

The contribution of microfinance institutions on women development through small scale business support in Tanzania: A case of national microfinance bank in Mwanza

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Abstract

Using collected data (questionnaires) information the study established the contribution of microfinance institutions in women development through small scale business support in Tanzania. It investigated the alternative that the microfinance institution employ to help women to overcome constraints or problems. The aim of this research study was to determine how microfinance institutions contribute toward women development through small scale business support in Tanzania by using the three main variables were chosen. The three main variables that were chosen are loans, training and formal education. Quantitative and qualitative methods of inquiry were used comprising mainly questionnaire and personal interview. The acquisition of past and current literature with up-to-date views of the topic concerned formed an integral component of the overall analysis by using STATA 9.1. The study found out that microfinance institutions played a leading role in helping women to develop by extending credit to them. This is because more women were able to become financially sound, a condition that enabled them to acquire good furniture, build good houses and pay school fees for their children. They were also able to interact with more prosperous business people through which they were able to acquire more acumen. However, despite this there are problems that hampered women's development. These included high levels of illiteracy among women, high rates of interest charged by micro-finance institutions, lack of proper training pertaining to business and the concentration of microfinance institutions in the cities to the neglect of the rural areas where a large proportion of women live. The study recommends that microfinance institutions offer more training to women, lowers interest rates so that more women are able to access credit. Other recommendations include giving training to men so that they understand the importance of the credit that women acquire from microfinance institutions. The study however concludes that the role of microfinance institutions in women development, particularly NMB is indisputable.

Keywords: Microfinance, Women, Tanzania, development, institutions

1. Introduction

The objective of microfinance institutions is to provide financial services such as credit, insurance and other financial services to small-scale business groups, individuals, self-employed including women so as to up-lift their standard of living (Jagetheesan, *et al.*, 2011) [4]. The notion behind is to make them to be at par with those who are rich and are accessible to financial services from large banks (Makorere, 2014) [9]. Women are particularly the main target given that traditionally in Africa, and Tanzania in particular women have been relegated to the back bench when it comes to development through the provision of financial and other services (Swiss Capacity Building Facility, 2014).

Another reason why women are targeted is because they are credit risk, good savers, do not misuse loan and can share their gains from business with everyone in the family (Kato and Kratzer, 2013) [5].

It has been proved beyond doubt that microfinance institutions are the surest and the most sustainable avenues through which development particularly in women can be achieved (by alleviating poverty) than other channels such as food hand outs (UN, 2013) [13]. However, results by other reveal that efforts by microfinance institutions to lift women's economic welfare have been thwarted by the lack of efforts to involve women in the running and in the decision making process of microfinance institutions (Maleko, *et al.*, 2013) [8].

1.1 Research objective

To examine whether loans given by NMB lead to women development in Mwanza.

2. Literature review

Gender equality and woman development is a key strategy to combat poverty, hunger and disease and to stimulate development that is truly sustainable. In particular, microfinance institutions have taken a lead to achieve this objective by extending financial and other services to especially women in order to uplift their economic welfare. Despite such efforts, exclusion of women from fully participating in the decision making process of most of these institutions is a stumbling block in the realization of this objective (Maleko, *et al.*, 2013) [8].

Apart from lack of participation in the decision making process of these institutions, another factor which is inimical to the efforts of alleviating poverty of women by microfinance institutions is lack of training and cooperation from women's husbands. This was revealed by a study which was carried out by Nyang'au and Nyamwinuka among women microfinance beneficiaries. In their study on the factors influencing poverty alleviation among women credit beneficiaries in Tanzania, Nyang'au and Nyamwinuka found that apart from microfinance institutions extending credit and other services to women the process of lifting them out of poverty would not be complete without training them and having the husband's cooperation or support. Training and cooperation from the husband were both lacking among the women studied

(Nyang'au and Nyamwinuka, 2014) [11].
 Moreover, while offering financial services, microfinance institutions themselves have been found to put stringent conditions which make it almost impossible for women to access finance. However, despite this, women around the world have no doubt benefited from the financial services offered by microfinance institutions. Such services have enabled them to start businesses thereby improving their standard of living. Women from Zanzibar are a case to support this argument. The women obtained credit from women's entrepreneurship Development Trust Fund (WEDTF) and used the money obtained to start joint business of selling kerosene. This improved their economic wellbeing. These are the words from one of the group members in support of this argument: "Before the credit support we never even went to the market. We were solely dependent on our husbands. Now group activities and the intensive training from the scheme have opened our eyes. We know that we are better in business than men. We were the only women selling kerosene in the village. The whole community admired our determination. We have urged our fellow women to put their veils down. Some have started their own income generating activities- Halima Juma Hamadi (Cheston and Kuhn, 2002) [2].

A study carried out in Mpigi, Uganda, shows that microfinance institutions improved the economic welfare of the women in that country. This is because through the money obtained women were able to start business activities including the selling of vegetables sending their children to school (Luyirika, 2010) [6]. A study carried out among women credit beneficiaries of PRIDE found that majority of them invested the loan they obtained in various businesses thereby improving their economic status (Mlowosa, *et al.*, 2014) [10]. Revelations through a study carried out in Kilosa District show that the incomes of borrowers from microfinance institutions were higher than those of non-borrowers. This implies that lending improved the economic status of women borrowers in that district (Marijani, 2008) [7].

Interestingly, a study carried out among women borrowers of Akiba microcredit institution seem to be divergent from other researchers. 60 percent of the borrowers indicated that the credit they received did not help them make any headway in uplifting their standard of living (Dimoso and Masanyiwa, 2009) [3]. Shekilango's study results are in tandem with those of Dimoso and Masanyiwa. Shekilango carried out a research among women credit beneficiaries in Mbeya and found that there were very few women who were members of the women. Moreover, even the few who are members have not been empowered anyway (Shekilango, 2012) [12]. The Ghanaian experience concurs with these results that women's welfare has not improved despite being microcredit beneficiaries (Abdul-Razak, *et al.*, 2015) [1].

3. Research Methodology

3.1 Research Design

The design of the research study was a case study design where NMB (Mwanza branch) was selected as a case for investigation. This helped to obtain most of the information for the study. This research was quantitative as well as qualitative in nature.

The methodology was selected because the researcher wanted to collect descriptive data blended with some quantitative and qualitative data.

3.2 Population of study

The population targeted was (60 respondents made up of NMB customers).

3.3 The sample, sampling techniques and procedures

The purpose of sampling was to effect accuracy and wide coverage with regard to constrained funds and time factors. The sample comprised of 10 workers and 50 customers of NMB in Mwanza branch. Due to difficulties in investigating the number of customers in this area, the sample was obtained from those found in the office, thus the overall sample comprised of 50 out of 60 respondents of NMB Mwanza Branch.

The sampling techniques used included.

- i. Convenience sampling

This was used to interview some customers of NMB under the case study. This method is cheap in all respects in relation to time, effort and resources.

3.4 Method of data collection

Primary data including.

- i. Personal in-depth interview
- ii. Questionnaires methods.
- iii. Primary data method

i. Personal-in-depth interview

The designed questions were used to acquire required information, and this was conducted in NMB offices only.

ii. Questionnaires

The objectives were converted into specific questions and the questions were answered by the respondents who provided relevant data for the study.

The respondents who answered the questionnaires included both workers and customers of the institution; these were both open ended and close-ended questionnaires.

3.5 data analysis

This was done when the questionnaire returned from various respondents and the interview responses from various people through whom personal interview was conducted. The analysis of the data was done by using Microsoft excel, a computer software.

Model specification

The conceptual framework was designed to express the relationship between women development, as explained variable, and loan, training, education, as the explanatory variables explaining the explained variable of women development through small business support.

Here the assumption is that, the combination of loan, training, education, factors together leads to successful women development. This relationship or concept is expressed below in the form of generalized equation system model expressed in the terms of dependencies between variables.

The model

$$Y=a + bx_1, + cx_2 + E.$$

Whereby, Y-representing women development through small scale business support

X1 Loan

X2 Education and Training
 E..... Error term

In the model above, the parameter “a” is an independent parameter, which means that, even if there is no any contribution undertaken, women development can be attained. Other parameters like “b”, “C”, are the parameters which are depended on the explanatory factors i.e. loans, training and education.

“E” is the error term. This contains all other factors which can influence women economic development through small scale business support which is not mentioned in the model above. There are some other factors which affect women economic development like health, peace, political instability and traditions which are taken care by the error term represented by “E” in the above model.

4. Empirical Results and Implication

4.1 Exploratory analysis of sample

The researcher used the targeted population of 60 out which a sample of 50 was obtained. Gender participation was 100 percent female. The ages of participants ranged between 60 and 20. The highest age was 60 while the lowest was 20.

4.2 Other descriptions

education, training a and loans were the independent variables while women development was a dependent variable that is women development through small business support depended on the contribution of microfinance which provides loans, training and education. The women who participated many of them were of low living standard. The process of the equation was through eliminating (dropping) the insignificant variable from the model. During the process, education and training variables were eliminated due to their insignificant impact.

4.3 Empirical Findings

The regression results include the model of logit. In the use of logit, the equation entailed women development (represented by Y) which was influenced by loans (represented by X₁).

$$Y = a + bX_1$$

Table 4.1: Logistic Regression

Develop	Coefficient	Std. Error	Z	P> z
Loans	19.33262	1.620185	11.93	0.000
Constant	-0.6931472	1.224745	-0.57	0.571

No of obs=50, Pseudo R² = 0.56, Prob > chi2 = 0.0018

Source: Author’s analysis

After obtaining the above logit regression result, the overall model was found to be significant at 1 Percent with the probability value of 0.0018. conversely R-squared was found to be 0.56 meaning that about 56 percent of the women’s development is influenced by the loan. A unit increase in the loans lead to the increase in the women’s development by 19.33262.

4.4 Interpretation of results

$$Y = -0.6931472 + 19.33262X_1$$

R-square is 0.56 reflecting that it is significant at 56 percent with the overall probability of 0.0018, meaning that it is highly significant at 1 percent.

4.5 Diagnostic test

Various model diagnostic tests were performed and result indicated that in the model some variables were omitted. This was because the researchers aimed at assessing the relationship between women’s development and loans only.

The rule of thumb is that if the VIF exceeds 10 then we have a severe multi- collinearity. In our case, VIF is 1.00 which is less than10, meaning that there is no any severity in multi-collinearity.

Heteroscedasticity test

Here we used the Breusch-Pagan / Cook-Weisberg test for heteroscedasticity. The variables used were the fitted values of the dependent variable used in the logit regression. We obtained a chi² (1) equal to 9.50 with a probability of 0.0021 which is significant, so we concluded that there is no heteroscedasticity in our model. In addition to that, the F-statistic test for the joint significance of the dependent variables in the model is highly significant at one percent level with the probability value of 0.0018, while R-squared (coefficient of determination) is 0.56 meaning that about 56 percent of the variations in women’s development is caused by change in loans

Table 4.2: Marginal effect (mfx)

Variables	Coefficient	Std. Err	Z-Value	Probability of Z-value
Constant	-0.6931472	1.224745	-0.57	0.571
Loans	-16.56003	0.31037	1.59	0.112

No of obs = 50, LK Ch² (2) = 12.60{0.0018}, Pseudo R²=0.555

Source: Author’s analysis

From the table above, it can be observed that the probability values of the Z statistics for the independent variable (loan) was 0.0018. This means both are highly significant at 1 percent significance level. Also the probability value for likelihood ratio (LR) test following ch2 is 0.000 suggesting that the model is highly significant at 1%.

From here it can be proved that the results are credible to be used for further analysis and interpretation.

The loans coefficient of 19.33262 means that, if loans increase by a unit, other variables held constant, on average the estimated logit increases by about 0.0018 units, suggesting a positive relationship between the logit and loans variable. This means that an increase in the amount of loans has the potential to lead to the development of women.

5. Conclusions and recommendations

5.1 Conclusions

Microfinance institutions contribute to women development through small scale business support, in Tanzania. They do so by providing loans to them. What they have achieved, especially in urban areas include facilitating business growth, capital growth, being able to pay the required fees for education, and building houses, business expansion and generally all round development among women like the increase in the amount of furniture, sound financial standing, getting exposure and exchanging business views, building communication links with other business people, and the like are additional outcomes of the work of Microfinance institutions, in particular, NMB.

From this point of view it can be concluded that, micro-

finance institutions particularly NMB has boosted women's economic development by providing them the necessary amount of loan.

Despite the efforts made by microfinance institutions to assist in women development, several obstacles stand in their (women's) way. These include low rates of credit being received by women, lack of thorough business training, lack of education among women (high levels of illiteracy) leading to lack of a clear focus and vision and misuse of power by some of the husbands. All these factors contribute to women's under-development. Loans from the micro-finance institutions will have the greatest impact on women if the institutions will address the above mentioned impending issues. This is critical for government and other policy makers.

5.2 Recommendations

Since training is the mean factor which enhances the capacity of the majority of women credit beneficiaries, it is important to have a closer look at this important tenet (training) rather than assuming that providing loan would lead to economic development among women automatically. Business training to women should be given the first priority by microfinance institutions if loan given to them is to have an impact.

In addition to this, husbands should be educated on what should be done to the loans given to their wives. Microfinance institutions that provide these loans, should work closely with women to ensure that the loans they give to them deliver the best results. Services of microfinance institutions should be extended into the rural areas where majority of women live if the objective of ensuring development in women is to be realized. About the views given by women customers, the MFIs should take them into consideration in the planning stages.

The rates of interest charged on loans taken by women should be considerably fair, so that more women will be attracted to borrow.

Self – interest should not be entertained in any circumstance by the ones concerned with the provision of credit (loans), education and training.

In sum the study on women took NMB in mwanza city as a case the study.

In collecting the primary data, questionnaires were administered to 50 randomly selected respondents of NMB who consisted of women customers. The analysis was done using excel, computer software.

The results indicated that NMB had contributed toward successful women development through small scale business support. The findings of this research point to the view that NMB contributes to women development like many other microfinance institutions do, mainly through loan provision. This has benefited them in various important areas, like business and capital growth, education, house building, general business expansion and generally all round development like increasing the amount of furniture, sound financial standing and getting exposure by interacting and exchanging business views with more prosperous business people. It is therefore concluded that, NMB played a major role among women.

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