

# Microcredit and Poverty Alleviation through the Labour Market: Evidence from Women Microcredit Clients in Tanzania

Dr. Charles S. Tundui<sup>1</sup> Dr. Boniface E.S. Mgonja<sup>2</sup>

GJHSS Classification – C (FOR)  
160605,160609,160702

**Abstract**-This study explores whether or not there are significant mean differences between new and mature enterprises supported by PRIDE Tanzania loans in terms of their ability to create jobs. We also explore the impacts of other factors likely to influence the ability of PRIDE-supported enterprises to create jobs. The ANCOVA results of 159 surveyed microcredit clients in Iringa town show that although microcredit access has enabled women to fund their enterprise operations, credit access does not seem to have enabled them to achieve job creation to any substantial level. This study instead establishes that much of a PRIDE-supported enterprise's ability to create jobs seems to be related to other factors, such as duration of membership in the PRIDE program and whether or not the owner of the enterprise has control over enterprise-related decision making and over the use of the loan and the proceeds generated. Notwithstanding, a significant part of the variance in an enterprise's ability to create jobs remains unexplained. These results suggest that microcredit alone is not a magic bullet in reducing poverty among women. Therefore, for any new policy to have a meaningful effect, a holistic approach needs to be brought to bear on the issues surrounding women ownership of micro and small businesses, women entrepreneurship, women's empowerment, and poverty reduction.

**Keywords**-Microcredit, poverty alleviation, labour market, job creation, women enterprises, Tanzania

## I. INTRODUCTION

### A. Women Micro- and Small-Business Owners in Tanzania

There is no comprehensive and current estimate of the national size of the micro and small enterprises (MSEs) sector in Tanzania. Likewise, there is no precise estimate of the number of women-owned micro and small businesses, nor of the size of their enterprises or their distribution by sector. The estimates that are available are based on the rather outdated National Informal Sector Survey (NISS) of 1991 (URT, 1991). However, evidence suggests that women are increasingly becoming involved in off-farm, non-domestic economic activities (business ownership), which help them supplement household income. This is particularly so in urban areas. According to the NISS, in 1991 there were about 2.7 million business units employing about 3 million persons accounting for approximately 20

per cent of the Tanzanian labour force (URT, 1991; IFC, 2007). The survey estimates that women accounted for about 35 per cent of enterprises. Most recent estimates suggest that the number of women-owned businesses could range between 35- 43 per cent of the total numbers of operators in the MSEs sector in the country (Stevenson & St-Onge, 2005). It is also estimated that about 98 per cent of businesses in the informal sector are micro enterprises employing less than five people, usually family members (IFC, 2007), suggesting that the MSEs sector in Tanzania is mainly dominated by the informal sector.

Women get into these activities mainly out of necessity. As a result, even when women enter into entrepreneurship, they have less capital, both human and financial, to bring to their businesses during start-up and operational phases. Above all, among the challenges facing women small-business owners in Tanzania, the lack of access to formal credit sources is perhaps the most debilitating (Stevenson & St-Onge, 2005). This is attributed to the failure of the formal financial system to provide access to convenient and affordable financial services needed by the poor. Consequently, there has been an increasing reliance on microcredit as the main source of finance to support new business start-ups and expansions by most women micro- and small-business owners in Tanzania (IFC, 2007).

The objective of this study is therefore firstly to determine whether there are significant mean differences between new and mature enterprises supported by microloans from Promotion of Rural Initiative and Development Enterprises Limited (PRIDE), in terms of these businesses' ability to create jobs. Secondly, this study aims to explore the impact of other factors likely to influence the ability of PRIDE-supported enterprises to create jobs.

## II. MICROCREDIT, POVERTY REDUCTION, AND WOMEN'S EMPOWERMENT: OPPOSING PERSPECTIVES

Microcredit has won increasing support among development practitioners, policy makers, and the donor community as an important ally in poverty alleviation and women's empowerment (MkNelly & McCord, 2001). As a result, a number of microcredit programs worldwide have been targeting women. There are several reasons why this is so, some of which are described in brief below.

Firstly, research has shown that women constitute the largest segment of the poor and also have a higher unemployment rate than men in many countries (Ledgerwood, 1999). Therefore, targeting women with microcredit services is a way to help unemployed women

About<sup>1</sup>Department of Economics Mzumbe University P.O. Box 5 Mzumbe –Tanzania (e-mail-cstundui@mzumbe.ac.t)

About<sup>2</sup>Department of Development Policy Mzumbe University P.O. Box 83, Mzumbe – Tanzania (e-mail-bemgonja@mzumbe.ac.tz)

to get involved with income-generating enterprises that can eventually help to both reduce unemployment among women as well as expand their avenues for escaping poverty (Bali Swain, 2004). In this regard, there is a call for increased microcredit services to enable women to take advantage of entrepreneurial opportunities by investing in income-generating activities and expanding their existing businesses.

Similarly, women make up the majority of the poor and the majority of informal sector participants in most economies (ILO, 2007). Moreover, women have limited access to formal sources of credit and other economic resources. Consequently, they cannot discharge their socio-economic roles and responsibilities effectively. Therefore, there is a shared view among proponents of microcredit that with proper access to such a resource, women are more likely to discharge their roles and responsibilities more effectively (Ledgerwood, 1999; Brau & Woller, 2004).

It is also assumed that with reliable and affordable access to microcredit services, women will be able to build assets of their own, which will help them reduce their susceptibility to crises and better manage household emergencies, and also serve as an important cushion or safety net for poor women and their households (Littlefield et al., 2003). Kumar (2005) suggests that microcredit has the potential to not only bring about sustainable, equitable development gains and fight poverty, but also to keep those just above the poverty line from falling below it, particularly through the building of assets, diversification of household income, and a smoothing out of household consumption patterns.

On the other hand, studies on microcredit and women empowerment have established that microcredit is likely to have a limited impact on women micro enterprising, poverty alleviation, and empowerment when women are not sheltered against the hijacking of their loans by their spouses or other members of their families (Hunt & Kasynathan, 2001). When women do not have control over their loans and the profits generated by them, they cannot reinvest in their enterprises and expand their businesses. As a result, their possibilities for escaping poverty are constrained.

Studies also show that most microfinance programs, under the guise of sustainability concerns, charge very high interest rates, much higher than those charged by commercial banks (Bali Swain, 2004). As the cost of capital is greater than the return on investment, clients end up facing loan repayment difficulties. In some instances, microcredit has been used as a tool for women's impoverishment and the feminization of debt especially if the repayment is met from other income sources in the household (Mayoux, 2002).

Moreover, as the name *microcredit* suggests, in most cases, loans given by microfinance programs are often very small (Mayoux, 2002). Small loan amounts coupled with the lack of a grace period and weekly repayments usually force microcredit clients to enter subsistence activities in the informal sector, which require only small amounts of capital, rather than investing in entrepreneurial activities

with better growth prospects (Mayoux, 2002). In addition, such activities do not add value because they have no prospects of creating a comparative advantage (Andersson et al., 2007), and are less likely to be incubators of entrepreneurial skills or significant contributors to overall economic growth (Ditcher, 2006).

Likewise, the majority of microcredit clients are operating in the informal sector, where opportunities for economic growth are minimal. This is because the informal sector's ease of entry leads to stiff competition, which leads to market saturation (URT, 2002) thus, limiting their enterprise growth prospects. Moreover, most women-owned businesses are part-time, or home-based (Andersson et al., 2007) and concentrated in the service sector (Orser et al., 2006), which limits their possibilities for growth and job creation. Snow and Buss (2001) are of the opinion that if forces and regulations that condemn and limit women's operation in the informal sector are not correctly addressed; African countries are unlikely to benefit from the entrepreneurial opportunities created by microcredit programs.

Most of microcredit clients also lack the necessary business and management skills. Therefore, their ability to identify, respond to, and exploit entrepreneurial activities is constrained, and these women are consequently incapable of taking their businesses beyond micro enterprises to create jobs.

Given these limitations, the impact of microcredit on enterprise growth and women empowerment and poverty alleviation is still inconclusive and disputed. Consequently, there has been an ongoing debate as to whether previously assumed microcredit socio-economic benefits are actually attainable and sustainable, and as to the effectiveness of microfinance as a poverty-alleviation tool (Hulme & Mosley, 1998).

### III. STUDY VARIABLES AND HYPOTHESES

#### A. *Dependent Variable*

One of the more important impacts of microcredit is to enable the enterprise supported by the loan to generate paid employment opportunities for the owner, for other unemployed members of the household, and for non-household members. Similarly, studies in micro and small business growth often consider the number of persons employed by the business as a proxy for the size of the firm (Robichaud & Zinger, 2007). Persons employed by the business may include permanent or part-time employees. Depending on whether a business is formal or informal, business owners may employ paid employees or use unpaid family members. However, micro- and small-business owners are more likely to use unpaid family labour or employ cheaper, part-time employees, with a view to controlling cost increases (Barnes et al., 2001).

In this study, growth in the number of paid employees was initially proposed as a measure of the effects of PRIDE loans on the ability of women-owned enterprises to create jobs; in other words, the difference between the number of paid employees before and after joining PRIDE. This is

because paid employment is often considered a significant contribution of the microcredit program (Sebstad & Chen, 1996). The expectation is that loans from PRIDE would help women clients to increase the size of their businesses, take on other profitable activities that may call for more labour, and perhaps most importantly also enable them to pay regular wages. However, given that only a few of the clients interviewed were employing paid employees, the use of this measure was not feasible. It was therefore decided to use the total number of paid employees both permanent and part-time, including the business owner, to measure growth.

### B. Independent Variables

Loan Size and Duration of Membership in the Microcredit Program Studies on the impact of microcredit on enterprise performance have shown that the extent of impact differs according to loan size, number of loans taken, and duration of membership in the program (Littlefield et al., 2003). Possibly, this is because most microfinance programs require their clients to start with small loan sizes and slowly graduate to bigger loan sizes over the course of time. Given that loan sizes differ according to duration of membership in the microcredit program (PRIDE in our case), this suggests that mature clients are more likely to create more jobs and hence employ more labour in their enterprises as compared to new clients. Our hypothesis therefore predicts that:

*The number of paid jobs created by a business that uses microcredit increases with loan size and duration of membership in the microcredit program.* (H1a)

#### Control Over Decision Making and Loan Use

The impact of microcredit on women entrepreneurs and their enterprises partly depends on who controls decision making regarding the use of credit and income generated by the loan-supported enterprise (Hunt & Kasynathan, 2001). This implies that credit accessed by women entrepreneurs, if they lack control over their loans, may make a limited contribution to the growth of their businesses and therefore limit their job-creation potential. Based on this argument, the hypothesis is:

*The number of paid jobs created by a business that uses microcredit is dependent on the owners' role in decision making as well as the owners' control over the loan and profits generated by the business* (H1b)

### C. Human Capital

Human capital refers to the sets of skills, knowledge and experiences possessed by individuals (ECA, 2005). A stock of human capital owned by an entrepreneur enhances the individual's cognitive abilities, which allow him or her to take advantage of more productive, efficient activities (Davidsson & Honig, 2003). This suggests that greater access to human capital by the business owner would lead to a more profitable enterprise, hence increasing the enterprise's ability to generate jobs. Variables proposed for testing the impact of human capital on an enterprise's

ability to create jobs include previous business ownership experience, training in business management skills and the education of the owner. Therefore:

*The number of paid jobs created by a business that uses microcredit is dependent on the owner's stock of human capital* (H2)

## IV. BUSINESS CHARACTERISTICS

### A. Business Age

Business age represents the number of years the business has been operating, and can serve as a proxy for business survival and growth experiences (Papadaki & Chami, 2002). This implies that older and more established businesses are likely to create jobs than younger and less established businesses. Therefore:

*The number of paid jobs created by a business that uses microcredit is dependent on the age of the business* (H3)

### B. Business Location and Ownership

Business location plays an important role in business growth because different geographical locations may have different business growth potentials (Sternberg & Tamásy, 1999). Growth possibilities may also differ for businesses located in urban areas, townships, or rural areas, whether home-based or otherwise. Moreover, businesses located at the owner's residence are more likely to use family labour and therefore reduce the enterprise's ability to create paid employment opportunities. Therefore:

*The number of paid jobs created by a business that uses microcredit is dependent on having a business location that is different from the owner's residence* (H4)

## V. METHODOLOGY

### A. Sampling Procedure

The target population for the study was 5,400 clients, of which a sample of 159 respondents was drawn. These are women entrepreneurs who have accessed credit/loans from Promotion of Rural Initiative and Development Enterprises Limited (PRIDE) in Iringa town.

### B. Study Design

This is a cross-sectional study that involves the use of a quasi-experimental design, employing a quasi-random control group. This design estimates the effects of a program by measuring changes that have taken place in its clients, and isolates the effects of other factors that might have contributed to changes by using a control group (Bali Swain, 2004; Hulme, 2000; Barnes and Sebstad, 2000). In this study, the comparison groups consisted of new (control group) and mature (treatment group 1 and 2) clients. New clients included those who had received their first loan but had not yet finished their first loan cycle.

### C. Data Sources

Data for this study were obtained from primary sources. The data collected mainly focused on the demographic and household characteristics of the entrepreneur, her motivation, the loan size, and the number of persons employed by the business.

To avoid the problem of selection bias, clients were clustered based on loan size and duration of membership in the program, and then a random sampling design was used to select respondents from PRIDE's list of clients. It was assumed that the ability of enterprises to employ labour depends on both loan size and duration of membership in PRIDE. All those who were involved in the survey were owners of the enterprises. The survey was undertaken in February 2009.

### D. Demographic and business characteristics

Demographic and business characteristic are presented in the following table.

Table 1. Demographic and Business Characteristics

Owners Age	Frequency	Percentage
18–25	11	6.9
26–35	86	54.1
36–45	30	18.9
46–55	27	17.0
Education level		
No schooling	5	3.1
Primary	129	81.1
Form 1–4	24	15.1
Marital Status		
Married/living common law	110	69.2
Widowed	29	18.2
Separated/divorced	7	4.4
Business age		
Less than one year	53	33.3
1–5 years	87	54.7
6–10 years	18	11.3
Business location		
At owner's residence		70.4
Away from owner's residence		62.5
Size of capital base (Tsh.)		
Less than 100,000	28	17.6
101,000–400,000	82	52.6
400,001–800,000	31	19.9
800,001–1,200,000	10	6.4
1,200,001–1,600,000	7	4.5
2,000,001–5,000,000	1	.6
Business experience and management practices		
Previous business ownership	86	54.1
Training and specialized skills	31	19.5

### E. Business and Employment Creation

Of the sample, 14.5 per cent of clients employed paid part-time and full-time employees, of which 34.8, 30.4, and 34.8

per cent were in the control group, treatment group 1 and treatment group 2 respectively. The remaining others did not employ any person apart from the owner (85.5 per cent). Further analysis shows that 25.5, 30.8, and 43.6 per cent of paid employment opportunities were created in the Control Group and Treatment Groups 1 and 2, respectively. Moreover, results also show that the sampled businesses are micro in size, with a minimum of one and a maximum of four employees and a mean of 1.25 employees (Table 2).

Table 2. Businesses Employment Creation

### F. Comparison Groups

No. of Employees	Control Group	Treatment Group 1	Treatment Group 2	Total
1*	46	46	44	136
2	6	4	3	14
3	0	1	2	2
4	1	2	4	7
Total	53	53	53	159

\* Business owner

### G. Univariate Analysis

To determine the contribution of independent factors on the ability of enterprises to create jobs (number of paid employees), and whether there are significant differences between new clients and mature clients in terms of their enterprises' ability to create jobs, the survey data were put through an analysis of covariance (ANCOVA) with multiple covariates. Analysis of covariance (ANCOVA) provides for testing the effects of all variables on the dependent variable while controlling for intercorrelations between them (Field, 2005). In our case, ANCOVA was used to test the main interaction effects of microcredit and other independent variables on the number of persons employed by the enterprise supported by the PRIDE loan, while controlling for the effects of other factors that intercorrelate with the dependent variable. To control for the effects of other factors that intercorrelate with the dependent variable (number of paid employees), two variables (covariates) were proposed for inclusion in the analysis. These are the duration of membership in PRIDE and the business age. Covariates are included in the model if they are likely to improve the analysis, and these should have a linear relationship with the dependent variable.

Table 3. Study Variables and their Measurement

	Variable Name	Variable Description	Operationalization
1	Employment	Number of paid employees	Continuous
2	Loansize	Amount of last loan	Categorical
3	Pmem	DURATION of membership in PRIDE	Continuous
4	Decmaker	Decision maker	Categorical
5	Oweduc	Owner education	Categorical
6	Prebo	Previous business ownership	Categorical
7	Busage	Business age (in months)	Continuous
8	Buskill	Training in business-management skills	Categorical

9	Blocat	Ownership of a fixed business location different from home	Categorical
---	--------	--	-------------

### Results, Hypotheses Testing and Discussion

One of the important impacts of microcredit is to enable the enterprise supported by the loan to generate employment opportunities for the owner, for unemployed others, and for other members of the household. The expectation was that through investment in fixed capital and other operational activities of the business, the loan would fuel enterprise growth, which in turn enhances the ability of the business to create jobs. Given that loan size differs according to duration of membership in PRIDE, it was also expected that mature clients would be more likely to create more jobs in their enterprises than new clients (Control Group clients). Similarly, when business owners have control over loans and enterprise proceeds, they would be more likely to make employment decisions as dictated by the labour requirements of their enterprises. In that regard, the present study examined whether loan size, control over decision making and enterprise proceeds explained job-creation differences between micro enterprises that use PRIDE loans.

Although two covariates were initially considered for inclusion in the analysis, linearity analysis showed that only one variable had a significant linear relationship to the dependent variable; namely, duration of membership in PRIDE ( $F(1, 106) = 9.12, p < .01$ ). Business age had no significant linear relationship with the dependent variable ( $F(1, 136) = 0.738, p = 0.392$ ). The study results (extracted from various tables) are summarised in the table 4a.

Table 4a. Tests of Between-Subjects Effects: Loan Size by Independent variables

Dependent Variable: Number of Employees

Source	Type III Sum of Squares	Df	F	Sig.	Partial $\eta^2$
Corrected Model	1.747†	4	3.582	.008	.085
Intercept	.644	1	5.280	.023	.033
Dmemb	1.13	1	9.270	.003	.057
Loansize	.550	2	2.255	.108	.028
Decmaker	.599	1	4.989	.027	.032
Prebo	.155	1	1.313	.254	.009
Oneduc	.036	2	.1451	.865	.002
Buskills	0.00	1	.001	.978	.000
Blocation	.129	1	1.032	.312	.010
Loansize * Decmaker	.058	2	.244	.784	.003
Loansize * Prebo	.795	2	3.369	.037	.043
Loansize * Oneduc	.116	3	.311	.818	.006
Loansize * Buskills	.364	2	1.495	.228	.019
Loansize * Blocation	.267	2	1.070	.347	.020
Error	18.774	154			
Total	23.321	159			
Corrected Total	20.521	158			

\* Computed using  $\alpha = .05$  †  $R^2 = .093$  - .132 (Adjusted  $R^2 = .038$  - .091)

Table 4b. Estimates

Loan size (Tshs.)	Mean	Std. Error	95% Confidence Interval	
			Lower Bound	Upper Bound
100,000	.276*	.073	.132	.420
150,000–300,000	.083*	.050	-.016	.181
500,000 and above	.040*	.064	-.086	.165

\* Covariates appearing in the model are evaluated at the following values: Duration of membership in PRIDE = 2.5978.

As shown in table 4a above, contrary to expectations, results from the analysis have shown that although enterprises that use PRIDE loans are likely to create jobs, loan size did not significantly affect the amount of employment creation independently of other variables included in the analysis ( $F(2,154) = 2.25, p = 0.108$ ). This shows that clients in the Control Group do not differ from clients in mature groups in terms of their enterprises' ability to create jobs. In addition, the mean enterprise employment creation shows that there were no statistically significant mean differences among the groups (Table 4b). Specifically, although clients in Treatment Group Two were more likely on average to employ more paid, part-time and full-time employees (25) than clients in the Control Group (16) and Treatment Group One (19) (Table 2), the mean enterprise employment creation adjusted by duration of membership in PRIDE did not show any significant differences between the control group and treatment groups One and Two. This suggests that micro enterprises supported by microcredit do not seem to be significant contributors of employment opportunities.

This study has also established that most women-owned businesses are micro in size, employing only one or two people, with about 86 per cent of businesses employing on average one working person, mainly the owner. This study has also established that 29 per cent of employment opportunities created are family-related, either in terms of paid or unpaid family labour. Further analysis has shown that in the case of an increase in business workload, women entrepreneurs in this study mainly use their daughters (36.9 per cent) as compared to those who use their sons (22.2 per cent) to help with the work. These results support the findings of previous studies (for example, Bali Swain, 2004), who found that in spite of whatever the assumed benefits of microcredit access for women entrepreneurs may be, credit access has had a more pronounced negative effect in terms of increased workload on daughters than on sons. Similarly, Barnes et al. (2001), in a study of the Zambuko microfinance program in Zimbabwe, could not find evidence of a relationship between microcredit and paid employment in the studied clients' enterprises. They contend that this lack of impact is attributable to the use of unpaid family labour and a subsequent decrease in the real value of the net revenue of enterprises supported by a loan. It is also possible that being confronted by the challenges of loan repayment pressures, microcredit clients are less likely to employ paid employees who could increase demands on

the enterprise's cash flow through weekly and monthly wage bills.

Collier et al. (1994), discussed in Mosley and Rock (2004) in a study of microfinance, labour markets, and poverty in Africa, also note the limited job-creation ability of enterprises supported by microcredit. The study finds that micro enterprises supported by microcredit can rarely employ labour. Collier et al. establish that 'there is little doubt that in Africa, the majority of microfinance borrowers do not hire labour at all, and therefore have no capacity to confer this particular type of impact'. In view of this, Mosley and Rock (2004) suggest that as long as micro enterprises supported by microcredit rarely employ paid employees, it is unlikely that microcredit services targeted at the poor will be able to reduce poverty through the labour market. Hulme and Mosley also observe that the 'technical change induced by borrowing was not dramatic, nor . . . the influences on employment outside the family' (1996:102). In other words, while some employment growth was observed among family members of program clients, the employment impact outside the family was negligible. Moreover, Hulme and Mosley noted that the difference between borrowing micro enterprises and the respective control groups is less than one employee.

In addition, there is a concern that micro enterprises supported by microcredit are essentially overrepresented in the informal sector where opportunities for job creation are limited and employment in the informal sector allows those living in extreme poverty to survive, but rarely allows them to move out of poverty (Godinot et al., 2007). Furthermore, people employed in the informal sector are susceptible to a lack of fixed employment, social protection, employment benefits, collective representation, and have very little power to negotiate with their employers. In this regard, Godinot, et al. (2007) suggest that for poor countries to be able to address poverty issues, promoting decent work should be the centre of their poverty-reduction strategies.

Another concern is that when women micro- and small-business owners do employ, they tend to employ more low-paid temporary and lowly skilled or unskilled female workers than men do (CIP/SEP, 1999). Evidence from research also suggests that the need to increase/employ labour depends on the type of a business undertaken. For example, while businesses in the manufacturing sector are likely to employ more labour, service-related businesses, the category that includes most of the clients in this study, are likely to need fewer employees (Lerner et al., 1997).

On the other hand, duration of membership in PRIDE has a significant effect on the ability of an enterprise to create jobs, ( $F(1, 154) = 9.27, p < 0.01$ ), with a size effect of 5.7 per cent (Table 4a). Anderson, Locker and Nugent (2002) posit through participation in microfinance programs women are being enabled to develop business networks which make it possible to share vital business information and discuss ideas that enhance growth of their businesses. Research also notes that clients who participate in the program for a longer period are more likely to experience significant improvements in their economic well-being and

are able graduate out of poverty (MkNelly & Dunford, 1999). Based on these results, hypothesis H1a, that the ability of enterprises to employ labour increases with both loan size and duration of membership in the program, is rejected for the loan size, but accepted for duration of membership in the PRIDE.

Results have also shown that women entrepreneurs who have control over decision making regarding loan use and enterprise proceeds are more likely to create jobs in their enterprises ( $F(1, 151) = 4.98, p < 0.05$ ), with a small size effect of 3.2 per cent. The Bonferroni pairwise comparison of the difference in control over decision making shows that there are statistically significant mean differences when decisions are made by the business owner/client as opposed to otherwise ( $M = 0.129, SE = 0.058, p < 0.05$ ). Nevertheless, the impact of decision making on the ability of their enterprises to create jobs is not mediated by access to PRIDE loan ( $F(2, 151) = 0.244, p = 0.784$ ). Based on these results, hypothesis H1b, which states that the ability of enterprises to create jobs is dependent on the owner's control over decision making, loan use, and profits, is partially supported.

This study has further examined other factors that are likely to influence the impact of microcredit on the ability of micro enterprises to create jobs. Firstly, our results have shown that although previous business ownership alone did not predict enterprise employment, with access to PRIDE loan, women who owned a business before joining PRIDE Tanzania are more likely to create jobs than those who used PRIDE loan for business start-ups ( $F(2, 151) = 3.369, p < 0.05$ ), with an effect of 4.3 per cent. Possibly, women who have operational businesses are likely to apply for loans or join a microfinance institution (MFI) only when they have identified profitable and growth-oriented entrepreneurial opportunities. As the business grows, this in turn increases its prospects for creating jobs. On the other hand, the ability of enterprises to create jobs is not dependent on education level ( $F(2, 149) = 0.145, p = 0.865$ ) and possession of business skills jobs ( $F(1, 151) = 0.000, p = 0.978$ ). Likewise, the relationship between loan size and the ability of enterprises to create jobs is not dependent on education level ( $F(3, 151) = 0.311, p = 0.818$ ) and possession of business skills ( $F(2, 151) = 1.495, p = 0.228$ ). This may be a result of lower levels of education and the lack of business management skills among the majority of respondents. Hence, hypothesis H2, that the ability of enterprises to create jobs is dependent on the owners' stock of human capital, is partially supported for previous business ownership only, but is otherwise rejected.

We also anticipated that that older and more established businesses are likely to create jobs than younger and less established businesses. Nevertheless, as observed above, business age had no significant linear relationship with the dependent variable ( $F(1, 136) = 0.738, p = 0.392$ ). Therefore, hypothesis H3, that the number of paid jobs created by a business that uses microcredit is dependent on the age of the business could not be supported. This means that business

growth does not necessarily happen as the business becomes older.

Our results have also demonstrated that ownership of a fixed business location that is different from the owner's residence does not have a significant impact on the ability of enterprises to create jobs ( $F(1, 104) = 1.032, p = 0.312$ ). Likewise, the interaction effect between loan size and ownership of a fixed business location is not significantly predictive of enterprise employment ( $F(2, 104) = 1.070, p = 0.347$ ). Hence, hypothesis H4, that the ability of enterprises to create jobs is dependent on the business location being different from the owner's residence, cannot be supported.

#### H. Limitations of the Study

Although this study has explored the impacts of microcredit on employment creation through micro enterprising, self-selection in the formation of solidarity groups and self-selection in participation in the study could have introduced bias. Moreover, only one microcredit program was studied

#### VI. CONCLUSIONS AND RECOMMENDATIONS

The findings of this study suggest that although microcredit access has enabled women to fund their enterprise operations, credit access does not seem to have enabled them to achieve job creation to any substantial level. Possibly, loan ceilings imposed by PRIDE prevent clients from expanding their businesses past the threshold of the micro-enterprise level. Regardless, this study has established that much of the ability of enterprises to create jobs seem to be related to factors other than microcredit itself, such as duration of membership in the loan program and control over decision making, the loan, and other proceeds. This suggests that microcredit alone is not a magic bullet in addressing poverty alleviation among women. However, it must also be noted that the variance in enterprises' ability to create jobs remains unexplained. This implies that some of the relevant factors likely to influence enterprises' ability to create jobs may not have been adequately captured by this study.

And finally, our study suggests that if any microcredit policy is to create meaningful results, it is imperative that a holistic approach be adopted that addresses the various factors influencing women ownership of micro and small business, women entrepreneurship, and women empowerment and poverty reduction.

#### VII. REFERENCES

1. Anderson, C., Locker, L., and Nugent, R. (2002). Micro-credit, Social Capital and Common Pool Resources, *World Development*, Vol. 30 (1), pp. 95–105.
2. Andersson, I., Raihan, A., Rivera, M., Sulaiman, I., Tandon, N., and Welter, F. (2007). Handbook on Women-owned SMEs Challenges and Opportunities in Policies and Programmes, IKED.
3. Bali Swain, B. (2004). Is microfinance a good poverty alleviation strategy? Evidence from Impact Assessment, SIDA Uppsala.
4. Barnes, C., Keogh, E, and Nemarundwe, N. (2001). Microfinance Program Clients and Impact: An Assessment of Zambuko Trust, Zimbabwe, AIMS, Washington, D.C.
5. Barnes, C., and Sebstad, J. (2000). Guidelines for Microfinance Impact Assessments: Discussion Paper for the CGAP 3 Virtual Meeting October 18-29, 1999, AIMS, Washington, D.C.
6. Brau, J. and Woller, G. (2004). Microfinance: A Comprehensive Review of the Existing Literature, *Journal of Entrepreneurial Finance and Business Ventures*, Vol. 9, Issue 1, pp. 1-26.
7. Caputo, R. and Dolinsky, A. (1998) Women's choice to pursue self-employment: The role of financial and human capital of household members. *Journal of Small Business Management*, 36(3), 8-17.
8. CIP/SED (1999). The Gender Approach in Small Enterprise Development, Issue Paper 1, Swiss Development Corporation, Bern.
9. Davidsson, P. and B. Honig, (2003). The role of social and human capital among nascent entrepreneurs, *Journal of Business Venturing* 18, 301-331.
10. Ditcher, T. (2006). Hype and Hope: The Worrisome State of the Micro-Credit Movement. Available at <http://www.microfinancegateway.org/content/article/detail/31747>, accessed 15th April, 2009.
11. ECA- Economic Commission for Africa (2005). Economic Report on Africa 2005: Meeting the Challenges of Unemployment and Poverty in Africa, ECA, Addis Ababa.
12. Field, A. (2005). *Discovering Statistics Using SPSS*, 2nd Edition, SAGE Publications London.
13. Godinot, X., Heyberger, C., Heyberger, P., Ugarte, M., and Ugarte, R.(2007). Resisting Extreme Poverty: Learning from Families in Burkina Faso and Peru (p.273-306) in *Moving Out of Poverty*, Volume I.
14. Hulme, D. (2000). Impact assessment methodologies for microfinance: theory, experience and better practice. *World Development* 28(1): 79–98.
15. Hulme, D. and Mosley, P. (1998). Microenterprise Finance: Is There a Conflict Between Growth and Poverty Alleviation?, *World Development*, Vol. 26 (5), pp. 783–790.
16. Hulme, D. and Mosley, P. (1996). *Finance Against Poverty*. New York: Routledge.
17. Hunt, J., and Kasynathan, N. (2001). Pathways to empowerment? Reflections on Microfinance and Transformation in Gender Relations in South Asia: *Gender and Development*, Vol. 9, No. 1, pp. 42-52.
18. IFC- International Finance Corporation (2007). Tanzania Gender and Economic Growth Assessment, the World Bank.

19. ILO (2007). *Small Change, Big changes: Women and Microfinance*, ILO, Geneva.
20. Khalily, M. (2004). Quantitative Approach to Impact Analysis of Microfinance Programmes In Bangladesh—What Have We Learned? *Journal of International Development* 16, 331–353.
21. Kumar, B. (2005). Impact of Microfinance through SHG-Bank Linkage in India: A Micro Study, Vilakshan, *XIMB Journal of Management*, pp 1-22.
22. Ledgerwood, J. (1999). *Sustainable banking with the poor: Microfinance handbook*. Washington, D.C.: The World Bank.
23. Lerner, M., Brush, C., and Hisrich, R. (1997). Israeli women entrepreneurs: an examination of factors affecting performance. *Journal of Business Venturing*, 12(4), 315-339.
24. Littlefield, E., Morduch, J. and Hashemi, S. (2003). Is Microfinance an Effective Strategy to Reach the Millennium Development Goals? CGAP Focus Note No. 24. Form [http://www.cgap.org/docs/FocusNote\\_24.html](http://www.cgap.org/docs/FocusNote_24.html). Accessed 8th January 2008
25. Mayoux, L. (2002). Women's empowerment of feminization of debt?, *Towards a new agenda in African microfinance*, One World Action,
26. MKNelly, B., and McCord, M. (2001). Credit with Education on Women's Empowerment: Impact Review No. 1, *Freedom from Hunger Frontier*.
27. Mosley, P. & Rock, J.(2004). Microfinance, Labour Markets And Poverty In Africa: A Study Of Six Institutions, *Journal Of International Development* 16, 467–500.
28. Orser, B. Riding, A and Manley, K. (2006). *Women Entrepreneurs and Financial Capital*, Entrepreneurship Theory and Practice (September)
29. Papadaki, E. and Chami, B. (2002). Growth Determinants of Micro-Businesses in Canada, Ottawa: Industry Canada, Small Business Policy Branch ( July).
30. Robichaud, Y. and Zinger, T. (2007). Gender differences within early stage and established small enterprises: An exploratory study, *International Entrepreneurship Management Journal* DOI 10.1007/s11365-007-0039-y.
31. Sebstad, J. and Chen, G. (1996).Overview of Studies on the Impact of Micro enterprise Credit: Assessing Impact of Micro enterprise Services (AIMS). *Management Systems International*. Washington, D.C.: USAID.
32. Snow, R. and Buss, T. (2001). Development and the role of microcredit, *Policy Studies Journal* 29, 296-307
33. Stevenson and St-Onge, (2005). *Support for Growth-oriented Women Entrepreneurs in Tanzania*, ILO, Geneva.
34. Sternberg, R., and Tamásy, C. (1999). Munich as Germany's No. 1 High Technology Region: Empirical Evidence, Theoretical Explanations and the Role of Small Firm/Large Firm Relationships', *Regional Studies*, 33:4, 367 - 377.
35. UN, (2004).Access to Financing and ICT for Women Entrepreneurs in the UNECE region: Challenges and Good Practices, UN Geneva and New York.
36. URT- United Republic of Tanzania (1991). *National informal sector survey (NISS)*. Planning Commission and Ministry of Labour, Dar es Salaam
37. URT- United Republic of Tanzania (2002). *Small and Medium Enterprise Development Policy, 2002*, Government Printers Dar es Salaam.