

**HARMONIZING THE FACTORS CONSTRAINING ACCESSIBILITY OF
CREDIT TO WOMEN ENTREPRENEURS IN TANZANIA:
A CASE OF MOROGORO DISTRICT**

BY

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ABSTRACT

The study on harmonizing the factors constraining accessibility of credit to women entrepreneurs was conducted in two divisions namely: Mikese in Morogoro rural and Morogoro urban districts. The objective of the study was to establish different scenarios that harmonize factors limiting accessibility of credit to women. The study involved 103 respondents who were credit beneficiaries from three types of financial institutions; the Formal Financial Institution (FFI), Semi-formal Financial Institution (SFFI) and Informal Financial Institution (IFI). Data were collected using structured questionnaire and by reviewing various secondary data from several sources. Descriptive and quantitative statistics such as frequencies, mean, cross tabulations, Chi-square and cluster analysis were used in analyzing the data. Findings showed that more than half (52%) of women entrepreneurs used their own savings as start up capital. Results indicated that, FFI and SFFI were located in urban areas except IFI which were found in both urban and rural areas. This implies that operation of FIs are limited in rural areas. It was noted that FINCA and Informal lender used group security and guarantor (s) respectively while NMB demand assets and business license as collateral. Findings confirmed that more than half (56.8%) of the respondents faced problems of high interest rate, insufficient amount (21%) short grace period (11.2%) and walking long distance (9.3%) while few (1.7%) of respondents had faced problem of misunderstanding within group. Cluster analysis results to harmonize the type, location and financial institution's objectives suggested different possible recommendations that can improve accessibility of credit to women entrepreneurs. Women residing in urban areas with formal education, having high monetary value assets, operating registered small and medium enterprises FFIs are main and suitable sources of credit. SFFIs and IFIs will be the major source of credit to women residing in rural and urban areas with formal or no formal education, own low monetary value assets, operating registered or unregistered small-scale enterprises which require small loan. Women entrepreneurs wishing to secure loan from SFFI should form groups prior the application of loan as the major criterion for the institution. Loan from FFI

should be applied by women who require individual loan and have already started up their business in a permanent premises. FIs aiming at assisting women in income creation should develop mechanisms of financing new IGAs in urban and rural communities thus many women will benefit from disbursed credits and ultimately engaged more in IGAs. Finally because most of rural women were engaged more in farming as their main occupation FIs should provide loan for farming activities in order to improve agricultural production.

DECLARATION

I, Eunice Kyungay do hereby declare to the Senate of Sokoine University of Agriculture that this dissertation is my own original work and has never been submitted for higher degree award in any other University.

Eunice Kyungay
(MARD student)

Date

The above declaration is confirmed

DR. J. P. Hella
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Date

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DEDICATION

This work is dedicated to my beloved parents, my late father Msewa Kyungay and mother Ndekumbulwa Kyungay who laid foundation of my education.

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LIST OF ABBREVIATIONS

BoT	-	Bank of Tanzania
CA	-	Cluster Analysis
CRDB	-	Cooperative and Rural Development Bank
FAO	-	Food and Agriculture Organization
FARMESA	-	Farm Level Applied Research for Eastern and Southern Africa
FFIs	-	Formal Financial Institutions
FINCA	-	Foundation for Initiatives and Community Assistance
GDP	-	Gross Domestic Product
IFAD	-	International Fund for Agriculture Development
IFIs	-	Informal Financial Institutions
IGAs	-	Income Generating Activities
ILO	-	International Labour Organization
LIP	-	Loan Insurance Fund
NGO	-	Non- Governmental Organization
NMB	-	National Microfinance Bank
ROSCAs	-	Rotating and Savings Credit Associations
SACCOs	-	Saving and Credit Cooperatives
SFIs	-	Semi-formal Financial Institutions
SNAL	-	Sokoine National Agricultural Library
SPSS	-	Statistical Package for Social Science
URT	-	United Republic of Tanzania

CHAPTER ONE

INTRODUCTION

1.1 Background information

There has been an increasing tendency for women in Tanzania to engage in income-generating activities (IGAs) to improve their standard of living. According to Mayoux (1997) women entrepreneurs start up their business using their own funds, either from their personal savings, borrowing from friends, neighbours or from traditional groups. The process of building sufficient capital to set up business is difficult for many women due to limited access to credit. Furthermore lack of credit and the difficulties of acquiring it are often cited as the main obstacles to the start up and expansion of business. It has been observed by many researchers (Burkley, 1997; Berger, 1989) that in absence of formal and Semi-formal credit sources, informal sources played an important role in financing IGAs (both when they start up and later in early stages when they need more working capital). A number of reasons have been given for the lack of access to credit by women. African Development Bank, Cooperatives and other formal financial institutions give credit according to their objectives and priorities. Although these institutions do not discriminate amongst women and men, but in general give loan to men since they own collateral and head families (Due and Kurwijila, 1991).

However, although there are some areas where formal credit programmes have succeeded in promoting development of smallholder and poor community, overall the desired results have not been achieved. Apparently many credit institutions find it difficult to deal with small-scale farmers because of the latter's lack of adequate collateral, high incidence of default and favoured large-scale borrowers in their loan portfolios and rationed out the

small borrowers. In many cases, government policies are biased against poor people, the subsidized interest rate have a regressive effect, and that the formal banks are not able or willing to modify their approach to be relevant to poor people especially women (Kasanga, 2005).

It has been also argued that in Tanzania, the greater number of micro-enterprises and smallholder farmers obtain the credit from informal sources, Riordan *et al.*, (1997) noted that about 66% of initial start up of sources of IGAs that require low capital investment in the country were own savings, borrowing and assistance from friends and relatives.

Need for ensuring that women get credit is well understood. Studies done in Ghana by (IFAD 1998), Bangladesh by (Rahman, 1992) and Latin America by (Berger and Buvinic, 1989) show that extending credit to women has a far better pay off to the household than extending to men. For example women reinvest much of their money (credit) than their couples do in feeding the household, and protecting themselves and their families against the time of hardship. In the developing world, women commonly use almost all of their cash income to meet household needs, while men use at least 25% for purpose other than household related expenses. Furthermore according to McKee (1989) women can make a productive use of credit in a wide range of agricultural and non-farm micro- enterprises that they fit into or around their agricultural and domestic work. Recently, in effort to provide credit services to women, different governmental parastatals, non-governmental organizations, banks and informal as well as traditional groups have been formed (Clark *et al.*, 1997). These financial lending institutions differ significantly from each other in terms of types of clients, institutional framework and funding arrangements. Generally they can be put into three major groups, the formal ones for example commercial bank, semi formal for example non-governmental organizations (NGOs) as well as saving and credit

cooperatives (SACCOs) and informal ones like rotating and savings credit associations (ROSCAs)

Informal groups have been developed as a way of mobilizing savings from community. Such groups have played significant role as rural financial institutions particularly for women (Mayoux, 1997). Many women entrepreneurs depend on informal as a major source of credit.

1.2 Problem statement

As mentioned earlier, income generating activities particularly for women are the lifeblood of developing countries due to their ability to create jobs and raise incomes in environments where economic opportunities are otherwise scarce. They are considered to be vital sources to the contribution they make on poverty reduction on women, and job creation, as well as representing the potential of entrepreneurs' endeavors and the new business development (Satta, 2002). But despite their importance, they face daunting obstacles since far too few have access to formal banks, semi formal and other credit institutions. The United Republic of Tanzania (2002) reports that, in 1992 women in Tanzania comprised only 15% of total membership of formal rural savings and credit associations.

Thus major role of developing countries including Tanzania is to build development strategies to women's access to credit especially from formal and semi-formal credits. Although reasons for lack of access to credit for women are clearly known, such as illiteracy (Riordan *et al.*, 1997) small size of loan and frequency of repayment schedule (Makombe *et al.*, 1999), social customs (Holt and Ribe, 1992), lack of collateral (Temu 1998; Jazairy *et al.*, 1992), bias of financial sector being located at urban areas (FAO,

1998), none of the studies have presented the solution to overcome the factors since under normal understanding there are always opportunities for women to accessing right credit for respective recipient based on the type of credit and the characteristics of the sources. The results of this study will therefore attempt to study different borrowers and recipient scenario that could harmonize the accessibility of credit to women entrepreneurs and ultimately multiply their engagement in undertaking income generating activities.

1.3 Justification

The study will provide useful information to women and improve their understanding on right type of credit to apply from financial institutions. The study results will also benefit the development partners and civil society organizations involved in the provision of credit facilities to women in modifying the lending procedures and conditions to better serve the specific credit and savings needs to specific women.

1.4 Objective of the study

1.4.1 General objective

General objective of this study is to establish different scenarios that harmonize the factors limiting accessibility of credit to women entrepreneurs.

1.4.2 Specific objectives

- (a) Study different characteristics of women borrowers
- (b) To identify lending opportunities and procedures of selected financial institutions.
- (c) To establish different scenarios linking lending institutions and type of women borrowers

(d) Suggest lending options for different categories of recipient

1.5 Research questions

- (a) What are characteristics of women borrowers?
- (b) What are lending opportunities/ procedures available from credit institutions?
- (c) Is there any scenarios that explain the links between lending institutions and type of women borrowers?

1.6 Hypothesis

1.6.1 Null hypothesis (Ho)

There exist no alternative scenarios that can improve accessibility of credit to women entrepreneurs.

1.6.2 Alternative hypothesis (Ha)

There exist alternative scenarios that can improve accessibility of credit to women

1.7 Conceptual framework

Scarborough and Kydd (1992) argue that a conceptual framework should help to indicate the most areas in which to focus limited research resources and ensure that data collected are relevant to the objective of the research. The conceptual framework proposed by this study is presented in Figure 1. The framework shows a set of independent variables which

influences accessibility of credit to women entrepreneurs. All independent variables are supposed to have a positive or negative correlation with the dependent variable. Accessibility of credit to women entrepreneurs is constrained by socio-economic (education, capital, collateral and nature of enterprise) government policy and institutional (misperception, high interest rates and location) factors. It is considered that by harmonizing these lending factors, access to credit will be improved.

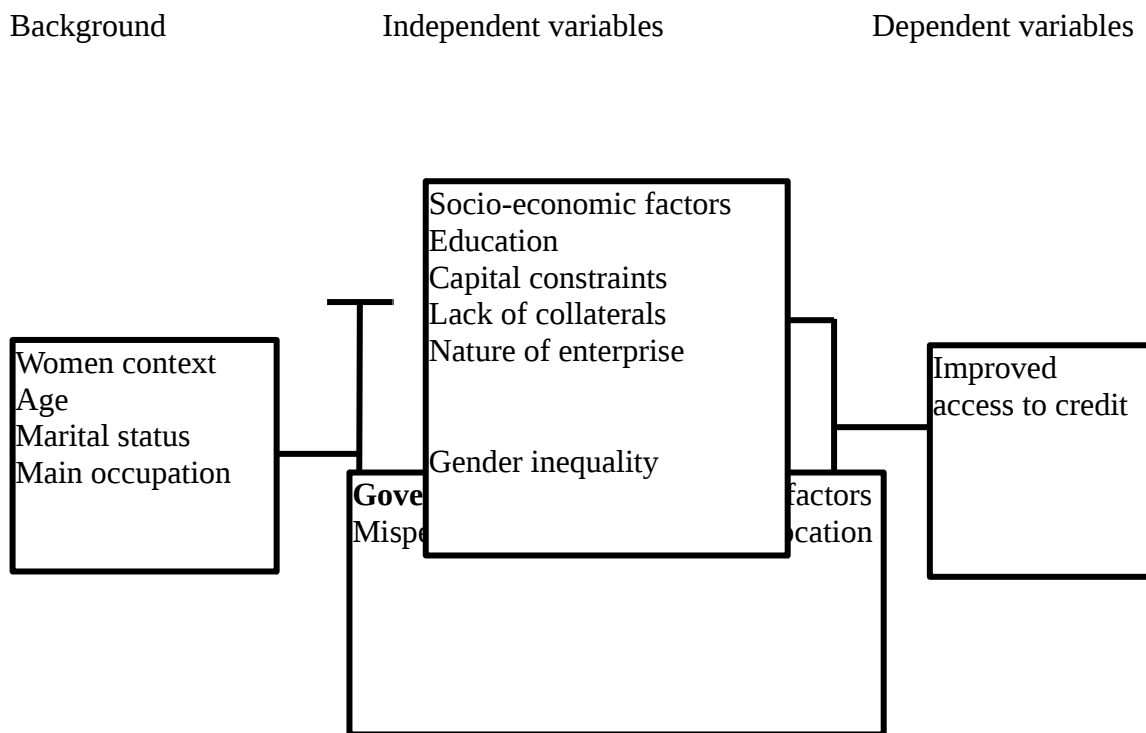


Figure 1: Conceptual framework for harmonizing factors constraining accessibility of credit to women entrepreneurs

1.8 Organization of the dissertation

This thesis is organized in five chapters. The first chapter covers the introductory part, the second chapter presents a review of existing literature on harmonizing factors constraining accessibility of credit in order to enhance access of credit to women. These include

meaning of credit, importance of credit, credit policies and women in Tanzania, sources of credit for women's IGAs, factors constraining accessibility of credit to women and ways of harmonizing them, women's income generating in Tanzania, nature of women's IGAs and methodology of the study. The third chapter presents the research methodology, highlighting the location and characteristics of the study area, types and sources of data, sampling techniques and data analysis.

Chapter four presents the discussion on the results and findings emanating from primary data as collected from credit beneficiaries. Conclusion and recommendations drawn from the study are given in chapter five. A list of references cited in the text is presented at the end of this work.

CHAPTER TWO

LITERATURE REVIEW

2.1 Meaning of credit

Credit refers to a loan with an obligation to pay back with or without interest (Kashuliza *et al.*, 1998). Berthold (1996) defines credit as money lent with an interest for profit. A lender makes a loan with the idea that the borrower will pay back as agreed and that an interest rate will be paid as some sort of “rent” use or the price of borrowing of the money. Under NGOs perspective (Berthold, 1996) further elaborated that credit is generally understood as a supply of money or inputs by a donor institution to the project executing agencies or NGOs so that the latter may pass some of it to the target groups in the form of loans, enabling them to finance development activities over asset period of time and repay the loan with interest.

2.2 Importance of credit

Credit is important in improving small scale enterprises (Minde, 1985). Saving and credit facilities could assist women to increase their income level if they were made available in an easily accessible way. Credit is the key element in economic empowerment because it assures the productive of enterprise being financed. Sharma (2000) found that many micro finance services in Asia and Africa target women on the assumption that empowering may leads to better allocation and use of household resources. Several studies in Bangladesh support this assumption, indicating that services directed to women significantly increase assets, incomes, and educational attainment of children, especially girls (Sharma and Zeller, 1997).

The success of financial services has an important impact on the welfare of the people

especially women. Study conducted by Kasanga (2005) revealed that, provision of credit for women are regarded not only as an instrument for poverty alleviation but also for women's social and political development of women's business. According to Due and Kurwijila (1991), use of loan money improves income generating activities, contributing to the improvement of economic, social and political positions. Credit can also address issues associated with non-material poverty, which includes social and psychological effect that prevents people from realizing their potential. For example micro-finance initiatives empower people at steady income, savings accounts, training and the discipline to honour loan repayments usually raise the self esteems and status of clients in societies where they are often treated as second class citizen especially women (Jazairy, 1992; Mkandawile and Saludo, 2003).

Although credit play a crucial role to women there are negative effect of women in respect to credit. Study conducted by (Makombe *et al.*, 1999) in Tanga and Coastal Region revealed that the reason for non repayment of the pilot Scheme loans by women and collapse of their IGAs was due to some women took loan without a clear idea of what to do with money, their perception that the loans were donor money that had to be taken or used. Moreover this negative perception has led to some women took loans and gave their husbands to start some business which made the obligation of repaying loan not felt. Guhathakurta (1996) noted that some women after receiving loan from credit institutions; the money has been squandered by their husbands, and also some of women use credit money for family needs (Fraser and Kazi, 2004).

2.3 Credit policies and women in Tanzania

Financial policies of Tanzania government have long emphasized the importance of

providing credit to support productive activities in rural areas. Financial institutions are to provide financial services to the rural sector. Much of these services were provided by the Cooperative and Rural Development Bank (CRDB), The National Bank of Commerce (NBC), The Tanzania Investment Bank (TIB) and the Peoples Bank of Zanzibar.

In the past, both developed and developing countries have provided loans at subsidized interest rate to large enterprises to increase employment and production. In contrast, little has been done to provide credit to for women's micro enterprise in developing countries until the last two decades (Due and Kurwijila, 1991). According to Henn (1984) in theory, women can borrow from any of these institutions if they are able to fulfill all the conditions and procedures laid down. In reality, women can hardly fulfill these conditions and procedures and are denied access to credit network. Evidence has shown that the commercial and rural development bank in Tanzania normally will not lend to women who have little security to guarantee the loan, lack a positive credit experience, and are unable to prepare feasibility studies or meet the highest interest rates.

Furthermore Due and Kurwijila (1991) observed that, with government policy in Tanzania changing from a socialist to a more mixed economy emphasis, more non Governmental Organization (NGOs) are operating in the country. Several of these NGOs are providing funds for women's (and men's) income generating activities through micro enterprise development.

Most of these are pilot projects currently targeted at specific areas and specific groups with funding for two or three years initially. Most of these projects are sufficiently recent that costs, benefits, administrative efficiency, of repayment rates are not known.

2.4 Sources of credit to women's IGAs

There are several sources of credit institutions for women's IGAs. These can be grouped as formal, semi-formal and informal sources.

2.4.1 Formal sources

Formal sources are constituted of formal financial institutions (FFIs). These institutions, both private as well as public, are characterized as being regulated by the Central Bank authorities. These authorities decide on what kind of services the institutions are allowed to provide (Chijoriga and Cassimon, 1999). Women entrepreneurs have received very little credit from the banks, a situation which had a negative impact on women's productivity. However according to Virji and Meghji (1989), provision of credit to women will enable them to participate in economic activities, commercial and development banks have provided loans to sectors where the majority of women are not involved. For example provision of credit technology services have been biased to crops that are dominantly controlled by men and export types. This has meant to denied such services to women entrepreneurs.

2.4.2 Semi-formal sources

Semi-formal sources are financial institutions that are not subject to formal banking laws and the central bank supervision. They are also not like the traditional indigenous financial institutions. These include Savings and Credit Co-operative Societies (SACCOs), parastatals, government and non-governmental organizations (NGOs), such as different micro-finance organizations with credit components. These semi-formal financial institutions mainly focus on the income generating activities for youth and women who are the most disadvantaged groups in poor societies (Dichter, 1999).

According to Birgegaard (1993), disregarding their internal differences, they are only based on savings. Membership is voluntary and utilization of money is not prescribed. The organizations have revolving funds with initial capital input from donors. In this way they try to keep self- sustainability in order to meet credit demands. Institutions and organizations participating in the Semi-formal credit systems have increased substantially and exploited their cooperation in both rural and urban areas.

Hague 1992 in Birgegaard (1993) elaborated further that despite the facts that semi-formal financial institutions are responding to the needs of poor people in general and women in particular compared to formal institutions, they still face serious problems, for example, limited area coverage, low growing capacity, difficult to develop a sustainable institution and in finding a stable institutional framework for their activities. In describing the limitations of access of credit to poor people, Berger and Gulli (1999) noted that most SFFIs are located in urban areas and therefore mostly served urban people. Also they are trade biased for example, they do not concentrate their lending on agricultural activities.

2.4.3 Informal sources

Informal sources of financial institutions (IFIs), on the other hand refer to all transactions, loans and deposits occurring outside the regulation of a Central monetary and Supervisory organ (Chijoriga and Cassimon, 1999). The sources are also considered by as financial markets that include mutual support groups, and individual financial brokers (moneylenders, pawnbrokers, etc). Their operations also are frequently more cost effective and useful for the poor than those of formal credit commercial banks.

In most cases, collateral and repayment conditions are flexible which an advantage is for those without collateral but with high interest rates (Levitsky, 2000). Holt and Ribe (1992) elaborated that informal finance have many advantages. Informal financial agents, for example know their clients better than formal bank do., which reduces information costs and their interest rates reflects market forces. But despite their popularity and potential most forms of informal finance have limitations.

They are segmented from large market, which curtails lenders access to funds and reduces competitions and have limited ability to provide terms finance or mobilise savings. Also as long as the poor relay on informal markets they may remain outside economic mainstream. Moreover, study done in Nigeria, Miller (1997) found out that the cost and conditions imposed by money lenders and traders are handicaps to the use of their facilities because the interest rate charged on loans from money lenders are excessively high. For example, in Ihimodu gave the range between 70% and 80% as the rate charged in Oshum south, Egba, Estern State and Lafiagi in Kwara State in Nigeria. Traders on the other hand, may offer cash loans on the understanding that the products are sold to them at per-determined prices, which are necessarily lower than post-harvest.

2.5 Factors affecting accessibility of credit to women entrepreneurs

2.5.1 Socio-economic factors

2.5.1.1 Lack of capital

Lack of access to resources and particularly capital has limited women's abilities to accumulate assets that would serve as collateral when in need of credit. Most women depend on their own savings which necessitates longer period before one accumulates enough capital to start IGAs or one is forced to start business with low capital.

For example the Cooperative and rural development Bank (CRDB) provided loans for agricultural development but against fixed assets that most women can't afford durable houses, or cattle are often in the name of men or husband (Ako, 1998).

Researches on women participation in the informal sector indicates gender differences among the sexes. Interms of financing it has been established that men engage in IGAs with capital which is four times greater than that of women and their return is five times higher than that of women. A reason which explain why women fail to diversify their projects (Shayo, 1995). The situation hence denied access of credit to women from financial institutions as the institutions require women to have an existing business before applying credit.

2.5.1.2 Women's limited access to education

According to URT (2002) there is more illiteracy among women (36%) than among men (20.4%) The cultural gender bias in school enrolment, for example favor of education for boys as compared to girls, poverty, early pregnancies, domestic child labour have resulted in both high levels of illiteracy and low levels of education among women (Simon, 1995). Consequently many women do not acquire the skills necessary for applying credit from bank, which require formal application procedure. At the same time, women's relatively lower education levels have disabled them to apply for credit even when it is available because of the failure to present project proposals. According to Rahman (1992) the problem of access to credit is exacerbated by the fact that majority of small borrowers especially women have limited education. Borrowers need to have reasonable level of literacy to understand loan conditions and sign on loan documents.

2.5.1.3 Lack of collateral

Many poor people do not have enough collateral to satisfy risk aversion lenders, but women have particular trouble meeting this requirement. Resources such as land and other assets that can be used to meet collateral requirements are usually in a man's name. The types of valuable to which women do have access are often deemed unacceptable by formal financial institutions (Hossain and Afsar, 1989). Biswalo and Zodwa (1998) assert that a major hurdle factor that restrict access of credit to women entrepreneurs from modern banking system is collateral, collateral include houses, land and other properties. The problem is that just about all the above items (especially land) are in the name of the male who is the head of house. Women require the approval of the man (i.e. signature) in order to receive the loan.

However FAO (1984) reports that even though many development countries have legally affirmed women's basic right to own land, actually female control of land is practically non-existent. Administrative economic and culture constraints combine to deny most women both ownership and effective control. Where land titles have been distributed they are nearly always allocated to male heads of households and only few women have financial resources to buy land in an open land market situation.

2.5.1.4 Size and type of women's business

Berger (1989) found that, the types of business women engage affect their access to credit. Women have limited access to physical and human resources, their business tend to be among the smallest, even within the categories of micro enterprises and have low profit margins. Their concentration in smaller, lower profit activities makes women bigger credit risks for commercial lenders. Lycette and White (1989) reported that nature of women

business affect their access to credit because women have limited access to resource, their business tend to be small and have low profit margins which makes them bigger credit risks.

The problem of providing credit to women especially in rural areas stems from women primarily involvement in the subsistence sector. Rural women's heavy responsibility for providing goods and services for family consumption makes them appear credit risks to financial institutions and other credit providers, including project designers and managers. For example, the core of the problem in providing credit to purchase inputs for subsistence production is the inability of credit managers to imagine how loans for subsistence activities can be repaid. Credit officers normally assumed that the activities for which loan are given must themselves produce an adequate financial return to sustain repayment. This basic principle eliminates the possibility of credit to subsistence sectors (Hossain and Afsar, 1989).

2.5.1.5 Gender inequality

In Tanzania public credit programmers depend on physical collateral and so are heavily biased towards male headed household (Virji and Meghji, 1989). Women had received very little credit from the banks, a situation which had a negative impact on women's productivity. Commercial and development banks have provided loans to sector where the majority of women are not involved, for example provision of credit technology services have been biased o crops which are dominantly controlled by men end export types. This has meant denial of such services to women.

Saito (1992) pointed out that women face gender -specific barrier. Poor women almost universally lack assets that can be used as collateral, they do not belong to organizations

which can provide the banks with guarantee and worse, they frequently suffer from resistance and interference by male relatives when they want to access towns. Discrimination of women in formal financial markets is also widely spoken (FAO, 1984; Otero and Downing, 1989). Further more it is argued that women's lack of control over economic activities restrict their access to formal credit more than men. Gender analysis of lending institutions has revealed that despite the fact that women have excellent loan repayment records, they are still less represented in the loan portfolios for micro producers and borrow on average small amount than men (Helmsing and Kolstee, 1993). Moreover Helmsing and Kolstee (1993) went further and argued that women are more represented in loans that require group collateral rather than material collateral which are given to men. These types of loans are least productive and do not have long term financial viability hence their failure to graduate their clients into the formal banking sectors.

Limited access to the various sources of credit is seen as a more severe problem for women than for men. This difference is in part attributed to the particular credit needs of women. Their businesses require smaller amounts of capital than are customarily lent, and repayment and collateral requirements must be fairly flexible (Reichmann, 1989). An additional factor, evident in a number of developing countries, is the legal requirement that women can obtain loans from the formal financial institutions only if their husbands sign for the loan. Women borrowers receive smaller loans than men from the banks. (Lycette and White, 1989).

2.5.1.6 Lack of information and market

According to Sudan (1993) market is a very crucial area for women in self employment sector. Lack of access to markets had squeezed out large number of women from need of credit. Women see that there is no need to apply credit to run IGAs while there is no

market to sell their products. Due to lack of market products will not be sold which results to failure to repay loan. Kisyombe (1996) pointed out that limited mobility, because of household duties and child care gives women limited access to information about existence of credit, bank lending and markets especially in rural areas where communication facilities are limited. Furthermore sufficient information is not available on which credit categories of women should secure credit and from which type of financial institutions. It was also noted that women especially in rural areas lack information on where to secure credit and on credit providers. Information plays a big role in mediating the credit.

2.5.2 Government policy

Government intervention Government in Tanzania, like in most developing countries, became a subject of criticism due to its distortive effects on the financial sector and eventually led to the introduction of financial liberalisation policies. These reforms in broader terms aimed at among others, improving access to financial services by all sectors previously excluded by financial institutions. Despite the success signs of the reforms a number of setbacks have been observed. For example, the restructuring and privatization of state banks (National Bank of Commerce and Co-operative and Rural Development Bank) that came with these reforms led to a closure of 78 branches throughout the country, mostly in rural areas. The closure of these branches has led to the majority of people in rural areas having no access to banking services (Satta, 1999). According to ILO (2001) literature indicated that as much as 80 percent of the population in Tanzania is still excluded from reliable access to banking services, this explains the limitation and scarcity of the small business access to financial services.

2.5.3 Financial institutional factors

2.5.3.1 Misperception

Holts and Ribe (1992) reports that formal financial institutions consider women as poor credit risks, they use financial services exclusively for short term consumption and that do not save. Kuzilwa and Mushi (1997) elaborate further that, commercial banks, which traditionally looked upon powerful catalyst of economic development through resource mobilization and the provision of credit to profitable ventures, did not offer credit to small business. Their stringent lending policies and collateral requirement, cumbersome procedures and their own perception of small business led to their exclusion.

2.5.3.2 High interest rate

According to Levitsky (1993) high interest rate acts as a barrier for most poor people to secure credit from commercial banks. Bottomley (1995) argued that the ceiling on interest rates also imposes a considerable constraints for banks to advance small loans since they prevent banks to incorporate the additional administrative costs involved in processing small loans and not also permit banks to offer risk adjusted interest rates. These banks tend to advance loans only to those who offer risk and better security, which implies that only rich and wealthy people receive loans at cheaper rates, leaving the small and poor borrowers especially women to seek loans from unorganized credit market.

2.5.3.3 Location of financial institutions

The spread of FFIs is limited to urban centres. Rural areas where the majority of poor live, are left without such services (BoT, 2000). Given the urban biasness by most banks, borrowers often have to travel long distance and reversal times to the credit institution which may be located in a district or Regional head offices. Each visit can take a long time

with endless waiting. This time spent could have been used on something productive, which means, that it has an opportunity cost. Mode of operation of financial institutions leads to high borrower transaction costs which may be prohibitive to most women (Adams and Nehman, 1979).

2.6 The concept of harmonization

Harmonizing means to bring or to come in agreement, agree in action, adaptation, or to be in peace and friendship as individual or public organizations (Christer 2004). Also the word harmonizing is defined according to its uses for example, in international law means the process by which different states adopt same laws while for the apocryphal; is the act of removing discrepancies between different Gospels, for musicians is the implementation of harmony usually by using cords. According to Blakely (2000) the process of harmonizing as used by researchers contributes in resolving the conflicts or problems that previously exist in particular areas, societies or organizations.

The concept of harmonizing has been used by different researchers in solving different problems. For example, harmonization of international trademark law which was considered as critical steps in allowing trademarks to save their important role in the global economy and also serve as a stepping stone towards the emergency of unitary transitional system of trademark protection (Blakely, 2000). Another researcher Martinez *et al.*, (2002) found out that despite of rapid growth in olive oil consumption in recent few years, the culinary use of olive oil is still relatively new to United Kingdom consumers, and is still regarded as a set of particular attributes rather than as an everyday cooking oil.

To increase sale and attract new users, olive oil needs to be seen by United kingdoms

consumers as everyday cooking oil, and enter into direct competition with standard vegetable oils. To achieve this, harmonization was used to establish the strategies in which standard olive oil will be repositioned and distanced from extra virgin olive oil in order to give customers sufficient cues to revise their opinion and consumption strategies.

2.7 Methods of harmonizing constraining factors affecting accessibility of credit to women entrepreneurs

2.7.1 Encouraging the establishment of sustainable rural based community banks.

Given the urban biasness by most banks and the exclusion of the majority rural population from reliable financial services, the establishment of these banks is likely to allow rural dwellers to effectively exploit the apparently abundant resources in their areas. So far in Tanzania about three rural based banks have been registered in Tanzania. However, out of these three banks, The Kilimanjaro Co-operative Bank emerges as the potential bank to be used as a model in Tanzania for replication in other rural areas (Temu, 1998).

2.7.2 Law reform

Law reform to give legal recognition to women's rights to land and property is often the first step necessary to promote gender parity in land and property rights. Law as an instrument of social change needs to be supported by an efficient law enforcement system that can help prevent and restore land and property. that is taken and by legal rights There is need to work with traditional leaders to resolve discrepancies between women property rights and the discriminatory provisions of customary law, there is a continuous need to sensitize and educate the public about gender supportive land and property laws. Although Tanzania had already actively engaged in promoting the rights of women to land and other

properties, the main problem however is the fact that most of the NGOs are based in urban areas; such services in the rural are still limited. There is need to scale up these initiatives in the rural areas (Mutangadura, 2005).

2.7.3 Improving women's education and information

Gender biases in the educational system and training must be consistently attacked to give women new opportunities for achievement, while school curricula must incorporate concepts of gender equality and peace at all levels, so that students will incorporate them throughout their lives. Other studies (Riordan *et al.*, 1997; Pancras, 1999; Mohamed and Kisanga, 2003) suggest that, lack of awareness and information about availability of credit can be solved through mass mobilization for example, publicity, village meetings, social gathering such as market places, radios, and the kind of collaboration between village chairman and lenders institutions. Mobilization could involve the distribution of many posters that show the agency's business on credit funding.

2.7.4 Encouraging group formation

For women to be able to receive loan from credit institutions group formation has been pointed out as an important strategy. Several studies (Minde, 1985; IFAD, 1998; Zeller and Sharma, 1997) have suggested that, in order to solve the constraints facing women in accessing credit, agencies and government should encourage the formation of women association or groups to facilitate access to credit. The use of solidarity groups reduces administration costs; solves problem of collateral, facilitates training, and sharing of knowledge as well as experience among group. With member group solidarity there is ability to pool together resources and this could increase their credit and worthiness to financial institution.

2.8 Women's income generating activities in Tanzania

Income generating activities for women in third world countries arose in the context of the basic needs approach (BNA) within the dominant concept of Women in Development (WID) which emerged in the early 1970s (Mbuguni, 1994). This was a response to the growing evidence that the economic and social development efforts had not benefited women as much as men (Muro, 1994; Mbilinyi, 1992).

The BNA emphasises the reduction of income inequalities between women and men. It is for this reason that women in Tanzania have for quite a long time now been encouraged to under take income generating activities (IGAs) so as to realize cash income of their own for supplementing their household income and improve their standard of living (Makombe *et al.*, 1999). The growing importance of IGAs in Tanzania is evidenced by its contribution to the National economy. By 1990, these activities contributed between 20% and 30% of the GDP (Malyamkono and Bagachwa, 1990). It is also gaining prominence in the household economy since it involves at least one member in almost every household. IGAs provide greater access for women than other sectors, which often require educational qualification beyond those held by men.

Women engaged in IGAs either in a group or as individual (Mbuguni, 1994). IGAs enable them to earn independent income in order to fulfill their obligations. The activities include farming, livestock keeping, beer brewing, food processing, retail selling of petty commodities, handcraft and pottery. Youssef and Rogers (1998) reported that women in developing countries generally join the work force as a result of financial necessity, so that their incomes must be devoted to survival needs. Apart from creating employment, these

activists are important in their contribution to food security through the income generated from selling the products (Minde, 1988).

According to Koda (1990) formal obligations of men are being reversed because women's IGAs have generally become more economically rewarding than the wage earning and have paved a way toward a better life. Women are now building houses, paying school fees, house rent, and maintaining family as a whole. However experience has shown that in some cases women's participation in economic activities disadvantageous to women, for they are not always able to secure the benefits of production comparable to those of men or to gain equal control over the products of their labour.

Tripp (1981) found out that regardless of participating in IGAs women earned far less cash than men because of limited resources such as capital, business skills, time and modern technologies. A study conducted in Mafia reported that a high proportion of women who were engaged in economic activities did not control the cash accrued from their activities. Instead it was men who had access to cash and therefore responsible for purchasing all the food which are not grown and other necessary commodities.

2.9 Nature of women's IGAs

Women participation in IGAs has demonstrated the difficult position experienced by them in fulfilling their role as breadwinners for their families. Most women share their time between IGAs and household functions. Rutashobya (1995) pointed out that although women's participation in IGAs have given them greater economic independence within the household their role has extended by increasing their responsibilities for providing cash income while mainstreaming their traditional roles in the family. These responsibilities are

hardly supported by improved technologies thereby increasing workload for women.

Holmboe-Ottesen and Wandel (1992) found that IGAs undertaken by women such as cooked foods occurred within the household compound. In these respect it was possible for women to perform domestics activities more closely than when IGAs are done away from home. In contrast to rural women, womens IGAs in urban areas are characterized by more market hours a day (Cherop, 1996). Some of activities may involve a lot of time leaving little time to attend to other duties that are under their spheres such as cooking and feeding children. For example sale of food and local brewing activities are very time consuming. Holmboe-Ottesen (1989) noted that on average, local brewing requires two to three times the labour and time inputs required for domestic purposes.

Furthermore other activities common among women use resources produced in the household. Local brew for instance is made from maize, millet and/or banana (Mwadime, 1996) Most of women's IGAs use labour coming from the household pool and labour is rarely hired and women depend on skilled developed from home and partly on home based equipments (Minde,1998).

Studies conducted by Rutashobya (1991) revealed that women have tended to concentrate on activities that produce and/or sell goods and/or services in a perfectly competitive market structure where there are many sellers selling identical goods and services. In such a market structure, sellers become price takers rather than price setters. Women operating such businesses have no pricing freedom and therefore no competitive price advantage. Activities like poultry, piggery, animal husbandry and farming fall under this category Rutashobya (1991) elaborates further that women were found to operate on activities with lower barriers to entry; that is, activities which require little capital investment and those

that do not require a unique business premise. Most of the activities could be undertaken around the home.

2.10 Cluster analysis for women credit accessibility

2.10.1 Definition of cluster analysis

Cluster analysis is a method of grouping those variables within a set of variables that are highly correlated and excluding from clusters those that are negatively correlated or uncorrelated. Cluster analysis sought through the raw data and groups them into clusters. Object in a cluster are similar to each other. A cluster is a group of relatively homogenous cases or observations.

2.10.2 Uses of cluster analysis

According to Punj and Stewart (1983) cluster analysis is used in marketing for; segmenting the market and determining target markets, product positioning and new product development and selecting test markets. They further elaborated that increasing numbers of economic development organizations throughout the world are using cluster-based economic development strategies to determine the best ways to invest resources for economic growth. Regions, states and nations that target and invest in specific industry clusters tend to have greater focus, utilize resources more effectively and deliver better results.

Furthermore cluster analysis has existed as a statistical tool although its entry into the world of credit has been related and mainly through applications in marketing. It does, however, have some applications in credit scoring and account management (Edelman, 1992). Forest ecologists use cluster analysis to determine which plots (i.e. objects in a

forest are similar with respect to the vegetations growing on them (Charles and Ronesburg, 1981). Charles and Ronesburg (1981) further pointed out that medical researchers use cluster analysis to determine which diseases have similar patterns of incidence.

According to Anderson (1994) cluster analysis is a guide for directing the use of limited funds rather than producing volumes of data. However although cluster analysis is relatively simple and can use a variety of input data, it is relatively a new technology and is not supported by a comprehensive body of statistical literature (Punj and Steward, 1983).

CHAPTER THREE

METHODOLOGY

3.1 Location and characteristics of the study area

The study was conducted in Morogoro district (rural and urban). The study area occupies 19 056 km². It is located in north-east of Morogoro region in the slopes of Uluguru Mountains, altitude ranges from 300-600m above sea level with an average rainfall between 700mm-and 1200mm (intermediate zone) and 900mm-1400mm (river valleys and basin). The temperature ranges between 25-30°C. According to National population and Housing census of 2002, Morogoro district has a total population of 263 920 of which 129 285 (48.9%) are male and 134 635 (51.01%) are female. In Morogoro urban the total population is 228 863 where male and female are 113 639 (49.7%) and 115 224 (50.3%) respectively.

Administratively, Morogoro District has 10 divisions, which are divided into 42 wards and 235 villages, while Morogoro urban has only one division, which comprises of 19 wards. The area was selected because is among the district that have active public and private financial institutions. These include Presidential Trust Fund (PTF), Foundation for Initiative and Community Assistance (FINCA), FARAJA Trust Fund, Microfinance Bank (NMB), and Cooperative and Rural Development Bank (CRDB). However the study was conducted in only two divisions, namely Morogoro urban and Mikese in Morogoro district.

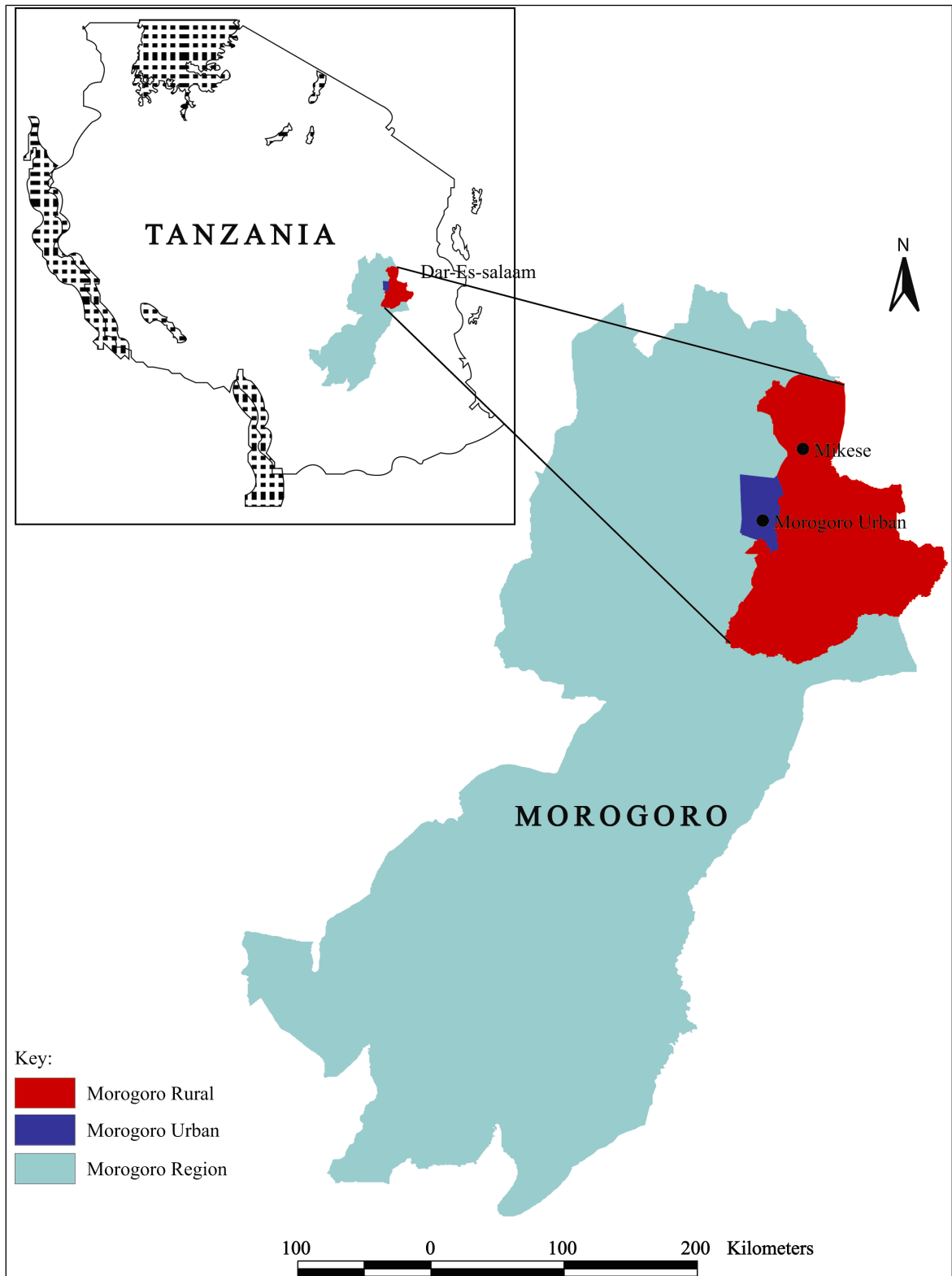


Figure 2: Map showing location of the study area

3.2 Research design

The design of the study was a cross-sectional survey, which involved interviewing a representative sample of a population at a single point in time, without repetition from the representative population. The design was chosen because of being economical to conduct interview on time, and it allow comparisons of the variables (Bailey, 1994). In addition secondary data was used.

3.3 Sampling procedure

3.3.1 Sampling method

Different sampling techniques were employed. Purposively Morogoro district was chosen for conducting this study. The district was chosen based on the existence of evidence of credit institutions. After identifying the district, multistage, and simple random sampling was subsequently employed.

A multistage stage sampling technique for this study had involved several stages. First stage involved selection of two divisions out of ten divisions forming Morogoro Rural District. In this context Morogoro urban and Mikese divisions were chosen. The two divisions were chosen because of having the reasonable number of credit beneficiaries and the credit. Systems and location of financial institutions, NMB and FINCA operated in Morogoro urban division and Mikese division respectively while IFI serves both divisions (Morogoro urban and Mikese divisions).

The second stage involved the selection of two Wards from Mikese namely Mkambarani and Mikese centre and six wards from Morogoro urban which were Mazimbu, Boma, Sabasaba, Kingo, Mji mkuu and Kihonda. Two wards were selected because Mikese division was comprised with only two wards. Six wards from Morogoro urban were

selected due to the fact that most of credit beneficiaries from NMB are found in these divisions (according to loan officer from NMB). Purposively villages/streets were chosen based on number of credit beneficiaries found in the area. Finally from these wards villages and hamlets/ streets were chosen. The same method was used to select credit officials who offered credit to women.

Respondents for interview were selected randomly from the registers containing list of women borrowers from each financial institutions representing the two divisions. Random sampling was appropriate for selecting respondents for this study because it allows the use of statistical inference tests and thus avoiding conscious and unconscious biases in selection of the respondents.

3.3.2 Sample size and justification of using the size

Credit beneficiaries undertaking IGAs were the units of analysis. The total sample size was 103 respondents i.e.51 respondents from Morogoro urban and 52 respondents from Mikese divisin. Based on The Farm Level Applied Research for Eastern and Southern Africa (FARMESA) experience (Matata *et al.*, 2001) having 80 to120 respondents are adequate for most socio-economic studies in Sub-Saharan Africa the sample size was justifiable.

3.3.3 Sample size by wards

Results have revealed that 38.2% of respondents in the study area were credit beneficiaries from Mikese centre, while from Mkambarani credit beneficiaries were 26.4% of respondents and 9.9% of respondents were beneficiaries from Mazimbu ward. Others 8.2%, 5.8%, 3.9%, and 4.7% of respondents were credit beneficiaries from Kihonda,

Boma, Sabasaba, and Kingo wards respectively. Credit beneficiaries from Mjimkuu were only 2.9% of respondents.

Table1: Propotion (%) of Sample size by wards

Name of wards	Institutions offered credit (%)			Total
	FFI n=41	SFFI n=42	IFI n=20	
Mikese Centere	0.0	56.6	35	38.2
Mkambarani	0.0	43.4	15	26.4
Mazimbu	20.3	0.0	20	9.9
Kihonda	14.1	0.0	25	8.2
Boma	23.5	0.0	0	5.8
Sabasaba	16.2	0.0	0	3.9
Kingo	18.3	0.0	0	4.7
Mji mkuu	7.6	0.0	5	2.9
Total (%)	100.0	100.0	100	100.0

3.4 Data collection

3.4.1 Types and sources of data

3.4.1.1 Primary data

Data from credit beneficiaries from formal, semi-formal and informal lenders were collected using a structured questionnaire (Appendix 1) with both close and open-ended questions. Questionnaire was used in collecting the following information; socio economic characteristics of borrowers such as age, marital status, number of children, number of dependants, main occupation, level of education, IGAs which applied loan, size of enterprises, source of initial capital to start up business, initial capital, income earned from

activities, profit accrued from activities, assets owned and their values, source of credit, amount received, collateral requirement and type of collateral.

3.4.1.2 Secondary data

The main sources of secondary data for this study included published and unpublished documents and reports from Sokoine National Agriculture Library (SNAL), financial institutions such as NMB, FINCA and informal lenders and from relevant district, divisions and wards. The type of data collected from financial institutions were operational procedures, criteria for selecting borrowers, type of credit offered, type of IGAs offered credit, and number of women who had received credit. The reason for selecting NMB and FINCA was that these institutions have been operating in the study area for a relatively long time (more than 4 years).

3.5 Data processing and analysis

Data collected by structured questionnaires were coded and entered in Statistical Package for Social Science (SPSS version 11.5) computer programme. Before analysis data cleaning was done. At this stage outliers and any peculiar behaviour of data set was noted. Different methods of data analysis were employed depending on the objectives of the study as shown in a, b, and c below.

(a) To study different characteristics of women borrowers

(b) To identify lending opportunities and procedures of selected financial institutions, Different descriptive analysis such as frequencies, means and cross-tabulation correlation were used.

(c) To establish different scenario linking lending institutions and type of women borrowers cluster analysis were used.

Cluster analysis: The cluster analysis (CA) was employed in order to identify natural grouping predicting socio- economic aspects of women borrower and selected financial

institutions. CA is based on some measures of similarity of multivariate observations (e.g, X_i and X_j) where variable of similar characteristics are clustered together. The analysis measures the inequality of individuals i.e. the unequalness of the standardized values which individuals have for the variables included in the cluster analysis.

The inequality is measured as the Euclidean distance between individuals is given by;

$$d_{ij} = [(\mathbf{x}_{i1} - \mathbf{x}_{j1})^2 + \dots + (\mathbf{x}_{ik} - \mathbf{x}_{jk})^2]^{1/2}$$

Where:

d_{ij} = Geometrical interpretation of distance from alternative i to alternative j

x_{ik} = Value of variable x_k for alternative i such as lending procedures, amount of loan, distance.

x_{jk} = Value of the same variable for alternative j such as characteristics of women, nature of enterprises, education, capital & collateral.

i = lending institutions such as formal, semi-formal and informal financial institutions

J = women borrowers in urban and rural areas.

Advantage of CA is that there is no need to define the specific group for observation at the beginning of the analysis (Esbensen *et al.*, 1997) hence the result generated are less likely to be subjected to bias.

3.6 Limitation of the study methodology

The study was limited by the following factors.

- (a) During the time of collecting this data many respondents especially in urban area were experiencing an exercise of demolition of unplanned structure by Municipal officials. This has led to some of respondents to be so angry and busy in rearranging or

removing their properties from the area thus reluctant to be interviewed. The hardship obtained, made a work that could take only a few weeks had taken longer than it was expected.

- (b) Some of respondents were so skeptical to mention their real income and profit generated from their IGAs. Their reluctant to provide information concerning their IGAs was related to suspects of income tax collection. The researcher assured them that the study had no relation with any other intention and it was entirely for studies.
- (c) The majority of respondents in the study area do not keep records on the transactions of their IGAs. Answers given by respondents therefore depend heavily on memory recall. Most of respondents especially in rural area needed to think for a long time before they could understand the questions asked and provide a proper answer. Much computational tasks hard to be undertaken in order to convert answers into proper units of measure. For example, monthly income and profit could only be obtained from daily or weekly averages.
- (d) Researcher and research assistant experienced the difficult of reaching respondent especially credit beneficiaries from FFI and IFI. This was attributed to scattering of respondents in the urban area. It was a hard task of tracing them in town but researcher did not despair in tracing them.
- (e) Despite the above limitations, the researcher was confident that the data that have been collected are reliable. They can therefore be used for generalizations as far as the study is concerned

CHAPTER FOUR

RESULTS AND DISCUSSION

4.0 Characteristics of the respondents

4.1 Social characteristics of the respondents

4.1.1 Age

Results from survey show that the largest group 48.2% of the respondent in study area had age range of 31-38 years. The second largest group 24.5% of respondent had age range of 23-30 years while 11.7% of respondents had age range of below 39-46 years. 9.8% and 5.9% of respondents had age below 22 and 46 years and above respectively. Statistics from the study indicated that many credit beneficiaries are over 30 years of age, while mature people of age above 46 years form a small part of respondents. This indicated that the effort required to secure credit is substantial and hence demand relatively young women but old enough perhaps with some years of married life, a stable accumulation of assets and some entrepreneurship experience (Table 2).

4.1.2 Marital status

Marital status has been used as an important factor that may influence women entrepreneurs willing to access and use credit. In this study marital status was taken to include formal and informal unions and was categorized as single, married, widow and divorced or separated. The distribution of households according to the type of marital status is presented in Table 2.

Table 2: Social characteristics of the respondents

Characteristics	Urban (%)		Rural (%)		Total N=103
	FFI n=41	IFI n=10	SFFI n=42	IFI n=10	
Age group					
Below 22	0.0	15	15.6	10	9.8
23-30	24.4	35	21.4	30	24.4
31-38	45.8	45	43.5	50	48.2
39-46	20.1	5	16.4	10	11.7
40 and above	9.7	0	3.1	0	5.9
Sub total %	100.0	100	100.0	100	100.0
Marital status					
Married	58.5	55	41.9	45	52.4
Single	15.6	15	23.8	25	20.4
Widow	21.1	25	14.8	20	17.5
Divorced	4.8	5	9.5	10	9.7
Sub Total %	100.0	100	100.0	100	100.0
Number of children					
0-2	24.4	20	9.5	30	21.3
3-5	54.6	55	43.2	40	43.8
6-8	21.0	20	40.1	25	30.1
9 and above	0.0	5	7.2	5	4.8
Sub Total %	100.0	100	100.0	100	100.0
Household size					
1-4	9.8	30	21.4	30	17.4
5-8	56.1	55	50.2	50	52.4
9-12	29.2	15	23.6	20	24.4
Over 12	4.9	0	4.8	0	5.8
Sub total %	100.0	100	100.0	100	100.0
Education level					
No formal education	0.0	0	21.4	5	9.7
Primary education	28.9	90	57.1	85	52.3
Secondary education	46.5	10	11.8	10	21.4
College	24.6	0	9.7	0	16.6
Sub total %	100.0	100	100.0	100	100.0
Total Total (%)	100.0	100	100.0	100	100.0

The results demonstrate the marital status among the women borrower as to be as follows: majority of the respondents interviewed were married. They form 52.4. % and single respondents were 20.4% while widow and divorced were 17.5% and 9.7% of respondents respectively.

These results imply that married women have better chances of accessing and operating loan than unmarried women. This might be true in the sense that women have less or low

capital to start up the business and spouses mostly husbands in this case provide financial support for initial capital and immediate support in case of failure to raise or save the required premium as financial institutions required women to have existing business prior to apply credit. Marriage also might relate to the amount and value of assets that women can have access for offering as collateral. IGAs operated by married owners have higher chance of survival in case the spouse has another source of income.

4.1.3 Number of children

The results on number of children in study area shows that majority 43.8% of the respondents had range of 3-5 number of children and the second largest group 30.1% of the respondents had range of 6-8 numbers of children. At the range of 0-2 number of children, respondents were 21.3 % and about 4.8% of respondents had the range of 9-11 numbers of children. No respondents had the range of 12 and above number of children in the study area as indicated in Table 2.

4.1.4 Household size

Table 2 presents the results on household size which shows that, majority 52.4% of household size in the study area was found to be 5-8 persons per household. About 24.4% of families were having 1 -4 persons per household and 17.4% of household had 9-12 persons per household. However, about 5.8 % of respondents had household size of over 12 persons. The results also show that overall number of people per household ranged from 1 to 13 persons while the average family size were 6.72. This factor contribute to low capital generation because income secured from IGAs is also used at home to sustain family needs. The larger the household size the more the household expenditure is required to keep up the family.

4.1.5 Education level

Education was considered by the study as one of the factor that can be harmonized and influence accessibility of credit to women. A woman without education is likely to be more affected in accessing and managing the credit than woman with education. Study conducted by FAO (1998) found that female widespread illiteracy especially for rural women incapacitate them to follow loan application procedure from various financial institutions. Inorder to see if the same applied for loan from the selected financial institutions cross tabulation of access to credit and education variables was run and the results are presented in table two which shows that, majority 52.3 % of the respondents in sampled area had primary education. About 21.4 % of respondents were attended secondary education and 16.6 % of respondents had attended college.

Furthermore results show that only 9.7% of respondents had no formal education and these were 21.4% and 5% of the respondents who had received credit from SFFI and IFI. From the results in (Table 2) it can be pointed out that, overall in the study area there is sufficient literacy 90%. But according to these results there is no relationship between education level and access to credit from SFFI and IFI as borrowers with no formal education from these institutions had received credit same to borrowers with formal education. Also the results concur with explanations from loan officer (from FINCA) who said that there is no much paper work in applying loan because even for borrower who cannot write can use finger print whenever the signature is required.

4.2 Economic characteristics of the respondents

4.2.1 Main occupation of the respondents

The main occupation of the respondents had an influence on accessibility of credit due to the fact that most of financial institutions demand borrower to have existing business

inorder to secure loan.

The results on Table 3 show that more than half 59.2% of respondents were business women and 22.3% were undertaking farming activities as their main occupation. About 18.3% of the respondents were employed in the government with various Ministries. The reason for large number of respondents 65.9% (from FFI) be a business woman could be that these respondents live in urban areas which lack land for farming activities. Therefore respondent whose main occupation is business had a better chance to receive credit earlier than a farmer because she had already established the business.

For the respondents who depend on farming only were supposed to start up business before had applied the loan. This requires time and ultimately delay or fail to receive loan. The reason behind is that most of financial institutions example FINCA do not provide loan for farming activities because these activities have no quick returns and are risky incase of unfavourable climate however selling of products may save as source of initial capital to start up the business.

Table 3: Distribution of respondent's main occupation

	Urban (%)		Rural (%)		Total
	FFI n=41	IFI n=10	SFFI n=42	IFI n=10	
Main occupation					N=103
Farmers	0.0	25	50.0	45	22.5
Business women	65.9	75	38.1	55	59.2
Formal employees	34.1	0	11.9	0	18.3
Total (%)	100.0	100	100.0	100	100.0

4.2.2 IGAs for which respondents applied credit

Study results indicates that respondents in study area applied for a variety of activities mostly including farm and nonfarm activities. The proportion of borrowers and types of activities applied loan were depending on institutions which respondents received credit. Among the activities which forced individuals to apply credit were shown in Table 4.

Largest group 28.6% and 25% of the respondents from SFFI and IFI were applied loan for food vending and genge respectively with no respondents from FFI who had applied loan for these activities. A moderate proportion (15.2%) of respondents from FFI had applied loan for their shops while very few (2.4% of respondents) from SFFI had applied loan for shops, however no respondents from IFI had applied loan for the same activities. The second largest group 22%, 14.8% and 14.6% of respondents from FFI had applied loan for activities such as hair dressing saloon, tailoring and restaurant respectively.

The proportion of respondents applied loan from SFFI and IFI for local brew and petty trading are the same (11.9%) while there were no respondents from FFI had applied loan for these activities. Also results shows that few 1.9% of respondents in the study had applied loan for farming activities and are those government employee whose repayment was done directly from their salaries. Others are poultry keeping 4.9%, selling charcoal 3.9% and bar 1.9%.

Table 4: IGAs applied credit

IGAs applied credit	Urban (%)		Rural (%)		Total N=103
	FFI n=41	IFI n=10	SFFI n=42	IFI n=10	
Farming	4.9	0	0.0	0	1.9
Shops	24.4	0	2.4	0	15.2
Hair saloon	22.0	0	4.9	0	4.9
Tailoring	14.6	0	9.7	0	9.7
Restaurant	14.6	0	2.4	0	6.8
Poultry keeping	7.3	0	0.0	0	4.9
Grocery	7.3	0	4.8	0	4.9
Bar	4.9	0	0.0	0	1.9
Food vending	0.0	50	28.6	35	16.3
Local brew	0.0	25	11.9	40	8.0
Genge/retail selling	0.0	10	23.8	15	14.8
Petty trading	0.0	10	11.9	5	6.8
Selling charcoal	0.0	5	0.0	5	3.9
Total (%)	100.0	100	100.0	100	100.0

The survey results show that there were great variations on activities which respondents applied loan. The following could be the probable reasons; some types (food vending, local brew, and selling of charcoal) of IGAs required low start up capital especially fixed capital and working capital for their survival and low level skill to operate and also they

are too informal and they are easily operated without being registered or licensed implying that license charges and income tax are not paid hence an advantage to the owner.

Financial institutions had limitations on type of activities offered loan. These results concur with loan officer from FINCA who said that they will not provide loan for farming activities because the activities had no quick returns and are risky hence they require long repayment time. This implies that financial institutions offered loan for the specific type of activities, thus if borrowers would be aware of it they will access credit because they will apply loan for right type of IGAs.

4.2.3 Size of business operated by respondents

Generally the study findings show that majority 87.4% of respondents operated small enterprise and only 12.6% of respondents engaged in medium enterprise however there were no respondents operated large enterprise as shown in Table 5. The results are in line with those of Holt and Ribe (1992) who found that due to capital constraints most of women are engaged in small business and usually they start the business with low initial capital.

Table 5: Size of business operated by respondents

Size of business	Urban (%)		Rural (%)		Total
	FFI n=41	IFI n=10	SFFI n=42	IFI N=10	
Small enterprise	88.3	100	100	100	90.4
Medium enterprise	11.7	0	0	0	9.6
Large enterprise	0.0	0	0	0	0.0
Total (%)	100.0	100	100	100	100.0

4.2.4 Source of initial capital to start up IGAS

Most of the credit beneficiaries (91%) in the study area started the business before securing loan from financial institutions. This is due to the fact that credit agencies required loan applicants to have an existing business before applying the loan. The majority (52%) of women interviewed had financed their business start up through their

own savings while 19% of respondents had obtained capital from their husbands. This implies that women can be independent and self reliant in starting up the IGAs which is highly needed in order to be more enterprising.

It was further observed that other sources were through selling of agricultural products (11%) friends (3%) and grants (6%). 9% of respondents acquired the start up capital for IGAs from credit sources. This results concurred with that of Buckley (2000) in Kenya, Malawi and Ghana and Kayunze (1998) in Tanzania who found that over 50% of IGAs were started largely with self generated own savings and assistance from friends and relatives. (Figure 3).

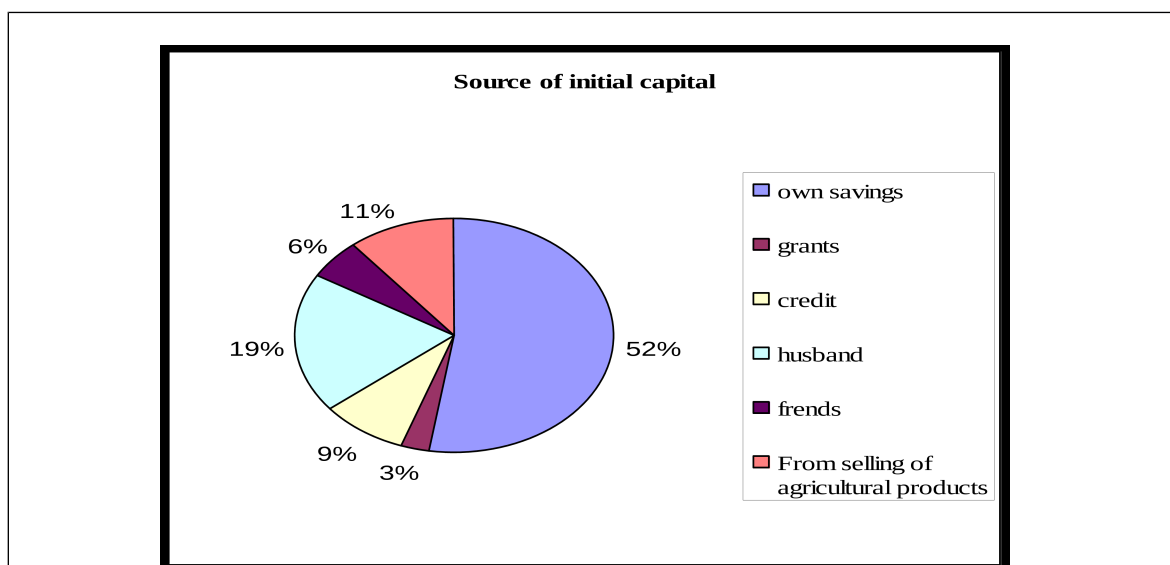


Figure 3: Source of initial capital for IGAs

4.2.5 Initial capital to start up IGAs

Lack of capital is related to women's lack of access to credit facilities and compels women to start economic activities with very meagre funds (Akoro, 1994). It was found that most 95%, and 81% of respondents started their business with initial capital of 50000 and below for clients of SFFI and IFI respectively while 34.1% of the respondents from FFI started their business with initial capital ranged from 15 000-200 000Tshs. The second largest group 17.1% and 14.2% of respondents from FFI and SFFI had started their business by using initial capital of 100 001-150 000 with few 5% of respondents from IFI.

Further observations in the study area revealed that majority 51.5% of respondents had initial capital of 50 000 and below followed by 16.4% of respondents who had initial capital between 150 001-200 000 Tshs but these groups were mainly comprised of respondents from FFI. According to these data great variations on initial capital among respondents from FIS were marked. This disparity among initial capital might be due to ability to accumulate capital within women and type of IGAs undertaken. The variation in initial capital is shown in Table 6.

Table 6: Initial capital for IGAs

Initial capital	Urban (%)		Rural (%)		Total N=103
	FFI n=41	IFI n=10	SFFI n=42	IFI N=10	
50000 and below	4.9	85	81.0	95	51.5
50001-100000	17.1	15	14.2	5	15.1
10 001-150000	7.3	0	2.3	0	3.7
150001-200000	34.1	0	2.5	0	16.4
200001-250000	14.5	0	0.0	0	4.8
250001 -300000	12.4	0	0.0	0	4.8
Above 300000	9.7	0	0.0	0	3.7
Total (%)	100.0	100	100.0	100	100.0

4.2.6 Income generated from activities

From the results it was found that 39.2% of respondents in the study area had accrued

income between 200 001 to 300 000Tshs per month from IGAs The largest second group 19.8% had income range of 100 001to 200 000Tshs where as 12% of respondents got an income range of 300 001 to 400 000Tshs and 400 001 to 500 000Tshs and mainly involved clients from FFI as shown in Table 7. From this observation it is obvious that income varies amongst businesswomen. This variation in income between business women could be due to differences capital invested in the business and type of business operated by respondent's also low income accrued might be contributed by low level of education and poor training on business management.

Table 7: Income generated from activities

Income ranges	Urban (%)		Rural (%)		Total N=103
	FFI n=41	IFI n=10	SFFI n=42	IFI n=10	
100000 and below	2.9	25	14.6	30	10.4
100001-200000	5.6	65	29.2	55	19.8
200001-300000	22.2	10	38.8	15	39.2
300001-400000	24.0	0	12.2	0	12.0
400001-500000	29.7	0	5.2	0	12.0
Above 500000	15.6	0	0.0	0	6.6
Total (%)	100.0	100	100.0	100	100.0

4.2.7 Profit accrued from IGAs

The study results show that 36.9% of respondents accrued profit between 100 001 to 150 000Tshs/ month and about 25.4% of respondents gained from 50 001 to 100 000Tshs with highest proportions 40.4%, and 30% from SFFI and FFI and few 7.7% of respondents from FFI clients, at this groups. Further data indicated that 12.6 % of respondents had profit range of 150 001 to 200 000Tshs and highest proportion were respondents from FFI. Others 6.3% and 1.3% of respondents accrued profit between 200 001 to 250 000Tshs and above 250 000 respectively. There was a proportion of 4.9% of respondents who did not know the profit they were getting out of IGAs conducted. However results further indicate

that no respondents from IFI (urban), SFFI and from IFI (rural) accrued profit from 200 001 to 250 000 and above 250 000. From the results in Table 8, it can further be found that respondents from FFI gained more profit compared to SFFI and IFI. The reason behind this observation could be due variation on type of IGAs conducted by the respondents and initial start up of the business.

Table 8: Profit accrued from IGAs

Profit accrued	Urban (%)		Rural (%)		Total N=103
	FFI n=41	IFI n=10	SFFI n=42	IFI n=10	
50001-100000	7.7	35	40.4	30	25.4
100001-150000	26.5	45	38.4	35	36.9
150001-200000	39.5	10	7.6	10	12.6
200001-250000	16.2	0	0.0	0	6.3
Above 250000	3.3	0	0.0	0	1.3
Don't know	6.8	10	5.6	10	4.9
Total (%)	100.0	100	100.0	100	100.0

4.2.8 Ownership of assets and types by respondents

Most of the respondents interviewed reported to own a variety of assets. The types of asset owned by respondents are recorded in Table 9 which indicates that majority 90% and 73.8 %of respondents owned utensils and furniture respectively. The implication from the data shows that most women own assets that could not accepted by FFI to save as formal collateral security thus limit accessibility of credit to women. Furthermore by harmonizing this factor accessibility of credit would be enhanced.

Table 9: Type of assets owned by respondents

Types of assets	Urban (%)		Rural (%)		Total N=103
	FFI n=41	IFI n=10	SFFI n=42	IFI n=10	
House	61.0	15	42.9	10	40.7
Farm/plots	22.6	0	14.6	10	17.6
Cars	24.4	0	0.0	0	9.8
Bicycles	26.8	0	4.8	0	12.6
Radios	82.9	15	21.4	10	46.7
TV	75.6	30	2.4	5	32.0
Livestocks	48.8	0	49.8	10	41.7
Furniture	80.48	75	76.9	55	73.8
Utensils	100.0	90	100.0	95	90.0
Sewing machines	14.6	12	5.0	0	6.9
Driers and steamers	12.2	5	2.4	0	11.8

4.2.9 Monetary value of assets

Results have revealed that more than half (54.8%) of respondents in the sampled area owned assets worth between 1 000 001 to 5 000 000Tshs with a highest proportion from SFFI and IFI loanees. The second largest group (12.6%) owned assets worth 10 000 001 to 15 000 000Tshs but this group was mainly comprised with FFI loanees (29.2%) while 8.8% and 8.3% of respondents owned assets which worth 5 000 001 to 10 000 000Tshs and between 15 000 001 to 20 000 000Tshs respectively. Few 5.8% respondents owned assets worth above 20 000 000Tshs and are mainly from FFI loanees. From these results there was a notable difference in monetary value of assets owned by respondents. Credit beneficiaries from FFI seemed to own assets with highest value compared to credit beneficiaries from SFFI and IFI (Table 10).

The probable reasons could be due to location of borrowers, for example all FFI credit beneficiaries reside in urban while SFFI reside in rural areas where poverty prevail hence low monetary value assets. Another reasons might be due to the fact that FFI required borrowers to have assets with high value before applying loan and assets used as collateral to save as security incase of loan defaults. To confirm the above stated observations a chi square test was carried out to determine if there was any significant difference in monetary

value of assets between credit beneficiaries. The chi square results show that there is significant difference in monetary value of assets and credit beneficiaries at ($p < 0.01$).

Table 10: Distribution of monetary value of assets

Value of assets	Urban (%)		Rural (%)		Total N=103
	FFI n=41	IFI N=10	SFFI n=42	IFI n=10	
1000000 and below	4.8	20	11.9	25	9.7
1000001-5000000	12.2	70	83.4	75	54.8
5000001-10000000	18.7	10	4.7	0	8.3
10000001-15000000	29.2	0	0.00	0	12.6
15000001-20000000	21.9	0	0.00	0	8.8
Above 20000000	14.63	0	0.00	0	5.8
Total (%)	100.00	100	100.00	100	100.00

4.2.10 Factors hindering performance of IGAs

Most of respondents 88.3% admitted to face problems, which hinder their activities while only 11.7% of respondents reported that they did not face any problems (Table 11). Analysis of factors which are considered to constrain IGAs expansion has shown that lack of enough capital was ranked high (36.7%) than other factors followed by demolition of business structure (23.4%), and lack of training on business management (13.6). Other problems are high price of goods (10.7), lack of improved structure (6.8%), lack of market for products (4.9%) and high tax (3.9%).

Table 11: Factors hindering performance of IGAs

	Urban (%)		Rural (%)		Total
	FFI	IFI	SFFI	IFI	
Factors for IGAs performance	n=41	n=10	n=42	N=10	N=103
Lack of capital	37.2	40	50.2	55	36.7
Demolition of business structure	41.4	35	0.0	0	23.4
Lack of training on business	4.3	5	0.0	15	13.6
High price of goods	0.0	5	15.1	5	10.7
Lack of improved structure	6.7	10	24.2	15	6.8
Lack of market for products	1.9	0	6.2	10	4.9
High tax	8.5	5	4.3	0	3.9
Total (%)	100.0	100	100.0	100	100.0

4.3 Lending opportunities and procedure for lending

4.3.1 Source of information on existence of credit

The distribution of source of information on existence of credit by various sources is shown in Table 12, which indicates that 57.3% of respondents secure information on existence of credit from social groups. Another group 22.3% of respondents was informed by their friends. About 9.7% of respondents who were employees in formal sector reported to have secured loan through information from their employers after the contract made between employer and credit institutions and are mainly member from NMB. A few respondents 5.8% and 4.9% of respondents reported to have been supported by mass communications and village leaders respectively.

The results reveals that social groups played a major role in disseminating information on availability of credit in the study area and probable reason could be that financial institutions had not made enough effort in publishing information on existence of credit to the rural areas, however lack of mass communication facilities for respondents may contribute to the problem. A survey conducted in Dodoma, Iringa and Morogoro Regions in Tanzania, Amani *et al.*, (1987) observed that the knowledge about possible credit sources inside and outside the villages appeared to be rather limited, either because of lack

of information or because such sources did not exist.

Table 12: Source of information on existence of credit

Source of information	Urban (%)		Rural (%)		Total N=103
	FFI n=41	IFI n=10	SFFI n=42	IFI n=10	
Friends	19.7	35	16.7	40	22.3
Mass communication	14.8		0.0		5.8
Social groups	41.1	65	71.4	60	57.3
Village leaders	0.0		11.9		4.9
Employers	24.4		0.0		9.7
Total (%)	100.0	100	100.0	100	100.0

4.3.2 Institutions offered credit and reasons to select a particular institution.

Respondents provided a number of reasons for applying loan from particular financial institutions. Table 13 presents institutions which offered loans to these respondents. Among the interviewed respondents 34% said that they applied loan to expand their business and mainly loan was used as working capital with highest proportion (63.4%) from FFI. 29.1% of respondents said that they preferred to borrow from SFFI and IFI (40.8% and 39.8% respectively) because institutions do not require assets as collateral however there were no respondents from FFI in this group.

About 11.7% of respondents said that they were contracted by their employers but these are mainly from FFI who had formal employment (29.3%). Other substantial 8.7%, 5.8, and 4.9% said the reasons for applying loan from particular FIS were only they know, flexible conditions, follow clients and take short time to receive loan. Observations show that if the reasons given out by respondents could be harmonized women could access credit easily. Table 14 presents reasons for applying loan to particular FIs.

Table 13: Institutions offered credit

Name of institutions	Urban	Rural	Total (%)
NMB	39.8	0.0	39.8
FINCA	0.0	40.8	40.8
IFI	9.7	9.7	19.4
Total	49.5	50.5	100.0

Table 14: Reasons for applying loan to particular FIs

Reasons	Urban (%)		Rural (%)		Total N=103
	FFI n=41	IFI n=10	SFFI n=42	IFI n=10	
To expand the business	63.4	10	19.0		34.0
Don't require assets	0.0	45	45.3	55	29.1
Flexible conditions	4.9	20	0.0	20	5.8
Follow clients	0.0		14.3		5.8
Take short time	2.4	25	0.0		4.9
Contracted by employer	29.3		0.0		11.7
Only I know	0.0		21.4		8.7
Total (%)	100.0	100	100.0	100	100.0

4.3.3 Location of financial institutions

Location of financial institutions are recoded in Table 15, which shows that most 92.2% of financial institutions namely FFI, SFI are located in urban areas with small proportion 7.8% of informal financial institution located in rural areas. These results concur with that of Temu (1999) who noted that most of financial institutions are biased to urban and exclude the majority of rural population to access credit. Although FINCA as (SFFI) was located in urban area the institution provided their services in rural areas by means of outreach.

Table 15: Location with respect to financial institutions

Location	Institutions offer credit (%)			Total
	FFI	SFFI	IFI	
Urban	100	100	50	92.2
Rural	0	0	50	7.8
Total (%)	100	100	100	100.0

4.3.4 Distance from main financial institutions

Distance from main financial institutions is an important factor for respondents to receive loan from FIs. Results show that larger group 40.6% of respondents had traveled or walked 11km and above to main financial institutions seeking credit and are those respondents who had received credit from FINCA as SFFI. 28.2%, 13.7% and 17.5%, of respondents had traveled between below 1km, 1-5 km and 6-10 km respectively to financial institutions. These observations indicate that 59.4% of respondents from FFI (NMB) and IFI had traveled between 1km and 10 km (or below 10 km) to the main financial institutions (as indicated in Table 16). These results pose to the one of the criteria explained by the loan officer that in order for respondents to secure loan from NMB should reside within 20 km from the head office. Also distance is very important criteria for IFI because they will not lend to borrower who live far and had not known them well.

Table 16: Distribution of distance to credit institutions

Distance	Urban (%)		Rural (%)		Total n=103
	FFI n=41	IFI n=10	SFFI n=42	IFI n=10	
Below 1 km	2.4	5	0	10	13.7
1-5 km	26.9	60	0	65	17.5
6-10 km	69.7	35	0	25	28.2
11 km and above	0.0	0	100	0	40.6
Total (%)	100.0	100	100	100	100.0

4.3.5 Collateral requirement and type with respect to selected FIs

Results in Table 17 indicate that, all respondents interviewed said that they were obliged

to provide collateral. Further results in Table 18 show that all (100%) of the respondents interviewed from SFFI said that group security was used as collateral for the loan, 70.7% and 29.3% of respondents from FFI submitted ownership of documents, business license and salary slips respectively as type of collateral while respondents from IFI reported that guarantor (100%) was used as collateral. The type of collateral varies because different FIs require different type of collateral before the client receive loan, thus once collateral requirement could be harmonized limitations from seeking credit will be reduced.

Table 17: Collateral requirements by FIs

	Institutions offer credit (%)			
	FFI	SFFI	IFI	Total
Collateral requirements	n=41	n=42	N=20	N=103
Urban	100	100	50	92.2
Rural	0	0	50	7.8
Total (%)	100	100	100	100.0

Table 18: Types of collateral required by FIs

	Institutions offer credit (%)			
	FFI	SFFI	IFI	Total
Types of collateral	n=41	n=42	n=20	N=103
Documents of assets/Business license	70.7	0	0	29.1
Salary slips	29.3	0	0	13.6
Group security	0.0	100	0	40.8
Guarantor (s)	0.0	0	100	16.5
Total (%)	100.0	100	100	100.0

4.3.6 Procedure for issuing loan

4.3.6.1 Procedure for issuing loan from NMB

Micro-finance bank (NMB) offer an individual loan only to their clients who are operating

IGAs. There are two types of credit offered by NMB namely micro and small enterprise loan and medium enterprises loan. The size of loan issued in micro and small enterprise was between 50 000 and 5 000 000 while for small and medium enterprise was above 5 000 000 to 30 000 000Tshs. At the time of this study it was noted that all of the sampled beneficiaries had received micro and small enterprise loan. No respondents had received medium and large enterprise loans.

- (a) The applicant should contact loan officer for loan application and must have an existing business. Loan officer must conduct initial screening of business site and residential area of the applicants. After visitation follows financial analysis of loan application. Applicants must provide documents of ownership of assets such as, title deed and business license to loan officer. The applicants should pay the transport fees for the assessment of the business and residential area. The amount of fee depends on location of the applicants. This implies that whenever applicants failed to follow this procedure loan officer will not conduct assessment of business and residential area.
- (b) After assessment of business and residential area then followed signing of agreement of letter of offer and ultimately loan disbursement. Repayment for the business women starts after one month for the period of six months for the first loan cycle and for the applicants who had formal employment the loan duration is two years. Signing of letter of offer require some level of education, therefore illiterate applicants will not be able to sign the offer thus may limits from applying the loan.

(c) NMB provides financial loan and the firm charges 24% interest rate on principal value of the loan. The NMB officer however reported that clients who stay far away (beyond 20km) from the head office cannot secure loan because it is expensive to manage thus high transaction costs for credit institution. The implication of this is that, the policy obviously limits a number of many distant applicants seeking loan from NMB.

4.3.6.2 Procedure for issuing loan from FINCA

FINCA is a non governmental financial institution which support small scale enterprise operated by both men and women. The institution provides credit by using group lending model to entrepreneurs who operate small business with exception of farming activities. The size of loan offered ranges from 30 000Tshs to 2.500.000Tshs and charges interest rate of 4% per month (48% per annum).

(a) Inorder to secure loan women undertaking IGAS are obliged to form a self selected group of 15-20 members who know and trust each other well and group should be guaranted. On registration the applicants pay pre-loan savings as a loan insurance fund of 10% (LIF). The amount depends on the size of the loan applied, for example If the applicants borrow 50 000 Tshs she was supposed to pay 5 000Tshs.

(b) The group is then registered and they are offered a five weeks training about credit and business management. After training the group received the loan and distributed the money among themselves according to individual needs. Borrower started to repay loan after one to two weeks and the clients then continues to attend one hour weekly meeting for the loan repayment which includes 48% interest rate per annum distributed over four months for the first loan and up to six months for the subsequent loans.

(c) If the clients wants more loans in the successive phase the saving process will continue at the same rate. On client exit or termination from applying subsequent

credit, after repayment of loan the accumulated LIF is given back to the client.

- (d) The criteria for forming group is that, the group members should not include people from one family, for example husband or the children. This reduces the risk incase the whole group takes a loan and disappeared. Furthermore applicants must have an operating business and should be non-farm activities. This condition limits access of credit to women who undertake farming activities due to the specifications on type of IGAs to offer credit.

4.3.6.3 Procedure for issuing loan from Informal Lender

Informal lenders provide individual loan for borrowers running small scale enterprises. The amount to borrow depends on agreement made between lender, borrower and guarantor based on repayment time and interest rate.

- (a) Before receiving the loan from informal lender applicants should contact the moneylender and request the loan. The loan applicants should have a well known referee who act as guarantor and the applicant should be well known by the guarantor.
- (b) Then the applicants and moneylender make agreement on amount to borrow, time for the repayment of the loan and interest rates hence follows loan disbursement. Interest rate varies according to different lenders but ranges from 50% to 75% depending on the loan duration.
- (c) The criteria for granting the loan is, the applicants must reside in the same area with moneylender. The condition for guarantor to be accepted by informal lender is that should have a valued assets incase of loan default.

The summary of procedures for issuing loan from three financial institutions is presented in Table 19.

Table 19: Summary of procedures for issuing loan. (N=103)

Characteristics	Institutions offer credit		
	NMB	FINCA	IFI
Contact loan officer	+	+	+
Visitation of business site and residential area	+	-	-
Provision of documents of assets and business license	+	-	-
Fill in loan application form	+	-	-
Signing of letter of agreement	+	-	-
Group formation	-	+	-
Payment of LIF	-	+	-
Training on credit and business management	-	+	-
Provision of transport cost	+	-	-
Provision of guarantor (s)	-	-	+
Agreement on amount to borrow and repayment time	+	+	+

+ Indicate the procedure is necessary — Indicate the procedure is not necessary

4.3.6.4 Satisfaction of respondents with procedure

Having learnt the procedure for securing loan from the three financial institutions, it was important to get the clients opinion on these procedures. Among the respondents received credit from these institutions, it was observed that a largest group 65.6% of respondents were no satisfied with procedures from all three FIs and 34.4% of respondents satisfied with procedure however others in this group explained that they were satisfied with procedure because they had no alternative or choice. Several reasons for not satisfied with procedure are shown in Table 20.

Table 20: Reasons for dissatisfaction with procedure

Reasons	Institutions offer credit (%)			
	FFI n=41	SFFI n=42	IFI n=20	Total N=103
Provision of pre-loan savings	0.0	13.3	0	5.9
Provision of transport cost	12.2	0.0	0	5.8
High interest rates	47.1	40.0	75	41.2
Short grace period	35.3	26.7	10	23.5
Group guarantor (s)	0.0	9.7	0	4.9
Small loan size	11.8	10.3	15	18.7
Total (%)	100.0	100.0	100	100.0

39.8% of respondents interviewed received a loan with 24% from FFI and 40.8% of respondents received loan with 48% from SFI while 19.4% of respondents from IFI received loan with interest rate ranged between 50% to 75%. According to these rates it was observed that IFI charges high interest rate compared to FFI and SFFI.

From these results can it can be observed that 41.2% of respondents commented those interest rates charged were high. much felt by women undertaking IGAs. The comment that interest rate charged were high is attributed to the fact that financial institutions provide unsubsidized loans and that the interest rate charged are expected to meet all loan transaction costs plus profit (Kuzilwa *et al*, 1997) the same rate were found by Chiduo (2001) in a study conducted at Dar-es-salaam where most of credit clients claimed that the loan conditions of high interest rate was unpleasant and the most difficult one. Other comments were: short grace period (23.5%), low amount of money issued (18.7%), provision of pre-loan savings (5.9%), contribution of transport costs (5.9 %) and group guarantee (4.9%).

4.3.6.5 Respondents opinion on improvement of procedure

A multiple response analysis was carried out to establish different ways on improvement of procedure involved in financial institutions in order to enable them to receive credit from financial institutions. In this respect respondents mentioned six different ways on which can contribute to accessibility of credit to women as showed in Table 21. About 47.2% of respondents suggested that in order for women to access credit interest rate should be reduced, others 20.6%, 18.4%, 5.8% and 4.9% said financial institutions should give freedom to client on amount to borrow, increase grace period, loan officers use their own transport and omit pre-loan savings respectively. Also results show that few (2.9% of respondents) suggested to provide individual loans.

Table 21: Respondents opinion on improvement of procedure

Opinions	Institutions offer credit (%)			
	FFI n=41	SFFI n=42	IFI n=20	Total N=103
Reduce interest rate	44.5	40.3	65	47.2
Omit pre-loan savings	0.0	9.7	0	4.9
Omit transport cost	11.3	0.0	0	5.8
Freedom on amount to borrow	22.6	23.3	20	20.6
Provide individual loan	0.0	7.8	0	7.8
Increase grace period	22.6	18.9	15	18.4
Total (%)	100.0	100.0	100	100.0

4.3.7 Amount of money received from FIs

From the survey results which is presented in Table 22 it was observed that 44.1% of respondents secured credit between 100 001-500 000Tshs with large proportion (51.2%) of credit beneficiaries from IFF. The second largest group 34.4% received credit about 100 000Tshs and below. This group was mainly comprised with clients from SFFI and IFI. Others 19.6% and 1.9% of respondents received credit ranged between 500 001 and 1000 000 Tshs respectively. When respondents asked if they received the applied amount, 67.6% of respondent admitted that they didn't receive the applied amount. Furthermore

they said that the amount to be issued depends on the number of loan cycle.

The probable reasons might be that credit officials do not lend the lumpsum of money to the client who they don't know well and loan cycle were used to check the loan repayment and trustfulness of respondents. Another reason for the variation of amount received might be the type of IGAs the respondents needed credit. When respondents asked if they had received the applied amount, 67.6% of respondents complained that they had not received the applied amount while 32.4% appreciated to receive applied the amount applied.

Table 22: Amount of money received as credit by respondents

Amount of money	Urban (%)		Rural (%)		
	FFI n=41	SFFI n=10	IFI n=42	Total n=10	FFI N=103
Below 100000	7.3	75	61.9	80	34.4
100001-500000	51.2	25	38.1	20	44.1
500001-1000000	36.6	0	0.0	0	19.6
Above 1000000	4.9	0	0.0	0	1.9
Total (%)	100.0	100	100.0	100	100.0

4.3.8 Problems faced by respondents in securing credits

Findings confirmed that more than half (56.8%) of the respondents faced problems of high interest rate, insufficient amount (21%) short grace period (11.2%) and walking long distance (9.3%) while few (1.7%) of respondents had faced problem of misunderstanding within group.

Table 23: Problems faced by respondents in securing credits

Problems	Urban (%)		Rural (%)		Total N=103
	FFI n=41	IFI n=10	SFFI n=42	IFI n=10	
Don't receive applied amount	18	30	19.4	20	21.0
Short grace period	24	0	25.3	0	11.2
Walking long distance	0	0	16.0	0	9.3
High interest rate	58	70	35.7	80	56.8
Misunderstanding in group	0	0	3.6	0	1.7
Total (%)	100	100	100.0	100	100.0

4.4 Scenarios linking lending institutions and characteristics of women borrowers

To confirm descriptive statistics presented above, Clustering of borrowers socio-economic characteristics with various FIs were analyzed. The results from cluster analysis with respect to FFI, SFFI and IFI are discussed.

4.4.1 Clustering of borrowers socio-economic characteristics with respect to FFI

4.4.1 Clustering of borrowers socio-economic characteristics with respect to FFI

Based on the analysis clusters A, B and C have been identified. The variables from these clusters that have close association with accessibility of credit from FFI (8) are as follows;

- Collateral COLLATE (2), Business license and ownership of documents as type of collateral BUSILICE (11) Collateral or security for the loan has traditionally been or prerequisite by the FFI before issuing loan to borrowers. On the basis of this criterion only borrowers who possess adequate collateral with high capital items such as modern houses, cars, certified land title and business license are qualified to get loan they require. The collateral was used as security for the loan in case the borrower failed to repay the loan.
- Distance from main financial institution DISTINST (4), and location of the borrowers LOCATION (15). Distance from main financial institution and

location of borrowers have association with accessibility of credit from FFI as borrowers are supposed to be located in urban area where institution are found and not live very far from the institution. From the study it shows that all credit beneficiaries from FFI reside in urban areas and not more than 6-10 km. Distances and location of borrowers help to reduce transaction costs of the institutions this situation is suitable for respondents who live in urban areas because they qualify to apply credit from FFIs

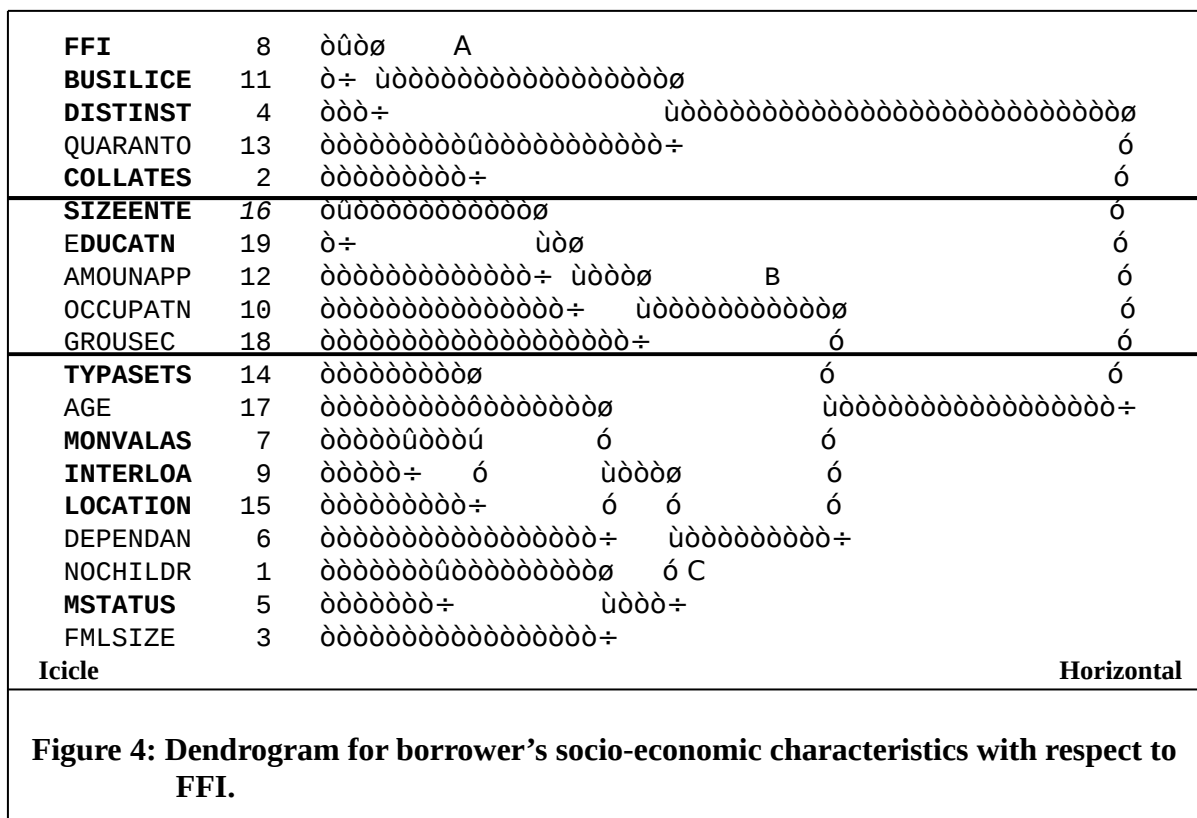
- Size of enterprise SIZEENTE (16), and enterprise loan applied INTERLOA (9), The size of enterprise operated by the respondents should be small or medium enterprise. The type of enterprise the loan applied for was an important factor in applying loan from FFI because the institution has limitations on type of enterprise to offer loan. It preferred to support non-farm IGAs rather than farming activities If borrowers are aware of the type and size of enterprise the institution offered loan then women will be able to apply loan for right type of enterprise hence access of credit from FFI will be enhanced.
- Education level of respondent EDUCATN (19). Education level of respondents has close association with access of credit from FFI as loan application involved formal procedure, which includes filling of application forms, accessing credit worthiness, technical feasibility of proposed enterprise and expected cash flow generated. Applicants with formal education could be able to fulfill these requirements so as to receive loan from the institution.
- Marital status of respondents MSTATUS (5). Marriage contributes to the access of credit from FFI in relation to ownership of assets which borrower needed to show during application of the loan. If a woman does not own assets with high value marriage couples (husbands) tend to assist them by releasing the assets he owned as a result his wife secure applied loan. The situation is

different from unmarried women as once she lacks assets there is no such opportunity which lead to failure to access loan.

Further analysis shows that accessibility of credit from FFI has no close association with some borrowers socio-economic variables such as; age of borrowers AGE (17), number of children NOCHILDR (1), number of dependants DEPENDAN (6), family size of respondents FMLSIZE (3) guarantor as type of collateral QUARANTO (13), group security as type of collateral GROUSEC (18), amount of money applied AMOUNAPP (12), main occupation of respondents OCCUPATN (10), Family size FMLSIZE (3).

According to the results above it can be pointed out that accessibility of credit from FFI is closely related with many variables, which are social and economic in nature. Economically accessibility of credit is associated with types of assets owned by borrowers, monetary value of assets, size and type of enterprise the loan applied for, whereas socially it is associated with collateral requirement, business license and ownership of documents as type of collateral, education level, marital status of borrowers, distance from main FIs, and location of borrowers. Their associations have already discussed above also the results concur with the observations presented by descriptive statistics above.

C A S E 0 5 10 15 20 25
 Label Num +-----+-----+-----+-----+-----+



4.4.2 Clustering of borrowers socio-economic characteristics with respect to SFFI

The study revealed that accessibility of credit from SFFI (19) is closely related with some of borrower's characteristics. Collateral requirement COLLATE (4)). SFFI demand social collateral rather than economic collateral as security for the loan and the type of collateral required was group liability. Respondents had to form group before securing loan from the institution. Groups have been advocated as one form of solution in reducing the loan administrative costs and solving collateral requirement and repayment problems. Group liability would ensure group pressure on defaulting members in the event that the group may be deprived of credit if some of the members default. Respondents who do not own economic collaterals such as valued assets were capable in accessing credit from SFFI after forming the group. Size of enterprise SIZEENTE (9) and enterprise loan applied for

INTERLOA (18), the institution provide loan for small enterprise excluding medium and large enterprise.

Concerning the types of enterprise offered loan institution has targeting loan on specific types of economic activities. Therefore only respondents who undertake non farm enterprise can secure loan from this institution. Amount of money applied AMOUNAPP (16). Amount of money applied was related to accessibility of credit from SFFI as the institution demand borrowers to apply small enterprise loan thus if borrowers applied medium or large enterprise loan will not be able to secure loan.

However results from cluster analysis show that AGE (2) location of respondents LOCATION (8), education level of respondents EDUCATN (5), number of children NOCHILDR (12), business license and ownership of documents of assets BUSILICE (9), monetary value of assets MONVALAS (1), guarantor as type of collateral QUARANTO (6) type of assets TYPEASETS (7), number of dependants DEPENDAN (17), distance from main financial institution DISTINST (13), marital status of respondent MSTATUS (14) and family size FMLSIZE (11) has no relationship with accessibility of credit from SFFI. Socially SFFI related with collateral requirements, and group security as type of collateral while economically are related with size and type of enterprise loan applied for and amount of money applied by respondents.

of documents of assets BUCILICE (14) and group security as type of collateral (15) has no relationship with accessibility of credit from IFI.

According to cluster analysis, access of credit from IFI socially are related with the following variables, distance from main financial institutions, collateral requirement, guarantor as type of collateral, and location of the borrowers while economically are related with size and type of enterprise the loan applied.

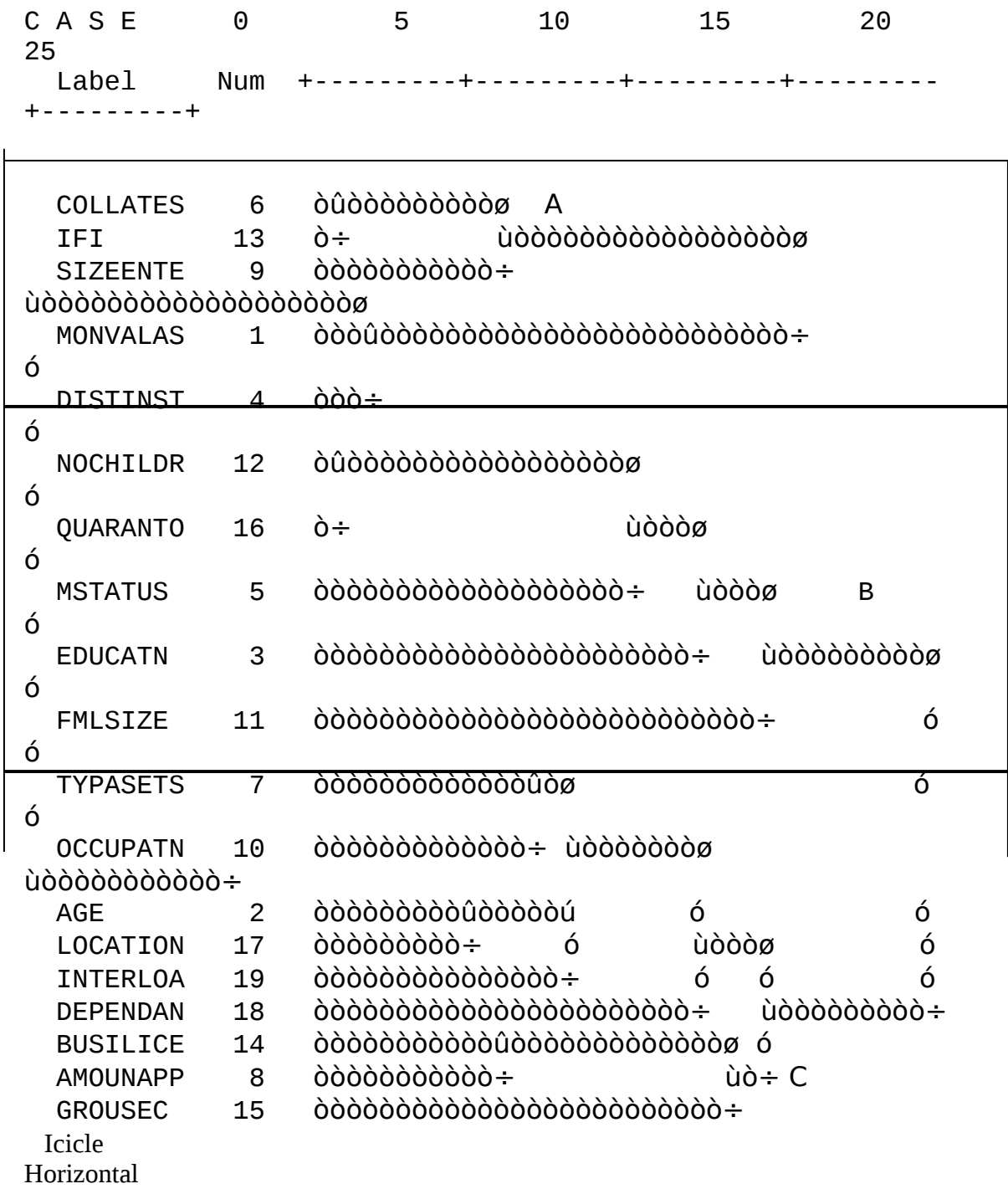


Figure 6: Dendrogram for borrower’s socio-economic characteristics with respect to IFI.

4.5 Testing hypothesis based on results from cluster analysis

According to results from cluster analysis which characterize borrowers socio-economic behaviours with various financial institutions it can be accepted that there exist alternative

scenarios that can improve accessibility of credit to women entrepreneurs. The scenarios established depend on type of financial institutions and characteristics of the borrowers such as; education level, collateral and types of collateral such as group security, ownership of assets, business license and guarantor, type and size of enterprise loan applied, amount of money applied, location of respondents, distance from main FIs, type and monetary value of assets owned by respondents. The characteristics of borrowers based on scenarios established from cluster analysis is shown in Table 24.

Table 24: Characteristics of borrowers based on scenarios from cluster analysis

FFI	SFFI	IFI
Run business in permanent premises	Run business in permanent/temporary	Run business in permanent/temporary
Ownership of documents of assets	Premises	Premises
Located close to financial institutions	Should form groups	Located in the same area with lender
Run Small and medium enterprise	Use group as loan security	Should be close to the lender
Posses formal education	Run small scale enterprises	Run small scale enterprise
Operate registered enterprise	Posses formal / non formal education	Possess formal/nonformul education
Apply small and medium loan size	Operate registered / non registered enterprise	Operate registered/non registered enterprise
Urban residents	Apply small loan size	Apply small loan size
Own high monetary value assets	Rural residents	Urban and rural residents
	Own low monetary value asses	Own low monetary value assets

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 Conclusions

(a) The first objective of the study was to study different characteristics of women borrowers. This objective was attended by answering a research question: What are the characteristics of women borrowers? Statistics from the study revealed that the following socio-economic characteristics related to borrowers:

- i. Majority of credit beneficiaries are over 30 years of age, while mature people of age above 46 years form a small part of respondents. This implies that this is the active and economic age group which demand relatively young women but old enough perhaps with some years of married life, a stable accumulation of assets and some entrepreneurship experience.
- ii. About 52.4% of the respondents interviewed were married. These results imply that married women have better chances of accessing and operating loan than unmarried women. This might be true in the sense that spouse mostly husbands in this case provide financial support for initial capital and marriage also might relate to the amount and value of assets that women can have access for offering as collateral.
- iii. Results from education level of respondents revealed that there is sufficient literacy (90%) in the study area although it was noted that there is no relationship between education level and access to credit from SSFIs and IFIs as borrowers with no formal education (21.4% and 5% respectively) had received credit same to borrowers with formal education.

- iv. Survey shows that there were great variations on activities which respondents applied loan. Most FFI credit beneficiaries applied loan for business that were registered and licensed such as bar, restaurants, shops saloons and tailoring mart. SFFI and IFI credit beneficiaries applied loan mostly for food vending, genge, petty trading and local brewing. Moreover only (4.9%) of respondents applied loan for farming activities. This implies that FIs offered loan for specific type of activities.
 - v. Majority (52%) of respondents used their own savings as start up capital and 19% of respondents had obtained capital from their husbands. Furthermore it has been found that loans were given to women with on-going projects, as presence of operating IGAs was the main prerequisite for getting credit
 - vi. Observations from ownership of assets indicated that majority 73.8%, and 90% of respondents owned utensils and furniture respectively. Other assets were cars, bicycles, radios and TVs, livestock, farm/plots, sewing machines and driers. Also more than half (54.8%) of respondents owned assets worth between 1 000 001 and 5 000 000/Ths
 - vii. Research findings further indicate that, loanees from FFI had assets with high value compared with loanees from SFFI and IFI. Chi square test was carried out to determine if there was any significant difference in monetary value of assets between credit beneficiaries. Chi square results showed that there is significant difference in monetary value of assets between credit beneficiaries at ($p < 0.01$)
- (b) The second objective was to identify lending opportunities and procedure for lending. This objective was attended by answering a research question: Is there any lending opportunities and procedure for selected FIs?

- i. The results revealed that social groups (57.3%) played a major role in disseminating information on availability of credit in the study area and probable reason might be due lack of information on existence of credit in rural areas.
 - ii. Findings indicated that both FFI and SFFI were located in urban areas with exclusion of IFI which were found in urban and rural areas. This implies that most of FIs are limited in rural areas.
 - iii. FIs used collateral as security for the loan incase of loan default but collateral differs depending on financing agents. It was noted that FINCA use of informal type of collateral (group). Informal lenders demand guarantor (s) as security for the loan while NMB demand ownership of documents of assets and business license.
 - iv. Assessing procedure for issuing loan from three FIs study has shown that, loan conditions imposed by FINCA and informal lenders are favorable for poor borrowers than those imposed by NMB which target a relatively well off borrowers. Respondents (41.2%) consider high interest rate, small size of loan issued (23, 5%) and short grace period (18.7%) were the major reasons for dissatisfaction with procedures for both institutions.
 - v. Findings confirm that more than half (56.8%) of the respondents faced problems of high interest rate, insufficient amount (21%) short grace period (11.2%) and working long distance (9.3%) while few (1.7%) of respondents had faced problem of misunderstanding within group.
- (c) The third objective was to establish different scenarios linking lending institutions and women borrowers. The objective was addressed by answering the research question; Is there any scenarios that linking lending institutions and women borrowers?

Study results revealed that accessibility of credit from FFI is closely related with many socio-economic variables. Economically it associated with type and value of assets owned

by borrowers, size and type of enterprise the loan applied for and amount of money applied while SFFI and IFI related with size and type of the enterprise loan applied, and amount of money applied.

Further cluster analysis showed that socially FFI have close association with collateral requirement, business license and ownership of documents of assets as type of collateral, education level, distance from main FIs, and location of the borrowers. SFFI had close relationship with collateral requirements, group security as type of collateral, while economically is related with size and type of enterprise loan applied, and amount of money applied. Finally IFI has shown to associate with distance from main financial institutions, collateral requirement, guarantor as type of collateral and location of the borrowers.

5.2 Recommendations

According to results from cluster analysis where borrower's socio-economic characteristics with various FIs were analysed, the factors constraining accessibility of credit to women were harmonized and different possible alternative outcomes were established. Based on those possible alternative outcomes, the following are study recommendations that can improve accessibility of credit to women:

- (a) Women residing in urban areas, possess formal education, own high monetary value assets, operating registered small and medium enterprises which need relatively large loan size their main source of credit will be FFIs. They will be able to meet collateral requirement, and receive loan with low transaction costs which are the results of low unit costs of administering large loan to a clients who are not highly dispersed and they are literate to follow loan application procedures.
- (b) It is advised that SFFIs will be the major source of credit for women living in rural areas with formal or no formal education, own assets with low monetary value, operating small-scale enterprises with or without license and they need small loan. The institution use group lending model which reduces the administrative costs of lending to small borrowers solved formal collateral requirement problems. Also institutions provide their services to rural clients by use of outreach in disbursing loan and collecting repayments from borrower's village which is contrary to FFIs

- (c) Urban and rural women with formal or non formal education, own low monetary value assets, undertaking small-scale business with or without license which require small amount of money should seek credit from They will end up with low transaction costs because of lenders proximity, immediacy of disbursement, willing to expand small loan, and flexible repayment schedules because the lender is familiar with the borrowers situation.
- (d) Because most of rural women were engaged more in farming as their main occupation FIs should provide loan for farming activities inorder to improve agricultural production.
- (e) FIs aiming at assisting women in income creation should develop mechanisms of financing new IGAs in urban and rural communities thus many women will benefit from disbursed credits and ultimately engaged more in IGAs.
- (f) Financial services should be established in rural area where these services are limited. It is important because they will reach and benefit the intended group, who often live in remote rural areas where distance are huge and means of transportation and communication are much lagging.
- (g) Women entrepreneurs wishing to secure loan from SFFI should form groups prior the application of loan as the major criterion to receive credit from the institution.
- (h) Loan from FFI should be applied by women entrepreneurs who require individual loan and have already started up their business in a permanent premises.

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APPENDICES

Appendix 1: Credit beneficiaries questionnaire

District.....

Division

Ward.....

Village/ Hamlets.....

A. SOCIAL CHARACTERISTICS OF RESPONDENTS

1. Age of respondent.....

2. Marital status Married =1 Single = 2 Widow = 3 Divorced/ separated = 4

3 Number of children.....

4. Number of dependants.....

5. What is your level of education? No formal education =1 Primary education = 2

 Secondary school = 3 College =4

6. What is your main occupation?

 Farmer = 1 Business woman =2 Formal employee =3

7. If farmer indicate 3 main food crops grown

 (1)..... (2)..... (3).....

8. What is your family size.....

9. Location of respondents Urban =1 Rural =2

B ECONOMIC CHARACTERISTICS OF RESPONDENTS

10. What IGAs do you undertake?

(1).....

(2).....

(3).....

(4).....

11. Which enterprise did you applied loan?

(1).....

(2).....

(3).....

12. What is the size of enterprise?

(1) Small enterprise

(2) Medium small enterprise

(3) Large enterprise

13. Where do you operate your IGAs

(1) At home

(2) Near home

(3) Along the road

(4) At commercial areas

14. What was the source of start up capital?

(1) Own savings

(2) Grants

(3) Credit

15 How much capital was used to start up IGAs?

16. What is the estimated income per month from your enterprise?

17. What is the profit accrued/month?

18. Do you own any assets? Yes =1 No =2

19. If yes mention them

S/No	Type of assets	Owned		Number	Monetary value of assets
		Yes	No		
1	Houses				
2	Car				
3	Bicycle				
4	TVs and radio				
5	Land/plot				
6	Livestock				
7	Furniture				
8	utensils				
9	Sewing machines				
10	Driers / steamers				
11	Others				

C. CREDIT INFORMATIONS

20. Which institution did you receive credit?

21. Why did you decide to go for that institution?

(1).....

(2).....

(3).....

(4).....

22. Where did you get information about availability of credit?

(1) From friends =1

(2) From neighbors =2

(3) Mass communication =3

(4) Social group =

23. What is the distance from main financial institution?

24. What type of credit do you receive? Cash = 1 In kind =2 Others =3

25. How much money did you received as a loan?

26. Did you receive the applied amount?

Yes =1 No =2

27. If not please explain why?

(1)

(2).....

(3).....

28. What is the waiting time between application time and receiving loan?

29. Is there any cost incurred in applying loan?

Yes =1 No = 2

30. If yes mention

(1).....

(2)

(3)

30. Narrate the procedure for the loan

(1).....

(2).....

(3).....

(4).....

31. Are you satisfied with the procedure?

Yes =1 No= 2

32. If not please explain the reasons

(1).....

(2).....

(3).....

(4).....

33. On your opinion how would you like the procedure to be improved?

(1).....

(2).....

(3).....

(4).....

34. Are you satisfied with the procedure?

Yes =1

No= 2

35. If not please explain the reasons

(1).....

(2).....

(3).....

(4).....

36. On your opinion how would you like the procedure to be improved.....

(1).....

(2).....

(3).....

(4).....

37. Is there any collateral required?

Yes =1

No =2

38. If yes what are those?

(1).....

(2).....

(3).....

39. Do you know the interest rate?

Yes =1

No =2

Don't remember =3

40. If yes what is the rate?.....

41. What conditions were you required to meet before getting credit?

(1)

(2)

(3)

(4)

42. Have you ever faced the problem in obtaining the credit?

1= Yes

No= 2

43. If yes what are those?

(1).....

(2).....

(3).....

(4)

(5)

Thank you for your cooperation

Appendix 2: Institutional questionnaire

BASIC INFORMATION FROM THE LENDER

1. Name of Institution.....
2. How would you describe your organization?
(1) Government institution (2) NGO (3) Donor agency (4) Others
3. When did the institution start offering credit to women?
4. How many branches do you have in Morogoro?
5. What are the objectives of your financial support to women?
.....
.....
6. How many women have received credit so far?
7. What kind of credit do you offer?
1=Cash 2= In kind
8. What is the amount of loan offered?
Maximum amount.....
Minimum amount.....
9. What form of financial support do you provide to IGAs?
(1) Grants
(2) Credit only
(3) Credit and training
10. Do you provide loan to individual or group? Group =1 Individual =2
11. What criteria govern the size or amount of loan given to each borrower?
.....
.....
.....

12. How did your clients get information about availability of credit?

(1).....

(2).....

(3).....

13. What type of income generating activities do you offer credit?

(1) Farm activities

(2) Non farm activities

14. What are criteria for selecting women borrowers?

(1).....

(2).....

(3).....

(4).....

15. What are institutional factors affecting access of credit to women?

.....

.....

.....

Thank you for your cooperation