

**SOCIOECONOMIC FACTORS AFFECTING EFFICIENT UTILIZATION OF
MICRO CREDIT AMONG WOMEN IN MOROGORO MUNICIPALITY**

BY

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE DEGREE OF MASTER OF ARTS IN RURAL
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ABSTRACT

This study was conducted to identify socioeconomic factors affecting efficient utilization of Micro Credit among women in Morogoro Municipal. Specifically, the study examined major economic activities that women perform with credit, assessed performance of women activities, identified socioeconomic factors influencing efficient utilization of Micro Credit and determined the extent to which credit money was spent on unintended activities. The study involved 80 respondents in which 75 were Micro credit recipients and five were key informants from five Micro Financial Institutions in Morogoro Municipal. Snowball and Purposeful sampling were used to identify respondents. Data were collected using structured questionnaire, FGDs and interview schedule, and by reviewing secondary data from several sources. Descriptive and multiple response statistics such as mean, frequencies and percentages were used. Qualitative data from Micro Credit recipients and key informants were summarized and reported. Findings showed majority (60.4%) of women entrepreneurs are engaged on clothing and food items projects which include 'Mama Lishe' and 'Genge'. Few (6.9%) of the respondents had no project. Results showed that few women recorded negative gross margins and fewer 5.3% had gross margin above 500 000/= . It was noted that socioeconomic factors that affect efficient utilization of Micro credit among women are amount of loan, lack of training in business management, poverty (income status), repayment schedule, business related problems and high interest rate. Data from key informants noted Micro entrepreneurs diverge credit to food, clothing and educational related expenses. Study results shows that majority of respondents diverge credit to food and clothing. The study recommended Micro Credit institutions to empower credit recipients by training on operational and management skills and increase credit funds to enable micro entrepreneurs acquire significant amount of loan to sustain their

activities. Micro Credit institutions should design effective monitoring and evaluation, and repayment conditions should be flexible.

DECLARATION

I, ABUBAKAR OMARI MALINZA, do hereby declare to the Senate of Sokoine University of Agriculture that this dissertation is my own original work and has never been nor concurrently being submitted for a higher degree award in any other University.

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Date

The above declaration is confirmed

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(Supervisor)

Date

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DEDICATION

This study is dedicated to God who has enabled me pursue studies up to the higher degree level. It is also dedicated to my lovely parents, grandparents and my sister Jamila who encouraged me during my academic career.

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The majority of the respondents surveyed had a starting capital of 0 to 200 000 Tshs. This implies that most of MC recipients are engaged in the informal sector as the sector has low capital requirements. Few of the respondents recorded negative gross margin and fewer had gross margin above 500 000 Tshs. This implies small size loans offered by MFIs and lack of necessary business skills among women Micro Credit recipients in Morogoro Municipal. In this study it was found that returns from investment do not change asset status of Micro Credit recipients. Also, Micro Finance in Morogoro Municipal is constrained by late loan repayments, credit defaults, cumbersome loan procurement procedures, sustainability and lesser gross margins, project management

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LIST OF ABBREVIATIONS

ATMs	- Automated Teller Machines
CRDB	- Cooperative and Rural Development Bank
FARMESA	- Farm Level Applied Research for Eastern and Southern Africa
FFIs	- Formal Financial Institutions
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SMEs	- Small-Medium Enterprises
TIB	- Tanzania Investment Bank
UN	- United Nations
UNIDO	- United Nations Industrial Development Organisation

URT - United Republic of Tanzania

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background Information

Poverty reduction has so far attracted the attention of both developing and developed world (URT, 2003). Various strategies have been employed in the fight against poverty, however little has been achieved so far. Until recently poverty was synonymous with rural conditions, but the rapid urbanization of many developing countries has given birth to a large class of urban poor. The World Bank (2007) estimated that, worldwide, 30 percent of poor people live in urban areas. Maxwell *et al.* (2000) argued that, the old assumption that urban dwellers are better off than rural dwellers may be true on average, but poverty, food insecurity and malnutrition are growing rapidly in urban areas

The worldwide urban population is expected to double in thirty (30) years, but the numbers of urban poor are expected to increase at a greater rate. The cities of developing countries are now the locus of the fastest urban growth in the world, harvesting the countryside of Asia, Africa and Latin America of people who can no longer tolerate the limitations of rural life or who simply see urban life as presenting more options for livelihood. Consequently, the process of urbanization in countries like Tanzania is taking place without the corresponding development of industrialization and the associated increase in urban income levels (Tibaijuka, 2003). This unplanned movement creates the so called urban poverty. The growing of urban poverty witnessed urban settlements comprising of slums and squatter settlements both inside and outside the regulatory boundaries of the city growing at nearly double the rate (Habitat, 2001). Currently, these settlements

accommodate between 30 and 60 percent of urban populations in developing country cities.

Moreover this “urbanization of poverty” is also accompanied by a growing feminization of poverty. Habitat (2001) reported that, women head an estimated 20-25 percent of households worldwide. In sub-Saharan Africa for instance, where nearly 50 percent of households are headed by women, the incidence of poverty among urban women has increased. Women are likely to comprise the majority of the poor and constitute a compelling case for accepting that feminisation of poverty is quantitatively a reality (Lorraine, 1997). The next decade will witness urbanization and feminization of poverty if current trends continue.

In the context of Tanzania, the municipality of Arusha with its seemingly expansive pastoral hinterland has grown from 55 000 people in 1978 to 270 000 in 2002. At an average growth rate since 1988 of 11.7% per year, Arusha will double its population in just 6 years. Morogoro went from 60 000 in 1978 to 229 000 in 2002, growing at a rate of 5.4% per year since 1988. At this rate its population will double in less than 15 years. Similarly, we have seen Mbeya, Moshi, Dodoma, Mwanza and other towns grow at explosive rates over the past 15 years. In this same period, Dar es Salaam doubled its population to nearly 2.5 million (Tibaijuka, 2003). Meanwhile, the total population of Tanzania rose from about 25 million to 35 million, a fifty percent increase. During the period from 1988, when the total population of urban areas in Tanzania was increasing by about 7 million persons, rural Tanzania was gaining only about 3 million, mostly through natural growth (Tibaijuka, 2003).

The concern for women in poverty alleviation efforts in Tanzania is important because women continue to be the most disadvantaged group (Misana, 1995; URT/UNICEF, 1990). Income generating activities particularly for women are lifeblood of developing countries due to their ability to create jobs and raise incomes in environments where economic opportunities are otherwise scarce (Kyungay, 2007). Provision of micro - credit for women is among the mechanisms currently employed in order to improve the welfare of women in urban localities and particularly Morogoro Municipal. However the approach appeared to be constrained by inefficient utilization defined in terms of capacity and manner in use of credit.

1.2 Problem Statement

The present worldwide view considers credit as an important factor to alleviate poverty amongst poor women in developing countries (Kyungay, 2007). Credit provision is widely used as a means of allocating opportunities as well as employment generation to the poor (Sumay, 1999). Micro finance institutions in developing countries had for long time being involved in poverty reduction through credit provision particularly to women. 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' endeavours and the new business development (Satta, 1999). They also, promote women's social and political development through trainings, saving culture, and interaction during group activities among others.

However, this sort of credit arrangement is constrained by inefficient utilization among credit recipients. The majority of small credit programmes have been affected by serious defaults, such as high default rates ranging from 50 percent to as high as 80 percent have

been reported in small credit programmes in Africa, Asia and Middle East (Sanderatne, 1978; Kashuliza, 1986). Other problems related to repayment problem include loan diversion and deceit. Kashuliza (1986) argued that defaults adversely affect credit institutions solvency, liquidity and the capacity to issue loans to other clients. These situation further results in a negative impact on potential borrowers, who may find their access to credit delayed, restricted or denied because of the declining liquidity of the lender.

Again, Mongi (2005) on her study in Eastern part of Arumeru District in Tanzania noted late loan repayment as among problems faced by women groups. She noted that 50 percent of the member respondents said that the major problem, which is faced by them, is loan repayment by members which cause the rest of the members not to receive further loans. Kasambala (2007) on his study on the determinants of credit demand in Southern Highlands of Tanzania found that 39.1 percent of the respondents reported to experience late loan repayment or loan default. In some cases women micro-entrepreneurs are subjected into loss of assets which were used as collateral thus deepening them into poverty. Kasambala (2007) noted that, 39.1 percent of micro-entrepreneurs in Iringa defaulted, of which 24.71 percent lost their collateral items on penalties imposed on loan defaulters. The purpose of this study is to find out why women micro entrepreneurs fail to efficiently utilize micro credit they receive.

1.3 Justification of the Study

Statistical evidence available from the Tanzania Statistical Bureau indicates that, out of the Tanzanian population of 30 million, over 51 percent or some 15.5 million are of working age. Of these, 12 million are employed in all sectors; 9 million of them, in the agricultural sector while 3 million are in the non farm employment sector. Total non formal sector employs 2.4 million of all non farm employment. Micro enterprises being a major part of the non farm informal sector employs about 2 million people (Malima, 1997).

A number of authors have concentrated their efforts on the problem of having poor access to credit among women entrepreneurs in urban areas of Africa (Kashuliza *et al*, 1998; Satta, 2000), impact of credit to income with no particular interest to capacity and manner towards utilization of such credit arrangements. Also, there is no clear information on whether, they really support entrepreneurs or exploit them. This has for sure remained unexplored research area with regard to urban women credit schemes in Morogoro Municipal. This research was thus commissioned so as to identify the socioeconomic factors influencing efficient utilization of Micro Credit among women in Morogoro Municipal. The findings from this research will help MFIs design credit programmes that will do away with late loan repayments, defaults, cumbersome loan procurement procedures and loss of assets amongst Micro entrepreneurs. The findings will also enable micro financial institutions empower credit recipients in terms of trainings on operational and management skills and increase in credit funds so as to enable micro entrepreneurs acquire significant amount of loan to sustain their activities.

1.4 Objectives

1.4.1 General objectives

Identify socioeconomic factors affecting efficient utilization of Micro Credit among women in Morogoro Municipal.

1.4.2 Specific objectives

1. Examine major economic activities that women perform with the credit they get
2. Assess the performance of the activities carried out by women receiving Micro Credit
3. Identify socioeconomic factors influencing efficient utilization of Micro Credit
4. Determine the extent to which credit money is spent on unintended activities

1.5 Research Questions

1. What are the major economic activities that women perform with the credit they get?
2. What is the performance of the activities carried out by women receiving Micro Credit?
3. What are the socioeconomic factors affecting efficient utilization of Micro Credit?
4. To what extent do credit money is spent on unintended activities?

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Definitions of Key Concepts

2.1.1 Credit

It is defined by cibs.com (2007) that, credit is what you use to buy products or services today and pay for them at a later date. This includes credit cards, personal loans or mortgages, and familiar services such as telephone and cable. In return for paying later for something you can enjoy today, you are often charged interest or service charges by the creditor. Once you've established one or more trade lines on your credit, your score will be more directly related to the percentage of credit you carry as compared to the total amount you could carry and your payment history on the trade lines you have. A trade line is any credit account where you have borrowed money and are paying it back such as a credit card, home loan, or signature loan.

2.1.2 Formal credit

Formal sources are constituted of Formal Financial Institutions (FFIs). These institutions, both private as well as public, are characterised 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 banks; a situation which had a negative impact on women's productivity. According to Brata (2005) formal credits are the funds through commercial banking institutions. In the case of Tanzania, Narayan and Pritchett (1997) as cited by Brata (2005) found that a larger fraction of households in villages with higher social capital report using credit for agricultural improvements. In the case of Indonesia, Grootaert (1999) as cited by Brata (2005) concludes that households with higher social capital are in better position to

obtain credit. He found that members of financial associations are more likely to obtain credit than non-members and the obtained credit amounts were much larger.

Narayan and Pritchett (1997) and Grootaert (1999) in Brata (2005) insists on the issue of social networks as important elements of many types of formal or informal programs that provide credit access to the poor. However, according to Tonkiss (2000) as cited by Brata (2005), the forms of social capital are not simply or necessarily conducive to economic development, in two respects. The first has to do with inequality, the second with issues of capacity. Where resources of social capital are unevenly distributed, social networks can be a basis for corruption, cronyism, or other forms of rent-seeking behaviour. It was suggested by Grootaert and van Bastelaer (2001) as cited by Brata (2005) that, the role of leaders or other influential individual in the internal dynamic of community is necessary. In this situation, one may expect that social capital does not automatically increase the access to economic opportunities and resources such as formal credit. Social capital does not guarantee the poor people and the disadvantaged like women to access formal credit.

It is advised by Aryeetey and Fenny (2006) formal credit institution needs an intervention or substitution. The author suggests the policy of channelling formal credit to semi formal (less formal lenders). The writer defends the suggestion on the grounds of its efficiency and increased financial integration, especially among entrepreneurs and especially women. Informal lenders can build a personal relationship with their borrowers that can ensure an extremely low loan default rate. Encouragement of more subcontracting in the real sector would also generate more financial linkages in parallel.

2.1.3 Informal credit

Informal credit operations involve lending, generally at short-term, among friends, relatives, kin members, landlords, neighbours, shopkeepers, farmers, [artisans](#), itinerant traders, marketing intermediaries, village moneylenders and other local income groups. It also includes various traditional non-institutional ways of accumulating and extending credit. Although informal credit markets exist in urban areas, the term generally refers to rural informal credit markets where institutional credit facilities are absent or insufficient to cater to the needs of local professionals of different categories. Informal credits are supplied at little or no interest to farmers, local poor people and marginal professionals of various groups, relatives, and friends. Usually the traders, large landowners, and moneylenders dominate as the suppliers of informal credit (Banglapedia, 2007).

It is asserted in the Banglapedia (2007) report that, the volume of non-formal [finance](#) is greater than formal financial flows in rural areas of many developing countries. Informal lending appears to have some advantages over institutional lending, especially among low-income groups and in the remote rural areas. Informal credit is used for both consumption and capital purposes. Consumption purposes include meeting expenses in food, clothing and medicine, as well as various household expenses and expenses on occasions like [marriage](#) ceremonies or festivals. Capital purposes include meeting costs of agricultural inputs, buying [livestock](#) and land, investment in businesses or small ventures such as running a [tea](#) shop, buying a [rickshaw](#), organising inventory for vending, paying for workers, and meeting expenses for the education of children. Informal credit is also used to finance traditional rural businesses in commodities such as paddy, handloom cloth, [jute](#), lumber or oils.

2.1.4 Semi formal credit

Semi formal credit is a credit offered by financial institutions that are not subject to formal banking laws and central bank supervision. However they are not like the traditional indigenous financial institutions. Clark and Kays (1995) give the characteristics of Semi formal credit in the United States of America as “facilities with an average size of 6 million Tshs with terms ranging from one year to 4.75 years. In the context of Tanzania semi formal credit have average size of 50 000 Tshs. The programs charge a market rate of interest that is between eight to 16%, and these loans are generally secured by non-traditional collateral, flexible collateral requirements or group guarantees”.

However they consists of the following features; they are geared to people with no land or assets; that is, people who don't have what the banks call collateral, borrowers become part of a small group of people who meet regularly to support each other. The majority of those taking part are women, because they are usually the poorest of the poor, with little hope of getting loans. Borrowers can receive further loans, as long as earlier ones are paid, on the understanding that the poor need to have access to credit for a number of years to accumulate enough assets and savings to escape poverty. Borrowers are free to choose the activity to be funded with their loan, with most loans going toward small businesses such as farming, handicrafts and shop keeping (Murray, 2002).

These include SACCOS, ROSCAS, Parastatals, government and non Government Organizations (NGOs), such as different micro-finance organizations with credit components. They mainly focus on the income generating activities for the youth and women who are most disadvantaged groups in poor societies (Dichter, 1999). Disregarding their internal differences, the majority of them are based on savings (Sumay 1999). Successful stories in Tanzania include OXFAM, PRIDE Tanzania, SEDA, PTF, FINCA and many others.

Sumay (1999) conducted a study concerning performance of semi formal credit arrangements in Arumeru District. She noted that despite many lending institutions, a considerable number of individuals were not aware of these possibilities. Generally, her research focused on assessing the experiences of providing micro-credit to farmers. The findings however tell us nothing concerning socioeconomic factors affecting efficient utilization of credit facilities.

2.1.5 Credit institutions

It is generally acknowledged that credit to women is a very important instrument in bringing about poverty reduction. Credit institutions in Morogoro Municipal provide credit services to women. These financial lending institutions differ significantly in terms of types of clients, institutional framework and funding arrangements. They can be categorized into three major groups; formal, semi formal and informal institutions which include ROSCAs (Sumay, 1999). Semi formal credit has proved to be effective compared to formal sources like banks which demand collateral. However, the situation is impressing because semi formal credit sources encounter, among others, the problem of loan repayment. Nagaraja and Venkataram (1990) and Braun (1992) argued that credit institutions help in diffusion of technology as credit recipients use it to acquire technology.

2.2 Credit Policies and Women in Tanzania

Tanzania's National Microfinance Policy of 2000 is aimed at ensuring access to financial services among the poor people particularly women. For the majority of Tanzanians whose income are very low, access to financial services offers the possibility of managing scarce household and enterprise resources more efficiently, protection against risks, provision for the future and taking advantage of economic opportunities, for economic return (URT, 2000). Financial policies of Tanzania government have long emphasized the importance of providing credit to support productive activities in both urban and rural areas. These institutions are to provide financial services to urban and rural sector. Much of these services were provided by the CRDB, NBC, TIB, and the Peoples Bank of Zanzibar (Kyungay, 2007).

In the past, both developed and developing countries have provided loans at subsidised interest rate to large enterprises to increase employment and production. In contrast, little has been done to provide credit for women micro enterprise in developing countries until the last two decades (Due and Kurwijila, 1991). However, credit policies in Tanzania have failed to address women issues. This can be attributed to many factors. Among others these include; operational problems, donor dependency among micro credit schemes and group collateral. According to Henn (1984) in theory, women can borrow from any of these institutions if they are able to fulfil all the conditions and procedures laid down. In reality women can hardly fulfil these conditions and procedures thus denied access to credit network. Evidence has shown that the commercial and rural development bank in Tanzania normally will not lend women who have little security to guarantee the loan, lack of positive credit experience, and are unable to prepare feasibility studies or meet highest interest rate.

Again, Due and Kurwijila (1991) observed that, with the government policy in Tanzania changing from socialist to a more of a mixed economy emphasis, more non governmental organisation (NGOs) are operating in the country. Several of these NGOs are providing funds for women income generating activities through micro enterprise development. Most of these 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, or repayment rates are not known.

2.3 Women Status in Urban Areas

In sub-Saharan Africa for instance, where nearly 50 percent of households are headed by women, the incidence of poverty among urban women has increased. The next decade will witness increased urbanization and feminization of poverty if current trend continues (Habitat 2001). Urbanisation is a burning issue in Tanzania because of its high rates of growth and lack of effective mechanisms to manage its outcomes. Between 1980 and 1997, the urban population grew at a rate of 10% per annum (Ngware and Kironde, 2000). Women given their socioeconomic status have failed to take opportunity in a male dominated society. In Morogoro for instance, women are excluded from formal employment and income opportunities (Kyungay, 2007). Attitudes and cultural norms constitute other powerful barriers to women's entry into the (formal) labour market (ILO, 1998). This has worsened their wellbeing as most of them are involved in the informal sector.

“Urbanization of poverty” is also accompanied by a growing feminization of poverty. Women head an estimated 20-25 per cent of households worldwide. In sub-Saharan Africa

for instance, where nearly 50 percent of households are headed by women, the incidence of poverty among urban women has increased. The next decade will witness increased urbanization and feminization of poverty if current trends continue. Morogoro Municipal is no exception in this regard.

Poor urban women operate marginal enterprises in the informal sector. These activities yield little or negative returns on investment because the enterprises experience little or no growth during the lifetime of their owners. Consequently, women dominate the poor class and the majority of those that MFIs serve. Some of the MFIs target productive poor women specifically because doing so have proved to be the most direct means of reducing poverty and increasing the welfare of the family as a whole.

2.4 Women and the Informal Sector

The International Labour Organization (ILO) introduced the concept of the informal sector more than 25 years ago. The informal sector has been understood to mean very small-scale units producing and distributing goods and services, and consisting largely of independent, self-employed producers in urban and rural areas of developing countries, some of which also employ family labour and/or few hired workers or apprentices. They operate with very little capital or none at all; which utilize a low level of technology and skills; which therefore operates at a low level of productivity. Generally it provides very low and irregular income and highly unstable employment to those who work in it. It also includes activities that are carried out without formal approval from authorities and escape the administrative machinery responsible for enforcing legislation and similar instruments (ILO, 1998).

This definition, itself adapted from the ILO, does not perhaps capture the importance or the dynamism of the informal sector, which is a major provider of urban jobs. In urban areas, informal sector enterprises include a very wide range of industries, occupations and working situations. These include street food or market vendors, small automotive and machine repair shops, small-scale manufacturers such as garments, shoes or handicrafts, waste recyclers, beauty parlours and transport drivers, amongst others. Estimates in some South-East Asian and South Asian cities put its share of the total workforce at around 50 to 60%. A substantial number of these workers are women. Workers and owner-operators in small and micro-enterprises are not just a majority of the world's working people. They build markets, expand trade, manage natural resources, fight poverty, generate employment, strengthen communities, support families and feed most of the world's children.

According to Bagachwa (1995) the informal sector defined as an economic unit of activities which do not employ more than 10 people. Others, including Omari (1995) defined the informal business in terms of its important role it plays at the household level. Key here is the contribution of the informal sector to the household economy. They are further characterized with ad hoc organization of business activities. Operators are often moved from one place to another by force when space problems arise as their activities are unplanned. Informal sector in this regard include local beer brewing, food/beverage, wearing apparel, textile/leather, wood products, manufacturing and wholesale, retail fuel and charcoal, retail readymade garments, retail second hand garments, beauty salons, tailoring just few to mention.

The economic transformation made in 1990's by the state caused reduction of large scale industrial activity to privately owned production enterprises. This led to an increase in urban unemployment and therefore some of the laid-off staff decided to venture in agriculture and small businesses. The large group which missed formal employment include women, and therefore they are highly engaged in informal employment like selling clothes, shoes and food (*Mama Lishe*). The situation led to the formation of The Integrated Training Programme for Women Entrepreneurs in the Food Processing Industry. It was designed by SIDO and UNIDO, and has been jointly implemented by the two organizations under the sponsorship of the Austrian government since 1993. The activities of this ongoing project are being conducted in both rural and urban areas of Tanzania. The programme's main objective is to promote women's entrepreneurship development in the food processing sub sector through the improvement of existing micro enterprises managed by women, and the encouragement of new ventures with a potential to grow into SMEs. The programme addresses major constraints that affect enterprise operation and growth,

through skill development and integrated technical, business and managerial assistance in food processing (UNIDO, 2007).

In many developing countries, and lately increasingly so in many industrialized countries, the vast scale and rate of growth of the informal sector presents a dilemma and a challenge for governments, social partners and the civil society alike. A dilemma, as the informal sector encompasses employment situations which not only differ from those in the formal sector, but also infringe upon established rules and laws. It absorbs a large and growing fraction of the labour force, and provides a "safety net" for the poor, finding themselves excluded from formal employment and income opportunities (ILO, 1998).

While the data about informal activities are somewhat unreliable, there is consensus that the informal sector is steadily growing in almost all developing countries, for example in Latin America, 8.4 of every ten new jobs created between 1990 and 1994 were in the informal sector. In Asia, the informal sector absorbs between 40 and 50% of the urban labour force, and in Africa, the urban informal sector currently employs some 60% of the urban labour force and will create more than 90% of all additional jobs in this region (ILO, 1997). In Tanzania for instance, total non formal informal sector employs 2.4 million of all non farm employment. Micro enterprises being a major part of the non farm informal sector employs about 2 million people (Malima, 1997).

While the slow, or even negative, growth of formal sector employment opportunities combined with a rapid and significant growth in the urban labour force, economic stabilization and restructuring programmes, and the quest for increased flexibility and deregulation of the economy have had detrimental effects on men and women alike.

Women have been increasingly pushed into informal activities. For example, the reduction in public sector jobs has affected women more than men, because of their concentration in temporary and lower level jobs; the decline in formal sector wages, has forced many women to turn to remunerated, most often informal work. Attitudes and cultural norms constitute other powerful barriers to women's entry into the (formal) labour market (ILO, 1998).

Estimates show that there are about 700 000 new entrants into the labour force every year. About 500 000 of these are school leavers with little marketable skills. The public sector employs only about 40 000 of the new entrants into the labour market, leaving about 660 000 to join the unemployed or the underemployed reserve (URT, 2003). Most of these persons end up in SME sector, and especially in the informal sector. SME sector is the best option to address this problem (Gwakisa, 2007).

2.5 Efficient Credit Utilization

Utilization simply refers to the capacity and manner in which one exploits a given opportunity at a given point in time. Efficient utilization of semi formal credit thus refers to a state at which credit recipient utilizes scarce resources properly and sustainably. The concept is however broad in categorization but for the purpose of this research efficient utilization would be operationally defined in terms of the gross margin (GM) per individual credit recipient. Mbeiyeyerwa (2000) identified lesser gross margins among recipients. He noted that about 80.2% of the respondents reported to support household budget by using IGA soon as they generate income. To some greater extent, this trend reduces the beneficiaries' capacity to save for future project sustainability. Other studies (Kashuliza, 1986; Mongi, 2005; Kasambala, 2007) concluded that women face repayment

problems with regards to credit utilization. Makombe *et al.* (1999) on their study conducted in Tanga and Coastal Region revealed that the reason for non repayment of the pilot schemes loans by women and collapse of their IGAs was due to some women took loan without a clear idea of what to do with the loan money, their perception that loans were donor money that had to be taken to be used.

Extensive studies also show that women producers have limited access than men to all resources, from land to credit and technology. All these factors suggest that women are likely the majority of the poor and constitute a compelling case for accepting that feminisation of poverty is quantitatively a reality. However, studies on the informal sector show that women who are running a small or micro-enterprise face a wide range of problems including inefficient utilization of credit (Kasambala, 2007).

Studies have shown that women are more likely to reinvest their earnings in the business and in their families. For instance, Mayoux (1997) makes the assertion that micro-credit programs are currently being promoted as a key strategy for both poverty alleviation and women's empowerment on the basis that these programs have the impact of increasing women's income levels and control over income which ultimately results in greater economic independence. Micro finance has a positive impact far beyond the individual client. But despite their importance, they face daunting obstacles regarding efficient utilization of Micro credit they receive. Kasambala (2007) noted that, 39.1% of micro-entrepreneurs in Iringa defaulted, of which 24.71% lost their collateral items on penalties imposed on loan defaulters. Again, Mongi (2005) on her study in Eastern part of Arumeru District in Tanzania noted late loan repayment as among problems faced by women

groups. In the long run defaults adversely affect credit institutions solvency, liquidity and the capacity to issue loans to other clients.

2.6 Socioeconomic Factors

Literally speaking socioeconomic entails what is social and economic. However the distinction is not always straightforward as what is social can also be economical and vice versa. Socioeconomic factors may include socioeconomic variables like educational level, age, marital status, family size, type of project, head of the household at respondents' residents, amount of loan, lack of training in business management, poverty (income status), repayment schedule, business related problems and high interest rate and location of micro enterprise. Chiduo (2001) identified initial capital of ME, amount of loan obtained, education level of ME owner and number of years since establishment of ME as socioeconomic factors affecting performance of ME. Again, World Bank (1975) in Kashuliza (1986) identified socioeconomic factors affecting performance of ME as failure to use borrowed funds for productive purposes, unrealised income from investment made i.e. investments having gone made and lack of enthusiasm toward repayment.

2.7 Impact of Microfinance on Women Micro Entrepreneurs

It is widely assumed that micro-finance will have a positive impact on women's livelihood in i) leading to higher income that will help women to better perform their reproductive role as brokers of the health, nutritional, and educational status of other household members, ii) increasing women's employment in micro enterprises and in improving the productivity of women's income-generating activities, and iii) enhancing their self-confidence and status within the family as independent producers and providers of valuable cash resources to the household economy.

The plausibility of these assumptions is largely borne out by empirical evidence. Impact assessments provide evidence of the positive effects of micro-finance on the livelihood of poor women, especially in Asia. A study from Bangladesh confirms improvements in women's physical mobility, economic security, ability to make own purchases, freedom from family domination and violence, political and legal awareness and public participation, as a result of a more stable integration into microfinance circuits (Schuler and Hashemi, 1994). A study of Grameen Bank suggests that women participants in credit programmes are more conscious of their rights, better able to resolve conflicts, and have more control over decision making at the household and community levels (Chen, 1996). Credit to women has positive effects on the schooling of girls; it increases women's asset holdings (except land) and is a significant determinant of total household expenditure (Pitt and Khandkar, 1996). Another study in Sri Lanka found that loans contributed to women's independent income, giving them more bargaining power in their relation with male family members (Hulme and Mosley, 1996); enhanced women's empowerment, such as increased self-confidence, and better cooperation with neighbours has also been observed in Thailand (MkNelly and Watetip, 1993).

The findings for Africa give a less clear picture, in that there is a positive impact on self-confidence (Vengroff and Creevey, 1994), but little proof of increased access to credit, intra-household decision making and individual assets ownership (Vengroff and Creevey, 1994; Creevey, Ndour and Thiam, 1995). In Latin America, a study in Ecuador found a significant increase in hourly income for women and in efficiency and productivity of their enterprises (Buvinic, Berger and Jaramillo, 1989).

Rahman in MacAdam (2002) noted that loans, by themselves, cannot uplift women from their difficult situations. He uncovered some disturbing findings when he returned to his native Bangladesh to examine how the Grameen Bank has improved the lives of women.

He noted that out of the 120 female borrowers in his [study](#), 70% admitted they endured increased verbal or physical violence from male relatives after taking out loans. And while the loans were supposed to help them earn income, more than 60% of the loans were actually used by men. "It was a shock," says Rahman. "The Bank has a really good objective, but there is a gulf between its philosophy and its field realities." Part of the problem involves women's lack of access to formal education, says Peter Noteboom (2000) (in MacAdam, 2002), a Canadian development consultant who has worked in community-based micro-credit programs in Bangladesh and Haiti.

Other studies have also detected negative impacts on women's income and employment, such as increased work loads (Vengroff and Creevey, 1994) and higher social pressure to ensure loan repayment. Also, a positive impact on non-participants, such as the welfare and education of children, cannot be automatically assumed (Peace and Hulme, 1994; Creevey, Ndour and Thiam, 1995). Moreover, women often employ daughters and daughters-in-law as unpaid employees thereby increasing their workload. Finally, participation in credit schemes can lead to indebtedness that is unmanageable, simply because there are no sufficiently profitable income-earning activities in which to invest. In this situation, women may end up being even more dependant than they were before.

2.8 Problems Associated with Microfinance

2.8.1 Women groups and loan repayment

Women groups have been facing different problems. The majority of small credit programmes have been affected by serious defaults, such as high default rates ranging from 50% to as high as 80% have been reported in small sale programmes in Africa, Asia and Middle East (Sanderatne, 1978; Kashuliza, 1986). Literature is rich in explaining the extent of default problem. Some of these reasons put forward were small loans and cumbersome loan procurement procedure (Makombe *et al.*, 1999), loan repayment on weekly basis which poses a constraint to the micro entrepreneurs' financial cash flows, failure to use borrowed money for productive purposes, lack of enthusiasm toward repayment (Kashuliza, 1986), poor clients operate in environments with high general business risk and lack practice in the rules of formal finance or even because their moral character is dubious. Thus, high delinquency rates in credit programme for the poor were often blamed on whether, poor market structure, economic recession, and deficient business practices or clients misallocation of loan funds into consumption activities (Zeller, 1998).

Some clients consider credit as government grants due to widespread excessive generous debt forgiveness (Sanderatne, 1983; Donald, 1976). Other problems include coming late to group meetings, refuse to attend group meetings. Mongi (2005) on her study in Eastern part of Arumeru District in Tanzania noted late loan repayment as among problems faced by women groups. She noted that 50 percent of the member respondents said that the major problem, which is faced by them, is loan repayment by members which cause the rest of the members not to receive further loans. The loss of assets by women who failed to efficiently utilize the credit results into further impoverishment and vulnerability. This

distorts the good intention of micro enterprise of focussing on poverty reduction. Secondly, wastage of scarce resources by credit provisioning institutions through inefficient utilization is another critical problem in need of urgent solution as in most cases the institutions are resources constrained.

2.8.2 Solvency, liquidity and the capacity to issue loans

Microfinance institutions in developing countries are also constrained by issues pertaining to solvency, liquidity and the capacity to issue loans to other clients. The problem appeared to be partly caused by late loan repayment, loan deceit and loan default (Kashuliza, 1986). These situation further results in a negative impact on potential borrowers, who may find their access to credit delayed, restricted or denied because of the declining liquidity of the lender.

2.8.3 Technical skills

Grassroots women who run micro-projects for generating income need to have certain fundamental skills in order to run them profitably. A study conducted by Forjes (1998) in Cameroon on the profitability of women's micro-projects concluded that, most outstanding and formidable barriers Cameroon women face derive from ignorance and not from access to credit or information. Mbeiyeyerwa (2000) noted that 57% of the sample beneficiaries reported to have no records for their projects. Literally there are two types of fundamental skills. They include management skills and operational skills. Both are important for the profitable operation during the lifetime of the project. Management skills are intelligent actions and decisions that are necessary to fulfil for handling and facilitating every stage of project development before and after has started to produce goods or services. Operational skills involve necessary technique required before and after the project has acquired a

business production status so as to make it economically viable. They include knowledge about the available standard and cheaper methods that are supposed to be used in operating particular projects. This involves the acquiring of more knowledge about various systems of operations that apply in running similar projects elsewhere. The necessary basic knowledge includes bookkeeping, simple documentation of records and simple performance ratios.

Profitable operation of women's IGA calls for training in both types of skills before recipients receive their loans. Lack of operational skills may also lead to poor identification of profitable lines. This has been evident in Cameroon where women groups desired to seek expert to detect business lines for the profitable choices (Forje, 1998).

Sustainability and gross margins of income generating activities conducted by women micro-entrepreneurs is another area of great concern in ME studies. This is because data from the field is not encouraging. On his study Mbeiyeyerwa (2000) noted that, about 80.2% of the respondents reported to support household budget by using IGA soon as they generate income. To some greater extent, this trend reduces the beneficiaries' capacity to save for future project sustainability. Project management and operational skills are of importance to any successful ME. Despite its importance MFIs do not provide this kind of knowledge to Micro entrepreneurs. This in turn affects both sustainability and gross margins of ME.

2.9 Women, Informal Sector and Utilization of Micro Credit

With a majority of the world's poor living in developing countries and having a predominantly female face, as contained in the United Nations Development Fund for Women (UNIFEM) report 1992, which concludes that, women earn only 10% of the world's income, and own less than 10% of the world's property. Of the more than one billion adults who have no access to basic education, more than 60% are women. Of the 1.3 billion absolute poor today that is those who live on less than a dollar a day, nearly 900 million are women (Kobby, 2002).

Issues pertaining to women empowerment have recently gained significant attention in global arena. One of the approaches widely adopted in addressing the above phenomenon is the provision of credit facilities to women particularly those in the informal sector. However, credit provisioning is reported to be constrained by access and utilization factors. Women in the informal sector with access to credit have in several cases failed to live up to expectations. This has made them lose their assets and other important sources of livelihood in the process (Sanderatne, 1978; Kashuliza, 1986; Mongi, 2005; Kasambala, 2007). Micro-financial institutions offering this sort of credit arrangement have reported delays in credit repayments with significant proportion of defaulters. Mbeiyeyerwa (2000) noted less gross margin among women micro-entrepreneurs. He attributed this fact to the tendency by majority of women IGAs to support household budgets soon as they start to generate income.

2.10 Advantages and Disadvantages of Micro Credit

Given the nature of the dichotomy in institutional development and the fact that a large number of those with difficulty in obtaining finance for investment are those that have been described as small or marginal borrowers, it is not surprising that one of the advantages of semi formal credit is that it provides low cost funds for investment. Semi formal credit arrangements have focused attention on this category of borrowers. Semi formal credit arrangements have featured in the efforts to provide low cost finance for investment. This tendency pushes towards greater lending for small or marginal borrowers (Aryeetey, 2006).

Micro credit has been recognised as a source of employment and income in many countries of the third world. It increases the GDP of a country. Detailed surveys in a number of countries suggest that as many as quarter of all people of working age are engaged in micro enterprise activities (Mead and Holm, 1998). Micro enterprise is believed to be a fast expanding sector and the total population engaged in such activities is growing over time. A study conducted by Daniels and Mead (1999) in five countries of Sub-Saharan Africa estimated SMEs provided employment to over 40 percent of the total increase in labour force in these countries.

In order to promote growth in Sub-Saharan Africa, it is generally accepted that there must be a conducive macroeconomic environment within which the private sector, especially the smaller firms, can flourish. The significant role played by small enterprises in this regard clearly shows that they have a potential to accelerate development through their labour-intensive production methods, potential use of local resources and less reliance on imports.

The need for microfinance arises due to the fact that low income people have few assets or resources to meet the requirement for traditional collateral as demanded by formal financial institutions. Micro finance is provision of financial services in consideration of the economic and environmental characteristics of the low income clients. Geographically, the majority of low income earners are isolated from urban centres where formal financial institutions are found. Most often the areas lack communication services like roads and newspapers. Poor people have low education and hence little exposure to the outside modern world and hence lack self confidence on the use of modern facilities such as ATMs. Although poor people may lack collateral security in form of valuable assets they have friends, neighbours and relatives who are sure of their will and ability to repay loans. They are also able and willing to save part of their income, provided micro-finance services are rendered on consideration of low income earners situation. This includes safety deposits, liquidity, convenience and fairness (Rhyne and Ottero, 1997).

Disadvantages of micro-credit may include the following. First, they are viewed as not proper tool for poverty alleviation. Participation in credit schemes can lead to indebtedness that is unmanageable, simply because there are no sufficiently profitable income-earning activities in which to invest. In this situation, women may end up being even more dependant than they were before. In this perspective women are used by MFIs to make profit for those institutions thus becoming loan dependants. Mbeiyeyerwa (2000) noted less marginal profits amongst micro-entrepreneurs receiving micro credit. He noted this to be caused by different factors. These include disbursement lag, amount of loan received and technical skills. Other studies have shown that women loss assets after failing to repay credit.

Literature indicates that financial services remain polarised in the main urban areas strongly constraining rural development especially agro enterprises (Carbon, 2000). However, credit schemes performance in urban areas is said to be inefficient as compared to their rural counterparts. Mbeiyeyerwa (2000) through the use of Current Ratio (CR) measure noted that credit loans to urban beneficiaries have shown overall poor performance compared to rural beneficiaries. This calls for a thorough study in order to investigate the socioeconomic factors affecting efficient utilization of credit among urban beneficiaries.

2.11 Summary

There has been a growing tendency for women to engage in Income Generating Activities (IGAs) to improve their standard of living. Literature review has exhausted on issues regarding the importance of credit to women micro entrepreneurs. They provide employment and income thus reversing formal obligations of men to support families, increase GDP, has potential to accelerate development. Micro credit provides loan to the poor by using group members as collateral. Micro enterprise is believed to be a fast expanding sector and the total population engaged in such activities is growing over time. Contribution of informal sector to employment is important, as unemployment now has been one of social disasters of modern times worldwide.

However, micro enterprise is also associated with a number of problems. Literature shows that in some instances women entrepreneurs are made to become loan dependants and benefiting MFIs. This is because loan disbursed are small thus can not assure significant marginal profits. Other reason attributed to this is institutional arrangements which are

rigid when it comes to procedures for credit repayment. Women entrepreneurs loss assets after failure to repay thus vulnerability and impoverishment. Repayment problems in the long run results into low solvency and liquidity capacity by MFIs to provide loans to other beneficiaries.

Impact of credit to income is not straightforward. However, some scholars suggests it leads to higher income that will help women to better perform their reproductive role as brokers of the health, nutritional, and educational status of other household members; increasing women's employment in micro enterprises and in improving the productivity of women's income-generating activities, and enhancing their self-confidence and status within the family as independent producers and providers of valuable cash resources to the household economy. Other studies have also detected negative impacts on women's income and employment, such as increased work load and increased verbal or physical violence and higher social pressure to ensure loan repayment. Also, a positive impact on non-participants, such as the welfare and education of children, cannot be automatically assumed.

In urban areas majority of women are engaged in the informal sector relying on Micro Credit for finance. However, they are constrained by the capacity to efficiently utilize Micro credit. Factors to explain include income status, training, location of micro enterprise, initial capital, loan size and institutional arrangements

CHAPTER THREE

3.0 METHODOLOGY

3.1 Background

Morogoro region is at the Eastern part of Tanzania. The region is bordered with Coast, Dodoma, Iringa, Ruvuma, Lindi, Tanga and Manyara Regions. It lies between latitude 5.58” and 10.0” to the South of the equator and longitude 35.25” and 35.30” to the East. The population of Morogoro Municipality is 228 863 (census 2002) with a growth rate of 4.5% per annum. The Municipality has an area of 260 square km, which resulted from expansion of boundaries in 1991 whereby four wards (Bigwa, Kingolwira, Kihonda and Mzinga) were annexed from Morogoro Rural District to the Municipality. These wards still have rural type of structures. Major economic activities in Morogoro Municipality include retail and wholesale trade, commercial and subsistence farming, transport and communication as well as industries (small and large scale). Also, there are thousands of petty traders, nicknamed ‘MACHINGA’ vending along the sides of the major streets of the Municipality (Mageka, 2005).

3.2 Study Area

This research was commissioned in 13 wards out of 19 in Morogoro Municipal, in Morogoro region. These include Mbuyuni, Mwembesongo, Uwanja wa Taifa, Sultan Area, Kichangani, Kilakala, Bigwa, Boma, Mazimbu, Mji Mkuu, Kihonda, Sabasaba and Mafiga. Morogoro Municipal was chosen because of having a huge number of MFIs. It is also among the municipal that have active public and private micro financial institutions. These include Presidential Trust Fund (PTF), Foundation for Initiative and Community Assistance (FINCA), SEDA, PRIDE, MOCEMA and WALIMU SACCOS.

3.3 Research Design

The study used cross-sectional research design where data was collected at one point in time. A cross section was conducted in order to get quantitative and qualitative information, and according to Babbie (1973) and Bailey (1978), this method is suitable for descriptive statistics.

3.4 Study Population and Sample Size

In this research data was collected from women in Morogoro Municipal who are receiving Micro Credit from PTF, SEDA, PRIDE, MOCEMA and WALIMU SACCOS and key respondents from the above SFC providing institutions. The sample size for this research was 80 respondents (75 Micro credit recipients and five key informants from MCIs). 75 Respondents were selected from their respective wards by using snowball sampling whereas five key informants were purposeful selected from Micro finance institutions. Basing on the Farm Level Applied Research for Eastern and Southern Africa (FARMESA) experience having 80 – 120 respondents are adequate for most socioeconomic studies in Sub-Saharan Africa. Such a sample size could provide sufficient information for statistical analysis and thus making scientific inference and conclusions.

3.5 Sampling Technique

Purposive sampling technique was used to select Micro Credit institutions to be studied. Criteria used in the process were membership base and number of years of operation. Snowball sampling technique was used to select 75 SFC recipients in Morogoro Municipal. This was due to the fact that the researcher faced bureaucratic procedures when contacted Micro Credit institutions for data collection. This compelled the researcher to use snowball sampling technique. Also, one key informant was selected from management team of each Micro Credit institution in Morogoro Municipal.

3.6 Data Collection

3.6.1 Primary data

In this research both quantitative and qualitative data collection techniques were used to obtain primary data. The major instruments used were questionnaire (Appendix 1), Focus

Group Discussion (FGDs) (Appendix 2) and Interview Schedule (Appendix 3). However, the selection of participants in FGD was through the assistance of snowball technique. In [social science](#) research, snowball sampling is a technique for developing a research [sample](#) where existing study subjects recruit future subjects from among their acquaintances. Thus the sample group appears to grow like a rolling snowball. This sampling technique is often used in hidden populations which are difficult for researchers to access.

3.6.2 Secondary data

Secondary data was collected from various sources including Micro Credit institutions, SUA Library (SNAL), internet, media, and reports from various institutions, international organizations, and non-governmental organizations dealing with micro credit among women.

3.7 Data Processing and Analysis

Data collected was coded and analyzed using Statistical Package for Social Science (SPSS) computer software. Descriptive and multiple response statistics such as mean, frequencies and percentages were used. Also, qualitative data both from SFC recipients and key informants were summarized and reported.

3.8 Limitation of the Study

Research clearance from Micro Credit institutions management was not possible. This compelled the researcher to change the methodology previously proposed (from simple random sampling to snowball sampling technique). Furthermore, this added costs in terms of time and money.

Since Micro Entrepreneurs do not keep proper records for their enterprises the researcher could not ascertain authenticity of responses by respondents. However the researcher applied various ways to ensure collection of accurate information, which include crosschecking questions and frequent computations

CHAPTER FOUR

4.0 RESULTS AND DISCUSSION

4.1 Overview

This chapter presents the results of this study conducted in the thirteen (13) wards of Morogoro Municipal namely, Mbuyuni, Mwebesongo, Uwanja wa Taifa, Sultan Area, Kichangani, Kilakala, Bigwa, Boma, Mazimbu, Mji mkuu, Kihonda, Sabasaba and Mafiga. Respondents from the above mentioned wards were MC recipients from PTF, SEDA, PRIDE, MOCEMA SACCOS and WALIMU SACCOS. The results of the study are presented and discussed in line with the study objectives.

The chapter is divided into two sections. The first section consists of background characteristics of the respondents. This included parameters like age, education, marital status, head of household at the respondents' residence, respondents' sources of income and family size. The second section provides detailed information on socioeconomic factors influencing efficient utilization of MC among women in Morogoro Municipal. The section specifically focussed on (i) major economic activities performed by women with the credit they get; (ii) performance assessment of activities carried out by women receiving MC; (iii) identification of socioeconomic factors influencing efficient utilization of MC; and (iv) the extent to which credit is spent on unintended activities.

4.2 Background

Background characteristics of the respondents are presented through Tables 1, 2 and 3 respectively. The parameters for background characteristics included variables such as, age, education, marital status, head of household at the respondents' residence, respondents' sources of income and family size.

4.2.1 Age

The age distribution of respondents shows that majority (58.6%) of SFC recipients are between 28 – 38 years of age. This suggests that majority of young women in Morogoro Municipal are the ones engaged in Micro Enterprises. This is partly because informal sector demands young and energetic people. As you can see from Table 1, over 70% of respondents receiving MC are not more than 38 years of age. Furthermore, the elderly i.e. 50 years of age and above comprises of only 4% of the surveyed SFC recipients in Morogoro Municipal. This reflects the fact that given the nature of activities in the informal sector the elderly appeared to be excluded in the process.

4.2.2 Education

Research results indicate that about 61.3% of the respondents surveyed had attended primary school education (Table 1). Micro Credit recipients with non formal education had a meagre 4% and respondents with no education were few (4%). Only 1 respondent had higher school education. Those with secondary education were 33.3% of the total surveyed population. This reflects that in urban areas access to education and particularly primary education is far much better compared to rural areas. It can also be attributed to the role played by the Universal Primary Education. However, survey results indicate that about 94.9% of those interviewed had attended either primary education and or secondary

education. Survey results also validates the assumption that young women with certificate of secondary education or primary education finds it hard to penetrate the formal sector which requires advanced or professional trainings. This is why majority of the surveyed MC recipients in Morogoro Municipal have not exceeded secondary education thus pushing them to the informal sector.

4.2.3 Marital status

Majority (60%) of MC recipients interviewed during the research were married (Table 2). This is perhaps a problem which MCIs need to look upon if they want to step up efforts in poverty reduction as the trend limits women from other marital status categories to access credit. Married women appeared to be the favourites for both group members and lender institutions as the husband is used as guarantor. Conditions for credit disbursement offered by these institutions appeared to exclude certain sect of women in accessing credit. Married women appeared to be trusted compared to their counterparts. This emanates from the fact that groups formed so as to obtain credit appeared to have bias against unmarried women. However, surprisingly enough was the number of those who are separated, divorced and widowed. They represented a narrow 16%. Again, this reflects the fact that in Morogoro Municipal there is small proportion of the widowed, separated and divorced receiving credit. MC recipients who appeared to be single had a representation of 24%. This is due to the fact that women who appeared to be single are not favoured in group membership thus credit institutions should set up awareness strategies to discourage such a damaging trend.

Table 1: Background characteristics of the respondents (N=75)

Parameter	Frequency	Percent
Age group (yrs)		
17 - 27	14	18.7
28 - 38	44	58.6
39 - 49	14	18.7
50 - 60	2	2.7
61 - 71	1	1.3
Total	75	100.0
Education level		
Primary school	46	61.3
Secondary school	25	33.3
Higher education	1	1.3
Non formal education	3	4.0
No education	3	4.0
Total	75	100.0

4.2.4 Family size

Study findings further indicate that 29.4% of the respondents surveyed had a family size of six and above (Table 2). This implies that the 29.4% of the respondents had their family size above lower level of two members (as per the definition offered in the population and housing census of 2002). The remaining 70.6% had their family size of not more than 5 people. Therefore, majority of MC recipients in Morogoro Municipal appeared to have below the medium family size. This can be supported by the fact that in most urban areas family planning services are better accessed and utilized than in their counterparts' rural areas. Also, in urban areas access to virtually all goods and services depends on having cash income thus people have been forced to adopt family planning for purely economic reasons as most people cannot afford large family size.

Table 2: Marital status and family size of respondents (N=75)

Parameter	Frequency	Percent
Marital status		
Single	18	24.0
Married	45	60.0
Divorced	4	5.3
Widow	6	8.0
Separated	2	2.7
Total	75	100.0
Family size		
Two	5	6.7
Three	18	24.0
Four	13	17.3
Five	17	22.7
Six	11	14.7
More than Seven	11	14.7
Total	75	100.0

Also, this emanates from the fact that urban residents have to buy most of their food, while rural residents grow a substantial portion of their own food, and food prices often are higher in urban areas than in the countryside (UN Population Report, 2002).

4.2.5 Head of household at respondents residence

Table 3 shows that majority (60%) of the respondents interviewed had their husbands as head of the households. This clarifies the assumption that married women are in better position of accessing credit compared to others. Apart from that survey results indicated the possibility of women taking credit and give their husbands to run enterprises. Researchers' own observation found that some women (approximately 25%) advance credit to their husband. However the process had problems in some cases when the husband is not business minded person. In some instances this has resulted into delays in credit repayment. For instance, Rahman in MacAdam (2002) noted this when observing the impact of loans to women. He argued that loans, by themselves, cannot uplift women from their difficult situations. He uncovered some disturbing findings when he returned to

his native Bangladesh to examine how the Grameen Bank has improved the lives of women.

He noted that out of the 120 female borrowers in his [study](#), 70% admitted they endured increased verbal or physical violence from male relatives after taking out loans. And while the loans were supposed to help them earn income, more than 60% of the loans were actually used by men. "It was a shock," says Rahman. "The Bank has a really good objective, but there is a gulf between its philosophy and its field realities." Part of the problem involves women's lack of access to formal education, says Peter Noteboom (in MacAdam, 2002), a Canadian development consultant who has worked in community-based micro-credit programs in Bangladesh and Haiti. Credit recipients who appeared to be household heads were 32% of the total surveyed population only 8% of the total surveyed population had their relatives as household heads (Table 3).

4.2.6 Respondents sources of income

Study findings show that 68% of the respondents surveyed had business as source of income (Table 3). This indicates that since majority of MC recipients possess primary and secondary education, business and particularly informal sector is the only solution out of poverty. They can not be accommodated in the formal sector as that demands higher education and professional trainings. 17% mentioned salary as major source of income; these were mainly teachers from MOCEMA SACCOS. 14% of the total respondents had Farm activities as a source of income. However, 25% had more than one source of income that is why counts totalled 100 instead of 75. This also reflects a true picture of urban localities. In urban areas agriculture is not dominant as other sectors. This is why only 14% was directed to the sector from those surveyed. The remaining 1% of the respondents had

their source of income from rent. This was in fact insignificant compared to others. It however shows income status of MC recipients in Morogoro Municipal by showing that only one respondent had mentioned rent as source of income.

4.3 Major Economic Activities Women Perform with Credit

Survey results shows that MC recipients in Morogoro Municipal are engaged in the following type of projects namely; food items, clothing, cosmetics, agriculture, transport services, stationery, utensils, charcoal, video library and beauty salons (Table 4). Majority (32.7%) of the studied population is engaged in clothing projects and slightly more than a quarter (27.7%) is engaged on food items. This can be explained by the fact that MC recipients operate under a very limited capital with little business management

Table 3: Distribution of respondents by household head at respondents residence and Respondents sources of income (N=75)

Parameter	Frequency	Percent
Respondents		
Husband	45	60.0
Credit recipient	24	32.0
Relatives	6	8.0
Total	75	100.0
Income sources		
	Counts	
Business	68	68.0
Salary	17	17.0
Farm activities	14	14.0
Rent	1	1.0
Total	100	100.0

skills. This in turn forces women to engage in these simple enterprises which requires small amount of labour force and capital. Respondents who were engaged in selling charcoal amounted to 11.9%. They engage in these activities as extension of their reproductive role so as to improve their socio-economic conditions. Respondents with no projects amounted to 6.9%. These were mainly teachers from WALIMU SACCOS who took credit for construction and education purposes not intended for direct investments. Those engaged on cosmetics sub sector were about 7.9%. The remaining 13% are engaged in agriculture, transport services, stationery, utensils, video library and salons (Table 4). Respondents who had more than one project amounted to 26% that is why total counts is 101 instead of 75.

4.4 Performance of Activities Carried Out by Women Receiving MC

Survey data was collected and then analyzed with regards to the performance of activities performed by women receiving Micro Credit in Morogoro Municipal. Performance was traced through respondents' initial capitals and gross margins, repayment trend, advances to successive credit stages, project duration, credit stage as well as assets before and after the receipt of MC.

Table 4: Distribution of Respondents by type of projects (N=75)

Parameter	Counts	Percent
Food items	28	27.7
Clothing	33	32.7
Cosmetics	8	7.9
Agriculture	3	3.0
Transport services	2	2.0
Stationery	3	3.0
Utensils	2	2.0
Charcoal	12	11.9
Video library	1	1.0
Saloon	2	2.0
Not applicable	7	6.9

Total	101	100.0
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4.4.1 Respondents' capitals and gross margin

Findings from the study show majority (74.7%) of the respondents surveyed had a starting capital of zero to 200 000 Tshs (Table 5). This implies that majority of Micro Credit recipients are engaged in the informal sector as the sector demands low capital. Furthermore, this explains why the Gross Margin (GM) among these women is low and even negative in some instances. Only few (12%) started with the capital of 200 000 to 400 000 Tshs. The meagre 3.4% stood at starting capital of between 600 000 and 1 000 000 Tshs (Table 5).

When it comes to the current capital of the respondents, study results show that 58% of the respondents surveyed had a current capital of zero to 300 000 Tshs. Those with current capital of between 300 001 and 600 000 Tshs comprise of 14.7%. Micro Credit recipients with current capital of between 600 001 and 900 000 Tshs were very few (9.3%) whereas a similar percent of the respondents (9.4%) had their current capital between 900 001 and 3 000 000 Tshs (Table 5). This show MFIs provide small amount of loans to its beneficiaries thus forcing SMEs to operate under minimal capital without sustainability and lesser gross margins.

Gross margins (GM) of the surveyed MC recipients were computed and results obtained (Table 5). Survey results indicated that only 5.3% of respondents had gross margin above 500 000 Tshs where as 6.5% had gross margins between 186 000 and 500 000 Tshs. Also, 15.6% of the respondents had gross margin of between 101 000 and 185 000 Tshs. 17.2% had their gross margin of between 41 000 and 100 000 Tshs. One third (33.3%) of the respondents had their gross margin between 2 000 and 40 000 Tshs (Table 5). This depicts

little turn over recorded by these small scale entrepreneurs. Eight per cent of the population studied had zero gross margins. These were mostly teachers from MOCEMA who took credit not for entrepreneurial purposes but rather construction and education. However researchers own observation identified that majority of the entrepreneurs lack basic management skills as most of them could not compute their production costs and revenues. These in turn affects their profits and thus turn over.

Table 5: Distribution of respondents by capital and gross margins (N=75)

Parameter(Tshs)	Frequency	Percent
Starting capital		
0 – 200 000	56	74.7
200 001 – 400 000	9	12.0
600 001 – 800 000	2	2.7
1 000 000 and above	2	2.7
Not applicable	6	8.0
Total	75	100.0
Current capital		
0 - 300,000	44	58.7
300 001 - 600 000	11	14.7
600 001 - 900 000	7	9.3
900 001 - 1 200 000	1	1.3
1 200 001 - 1 500 000	2	2.7
2 400 001 - 2 000 000	2	2.7
3 000 000 and above	2	2.7
Not applicable	6	8.0
Total	75	100.0
Gross Margin (GM)		
-1 - -61 000	10	13.0
None GM (0)	6	8.0
2000 – 40 000	25	33.3
41 000 – 100 000	13	17.2
101 000 – 185 000	12	15.6
186 000 – 500 000	5	6.5
Above 500 000	4	5.3
Total	75	100.0

4.4.2 Repayment trend

Among problems facing MC arrangements is delay in credit repayment. Table 6 summarizes the findings. In this survey it was revealed that majority (64%) of those interviewed did not experience any delays in credit repayment. However, 36% of the respondents experienced this problem with some more than once in a single repayment. This reflects the fact that since Micro Credit recipients lack basic and important business management skills delay in credit repayment does not come as a surprise. Researchers own observation identified a number of factors towards this trend. Divergence of credit to other purposes not intended for was critical. Some women took credit and diverge into buying furniture, ornaments and the like. The majority of small credit programmes have been affected by serious defaults, such as high default rates ranging from 50 percent to as high as 80 percent have been reported in small credit programmes in Africa, Asia and Middle East (Sanderatne, 1978; Kashuliza, 1986). Other problems related to repayment problem include loan diversion and deceit. Kashuliza (1986) argued that defaults adversely affect credit institutions solvency, liquidity and the capacity to issue loans to other clients. However, some fail to repay on time because they take credit without some analysis on which type of investment to embark upon. This makes them invest on areas they have not significantly researched.

Table 6: Distribution of respondents by delay in credit repayment (N=75)

Parameter	Frequency	Percent
Delayed	27	36.0
Paid on time	48	64.0
Total	75	100.0

4.4.3 Reasons for delay in credit repayment

Study results show that among 27 respondents who delayed in credit repayment, 48.1% of them cited amount of loan disbursed as a key factor affecting efficient utilization. The other 18.5% of respondents mentioned lack of entrepreneurial skills as a reason towards delay in credit repayment. This is possibly the case as during the survey process no single credit recipient from MC institutions surveyed appeared to attend training in business management skills. Study results shows 14.8 cited poverty, specifically income poverty as a factor contributing to delay in credit repayment (Table 7). Hulme and Mosley (1996) also noted that poor people have limited absorption capacity. For example, very poor women often become burdened by the repayment obligation, especially as they use credit primarily for consumption purposes. Also, through researchers' observation it was revealed that poverty related factors contributed significantly to credit diversion. Studies show that the impact of providing microfinance is greatest for persons that live above the poverty line i.e. it is more cost-effective to provide the somewhat better-offs among the poor with microfinance services.

Findings show that 11.1% of the respondents cited repayment schedule as a factor contributing to delay in credit repayment. Respondents argued against weekly loan repayments because at the start of business the project would not be able to generate funds for repayment. Only few 3.7% and 3.7% cited business related problems and high interest rate respectively as a contributing factor for delay in credit repayment.

Table 7: Distribution of respondents by reasons for delay in credit repayment (N=27)

Reason	Frequency	Percent
Poverty related	4	14.8

Entrepreneurial skills	5	18.5
High interest rate	1	3.7
Business related problems	1	3.7
Amount of loan	13	48.1
Repayment schedule	3	11.1
Total	27	100.0

4.4.4 Respondents project duration and advances to successive credit stages

Study findings show that about 30.7% of the respondents surveyed had project duration of one year (Table 8). This means 23 respondents carried out their project at year one. Slightly more than a third (34.7%) of the respondents had project duration of two years. Majority (65.4%) had their project with one to two years. Only few (14.7%) had three years projects, 12% of the respondents had project duration of four to seven years while very few (8%) had no project duration since they had no project to deal with. This clearly characterizes informal sector activities as most of them appeared to have short project life span.

Table 8: Distribution of respondents by project duration and credit stage (N=75)

Parameter	Frequency	Percent
Project duration		
One year	23	30.7
Two years	26	34.7
Three years	11	14.7
Four years	4	5.3
Five years	2	2.7
Seven years	3	4.0
Not applicable	6	8.0
Total	75	100.0
Credit stage		
First	20	26.7
Second	28	37.3
Third	14	18.7
Fourth	4	5.3
Fifth	6	8.0
Sixth	3	4.0
Total	75	100.0

Study interest is on advances to successive credit stage. Findings show that majority (37.3%) of the surveyed Micro Credit recipients are on the second stage in receiving credit. This depicts that most of the recipients tend to drop from SFC arrangements soon after second repayment. Reasons given were many and varied. However dominant views included high interest rate, group collateral, weekly returns and little turn over in the whole process of Micro Credit as obstacles in advances to successive credit stages. Research results further indicates that 26.7% were on the first stage of receiving credit. Third and fourth stage comprised of about 24% of the total respondents surveyed. The rest of the respondents were on fifth and sixth stage of receiving credit.

4.4.5 Assets before credit

Table 9: Distribution of respondents by assets before credit (N=75)

Parameter	Counts	Percent
House	25	4.9
Room	72	14.2
Machine	11	2.2
Animals	14	2.8
Mattresses	68	13.4
TV	28	5.5
Fridge	19	3.8
Radio	45	8.9
Fan	37	7.3
Couches	62	12.3
Tables	70	13.8
Plot	17	3.4
Farm plot	15	3.0
Bicycle	23	4.5
Total	506	100.0

During the survey it was found that returns from investment do not significantly affect MC recipients in terms of assets possession. This is because majority did not record significant change of assets before and after receiving credit. Study results illustrate that before credit only 3.4% of the respondents reported to possess a plot (Table 9). On the other hand, findings show that only 4.5% had acquired a plot after credit (Table 10). Those with

mattresses before receiving credit were 13.4% while 6.1% had possessed mattresses after credit. At least 3% of the total counts showed to possess a car after receiving credit. Only 9% were found to possess couches and tables after receiving Micro Credit. This is insignificant compared to 16.1% who possessed couches and tables before receiving Micro Credit. However, majority (60%) of respondents had more than one asset before credit. Also, only few (20%) had assets after credit.

Table 10: Distribution of respondents by assets after credit (N=75)

Parameter	Counts	Percent
House	1	1.5
Machine	2	3.0
Animals	1	1.5
Mattresses	4	6.1
TV	5	7.6
Fridge	3	4.5
Radio	4	6.1
Fan	5	7.6
Couches	3	4.5
Table	3	4.5
Plot	3	4.5
Farm plot	4	6.1
Bicycle	4	6.1
Car	2	3.0
Wardrobe	4	6.1
Bricks	2	3.0
Construction	11	16.7
Bed	5	7.6
Total	66	100.0

4.5 Socioeconomic Factors Affecting Efficient Utilization of MC

Survey results mainly from questionnaires and focus group discussion revealed that socioeconomic factors affecting efficient utilization include amount of loan disbursed, lack of training in business management, poverty (income status), repayment schedule, business related problems and high interest rate. Findings show that among 27 respondents who delayed in credit repayment, 48.1% of them cited amount of loan disbursed as a key factor affecting efficient utilization. The other 18.5% of respondents mentioned lack of entrepreneurial skills as a reason towards delay in credit repayment. Study results further shows 14.8 cited poverty, specifically income poverty as a factor contributing to delay in credit repayment (Table 7).

Findings show that 11.1% of the respondents cited repayment schedule as a factors contributing to delay in credit repayment. Respondents argued against weekly loan repayments because at the start of business the project would not be able to generate funds for repayment. Only few 3.7% and 3.7% cited business related problems and high interest rate as a contributing factor for delay in credit repayment.

Focus group discussions were conducted whereby three groups were formed and a checklist was used to guide the discussion. Findings from FGD identified lack of training and poverty related factors as impediment to the success of Micro Credit recipients' projects in Morogoro Municipal. Also, key informant questionnaires and Micro Credit recipient questionnaire revealed no evidence of proper and effective training with regards to entrepreneurship skills, the use of credit for consumption purposes (Here, poor recipients consume credit on food, clothing, health reasons and ceremonies instead of investment purposes), poor institutional arrangements to ensure repayment thus repayment

problems and small loan sizes as factors affecting efficient utilization of Micro Credit in Morogoro Municipal.

4.6 Credit Divergence

MC recipients in Morogoro Municipal are facing the problem of credit divergence. This is partly caused by poverty, specifically income poverty and lack of entrepreneurship skills. Credit recipients have the tendency of allocating credit money for other purposes apart from those intended. Findings as shown in Table 11 indicate credit divergence among the surveyed Micro Credit recipients in Morogoro Municipal. The majority (26.4%) of the studied population diverge credit to educational related expenses, 17.9% and 17.9% diverge credit to food and clothing respectively, whereas Medical expenses and rent contributed to 9.4% and 9.4% of credit divergence respectively. The results supports view held by the UN, 2004 Population Report which argued that, the available evidence suggests that microfinance clients, especially women, have been empowered to translate their increased incomes into investments in education, health, nutrition and better management of household emergencies. However, 36% of respondents diverge credit to more than one activity that is why total counts are 106 instead of 75.

Again, Kobby (2002) acknowledged the fact that a poor woman for instance, who is able to have access to micro-credit, can also gain increased access to primary health care, safe water and sanitation for her family, and family planning information and services. She is also more likely to enrol her children, particularly girls in school. Also, a number of studies (Lorraine, 1997; Mayoux 1997) have shown that poor people tend to invest their income from micro enterprise in their children's education, and those children of microfinance

clients are more likely to go to school, stay in school longer and have lower dropout rates. In Honduras, participants in credit and savings programmes reported that their increased earnings and the availability of resources allowed them to send many of their children to school and reduce student dropout rates. In Uganda, it was observed that in more than half of client households, micro enterprise revenues had been vital in financing the education of their children (Kobby, 2002).

Table 11: Distribution of other activities done by respondents through credit received (N=75)

Parameter	Counts	Percent
Savings	9	8.5
Medical expenses	10	9.4
Education	28	26.4
Rent	10	9.4
Furniture	4	5.8
Farm Activities	1	0.9
Food	19	17.9
Clothing	19	17.9
Construction	6	5.7
Total	106	100.0

On the other hand 8.5% of the respondents diverge their credit to saving. 5.7% of the respondents diverge credit to construction. About (6.7%) of the studied population diverges their credit to purchase of furniture. Only a meagre (0.9%) of the respondents diverge credit to farm activities. This is because agriculture is not dominant activity in urban areas.

4.7 Respondents Reasons for Taking Credit

Survey data revealed that MC recipients in Morogoro Municipal have diverse reasons towards taking credit. The majority (57.3%) of Micro Credit recipients took credit for expansion of investment. Few (4.0%) and (5.3%) of respondents take credit for education and construction purposes respectively. About a third (33.3%) of respondents took credit so as to establish an enterprise (Table 12). For the majority of Tanzanians, whose incomes are very low, access to financial services offers the possibility of managing scarce household and enterprise resources more efficiently, protecting households against risks, provision for the future and taking advantage of investment opportunities for economic returns (Gwakisa, 2007).

Table 12: Distribution of respondents by reasons for taking credit (N=75)

Parameter	Frequency	Percent
Establish enterprise	25	33.3
Expansion of an investment	43	57.3
Construction	4	5.3
Education	3	4.0
Total	75	100.0

4.8 Respondents Satisfaction with Credit

Micro Credit arrangements like other types of credit had its problems. In this case MC recipients in Morogoro were asked as to whether they are satisfied with credit procedures or not. Table 13 summarizes the findings, whereas the majority (66.7%) said they are satisfied with procedures and the remaining 33.3% said they were not satisfied with credit procedures.

Study findings show that about a quarter (24%) of the respondents, who were satisfied, had no reason as to why they were satisfied. This result shows that women micro entrepreneur

advance credit to their husbands to establish or expand investment thus making them not aware of satisfaction with credit procedures. About 20.8% of respondents were satisfied with credit procedures as credit offers them capital to establish enterprises, whereas 13.2% and 13.2% were satisfied because of monthly returns and acquiring credit on time. 9.5% were satisfied because of weekly returns. Few (5.7%) and (5.7%) of the respondents were satisfied because of low interest rate and balance after credit repayment. Very few (1.9%), (1.9%) and (3.8%) of the respondents were satisfied because of low entrance charges, insurance and acquiring credit skills (Table 14).

4.9 Respondents Reasons for Not Being Satisfied with Credit Procedures

Research results indicate that 50% of those not satisfied with credit procedures did so because of high interest rate. About (19.4%) were not satisfied because of weekly return of credit. Few (11.1%) were dissatisfied because of no balance after the end of credit repayment. Very few (5.6%) does not appear to have reasons as to why they are dissatisfied whereas the other 5.6% were dissatisfied because of huge fine imposed after delay in credit repayment. The remaining (2.8%), (2.8%) and (2.8%) mentioned long time to acquire credit, credit return on group basis and membership costs as reasons of why they are not satisfied with credit procedures (Table 14).

Table 13: Distribution of respondents by satisfaction with credit (N=75)

Parameter	Frequency	Percent
Satisfied	50	66.7
Not satisfied	25	33.3
Total	75	100.0

4.10 Summary of the Major Findings of This Study

The major objective of this study was to investigate socioeconomic factors affecting efficient utilization of Micro Credit among women in Morogoro Municipal. It was observed that the major economic activities performed by women in Morogoro Municipal were Clothing projects and Food items which include 'Mama Lishe' and 'Genge'. Findings from the study also revealed that socioeconomic factors affecting efficient utilization among women entrepreneurs are amount of loan disbursed, lack of training in business management, poverty (income status), repayment schedule, business related problems and high interest rate. However, majority (48.1%) identified amount of loan as a key factor influencing efficient utilization of Micro Credit. The other (18.5%) and (14.8%) cited entrepreneurship skills and poverty (income status) respectively as contributing to inefficient utilization of Micro credit.

Table 14: Distribution of respondents by reasons for satisfaction (N=50)

Parameter	Counts	Percent
Monthly returns	7	13.2
Source of capital	11	20.8
Low entrance charges	1	1.9
Low interest rate	3	5.7
Insurance	1	1.9
Balance	3	5.7
Credit skills	2	3.8
Acquiring credit on time	7	13.2
Don't know	13	24.5
Weekly returns	5	9.4
Total	53	100.0

Study results further show that Micro Credit recipients in Morogoro Municipal are faced with the problem of credit divergence; this is caused by amount of loan disbursed, lack of entrepreneurship skills and income poverty. The majority of respondents diverge credit to food, clothing and educational related expenses.

The majority of the respondents surveyed had a starting capital of 0 to 200 000 Tshs. This implies that most of MC recipients are engaged in the informal sector as the sector has low capital requirements. Few of the respondents recorded negative gross margin and fewer had gross margin above 500 000 Tshs. This implies small size loans offered by MFIs and lack of necessary business skills among women Micro Credit recipients in Morogoro Municipal. In this study it was found that returns from investment do not change asset status of Micro Credit recipients. Also, Micro Finance in Morogoro Municipal is constrained by late loan repayments, credit defaults, cumbersome loan procurement procedures, sustainability and lesser gross margins, project management and operational skills, loss of assets amongst credit beneficiaries, solvency, liquidity and capacity to issue loans.

Table 15: Distribution of respondents reasons for not being satisfied with credit procedures (N=25)

Parameter	Counts	Percent
High interest rate	18	50.0
No balance	4	11.1
Weekly return of credit	7	19.4
Long time to acquire credit	1	2.8
Credit return on group basis	1	2.8
Membership costs	1	2.8
Huge fines	2	5.6
Don't know	2	5.6
Total	36	100.0

The majority of the respondents surveyed cited high interest rate as a reason for not being satisfied with credit (Table 15). On the other hand 19.4% of the respondents cited weekly returns as an obstacle to the development of their micro enterprises.

CHAPTER FIVE

5.0 CONCLUSIONS AND POLICY IMPLICATIONS

5.1 Overview

In this chapter conclusions and recommendations are presented basing on the main study objective and specific objectives.

5.2 Conclusion

The main objective of the study was to identify socioeconomic factors affecting efficient utilization of Micro Credit among women in Morogoro Municipal. Specific objectives were to examine major economic activities that women perform with the credit they get, assess the performance of the activities carried out by women receiving Micro Credit, identify socioeconomic factors influencing efficient utilization of Micro Credit and determine the extent to which credit money is spent on unintended activities. The following conclusions are made from the study findings.

Major economic activities performed by women in Morogoro Municipal were clothing projects and sale of food items ('Mama Lishe' and 'Genge'). Very few respondents had no projects, these were mainly teachers from WALIMU SACCOS who took credit for construction and education purposes not intended for direct investments. Performance of activities conducted by women was investigated by observing respondents' initial capitals and gross margins, repayment trend, advances to successive credit stages, project duration, credit stage as well as assets before and after receiving Micro Credit. Majority of the respondents had starting capital of 0 to 200 000 Tshs, most of MC recipients are engaged in the informal sector as the sector has low capital requirements. Few of the respondents

recorded negative gross margin and fewer had gross margin above 500 000 Tshs. This reflects lack of necessary business skills among MC recipients in Morogoro Municipal. Returns from investment do not significantly affect Micro Credit recipients in terms of assets possession before credit.

Survey results also revealed that socioeconomic factors affecting efficient utilization of micro credit among women entrepreneurs are amount of loan disbursed, lack of training in business management, poverty (income status), repayment schedule, business related problems and high interest rate. Micro Credit recipients in Morogoro Municipal face the problem of credit divergence; this is partly caused by poverty, specifically income poverty and lack of entrepreneurship skills. The majority of respondents diverge credit to food, clothing and educational related expenses.

5.2 Recommendations

Since the majority of Micro Credit recipients are constrained by low capital thus engaged in clothing and food items projects, it is recommended that,

Micro Credit institutions should empower credit recipients in terms of training on operational and management skills and increase in credit funds so as to enable micro entrepreneurs acquire significant amount of loan to sustain their activities. Business management skills should be imparted to both Micro Credit recipients and officers from Micro Credit institutions. This can be done through cost sharing between SFC recipients and institutions.

Also, Micro Credit institutions should design effective monitoring and evaluation mechanisms of Micro Credit recipients' projects. Here, officers within those institutions

should be equipped with project management skills by Micro Credit institutions. This will enable smooth monitoring and evaluation of Micro Credit recipients' projects.

There is a need for financial institutions to streamline their lending procedures to facilitate quick access to credit. This could be achieved through quick processing of loans. Furthermore, the repayment condition should be flexible, for example it should be possible to prolong the repayment period when the business is not doing well.

The government should form a micro-finance board, which shall oversee the conduct of MFIs in the country. The board shall have the task of approving loan procedures proposed by every organisation venturing into micro-finance; develop rules and procedures for micro-finance. This will protect poor borrowers from unscrupulous dealers and uphold the status and reputation of micro-finance. The board should also oversee research concerning technological development for micro enterprises (e.g. TIRDO).

5.3 Areas of future research

In view of aforementioned conclusions and recommendations there are several areas in which other researchers can undertake the study further. MFIs experience a substantial proportion of loan defaults and failed to improve the livelihood of poor women in urban areas. There is a need therefore to carry out a study concerning the capacity of MFIs to deliver credit that will improve income among poor women in urban localities. The study will inform policy makers on critical design features for effective credit delivery.

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APPENDICES

Appendix 1: Questionnaire for MC recipients

Title: Socioeconomic factors affecting efficient utilization of Micro Credit among women in Morogoro Municipal

Section A:

Questionnaire number

Interview date

Ward of the respondent

Source of MC

Section B: Personal information (circle for answering optional questions)

1. What is your age in years?
2. Have you ever been to school?
 1. Yes
 2. No
3. If yes, what is the highest level attained?
 1. Adult education
 2. Primary education
 3. Secondary education
 4. Others (specify)
4. What is your marital status?
 1. Single
 2. Married
 3. Divorced
 4. Widow
 5. Separated
5. Who is the head of the household at your residence?

Section C: Micro Credit Issues

6. Why have you decided to take credit?
 1. Establish enterprise
 2. Expansion of enterprise

3. Construction
 4. Education
 5. Others (Specify)
7. What are the activities performed by credit?
 1. Business related
 2. Construction
 3. Education
 4. Others (Specify)
 8. Are you satisfied with SFC procedures?
 1. Yes
 2. No
 9. If yes, why?
 10. If no, why?
 11. How much have you received so far?
 12. Have you ever been late in credit repayment?
 1. Yes
 2. No
 13. If yes, how many times per single repayment?
 14. If yes, why?

Section D: Socioeconomic Issues

15. What is your major source of income?
 1. Salary
 2. Farm activities
 3. Off farm activities
 4. Others (Specify)
16. Which off farm activities are you engaged in?
17. What is the location of your activities?
18. What is the value of your credit?
 1. Up to 50 000
 2. 50 001 – 100 000
 3. 100 001 – 150 000
 4. 150 001 – 200 000

5. Above 200 001

19. Which activities do you conduct through funds from credit?

.....

20. What has been your source of income for the last three years?

.....

21. What are other activities conducted by credit funds?

.....

22. Which of the following assets did you possess before credit?

	Asset	Quantity
	House	
	Room	
	Machine	
	Animals	
	Mattresses	
	TV	
	Fridge	
	Radio	
	Fan	
	Couches	
	Tables	
	Plot	
	Farm plot	
	Bicycle	

23. Which of the following assets did you possess after credit?

	Asset	Quantity
	House	
	Machine	
	Animals	
	Mattresses	
	TV	
	Fridge	
	Radio	
	Fan	
	Couches	
	Table	
	Plot	

Farm plot	
Bicycle	
Car	
Wardrobe	
Bricks	
Construction	
Bed	

24. What is the size of your family?

25. Household members information

Name	Education	Activity

26. Which credit stage are you in?

Section E: Efficient utilization of MC Issues

27. What is the type of your project?

28. What was your starting capital?

29. Who are your customers?

30. What are expenditures in your project?

31. What are revenues in your project?

Appendix 2: Focus Group Discussions for MC recipients

Title: Socioeconomic factors affecting efficient utilization of Micro Credit among women in Morogoro Municipal

Group Number

Interview date

Interview time

Number of people

1. What do you think of the procedures for credit disbursement?

.....
.....

2. What are your motives towards borrowing?

.....
.....

3. What are the constraints on efficient utilization of MC?

.....
.....

4. What are your opinions in rectifying the situation?

.....
.....

5. Where do you allocate credit amount received?

.....
.....

6. How do you perceive the exercise of MC disbursement?

.....
.....

Appendix 3: Interview schedule for Micro Credit Institutions

Title: Socioeconomic factors affecting efficient utilization of Micro Credit among women in Morogoro Municipal

1. What is the name of the institution?
2. How would you describe your institution?
3. What are the major objectives of the institution?
4. What are other credit requirements?
5. What is the institutional repayment trend?
6. What are the challenges in ensuring efficient utilization of MC?
7. How do you define efficient utilization of MC?
8. What are the strategies for efficient utilization of MC?