4 (3)	18.1 (21)	20.0 (17)
Livestock keeping	35.5 (39)	16.7 (7)	35.7 (5)	28.4 (33)	30.6 (26)
Construction	2.7 (3)	11.9 (5)	-	-	17.6 (15)
Transportation (motor bike riding)	-	31.0 (13)	-	-	8.2 (7)
Petty business	38.2 (42)	11.9 (5)	42.9 (6)	53.4 (62)	23.5 (20)
Mining	-	2.4 (1)	-	-	-

Economic capacity building initiatives

Respondents indicated that retooling courses that involved group leaders of EES enterprises centred on adherence to loan application procedures and loan repayment requirements only. This was revealed by 63.9% the respondents whereas, 36.1% either had heard about the training or had no knowledge about the associated values. This indicates shortfalls of communication within the groups. It was also evident that, in all schemes, entrepreneurship and finance management retooling courses were not offered to targets in order to facilitate their capacity to generate sound applications and improve societal skills, self-esteem and motivation. Furthermore, economic capacity building courses, in respect of entrepreneurship and financial literacy were also not offered prior to establishment of enterprises as well as during the operations, thereby undermining capacity of resource poor actor skills to operate the business ventures successfully. This also

undermined societal capacity to capture emerging issues and to seek solutions or support services.

Supervision mechanisms

It was also reported that although CDOs carried out traceability and due diligence of some EES groups as part of the application procedures, a significant proportion was not tracked and authenticated prior to approval process (Fig. 2a). This also included traceability of enterprises during the management process. For instance, 15.9% of the enterprises that were based in Arusha City Council, which were all in the urban center, were not visited and authenticated prior to funding. It was also evident that supervision of up and running EES enterprises was low and erratic (Fig. 2b), and this was dependent on availability of budgets and approval process, amidst LGA resource limitations and the multitude of needs. This thus undermined the capacity of loan officers to undertake field visitations.

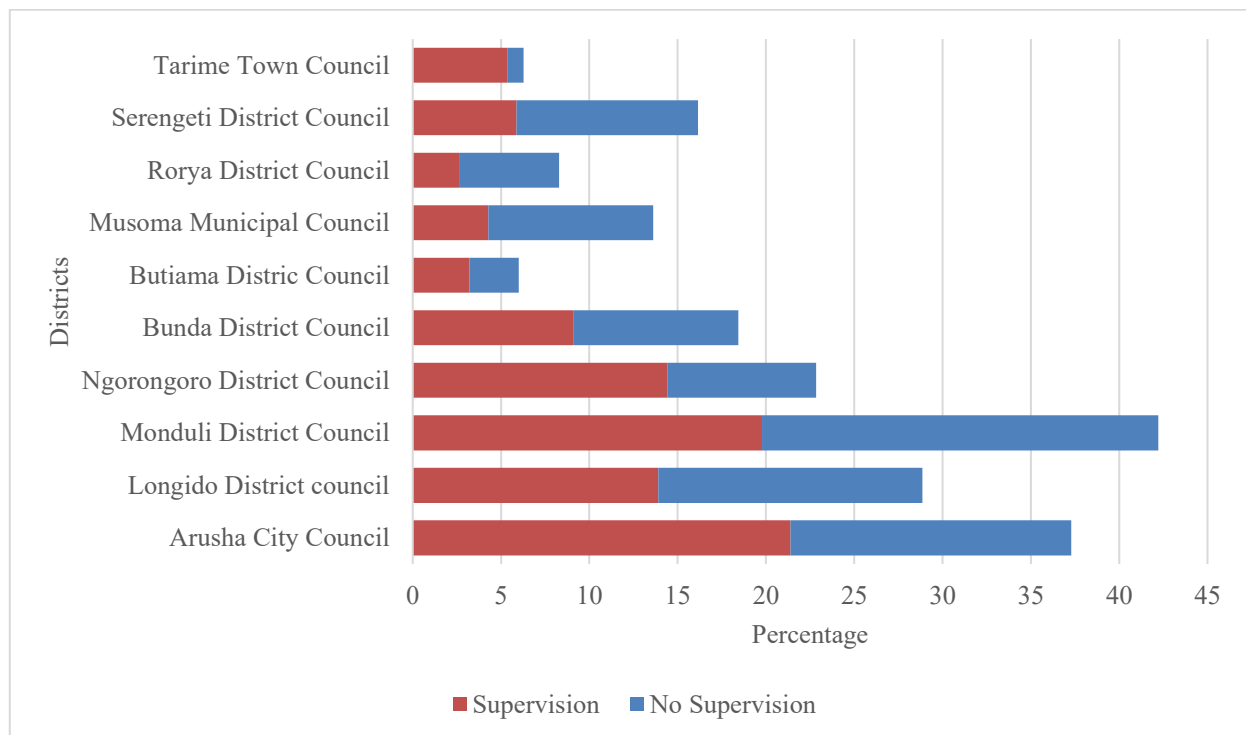


Figure 2a: Traceability of EES groups

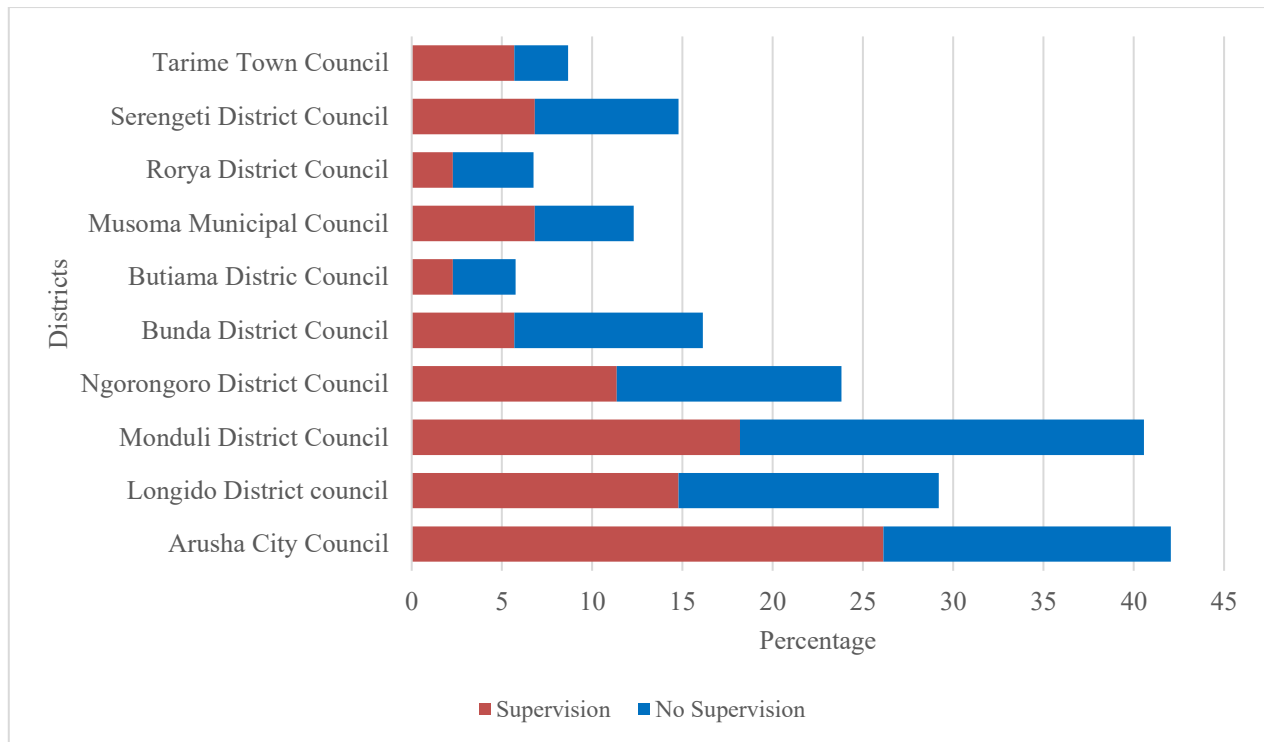


Figure 2b: Supervision of Enterprises

However, the situation was rather different for private-owned schemes. For instance, VICOBA members facilitated supervision of enterprises through reporting systems as well as via knowledge of the business ventures. For enterprises funded by other private schemes, with the exception of those financed by family members, supervision of enterprises was conducted by respective loan officers and influenced by relationships between the staff and owners of the enterprises.

It was evident that, as a result of poor supervision of EES enterprises, loan funds (totaling 31.4%) were often diverted in all study LGAs by women (67) and youth (31) groups as well as those owned by people with special needs (13). This practice fundamentally was not in line with loan adherence procedures and often limited financial resources available for the enterprises, thus undermining economic worthiness of the ventures. However, fund divergence practices were not apparent in private schemes (other than family support), as members or loan officers ensured credit compliances.

Loan repayments

The results also demonstrated a declining trend in loan repayment in respect of EES enterprises. For instance, while all business groups paid the first instalment, only 25.9% respected the second instalment and 8.8% paid back the money for the third instalment. This shows high default rates and this practice was finally submitted to higher authorities for action (this was not the focus of this study). In contrast, loan repayments

were favourable in private schemes as few actors (10%) requested for rescheduling the payments and default rate was 5%. Affirmative actions were however initiated to recover the loans.

Challenges indicated by respondents

EES respondents indicated operational challenges (although unranked) to be inadequate amount of loan funds, lack of entrepreneurial and finance management skills, influence of grassroots politics, inadequacy of loan application preparation and long application processing time. Other challenges were high default rates, death of group members and insufficient information on group membership requirement. On the other hand, respondents of private loan schemes reported inadequate amounts of loan funds, defaulting practices, lack of entrepreneurial and financial literacy and group conflicts as key setbacks.

Achievements of funding

All respondents (public and private schemes) indicated enhanced household asset growth and livelihoods as key achievements of the initiatives. Actors were, indeed, for instance, able to pay school fees and medical expenses, purchase land parcels, repair houses or improve their business ventures.

DISCUSSION

The interest-free EES and private schemes all targeted lowly educated resource poor social groups, including marginalized ones, who constitute 65.1% of the national population (URT, 2022) and rely on the agricultural sector for the livelihood (Dercon and Gollin,

2014; Shimeles *et al.*, 2018). Thus, the involvement of 51% of the enterprises in the agricultural sector by women, youth and people with special needs in this study, indeed, supports this economic rural trend. However, the financing system left out men, who, in accordance with the African culture, are household leaders with immense influence on control and access to resources accrued from various sources. Therefore, resource poor men may have fundamental influences on the conduct of credit schemes as well as family stability, which are worth further investigations. This may also relate to influences of parental guidance to funded youths who are still within staying parents.

This economic capacitation approach was, therefore, critical in ensuring equitable economic growth as aimed by the strategic objectives of FYDP-III (URT, 2019) and NDV, 2025 (URT, 2000) and this is despite the observation that most women in Africa have no land ownership rights (Runde *et al.*; 2021). In addition, it was thought that the impact of economic empowerment of resource poor societies was also instrumental in supporting decent dependency of old, sick and severely disabled people, who cannot work as well as the growth of the private sector, the latter which provides the bulk of employment landscapes globally. However, the establishment of successful business ventures in the agricultural sector needs to be supported by development of commercial mindset of target societies, underpinned by adoption of climate smart husbandry practices. This is as a result of the continued negative influences of climate change (Okolie *et al.*, 2022; Alemu *et al.*, 2024) as well as sustenance of traditional husbandry methods in African agriculture. This also needs to be augmented by formulation of favourable policies and strategies that promote sound value or supply chains as well as building foundations of forward and backward linkages between agriculture and other sectors, notably the manufacturing, trade and service industries.

It was that most of these business ventures relied on part-time informal labor provided by family members and rarely depending on externally sourced ones. However, this labor mobilization together with involvement of youths in the SMME industry in this study constituted potential utilization of youths, who represent the biggest segment of the national population base, as also observed in other sub-Saharan African societies (Rose, 2022). This implied that these pro-poor credit initiatives were, indeed, facilitating a potential reversal of the negative attitude and mindset of youths to agriculture, thereby negating their high degree of idleness, embarkment in indecent livelihood sources and demonstration of migratory practices into urban centers and occasionally abroad. This was also regarded as a potential conduit for promoting increase in agriculture labor base, which is currently relying on women (Ngadi *et al.*, 2023).

One of the important shortfalls of EES was the weaknesses of sustainable operations of constitutions after funding. It was, for instance, noted that most business groups were hastily formed and these assembled the constitutions in order to align to application procedures. This practice was, therefore, thought to undermine group cohesion, application adherence principles and business management systems. Indeed, group conflicts as reported by respondents in the study may partly have been attributed to weakness in poor use of constitutions. This malpractice was further compounded by limited traceability and due diligence of business groups and enterprises as well as poor supervision frameworks, mainly as a result of limited resources at the LGA level. The inadequacy of partnered working relationships between loan officers and grassroots experts, such as CDOs was also a complicating factor. It is therefore thought that poor supervision may have resulted in fund divergence by some women, youth and disabled business groups observed in the study.

The schemes also lacked affirmative actions needed to ensure that people with special needs came forward to be economically capacitated in order to optimise their economic participation. The lack of affirmative actions, indeed, promoted human sufferings, dependency trends, indecent livelihoods and stigmatisation by parents, other family members as well as the communities. This shortfall was premised on the observation that only 8.4% of business groups of people with special needs were funded by EES, despite the oversight principles prescribing 20% of yearly budgetary allocations. It was also evident that this social group was not financed at all as a target group by private credit windows. This collective anomaly is, therefore, despite the national population of this social group, in accordance with the 2022 Population and House Census, standing at 6.8% in Tanzania Mainland and 9.3% in Zanzibar (URT, 2022). This setback, therefore, calls for development of strategic affirmative actions that include mounting community training, education and communication. These redress strategies also require formulation of oversight guidance principles that anchor on partnership between the sector ministry and Tanzania Federation of Disabled Peoples' Organisations on the mainland and, Zanzibar Federation of Disabled People Organizations as well as their key stakeholders.

Furthermore, all credit schemes did not impart entrepreneurial and finance management knowledge and skills to communities, thereby influencing their capacity to generate sound applications and manage business ventures. This was worsened by lack of economic capacitation of enterprise actors prior to and during enterprise operations. This anomaly, therefore contradicts the fact that that entrepreneurial and finance management skills are key prerequisites for successful and sustainable enterprises. Indeed, it has been observed that, often, SMMEs in sub-Saharan Africa fail within five years of the establishments because of inadequate basic

knowledge and skills in entrepreneurship, finance management, human resource management as well as business soft practices; the latter such as business patience, resilience, financial discipline. This includes challenges related to procurement of raw materials (Mutamimah *et al.*, 2021). Poor business acumen, limited capacity to grow, weaknesses in corporate mindset are also important bottlenecks. These shortfalls were complicated further by inadequacy of work relationships between loan officers seated in LGAs and grassroots experts, despite the latter cadre working with communities and, therefore, being knowledgeable about rural societies. Currently, the work relationship between loan officers and CDOs is based on informal and weak arrangements, as evidenced by poor traceability and due diligence of business groups and ventures observed in this study.

Additionally, enterprise operators were also not imparted with knowledge and skills in respect of packaging and labelling of products. This weakness has been shown to be one of the major constraints of the industry or supply chains as on many occasions, local products do not compete well with well-packed and labelled imported goods. Indeed, this capacity shortfall was behind the establishment of such a unit by Small Industries Development Organisation (SIDO), which however, may have limited capacities to reach out to needy societies. Therefore, development of policies and enactment of laws governing labelling and packaging should be nurtured and promoted in order to ensure that local products gain domestic and international markets and be competitive.

The enterprises also lacked linkages with other business platforms, notably other enterprise actors or buyers of products in a value chain or supply manner. This practice was considered to limit the ability of the business actors to learn from each other by exchanging notes and fostering collaboration needed in price setting or negotiations. Furthermore, the enterprises also lacked the capacity related to business contract formulation, which is fundamental in all commercial ventures, notably in production levels and price setting/negotiation. This is also key in promoting customer relationships, which normally centre on trust and loyalty as well as enhancing business competitiveness. It is also desirable that business actors endeavor to make use of grassroots platforms such as AMCOSs and farmers groups as entry points for economic capacitation and support business services. Some of these grassroots platforms may be useful in enhancing productivity of agricultural production-related SMMEs.

The results also demonstrated loan failure (default) rates in reference to the second and third instalments for EES, as only 25.9% and 8.8% paid the second and third rounds, respectively. This practice may have been caused by poor economic viability assessment systems; meagre financial resources, which are worsened

by money divergence; inadequate traceability, due diligence and supervision frameworks; poor enterprise management mechanisms as a result of low financial literacy and experiences and; inadequate provision of solutions and business support services. Although, this finding was also reported in commercial bank loans in South Africa, as only 39% of repayments were not made on time, while 28% did not respect the commitment (Hwarire, 2012) and observed in most SMMEs (Boushnak, 2018), this anomaly calls for strategic economic capacitation of loan officers (Blok *et al.*, 2017). It also favours the establishment of working relationships between LGA staff and local experts in order to have grassroots staff-based systems of enterprise traceability, due diligence, economic capacitation, supervision and business support services.

CONCLUSIONS AND RECOMMENDATION

This study underscores that while economic empowerment schemes and private initiatives effectively reach marginalized, low-income populations, their impact is undermined by several operational and structural challenges. These include limited entrepreneurial and financial literacy among beneficiaries, poor group governance, weak supervision frameworks, and minimal inclusion of men and people with special needs. Additionally, inadequate linkages to markets, weak adoption of climate-smart practices, and a lack of value chain integration hinder enterprise sustainability, especially in agriculture. These gaps point to missed opportunities for deeper and more inclusive economic empowerment.

To address these shortcomings, interventions should focus on building the capacity of loan officers and community-based staff through structured training and collaboration, enabling them to conduct due diligence, supervise effectively, and offer timely business support. Equipping enterprise actors particularly in agriculture with foundational knowledge in business planning, financial management, and market skills such as packaging and labelling is essential. Moreover, affirmative strategies are needed to include underrepresented groups, such as persons with disabilities, while fostering partnerships with grassroots platforms like AMCOS and Savings and Credit Cooperative Societies (SACCOs) to expand access to finance and markets. Strengthening extension services and promoting climate-resilient practices will further ensure that empowered communities can sustain and grow their ventures in the long term.

PATENTS

Author Contributions: All authors contributed to the conceptualization of the study. The methodology was developed by the research team and led by Aika Aku, Joel Matiku, Dominic Kambarage, Cornell Kibona and

Roselyne Alphonse. Data collection was conducted by Aika Aku, Cornell Kibona, Joel Matiku, Augustine Mwandya, Roselyne Alphonse, Lekumok Kironyi and analysis of the data was performed by Aika Aku and Cornell Kibona. The first draft of the manuscript was written by Aika Aku and Dominic Kambarage, while manuscript inputs were contributed by Joel Matiku, Roselyne Alphonse, Cornell Kibona, Augustine Mwandya, Lekumok Kironyi, Edward Mbwanbo and Lesakit Mellau. All authors, therefore, read and approved the final manuscript.

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Institutional Review Board Statement: Ethical approval for human subject research was obtained and approved by the Sokoine University of Agriculture (SUA). Participants were provided with a written consent form they had to agree to before the beginning of the survey, which stated they could quit the study at any time.

Data Availability Statement: All relevant data were gathered by project staff and trained enumerators and they were managed as indicated above.

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Conflicts of Interest: The authors declare no conflict of interests.

Abbreviations: The following abbreviations are used in this manuscript

LGA	Local Government Authority
IDRC	International Development Research Centre
EES	Economic Empowerment Scheme
GDP	Gross Domestic Product
FYDP	Five-year Development Plan
NDV	National Development Vision
VICOBA	Village Community Bank
NGO	Non-Government Organization
SACCO	Saving and Credit Cooperatives Organization
DED	District Executive Director
CDO	Community Development Officer
AMCOS	Agriculture Marketing Cooperative Societies

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