

Microcredit, Micro Enterprising and Repayment Myth: The Case of Micro and Small Women Business Entrepreneurs in Tanzania

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Abstract

The aim of this article is to examine the sources and determinants of loan repayment among women microcredit clients in Tanzania. We surveyed a random sample of 286 business owners who were PRIDE microfinance programme clients in Morogoro and Iringa towns. The study focused on loan conditions, household characteristics and business management experience, skills and management practises by the business owners. Loan repayment difficulties were reported among 19.6 per cent of borrowers. Logistic regression results have shown that loan size, interest rate and duration of membership in the programme do not predict loan repayment. Instead the results have demonstrated that business skills and management practises play a very significant role. We also found household size, the number of household members with fixed salaries and decision making regarding loan use to have a significant influence on loan repayment. From the results, it is established that the factors that limit growth of women businesses are also liable for their repayment difficulties. These results may imply that for the borrowers to increase their avenues for loan repayment, it is imperative that the measures used by microfinance programmes to ensure that borrowers repay their loans they also include support services that enable clients to expand their businesses; increase profit levels and generate enough surplus for loan servicing and re-investment in the business. Such services could include training in business skills and management. This further suggests that there is a need for an integrated and holistic policy approach in supporting and promoting micro enterprising among the women rather than piecemeal initiatives

Keywords: Tanzania, microcredit, micro-enterprising, repayment

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