



# AMERICAN JOURNAL OF YOUTH AND WOMEN EMPOWERMENT (AJYWE)

ISSN: 2835-3250 (ONLINE)

VOLUME 3 ISSUE 1 (2024)



PUBLISHED BY  
E-PALLI PUBLISHERS, DELAWARE, USA

## Role of Microfinance Service as an Approach to Women Economic Empowerment in Tanzania: Experience from Women Food Vendors in Shinyanga Municipal

Haliye Abbakary<sup>1\*</sup>, Jacob Kilamlya<sup>1</sup>

### Article Information

**Received:** May 13, 2024

**Accepted:** June 11, 2024

**Published:** June 14, 2024

### Keywords

*Microfinance Service, Women Empowerment, Food Vendors, Approach*

### ABSTRACT

The ultimate goal of microfinance service is to eventually give impoverished people an opportunity to become self-sufficient by empowering in particular Women, as many microfinance organizations do. The role of microfinance institutions has been extended beyond women's economic empowerment such that have the potential to make significant contributions to gender equality and promote sustainable livelihood and better working conditions to poor women. The study attempted to find out women empowerment factors and indicators that should be enhanced by microfinance services, the mode of loan application, and the extent to which women food vendors are impacted by loans on profit as far as Shinyanga Municipal council is concerned. The study engaged a sample size of 92 youth and adult women. Majority of women food vendors interviewed have been operating the business for more than 10 years and had applied for loan that amounted below TZS 1,000,000/-. It is evident that women prefer to apply loans from microfinance institutions in groups rather than individually. The impact of loans on profit was also tested before and after loan acquisition. The results show that after acquiring loans women had increased their monthly earnings to an average of TZS 3,000,000/- and play a dominant part in decision making at both household and community levels because of their status core. The findings reveal that community members recognize the reduction of interest rates, reduction of harsh conditions, and the provision of entrepreneurship skills as key components of empowerment factors. On empowerment indicators, the survey found that women have access to and control over resources, and women who earn huge income were likely to play a dominant part in decision making. Further, the survey reported that women have full freedom to spend their earnings as they wish.

### INTRODUCTION

The fact is that MFIs have remained the most changing agents for women economic empowerment. Women's participation in social and economic avenues as well as an increase in gender equality has been to some extent achieved in developing countries through microfinance institutions (Mayoux and Hartl 2009, 8). Women are reported to have been facing a range of challenges from the local level to the global. Such challenges include: women as an object to men; with the majority of them being poor at the rate of 70% globally, for the case of Tanzania, 60% of them are reported being absolutely poor (Khan & Noreen, 2012); URT, (2011) reports that women are reported with low level of education and lack of entrepreneurial knowledge and skills; URT, (ibid) adds that women role and position is reported being marginalized in decision making at both family and national level; their decision regarding the household resources at family level is threatened as far as men are regarded as the head of the family.

Diverse efforts have been in place in Tanzania to empower women economically and socially. The focus has been on increasing net Profit, Output, increase in lifespan, having Food security, becoming independency, control over saving and income generated from business, having greater roles in decision making, self-esteem, greater

efficacy, and increase in income (Kato and Kratzer 2013). Microfinance has a potential contribution to women's economic empowerment and gender equality. Through their contributions to women's ability to earn income microfinance institutions have the potential to initiate a serious "virtuous spiral" of economic empowerment, increased well-being for women and their families, and wider social and political empowerment (Mohamed et al, 2020).

Microfinance is anticipated help poor women to undertake income generating endeavors which eventually improve their economic situation (Mayoux, 2006). In addition to improved income earning stability; it has increasingly promoted its positive impact on women's economic empowerment. Theories suggest that microfinance is viewed as a tool for enabling women to engage in more flexibility, and free themselves from family restrictions, and get contact with the outside community (Debra, 2011).

According to Murdoch (2009), MFIs were established to target low-income people from which loans, savings, and other financial services and products are offered to improve their well-being. They exist everywhere and are reported to be in different legal forms such as Non-Governmental Organizations (NGOs), Credit Unions, Non-Bank Financial intermediaries, and Commercial

<sup>1</sup> Tanzania Rural and Urban Road Agency - TARURA, Tanzania

\* Corresponding author's e-mail: [haliye122021@gmail.com](mailto:haliye122021@gmail.com)

Banks.

This paper discusses the role of microfinance services towards women’s economic empowerment in Tanzania experience from Women’s food vendors in Shinyanga Municipal. Specifically, it aimed at determining women’s economic empowerment factors and indicators enhanced by microfinance interventions in the Shinyanga council.

**METHODOLOGY**

The study was conducted in the Ibinzamata ward of Shinyanga Municipal. The study area was selected based on the factor that a number of economically poor women were found and men do not financially assist them and majorities are unemployed. Also, it is the area where women’s food vendors (Mama Lishe are found) as the study population, and nearly all have received loans from microfinance institutions to run their vending businesses. The survey employed a cross-sectional design with a mixed approach of descriptive and inferential design. A combination of systematic and simple random techniques was used. A sample of 92 women food vendors were selected to share in the survey. Data were collected from both primary and secondary sources. The questionnaire which was the main instrument for data collection was used to obtain information on social demographic features, involvement of women in economic activities, amount of loan applied, mode of loan application, loan and saving utilization, empowerment factors, and empowerment indicators. Key informant interview was conducted with 5 microfinance employees to supplement information collected by questionnaires.

**RESULTS AND DISCUSSION**

**General Profile of Respondents**

The survey was executed in the Ibinzamata ward of Shinyanga Municipal with 92 Women food vendor targeted respondents. The Social demographic characteristics of respondents faced Age, Marital status, and education level for the surveyed respondents. The sources were deemed adequate for the study. The age was measured in years ranging from 18 - 25, 26 – 40, and above 40 years to determine its influence on respondents’ ability to work and conduct business which in turn manipulates the ability to save and demand bank services. Likewise, marital status of respondents was categorized into married, not married, and divorced while the education level of respondents was measured in terms of the kind of education attained.

Results in (table 1) yield that, the age category of 26 – 40 was a majority in terms of size averaging 51 respondents (55.4%), followed by the age category of above 40 years which was 31 (33.7%) indicating that food vending endeavor is mostly executed by young women aged 26 – 40 years. Both married and not married women have reported to involved in food vending in an average of 49 respondents equal to (53.3%) and 24 (26.1%) consecutively. Widows were slightly involved for an average of 16 (17.7%). 71 respondents equal to 77.2% of

**Table 1:** Social Demographic Characteristics of Respondents

Category	Frequency	Percent
<b>(a). Age</b>		
18-25	10	10.9
26-40	51	55.4
Above 40	31	33.7
<b>(b). Marital Status</b>		
Married	49	53.3
Not married	16	17.4
Widow	24	26.1
<b>(c). Education level</b>		
None	7	7.6
Primary	71	77.2
Secondary	14	15.2

92 respondents reported that the food vending business is highly undertaken by women who attained primary education. The main reason given as to why the majority were those who attained primary education was, the business has been conserved as an alternative livelihood strategy for those who lost hope to persist with further studies and those who lack significant qualifications to seek scholarly jobs. On the other side, those who attained secondary education reported to conduct food vending business an average of 14 respondents equal to 15.2% of all respondents interviewed. Similarly, those who did not attain any level of education were involved 7 respondents equal to 7.6%. The findings confirm the findings revealed by Kato and Kratzer (2013) that age is the predominant factor for women to acquire loans and engage in business endeavors in the community.

**Women’s Involvement in Food Vending**

The experience of women in food vending was also tested to determine the period taken on by women in implementing the food vending business and the relationship that exists between microfinance services and women’s economic empowerment. Years were

**Table 2:** Women’s Involvement in food vending

Periodic interval (years)	Frequency	Percent
Below 1year	3	3.3
1 - 5 years	30	32.6
5 - 10 years	36	39.1
Above 10 years	23	25.0
<b>Total</b>	<b>92</b>	<b>100.0</b>

categorized into periodic intervals to allow a wide range of respondents’ responses in single point.

The results in (table 2) depict majority of women vendors have been operating the business for more than 10 years reported by 59 respondents equal to 64.1%, being chased by 33 respondents equal to 35.9% minority who have been operating for less than 5 years. This could

be absolutely factual, particularly taking into account that food vending is the most livelihood strategy and alternative business undertaken by women (Mbololo, 2013). All 92 respondents interviewed on the question of where women food vendors in Ibinzamata ward get capital for their business, said they secured loans from microfinance institutions to start and or support their business development.

### Amount of Loan Applied

In answering the question of what amount mostly were applied by women’s food vendors, it was noticed that diverse amount was applied and obtained depending on the size of the business and the nature of the loan application. It was observed that the mode of loan application and cash flow of existing business was central and decisive determinants of loan size.

**Table 3:** Amount of Loan Obtained

Amount of loan	Frequency	Percent	Valid Percent	Cumulative Percent
Below 500,000	41	44.6	44.6	44.6
500,000-1,000,000	30	32.6	32.6	77.2
1,000,000-2,000,000	20	21.7	21.7	98.9
Above 2,000,000	1	1.1	1.1	100.0
<b>Total</b>	<b>92</b>	<b>100.0</b>	<b>100.0</b>	

According to results in table 3, a number of women food vendors (77.2%) of interviewees obtained a loan below TZS 1,000,000/-, followed by 22.8% of those women who obtained a loan above 1,000,000/- and not exceeding 2,000,000. This study’s results show that women’s food vending business is just for subsistence and a way to fight against poverty through the financing of income – generating activities for poor women as reflected in amount and size of loans applied. The innovative theory in this section is that, if women food vendors are well equipped with entrepreneurship and management skills before and after loan application can unlock and intensify the amount of loan applied for investing in economically productive businesses in the community. The findings also support the study output by Bangoura (2012) in his survey on microfinance as an approach to development in developing countries.

### Mode of Loan Application

In Tanzania majority prefer to secure loans in groups especially the poor with small-sized businesses. The system also assumes that the poor have no assets to be deposited as collateral and cannot act as guarantors of the borrower. Group loan application is based on the principle of distribution of credit to individual members of groups consisting of not less than 5 and not more than 10. The researcher was interested in understanding the mode in place by women to secure capital from Microfinance institutions for the Ibinzamata ward in Shinyanga Municipal. The analysis yielded that, most

**Table 4:** Mode of Loan Application

Mode	Frequency	Percent
Group	59	64.1
Individual	33	35.9
<b>Total</b>	<b>92</b>	<b>100.0</b>

women food vendors (59) 64.1% had applied for loan in groups compared to 35.9% equivalent to 33 respondents who applied as an individual. Loan in groups has absolutely

proved promising in its management and repayment like to individual loan. 89% of respondents interviewed on group loan management and repayment said that Women food vendors need very small cash loans on time and that can easily be repaid among group members. Furthermore, repayments are daily or weekly and the size of the total amount of the next loan increases gradually over time when members demonstrate their individual ability for repayment.

### Impact of Loan on Profit

#### Profit Obtained before Getting The Loan

The researcher was also interested in grasping the monthly profit generated by women food vendors in their daily vending business in the study area. Table 5 shows the amount of profit obtained by interviewees before getting the loan on a monthly basis. According to the survey analysis, 90 interviewees (97.8%) get monthly profits in the range of TZS 100, 000 to TZS 500,000 while 2 (2.2%) get a monthly profit above TZS 500, 000. This result reflects that the majority of women involved in food vending could not be able to get a profit above TZS 500, 000 before getting the loan from microfinance.

**Table 5:** Profit obtained before getting loan

Monthly profit	Frequency	Percent
100,000-500,000	90	97.8
500,000-1,000,000	2	2.2
<b>Total</b>	<b>92</b>	<b>100.0</b>

Findings presented in table 5 signify that women have less capital to invest in business inducing little profit. Little capital to invest impedes women from contributing and fulfilling individual and family needs in terms of monetary resources.

#### Profit Obtained after Getting Loan

The impact of loans on women food venter’s profit business is given in table 6. In responding to this variable

researcher interviewed 92 women food vendors in the Ibinzamata ward. The analysis found that most of the respondent had increased their monthly profit after acquiring the loan. The loan secured from microfinance institutions has evidently contributed to the increments of women food vendor's monthly profit in the business operation and management.

**Table 6:** Impact of Loan on Profit

Monthly Profit	Frequency	Percent
100,000-500,000	14	15.2
500,000-1,000,000	52	56.5
1,000,000-5,000,000	22	23.9
above 5,000,000	4	4.3
<b>Total</b>	<b>92</b>	<b>100.0</b>

The survey results in table 6 show women who got the profit in the range of TZS 100,000 – 500,000 were only

14 (15.2%) while those who got a profit in the range of TZS 500,000 – 1,000,000 were 52 (56.5%), those who got a profit of 1,000,000 – 5,000,000 were 22 (23.9%). Likewise, 4 (4.3%) women food vendors interviewed said to get a profit of more than TZS 5,000,000/-. This analysis concludes that loans from microfinance institutions have consistently contributed enough towards women's economic empowerment in the profit maximization perspective in the survey area. The description is also imitated from the cumulative monthly profit generated by the business which had severely augmented at TZS 1,216,667 after acquiring a loan for further finance their business.

**Assessment on The Respondent's Perception on Loan and Saving Utilization**

Table 7 shows the attitude of respondents towards loan and saving utilization. The researcher was trying to find out the benefits obtained through saving and loan

**Table 7:** Assessment of the respondents' perception on t loan and saving utilization

Variables	N	Mean	Std. Deviation
increased income	92	2.6848	1.32540
improved social services	92	2.7935	1.41839
self-employment	92	2.7826	1.35733
self-independent	92	2.7174	1.35327
<b>Valid N (list wise)</b>	<b>92</b>		

utilization among respondents. The results show that respondents have accepted and agreed on the factors or impact of loan and saving utilization. They agree that loan and saving utilization have helped them to increase their income and become self-independent. This is true because an increase in income has been reported with a value mean of 2.68 at 1.33 value of standard deviation; further, WFV has been found to be self-independent at the mean value of 2.71 with standard deviation of 1.35. Other factors such as an improved social service and self-employment have been reported with the mean value of 2.79 and 2.78 at 1.41 and 1.35 values of standard deviation respectively. The innovative findings in this sub section are that, if business environment among women food vendors is adequately improved, the business can be promising sources of income and key component for

gender equality by complementing the rest variables.

**Women Empowerment Factors**

In responding to the question regarding which factors should be considered by microfinance institutions as the best empowerment strategies for loan provision and management. Five variables were tested on 92 respondents in the Ibinzamata ward. The interest of the researcher was to extract respondent's altitudes pertaining best way to be considered to empower women for effective and efficient loan acquisition, utilization, and management. According to the study results, the average majority of respondents interviewed strongly agreed with factors that contribute to the empowerment of women given that there is little deviation and standard errors in their opinion. All factors have an average mean of 2.3 at 1.3 averages.

**Table 8:** Women empowerment factors

Factors	N	Mean	Std. Deviation
Increase loan amount	92	3.3261	1.46841
Reduce harsh condition	92	2.2935	1.37112
Provision of entrepreneur trainings	92	2.2500	1.31454
Reduce interest rate	92	2.4348	1.27791
Increase loan repayment period	92	3.2065	1.58661
<b>Valid N (list wise)</b>	<b>92</b>		

Table 8 depicts an increase in loan amount with has average mean of 3.32 and 1.46 standard deviations, this shows that most of the respondents were in a neutral

position or indifferent about these factors on whether it is the best way to empower women or not. The mean for reduction of harsh conditions is 2.29 at 1.37 standard

deviation. Moreover, the findings show that the mean for the provision of entrepreneur training is 2.25 at 1.31 value of standard deviation while the mean for reduction of interest rate was 2.43 at 1.27 value of standard deviation. In addition to that, it has been reported that the mean for increase loan repayment period is 3.206 at 1.586 value of standard deviation.

The study under this objective concludes that the mostly and strongly factors which have accepted by most respondents to empower women are the reduction of interest rates, reduction of harsh conditions, and provision of entrepreneurial skills to women borrowers. These have become the paramount factors as most of

the respondents have consistently strongly agreed with minimum variance among them. This analysis affirms the findings by Gangan Deep Sharma and Sanchita, 2017 on the determinants and indicators of women empowerment: A walk through psychological patterns and behavioral implications.

**Women Empowerment Indicators**

The efforts to economically empower women and attain the goal of gender equality can only take a perfect sphere once principles and indicators are clearly recognized in practice. It should be zero doubted that community members and development stakeholders are aware

**Table 9:** Women Empowerment Indicators

Perceived Indicators	N	Mean	Std. Deviation
Economic participation and opportunities	92	2.1603	1.28140
Economic freedom	92	2.1553	1.22011
Household management and decision making	92	2.2416	1.31551
Perceived status within the household	92	2.2363	1.25470
Access to resource ownership	92	3.2055	1.52661
Stability and increased income	92	3.3140	1.45620
<b>Valid N (list wise)</b>	<b>92</b>		

of which variables should particularly be recognized as indicators of women’s economic empowerment to accelerate development planning. The survey was interested to grasp the same in Ibinzamata ward of Shinyanga Municipal. The researcher interviewed 92 respondents to examine the best variables that should be considered acceptable indicators for women’s empowerment in the community. The results reveal majority of respondents strongly agreed on several perceived indicators while the minority disagreed with some factors. This has reflected by an average value of all variable by 2.4 and 1.4 average.

The study analysis in table 9 shows that economic participation and opportunities, and economic freedom have an average value of 2.16 at 1.2 value of standard deviation. Likewise Household management and decision making, and perceived status within the household had an average value of 2.24 at 1.3 value of standard deviation. The present situation in Ibinzamata ward demonstrates that women have access to and control over resources in the community and women who earn large incomes were likely to play dominant part in decision making at household and community levels. Furthermore, the monetary contribution of women is being viewed as a symbol of status in the community in particular. Besides contributing economically to the family, it was also realized that women have full freedom to spend their earnings as per own wishes. On the other side, access to resource ownership and stability and increased income had an average value of 3.3 at 1.5 value of standard deviation.

This demonstrates the perceived indicators were not accepted by majority. This might be because commonly women have access and ownership to resources however, real fact remain that those resources are usually handed over to senior members of the family. Such analysis of this survey was again confirmed by Volger 2018.

**CONCLUSION**

This study intended to assess the role that Microfinance interventions play to hasten Women’s economic empowerment in Tanzania experience from the Shinyanga region. The survey concludes by vesting much focus on loans and savings to women borrowers in the Shinyanga region. The survey findings presented in this report show that loans and savings become effective if the beneficiaries have basics in entrepreneurship and financial management skills. The findings further conclude that the role of microfinance services is positively correlated with women’s empowerment. Beneficiaries who opted to invest their loans in income generating activities like acquisition of business assets, finance education, and home-based equipment, have experienced economic improvement as a result of an increase in income and improved social services.

**RECOMMENDATIONS**

The study highly recommends on strengthening the significance of entrepreneurship and financial management skills to Women loan borrowers to complement each other for effective poverty reduction

as well as women empowerment. Through basics in entrepreneurship and financial management skills, women will have diverse grounds to appraise and select businesses that have high returns in shorter periods and adhere to loan repayment schedules. The empowerment process depends much on many factors, high interest rate subsequently lower down and shake loan repayment schedules which in turn increases loan defaulters. Further, other microfinance institutions should reduce the interest to be at a reasonable and affordable rate to enable beneficial to achieve their goal of improving economically. This will be done simultaneously with government support to microfinance institutions.

## REFERENCE

- Bank, G., & Bank, U. C. O. (2014). A research project submitted in partial fulfillment for the degree of bachelor of business administration with information technology. Dar es Salaam: Tanzania.
- Buckley, G. (1997). Microfinance in Africa: Is it either the problem or the solution?. *World development*, 25(7), 1081-1093.
- Cronbach, L. J. (1951). Coefficient alpha and the internal structure of tests. *psychometrika*, 16(3), 297-334.
- Daniels, R. (2001). Financial Intermediation and the SME Sector, Development Policy Research Unit, University of Cape Town: South Africa.
- Desai, V. (1999). *Dynamics of Entrepreneurial Development and Management*, (3rd ed.), Mumbai, Himalaya Publishing House.
- Elesh, D. (1973). Poverty theories and income maintenance: Validity and policy relevance. *Social science quarterly*, 359-373.
- Hirschland, M. (Ed.). (2005). Savings services for the poor: an operational guide (159-191). Bloomfield: Kumarian Press.
- Holvoet, N. (2005). The impact of microfinance on decision-making agency: evidence from South India. *Development and Change*, 36(1), 75-102.
- Hoy, F., McDougall, P.P. and Dsouza, D. E. (1992). *Strategies and environments of high-growth firms*, in Sexton, D. and Kasayda, J. D. (Eds), *The State of the Art of Entrepreneurship*, PWS-Kent, Boston, MA, 341-57.
- Ibrahim, S., & Alkire, S. (2007). Agency and empowerment: A proposal for internationally comparable indicators. *Oxford development studies*, 35(4), 379-403.
- Kato, M. P., & Kratzer, J. (2013). Empowering women through microfinance: Evidence from Tanzania. *ACRN Journal of Entrepreneurship Perspectives*, 2(1), 31-59.
- Khan, R. E. A., & Noreen, S. (2012). Microfinance and women empowerment: A case study of District Bahawalpur (Pakistan). *African Journal of Business Management*, 6(12), 4514-4521.
- Kihombo, A. R. M, Makombe, I. A. M & Temba, E. I. (1999). Credit schemes and Women Empowerment for Poverty Alleviation: The case of Tanga Region, Tanzania.
- Kirschhoff, B. A. & Phillips, B. D. (1989). Examining entrepreneurship's role in economic growth", *Frontiers of Entrepreneurship Research*, Babson College, Wellesley, MA.
- Kothari, C. R. (2004). *Research Methodology: Methods and Techniques*, New Age, International Ltd, India Institute of Management, New Delhi: India.
- Kwai, M. D., & Urassa, J. K. (2015). The contribution of savings and credit cooperative societies to income poverty reduction: A case study of Mbozi District, Tanzania. *Journal of African Studies and Development*, 7(4), 99-111.
- Mahmud, S., Shah, N. M., & Becker, S. (2012). Measurement of women's empowerment in rural Bangladesh. *World development*, 40(3), 610-619.
- Mbololo, F. M. (2013), Impact on the microfinance in Kenya. A case of Nairobi, Kenya.
- Morduch, J. (2009). the Microfinance Promise. *Journal of Economic Literature*, 37, (4), 1596- 1614
- United Republic of Tanzania, (1998). *Poverty Reduction Strategic Paper*.
- Yunus, M. (2003, January). *Expanding microcredit outreach to reach: The Millennium Development Goal—Some Issues for Attention*. In International seminar on attacking poverty with microcredit, Dhaka (8-9).