EFFECTS OF CREDIT MANAGEMENT PRACTICES ON PERFORMANCE OF WOMEN OWNED SMES IN MOROGORO MUNICIPALITY. TANZANIA

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EXTENDED ABSTRACT

This study investigated the effects of credit management practices on the performance of women owned SMEs in Morogoro Municipality. Specifically, the study addressed the following specific objectives (i) to assess credit management practices among women owned SMEs in Morogoro Municipality. (ii) To assess the performance of women owned SMEs in the study area; (iii) to determine the effects of credit management practices on performance of women owned SMEs in Morogoro Municipality; and (iv) to assess factors, influencing women owned SMEs performance in the study area. Data were collected randomly from one hundred and twenty women entrepreneurs in three randomly selected wards in Morogoro Municipality. The information was collected using a questionnaire with both structured and non-structured questions. Descriptive and inferential analysis using Statistical Package for Social Sciences were employed in data analysis. The results indicated that 55 percent of the women respondents are running their business with credit while 45 percent are non-credit recipients. Among women who received credit, 68.18 percent use the credit to invest within the same business while 21.1 percent use the credits to invest in other new businesses and while about 50 percent use the credit for other purposes such as paying school fees, paying house rents, and supporting their spouses. About 10.61 percent of the credit recipients used their whole loans in other activities such as organizing parties and paying school fees, it means they divert the loan of the business to other uses. An Independent t-test was run to assess whether there is a significant difference between SMEs performance among women with credit and those without credit. The performance indicators were all significantly different in terms of asset value, number of employees, monthly sales, and gross margin at $p > 0.05$. Hence, the majority of women who received credit invests the whole credit within the same business and are performing well compared to those who are not receiving it. In addition, the findings show that information network, location, and household size affect negatively the performance

of women who owned SMEs in the study area. Conversely, marital status, education, purchase plan, market plan, age, and gross margin were important factors in nurturing the performance of women owning SMEs. The findings also show that credit availability influenced the performance of women owning SMEs. It is therefore concluded that if credit is available and women use the whole credit in investing within the business, then the performance of their SMEs will improve. Therefore, women are encouraged to establish business, which are less competitive and can lead to high profitability and high switching cost to curb competition. It is also recommended further that women owning SME's should be encouraged to use the credit to the intended purposes rather than diversify the credit to non-business areas, which affect the growth and performance of their businesses.

DECLARATION

I, Doris Francis Mutalemwa do hereby declare to the Senate of Sokoine University of Agriculture that this dissertation is my own original work, done within the period of registration and that it has neither been submitted nor being concurrently submitted for a higher degree award in any other institution.

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Although it is difficult to mention all individuals who contributed for the successful completion of this study, I assume them that their contributions are highly regarded as always. However, the author remains responsible for all errors in the contents and misinterpretation of this work.

DEDICATION

This work is dedicated to my precious Grandmother Cecilia Dennis Rugachwa, my father Francis Simon Mutalemwa and my mother Anita Francis Mutalemwa, whom I shall always remain greatly indebted for their untiring love and their moral and material support. These have laid the foundation for my education. I thank God the Almighty for all this. May the Almighty God bless you all!

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LIST OF ABBREVIATIONS AND ACRONYMS

BLRM	Binary Logistic Regression Model
CBE	College of Business Education
CDI	Credit Diversify Invested
CMP	Credit Management Practices
CSI	Credit Subdivided and Invested
CRDB	Cooperatives and Rural Development Bank
CWI	Credit Whole Invested
EUEI	European Union Enterprises and Industry
FAO	Food Agricultural Organization
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
ILO	International Labour Organization
IMF	International Monetary Fund
NBS	National Bureau of Statistics
NMB	National Microfinance Bank
MFI	Micro Finance Institution
MSMES	Micro, Small and Medium Enterprises
SDGs	Sustainable Development Goals
SEO	Street Executive Officer
SMEs	Small and Medium Enterprises
TRA	Tanzania Revenue Authority
WEO	Ward Executive Officer
WB	World Bank
UK	United Kingdom
URT	United Republic of Tanzania

CHAPTER ONE

1.0   GENERAL INTRODUCTION

1.1   Background Information

Small and Medium Enterprises (SMEs) all over the world are known to play a major role in social and economic development. This is also the case in Tanzania, where SMEs contribute to employment creation, income generation, and stimulation of economic growth in both urban and rural areas. About a third of Tanzania Gross Domestic Product (GDP) originates from the SME sector (Momba, 2013).

Small and medium enterprises (SMEs) cover non-farm economic activities mainly manufacturing, mining, commerce and service activities. However, there is no universally accepted definition of SME. Different countries use various measures of size depending on purpose and the reasons. For instance, in the United Kingdom (UK) small and medium enterprises range from 5 to 2000 employees depending on the industrial sector (Kibera, 1996). The European Union Enterprise and Industry (EUEI) (2012) define a small and medium enterprises as the one that has fewer than 50 employees. However, in Australia, a small business is generally defined by Fair Work Act 2009 as one that has fewer than 15 employees. In the Tanzanian context , SMEs are enterprises engaging up to 4 people with capital investment ranging from TShs 5 to TShs 200 million (URT, 2012). In addition, the amount of sales (sales turnover), value of assets, and net profit and the balance sheet, alone or in a mixed definition can also be used to classify small companies in addition to a number of employees (Turuka, 2013).

Credit availability refers to a given time a borrower has access to the amount of credit he/she requires (Włodarczyk *et al*., 2018). The determinant of credit availability for enterprises is the length of cooperation between debtor and the bank, especially if it goes

to the cooperation of relational character. As Petersen and Rajan (1994) argue, a long-term relationship strengthens the bank's inclination to finance familiar enterprises' projects. However, the cooperation itself does not have to relate to crediting. This is because a lot of information about the condition of the enterprise is supplied through the observation of changes in the current (trading volume, quality, and number of contractors, etc.) or deposit accounts (Włodarczyk, *et al.*, 2018).

Sharma, *et al.* (2012) observes that female are expected to be more efficient than is the case with men in the management and entrepreneurial related activities because of their hardworking nature, desire to upgrade family status in the society, and desire to become economically independent. Women normally nourish all family members including their children. If women are self-employed and educated, they are likely to provide proper education to their children, contribute to household expenditure, take better individual decisions of their own and their dependents' welfare, and gradually take part in the nation and global development agenda (Sharma, 2015).

However, their crucial role in supporting their families and their countries and in the economy in general, most women as opposed to their male counterparts lack proper understanding of the uses of loan which contributes to low business performance (Ekpe, *et al.*, 2010).

Similarly, Kalleberg and Leitch (2017) argue that women led business collapse since some have lower sales volumes and lower incomes because of positioning in less profitable industries. In addition, some women owned SMEs collapse due to lack of proper credit management practices (Pilipinas, 2014). Other factors that normally affect entrepreneurial performance include lack of credit, savings, education or training, human resource

management, marketing information, application of information technology and social capital (Ekpe.*et al.,* 2010). Therefore, these challenges usually lead to poor growth and limited expansion of women owned SMEs.

1.2   Problem Statement

Small and Medium Enterprises (SMEs) have been central in generating income for most urban dwellers with no formal paid employment (ILO, 2005). In the low-income countries like Tanzania, SMEs are critical in pushing further the socio-economic development agenda of the country, as they contribute substantially to job creation, economic growth, and poverty alleviation (Baragwiha, 2013). Sustainable jobs and opportunities for micro entrepreneurs are the key pathways out of poverty for poor people (World Bank (WB), 2004).

Tanzania like any other developing country, has taken measures to promote the growth of SMEs through the creation of SMEs Policy of 2003, whose objectives include fostering job creation and income generation (URT, 2003). The policy also intends to promote the creation of new SMEs to improve the performance and competitiveness of the existing ones, and to increase their participation and contribution to the Tanzanian economy and to poverty alleviation (URT, 2003). However, evidence has shown that the full potential of the SME sector in economic growth and poverty reduction in Tanzania, have yet to be realised. This is because of socio-economic and environment challenges such as lack of resources, higher transaction costs relative to larger enterprises, increased market competition and competition from large multinational enterprises caused by globalization and economic integration (Baragwiha, 2013). Other challenges include mismanagement, lack of investors, poor management, lack of vision, economic instability, and lack of

popularity, which inhibit SMEs growth and development beyond mere survivalist modes of activity (URT, 2002).

Several studies have been carried out on SMEs such as those of , Gatuhu (2013), Asante (2018), Maritim (2013), Edson (2014) and Makwaia (2014). However, most of these have been looking on the relationships between credit risk management and financial institutions. Others have also focused on the supply side that is with the financial institutions such as banks and non-financial institutions in seeing how these institutions tend to manage credit. This is fuelled by many discussions on the problems of poor credit risk management, mitigation measures, and failure to recover credits from collateral used by borrowers (Edwin and Omagwa, 2018).

However this research tries to look on the demand side (i.e. from the borrowers' perspective), especially the women who receive credit from different financial institutions on how they manage credits received so as to improve performance of their enterprises. This is because if credit management is not given much consideration, then both the borrowers' and the lending firms will be more likely to fail and face bankruptcy (Kargar and Bluemental, 1994). This situation is also similar for women borrowers where credit management practice is not given attention by the lenders. Thus, all women who receive credit should be guided; otherwise there are higher chances of experiencing failure in their businesses and even for paying back the loan given.

Therefore, this study is trying to fill this gap by assessing the relationship between credit management practices (CMP) and performance of women owned SMEs in Morogoro Municipality.

1.3   Justification

Many credit management programmes are targeting women clients. This is because as Food and Agriculture Organization (FAO) (2002) puts it, women tend to be timelier payers than men, especially in the poor community. Moreover, Egyir (2010) observes further that in many cases women can be more trusted and dedicated more to their families' wellbeing hence become more credit-worthy than is the case with men. However, despite that, these programs contributed to income and employment creation through SMEs development in Tanzania, the majority of women who are receiving credit lack proper understanding of loan uses and management.

Therefore, the findings from this study will enable financial institutions, specifically the management, and the risk management departments to see how best they can support women borrowers on how best they can manage credits given and minimize business risks. This will support the growth of SMEs as well as the growth of their institutions due to increased credit worthiness of their clients. In addition, the findings from this study will also inform policy makers and financial institutions regulators on the effects of credit management practices on the performance of women owned SMEs. This will enable them develop products which can assist women in accessing credit. The study will also contribute to the debate on credit management issues and SMEs development in the fiscal and development literatures.

The study is currently very important since it is part of the on-going national effort of alleviating poverty in developing countries in line with the Sustainable Development Goals (SDGs), that is (goal number one and eight) which focus on ending poverty in all forms, creating decent work and realising economic growth. Hence, opportunities for

women of participating in economic activities as either well paid employees or successful entrepreneurs would certainly play a crucial role in poverty reduction in Tanzania.

1.4   Objectives

1.4.1   Overall objective

The overall objective of this study is to assess the effects of credit management practices on the performance of women owned SMEs in Morogoro Municipality.

1.4.2   Specific objectives

Specifically, the study intended to:

i.   assess credit management practices among women owned SMEs in Morogoro Municipality;

ii.   assess the performance of women owned SMEs in the study area;

iii.   determine the effects of credit management practices on performance of women owned SMEs in Morogoro Municipality; and

iv.   To assess factors, influencing women owned SMEs performance in the study area.

1.5   Research Questions and Hypotheses

1.5.1   Research Questions

The study was guided by the following research questions:

i.   What forms and types of credits are received by women owned SMEs?

ii.   How are the credits received by women used in their business?

iii.   How are the credits owned by women owned SMEs managed?

iv.   How do women owned SMEs perform in the study area in terms of sales, profit generation, assets accumulation, and gross profits?

1.5.2 Research Hypotheses

The study tried to test the following hypotheses:

H₁   There is no association between credit management practices and performance of women owned SMEs in the study area; and

H₂   Credit availability, location of business, information network, education, age purchase plan, market plan, household size and gross margin do not influence the performance of women owned SMEs in the study area.

1.6   The Conceptual Framework

The conceptual framework as presented in Figure 1 shows the linkages and the relationships of the effect of credit management on women owned SMEs in study area. The independent variables include credit management practices (CMP) variables (credit whole invested (CWI), credit subdivided and both invested (CSBI) and credit diversified and invested in different businesses invested (CDI). Business Specific Variables (information network, size of the business, location of the business, purchase plan, market plan) are the intervening variables, which influence the dependent variables namely the performance of women owned SMEs. Background variables such as age, marital status, educational level, and the household size do influence the way credits are managed and thereby affecting performance of women owned enterprises.

The indicators for measuring the performance of women owning SMEs are sales growth, asset growth, increase in capital size, and an increase in the net profit. However, this study used profit margin as the indicator for measuring performance. Moreover, there are also policies that fall under intermediate variables. Such policies include SME Policy of 2003 and other monetary and fiscal policies, which in one way or another, influence the way credits are acquired and managed. Thus, eventually all the three groups of variables have

great influence on both credit management practices and the performance of women owned SMEs.

Independent Variables   **Intermediate Variable**   **Dependent Variables**

Credit management practices
-Credit whole invested (CWI)
-Credit subdivided invested (CSI)
- Credit diversified and invested (CDI)

Policies
- SME policy
-Monetary and Fiscal policy

Performance SMEs
-Gross margin

Business Specific Variables:
-Information network
-Size of business
-Location
-Market plan
-Purchase plan

Background variable
- Age
- Marital status
- Education level
- Household size

Figure 1. 1: Conceptual diagram for credit management practices effects on women owning SME's performance

1.7   General Methodology

The study was conducted in Morogoro Municipality. Morogoro Municipality is one of the six administrative Districts in Morogoro region, whereby most women in the area deals with small and medium retail businesses such as clothes vending, food selling, grocery tending, farming, transport and communication (Milanzi , 2011). The Municipality is sub divided into 29 wards and 275 streets (URT, 2002). Morogoro Municipality was purposely selected because the area has many Microfinance Institutions such as FINCA, BRAC, PRIDE, SEDA, NMB, CRDB, and others, which provide credits to women to enable them run their business smoothly under *ceterius peribus.*

Morogoro Municipality is the Regional Headquarter of Morogoro and it is about 195 kilometres to the West of Dar es Salaam. This study used a cross-sectional research design, the design allows data to be collected at a single point in time. The study population were all women engaging in SME in Morogoro Municipal. Both probability and non-probability sampling were used to select the respondents. Sampling was multi staged. In this study, 120 respondents were selected randomly from three wards kichangani, sabasaba and kilakala, 40 respondents from each ward and 10 loan officers. Both qualitative and quantitative data were collected.

 Primary data were collected using interview and structured questionnaire composed of both open and closed-ended questions that were administered directly to the respondents. Secondary data were collected from different scholarly articles, journal papers, book chapters and other published materials in both print and electronic media related to the study. Qualitative data, which were collected through key informant's (Loan officers) interview, were subjected to content analysis. Information about education level, credit management, entrepreneurial skills, business premises, problems and the manner of improving performance of women owned SMEs were been women who receive credit and owning SME in Morogoro Municipal. SPSS was used to compute descriptive statistic including frequencies and percentage. In addition, inferential statistics such as binary logistic regression was used to determine the factors influencing women SMEs performance.

1.8   Limitation of the Study

The study had limitation in collecting both primary and secondary data. With the primary data, majority of the respondents were unwilling to provide information especially because of their low level of education. Women in the study area were not aware of the importance

of conducting research and obtained information from them. For example, in question numbers 23 and 25 from appendix were personal questions, so they took them negatively and hesitate to provide that information. The limitation was mitigated through educating and keep the respondents aware that this information was between the respondent and the researcher but also the information was specifically for academic issues and not otherwise.

Some specific information such as responses to questions 17, 23, 24 and 26 was somehow difficult to obtain form some of the respondents. Therefore, the researcher tried to guide the respondent to recall their monthly purchase by estimating from their monthly sales and the amount of loan received at the first time and the amounts which were offered by the banks, Microfinance Institutions MFI) or SACCOS.

Another limitation was that the majority of women in the study area do not keep records while the study needed at least three years past record of the annual sales to compare the performance. This challenge was mitigated by asking information on their asset value for both women with credit and those without credit and used this information for checking performance in order to see which group was performing better in their businesses.

1.9   Organization of Dissertation

This dissertation is organised into four chapters. The first chapter consists of the extended abstract, general introduction, the overall and specific objectives of the study, research questions, hypotheses, the conceptual general methodology and limitations of the study. In addition, the study describes the commonality of concepts presented in the separate manuscripts. Chapter Two contains publishable manuscript one which covers objectives i, ii and iii and test hypothesis H_1. Chapter three contains publishable manuscript two, which covers objective iv and provides answers to hypotheses H_2 and I. Lastly; Chapter four presents the study's summary, general conclusions and recommendations.

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CHAPTER TWO

2.0 EFFECTS OF CREDIT MANAGEMENT PRACTICES ON PERFORMANCE OF WOMEN OWNED SMES IN MOROGORO MUNICIPALITY, TANZANIA

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Abstract

This paper sought to determine the effects of credit management practices on the performance of women owned SMEs in Morogoro Municipality. Data were collected from 120 women in Morogoro Municipality including credit and non-credit recipients to measure performance differences in terms of gross margin. A purposeful sampling was employed to select the study district and three wards whereby two streets were selected from each using simple random sampling. Descriptive analysis was used to compute the actual situation of both categories of women, SMEs performance, and credit management practices of credit recipients. The results indicate that 55 percent of women respondents were credit beneficiaries and about 45 percent were non-credit recipients. Among those women who have received credit, 37.5 percent used the whole credit to invest in the same business; about 18.3 percent used 50 percent of the credit to invest in other businesses and about 50 per cent r used the credit in other purposes such as paying school fees, rents and

supporting their spouses. About 5.8 percent of the credit recipients used their whole loans in other activities such as organizing family parties and paying school fees. An independent t-test was run to determine whether there is a difference between SMEs performance among women with credits and those without credits. The performance indicators were all significant different in terms of asset value, number of employees, monthly sales, and gross margin at ($p > 0.05$). The results showed that the majority of women who received credit invested the whole credit in business and were performing well as opposed to those who did not receive credits Therefore; women are encouraged to establish business, which are less competitive and can lead to high profitability and high switching cost to curb competition.

Keywords: loans management practices, Performance, Women owned microentreprises.

2.1 Introduction

Credit availability refers to a given time a borrower has access to the amount of credit he/she requires. The determinant of credit availability for enterprises is the length of cooperation between the enterprise and the bank, especially if the cooperation gets to the relational character. As Petersen and Rajan (1994) argue, long-term relationship strengthens the bank's inclination for financing the familiar enterprises. However, the cooperation itself does not have to relate to crediting. This is because a lot of information about the condition of the enterprise is supplied through the observation of changes in the current (trading volume, quality, and number of contractors, etc.) or deposit accounts (Włodarczyk *et al.*, 2018).

Studies on Small and Medium Enterprises (SMEs) reveal that access to credit is an impediment to SMEs' contributions to national economic development (Onyimba and Muturi, 2016). However, sometimes credit to SMEs has caused trauma and self-pity of perpetuating a vicious cycle of financial problems to majority of borrowers. As Gichana and Barasa (2013) observe, repayment of credit/loans affect performance of rural enterprises. This is because outstanding loan balances advanced to SMEs kept on growing

in the subsequent years depicting a problem with performance of these enterprises. However, availing credit to SMEs does not necessarily lead to additional assets; expand market share nor increase in the ability to purchase additional stock. Instead, it determines SMEs' competitive readiness and ability to fully exploit and participate in the global economy and business opportunities stemming from economic integration (Eton *et al.*, 2019; Emad *et al.*, 2014).

Small and Medium Enterprises (SMEs) cover non-farm economic activities mainly manufacturing, mining, commerce, and service sub sectors (Turuka, 2013). However, there is no universally accepted definition of SME. Different countries use various measures of size depending on the purpose and the reasons. For instance, in the United Kingdom (UK) the definition of small enterprises could be ranging from 5 to 2000 employees depending on the nature of the industrial sector (Kibera, 1996). The European Union Enterprise and Industry (EUEI), (2012), define a small business as one that has fewer than 50 employees. However, in Australia a small business is generally defined by Fair Work Act 2009 as one that has fewer than 15 employees. Moreover, in the context of Tanzania, SMEs are those enterprises engaging up to 4 people with capital investment ranging from Tsh 5 million to TShs.200 million (URT, 2012). In addition, the amount of sales (sales turnover), value of assets, net profits, and the balance sheet alone or in combination can also be used to define small companies in addition to the number of employees (Turuka, 2013).

Women are active in micro, small, and medium scale enterprises (MSMEs), but they face many problems and challenges in developing their businesses (Kalleberg and Leitch 2017). Moreover, besides the challenges small-scale entrepreneurs face, women are also reported to face gender bias in the socio-economic environment including in employment,

wages, and access to economic resources in which they operate (Mayoux, 2001). Moreover, women face additional or at least different social, cultural, educational, and technological challenges than is the case with men in establishing and developing enterprises, and accessing economic resources (Mayoux, 2001).

Furthermore, it is argued that women in most societies carry additional burden of family and domestic responsibilities, which have a limiting impact upon their ability to generate income outside of their homes (Sharma, 2015). As Sharma *et al.* (2012) observe, female are supposed to be more efficient than men in the management of entrepreneurial related activities because of their hardworking nature, desire to upgrade family status in the society and the desire to become economically independent. Women normally nourish the whole family including their children. If women would be self-employed and educated, they could give proper education to their children; contribute in household expenditure; take better individual decisions of their own and their dependents, and gradually take an important part in the nation's global development agenda (Sharma, 2015).

However, despite their crucial role in the economy and in supporting their families and the country in general, most of the women lack proper understanding of the uses of the credit they receive leading poor business performance as opposed to their male counterparts (Ekpe *et al.,* 2010).

Furthermore, Kalleberg and Leitch (2017) argue that women can succumb to business failure since some sustain lower sale volumes and lower incomes because of positioning themselves in less profitable industries. In addition, some women owned SMEs collapse due to lack of proper credit management practices (Pilipinas, 2014). These factors which normally affect entrepreneurial performance include lack of credit, savings, education or

training, human resource management, marketing information, application of information technology and social capital (Ekpe *et al.,* 2010). Therefore, some of these challenges normally lead to low growth and expansion of women owned SMEs.

Moreover, researchers such as Gatuhu (2013), Asante (2018), Maritim (2013), Edwin and Omagwa (2018) have dwelt on women owned SMEs extensively. However, they have mainly focused on the relationship between credit risk management and financial institutions. In addition, they focused on the supply side, that is, the financial institutions such as the banks and non-financial institutions in assesing how these institutions manage credit. This is because of the problem on poor credit risk management, mitigation measures, and failure to recover from collateral.

Therefore, this manuscript looked at the practice in the demand side (i.e. borrowers) especially the women who receive credit from different financial institutions, and the manner in which they manage those credits to improve the performance of their enterprises. This is because if credit management is not given much consideration, then women owned firms are likely to fail and face bankruptcy (Kargar and Bluemental, 1994) leading to the failure in paying back the loans. The study therefore, seeks to answer the following questions: (i) what are the forms and types of credits received by women owned SMEs in Morogoro Municipality? (ii) How are the credit received by women used and managed in their business?

2.2   Literature Review and Theoretical Framework

2.2.1   Definition of Key Concepts

2.2.1.1   Small and Medium Enterprises (SME)

SME refers to Small and Medium Enterprises. According to Kessy and Urio (2006), SMEs can be defined as a productive activity to either produce or distribute goods and or services, mostly undertaken in the informal sector.

2.2.1.2   Credit management

Nelson (2012) defines credit management as the practices used by an organization to manage the sales they make on credit. It is an essential practice for all the organizations that have credit transactions since some have managed their credit activities so well that they have zero credit risk.

2.2.1.3   Credit management practices

According to Myers and Berkley (2013), credit management practices are the strategies used by an organization to ensure that the level of credit in the firm is acceptable and it is managed effectively. It is part of financial management that comprises the analysis of credit, rating of credit, classification and reporting of credit.

2.2.1.4   Business performance

Literature reveals that there is no consensus about what really constitutes business performance. Various indicators can be involved to measure the performance of an enterprise. These include objectives, subjective, and operational measures (Harash *et al.,* 2014).

2.3   Theories underpinning the study

There are two theories that are guiding this study. The theory of asymmetric information and transaction costs economies theory (TCE)

2.3.1 Asymmetric information theory

Information asymmetry is a situation where by business owners or managers know more about the prospects for, and the risks facing their business, than do lenders (Eppy, 2005; PWHC, 2002). When all parties involved in the undertaking (lenders and borrowers) do not know relevant information, this is where information asymmetric occurs. In a debt market, information asymmetric tends to rise when a borrower who takes a loan has better information about the potential risks and returns associated with investment projects for which the funds are earmarked. On the other hand, the lender does not have sufficient information concerning the borrower (Edwards and Turnbull, 1994). Thus, knowing credit management practices by borrowers (women owning SMEs), will help them minimise risks and effects of information asymmetry.

2.3.2   Transaction Cost Economics Theory (TCE)

According to Williamson (1981), a transaction is a basic unit of analysis. Transaction cost broadly refers to the cost involved in an exchange. Transaction costs in the credit markets therefore are indirect financial costs generated by various processes. They occur both on the lenders' side as well as on the borrowers' side (Simba and Mugo, 2018). On the lender's side, transaction costs involve the costs of searching, loan administration, and collecting relevant information. On the other hand, transaction costs of borrowing refer to the time used to negotiate and repay the loan, travelling back and forth trips and security cost which sometimes causes friction in the flow of credit funds, preventing credit markets from reaching efficient market equilibrium (Sseggujja, 2010). The theory is relevant to the

current study because for women who have applied for loans, the transaction costs might be too high to promote growth of their businesses. On the other hand, some women will not apply for the loan for fear of transaction costs such as opportunity cost of time, and costs involved in processing and negotiating the loans.

2.4   Methodology

The population of the study was the women owned SMEs in Morogoro Municipality, Morogoro Region, Tanzania. The cross sectional research design was used for gathering data. In carrying out the cross-sectional study, both quantitative and qualitative surveys were applied for soliciting opinions on the factors affecting performance of women owned SMEs. As with qualitative survey, the aim was to produce a detailed data on the phenomenon being investigated as they are derived directly from people involved or stakeholders (Patton, 2002). However, because of the heterogeneity nature of women owned SMEs in the three wards namely Kilakala, Sabasaba, and Kihonda a stratified probabilistic sampling technique was used to draw 120 women owned SMEs spread across key business enterprises such as textiles, stationeries, cosmetic stores, hotels and food catering joints (restaurants) in Morogoro urban.

Data collected from questionnaire were analysed using the Statistical Package for Social Sciences (SPSS) software. Descriptive and inferential analyse were used to present the findings of this study. Descriptive analysis aimed at showing the respondents demographics in relation to the effects of credit management practices on performance of women owned SMEs in Morogoro Municipality. In addition, in analysing qualitative data, content analysis approach through first understanding the respondents' views, interpreting them and putting in writing was used (Tundui, 2012) and then matching the explanations and observations with the literature and empirical findings from other studies.

2.5   Results and Discussion

This section presents the findings and the discussion in sub sections 4.1 to 4.3. The respondents in this study were women only who were the owners of small and medium enterprises within Morogoro Municipality.

2.5.1   Age of the respondents

The study assessed the age of the respondents and the findings as presented in Table 2.1 show that, the majority of women respondent. i.e. .35% of the respondents were in the age group of between 30-39 years of age, 34.2% were between 40-49 years, 17.5 % were between 20-29 years, 7.5 percent were between 50-59 years, and the remaining 5.8 percent were between 60-69 years of age. These findings imply that, women belonging to the age group of between 30-39 years are more engaged in entrepreneurial activities than those belonging to other groups. This is because people in this age group have family responsibilities to take care of, hence, they establish their business in order to support their families. These findings are consistent with the findings in other studies in Tanzania that show that most of the small and medium business owners were younger than 40 years (Maziku, 2014; Mchome, 2016).

Table 2. 1: Characteristics of the Respondents (n=120)

Variables	Frequency	Percent (%)
Age		
20-29	21	17.5
30-39	42	35.0
40-49	41	34.2
50-59	9	7.5
60-69	7	5.8
Education level		
Primary	35	29.2
Secondary	57	47.5
Tertiary (cert &diploma)	23	19.7
University	5	4.2
Marital status		
Single	31	25.8
Married	66	55.0
Separated / Divorced	7	5.8
Widowed	16	13.3
Household size		
<3	44	36.67
4-9	74	61.67
10>	2	1.67
Years in current Business		
<5	61	50.83
5-10	56	46.67
11>	3	2.5
Total	120	100

2.5.2   Education level of respondents

The study assessed the educational level of the respondents and the findings as presented in Table 2.1 show that, about 47.5% of the respondents had secondary education, 29.2% had completed primary education 19.7% had tertiary education, and a few, that is, 4.2 percent had university education.

This indicates that most of the women entrepreneurs have secondary education, hence they are more engaged in business probably after failing to continue with post-secondary education at a diploma or degree level. This can have an impact on their business performance, since very few secondary schools provide training on entrepreneurial skills. These findings are consistent with the findings in a study by Mchome (2016).

2.5.3   Marital status of respondents

The study assessed the marital status of the respondents. the findings as presented in Table 2.1 show that about 55% of the respondents were married, 25.8 % were single, 13.3% were widows, and the remaining 5.8 percent were divorced/separated and the remaining These findings imply that, the majority of women entrepreneurs in the study area are married and engaged in business to supplement family income. However, sometimes, their participation in caring for their families takes much of their time thereby negatively affecting the performance of their enterprises (Ekpe *et al.,* 2010). Study by Mchome (2016) reveals similar results that, sometimes, many married women do participate fully in family chores, and therefore resulting into poor performance of their enterprises. In women who were single are ranked second in population size, and most of were aged below 29 years because this group did not get formal employ, hence they had to resort to entrepreneurship as their main source of income.

2.5.4   Household size of the respondents

The study assessed the household size of the respondents. The findings as presented in Table 2.1 shows that, 61.67% of the households had between 4 and 9 members, 36.67% had less than three (3) members and 1.67 percent had greater than ten (10) members.

These findings imply that, most of the women entrepreneurs belong to households with large family sizes. This tends to affect the performance of their enterprises negatively. This is because they have to spend much of their profits in taking care of their families at the expense of their enterprises. These findings are consistent with the findings in a study by Mwania (2015).

2.5.5 Years in current business of the respondents

The study inquired about the number of the years the respondents had been in the current business. the findings as presented in Table 2.1 show that 50.83% of the respondents had been in their current for less than five 5 years, 46.67% had between 5 and 10 years, and the remaining 2.5 percent   had been in business for more than ten (10) years. This implies that, most of the women in small enterprises were still at the initial stages.

2.5.6 Number of the recipients with credit and non-credit

The study assessed the number of the recipients receiving credits and those who were not receiving it in the study area. The findings are presented in Table 2.2 show that 55% received credit while 45% did not.

Table 2. 2: Number of the recipients with and without credit (n=120)

Credit availability	Frequency	Percent
With credit	66	55.0
Without credit	54	45.0
Total	**120**	**100.00**

2.5.7 Management of credit by women's recipients

The study assessed how the respondents were managing the credits they have received and the findings are presented in Table 2.3.

Table 2. 3: Credit management practices of credit recipients (n= 66)

Credit management practices	Frequency	Percent
Whole credit invested	45	68.18
Whole credit divested	7	10.61
Credit subdivided and partly invested	14	21.21
Total	**66**	**100.00**

Women credit recipients were asked to indicate how they were managing credits they received from the financial institutions. The results as presented in Table 2.3 show that about 68% of credit recipients used the whole credit to invest in their businesses as per credit requirements and as agreed with the lenders. About 21 percent of the credit recipients used half of it to invest in their businesses and spent the other half for other matters, and about 11 percent of credit recipients spent the whole credit on other matters apart from investing in business for which the credits were applied for. These other uses include paying school fees, paying house rents, and supporting their spouses. The findings imply that the majority of women who received financial credits were using the credits to boost their capital or investing in their business as intended. However, others were spending only part of their credits to them business and other half in other expenses, while some borrowers used the whole loan for purposes unrelated to business investments for which the credits were applied. The last group of credit recipients have lower, chances of their business to perform well.

2.5.8 Gross margin results for women owned SMEs

The study used Gross Margin analysis to assess the performance of women owned SME's in the study area as presented in equation 1.

GM = TR – TVC……………………………………………………….. 1

Whereby

GM is Gross Margin,

TR is Total Revenue, and

TVC is Total Variable Cost

The GM analysis results show that women who have received credits have higher gross margin of more than TShs. 2.2 million compared to those who did not receive credit, which was about TShs 600000/= (Table 2.4). Therefore, the businesses of those with credits were expected to perform better than business of those without credits.

Table 2. 4: Gross Margin results for women owned SMEs in the study area

Variable	With credit (TShs)	Without credit (TShs)
Total revenue (sales per month)	322,479,416.70	64,759,224.95
Total variable cost ((purchase and labour)	320,263,100.00	64,153,833.00
Gross Margin	2,216,316.70	605,391.95

2.5.9 Performance of women owned SMEs in Morogoro Municipality

The study assessed the difference in the performance of women owned SME's through Independent t- test by looking at the asset value of the SME's, the number of employees, monthly sales, and gross margins. The findings are presented in Table 2.5.

Table 2. 5: Effects of credit management practices on performance (n= 120)

Test variable	Grouping variable		Mean GM	Standard deviation	F- value	Significance (p-value	T-test
Asset value	Group	no			6.118	0.015	
	With credit	66	36 559 849.48	13 6719 477.6			1.628
	Without credit	54	6 115 555.56	13 908 717.73			1.798
People employed	Group	no			19.709	0.001	
	With credit	66	0.61	0.630			-5.038
	Without credit	54	1.13	0.478			-5.177
Monthly sales	Group	no			12.678	0.001	
	With credit	66	7 068 787.88	14 481 293.66			2.629
	Without credit	54	1 793 425.98	3 000 691.088			2.885
Gross margin	Group	no			6.056	0.015	
	With credit	66	2 216 316.667	8 517 541.848			1.338
	Without credit	54	605 391.9815	2 630 306.919			1.454

2.5.9.1 Asset value and performance of women's owned SMEs

The findings as presented in Table 2.5 show a significant difference in performance between women's SMEs with credit and those SMEs without. The Levene's test showed that the significance value (p) of the asset is 0.015, which is lower than 0.05. Thus, the variance between two groups is not the same hence; there is a significant difference on asset value between credit recipients and non-credit recipients as the p value is less than 0.05. Therefore, on average, credit recipients have high asset value of M=36 559 849.48, SD =13 6719 477.6 compared to non-credit recipients (M = 6 115 555.56, SD=13 908 717.73). This implies that, the majority of women with financial credits have access to additional amount of money as capital into their business hence performed better in terms of assets accumulation as compared to those who have no access to credit.

2.5.9.2 People employed and performance of women's owned SMEs

In terms of the number of employees the findings as presented in Table 2.5 show that, there is a significant difference between the credit and non-credit recipients because p =

0.001, which is lower than 0.05. Since the p-value is less than 0.05, thus the data are confident, as they have violated the assumption of homogeneity of variance. On average, credit recipients had lower number of employees of M=0.61 and SD =0.630 than those without having M = 1.13 and SD=0.478. This implies that, the majority of women without credit tend to increase their number of employees, which leads to increase in the costs of production in their businesses as they add more labour thus leading to a decrease in profits unlike the case with those with credits. These have lower labour costs, thus leads to an increase of their gross margins and profitability. It means, they are efficient in maximum utilization of the current labour force they have.

2.5.9.3 Monthly sales and performance of women's owned SMEs

The findings as presented in Table 2.5 show that, there is a significant difference in monthly sales between women with credits and women without credits. These findings are based on Levene's test of significance which shows that, p = 0.001, which is lower than 0.05. Hence, the variance between two groups is not the same. On average, credit recipients have high monthly sales of (M=7 068 787.88, SD =14 481 293.66) as compared to non-credit recipients of (M =1 793 425.98, SD=3 000 691.088). This implies that, majority of women with credit have access to additional capital into their business and can constantly supply (sovereignty) goods which increase their sales performance of their business.

2.5.9.4 Gross margin and performance of women's SMEs

The findings as presented in Table 2.5 show that, there is a significant difference between credit recipients and non-credit recipients in terms of the value of gross margins at p =0.015, which is lower than 0.05. Hence, the variance between two groups is not the same. On average, credit recipients have high gross margin of (M=2 216 316.667, SD =8 517 541.848) compared to non-credit recipients (M = 605 391.9815, SD=2 630 306.919).

This implies that, the majority women with credit have higher gross margin than is the case with non-credit women recipients.

2.5.10 Challenges faced by women's owned SMEs in Morogoro Municipality

The study assessed the challenges faced by women owning SME's in the study areas. The responses are presented in Table 2.6.

Table 2. 6: Challenges faced by women's SMEs (n= 120)

Challenges	Frequency	Percent
High market competition	42	35.0
Price fluctuations	27	22.5
Government tax	16	13.3
Inadequate product choices	12	10.0
Business premise rental	11	9.2
Credit availability	10	8.3
Interest rates	2	1.7
Total	**120**	**100.00**

Women were asked to indicate the challenges, which are affecting their businesses and specifically, the challenges that contribute to lowering or decreasing the performance. The responses as presented in Table 2.6 indicate the challenges in seven domains namely high market competition, price fluctuation, government taxes, inadequate product choices, business premises rentals, and credit availability. Each of these domains is explained below.

High market competition: Almost one-third of the respondents, that is, 35% reported to have been facing stiff competition, which was their challenge number one. This is because the majority of women were dealing with food, textile, stationeries, cosmetic stores, and

catering whose competition is high. In addition, such businesses have low entry barriers and that, the dealers of these products use pricing strategy to wage competition. Therefore, if one of the suppliers lowers the price, he /she will attract many customers compared to those who do not. Hence, women with low capital cannot use price as a competitive strategy.

Price fluctuation: About 22.5% of the respondents reported to be facing price fluctuation problem. This is because most of the business tend to perform poorly or sometimes tend to collapse due to price fluctuation from the suppliers. Price fluctuations from the suppliers discourage customers hence sales tend to be unstable. This is due to high price elasticity of demand, which leads to low performance as customers keep on shifting to cheap substitutes available in the market. A good example is the cosmetic products whereby cheap substitutes from China compete with high quality products from Europe, USA, or even from East Africa.

Government taxes: Government taxes is another challenging area , against women owned SMEs profitability. About 13.3 percent of the respondents reported to have been victims. Government taxes here refer to the taxes paid to Tanzania Revenue Authority (TRA), and to other taxes paid to the Morogoro Municipal Council as levy. However, the majority of women complained that, the rates of taxes charged were too high and too many compared to the actual cash flow from their business leading to poor business performance.

Inadequate products choices: About 10 women with credits of the respondents, reported to have limited choices product or a variety of products from the suppliers vis-a-vis the demand. Hence, women end up getting little stock to sell, or keeping stocks that are not attractive to customers. As a result, women SMEs tend lose the market since customers

shift to other sellers. In addition, women end up investing their capital in slow-moving stocks leading to low profitability.

***Business premise rental*:** About 9.2 percent of the respondents reported to have been paying high rental fees to their property owners, which cause them to keep shifting business locations often. This results in losing a lot of regular customers and markets. As a result, the cost of running business becomes high and sales become low. This situation leads to low business performance, hence low profitability.

Credit availability: About 8.3 percent of the respondents indicated that, credit availability is one of the challenges they are facing. However, credit availability was not rated as high as expected as compared to other challenges. This is because some women are running their business in their own premises, and thus, have collateral in accessing credit. However, women who run their business in rented premises, have limited collateral for accessing loans. This, leads to poor performance of their business since they start their business with few assets and low capital.

Interest rate: About 1.7 percent of credit recipients reported of high interest rates offered especially for loans from lenders such as VICOBA and other non-financial institutions. The respondents indicated that interest rate charged were very high and contributed to low performance in their businesses as large part of the profit obtained is used to pay back the loan instead of accumulating capital and increase assets acquisition

2.6   Conclusion and Recommendations

2.6.1   Conclusion

This paper discusses the effects of credit management practices on women owned SMEs performance in Morogoro Municipality, Tanzania. The key questions were the types of credit management practices and the manner in which they affect performance. The finding show further that credit management practices include hundred per cent invested, hundred per cent divested, partly divested, and partly invested in the intended business.

The findings show that about 55% are credit recipients whose majority are aged between 30 to 39 years and are married. Most of them had secondary education and belonged to household sizes ranging from 4 to 9 people. Most of the women are between 5 to 10 years in business.

The findings also show that credits have positive effects on women owned SME's performance in terms of gross margins, in other words, credit recipients have higher GM of TShs 2 216 316.66 as compared to non-credit recipients of TShs 605 391.98.

The findings show further that credit management practice contributes positively to women owned SME's welfare in term of asset accumulation, monthly revenues, and gross margin. However, it was not significant in terms of employees influencing gross margins.

However, despite that, women owning SMEs in Morogoro have access to credit, their performance is very much influenced by high market competition, price fluctuation, government taxes, business premise rental, credit unavailability, and interest rates.

2.6.2   Recommendations

The study recommends the following:

- Encourage women to look for credit in improving their business but should be trained on how to use credit;
- Encourage women to borrow money from institutions with reasonable interest rates;
- Encourage women to use credit borrowed for the intended purposes and not diverting it; and
- Encourage women to establish business which are less competitive and which can lead to high profitability and high switching costs to curb competition.

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CHAPTER THREE

3.0   FACTORS INFLUENCING WOMEN OWNED SMEs PERFORMANCE IN MOROGORO MUNICIPALITY, TANZANIA

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Abstract

The performance of women entrepreneurs in their businesses has become an important area of current policy and academic debate. In Tanzania, most past research focus has been on the issues of gender and business performance. This study tried to establish the factors influencing the performance of women owned entrepreneurs in Morogoro Municipality. The study involved a sample of 120 women entrepreneurs from Kihonda, Sabasaba and Kilakala wards, in Morogoro Municipality. Binary logistic regression model was used to test the hypothesis that credit availability, marital status, purchase plan, market plan, information network, location, age, household size and gross margin

does not influence the performance of women owned SMEs in the study area. The results show that information network, location and household size affect negatively the performance of women owned entrepreneurs in the study area. Conversely, marital status, education, purchase plan, market plan, age and gross margin were important factors in nurturing the performance of women owned SMEs. The findings also show that credit availability does influence performance of women owned SMEs. It is therefore concluded that if credit is available and women use the whole of it in investing within the business then definitely the performance of their SMEs will improve. The study recommends that women SMEs owners should be guided and supported in developing market and purchase plans as these will enhance their business performances. In addition, women owning SMEs should education in credits management as this influence their capital base and which in turn influence the profitability of their businesses.

Keywords: Factors, Women owned SME, Performance, and Morogoro Municipality.

3.1   Introduction

Small and Medium Enterprises (SMEs) all over the world are known to play a major role in social and economic development of a country (Nkwabi and Mboya, 2019). This is apparently the case for Tanzania whereby SMEs add extensively to employment creation, income generation and stimulation of economic growth in both urban and rural areas (Kiyabo and Isaga, 2019). It is argued that about a third of the Gross Domestic Product (GDP) of Tanzania originates from the SMEs sector (Momba, 2013). Small and Medium Enterprises normally cover non-farm economic activities mainly manufacturing, mining, commerce and service activities. However, there is no universally accepted definition of SMEs. Different countries use various measures of size depending on purpose and the reasons. For instance, in United Kingdom (UK) the definition for small enterprises could be those with employees ranging from 5 to 2000 depending on the industrial sector (Kibera, 1996). The European Union Enterprise and Industry (EUEI), (2012) defines a small business as the one that has fewer than 50 employees. However, in Australia, a small business which is generally defined by Fair Work Act 2009, as one that has fewer than 15 employees (Nkwabi and Mboya, 2019).

Moreover, in the context of Tanzania, SMEs are those engaging up to 4 people with capital investment from TShs 5 to 200 million (URT, 2012). In addition, amount of sales (sales turnover), value of assets and net profit and the balance sheet alone or in a mixed definition can also be used to classify small and medium enterprises or companies in addition to a number of employees (Maziku *et al*., 2014). However, it is argued that in many developing countries, women are the pillars of economic expansion. That is, women entrepreneurs do generate jobs, wealth and innovation across 37 countries as reported from Global Entrepreneurship Monitor (GEM) survey of 2017/2018. Therefore,

it can be argued that in many of these countries, the rate of growth of men creating new business is less than the rate of growth for women entrepreneurs (Reynolds *et al.*, 2002).

It is also claimed that more than half of the total world population constitute of women who are normally confined in performing household activities in traditional societies (Bayeh, 2016). However, recently, women have come out to participate in all sorts of economic activities including establishing their own small businesses (Ekype *et al.,* 2010). In addition, different spheres of activities such as politics, social work and academics are also now ventured by women as they have started running their own enterprises. It is therefore appropriate to assess how they are faring or performing in the business ventures they have established after changing their roles as compared to the ones they had in traditional societies. Coleman (2007) claimed that women entrepreneurial ventures are smaller than those of their male counterparts in terms of revenue, sales and assets. This claim is supported by the recent evidence from the United States of America (USA) that on average, women owned SMEs are twice less small as men entrepreneurial ventures in terms of both sales and assets (Coleman, 2000). Moreover, Robb and Wolken (2002) argued that on average, employer firms owned by women generate about 78% of the profits generated by comparable male owned businesses while Loscocco and Robinson (1991) claimed that women have been found to generate less sales turnover relative to men, even in same industry when compared. Therefore, there is still a debate on which business ventures are more profitable, men or women owned?

Further, Wube (2010) also argues that in Africa, most of the women owned SMEs are faced with challenges of fostering their business and promoting the tradition of innovation and entrepreneurship. In addition, the majority of female are forced to make trade-off between culture and traditions and the kind of business activities that they

establish in order to maintain harmony with their traditional roles they play in the society (Tundui, 2012).

Therefore, in general, it is claimed that women owned entrepreneurial ventures in Africa do fail to grow from small to medium and some have stagnated due to family restriction, unfavourable environment, lack of education and lack of finance, they face (Hisrich and Brush, 1991). However, this claim cannot be appreciated unless there are empirical evidences to substantiate it. This is due to the fact that motivational antecedents of entrepreneurial intention and business performance can be influenced by social and cultural values and beliefs regarding entrepreneurship (Felicia *et al.*, 2013). Hence, in some societies, these motivations can lead them assuming that women owned SMEs do perform poorly than men (Nawaz, 2009). Although in some cases, empirical evidence (Nchimbi, 2002 and Maziku *et al.*, 2014) show that, there is a difference in business performance between men and women owned SMEs. This is because women are more embedded with socio-cultural and individual aspect of culture that influence their entrepreneurial behaviour, rather than focusing on their businesses. However, this argument requires more evidence. Therefore, this study aimed to enquire about the causes of performance among women owned SMEs in Morogoro.

3.2   Theoretical and Conceptual Review

Small and medium enterprises (SMEs) are organizations in which the number of staff and annual sales turnover are within a certain limit. Nkwabi and Mboya (2019) define SMEs according to capital invested in machinery and number of employees. However, in Tanzania, enterprises can be categorized into micro enterprise comprises of up to 5 people with a minimum capital requirement of up to 5 million Tanzanian shillings (TZS), a small enterprise comprises of 5- 49 employees with a minimum capital of 5- 200

million (TZS) and medium scale enterprise comprises up to 100 employees with a minimum capital of 200 – 800 employees (Mchome, 2016). In this study, entrepreneurship is defined as an activity that involves the evaluation, exploitation of opportunities and the discovery to introduce new goods and services, ways of organizing, markets, processes and raw materials through organizing efforts that previously had not existed (Venkataraman, 2000; Mbhele, 2011). In addition, performance is measured by a number of variables such as sales revenue, number of employees, assets levels, use of business income and gross margin (Maziku *et al.,* 2014). In this study therefore, number of employees was adopted as measure of performance since it's an effective indicator.

This study is guided by two theories. The first is the entrepreneurship theory of Shane (2003) and the resource-based theory. The entrepreneurship theory of Shane (2003) argues that entrepreneurial opportunities are led by activities done within the business environment and resource acquisition. Therefore, high business performance is achieved through entrepreneur's decision to exploit such opportunities. Thus, opportunity for entrepreneurial activity is influenced by acquisition of resources and through appropriate use of the acquired resources and good business strategy and organizational design, all of which could lead to high business performance (Ekype *et al.,* 2010).

On the other hand, the resource-based theory generally shades light on how firms in the same industry perform better than others. It sets weight on the internal resources of a firm in developing its strategy to achieve a sustainable competitive advantage in its market and industry. The theory holds that not all resources of the firm are important to enable it generate a competitive advantage. These resources must be valuable, inimitable, non-substitutable and non-transferable in order to have a sustainable competitive advantage (Amit and Shoemaker, 1993; Kraaijenbrink *et al.,* 2010).

This means that differences in performance of firms are the result of their distinct resources and capabilities. Moreover, Hunt and Derozier (2004) argue that what constitute resources of a firm are tangible, intangible and external assets. Tangible assets are physical resources which can be seen and evaluated (Wilk and Fensterseifer, 2003) while intangible assets includes trademarks, patents, brand, networks, individual and group skills, interactions and the organizational routines and processes used to organize and co-ordinate those resources. In addition, external assets or resources also include relationships and knowledge acquired through suppliers and customers, competitors and institutions like universities (Simao and Franco, 2018).

Moreover, it is also argued that SMEs performance can be influenced by factors within the firm and those outside it. The internal factors are those that affect the ability of the SMEs owner to operate efficiently, despite his/her inmate potentials (Baloyi, 2010). In addition, Shiamwama et al. (2014) argued that internal factors are the individuals (owner/ manager) personal attributes, skills and competencies which are crucial to how well the business faces up, to the inevitable crises that arise. These attributes might be seen as strengths if their impact on a business is favourable, but as weakness if they have a deleterious effect on business. The best thing about internal factors is that a manager or owner can control many of them. These internal factors include age of the firm, marketing, capital, business strategy, business operations, personal characteristics, technology and innovation strategy, education of employees and company finance (Grimsholm and Poblete, 2010; Osunsan et al., 2015; Umara and Danish, 2015; Dananjaya and Kuswanto, 2015; Kiyabo and Isaga, 2019; Nikolic et al., 2015; and Hande, 2015). The external factors affecting SMEs performance include external financing, business location, and global influence (Govori, 2013; Oladimeji et al., 2017).

Therefore, the conceptual framework of the study (Figure 1) shows that SMEs performance can be measured by either sales revenue, or gross margin, or increasing number of employees or net asset value. This performance is influenced by both internal and external characteristics of the firm or SMEs. Moreover, these internal or external characteristics are guided by the entrepreneurship and the resource-based theories.

Independent Variables   **Dependent Variables**

Internal Factors of an Individual

- Age
- Marital status
- Education level
- Purchase plan
- Market plan
- Household size
- Gross margin

Women Owned SMEs Performance

- Sales/Revenue
- Gross margin
- Asset value
- Number of employees

External Factors

- Information network
- Credit availability
- location
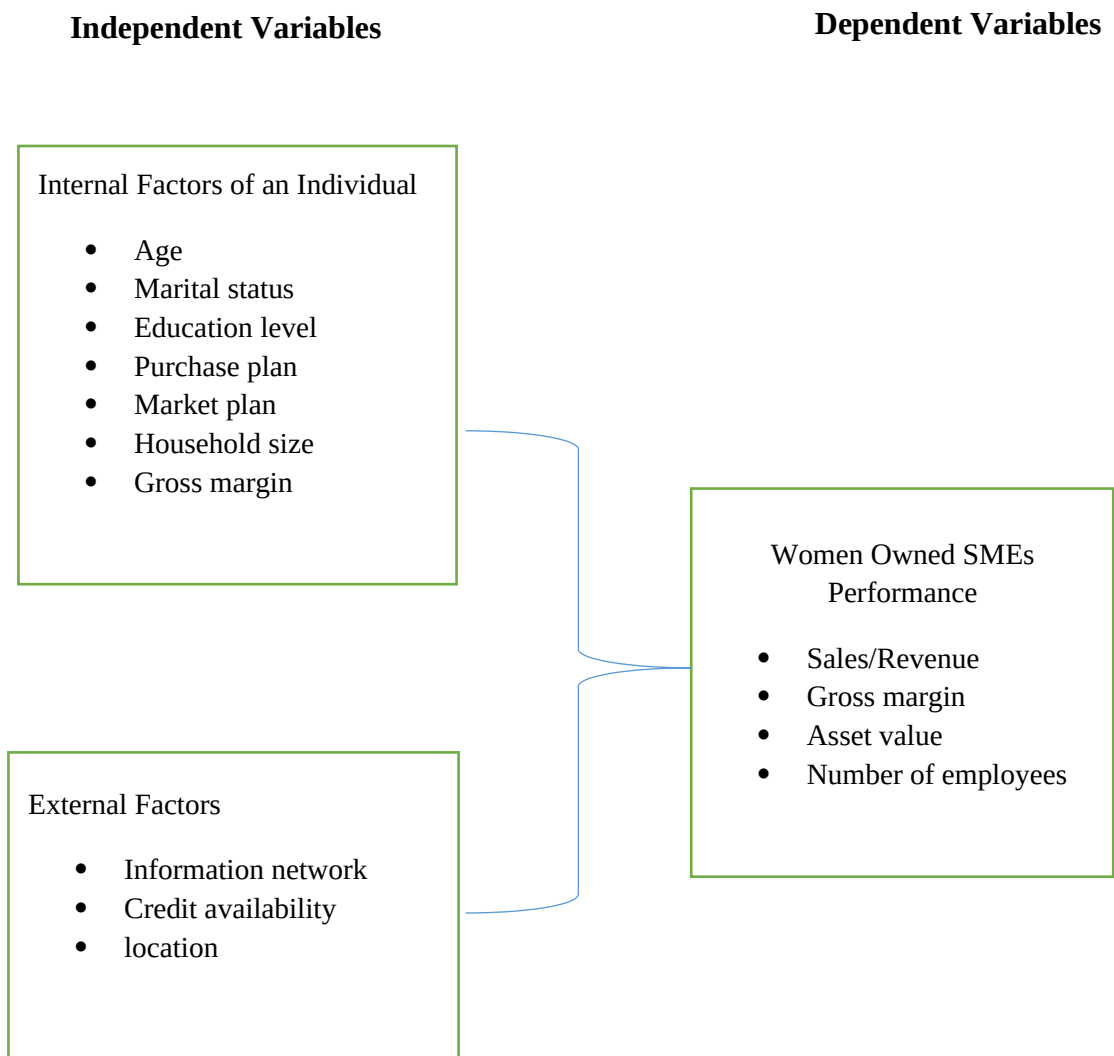
Figure 3. 1:   Internal and external factors influencing the performance of women owned enterprises

3.3   Methodology

The sampling frame was the women owned SMEs from Morogoro Municipality. The selection was based on the fact that Morogoro Municipality has been a hub of industries after Tanzania got its independence, hosting inter alia the manufacturing industries such as Morogoro Canvas (Kiyabo and Isaga, 2019), which in turn have stimulated women to establish their owned business to serve the community which has been employed in these industries. The cross sectional research design was used for gathering data. Both quantitative and qualitative methods for collecting information were employed for the purpose of obtaining opinions on the factors affecting performance of women owned SMEs. The sampled SMEs were then purposively selected randomly from Kilakala, Sabasaba and Kihonda wards which varied across commonly practiced business enterprises such as trade and food catering (restaurants) in Morogoro Municipality.

Data was collected using questionnaire and was analysed using the Statistical Package for Social Sciences (SPSS) software since the latter was accessible and it was good to use in survey data (Lugumilize, 2012). Both descriptive and empirical analyses were used to present the findings of this study. The descriptive analysis was aimed at showing the overview picture on the respondents' demographic characteristics in relation to factors affecting performance of women SMEs. Given that most of the data on factors affecting performance were quantitative, then binary logistic regression model (BLRM) was used to analyse the relationship between factors and women SMEs performance since most of the data were in categorical and continuous form. The BLRM employs the principle of linear combinations where association among several variables is considered and yields unbiased and efficient estimates of beta coefficients, which is not possible with the use of ordinary least square regression analysis (Fabowale *et al.,* 1995; Tundui, 2012).

Kessy (2009) claimed that business performance can be measured using various indicators such as sales revenue, number of employees, gross sales turn over, and size of the business, targets and goals of the entrepreneurs. But business performance in this study was measured through number of employees, that is, the increase in number of employees for the period of their current business was used to measure business performance. The dependent variable was transformed into dummy (1= for employee more than zero which indicate good performance and 0= for employee less or equal to zero implies low performance).

3.4   Results and Discussion

The findings of the study are socio-economic characteristics of the respondents and the factors influencing the performance of their SMEs.

3.4.1   Socio-economic Characteristics of the Respondents

3.4.1.1 Age of respondents

The study findings as indicated in Table 1 show that the majority of the respondents' age, i.e. about 35% ranges from 30-39 years of age, followed by those ranging between 40-49 years, (34.2%) while those between 20-29 years were 17.5%. The findings show further that women aged between 50-59 years were 7.5 percent while those aged between 60-69 years were 5.8 percent. The implication of the study findings is that people with the age range from 30-39 years are more engaged in entrepreneurial activities other than other age groups. These findings are consistent with those of previous studies conducted in Tanzania which show that most of the small and medium business owners were younger than 40 years (Maziku, 2014; Mchome, 2016)

Table 3. 1: Age of the respondents

Variable	Frequency	Percent
20-29	21	17.5
30-39	42	35.0
40-49	41	34.2
50-59	9	7.5
60-69	7	5.8
Total	**120**	**100.00**

3.4.1.2 Education level of respondents

The study findings as presented in Table 2 show that majority i.e. about 47.5% of the respondents had secondary education, 29.2% of the respondents had primary education, and 19.7% respondents had tertiary education, while 4.2 percent respondents had university education.

This is an indication that most of the women entrepreneurs have an average level of education, that is, secondary education. Hence if they were exposed to any business training or courses in secondary, it was easier for them to engage in business. In addition, they might have started business after failing to secure chances to continue with diploma or degree education. Therefore, if some of them did not take any business course in secondary school, chances of their SMEs performing poorly is higher. These findings are consistent with those of Mchome (2016) who argued that majority of women running SMEs have attained secondary education.

Table 3. 2: Education level of the respondents

Education level	Frequency	Percent
Primary	35	29.2
Secondary	57	47.5
Tertiary (certificate & diploma)	23	19.7
University	5	4.2
Total	**120**	**100.00**

3.4.1.3 Marital status of the respondents

The study findings as presented in Table 3 show that 55% of the women running the enterprises are married, 25.8% of the of those participated in the study are single, 13.3% are widows while 5.8 percent were separated. The implication of the findings is that the majority of the women entrepreneurs from the study area are married and that probably are engaged within the business so as they can add income and take care of their husbands and children.

However, some of these respondents' family chores take most of their time; hence negatively affecting their small and medium enterprises due to poor supervision. Moreover, the findings show that those women who are single, are those who are below the age of 29 and which did not get an opportunity of being employed in the formal or private sector, Therefore, they establish their own business as their main source of income and survival. These findings are similar to those of Mchome (2016) who argues that many married women are supposed to take care of their husbands and children, activities which occupies most of their time hence negatively affecting their small and medium enterprises performances.

Table 3. 3: Marital status of the respondents

Marital status	Frequency	Percent
Single	31	25.8
Married	66	55.0
Separated / Divorced	7	5.8
Widowed	16	13.3
Total	**120**	**100.00**

3.4.1.4 Household size of the respondents

Study findings as presented in Table 4 show that the majority of the respondents, i.e. 61.67% had a household size ranging between 4-9, while about 36.67% respondents who participated in study, had less than three (3) members of their households. In addition, the findings show that about 1.67 percent of the respondents had greater than ten (10) members of their households (Table 4). The implication of the findings is that most of the women entrepreneurs are those with higher number of family members which tends to negatively affect their business performance, since they claim that they have to spend some or most of their profits they generate in their business to take care of their family at the expense of their enterprise. These findings are consistent with those of Mwania (2015).

Table 3. 4: Household size of the respondents

Household size	Frequency	Percent
<3	44	36.67
4-9	74	61.67
10>	2	1.67
Total	**120**	**100.00**

3.4.1.5 Years in current business of the respondents

The study findings as presented in Table 5 shows that 50.83% of the women owning the enterprises have been in operation for less than five (5) years within their current business. The findings show further that those in operations between 5-10 years were

46.67%, while the remaining 2.5 percent are those who have been in operation for more than ten (10) years. The implication of the study is that most of the women operated enterprises are still on the growing up stages and very few have reached maturity stage.

Table 3. 5: Years in current business of the respondents

Years in current Business	Frequency	Percent
<5	61	50.83
5-10	56	46.67
11>	3	2.5
Total	**120**	**100.00**

3.5   Factors influencing performance of women owned SMEs

The binary logistic regression analysis was used to assess the factors influencing performance of women owned SMEs. The independent variables were age, marital status, household size, education, credit availability, location, procurement plan, marketing plan, information network and gross margin while the dependent variable was the number of employees employed after establishment of the business. The dependent variable was transformed into a dummy (1 = employees more than one who were employed which indicate good performance that necessitates adding more employees, while 0 = employees implies low performance since no more employees are required. The increase in employee was assessed for the period of five years of business life time.

Table 3. 6: Regression results for number of employees and predictors

Variables	B	S.E	Wald	df	Sig.	Exp (B)
Marital status	.687	.593	1.342	1	.247	1.988
Education	.265	.745	.126	1	.722	1.303
Purchase plan	1.796	.651	7.621	1	.006	6.028
Market plan	1.513	.701	4.658	1	.031	4.543
Information network	-1.286	.797	2.607	1	.106	.276
Credit availability	-3.922	.939	17.429	1	.000	.020
Location	-.304	.612	.247	1	.620	.738
Age	.095	.037	6.500	1	.011	1.099
Household size	-.045	.147	.095	1	.758	.956
Gross margin	.000	.000	4.701	1	.030	1.000
Constant	-.317	1.773	.032	1	.858	.728

The regression results as presented in Table 6, shows that log likelihood of 86. 628, Cox & Snell R Square of 0.375 and, Nagelkerke R-Square of 0.539. This shows that the variation in the dependent variable was explained by the binary logistic regression model. The Nagelkerke R^2 value was 0.539 which means that the independent variables entered in the model explained 53.9% of variance in dependent variable. The Nagelkerke R^2 is normally higher than Cox-Snell R^2 and is the most-reported of the pseudo R^2 estimates (Garson, 2008). The results show further that out of ten independent variables entered in the model five; age ($p< 0.05$), gross margin ($p<0.05$), purchase plan ($p< 0.01$), market plan ($p< 0.05$) and credit availability ($p< 0.001$); have significant influence on chances of high performance in the business (Table 6).

Moreover, credit availability was a significant predictor at ($p< 0.001$) of getting a high performance in business. As credit availability increased by one unit, the Exp (B) value

indicated that the probability of one to perform highly within business increase by 17.429 times, that is the odds ratio. This probably means that as women owned SMEs are increased by one unit of credit availability, then their business performance will increase 17. 429 times. The findings in this study are similar to those of Kamote (2018) who did a study among women owned SMEs in Iringa Municipality and found that 70% of women surveyed indicated that their business perform better when they have financial accessibility.

The findings show that purchase plan was a significant predictor at ($p < 0.01$) of getting high performance within business; the Exp (B) value was 7.621 indicating that when the procurement plan increases by one unit, the chances of one to perform highly in business increase by 7.62 times, that is the odds ratio. The implication of the study means that as women owned SMEs are increased by one unit of purchase plan then probability in business performance will increase 7.621 times.

Age of the household was a significant predictor at ($p < 0.05$) of getting high performance with business. As the age of the household head increase by one unit (number of years), the Exp (B) value indicated that the probability of one to perform highly in business increased by 6.500 times, that is the odds ratio. Probably, this means that as women owned SMEs are increased by one unit of age, then probability in business performance will increase 6.500 times. These findings concurs with those of Mwania (2015) who did a study among women in Kongowe market and found that those aged from 46 and above years, perform well in their businesses.

Gross margin was a significant predictor at ($p < 0.05$) of getting a high business performance, the Exp (B) value was 4.701 indicating that when gross margin of the household got large by one unit, chances of getting high business performance increased

by 4.701 times, that is the odds ratio. It implies that as women owned SMEs increased in gross margin by one unit then probability of their business performance will increase by 4.701 times.

Market plan was a significant predictor at (p<0.05) of performing highly within business; the Exp (B) value was 4.658 indicating that when market plan increased by one unit, the chances of one to perform high within the business increased by 4.68 times, that is the odds ratio. It implies that as women owned SMEs respondents increased in market plan by one unit then probability in business performance will increase by 4.658 times.

Furthermore, the findings show that Wald coefficients associated with individual independent variables help in realizing the relative importance of each independent variable. A greater Wald statistic implies that the independent variable associated with it has a higher contribution to the happening of the dependent variable. Therefore, as presented in Table 6, the Wald statistic value of credit availability of households was Wald = 17.429 and maximum and statically significant at p<0.001. Also , procurement plan that had 7.621 Wald statistic value was the second highest and statically significant at p< 0.01, thirdly followed by age 6.500 Wald statistics, fourth is gross margin 4.701 Wald statistics and fifth is market plan has 4.658 Wald statistics. The suggestion of this finding is that, as credit availability of women owning SMEs increased the chances of high business performance increases too. Similarly, procurement plan, age, market plan and gross margin are likely to have high business performance and vice versa.

3.6   Conclusions and Recommendations

3.6.1   Conclusions

This study employed quantitative analysis in assessing the factors influencing performance of women owned SMEs in Morogoro Municipality. The findings show that women aged

between 30 to 39 years are more engaged in entrepreneurial activities than the other groups and also the majority of them are married and are engaged in business so as to supplement family income. Binary logistic regression model was used to estimate empirically factors influencing women owned SMEs performance. The findings show that education, age, marital status, purchase plan, market plan and gross margin positively and statistically significant in influencing the performance. On the other hand, information network, location, household size and credit availability have shown negative effects on women owned SMEs performance. On the basis on these finding, it is concluded that women owned SMEs in Morogoro Municipality can only perform well in their business if they will experience increase in gross becoming middle aged and attain secondary education. In addition, they should ensure that they prepare market purchase plans, and use their in their day to day operations of their businesses. However, they should make sure they develop a good market plan which will cushion the competition they are facing so to enhance their business performance.

3.6.2   Recommendations

Based on the findings of this study, the researchers came up with the following recommendations:

- There is a need for assisting women who are running their SMEs in developing viable marketing plans which will help them to have high sales and fight competition. This will results in increasing their gross margins and hence experience good business performance.

- Women owning SMEs should also be supported in developing purchase plans which will make sure that are buying their stocks in costs effective way and

maintain their business cycles. This will intern ensure constant sales and will ensure customer loyalty for their business.

- It is also recommended that Loan and Credit Officers from financial institutions should assist women on how to manage their credit accordingly. That is, they should make sure that the loan is been allocated to its intended use and not otherwise. This will assist on improving their capita and level of savings, and thus, provide more access to credits for their SMEs.

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CHAPTER FOUR

4.0 SUMMARY, GENERAL CONCLUSIONS, AND RECOMMENDATIONS

4.1 Summary of Major Findings

Below is a summary of the study's major findings in a chronological order as per the

presented manuscripts, general conclusions, and recommendations.

4.1.1 Effect of credit management practices on performance among women owning SMEs in Morogoro Municipality. Tanzania

Objective one aimed at assessing credit management practices among women owned

SMEs in Morogoro Municipality. objective two aimed at assessing the performance of

women owned SMEs in the study area. Lastly, objective three aimed at determining the

effects of credit management practices on the performance of women owned SMEs in

Morogoro Municipality. Generally, the study results show that, 55 percent of the

respondents have been receiving credit from financial institutions (i.e. Banks and Micro-

finances) and non-financial institutions (i.e. VICOBA). The study also revealed that 45

percent of the respondents were not receiving any form of credit. The results revealed that

for the 55 percent of credit recipients' about 68 percent used the whole credit to invest in

their businesses as per the agreement with the lenders. About 21 percent of the credit

recipients used half of the credit to invest in their businesses and used the other half for

other issues. About 11 percent used the whole credit for other purposes instead of

investing in their businesses for which the credits were applied. These other purposes

include paying school fees, house rents, and supporting their spouses. The results of (gross

margin) GM analysis show that women with credit have higher gross margin of more than

2.2 million compared to those without credit who have about 6 hundred thousand. Hence, the former have good business performance as compared to the latter. The findings show that credit management practice contributes positively to the strengthening women owned SME's in terms of asset accumulation, monthly revenues, and gross margin. However, credit management practice was not significant in terms of employees influencing gross margins. Furthermore, the results have shown that women in Morogoro are facing challenges such as high market competition, price fluctuation, government taxes, high business premise rental, credit unavailability, and high interest rates making them experience slow growth of their businesses.

4.1.2 Factors influencing women owned SMEs performance in Morogoro Municipality, Tanzania

Objective four of the study aimed at assessing factors influencing women owned SMEs performance in Morogoro Municipality. The study shows that majority about 35percent were between 30-39 years of age, 34.2percent were between 40-49 years of age, 17.5percent were between 20-29years of age, 7.5 percent were between 50-59 years, and the remaining 5.8 percent were between 60-69 years. The results show that majority (47.5%) of the respondents had secondary education, 29.2 percent had primary education, 19.7 percent s had tertiary education, and 4.2 percent of the respondents had university education. The findings also show further that 55percent of the respondents were married, 25.8 percent were single, 13.3 percent were widows, and about 5.8 per cent were separated. The results show that 50.83 percent had less than five (5) years in their current business, 46.67 percent had between 5-10 years, , and the remaining 2.5 percent had greater than ten (10) in the current business.

The Nagelkerke R^2 value was 0.539, which means that the independent variables entered in the model explained 53.9 percent of variance in dependent variable. The results show further that out of ten independent variables entered in the model, five namely, age (p< 0.05), gross margin (p<0.05), purchase plan (p< 0.01), market plan (p< 0.05), and credit availability (p< 0.001) had significant influence on chances of high performance in the business. A greater Wald statistic implies that the independent variable associated with it had higher contribution to the happening of the dependent variable. The results show that Wald statistic value of credit availability of households that was Wald = 17.429 was the maximum and market plan with Wald statistics of 4.658 was the minimum. The findings imply that as the credit availability of household head increased, the chances of high business performance also increased. Similarly, procurement plan, age, market plan, and gross margin are likely to have high business performance and vice versa.

4.2   Conclusions

Generally, based on the study findings, it can be concluded that women owning SMEs in Morogoro Municipality have no problem with accessing credit since most of them are supported by their spouses and also majority are supported by lending institutions such as VICOBA. In this case, they are able to take loan in groups and from other non-financial institutions. Therefore, for them market competition, price fluctuation, government taxes, business premise rental, credit unavailability and interest rates are the only factors affecting business performance causing stagnation. Also not all women taking loan use the loan as for the intended purposes as some of them tend to divert the loan into other issues such as paying school fees for their children, using for preparing parties such as weddings instead of investing in their businesses.

It is further concluded that most of the women owned SMEs in Morogoro Municipality had established business, which are highly competitive, such as food vending, selling of clothes, handbags and cosmetics therefore leading to low profitability.

It is also concluded that credit availability, purchase plan, and market plan are important factors affecting business performance. Lastly, it can be concluded that majority of women who have good business performance are those who had access to credit as opposed to those who could not access t credit.

4.3   Recommendations

Therefore, based on the study findings and conclusions it is recommended that:

i.   The government and non-governmental organization should invest more in preparing programs/seminars/ that are focusing on the solutions of overcoming challenges that acts as factors of low business performance among women owned SMEs such as high competition, price fluctuations, credit unavailability and others.

ii.   In order to increase women entrepreneurs especially from small to medium up to very large enterprises' then, women should be encouraged to establish business which are less competitive and which can lead to high profitability and have high switching costs to curb competition.

iii.   Women entrepreneurs should form business groups/association to enable them get easy access to market information and products. In addition, groups/ association could help them save and borrow money for investments.

APPENDICES

Appendix 1: Questionnaire for Entrepreneurs

Dear Sir/Madam, I am Doris Mutalemwa, a student of Sokoine University of Agriculture. Currently conducting research on *"Effects of credit management practices on performance among women owned SMEs in Morogoro Municipality"* in partial fulfilment of Master of Arts in Project Management and Evaluation.

I will be very grateful if you could spend some time to respond to these questions. You are assured that any information provided would be used for academic purposes only and will be held strictly confidential.

A: ENTREPRENEUR PROFILE

1. Age of owner.................
2. Marital status (a) married (b) never married (c) widow (d) divorced
3. Educational level (a) no education (b) primary (c) secondary
                    (d) Others (specify)..
4. Household size   ....
5. Have you engaged to any business? a) YES (b) NO
6. Do you take loan from any financial or non financial institution? (a) YES (b) NO
7. Have you accessed any business training services? (a) YES (b) NO
   (if NO, skip to 8)
8. If YES in QN.5 above, which services have you accessed? (a) Marketing (b) costing (c) sales forecasting (d) others (specify)...
9. If you have ever received training in QN.5, how long did the training last? (a) < A day (b) 1 day (c) 2-6 days (d) others (specify)..........................
10. Tick yes/no for each of the following credit management practises.   a) credit whole invested (yes / no) b) credit diverse invested (yes / no) c) credit subdivided invested (yes no)
11. What types of business do you own?
    (a)..   (b)...
    (c)...   (d).......................................

12. What was your main reason for getting into this business?
    (a) Lack of another source of income (b) needed additional source of income
    (c) Retirement   (d) 0thers (specify)...
13. How long has the business been operating? ....
14. If yes for QN 6, how is your trend in the business? (a) increase (b) decrease (c) neutral

B: BUSINESS PROFILE

15. Types of enterprise
    (a) Registered single owner   (b) unregistered single owner
     (c) Limited company   (d) others...
16. Kind of business
(a) Micro enterprise   (b) small enterprises   (c) medium enterprises
17. Who runs this business on day to day basis?   (a) self
    (b) Self and family   (c) family member(s)   (d) non family employees
18. In which month and year did you establish this business.....................................?

C: LOAN AND BANKING PROFILE

19. In which month and year did you receive your first loan from MFI?...
20. Have you received any subsequent loan from the MFI? (a) YES   (b) NO
21. At what interest rate? ....
22. How do you manage the business operating capital?   (a) mostly cash in hand
    (b) Mostly in business bank account   (c) mostly in personal bank account
     (d) Others specify...............................
23. Where is the business hosted? (a) 0n own land (b) rented premise (c) mobile market (d) specify others...............................

D: SIZE OF ENTERPRISE

24. How many people are currently employed in this business?
25. What is your current average monthly expenditure on the following items

Item	Family House Rent	Business premise rent	Family food and basic needs	Entertainment / leisure	Health care	Transport	All others
Amount							

E: CHALLENGES

26. Are there any challenges that this business currently faces? (a) YES   (b) NO
27. If YES in QN.25 above, which ones?
    (a)...
    (b)...
    (c)..

28. Have you received any assistance to help mitigate these challenges? (a) YES (b) NO

29. If YES in QN.27 above, what type of help did you receive?

    (a) Training   (b) access to credit   (c) provision of market information   (d) others specify...

Thank you very much for your cooperation.

Appendix 2: Questionnaire for Financial Institutions

A: GROWTH AND CHALLENGES FACED BY SMES

1. To what extent have the targeted SMEs grown since 2014?

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....

2. In your view, what have been the key drivers and impediments to this growth?

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3. What challenges are the SMEs facing?

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4. Does microcredit address these challenges? (if YES how?)

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5. What are some of the reasons why women go into business?

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....

6. What is your interest rate on business loan? Is it too high or manageable to your clients?

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7. What is the maximum loan repayment period?

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....

B: ADMINISTRATION OF THE MICROCREDIT AND COMPLEMENTARY SERVICES

8. How is the credit administered?

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9. How do you disseminate information on credit to prospective borrowers?

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10. What complementary services are available for the women entrepreneurs? (who are the providers?)

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11. What challenges have MFIs encountered in improving the livelihood of women in Morogoro municipal?

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....

12. Are there any strategic approaches used by MFIs to address the above challenges?(if yes how?)

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13. What appropriate policy measures should MFIs, government and non-state actors put in place to improve the quality, service delivery and sustainability of the microcredit?

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....

Thank you very much for your cooperation.