THE DETERMINANTS OF ACCESS TO MICROFINANCE LOANS IN TANZANIA: A CASE OF MWANZA CITY

By

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A Research Proposal Submitted in Partial Fulfillment of the Requirements for Award of the Degree of Master of Science in Accounting and Finance of Mzumbe University

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CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for the acceptance by the Mzumbe University, a dissertation titled "**The determinants of access to microfinance loans in Tanzania: a case of Mwanza city"** in fulfillment of the requirements for award of the Master of Science Degree in Accounting and Finance of Mzumbe University.

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DECLARATION

I, Suleiman Daniel Mathias, do hereby declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other University for a similar or any award.

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Date………………………………………………….

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DEDICATION

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LIST OF ACRONYMS AND ABBREVIATIONS

BRAC	**-**	Bangladesh Rural Advancement Committee
ANOVA	-	Analysis of Variance
OLS	-	Ordinary Least Square
FINCA	-	Foundation for International Community Assistance
ILO	-	International Labour Organisation
MKUKUTA	**-**	Mkakati wa Kukuza Uchumi na Kuondoa Umaskini Tanzania
NGO	-	Non Governmental Organisation
PRIDE	**-**	Promotion of Rural Initiative and Development Enterprises
SACA	-	Savings and Credit Associations
SACCOs	-	Savings and Credit Cooperatives society
SEDA	-	Small Enterprises Development Agency
SPSS	-	Statistical Package for Social Sciences.
WHO	-	World Health Organization
UN	-	United Nations
TZS	-	Tanzania Shillings
NSGRP	-	National Strategy for Growth and Reduction of Poverty
MFI	-	Microfinance Institutions
RFSP	-	Rural Financial Services Program
VICOBA	-	Village Cooperative Banks
ARD	**-**	Accurate and Reliable Dictionary
COFI	-	Community Oriented Financial Intermediary

ABSTRACT

Problem of low access to microfinance loan in Mwanza city has contributed to many people fail to complete their projects or venture new business, the study analyzed determinants that were the main reason to the failure of access to microfinance loans so as to get some insight into what exactly was the situation of this problem among borrowers.The problem may be to the clients failure to meet some criteria or to the MFI luck of enough fund or too many conditions set in order to obtain loan,the research looked this to come up with the findings. The research used descriptive research design and purposive data collection to explore those determinants.

The study used a target population of 13455 borrowers from which a sample of 349 was selected systematically. Documentary technique was used to get secondary data while questionnaires and personal interview served in collecting primary data. The frequencies, percentages, means, standard deviation, and T-test were used to analyze data. The study revealed that there was poor means of information dissemination, inadequate capacity building, and customer discrimination by some of the MFIs.

The best predictor of access to microfinance loans was found to be the loan application process,amount requested by clients and what was given out by MFI followed by the means of information dissemination and lastly by the capacity building to see if clients will use the money according to what they requested for. Based on the findings and the conclusions the researcher recommended that MFIs should be involved in improving means of information dissemination, developing modules and performing seminars to increase knowledge of borrowers, ceasing to be stringent and lessening loan application process. There was need for further research to involve the effectiveness and the impact of Microfinance Institutions in poverty reduction to the community.

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CHAPTER ONE

1.0 Introduction

This chapter explains the proposal on the topic concern about the determinants of access to microfinance loans in Mwanza Tanzania. It comprises background and statement of the problem, objectives of the study, research questions scope of the study significant of the study and its limitations..

1.1 Background to the study

Poverty is a major setback of human development and self sustaining community, due to its impacts to community, that is, they have have little or no material means of surviving (Deborah, 2005). International organizations are coming to the realization that MFIs are veritable and effective channels to ensure programme implementation effectiveness, particularly in poverty alleviation projects and firsthand knowledge of the needs and interest of the poor (Okumadewa, 1998). According to Deborah (2005), the World Bank.

Critical to poor households in enhancing their productivity and living standards in a substantial and sustainable way is their continuous access to credit. It has already been shown in a number of studies on microfinance that lack of access to credit has considerable detrimental effects on overall welfare of the households. Access to credit affects the household welfare either by alleviating capital constraints on agricultural households or by increasing the households' risk-bearing ability and altering its risk-coping strategy (Diagne, 2000). Because of this motivation, governments of most developing countries as well as donors have established microfinance programs with the primary objective of improving the poor households' access to credit.

Tanzania is one of a developing countries in the African continent classified as one of world's poorest countries with a per capita income of $320 (URT, 2007). According to Rubambey (2005), 75 percent of the total population in Tanzania live in the rural areas and are largely dependent on smallholder farming, majority of whom earn less than one

US dollar a day. One of the objectives of the Tanzania's National Strategy for Growth and Reduction of Poverty (NSGRP) also known as MKUKUTA in Kiswahili language is promoting sustainable and broad based growth. This is done through among other things, empowering of Tanzanians to mobilize savings and investment, and promotion of investment in productive and services sectors with a view to increasing productivity (URT, 2005).

Microfinance was introduced to serve the poor as part of government poverty alleviation strategy bacause many were unable to access bank loans due to lack of collateral, lack of information, risks, and bank ability to determine loans worthness. Demand for financial services in Tanzania is largely unmet (Cho-Béroff et al, 2000). According to an ILO (2001) study about 80 percent of the Tanzanian population is excluded from reliable banking services, most of which live in rural areas. In recent decades, as it has been in other developing countries in Africa and the world at large, microfinance institutions in Tanzania have evolved to address the financing gap that exists to the rural poor.

There are two categories of institutional providers of microfinance services in rural Tanzania: non-governmental organizations (these include the former governmental institution known as Presidential Trust Fund); and member-based microfinance institutions. Currently, FINCA and SEDA are the largest NGO microfinance providers in rural areas. The key providers of microfinance services in rural areas among institutional providers in the country, however, are the Savings and Credit Cooperatives (SACCOs) and Savings and Credit Associations (SACAs). These are categorized among the member-based microfinance institutions (MB MFIs). The government supports the development of these member-based MFIs (SACCOs and SACAs) through its rural financial services program (RFSP). The long-term vision of these MFIs is to provide sustainable financial services to the economically-active poor who are unable to access these services from the mainstream financial services.

They are aiming at empowering the rural poor economically through promoting financial intermediation in rural areas. Other MB-MFIs that operate in rural Tanzania are the village cooperative banks (VICOBA) and rotating savings and credit introduction and problem statement associations (ROSCAs). However, compared with the SACCOs and SACAs, the operations of these microfinance institutions are in small scales with limited geographical coverage(Nyamsogoro 2010).

The positive impacts of microfinance institutions on the socio-economic welfare of the poor can only be positive if they will have access with adequate credit to run their economic activities, also if enough education about loans is given to customers so that they can use the loans in desired activities as they applied for. The financial sustainability of clients is a necessary condition for poverty erradication in the country (Hollis & Sweetman, 1998).

1.2 Statement of the Problem

Despite the government effort aimed at improving household incomes through micro finance loans,access to micro finance loan is still limited. The number of pending or rejected borrowers remains larger than the number of qualified borrowers, 54% in the whole country (Triodos-facet, 2007). This situation points to a problem of low access to microfinance loans. This may be attributed to borrowers characteristics, lending conditions and Microfinance institution characteristics (Ledgerwood,2000). Hovever, little has been done to with MFI to disburse loans in rder to reduce poverty in Tanzania.
To identify key factors affecting access to microfinance loans in Mwanza city, Tanzania. The study highlighted the main determinants that are hindering access to microfinance loans.

1.3 Objectives of the Study

1.3.1 General Objective

To identify factors influencing access to micro finance loan in Mwanza city

1.3.2 The specific objectives

i. To determine the amount given out to MFI's borrowers in connection to the amount requested. i.e demand and supply of loans
ii. To determine the influence of borrowers characteristics on accessing micro finance loans
iii. To determine the influence of lending conditions on accessing microfinance loans
iv. To examine the influence of MFI's characteristics on access to MFI's loans.

1.4 Research Questions

1. Is the amount requested by borrowers the same as the amount given out?
2. What are the influences the borrowers had in order to obtain loans from MFI?
3. Is the lending condition favourable to MFI borrowers to obtain loans in the right time?
4. What is the influence of MFI's characteristics on access to MFI's loans?

1.5 Scope of the Study

This study looked at the determinants of access to microfinance loans by borrowers with emphasis on the MFI headquarters within Mwanza city. The MFIS to be considered were six in number: FINCA, BRAC, PRIDE, B- BLUE, BAYPOT and SEDA. The target population will include all small scale businesses that are MFIs clients and employees directly related to microcredit (loans) services till June 2013. Considering limitations such as time and financial constraints, the study will be focused on only the MFIs headquarters in Mwanza city, Tanzania

1.6 Significance of the Study

This study provide better understanding of factors influencing access to MFI loan. It will contribute to the body of knowledge and existing. This will help the institutions to improve the systems and to have information on potential customers hence targeting them. The study will raise the consciousness to both the MFI manager and employees, on the determinants that promote or hamper the access to microfinance loans.

Tanzanian economy decision makers will use the findings of this research to put in place conditions to support poor people to obtain easily loans from the closest financial Institution.

This study will raise awareness to the borrowers on the factors that mostly determine access to microfinance loans and take care of them when asking for loans.

1.7 Limitation of the study

The researcher expects the following limitation during the study: -

Due to the fact that many MFI's in our country locate their headquarters in Dar es Salaam as the commercial city,all the permission comes from the headquarter if you want to conduct a research in the branch office,so one of the limitation was delay of getting permission which led to time not to be enough for one to conduct a fully research,also data were not adequate because many data are found in headquarters.

1.8 Justification of the Study

The problem of low access to microfinance loans by diversified borrowers is a very serious precedence that made it necessary to carry out a study to establish the perceived determinants that are hindering access to microfinance loans. This study was proposed to complete studies that are diversifying views about considered determinants of access to microfinance loans. The study had a particularity of establishing the best predictor of access to microfinance loans. The results of the study would point to the future of the MFIs and access to loans, source of financial availabilities.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This section contains concepts and theories from the literature that are related to the major variables of the study.

2.1 Theoretical Literature Review

The word microfinance as has been used in development vocabulary is actually comprised of two words: “micro” and “finance” which literally means “small credit”. The idea of microfinance goes beyond the provision of small credit to the poor and Microfinance has been defined as 'the means of providing a variety of financial services to the poor based on market-driven and commercial approaches' (Christen, 1997). This definition encompasses provision of other financial services like savings, money transfers, payments, remittances, and insurance. However many microfinance practices today still focus on micro-credit, which provides the poor with small credit with the hope of improving their labor productivity and thereby leading to increase in household incomes.

It includes a brief understanding of microfinance, determinants of access to microfinance loans, and related studies with their relationship to the present study. It is not intended to answer any of the research questions directly, but to establish a rationale and lay ground work on which other chapters will build on.

According to Mix (2010), microfinance refers to a variety of financial services that target low-income clients, particularly women. Since the clients of microfinance institutions (MFIs) have lower incomes and often have limited access to other financial services, microfinance products tend to be for smaller monetary amounts than traditional financial services. These services include loans, savings, insurance, and remittances. Microloans are given for a variety of purposes, frequently for microenterprise development. The diversity of products and services offered reflects the fact that the financial needs of individuals, households, and enterprises can change significantly over time, especially for those who live in poverty. Because of these varied needs, and because of the industry's focus on the poor, microfinance institutions often use non-traditional methodologies, such as group lending or other forms of collateral not employed by the formal financial sector.

Mix (2010), recognizes many general definitions of microfinance, but for analysis purposes, employs a functional definition: “Microfinance services – as opposed to financial services in general – are retail financial services that are relatively small in relation to the income of a typical individual”. Microfinance institutions currently operate in over 100 countries, serving more than 75 million clients.

Gert van Maanen (2004), defines microcredit or microfinance as banking the unbankables, bringing credit, savings and other essential financial services within the reach of millions of people who are too poor to be served by regular banks, in most cases because they are unable to offer sufficient collateral. He says that in general, banks are for people with money, not for people without.”

For CGAP (2011) “Microfinance” is often defined as financial services for poor and low-income clients. In practice, the term is often used more narrowly to refer to loans and other services from providers that identify themselves as “microfinance institutions” (MFIs). Firstly initiated by Dr Mohammad Yunus, these institutions commonly tend to use new methods developed over the last 30 years to deliver very small loans to unsalaried borrowers, taking little or no collateral. These methods include group lending and liability, pre-loan savings requirements, gradually increasing loan sizes, and an implicit guarantee of ready access to future loans if present loans are repaid fully and promptly.

Ledgerwood (2000), stipulates that microfinance clients are typically self-employed, low-income entrepreneurs in both urban and rural areas. Clients are often traders, street vendors, small farmers, service providers (hairdressers, rickshaw drivers), and artisans and small producers, such as blacksmiths and seamstresses. Usually their activities provide a stable source of income (often from more than one activity). Although they are poor, they are generally not considered to be the "poorest of the poor."

For Ledgerwood (2000), microfinance is not simply banking, it is a development tool. Its activities usually involve:

i. Small loans, typically for working capital
ii. Informal appraisal of borrowers and investments
iii. Collateral substitutes, such as group guarantees or compulsory savings
iv. Access to repeat and larger loans, based on repayment performance
v. Streamlined loan disbursement and monitoring
vi. Secure savings products.

a. However, though some MFIs provide enterprise development services, such as skills training and marketing, and social services, such as literacy training and health care, these are not generally included in the definition of microfinance. Among MFI activities is microfinance loans. Delivering those loans depends on a set of factors that determine which borrower has opportunity or right to be given loans and use them.

This section looks at related literature in connection to the determinants of access to microfinance loans as they are summarized by Alforte (2006). The main determinants to be assessed are as follows:

2.1.1 Information Dissemination

Luthra (2007) states that information is a message received and understood. Information dissemination means message distribution.

For Afmin (2010) Information dissemination is a developed system for collecting and sharing information on new developments in the microfinance sectors and in innovative approaches used by MFI members. Information dissemination is a powerful mechanism for finding information in wide-area environments.

However, Alforte (2006) stipulates that in microfinance, information dissemination depends on the source and media used. The source of information can be government institutions, members of organizations, community members, MFI clients, and media. He continues saying that the media used to disseminate information include pamphlets, brochures, notice boards, publicity through radio broadcasting or TV, newspapers, websites, campaign by field officers and merit presentation to the basic sector (during meeting for example). Information will transform targeted people in MFI clients.
In this research, information dissemination refers to the means used by MFIs to make targeted people know what they should do.

2.1.2 Capacity Building

Capacity building is a conceptual approach to development that focuses on understanding the obstacles that inhibit people, governments, international organizations and nongovernmental organizations from realizing their developmental goals while enhancing the abilities that will allow them to achieve measurable and sustainable results (Linnell, 2003). It often refers to strengthening the skills, competencies and abilities of people and communities in developing societies so they can overcome the causes of their exclusion and suffering (Linnell, 2003).

The UN (2006) defines capacity building as a long-term continual process of development that involves all stakeholders; including ministries, local authorities, non-governmental organizations, professionals, community members, academics and more. Capacity building uses a country's human, scientific, technological, organizational, and institutional and resource capabilities. The goal of capacity building is to tackle problems related to policy and methods of development, while considering the potential, limits and needs of the people of the country concerned. The UNDP outlines that capacity building takes place on an individual level, an institutional level and the societal level. While World Customs Organisation (WCO) finds capacity building as "activities which strengthen the knowledge, abilities, skills and behavior of individuals and improve institutional structures and processes such that the organization can efficiently meet its mission and goals in a sustainable way."It is, however, important to put into consideration the principles that govern community capacity building (WCO, 2011).

For Oxfam International capacity building is an approach to development based on the fundamental concept that people all have an equal share of the world's resources and they have the right to be "authors of their own development and denial of such right is at the heart of poverty and suffering (Deborah, E (2005)).

As for Philbin (1996) Capacity building is defined as the "process of developing and strengthening the skills, instincts, abilities, processes and resources that individuals, organizations and communities need to survive, adapt, and thrive in the fast-changing world.

Whereas Alforte (2006) stipulates that in microfinance, capacity building passes first through assessing business opportunities like aquaculture, livestock production, farming, small businesses, vending, petty trading, and service delivery. Secondly, it passes through assessing and responding to the training needs such as training in marketing, management, quality control, product development, computer operation, process technology, and financial management. The questions about capacity building are crucial for this research to probe respondents favor about microfinance loan.

In this research, capacity building refers to the process of developing and strengthening the skills, abilities, processes and resources that individuals need through assessment of business opportunities and responding to the training needs.

2.1.3 MFI Proximity

Accurate and Reliable Dictionary (ARD, 2011) defines proximity as the quality or state of being next in time, place, causation, influence, etc.; immediate nearness, either in place, blood, or alliance. Luthra (2007) finds it being nearness in place, time, order, occurrence, or relation.

He defines space as gap or legroom while time means era, moment in time, and a period of time during which you do something or something happens (Luthra, 2007).
In this study space refers to the distance between client dwelling and MFI headquarter, and to the breathing space between client operating area and the MFI whereas time refers to the time used to get to the MFI, time used to process a loan, terms of repayment, time to communicate with MFI and time used in rescheduling process in case of loans default.

Questions about MFI proximity are important because they will give information about accessibility of the MFI location. In this research, MFI proximity will refer to how near the MFI is in terms of space, and time.

2.1.4 Loan Application Process

For Harper (2006) a process is a series of actions which are carried out in order to achieve a particular result. Business Dictionary (2011) defines loan application as document that provides the essential financial and other information about the borrower on which the lender bases the decision to lend. For a business loan, it normally requires a detailed business plan that includes current and projected (usually for 3 years, or for the period of the loan) income statement (profit and loss account), balance sheet, and cash flow statement. The applicant firm must specify the loan amount and purpose, period and means of repayment, and guaranties and/or collateral offered. For consumer loans, banks generally use standards forms for the applicant to fill-in the information. A loan application entails neither a pledge by the applicant nor a commitment by the lender.

Business dictionary (2011) defines loan process as entire sequence of steps, from the time a loan application is received (or a loan offer is accepted) to the time loan is closed, the loan proceeds are disbursed, and the aggregate amount (principal plus interest) is placed on the lender's books as an asset. As for Farlex (2011) loan application process means the creation and transmittal of all information a lender might find necessary to assist it in reaching a decision to loan money to a borrower or not. At a minimum, the process usually consists of:

i. A list of assets and liabilities
ii. Current cash flows showing a present ability to repay the loan, or pro forma projections showing future income sufficient to repay the loan, such as if the loan proceeds will be used to buy income-producing property
iii. A Social Security number and present address so that the lender can obtain a credit score.

Farlex (2011) continues stipulating that depending on the complexity of the purpose for the loan, or the handicaps a borrower must overcome because of a poor credit score, the process can become much more complex. All lenders have their own specialized requirements and procedures; even individual loan officers within an organization may have differing requirements for the process.

In this study, loan application process means a set of procedures from the state of lacking funds to the acquisition of the funds from MFI. In microfinance this includes many steps such as loan requirements, loan analysis and approval, collateral, interest rate and repayment terms. Through each MFI loan policy, the statements, "easy and simple access to credit, quick processing of application, flexible repayments", are emphasized. Even though microfinance loan requirements differ from an MFI to another, the main and common requirements are as follows:

i. be owner or co-owner of a business set up more than one year ago;
ii. same business location for six months;

iii. have a current patent or trading license;
iv. copy of the National Identity Card ;
v. two recent passport size photos;
vi. MFI account statement if available;
vii. collateral either business or personal assets;
viii. a complete Micro Corporate loan application form.

Average microfinance loan depends on the credit policy within an MFI. The loan will be processed within three to five working days if the application meets all the requirements. The loan term is up to six months. The interest rate varies from an MFI to another but in general, it ranges between 2% and 3% per month. The repayment terms are weekly, bi-weekly or monthly basis. Applying for MFI loan follows steps such as:

i. complete MFI loan application at the office;
ii. MFI Credit Officer conduct an appraisal of the business and home;
iii. 3-5 days later the approved loan documents and cheque is be ready;
iv. Notarize security and loan documents before taking cheque.

Due to the lack of collateral, a microfinance borrower is not likely to be able to borrow from a large commercial, thrift or rural bank but from an NGO microfinance institution, or perhaps from a small rural or cooperative bank. Thus, microfinance loans are typically unsecured, for relatively short periods of time (180 days) with monthly (or more frequent) amortizations of interest and principal, and often featuring a joint and several guarantees of one or more persons and, certainly, seldom with tangible collateral. But in some cases, they can also be secured, depending on the capacity of the borrower to offer collaterals acceptable to the lending institution. The collaterals required by MFI, all documents offered as security to the MFI notarized, are:

i. personal property like fridge, TV/Video, music systems;
ii. business assets such as sewing machine, computers, lock-ups;
iii. copy of motor vehicle and log book;

iv. House or land title.

2.1.5 Accessing to Micro credit and Borrower's Characteristics

For Collins (2006), the characteristics of a person or thing are the qualities or features that belong to them and make them recognizable. A quality or feature that is characteristic of someone or something is one which is often seen in them and seems typical of them. According to Business Dictionary (2011), characteristic means distinguishing feature or attribute of an item, person, phenomenon, usually divided into three categories such as physical, functional, and operational.

Roy Posner (2010) stipulates that various traits make up a human being. They are the traits of human consciousness; or perhaps the endowments of human character or simply character or personality traits. He says that they are grouped within the categories of an individual's attitudes, miscellaneous attributes, social endowments, and skills.
In this study such characteristics are shown in two ways; how they manifest in a positive way in a person, and how they manifest negatively in a person.

2.2 Empirical Literature Review

Many studies have been carried out in the microfinance field. However most of them are principally oriented either on microfinance and poverty alleviation, or on microfinance financial sustainability. Few of them took into consideration the client side and the researcher explores some of these few in this section.

2.2.1 Information and Required Security

Rosemary Atieno (2001), in the study entitled "Formal and informal institutions' lending policies and access to credit by small-scale enterprises in Kenya*:* An empirical assessment*"*, had the objective of assessing the role of the institutional lending policies of formal and informal credit institutions in determining the access to and use of credit facilities by small-scale entrepreneurs in rural Kenya. A field survey was conducted in which primary data were collected using a structured questionnaire. A total of 334 enterprises were interviewed. The study used mainly descriptive statistics in the analysis. As results, Rosemary Atieno (2001) showed that most enterprises (51%) had not used credit before. Out of those who had, the majority (67%) had used informal sources. The major reasons for not seeking credit were lack of information about credit and lack of required security. The use of specific credit sources, either formal or informal, was justified as the only source available. When credit access is seen in terms of the rationing behavior of lenders, the researcher found that 15% of the sample was credit constrained, although only 49% had ever applied for credit. Evidence of credit rationing was observed in both markets, as indicated by the significant difference between amount applied for and amount received. A number of conclusions had been drawn from the results of this study.

Rosemary Atieno (2001), concluded that the large number of potential borrowers who did not seek credit does not mean that they did not need credit, as only 15% of the sample was found to be not credit constrained. Hence, while the potential borrowers need credit, the lending terms and conditions prevent them from seeking credit. It is also concluded that informal credit sources provide easier access to their credit facilities for small and microenterprises. The main reasons explaining this scenario were the lending terms and conditions reflected in collateral, application procedure and repayment period. However Ma Chelo (2004) in his study entiltled "In-depth analysis on the access to and suitability of the loans" examined the borrowing behavior of the households and the suitability of the loans obtained from the Community Oriented Financial Intermediary (COFI) and reinforced the significance of using a household approach in evaluating the effects of microfinance. Using descriptive and statistical analyses, results showed that the access to COFI loans was relatively easy for the client household members since the requirements and processing were fast and reasonable. This indicated that credit cooperatives rarely disapprove loan applications and if there are numbers of pending loan applications, they usually reduce the amount of loan approved instead of disapproving the application. In general, COFI loans reasonably suit the needs of the

COFI clients. Ma Chelo (2004) said that given both household types obtained their credits from various lenders, those who have access to the COFI system have a reliable source of loans indicating that the COFI performs a particularly important role in providing services, especially credit lines. This study inspired the researcher a lot, but it presented a weakness of mixing clients and non clients.

2.2.2 Interest Rate and Repayment Terms

Akhand (2008) in the stuty "How do microfinance clients understand their loans?" aimed to provide an explanation of how MFI clients understood their loan contract and the implications for policy in India. The findings had shown that small borrowers were able to identify the size and duration of the loan and their weekly installment on their loan. However, they knew very little about the interest rate and total interest expense on the loan. Additionally, a majority of the clients found what were commonly viewed as coercive collection practices to be acceptable. The results of this survey indicated that clients thought about their loans in terms of how much they owed on a weekly basis. Thus, top-down regulation which hinged on the assumption that borrowers were able to calculate and understand their interest rates, would have likely not succeeded in protecting small borrowers.

2.2.3 Loan Application Process and Collateral

Benjamin Okpukpara (2009) studied the determinants of micro business loan acquisition for rural entrepreneurs in Nigeria. This study attempted to ascertain which strategies could overcome the problem of low access to microfinance services. The study took place in the poor, rural states of Abia and Anambra. A total of 136 micro-enterprises from these states were selected at random and surveyed. Entrepreneurs were asked questions relating to what factors determined whether or not they obtained a loan. Additionally, survey information was collected from 20 informal financial institutions and 14 formal financial institutions. From the data, the most important determinants of loan provision were found. Of the 136 enterprises, 34 were able to obtain loans, 27 of these from informal financial institutions. However, not all enterprises attempted to obtain loans. Of those who did, 55% of formal loan applications were accepted, and 94% of informal loan applications were accepted. According to entrepreneurs surveyed, informal institutions did not generally require asset collateral, and they did not have a bureaucratic application process, thus making their loans easier to obtain than those from formal institutions. However, those surveyed claimed that both formal and informal loans were more easily obtained when the applicant had a good loan repayment record, when there was more competition between institutions, and, in what appears to be a contradiction, when the interest rate was higher. Okpukpara (2009) continued saying that on the supply side, institutions relied heavily, in order of average importance, on information about loan history, the type of enterprise, experience, gender (males preferred), and collateral to determine loan provision. A strong repayment history has done well to predict reliability for future repayment. In both agricultural and non-agricultural enterprises, entrepreneurs with a higher level of experience were more likely to obtain loans. Men were more likely than women to receive loans. This could be explained by a range of factors from "lack of assets to traditional and customary factors in African institutions." Lastly, possession of a fixed asset on the part of an applicant made them more likely to receive a loan, but the relationship was relatively weak. Formal institutions did, however, generally require fixed assets as collateral, but informal institutions often did not.

Okijie (2009) in the study "Institutional environment and access to microfinance by self-employed women in the rural areas of Edo State, Nigeria" examined the relationship between the institutional environment of microfinance and access of rural women to microfinance. Focus group sessions were held with groups of rural women who were clients of formal and informal Microfinance Institutions (MFIs) in Esan Local Government Area of Edo State, Nigeria. The two formal institutions were the Ekpoma branch of Lift Above Poverty Organization Microfinance Bank and the Ujoelen Microfinance Bank. Fifteen case studies with fourteen women and one man were also examined. Emphasis was placed upon qualitative methods and review of secondary data from program organizers. For the formal MFIs, records were reviewed while discussions were held with the organizers of non-formal programs to ascertain the types of records maintained. Qualitative methods helped to rule out or identify non-program influences on access to credit. Two formal MFIs and a number of thrift and savings societies operating in markets around Ekpoma were included in the study. From each program, focus group sessions and in-depth interviews were held with Microfinance Bank officials, groups of program beneficiaries, and in-depth interviews with successful and not-so successful beneficiaries.

The collected information was analyzed to see which categories of the poor were reached by the different programs. A sample of case studies, representing clients who have participated for different lengths of time was selected from the different programs for in-depth interviews. This was to identify factors which may have contributed to their success or lack of it after participating in the microfinance program. Eight Focus group sessions with two groups each of clients (old and new) of each program were held. For the secondary data, program documents were examined. The study also examined the extent to which Community Banks have transformed into Microfinance Banks in rural areas of Edo State in keeping with the Microfinance Policy.

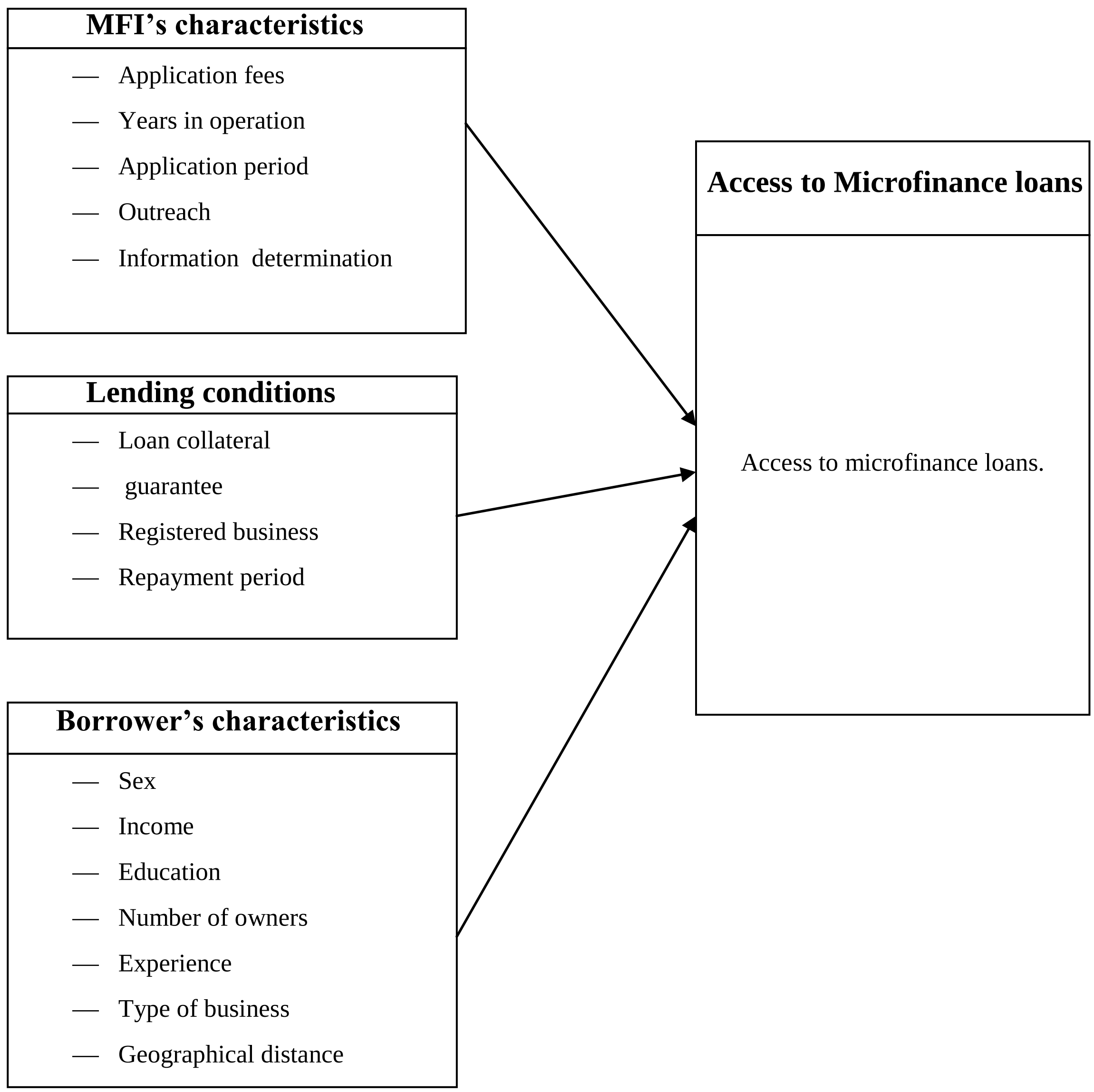
As findings, the study revealed that rural women in particular found difficult to borrow from banks because most did not have bank accounts, they had no collateral to present to the bank, and many women did not know the procedures for accessing bank loans. As they explained, while men inherit land and other property which they could use as collateral, women did not inherit property. They also said that women needed their husband's consent to borrow money from the bank.

2.3 Conceptual framework

In this study we develop a conceptual framework on determinants of access to microfinance loans in poverty reduction theory.

The framework expands on the key determinants of access to microfinance loans: MFI characteristics, lending conditions, and borrowers characteristics.

Figure 1.1 Conceptual Framework on the determinants of access to microfinance loans



Source: Field data ,2014

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter focused on the overall research plan and the methodological procedure adopted for the study. It described Research Design, target population, sampling techniques and sample size, research instruments that were used, validity and reliability of the research instruments, data collection procedure, statistical treatment of data, and ethical considerations.

3.2 Research Design

According to Kothari (2004), research design is a plan or strategy used to get the expected study results. There are different types of research design used in research depending on the nature of a particular study such as case study design, survey design and experimental design. Case study design will be used during the study because it allows the use of different data collection methods such as interviews, questionnaire, observations and documentary review. Also case study design is time serving and cost effective.

Purposive research design used with data being collected via survey. The reason to use purposive is based on the following grounds: Purposive provides a quick, efficient and accuratenmeans of assesing information about population and also its appropriate where there is lack of secondary data (Kothari, 2004)

3.2.1 Area of study

In this study, secondary data concerning borrowers and MFI characteristics and access to MFI loan in Mwanza city is not available, therefore conducting servey to obtain information about the study variable is important.Also it was possible to conduct in Mwanza since it’s a main city in lake zone where many MFIs are located compared to other towns or district.

3.2.2 Target population

The total population of 13,455 was composed of all people that are MFI clients-categorized into qualified and pending or rejected borrowers. That population was known to the researcher from the lists he got from each registered MFI operating in Mwanza city (outlined in Appendix E)

Table 3.1 Target Population

Name of the MFI	Qualified Borrowers	Pending & Rejected Borrowers	Total Clients-Borrowers
Baypot	103	3,045	3,148
Brac	425	4,104	4,529
Finca	138	1,056	1,194
Pride	310	1,204	1,514
B Blue	90	2,144	2,234
SEDA	114	722	836
Total	**1,180**	**12,275**	**13,455**

Source: Field data,(2014)

3.2.3 Sampling Techniques

Randomly, the research sample size was made up of three groups such as microfinance qualified borrowers; microfinance pending or rejected borrowers and employees in charge of loans. As the universe is finite, the sample size for the two first groups was calculated using Cochran's formula while concerning the last group, all employees in charge of loan considered. Cochran (1963) quoted by (Glenn, 1992) developed an equation to yield a representative sample for proportions. That equation is as follows: $n_o = \frac{z^2 pq}{e}$ where:

i. n_0 is the sample size,

ii. z^2 is the abscissa of the normal curve that cuts off an area at the tails (1 - equals the desired confidence level, e.g., 95%), the value for z is found in statistical tables which contain the area under the normal curve.

iii. e is the desired level of precision,

iv. p is the estimated proportion of an attribute that is present in the population,

v. q is $1-p$.

3.2.4 Sample size

The total sample size was 349 clients (i.e 151 qualified and 198 pending or ejected borrowers). For calculating the number of pending or rejected borrowers to survey in each MFI, the calculation followed the percentage rule. When the percentage for each MFI was applied to the total adjusted sample size, the researcher got the number for each MFI. The number of respondents for each MFI was summarized in the following table.

Table 3.2 Sample Size from all Borrowers

Name of the MFI	Qualified Borrowers	Pending & Rejected Borrowers	Total Clients-Borrowers
Baypot	4	49	112
Brac	63	66	70
Finca	14	17	31
Pride	18	19	37
B Blue	12	35	47
SEDA	40	12	52
Total	**151**	**198**	**349**

Source: Field data,(2014)

To choose the number of qualified, pending or rejected borrowers in each MFI, the researcher used a systematic sampling. Leaning to the list the researcher got from each MFI, every k^{th} element of clients was sampled. Their contacts were available to the employee in charge of loan within each considered MFI.

3.3 Research Instruments

Self administered customized questionnaires was used as the main instrument for this research. It included eight sections related to the main variables of the study. The first section indicated the respondents' profile, the second section dealt with general information, the third section concerns means of information dissemination, the fourth section takes care of the capacity building, the fifth section deals loan process, section apprehends borrower's characteristics, and last section deals with customer perception on determinants of access to microfinance loans.

The questionnaire was applied a Likert four-point scale. The four scales was necessitate respondents to specify the selected choice for a given statement, from disagree to agree and the interval between each point on the scale is assumed to be equal (Salkind, 2009). The Likert scale is composed of the following levels: 1. Disagree (D), 2. Tend to Disagree (TD), 3. Tend to Agree (TA), 4. Agree (A). The questionnaire tested the determinants of the access to microfinance loans in Mwanza. Those determinants are:

i. Means of information dissemination where sources and media campaign was examined.
ii. Capacity building through which business opportunity and training needs was assessed.
iii. MFI proximity by assessing the time used to get to the MFI and the distance separating MFI headquarter and client dwelling/operating area.
iv. Loans process through which loan requirements, loan analysis and approval, collateral, interest rate, and payment terms was assessed.
v. Borrower characteristics that included age, income, education, social position in the village, and possibility of pledging collateral.

3.4 Data Collection Procedure

There were two approaches of collecting data. Firstly secondary data was collected from documentary analysis. Secondly primary data was collected using interviews and questionnaires. For the purpose of this research, and as principal means of data collection, the study employed questionnaires and personal interview with some employees in charge of loans. Based on the outcomes of the pilot study, and after performing the required adjustments to the questionnaires, the instrument was used for data collection.

In order to reach respondents, the researcher had two possibilities. For the first possibility, helped by the credit agents, the researcher distributed questionnaires to the respondents at their households or their operating areas. For the second possibility, the researcher self-administered questionnaires and respondents filled them being at the MFI headquarters. Before administering the research instrument to the respondents, ethical issues were taken into consideration. For approaching the respondents the researcher presented authorizations from relevant MFIs before collecting any information or conducting the research.

As for interview to be given to the employees, the researcher questioned all employees in charge of loans for every registered MFI operating in Mwanza city.

3.4.1 Validity of Instruments

To ensure that the instrument measured what it was supposed to measure in this research, the instrument was checked to ensure validity. For further improvements, the questionnaires were presented to the experts as well as to the research advisors. Because of their expertise and experiences, they were in a position to, without bias, advice on the contents and moderate the correctness and relevance of the instruments for this study. Before any adjustment to the questionnaires, these observations were discussed with the advisors.

3.4.2 Reliability of the Instruments

A pilot study was conducted in NMB, an MFI out of the six ones chosen for the study. The researcher target in conducting pilot study was ascertaining the reliability of the instruments before distributing them to the respondents. This aimed at ensuring that the instrument would give the same results when given the second time to the relatively different sample.

The reliability was tested using Cronbach's Alpha coefficient. Cronbach's alpha is a measure of internal consistency, that is, how closely related a set of items are as a group. A "high" value of alpha is often used as evidence that the items measure an underlying (or latent) construct. Cronbach's alpha is a coefficient of reliability (or consistency). Cronbach's alpha can be written as a function of the number of test items and the average inter-correlation among the items. The formula for the standardized Cronbach's alpha:

$$\alpha = \frac{N \cdot \bar{c}}{\bar{v} + (N-1) \cdot \bar{c}}$$

Here N is equal to the number of items, c-bar is the average inter-item covariance among the items and v-bar equals the average variance. It was required that Alpha coefficient ranges between 0.80 and 0.90 (Salikind, 2009). The higher the score the more reliable the generated scale would be. The research was expecting to get a reliability coefficient greater or equal to 0.85. The questionnaire was administered to 30 respondents in a pilot study to test the reliability of the scale and the result for Cronbach's Alpha was 0.867 (appendix F). It signifies higher consistency and indicates higher reliability.

Table 3.3 Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized clients	N of clients
.867	.859	21

Source: Field data, 2014

3.5 Statistical Treatment of Data

Data was gathered, coded, and recorded into Statistical Package for Social Sciences (SPSS) program. The 4 point scale answers were assigned a number beginning 1–4, where 1 indicated, Disagree (D), 2. Tend to Disagree (TD), 3. Tend to Agree (TA), 4. Agree (A). Encoded data were then checked to ensure there were no encoding errors-missing data and outliers.

3.6 Data Analysis

The Statistical Package for Social Sciences (SPSS) was employed to organize and tabulate the data collected. Descriptive statistics applied to describe characteristics of the study sample,This includes calculations of the average, frequencies, percentages distributions,T-tests ANOVA .

3.6.1 Descriptive Statistics

Descriptive statistics were used to analyze and interpret the data descriptive statistics like Frequencies, Percentages, Mean, Standard deviation, the t- test and Anova.

To ensure that the instrument measured what it is supposed to measure in this research, the instrument was checked to assure validity. For further improvements, the questionnaires was presented to the experts as well as to the research advisors. The opinion of the expertise from the Mzumbe University was solicited. Because of their expertise and experiences, they are in a position to, without bias, advice on the contents and moderate the correctness and relevance of the instruments for this study. Before any adjustment to the questionnaire, any observation was discussed with the advisors.

3.7 Ethical Considerations

Consent from Mzumbe University and the managers of the MFIs where this study was conducted secured before data compilation. A cover letter that explains the ethical considerations of this study and appeal for respondents to participate willingly is attached to the questionnaires. The confidentiality of the respondents is promised and maintained. There is nothing on the questionnaires that can recognize any of the participants. The questionnaires was given identification numbers that is not in any way attached to the identity of the respondent. There was instructed that they may extract at any point if they so prefer without prejudice.

The respondents was told that the information they provide will be kept private and the results of the study will only be used for the purposes of this study. There is assurance that the results of the study will not put at risk their status whether at MFI or in their respective families or communities.

CHAPTER FOUR

PRESENTATION OF FINDINGS,

4.0 Introduction

This chapter discussed in details the presentation, analysis and interpretation of the data collected in analysis of determinants of access to microfinance loans by borrowers in Mwanza city, Tanzania.

The first section described the profile of MFIs in terms of the year founded, years of operation in Mwanza city, number of employees in charge of loans, number of qualified borrowers, and number of pending or rejected borrowers. The second section concerned the profile of the respondent borrowers involved in the data collection. The third section went on by assessing the level of microfinance loan access in Mwanza city as pertains to the operating time with MFI, to the type of borrowers, to the number of microfinance loans disbursed, and to the type of micro projects financed and amounts used. The forth section emphasized the perceptions of borrowers on determinants of access to microfinance loans in Mwanza city, Tanzania. The fifth section dealt with existence of any significant difference between the evaluation ratings of determinants of access to MFI of approved borrowers and pending or rejected borrowers. The sixth and the last section took action in order to point out the best predictor of access to microfinance loans in Mwanza city, Tanzania.

Data was analyzed descriptively and tables were provided throughout the chapter to illustrate statistical patterns of the findings from the data. Findings, analysis and interpretations were developed following the sequence of research questions.

4.1 Profile of the Respondent MFIs

In order to well situate this study, the researcher found necessary to describe the profile of MFIs. Managers of MFIs in Mwanza city were asked what was the profile of the respective MFIs in terms of the MFI's age, years of operation in Mwanza city, number of employees in charge of loans in each MFI, number of qualified borrowers, and number of pending or rejected borrower. Responses to the first question are summarized in table 4.1.

Table 4.1 Profile of the MFIs in Mwanza city, Tanzania

Name of the MFI	Year founded	Years of operation in Mwanza	Number of employees in charge of loans	Number of qualified borrowers	Number of pending or rejected borrowers
Baypot	2006	6	2	103	3,045
Brac	2006	10	5	425	4,104
Finca	1998	13	6	138	1,056
Pride	1994	15	5	310	1,204
B Blue	2008	5	2	90	2,144
SEDA	2004	8	2	114	722
			22	**1,180**	**12,275**

Source: Field data, 2014

In relation to profile of the MFIs, table 4.1 indicates that PRIDE is the oldest MFI (founded 1994), Pride has five (5) employees in charge of loan, and one thousand five hundred and fourteen (1514) customers. Most of its customers are women grouped in joint liability (Vikundi vya hisa). Only three hundred and ten (310) clients are qualified borrowers while one thousand two hundred and four (1204) clients are pending or rejected borrowers.

Promoting women is not wrong but according to Ledgerwood (2000), microfinance is an economic development approach that intends to benefit low-income women and men. It would have been more exciting if men were promoted equally to women. In tontine model, group joint liability prevails. People know each other and to be rejected may frequently happen as ethical borrower characteristics is highly considered. This results in limited number of borrowers as it has been noticed in pride branch.

FINCA was founded in 1998. It has sixteen (16) years of operation in Mwanza city, Six (6) employees in charge of loans, one hundred thirty eight (138) qualified borrowers, and one thousand and fifty six (1056) pending or rejected borrowers. The specific feature of this microfinance is that most of its clients are groups and small businesses. The preferred kind of loan they likely ask is advance on their salaries. It attracts people by forming groups and get loans. This attracts all members and surely increases the number of pending or rejected borrowers.

BRAC was founded in 2006. It has eight (8) years of operation in Mwanza city, five (5) employees in charge of loans, four hundred and twenty five (425) qualified borrowers, and four thousand one hundred and four (4,104) pending or rejected. As it is their philosophy, the main feature is the stringent selection during credit process. Groups are more chosen than Individuals lending.

BAYPORT Financial services started in 2008, have 6 years of operation in Mwanza city, 2 employees in charge of loans, 103 qualified borrowers, and 3,045 pending or rejected. This MFI knows as main characteristic working a lot with remunerated people receiving salaries through accounts in it. This justifies its small number in qualified borrowers while people declare having faith in its operations.

B-BLUE was founded in 2008. It has 6 years of operation in Mwanza city, 2 employees in charge of loans, 90 qualified borrowers, and 2144 pending or rejected. It operates with all remunerated people receiving salaries through accounts in it.

SEDA was founded in 2004. It have 8 years of operation in Mwanza city, 2 employees in charge of loans, 114 qualified borrowers, and 722 pending or rejected. This kind of MFI deals with all kinds of customers but it puts more emphasis in selection of credit clients.

All those six MFIs are experienced in microfinance loans. They all have restricted number of qualified borrowers, and this may come from the credit policy they use. Atieno (2001) found the main reasons explaining this scenario to be the lending terms and conditions reflected in collateral, application procedure and repayment period.

4.2 Profile of the Respondent Borrowers

The second research question investigated the demographic profile of the respondent borrowers. It gave details of borrowers in terms of gender, age, marital status, level of education, type of occupation, operating time with MFI, type of borrowers to whom a self customized questionnaire was administered. A total of 349 questionnaires were retrieved out of the 360 questionnaires issued i.e. 96.94% response rate. This questionnaire return rate was sufficient enough to let this research going on. In respect to the first research question, answers are summarized in a series as follows.

4.2.1 Distribution of Respondents by Gender

Gender in business and economic development is of a great consideration. In respect to the question concerning respondent identification in terms of gender, answers are presented in the following table.

As shown in table 4.2 representing the description of borrowers' gender profile, out of 349 respondents who participated in the study 147 (42.1%) were males and 202 (57.9%) were females. The number of females is greater than the number of males. This may come, first of all, from the nature of Tanzania population. It has been revealed by the outcome of general Tanzania census of 2012 that females include 51% while males are 49% of the entire Tanzania population. Due to the nature of men in Tanzania to leave all domestic duties to women, therefore, they are indebted to a great extent look for finance to run businesses that can provide revenues to survive with.

Table 4.2 Distribution of Respondents by Gender

Gender	Frequency	Percent
Male	147	42.1
Female	202	57.9
Total	**349**	**100.0**

Source: Field data, 2014

4.2.2 Distribution of Respondents by Age

Age bracket can be a factor that influences responses to the research question. Responses to the question concerning age brackets are presented in table 4.3

Table 4.3 shows that out of 349 respondents who participated in the study 129 (37.0%) fell below 30 years, 134 (38.4%) fell in the bracket of 30 to 40 years, 70 (.20.1%) fell in the bracket of 41 to 50 years, while 16 (4.6%) fell in the bracket of 51 years and above.

Out of 349 respondents, 263 (75.4%) fell below 41 years. This may be due to the fact that Tanzanian life expectancy is not yet at its high level (average of 54 years old) according to (WHO-Tanzania, 2009). Researchers think it is the reason why they have to be economically active and working hard during their earlier ages. Below 41 years, people are potentially entrepreneurs as they have ideas and need funds to undertake different projects to generate revenues.

Table 4.3 Distribution of Respondents by Age

Age Bracket	Frequency	Percent
Below 30 years	129	37.0
30- 40 years	134	38.4
41-50 years	70	20.1
51 and above	16	4.6
Total	**349**	**100.0**

Source: Field data, 2014

4.2.3 Distribution of Respondents by Marital Status

Marital status for any respondent can be source of bias. It is important to know it in order to avoid being biased. Responses to the question are in the following table 4.4

In relation to marital status of respondents, table 4.4 indicates that out of 349 respondents who participated in the study 104 borrowers (29.8%) were single, 227 borrowers (65.0%) were married while 18 borrowers (5.2%) were widow.

Comparatively to the number of married people, the number of single is still low. This translates that single people do not afford financial institutions because of lacking fulfilling some conditions like collaterals. Married people are constrained to work hard in order to increase their family wealth. Only eighteen (18) borrowers (i.e.5.2% of the respondents) are widow.

Table 4.4 Distribution of Respondents by Marital Status

Marital Status	Frequency	Percent
Single	104	29.8
Married	227	65.0
Widow	18	5.2
Total	**349**	**100.0**

Source: Field data, 2014

4.2.4 Distribution of Respondents by Level of Education

Responses can result from level of education of the borrowers. Responses to the question regarding level of education of respondents are presented in table 4.5 as follows In relation to level of education of the respondents, table 4.5 shows that out of 349 respondents who participated in the study 113 (32.4%) fell in primary level of education, 159 (45.6%) secondary level, while 77 (22.1%) were of university level of education.

It is seen that MFIs are working with all kinds of people even if more emphasis is put to the two first classes. Because of the credit size MFIs are offering to their clients and depending on the kinds of the asked joint liability, people of university level of education prefer to go for commercial banks than for MFIs.

Table 4.5 Distribution of Respondents by Level of Education

Education Level	Frequency	Percent
Primary	113	32.4
Secondary	159	45.6
University	77	22.1
Total	**349**	**100.0**

Source: Field data, 2014

4.2.5 Distribution of Respondents by Occupation

The occupation of the respondent can also influence responses about determinants of access to microfinance loans. The distribution of responses to the question concerning occupations of the respondents is presented in table 4.6 as follows

Table 4.6 shows that out of 349 respondents who participated in the study 26 (7.4%) were farmers, 44 (12.6%) were doing handcraft, 168 (48.1%) petty commerce; whereas 111 (31.8%) were doing other things. Farmers were few because of the status of Mwanza city. Higher percentage of petty commerce is due to the location of Mwanza city where commercial activities are flourishing. From petty commerce, MFI customers are able to generate revenue with which they pay back the contracted microfinance loans. Alongside all those small activities where they always get wages from, some remunerated people join MFIs (31.8% of the respondents). The given reasons are receiving salaries through MFI's account as it is recommended by finance policy, and sometimes taking advantage on the easiness they find in asking for loans.

Table 4.6 Distribution of Respondents by Type of Occupation

Occupation	Frequency	Percent
Farmer	26	7.4
Handcraft	44	12.6
Petty commerce	168	48.1
Others	111	31.8
Total	**349**	**100.0**

Source: Field data, 2014

4.3 Level of Access to Microfinance Loan in Mwanza city.

The third research question investigated the level of access to microfinance loans in Mwanza city. Assessing the level of access to microfinance loan in Mwanza city has importance in putting out the lowness or highness of respondent ability to access microfinance loans. Respondents were asked questions in relation with level of microfinance loan access in Mwanza city as pertains to operating time with MFI, type of borrowers, number of microfinance loans acknowledged, type of micro projects financed and amounts received.

4.3.1 Length of Time with MFI

The length of time operating with MFI witnesses loyalty and confidence in one another. Responses from a question inquiring such loyalty and confidence are summarized in the following table.

In relation to operating time with MFIs, table 4.7 shows that that out of 349 respondents who participated in the study 159 (45.6%) operated with MFIs for a time less than one year; 95 (27.2%) operated with them for a time bracket of 1 to 2 years, 81 (23.2%) were of 3 to 5 years; while only 14 (4.0%) operated with MFIs for a time more than 5 years.
Most of the borrowers were comers as they have been working with MFIs for a period shorter than one year. This may result in pending and rejecting borrowings because of not being ready as it is stipulated in each MFI credit policy. More than half of the borrowers (50.4%) were in the range of 1 to 5 years. This is due to the repeating kind of credit they receive in most of the surveyed institutions; repetition that seals loyalty and confidence both sides. Borrowers operating with MFIs for a period more than 5 years were only 4%. The advanced reason is that at that time borrowers are ready to go for a credit that can allow them to finance bigger investments. Capital for such activity is less costly in commercial bank than in MFI.

Table 4.7 Distribution of Respondents by Length of Time with MFI

Year of Operation	Frequency	Percent
Less than 1 year	159	45.6
1-2 years	95	27.2
3-5 years	81	23.2
More than 5 years	14	4.0
Total	**349**	**100.0**

Source: Field data, 2014

4.3.2 Type of Borrowers

Distinguishing borrowers was required due to the problem of this research. Selecting borrowers using a set of determinants leads to two main types of borrowers. Responses from the question inquiring about such differences are presented in the following table. Table 4.8 shows that out of 349 respondents who participated in the study 151 (43.3%) were qualified borrowers while 198 (56.70%) were pending or rejected borrowers.

The number of pending or rejected borrowers was bigger than the number of qualified borrowers. Researcher found many reasons from interview carried out with MFI employees in charge of loans in Mwanza city. They gave as reason stringent requirements, lack of collaterals, misinformation, long stiff MFI loan process, and borrower characteristics like being of high ethical considerations.

Table 4.8 Distribution of Respondents by Type of Borrowers

Type of Borrowers	Frequency	Percent
Qualified borrower	151	43.3
Pending and rejected borrower	198	56.7
Total	**349**	**100.0**

Source: Field data, 2014

4.3.3 Frequency of Loan Disbursement

By the time of this research inquiring numbers of given loan was of significant interest. Borrowers are sticking to MFIs when they are constantly working with them. The distributions of responses from the question inquiring about such consistence are presented in the following table.

Table 4.9 shows that out of 349 respondents who participated in the study 198 (56.70%) declared receiving no loan from MFIs, 42 (27.2%) affirmed receiving loan once, 46 (13.2%) twice, 22 (6.3%) three times, 41(11.7%) declared receiving loans from MFIs more than three times. Except the pending or rejected borrowers, the qualified received loans several times. This confirms confidence they acquired from well paying back the first loan they got. All MFIs apply "sound credit policy" where once debtor pays well is given another loan that is bigger than the previous one.

Table 4.9 Number of Times Loan was accredited

Loan accredited	Frequency	Percent
None	198	56.7
Once	42	12.0
Twice	46	13.2
Three times	22	6.3
More than 3 times	41	11.7
Total	**349**	**100.0**

Source: Field data, 2014

4.3.4 Type of Micro projects Financed

To know which projects loans were asked for was the research concern. The profitability of financed project is source of ability to pay back the received loan and thus following well the sound credit policy as applied by MFIs. The distributions of responses from the question inquiring about financed projects are presented in the following table.

Table 4.10 reveals that out of 349 respondents who participated in the study 198 (56.70%) were pending or rejected and declared not being financed from MFIs, 8 (2.3%) declared having received loans for farming, 21 (6.0%) for handcraft, 101 (28.9%) for petty commerce, whereas 21(6.0%) were for other activities like office jobs and teaching. Farming is less financed because of the location of Mwanza city. Though its bigger part is town, people are busy performing projects as handcraft, carpentry, masonry, and petty commerce. Beside those petite activities, remunerated people are financed through advance on salary for their daily consumption. As salaries pass through

MFI's account, it is seen to be safe to invest in such credit where the principal and interest are retained as soon as salary lands in the MFI.

Table 4.10 Distribution of Respondents by Type of Micro Projects Financed

Type of Micro Project	Frequency	Percent
None	198	56.7
Farming	8	2.3
Handcraft	21	6.0
Petty commerce	101	28.9
Other	21	6.0
Total	**349**	**100.0**

Source: Field data, 2014

The research went on by inquiring about the number of microfinance loans disbursed in each MFIs' headquarter and for which project they were disbursed. The summary of responses about such distribution is presented in table 4.11 as follows.

In relation to number of microfinance loans disbursed, table 4.18 indicates that out of 151 who qualified 8 (5.3%) were farmers, 21 (13.9%) were doing handcraft, 101(66.9%) affirmed doing petty commerce, and 21 (13.9%) were doing other things like office jobs and teaching. The researcher found that most of the borrowers were doing petty commerce. This may due to the location of Mwanza city which is rapidly changing from rural to urban. It is the same location that may cause poor financing of farmers. Many farms are sold and quickly urbanized by new constructors.

Table 4.11 Distribution of Number of Microfinance Loans disbursed by MFIs

Name of the MFI	Farming	Handcraft	Petty commerce	Others	Total
Bayport	0	0	0	3	3
BRAC	1	8	49	4	62
FINCA	3	4	10	3	20
PRIDE	1	3	18	3	25
B-BLUE	0	0	0	2	2
SEDA	3	6	24	6	39
Total	**8**	**21**	**101**	**21**	**151**
Percentages	**5.3**	**13.9**	**66.9**	**13.9**	**100.0**

Source: Field data, 2014

4.3.5 Amount of Loan Disbursed(in Tshs)

Knowing the type of financed micro-projects was not enough. It motivated the researcher willingness to know the range of amounts received by borrowers. The distributions of responses from the question inquiring about such range are presented in the following table.

In relation to amount received, table 4.12 shows that out of 349 respondents who participated in the study 198 (56.70%) affirmed not receiving any amount from MFIs, 25 (7.2%) declared receiving less than 50,000, 35 (10.0%) 51000 to 100000, 53 (15.2%) 101000 to 150000, 31(8.9%) stated receiving 151000-200000; while only 7 (2.0%) declared having received above 200000. Considering such distribution, researcher found that MFIs in Mwanza city were working with diversified classes of clients.

Table 4.12 Range of Loan Amount Disbursed

Range of Amount Received	Frequency	Percent
None	198	56.7
less than 50,000	25	7.2
51000-100000	35	10.0
101000-150000	53	15.2
151000-200000	31	8.9
Above 200000	7	2.0
Total	**349**	**100.0**

Source: Field data, 2014

In relation to the same interrogation but on MFIs' side the research inquired the type of micro projects financed and amounts used in each considered MFI. Responses are presented in table 4.13 as follows.

As for type of micro projects financed and amounts used, table 4.13 shows that out of 41,364, 5.3% was allocated to farming, 13.9% to handcraft, 66.9% to petty commerce as selling second hand clothes, shoes, and other new or used products; while 13.9% was for others businesses like overdraft facilities. The research found that the biggest amount of funds is allocated to petty commerce that was most of the time informal. This possibly is due to the location of Mwanza city. People that cannot find finance from commercial banks are getting their release in MFIs and several times they go for small businesses like petty commerce. Small number of the borrowers went for overdraft facilities from their respective MFIs. This may due to borrowers' weak financial position and to the easy way of getting those facilities.

Table 4.13 Micro Projects Financed and Amounts used (in Tshs)

Name of the MFI	Farming	Handcraft	Petty commerce	others	Total
Bayport	-	2,192	274	822	3,288
BRAC	274	548	13,426	-	14,248
FINCA	822	548	2,466	822	4,658
PRIDE	822	822	3,288	822	5,754
B-BLUE	-	274	1,644	548	2,466
SEDA	274	1,370	6,576	2,740	10,960
Total	**2,192**	**5,754**	**27,674**	**5,754**	**41,364**
Percentages	**5.3**	**13.9**	**66.9**	**13.9**	**100.0**

Source: Field data, 2014

4.4 Perceptions of the Respondents

Under this section the research tried to find responses to the forth question "What are the perceptions of the respondents on the determinants of access to microfinance loans in terms of means of information dissemination, capacity building, MFI proximity, Loan application process, and in terms of Borrower characteristics?

4.4.1 Means of Information Dissemination and Access to MFI Loans

For disseminating information about microfinance loans a set of diversified means was used. In the first hand respondents were asked where they got information about accessing microfinance loans in Mwanza city, and responses are presented in the following table.

In relation to means of information dissemination, table 4.14 indicates that out of 349 respondents who participated in the study 17 (4.9%) affirmed getting information about microfinance from government institutions, 7 (2.0%) from member of organization, 65

(18.6%) from community members, 234 (67.0%) from MFI clients, 26 (7.4%) declared getting such information from media.

Researcher noticed that the mostly used means to disseminate information about MFI activities is the communication face to face done by MFI clients. This is done due to the training they affirm receiving before getting loans.

Table 4.14 Means of Information Dissemination used by MFIs

Means of Disseminating Information	Frequency	Percent
Government Institutions	17	4.9
Member of Organization	7	2.0
Community Members	65	18.6
MFI client	234	67.0
Media	26	7.4
Total	**349**	**100.0**

Source: field data, 2014

In the second hand respondents were asked to rate their perception of the means of information dissemination. The following interpretation scale was used by the research:

[3.50-4.00]: Agree/high rating

[2.50-3.50[: Tend to Agree/ average rating

[1.50-2.50[: Tend to Disagree/ low rating

[1.00-1.50[: Disagree/ very low rating

As for mean ratings on borrowers' perception of the means of information dissemination, data from SPSS revealed in table 4.15 that there were 3 items on the questionnaire that addressed the aspect of means of information dissemination.

Borrowers in all the six MFIs rated their MFIs' means of information dissemination as low recording an overall mean of 2.4336. On the aspect of the MFI information dissemination being satisfactory as average recording an overall mean of 2.6590. Borrowers' rating shows that they tended to agree. Borrowers also recorded average rating on their sources of information being sufficient, recording an overall average mean ratings of 2.5301. Borrowers rated low on the aspect of media used being adequate recording low mean rating of 2.1117.

Generally, the means of information dissemination in all the six MFIs in Mwanza city was rated by the borrowers as low.

Table 4.15 Mean Ratings on Borrowers' Perception of the Means of Information Dissemination

	n	Mean	Std. Deviation
MFI information dissemination is satisfactory	349	2.6590	1.18470
Sources of information are enough	349	2.5301	1.13327
Media used are adequate	349	2.1117	1.01234
Means of Information Dissemination	349	2.4336	.88036
Valid n (listwise)	349		

Source: Field data, 2014

4.4.2 Capacity Building and Access to Microfinance Loans

For Capacity Building two sub variables in terms of business opportunities and training have to be assessed. The Researcher wanted to know what really happened about those two major considerations.

In respect to the question inquiring business opportunities that were shown by MFIs, responses are presented as follows.

In relation to capacity building, table 4.16 shows that out of 349 respondents who participated in the study 3 (0.9%) affirmed not being shown business opportunity, 50 (14.3%) affirmed having been shown business opportunity in aquaculture, 23 (6.6%) in livestock production, 133 (38.1%) in farming, and 140 (40.1%) in small businesses like petty commerce, tailoring, and hairdressing.

Most of the respondents are concentrated in both small business and farming (78.2% together). This may due to the nature of life, three forth rural and one forth urban. After interviewing employees about that concern, researcher has been told that small businesses are taking advantage to farming as the city is growing too fast.

Table 4.16 Business Opportunities Shown by MFIs to the Borrowers

Business Opportunities	Frequency	Percent
Nowhere	3	.9
Aquaculture	50	14.3
Livestock production	23	6.6
Farming	133	38.1
Small business	140	40.1
Total	**349**	**100.0**

Source: Field data, 2014

In respect to the question inquiring training before they received loans responses are presented as follows.

Table 4.17 indicates that out of 349 respondents who participated in the study 43 (12.3%) were not trained, 69 (19.8%) were trained in marketing, 6 (1.7%) in management, 1(0.3%) in quality control, 4 (1.1%) in product development, 54 (15.5%) in computer operation, 30 (8.6%) in process technology, while 142 (40.7%) were trained in financial management especially in elementary accounting.

It has been noticed that 43% of the respondents affirmed not having been trained. This may probably result in failure of the projects undertaken by those borrowers, thus, MFIs will possibly know a profit decrease.

Table 4.17 Field of Training by MFIs

Field of Training	Frequency	Percent
Nothing	43	12.3
Marketing	69	19.8
Management	6	1.7
Quality control	1	.3
Product development	4	1.1
Computer operation	54	15.5
Process technology	30	8.6
Financial management	142	40.7
Total	**349**	**100.0**

Source: Field data, 2014

In the same order respondents were asked to rate their perception of the capacity building using the same interpretation scale and their responses are presented in the following table 4.18

As for mean ratings on borrowers' perception of the capacity building was concerned, table 4.18 indicates that there were 3 items on the questionnaire that addressed the aspect of capacity building. Borrowers in all the six MFIs rated their MFIs' capacity building as low recording an overall mean of 2.0115. On the aspect of the MFI capacity building being adequate as low recording an overall mean of 2.1490. Borrowers' rating shows that they tended to disagree. Borrowers also recorded low rating on their business opportunities being well indicated, recording an overall low mean rating of 2.2779. Borrowers rated low on the aspect of training needs being satisfied recording low mean rating of 1.6074. In general, capacity building in all the six MFIs in Mwanza city was rated by the borrowers as low with a standard deviation of 0.85873.

Table 4.18 Mean Ratings on Borrowers' Perception of the Capacity Building

Ratings of Capacity Building	n	Mean	Std. Deviation
Capacity building is adequate	349	2.1490	1.13999
Business opportunities are well indicated	349	2.2779	1.14726
Training needs are satisfied	349	1.6074	1.02163
Capacity Building	349	2.0115	.85873
Valid n (listwise)	349		

Source: Field data, 2014

4.4.3 MFI Proximity and Access to Microfinance Loans

Proximity is the nearness in place, time, order, occurrence or relation. The research enquired about these considerations to assess borrowers' nearness. MFI Proximity was important to establish easy contact between borrowers and their respective MFIs.

In respect to travel hours to get to MFI responses are presented in the following table 4.19.

Table 4.19 indicates that out of 349 respondents who participated in the study 234 (67.0%) affirmed that their travel hour to the MFIs is less than one hour, 94 (26.9%) in the bracket of 1-2 hours, 10 (2.9%) in the range of 3-4 hours, 11 (3.2%) knew their travel hour to be more than 4 hours.

According to what has been revealed by findings, it is seen that majority of the respondents (93.9%) affirmed traveling not more than two hours. This translates that MFIs were situated near customers.

Table 4.19 Travel Hours Used to Get to MFI

Travel Hours	Frequency	Percent
Less than 1 hour	234	67.0
1-2 hours	94	26.9
3-4 hours	10	2.9
More than 4 hours	11	3.2
Total	**349**	**100.0**

Source: Field data, 2014

Means of transportation were to be assessed in order to support the nearness of MFIs. In respect to the means of transportation different mode of transport were mentioned by respondents. Table 4.20 is presenting the distributions.

Table 4.20 shows that out of 349 respondents who participated in the study 144 (41.3%) affirmed reaching MFI on foot, 59 (16.9%) used bicycles, 23 (6.6%) used motorbikes, 26 (7.4%) used their own motorcars while 97 (27.8%) used public transportation especially daladala. Borrowers that used foot, bicycle and public transportation, as the cheapest means, were 87.0% of the respondents. This may justify the MFI proximity.

Table 4.20 Means of Transportation used by Borrowers

Mode of Transport	Frequency	Percent
On foot	144	41.3
Bicycle	59	16.9
Motorbike	23	6.6
Motorcar	26	7.4
Public transportation	97	27.8
Total	**349**	**100.0**

Source: Field data, 2014

MFI proximity is also translated by how far is located borrowers' home from MFI headquarter. Table 4.21 is presenting responses to the question asking about distance covered.

In relation to how far is borrower's home from MFI headquarter, table 4.21 indicates that out of 349 respondents who participated in the study 118 (33.8%) declared that the distance between their homes and MFI headquarter was less than 1 km, 124 (35.5%) were in the range of 1-2 km, 30 (8.6%) were in the bracket of 3-4 km, 77 (22.1%) were in the range of more than 4 km. It was noticed that 69.3% of the borrowers are not really far from their MFI headquarters (1-2 kilometers).

Table 4.21 Distance from Borrowers' home to MFI headquarter

Distance Covered	Frequency	Percent
Less than 1 km	118	33.8
1-2 km	124	35.5
3-4 km	30	8.6
More than 4 km	77	22.1
Total	**349**	**100.0**

Source: Field data, 2014

MFI proximity is also translated by how far is the borrower's operating area from MFI headquarter. Table 4.22 presents responses to the question asking about distance covered from borrowers' operating area.

Table 4.22 shows that out of 349 respondents who participated in the study 137(39.3%) were at less than 1 km, 143 (41.0%) were in the range of 1-2 kilometers, 21 (6.0%) in the range of 3-4 kilometers, 48 (13.8%) in the range of more than 4 kilometers.
The researcher noticed that out of 349 respondents who participated in the study 280 (80.3%) were operating not really far from their MFI headquarters (1-2 kilometers).

Table 4.22 Distance from Borrowers' operating area to MFI headquarter

Distance Covered	Frequency	Percent
Less than 1 km	137	39.3
1-2 km	143	41.0
3-4 km	21	6.0
More than 4 km	48	13.8
Total	**349**	**100.0**

Source: Field data, 2014

In order to support findings about MFI proximity, the respondents were asked to rate their perception of the MFI proximity. Ratings are presented in table 4.23.

As for mean ratings on borrowers' perception of the MFI proximity, table 4.23 indicates that there were 3 items on the questionnaire that addressed the aspect of MFI proximity. It shows the mean ratings on MFI proximity as perceived by the borrowers in all the six MFIs covered by the research.

Borrowers in all the six MFIs rated their MFIs' proximity as average recording an overall mean of 3.3696. On the aspect of the time used to get to the MFI being realistic, borrowers rate as average recording an overall mean of 3.2751. Borrowers' rating shows that they tended to agree. Borrowers also recorded average rating on their distance MFI-client dwelling being practical, recording an overall average mean rating of 3.3668. Borrowers rated average on the aspect of Distance MFI-Client operating area being reasonable recording average mean rating of 3.4670.

Overall MFI proximity in all the six MFIs in Mwanza city was rated by the borrowers as average. This supports the distance that was found being not far from 2 kilometers for most of the borrowers.

Table 4.23 Mean Ratings on Borrowers' Perception of the MFI Proximity

Ratings of MFI Proximity	n	Mean	Std. Deviation
Time used to get to the MFI is realistic	349	3.2751	1.09281
Distance MFI - Client dwelling is practical	349	3.3668	1.02140
Distance MFI - Client operating area is reasonable	349	3.4670	.91109
MFI Proximity	349	3.3696	.92501
Valid n (listwise)	349		

Source: Field data, 2014

4.4.4 Loan Application Process and Access to Microfinance Loans

Harper (2006) defines process as a series of actions which are carried out in order to achieve a particular process. MFI Loan application process comprises a set of conditions to be fulfilled before accessing microfinance loans in Mwanza city.

In respect to the question inquiring which condition was mostly required to access microfinance loans in Mwanza city, different conditions were mentioned by respondents. Table 4.24 presents the distributions of the responses.

Data from table 4.24 indicate that out of 349 respondents who participated in the study 2 (0.6%) affirmed that the mostly required condition was to be owner of a business set up more than one year, 19 (5.4%) affirmed it to be at same business location for 6 months, 7 (2.0%) were for having a current patent or trading license, 3 (0.9%) presenting a copy of the National Identity Card, 6 (1.7%) presenting MFI account statement if available, 39 (11.2%) completing loan application form, and 273 (78.2%) affirmed it was presenting collaterals.

Table 4.24 Distribution of Respondents by Mostly required Condition to get Loans

Loan Requirements	Frequency	Percent
Be owner of a business set up more than 1 year	2	.6
Be at same business location for 6 months	19	5.4
Have a current patent or trading license	7	2.0
Present a copy of the National Identity Card	3	.9
Present MFI account statement if available	6	1.7
Complete loan application form	39	11.2
Present Collaterals	273	78.2
Total	**349**	**100.0**

Source: Field data, 2014

It is seen that collateral is the mostly considered condition to get loan from any MFI in Mwanza city. In accordance with the predetermined conditions to get loan (Ledgerwood, 2000), it has been revealed that without collaterals, defaulting loans would have been uncovered and therefore increase in provision would have resulted in financial loss.

As collaterals are necessary to get loans from any MFI in Mwanza city, respondents were asked question in relation with required collaterals. Responses are presented in table 4.25

Table 4.25 shows that out of 349 respondents who participated in the study 8 (2.3%) affirmed that the mostly required collateral was personal property like fridge, TV/Video, and music systems, 6 (1.7%) affirmed it to be business assets such as sewing machine and computers, 6 (1.7%) were for current patent or trading license, 3 (.0.9%) for copy of motor vehicle, and log book, 289 (82.8%) affirmed that required collaterals were house and land titles, while 40 (11.5%) found required collaterals in other things such as salaries.

Considering such findings, the first required collaterals are house and land titles while the second is salary. These two kinds of most required collaterals prove that MFIs in Mwanza city are reluctant to borrowers that are not able to find such collaterals.

Table 4.25 Distribution of the Respondents by Required Collaterals

Required Collaterals	Frequency	Percent
Personal property	8	2.3
Business assets	6	1.7
Copy of motor vehicle	6	1.7
House/land title	289	82.8
Others	40	11.5
Total	**349**	**100.0**

Source: Field data, 2014

Interest rate plays a big role in accessing microfinance loans. Respondents were asked to situate it and diversified ranges were mentioned. Table 4.26 presents their distributions. Table 4.26 indicates that out of 349 respondents who participated in the study 34 (9.7%) declared that it was less than 1% per month, 235 (67.5%) found it in the bracket of 1-1.9% per month, 57 (16.3%) in the range of 2% - 2.9% per month, 23 (6.6%) found it to be in the range of 3% and above per month.

In almost enquired MFIs interest rate was most of time in the range of 1-1.9%. Research went far and calculated that range of interest in year and found that it was in the bracket of 12-23% per year while it was 14-19% in commercial banks. The research pushed before and during interview with employees in charge of loan, the answer was given. They stipulated that interest was not really high. Being higher than of the commercial banks may due to; first of all, operating expenses supported by the generated revenue from products mostly credits, secondly to MFI fragility where the latter suffers when disbursed credits are badly or not paid back.

Table 4.26 Distribution of Respondents by Range of Interest Rate

Range of Interest Rate	Frequency	Percent
Less than 1% per month	34	9.7
1-1.9% per month	235	67.3
2% - 2.9% per month	57	16.3
3% and above per month	23	6.6
Total	**349**	**100.0**

Source: Field data, 2014

When a loan is paid back the interests are paid in addition to the principal due. Paying back the contracted loans depends on the payment time given to borrowers. Respondents were asked question inquiring the given payback time and responses are presented in table 4.27

As for the loan payback term, table 4.27 indicates that out of 349 respondents who participated in the study 99 (28.4%) declared that the payment term is weekly, 217 (62.2 %) found it biweekly, 33 (9.5%) said it was monthly.

The research found that the payback term was short (two weeks). Reasons of the short term for paying back was said to come from the inner nature of microfinance system that greatly deals with short term loans to poor people.

Table 4.27 Distribution of Respondents by Loan Payback Term

Payback Term	Frequency	Percent
Weekly	99	28.4
Biweekly	217	62.2
Monthly	33	9.5
Total	**349**	**100.0**

Source: Field data, 2014

In order to support findings about Loan Application Process, the respondents were asked to rate their perception of the MFI loan application process and access to microfinance loans in Mwanza city. Ratings are presented in table 4.28.

Table 4.28 shows that 7 items on the questionnaires addressed the aspect of MFI loan application process. It shows the mean ratings on MFI loan process as perceived by the borrowers in all the six MFIs covered by the investigation. Borrowers in all the six MFIs rated their MFIs' loan process as average recording an overall mean of 2.5702 with a standard deviation of 0.70682. Concerning aspect of the loan application process being prompt borrowers rate it as low recording an overall mean of 2.1089. Borrowers' rating shows that they tended to disagree. Borrowers recorded low rating on their loan requirements being easy, recording an overall low mean rating of 2.4928. Borrowers rated average on the aspect of loan analysis being fair recording low mean rating of 2.2693. Borrowers recorded low rating on their loan approval being right, recording an overall low mean rating of 2.4785. Borrowers rated average on the aspect of collaterals needed being based on reason recording average mean rating of 3.1060. Borrowers also recorded average rating on their interest rate being excessive, recording an overall average mean rating of 2.6132. Finally, borrowers rated average on the aspect of repayment terms being fair recording average mean rating of 3.1490.

Generally, MFI loan process in all the six MFIs in Mwanza city was rated by the borrowers as average. This shows that MFI loan application process has to be improved in some areas like interest rate.

Table 4.28 Mean Ratings on Borrowers' Perception of the MFI Loan Process

Perception on MFI Loan Application Process	n	Mean	Std. Deviation
Loan process is prompt	349	2.1089	1.14954
Loan Requirements are easy	349	2.4928	1.19052
Loan analysis is fair	349	2.2693	1.16792
Loan approval is right	349	2.4785	1.16595
Collaterals needed to get loans are based on reason	349	3.1060	1.07890
Interest Rate is excessive	349	2.6132	1.24196
Repayment terms are fair	349	3.1490	1.10933
MFI Loan Process	349	2.5702	.70682
Valid n (listwise)	349		

Source: Field data, 2014

4.4.5 Borrower Characteristics and Access to Microfinance Loans

In order to easily access microfinance loans each borrower has to present highly appreciated ethical characteristics. Those characteristics are like being mature, having a well considered social condition, honesty, and possibility of pledging collaterals.

In relation to borrower characteristics respondents were asked questions inquiring their perception on borrowers' characteristics and access to microfinance loans in Mwanza city. Responses are summarized in table 4.29

Table 4.29 indicates that out of 349 respondents who participated in the study 14 (4.0%) affirmed that in their MFI the borrower has mostly to be at least of 21 years old not a minor, 21 (6.0%) affirmed that borrower has to have a monthly income of at least Tshs 200,000 to prove their source of payment, 151 (43.3%) said that borrower has to be of appreciated social position in the village, 162 (46.4%) affirmed that borrower must enjoy possibility of pledging collateral, and 1(0.3%) said that borrower must have other features like favoritism.

The two major features were possibility of pledging collateral and being of appreciated social position in the village. These two features were proper for MFIs that dealt with individual credit and joint liability group.

Table 4.29 Distribution of Mostly Required Borrowers' Characteristics

Borrowers' Characteristics	Frequency	Percent
Be at least of 21 years old	14	4.0
Have a monthly income of at least $10	21	6.0
Be of appreciated social position in the village	151	43.3
Possess possibility of pledging collateral	162	46.4
Have others features	1	.3
Total	**349**	**100.0**

Source: Field data, 2014

In order to support findings about borrowers' characteristics respondents were asked to rate their perception of the borrowers' characteristics influencing access to microfinance loans in Mwanza city. Their ratings are presented in table 4.30.

As for mean ratings on borrowers' perception of the borrowers' characteristics, table 4.30 indicates that there were 5 items on the questionnaire that addressed the aspect of borrowers' characteristics. It shows the mean ratings on borrower characteristics as perceived by the borrowers in all the six MFIs covered by the investigation. Respondents in all the six MFIs rated their borrowers' characteristics as average recording an overall mean of 3.1003 with 0.49262 as Standard deviation.

On the aspect of the required age of the borrower being realistic, borrowers rate as high recording an overall mean of 3.5043. Borrowers' rating shows that they agree. Borrowers recorded average rating on their obligated income being affordable, recording an overall mean rating of 2.9169. Borrowers rated average on the aspect of considered level of education being fair recording average mean rating of 3.2865. Borrowers recorded high rating on their demanded social position in the village being logical, recording an overall high mean rating of 3.7937. Borrowers rated low on the aspect of possibility of pledging collateral being flexible recording low mean rating of 2.0000. Generally, feature 'borrower characteristics' in all the six MFIs in Mwanza city was rated by the borrowers as average.

Table 4.30 Mean Ratings on Borrowers' Perception of the Borrower Characteristics

Perceptions on Borrowers' Characteristics	n	Mean	Std. Deviation
Required age of the borrower is realistic	349	3.5043	.92420
Obligated income is affordable	349	2.9169	1.21838
Considered level of education is fair	349	3.2865	1.20027
Demanded social position in the village is logical	349	3.7937	.68470
Possibility of pledging collateral is flexible	349	2.0000	1.13208
Borrower Characteristics	349	3.1003	.49262
Valid n (listwise)	349		

Source: Field data, 2014

4.5 Comparison of Borrowers' Perceptions

Under this section the research tried to find responses to the fifth research question "Is there a significant difference between the evaluation ratings of determinants of access to MFI of approved borrowers and pending or rejected borrowers?"

In order to respond well to this question, the research started by testing the response "There is no significant difference between the evaluation ratings of determinants of access to MFI of approved borrowers and pending or rejected borrowers" and ended by comparing evaluation of determinants of access to microfinance loans in Mwanza city.

4.5.1 Ratings of Information dissemination

In order to find response to the research question the level of significance (p-value) served to decide if there is or there is no significant difference. A p-value is a measure of how much evidence you have against the null hypothesis. The smaller the p-value, the more evidence you have. If the p-value is less than some threshold (usually .05, sometimes a bit larger like 0.1 or a bit smaller like .01) then you reject the null hypothesis.

The results of Test of differences on information dissemination between qualified and pending or rejected borrowers are presented in table 4.31.

Table 4.31 illustrates test of differences on information dissemination between approved and pending or rejected borrowers. The p-value of 0.000 indicates that there was a significant difference between the information dissemination perceptions of qualified and pending or rejected borrowers. Approved borrowers had a better perception about MFI means of information dissemination than pending or rejected borrowers as it was indicated in their average mean rating of 2.7086 and low mean rating of 2.2239 for qualified and pending or rejected borrowers respectively.

Table 4.31 Differences on Information dissemination between borrowers

	Type of borrower	N	Mean	Std. Deviation	Std. Error Mean
Means of Information Dissemination	Qualified borrower	151	2.7086	.89881	.07314
	Pending and rejected borrower	198	2.2239	.80735	.05738

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means					95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Differ.	Std. Error Difference	Lower	Upper
Means of Information Dissemination	Equal variances assumed	1.072	.301	5.290	347	.000	.48470	.09163	.3044	.66492
	Equal variances not assumed			5.214	303.805	.000	.48470	.09296	.3017	.66764

Source: Field data, 2014

Legend:

P-value (Significance Level)

$P < 0.01$: very strong evidence against the negative proposed answer (H_0)

$0.01 <= P < 0.05$: moderate evidence against the negative proposed answer (H_0)

$0.05 <= P < 0.10$: suggestive evidence against the negative proposed answer (H_0)

$0.10 <= P$: little or no real evidence against the negative proposed answer (H_0)

Table 4.32 shows comparisons of means of specific items on means of information dissemination as rated by the borrowers-qualified and pending or rejected- in MFIs Mwanza city. Qualified borrowers found MFI means of information dissemination being satisfactory, with average mean rating of 3.1192 compared to pending or rejected borrowers with low mean ratings of 2.2.3081. Sources of information are also reported to be in average enough for qualified borrowers with mean rating of 2.9073 as opposed to a low mean rating of 2.2424 recorded from pending or rejected borrowers. The media used were both reported to be inadequate with low mean ratings of 2.0993 and 2.1212 for qualified and pending or rejected borrowers respectfully. These findings were in accordance with the following previous studies. Atieno (2001), in the study entitled “Formal and informal institutions’ lending policies and access to credit by small-scale enterprises in Kenya: An empirical assessment” found that most enterprises (51%) had not used credit before. This was due to the lack of information about credit and lack of required security.

Akhand (2008) in the stuty “How do microfinance clients understand their loans?” found that small borrowers were able to identify the size and duration of the loan and their weekly installment on their loan. However, they knew very little about the interest rate and total interest expense on the loan.

Table 4.32 Comparison of Evaluation of Means of Information Dissemination

	Means	
Statements	**Qualified borrowers**	**Pending or rejected borrowers**
MFI information dissemination is satisfactory	3.1192	2.3081
Sources of information are enough	2.9073	2.2424
Media used are adequate	2.0993	2.1212
Valid n (listwise)		

Source: Field data, 2014

4.5.2 Ratings of Capacity Building

The results of Test of differences on capacity building between qualified and pending or rejected borrowers are presented in table 4.33

Table 4.33 illustrates test of differences on capacity building between approved and pending or rejected borrowers. The p-value of 0.681 indicates that there was no significant difference between the capacity building perceptions of qualified and pending or rejected borrowers. Even though qualified borrowers had a better perception about MFI capacity building than pending or rejected borrowers, their means were **low** as indicated in their low ratings of 2.0331 and 1.9949 for qualified and pending or rejected borrowers respectively.

Table 4.33 Test of Differences on Capacity Building between Qualified and Pending or Rejected Borrowers

	Type of borrower	**n**	**Mean**	**Std. Deviation**	**Std. Error Mean**
Capacity Building	Qualified borrower	151	2.0331	.89918	.07317
	Pending and rejected borrower	198	1.9949	.82848	.05888

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Capacity Building	Equal variances assumed	2.091	.149	.411	347	.681	.03816	.09289	-.1445	.22086
	Equal variances not assumed			.406	308.6	.685	.03816	.09392	-.1466	.22297

Source: Field data, 2014

Table 4.34 shows comparisons of means of specific items on capacity building as rated by the borrowers-qualified and pending or rejected- in MFIs in Mwanza city. All ratings were low and they all tended to disagree with capacity building.

Qualified borrowers found MFI capacity building being inadequate, with low mean rating of 2.2583 compared to pending or rejected borrowers with low mean ratings of 2.0657. Business opportunities were also reported to be not well indicated for qualified borrowers with low mean rating of 2.2384 as opposed to a low mean 2.3081 recorded from pending or rejected borrowers. The training needs were both reported to be unsatisfied with low mean rating of 1.6026 and 1.6111 for qualified and pending or rejected borrowers respectfully.

Findings about capacity building were supporting what has been concluded by other researchers. Llanto (2006) in his study "Building on capacity and education to expand microfinance access. A Presentation of Results and Experiences from the Technical Assistance in Enhancing Access of the Poor to Microfinance Services in Frontier Areas" found that capacity building passes first through assessing business opportunities and secondly, assessing and responding to the training needs.

Table 4.34 Comparison of Evaluation of Capacity Building

	Means	
Statements	**Qualified borrowers**	**Pending or rejected borrowers**
Capacity building is adequate	2.2583	2.0657
Business opportunities are well indicated	2.2384	2.3081
Training needs are satisfied	1.6026	1.6111
Valid n (listwise)		

Source: Field data, 2014

4.5.3 Ratings of MFI Proximity

The results of Test of differences on MFI Proximity between qualified and pending or rejected borrowers are presented in table 4.35

Table 4.35 illustrates test of differences on MFI proximity between approved and pending or rejected borrowers. The p-value of 0.205 indicates that there was no significant difference between the MFI proximity perceptions of qualified and pending or rejected borrowers. All borrowers tended to agree about MFI proximity and qualified borrowers had a better perception than pending or rejected borrowers with average means as indicated in their ratings of 3.4415 and 3.3148 for qualified and pending or rejected borrowers respectively.

Table 4. 35 Test of differences on MFI proximity between qualified and pending or rejected borrowers

	Type of borrower	**N**	**Mean**	**Std. Deviation**	**Std. Error Mean**
MFI Proximity	Qualified borrower	151	3.4415	.80788	.06574
	Pending and rejected borrower	198	3.3148	1.00377	.07133

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
MFI Proximity	Equal variances assumed	7.506	.006	1.269	347	.205	.12669	.09985	-.069	.3230
	Equal variances not assumed			1.306	345.972	.192	.12669	.09701	-.064	.3174

Source: Field data, 2014

Table 4.36 shows comparisons of means of specific items on MFI proximity as rated by the borrowers-qualified and pending or rejected- in MFIs in Mwanza city. All ratings shows that all respondents tended to agree on MFI proximity.

Time used to get to the MFI is found to be realistic with average mean rating of 3.3245 for qualified borrowers and average mean rating of 3.2374 for pending or rejected borrowers. Qualified borrowers found distance between MFI and their dwellings being practical with an average mean rating of 3.4570 comparing to the average mean of 3.2980 for pending or rejected borrowers. Distance MFI-Client operating area being reasonable scored a high mean rating of 3.5430 for qualified borrowers and an average rating of 3.4091 for pending or rejected borrowers.

This confirmed findings from earlier researchers. Luthra (2007) found nearness in place, time, order, occurrence, or relation being determinants of access to microfinance.

Table 4.36 Comparison of Evaluation of MFI Proximity

	Means	
Statements	**Qualified borrowers**	**Pending or rejected borrowers**
Time used to get to the MFI is realistic	3.3245	3.2374
Distance MFI - Client dwelling is practical	3.4570	3.2980
Distance MFI - Client operating area is reasonable	3.5430	3.4091
Valid N (listwise)		

Source: Field data, 2014

4.5.4 Ratings of MFI Loan Process

The results of Test of differences on MFI Loan Process between qualified and pending or rejected borrowers are presented in table 4.37

Table 4.37 illustrates test of differences on MFI loan process between approved and pending or rejected borrowers. The p-value of 0.000 indicates that there was significant difference between the MFI loan process perceptions of qualified and pending or rejected borrowers. Borrowers diverted about MFI loan process while qualified borrowers had a better perception than pending or rejected borrowers with average means as indicated in their ratings of 2.8638 and low mean rating of 2.3463 for pending or rejected borrowers.

Table 4.37 Differences on MFI loan process between borrowers

	Type of borrower	N	Mean	Std. Deviation	Std. Error Mean
MFI Loan Process	Qualified borrower	151	2.8638	.68080	.05540
	Pending and rejected borrower	198	2.3463	.64279	.04568

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
MFI Loan Process	Equal variances assumed	.99	.31	7.26	347	.000	.51745	.07125	.3773	.6575
	Equal variances not assumed			7.21	313.1	.000	.51745	.07181	.3762	.6587

Source: Field data, 2014

Table 4.38 shows comparisons of means of specific items on MFI loan process as rated by the borrowers-qualified and pending or rejected- in MFIs in Mwanza city. Ratings showed that qualified borrowers tended to agree to six items out of the seven specific measured items while pending or rejected borrowers tended to agree for three items out of seven.

MFI Loan process is found to be not prompt with low mean rating of 2.3046 for qualified borrowers and low mean rating of 1.9596 for pending or rejected borrowers. Qualified borrowers found loan requirements being easy to fulfill with an average mean rating of 2.9205 comparing to the low scored mean of 2.1667 for pending or rejected borrowers. Loan analysis being fair scored an average mean rating of 2.7815 for qualified borrowers and a low mean rating of 1.8788 for pending or rejected borrowers. Qualified borrowers found loan approval being right with an average mean rating of 3.0066 while pending or rejected borrowers tended to disagree with a low mean rating of

2.0758. Collaterals needed to get loans being based on reason had been found average with mean rating of 3.4901 and 2.8131 for qualified and pending or rejected borrowers respectively. Both qualified and pending or rejected borrowers found interest rate being excessive with average mean ratings of 2.6358 and 2.5960 respectively. All borrowers found repayment terms being fair with average meaning rating of 3.1788 for qualified borrowers and 3.1263 for pending or rejected borrowers.

In respect to the findings, former studies are supported. Diagne (2000) used the concept of credit limit to analyze the "Determinants of household access to and participation in informal and formal credit markets in Malawi" found that the composition of household assets was much more important as a determinant of household access to formal credit than the total value of household assets or landholding size.
Kasirye (2005) in the study "Rural Credit Markets in Uganda: Evidence from the 2005/6 National Household Survey" found having a savings account as key determinant of credit applications by rural households.

Okpukpara (2009) in the study "Determinants of micro business loan acquisition for rural entrepreneurs in Nigeria" found that both formal and informal loans are more easily obtained when the applicant has a good loan repayment record, when there is more competition between institutions, and, in what appears to be a contradiction, when the interest rate is higher. On the supply side, he found that institutions rely heavily on information about loan repayment history, on the type of enterprise, on experience, on gender (males preferred), and on collateral to determine loan provision.

Okijie (2009) in the study "Institutional environment and access to microfinance by self-employed women in the rural areas of Edo State, Nigeria" found that rural women in particular found difficult to borrow from banks because most did not have bank accounts, they had no collateral to present to the bank, and many women did not know the procedures for accessing bank loans.

Table 4.38 Comparison of Evaluation of MFI loan process

Statements	Means	
	Qualified borrowers	Pending or rejected borrowers
Loan process is prompt	2.3046	1.9596
Loan Requirements are easy	2.9205	2.1667
Loan analysis is fair	2.7815	1.8788
Loan approval is right	3.0066	2.0758
Collaterals needed to get loans are based on reason	3.4901	2.8131
Interest Rate is excessive	2.6358	2.5960
Repayment terms are fair	3.1788	3.1263
Valid n (listwise)		

Source: Field data, 2014

4.5.5 Ratings of Borrowers' Characteristics

The results of Test of differences on MFI Loan Process between qualified and pending or rejected borrowers are presented in table 4.39

Table 4.39 illustrates test of differences on borrower characteristics between approved and pending or rejected borrowers. The p-value of 0.093 indicates that there was no significant difference between the borrower characteristics perceptions of qualified and pending or rejected borrowers. All borrowers tended to agree about borrower characteristics where qualified borrowers had a better perception than pending or rejected borrowers with average means as indicated in their ratings of 3.1510 and 3.0616 for qualified and pending or rejected borrowers respectively.

Table 4.39 Differences on Borrowers' Characteristics between Borrowers

	Type of borrower	N	Mean	Std. Deviation	Std. Error Mean
Borrower Characteristics	Qualified borrower	151	3.1510	.45488	.03702
	Pending and rejected borrower	198	3.0616	.51736	.03677

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Borrower Characteristics	Equal variances assumed	2.21	.138	1.68	347	.093	.08938	.05308	-.01503	.19378
	Equal variances not assumed			1.71	339.9	.088	.08938	.05217	-.01325	.19200

Table 4.40 shows comparisons of means of specific items on MFI borrower characteristics as rated by the borrowers-qualified and pending or rejected- in MFIs in Kicukiro District, Rwanda. Ratings showed that all borrowers tended to agree to four out of the five specific measured items.

Required age of the borrower is found to be realistic with average mean rating of 3.7020 for qualified borrowers and average mean rating of 3.3535 for pending or rejected borrowers. Qualified borrowers obligated income being affordable with an average mean rating of 3.1589 comparing to the average scored mean of 2.7323 for pending or rejected borrowers. Considered level of education being fair scored an average mean rating of 3.1987 for qualified borrowers and an average mean rating of 3.3535 for pending or rejected borrowers. Both qualified and pending or rejected borrowers agreed on demanded social position in the village being logical with a high mean rating of 3.8344 and of 3.7626 respectively. Possibility of pledging collateral being flexible had been lowly rated with low mean rating of 1.8609 and 2.1061 for qualified and pending or rejected borrowers respectively.

These findings supported former researches. Vu (2001) in the study “Determinants of Rural Households’ Borrowing from the formal Financial Sector: A study of the rural credit market in Red River delta region in Vietnam*”* found that especially social position was important in explaining access to formal credit.

Khalid (2003) in the empirical study “Access to Formal and Quasi-Formal Credit by Smallholder Farmers and Artisanal Fishermen: A Case of Zanzibar*”* found that age, gender, education, income levels, and degree of awareness on credit availability were factors that influence credit accessibility by smallholder farmers and artisanal fishermen in Zanzibar.

Lensik (2008) in the study entitled “Determinants of Farming Households’ Access to Formal Credit in the Mekong Delta, Vietnam” found that the probability of access to formal credit appeared to depend on borrower characteristics, such as age, income, education, social position in the village, and the possibility of pledging collateral.

Table 4.40 Comparison of Evaluation of Borrower Characteristics

	Means	
Statements	**Qualified borrowers**	**Pending or rejected borrowers**
Required age of the borrower is realistic	3.7020	3.3535
Obligated income is affordable	3.1589	2.7323
Considered level of education is fair	3.1987	3.3535
Demanded social position in the village is logical	3.8344	3.7626
Possibility of pledging collateral is flexible	1.8609	2.1061
Valid n (listwise)		

Source: Field data, 2014

4.6 Determinants of Access to Microfinance Loans by Borrowers

This section tried to find answer to research question “What is the best predictor of Access to microfinance loans by borrowers in Mwanza city*?*” The analysis of data in an attempt to answer research question six was best given by a look at MFI means of information dissemination, capacity building, MFI proximity, loan application process, and borrower characteristics all in regression to identify which one was the best predictor of the access to microfinance loans.

An econometric model was constructed clearly explaining regression models 1, 2, 3, 4, and 5 which gives a clear picture of relationship between the access to microfinance loan score and the five independent variables, x_1 = means of information dissemination, x_2 = capacity building; x_3 = MFI proximity, x_4 = Loan application process, and x_5 = Borrower characteristics. The creation of the model is discussed, where testing of the significance of the regressors/predictors or independent variable is enclosed, and a general discussion of the model components and how they relate.

Table 4.41 Predictors of Access to Microfinance Loans (Overall)

Predictors	ß	t-value	Sig.	R^2 Change	*p*-value
Means of information dissemination	.049	.921	.358	.001	>.05
Capacity building	-.069	-1.305	.193	.001	>.05
MFI proximity	.301	5.490	.000	.060	<.05
Loan application process	-.004	-.072	.943	.060	>.05
Borrower characteristics	.245	4.639	.000	.116	<.05
Constant: -2.06		Total R^2 : .238(.212*)			

Source: Field data, 2014

From table 4.44 the researcher found that:

a) The t-statistic on MFI Means of Information Dissemination was (.921), which was significant at moderate significance levels. Thus, we say that the variable "Means of Information Dissemination (MID)" is statistically significant at any conventional significance level." This situation was strengthened by the rejected hypothesis as MID had sig. = .358 >.05. This meant that means of information dissemination, other determinants remaining fixed at zero, has moderate significance and positive relationship with access to microfinance loans.
b) The t-statistic on Capacity Building was (-1.305), which statistically reflected a negative effect on access to microfinance loans. However the null hypothesis about capacity building was rejected as it had sig. = .193 > .05. This implied that

capacity has a moderate significant relationship though it is inversely related to the access of microfinance loans.

c) The coefficient on MFI Proximity had a t-statistic of (5.490). Though it had a positive effect on access to microfinance loans, it was statistically not significant at the low insignificance level. The strengthened insignificance was supported by the acceptance of the null hypothesis as MFI Proximity had sig. = .000 < .05.

d) The t-statistic on Loan Application Process was (-.072), which statistically affected negatively the access to microfinance loans in Mwanza city. Though the effect was negative, loan application process reflected significance at higher level. The high significance was supported by the rejection of the null hypothesis as sig. = .943 > .05. Loan application process manifested an inverse effect on access to microfinance loan. This meant that once Loan Application Process became stringent, accessing microfinance loans became not easier.

e) The t-statistic on Borrower Characteristics is (4.639), and it was statistically insignificant at the lower level. The sig. = .000 < .05 was strengthening the acceptance of null hypothesis and the rejection of alternative in terms of influencing positively the access to microfinance loans.

In summary this chapter presented, analyzed, and interpreted the collected data. Data was descriptively analyzed and tables were provided throughout the chapter to illustrate statistical patterns of the findings following the sequence of research questions. The first section described the profile of the respondent MFIs. The 2nd section concerned the profile of the respondent borrowers. The 3rd section went on by assessing the level of microfinance loan access in Mwanza city. The 4th section emphasized the perceptions of borrowers on determinants of access to microfinance loans. The 5th section dealt ratings of determinants of access to MFI of approved borrowers and pending or rejected borrowers. The 6th and the last section pointed out the best predictor of access to microfinance loans in Mwanza city. The next chapter presents a summary, conclusion and recommendations to the results of the abovementioned data analysis and interpretation

CHAPTER FIVE

DISCUSSION OF MAJOR FINDINGS

The findings of this study are based on the research questions in concert with their related objectives. They supported what previous studies have found on determinants of access to loans, and they stressed on something new. Both types of findings were used to recommend to microfinance institution managers some suggestions to reform loan policy in concerns of determinants.

Concerning the first research question "What is the profile of the respondent MFIs in terms of the MFI's age, years of operation in Mwanza city, number of employees in charge of loans in each MFI, number of qualified borrowers, number of pending or rejected borrowers? The study revealed that Pride was the oldest MFI (founded 1996) with women as most of its customers grouped in joint liability (tontines). In addition, all the six MFIs were found to be experienced in microfinance loans though they all have restricted number of qualified borrowers. This finding shows the value that this scenario results from the lending terms and conditions reflected in collateral, application procedure and repayment period (Atieno, 2001; Khalid, 2003).

In respect to the second research question "What is the profile of the borrowers in terms of gender, age, marital status, education, occupation, operating time with MFI, and type of borrower?" the study revealed that out of 349 respondents who participated in the study 202 (57.9) were female, 263 (75.4%) were in the age bracket of below 40 years, 227 (65.0%) were married, 272 (78.0%) were primary or secondary level of education, 168 (48.1%) were doing petty commerce.

Concerning the third research question "What is the level of microfinance loan access by borrowers in Mwanza city as pertains to the operating time with MFI, the type of borrowers, the number of microfinance loans disbursed, the type of micro projects financed and amounts used?" the study found that out of 349 respondents who participated in the study 254 (72.8%) were working with MFI for 2 years or less, 198 (56.7%) were pending or rejected borrowers, 41 (11.7%) received loans more than three times, 101 (28.9%) did petty commerce, 53 (15.2%) received amount between 101000-150000.

In relation to the forth research question "What are the perceptions of the borrowers on the following determinants of access to microfinance loans in Mwanza city?" the study found that out of 349 respondents who participated in the study out of 349 respondents who participated in the study, 234 (67.0%) knew MFI by its clients as means of information dissemination and they rated means of information as low (2.4336). This supported the view of degree of awareness (Khalid, 2003).

140 (40.1%) affirmed having been shown opportunity in small business and 142 (40.7%) accepted having been trained in financial management. They rated capacity building with low mean (2.0115). This finding supported education of the people (Musse, 2011; Lensik, 2001).

328 (93.9%) affirmed their travel hours to be 2 hours or less, 203 (58.2) used foot or bicycle, 242 (69.3%) covered a distance of 2 kilometers or less from home to MFI headquarter, 280 (80.2) covered a distance of 2 kilometers or less from operating area to MFI headquarter. They rated MFI proximity with average mean (3.3696).

273 (78.2) declared collaterals as the mostly required condition to get loan from MFIs, 289 (82.8%) affirmed House/Land title to be the mostly required collaterals, 235 (67.3%) found interest rate at 1.9 or less per month, 217 (62.2) affirmed 2 weeks as repayment term. They rated MFI loan process with average mean (2.5702). These findings supported loan requirements in terms of pledging collateral, having more land, using loan for non production expenses, having savings accounts, cultivated land size, number of livestock, and collateral or group formation (Lensik, 2001; Kasirye, 2005; Yehuala, 2008).

313 (89.7%) affirmed being of appreciated social position in the village and possessing possibility of pledging collateral as the main borrowers' characteristics. They rated borrowers' characteristics with average mean (3.1003). These findings supported age, gender, being well known, and having parents in business (Mukiri, 2006)

In respect to the fifth research question "Is there a significant difference between the evaluation ratings of determinants of access to MFI of approved borrowers and pending or rejected borrowers?" the study found that there was a significant difference between the means of information dissemination perceptions of qualified and pending or rejected borrowers as their p-value was 0.000. Approved borrowers had a better perception scoring average mean rating of 2.7086 comparatively to low mean rating of 2.2239 for qualified and pending or rejected borrowers.

It found that there was no significant difference between the capacity building perceptions of qualified and pending or rejected borrowers as their p-value was 0.681. Though qualified borrowers had a better perception than pending or rejected borrowers, their means were low as indicated in their low ratings of 2.0331 comparatively to 1.9949 for qualified and pending or rejected borrowers.

It found that there was no significant difference between the MFI proximity perceptions of qualified and pending or rejected borrowers as p-value was 0.205. All borrowers tended to agree about MFI proximity and qualified borrowers had a better perception (average mean rating ratings of 3.4415) than pending or rejected borrowers (average means rating 3.3148).

It also found that there was significant difference between the MFI loan process perceptions of qualified and pending or rejected borrowers as p-value was 0.000. Borrowers diverted about MFI loan process while qualified borrowers had a better perception than pending or rejected borrowers with average means as indicated in their ratings of 2.8638 and low mean rating of 2.3463 for pending or rejected borrowers.

It lastly found that there was no significant difference between the borrowers' characteristics perceptions of qualified and pending or rejected borrowers as p-value of 0.093 was indicated. All borrowers tended to agree about borrower characteristics where qualified borrowers had a better perception than pending or rejected borrowers with average means as indicated in their ratings of 3.1510 and 3.0616 for qualified and pending or rejected borrowers respectively.

In respect with the last research question "What is the best predictor of access to microfinance loans in Mwanza city?" by means of OLS derived from multiple regression analysis, the research found that there was a positive relationship between access to microfinance loan and a set of variables like means of information dissemination (x_1), MFI proximity (x_3), and borrower characteristics (x_5). The positive values of **ß$_1$** (0.049)**,** **ß$_3$** (0.301)**,** and **ß$_5$** (0.245), indicated that once there is an increase in one of the specific variables in terms of $\mathbf{x_1}$, $\mathbf{x_3}$, and $\mathbf{x_5}$, an increase in microfinance loan is predictable. Variables like capacity building ($\mathbf{x_2}$) and loan application process ($\mathbf{x_4}$) had negative coefficients (-0.069 and -0.004 respectively). This implied that there was an inverse relationship between those variables and access to microfinance loans in Mwanza city.

From t-statistics, the best predictors of access to microfinance loans are in the order of Loan Application Process with high significance level of .943, Means of Information Dissemination with moderate significance level of .358, and Capacity Building with moderate significance level of .193. Variables like MFI Proximity and Borrower Characteristics are insignificantly (sig. = .000) influencing access to microfinance loans in Mwanza city.

CHAPTER SIX
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents the summary of the whole study. In addition, it presents the findings, draws conclusions and makes recommendations to microfinance managers and future researchers.

6.1 Summary

The fundamental objective of this study was to analyze determinants of access to microfinance loans by borrowers in Mwanza city. To achieve these objectives, responses to the main research questions were sought.

The study employed a descriptive and diagnostic research design where determinants of access were independent variables, while access to microfinance loans was dependent variable. Questionnaires and interview guide were used to collect data from borrowers chosen at random sampling technique (349 borrowers) and employees in charge of loans. The MFIs that were used for the research included: FINCA, BRAC, BAYPORT, SEDA, PRIDE and B-BLUE. The Statistical Package for Social Sciences (SPSS) was employed as tool to organize and tabulate data collected. Cronbach's Alpha coefficient was used to test the reliability of the questionnaires. Descriptive statistics were used to portray the background of the respondents and their perceptions on determinants of access to microfinance loans. Frequencies, percentages, means, and standard deviations served as statistical tools to analyze data. T-test was used to determine if two sample means were significantly different from each other. Ordinary Least Squares (OLS) derived from Multiple Linear regression analysis was used to analyze the relationship between the set of independent variables (x_j) and dependent variable (Y) in terms of microfinance loans. This was used to agree on the best predictor of access to microfinance loans in Mwanza city.

6.2 Conclusion

In respect to the findings of research questions the following conclusions are arrived at: All the six MFIs are experienced in microfinance loans but they all have restricted number of qualified borrowers as it was justified by their lending terms and conditions reflected in collateral, application procedure and repayment period. Most of the qualified borrowers are females.

All MFIs work with bigger number of females, active, responsible but mostly doing petty commerce.

MFIs have bigger number of new comers; most of them become pending or rejected borrowers. Those who receive loans did it repeatedly and they mostly finance petty commerce with an amount not greater than $150.

Means of information dissemination used are mostly limited to MFI clients, and this makes weak the degree of awareness. Showing opportunities to the borrowers and training them before offering loans are poorly done. Travel hours from home or operating areas are in average affordable. Collaterals as house/land title constitute major hindrances to get loans from all MFIs in Mwanza city. Loan repayment is short. Being of appreciated social position in the village and possessing possibility of pledging collateral are the main borrowers' characteristics.

There was significant difference between means of information dissemination, loan application process perceptions of qualified and pending or rejected borrowers while there was no significant difference between capacity building, MFI proximity, and borrowers' characteristics perceptions of qualified and pending or rejected borrowers.
The best predictors of access to microfinance loans are in the order of Loan Application Process with high significance, Means of Information Dissemination and Capacity Building with moderate significance. Determinants such as MFI Proximity and Borrower Characteristics are insignificantly predicting access to microfinance loans in Mwanza city.

6.3 Recommendations for Improving Access to Microfinance Loans

From the findings and conclusions, the subsequent recommendations can be drawn on the determinants of access to microfinance loan in Mwanza city. Microfinance Institutions should:

1) Be involved in developing and interesting both females and males to undertake projects that are generating revenues. Besides, all MFIs should interest all people and cease discriminating customers at any distinction. A sound sensitization should be of interest in the sense of increasing customers.
2) Put considerable emphasis on other fields like farming and handcraft rather than orienting the most of the loans to petty commerce.
3) Be involved in developing and improving means of information dissemination by diversifying ways it was done and increasing the number of the media used. Communicating face to face is the right but not the only way to get the people. Notice board, brochures, pamphlets, advertisements on TV and broadcastings would be some of the other ways to disseminate information.
4) Develop modules and perform seminars through which opportunities should be shown and training about first financial necessities should be satisfied. Some of the MFI customers are failing their businesses, not because of incapacity of running them but due to the lack of enough knowledge they can get through trainings.
5) Cease to be stringent and lessen loan application process by considering other kinds of collaterals like joint liabilities for example.

6.4 Areas for Further Research

The following are the suggested areas for the further study:

1) This study was done in Mwanza city however it can be replicated in different geographical contexts.
2) A study can be done on the effectiveness of Microfinance in improving access to microfinance loans by Small and Medium Enterprises in any District of United Republic of Tanzania.
3) A further analysis with more tests should be carried out to evaluate the impact of MFIs on the borrowers' social and economic development status.
4) A study can be done on assessing challenges faced by MFIs in United Republic of Tanzania.
5) A comparative study of determinants of access should be carried out between MFIs, Banks, and Savings and Credit Cooperatives (SACCOs) in United Republic of Tanzania.
6) A Further research should be done to assess impact of the specified MFIs in poverty reduction within Mwanza city or elsewhere in United Republic of Tanzania.

   In summary this chapter has presented the summary of the study, conclusions and recommendations, which mark the end of the study

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APPENDICES

APPENDIX 1

SCHEDULE OF ACTIVITIES

The chart below shows the budgeted time for each activity whereby it take sixteen (16) weeks i.e. from January 2014 up to April 2014 to complete the research activities and report submission. The activities will comprise the following:

*DURATION	January				February				March				April			
ACTIVITIES	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Familiarization with MFI and work place																
Data collection and observation																
Development of research design																
Data analysis & interpretation																
Preparation of first draft																
Final report writing and submission																

Note:-

*Duration contains both Months in term of words and/or weeks in term of numbers.

APPENDIX 2

RESEARCH BUDGET

This budget is based on the whole period of the study and the sponsor who will finance my research study that is the Ministry Of Finance.

Activities Specification	**Cost Driver**	**Cost Of Each Cost Driver (Tshs)**	**Total Cost (Tshs)**
Binding	10 copies	5,000/=	50,000/=
Photocopying	150 pages	50/=	7,500/=
Printing	150 pages	500/=	75,000/=
Stationary	2 reams	5000/=	10,000/=
Transport			300000/=
Accommodation			50000/=
Meal			750000/=
Miscellaneous			117,500/=
Total			**1,360,000/=**

APPENDIX 3

RESEARCH QUESTIONS

Please tick [√] in the case correctly or write as appropriate:

1. Sex: Male ☐
   Female ☐
2. Age: Below 30 years ☐
   30 – 40 years ☐
   41 – 50 years ☐
   51 and above ☐
3. Marital Status: Single ☐ Married ☐ Widow ☐
4. Level of Education: Primary ☐ Secondary ☐ University ☐
5. Type of Occupation: Farmer ☐ Handcraft ☐ Petty commerce ☐
   Others (specify)……………………………………………

Section B: General Information

6. Operating time with MFI: less than 1year ☐
   1 - 2 years ☐
   3 - 5 years ☐
   More than 5 years ☐
7. Type of borrowers: Qualified borrower ☐
   Pending or rejected borrower ☐

8. Number of Times you're given loan:

None ☐

Once ☐

Twice ☐

Three times ☐

More than three times ☐

9. Type of micro project financed:

None ☐

Farming ☐

Handcraft ☐

Petty commerce ☐

Others (specify)…………………………

10. Amount received:

None ☐

Less than Tshs 50000 ☐

Tshs 51000-100000 ☐

Tshs 101000-150000 ☐

Tshs 151000-200000 ☐

Above Tshs 200000 ☐

Section C: Means of Information Dissemination

Tick [√] option applicable

11. I got information about microfinance from:

- Government Institutions ☐
- Member of Organization like UBUDEHE ☐
- Community Members ☐
- MFI Client ☐
- Media ☐
- Others (specify)……………………………………………………………

Section D: Capacity Building

12. The MFI has shown me business opportunity like:

- Aquaculture ☐
- Livestock Production ☐
- Farming ☐
- Small Businesses ☐
- Others (specify)………………………………………………………………

13. Have you been trained in one of the following to run well your business?

- Marketing ☐
- Management ☐
- Quality Control ☐
- Product Development ☐
- Computer Operation ☐
- Process Technology ☐
- Financial Management ☐
- Others (specify)………………………………………………………………

Section E: MFI Proximity

Please tick [√] in the case correctly:

14. Travel hours to get to the MFI:

Less than 1 hour ☐

1 - 2 hours ☐

3 - 4 hours ☐

More than 4 hours ☐

15. Means of transportation:

On foot ☐

Bicycle ☐

Motorbike ☐

Motorcar ☐

Public transportation ☐

16. How far is your home to the MFI headquarter?

Less than 1 km ☐

1-2kms ☐

3-4kms ☐

More than 4 kms ☐

17. How far is your operating area to the MFI?

Less than 1 km ☐

1 - 2 kms ☐

3 - 4 kms ☐

More than 4 kms ☐

Section F: MFI Loan Process

18. To get loan, I am mostly required to:

- Be owner or co-owner of a business set up more than 1 year ago ☐
- Be at same business location for 6 months ☐
- Have a current patent or trading license ☐
- Come up with a copy of the National Identity Card ☐
- Come up with 2 recent passport size photos ☐
- Present MFI account statement if available ☐
- Complete loan application form ☐
- Present Collaterals ☐

19. Required collaterals are:

- Personal property like fridge, TV/Video, music systems ☐
- Business assets such as sewing machine, computers, lock-ups ☐
- Copy of motor vehicle log book ☐
- House/land title ☐
- Others…………………………………………………………………………

20. Interest Rate is in the range of:

- Less than 1% per month ☐
- 1%-1.9% per month ☐
- 2% - 2.9% per month ☐
- 3% and above per month ☐

21. The repayment term is:

- Daily ☐
- Weekly ☐
- Biweekly ☐
- Monthly ☐
- Others………………………………………

Section G: Borrower Characteristics

22. In our MFI, the borrower has mostly to:

- Be at least of 21 years old ☐
- Have a monthly income of at least Tshs 20000 ☐
- Be of high education ☐
- Be of appreciated social position in the community ☐
- Possess possibility of pledging collateral ☐
- Have others features (specify)……..………………………………………………

Section H: Customer perception on determinants of access to microfinance loans

Circle the number that indicates your level of agreement or disagreement on microfinance loan accessibility with the statements in the following scales.

KEY:

4 = Agree	A
3 = Tend to Agree	TA
2 = Tend to Disagree	TD
1 = Disagree	D

		A	TA	TD	D
23.	MFI information dissemination is satisfactory	4	3	2	1
24.	Sources of information are enough	4	3	2	1
25.	Media used are adequate	4	3	2	1
26.	Capacity building is adequate	4	3	2	1
27.	Business opportunities are well indicated	4	3	2	1
28.	Training needs are satisfied	4	3	2	1
29.	Time used to get to the MFI is realistic	4	3	2	1
30.	Distance MFI - Client dwelling is practical	4	3	2	1
31.	Distance MFI - Client operating area is reasonable	4	3	2	1

32.	Loan process is prompt	4	3	2	1
33.	Loan Requirements are easy	4	3	2	1
34.	Loan analysis is fair	4	3	2	1
35.	Loan approval is right	4	3	2	1
36.	Collaterals needed to get loans are based on reason	4	3	2	1
37.	Interest Rate is excessive	4	3	2	1
38.	Repayment terms are fair	4	3	2	1
39.	Required age of the borrower is realistic	4	3	2	1
40.	Obligated income is affordable	4	3	2	1
41.	Considered level of education is fair	4	3	2	1
42.	Demanded social position in the village is logical	4	3	2	1
43.	Possibility of pledging collateral is flexible	4	3	2	1

Section I: Best determinants of access to microfinance loans

44. Tick one of the following that best predicts your access to microfinance loan in Mwanza city.

MFI means of information dissemination ☐

Capacity building ☐

MFI proximity ☐

Loan application process ☐

Borrower characteristics ☐

Other (specify)

……………………………………………………………………………………

F. Interview Guide for MFI employees in charge of loans

Section A: Respondent Profile

Please provide the information about yourself by ticking [√] or writing as appropriate:

1. Sex:

    Male ☐

    Female ☐

2. Age:

    Below 30 years ☐

    31 – 40 years ☐

    41 – 50 years ☐

    51 years and above ☐

3. Marital Status: Married ☐ Single ☐ Widow ☐
4. Professional Certification: Primary ☐ Secondary ☐ University☐
5. Position of employee:

    Credit officer ☐

    Field officer ☐

    Operations manager ☐

    Others………………………………………………

6. Operating time with the MFI:

    1-2 years ☐

    3-5years ☐

    More than 5 years ☐

Section B: Interview guidelines

1. How do you prepare, in terms of capacity building, your borrowers before offering loans?
2. In your MFI, what are the major reasons that the borrowers give?
3. How do you appreciate the link between loans and savings in your MFI?
4. What are the conditions to be eligible to your MFIs loans?
5. Evaluate the suitability of your MFIs loans in terms of: adapted to the needs, credit amount, interest rate, collateral needed to get the loans, and loan limit.
6. How do you find the training period before offering loans in your MFI?
7. What is your appreciation about the time used?
8. How long is the MFIs loans processing from application to delivery?
9. How are the terms of repayment described?
10. In case of MFIs loans default, how much time does the rescheduling process take?
11. What is the best predictor of access to microfinance loans in Mwanza city?