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The influence of individual factors on the profitability of female owned small enterprises: The mediating effects of access to credits

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MASTER OF BUSINESS ADMINISTRATION

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BY

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THE UNIVERSITY OF DODOMA

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DECLARATION

AND

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I, **Albert Raphael Makombe,** 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 other degree award.

Signatureé é é é é é é é é é é é é é é

CERTIFICATION

The undersigned certify that they haves read and hereby recommends for acceptance by the university of Dodoma thesis/dissertation entitled, analysis of the influence of individual factors on the profitability of female owned small enterprises; the mediating effects of access to credits in fulfillment/partial fulfillment of the requirements for the degree of master of business administration of the University of Dodoma.

Signature é é é é é é é é é é é é é é

Dr. Ismail J. Ismail

(Supervisor)

Date é é é ..é é é é é é é

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I humbly thank Almighty GOD who loves me and enabled me see this wonderful joyous occasion of completing my Masters of Business Administration (MBA) program both course work and the thesis. ñI will sing of the mercies of the LORD forever; with my mouth, will I make known your faithfulness to all generationsò Psalms 89:1-2. May His name be glorified forever!

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DEDICATION

I dedicate this work to my late father Mr. Raphael Ngaswaga Makombe who passed away on 24th may, 2019 while I was completing my course and to my mother Ms. Rose Waiton Bange. They laid foundation to my education through their love, encouragement, guidance, counseling, financial and material supports.

ABSTRACT

This study aimed at analyzing the mediating effects of access to credits on the relationship between individual factors and the profitability of SMEs in Tanzania. The study used cross sectional design as the methodological approaches of which quantitative and qualitative approaches were combined. In the analysis, the study used logistic regression model and structural equation modelling because of the nature of the relationship analyzed. This study has identified problems related to the owners and pointed out that majority of the owners have individual factors which are difficult to be given loans. This means that there is evidence to support the case that majority of Tanzania SMEs have credit constrains. Therefore, majority of the SMEs are suffering from the poor performance in terms of poor profit they create. The study recommends the improvement of business skills to the owners of SMEs, improving experiences of the owners of SMEs, reducing credit requirements, and removing solving of gender imbalance. It was recommended that training associated with business skills such as entrepreneurship skills, networking skills, marketing skills, leadership skills like managerial competency skills should be given to the owners so as they improve their skills in order to improve the accessibility of the credit and therefore increase the profit of the SMEs. Future studies can capture profitability using continuous variable so as to see the trends of the profitability. Also, future studies can study performances using other variables such as nonfinancial indicators such as customer satisfactions.

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LIST OF ACRONYMS AND ABBREVIATIONS

AGFI	-	Adjusted Good of Fit Index
CEO	-	Chief Executive Officer
CFI	-	Comparative Fit Index
GDP	-	Gross Domestic Product
GFI	-	Good of Fit Index
ICT	-	Information and Communication Technology
ILO	-	International Labour Organization
MSMEs	-	Micro, Small and Medium Enterprises
RBV	-	Resource Based View
REPOA	-	Research on Poverty Alleviation
SEM	-	Structural Equation Modelling
SIDO	-	Small Industries Development Organization
SMEs	-	Small and Medium-sized Enterprises
UNIDO	-	United Nations Industrial Development Organization
URT	-	United Republic of Tanzania
WBES	-	World Bank Enterprise Survey

CHAPTER ONE

INTRODUCTION

1.1 Overview

This chapter introduces the study. It has various sections which are the background information, statement of the problem as well as research objectives both general and specific ones. The chapter also contains the significance part of the study and the scope governing the study.

1.2 Background Information

various scholars worldwide agreed that, the Small and Medium Enterprises (SMEs) are increasingly considered as the key factors and a drivers of promoting economic growth. These enterprises offer various economic activities; in general they deal with productivity, innovation and provision of employment. It is therefore accepted that SMEs are the key aspects of economic dynamism (ILO, 2006). The importance of these SMEs is not limited to the developed countries only, even in the developing countries like Tanzania, the role played by SMEs is considered crucial as they have the potential to improve income distribution, reduce poverty, create employment, and grow their exports.

In third world countries, there has been seen an increasing number of entrepreneurial ventures in entrepreneurship cadre in recent years. This has been influenced by many programs initiated by both government and non-government organizations (Eyben et al., 2008). In general previous researches have revealed that, in order to alleviate poverty in fastest growing economies of third world countries, there is a need to embrace entrepreneurship and SMEs development (United Nations 2006).

World Bank (2009), in their report revealed that entrepreneurs consist of half of man-powers in third world countries. The report also recognizes entrepreneurs as a key determinant of micro economic development in their communities. Past researches also revealed that majority own MSEs in their countries and these SMEs have significant contributions in Gross Domestic Product (GDP) improving income of their households (ILO 2008; Ghosh 2009).

However, regardless of the important of these different SMEs to the economy and to the development of the households, their performances are still questionable. Profits, sales and nonfinancial indicators are not well developed. Researchers and other action groups have tried to find out the reasons that contribute to the poor performance of SMEs. Among many reasons, to the large extent performance is dependent on availability and accessibility to credit services. Access to credit is considered as a crucial role for business establishment, by startups, growth and operations. Thus, the access to credit enables SMEs utilizing their productive assets to improve the firm productivity and hence the SMEs economy of scale (Kira & He, 2012).

Researchers have further pointed out that, credit accessibility encourages market entry. This is because; capital is a major problem to the majority for starting the business. It also helps the SMEs to facilitate the growth through providing quick loans for daily operations. In addition to that, credits reduce risks of which the payment can be done in installment. It is further suggested that, credit accessibility fosters innovation. This is due to the fact that, credits provide chances for buying equipment which are new and innovated. This can help to improve production of creative products. The results of all these is to improve all the SMEs entrepreneurial activity (DALBERG, 2011). Thus, it is worth to note that, the resources such as financials are crucial for business operations and survival. This is due to the fact that, SMEês performance mainly depends on the ability of a firm to generate finance internally and secure external finance. According to Aminu and Shariff (2014); Demir & Caglayan (2012), if the SMEs is not doing well in internal finance it is obvious that the SMEs will perform poor in all disciplines. Therefore, poor access to financial resources will be harmful to the prospective growth of the business (Rahaman, 2011).

This has also been emphasized by Xavier et al (2013) who posted that, shortage of financial resources is one of the most contributing factors that weaken SMEs performance. The study revealed that most of the SMEs are not progressing well because of poor access to credits. The study further suggests that, there are various reasons as to why SMEs fail to access credits compared to large enterprises. The critical review has pointed that, organisational factors such as size of the firm, location and capital outlay are the key for credit accessibility. Other studies have connected credit accessibility with collaterals and high interest rate as the limitation toward credit accessibility.

According to Sacerdoti (2005), lack of collaterals, low income, problems in filing tax repayment reports and unsound business plans are some of the major reasons for the unwillingness of the financial institutions to lend credit to majority of entrepreneurs who own SMEs.

In addition to that, regardless of the success stories recorded on the increase of entrepreneurship in the developing countries, various literature on entrepreneurship in Africa have literally depicted that, majority of micro and small enterprises are being under financed and thus continue to record poor performance of SMEs (Richard and Adams 2004). The literatures has pointed that, only 30% of the small firms in Sub-Saharan African countries have access to affordable and proper financial capital (World Bank 2005). These SMEs depend only on the self-financing of which the capital raised is very low in the sense that, it cannot help to create more impacts to the SMEs performance.

Women entrepreneurs cannot be left behind in this case, as they play the role in private business sector under the SMEs as defined in Tanzania. The ratio of female owned enterprises is said to have increased from 35% in early 90s to 54.3% in 2012 (MIT, 2012). Most of these women entrepreneur are in the age between 25 to 40 years. They are the potential motor in the economy that they facilitate generation of of jobs and poverty reduction. The government of Tanzania has made some tremendous efforts to improve and develop the women owned enterprises through developing a number of policies and other support programmes.

Despite all the efforts made by the government to support the women entrepreneurs, yet they continue to face challenges and challenging environment that keep their performance and growth in questions (Nchimbi, 2003, Stevenson and St. Onge, 2005; IMED, 2010). According to Jagero and Kushoka (2011), the key barriers and challenges to these women entrepreneur includes cultural environment that makes it more difficult for them to start and run these enterprises. Another major challenge outline by Jagero and Kushoka (2011) include the limited access to important services such as finance in terms of loan, technical skills, and business management skills. Others include management training, business advisory services, and access to market, and business location. The majority of SMEs mentioned access to finance as their prominent challenge. Additionally, the women entrepreneursô survey (WES) conducted indicated that, access to finance is most mentioned challenge hindering women entrepreneurs to start and grow their enterprises. The second crucial challenge was market access whereby their SMEs failed to attract customers; this was followed by location of their business. Amazingly, women entrepreneur's challenge on family support was 30 per cent during business growth and recorded 12 per cent during business establishment.

On the other hand, a review on the characteristics of enterprises in Sub Saharan Africa has shown that, a dominant share of SMEs is operated from informal sector (Stevenson & St-Onge 2005). Being informal has resulted to the poor base of financial accessibility since majority of the SMEs in the informal sector do not have much to offer as collaterals for the credit accessibility. In particular, most of the SMEs entrepreneurs prefer to start businesses related to food vending, hair making, tailoring of garments and running merchandised shop in retail. The reason is that, these are the fast profit creator and are easy to operate because of the small capital required.

Generally, it is emphasized by Fuchs and Berg (2013), that informal sector is very lucrative because less intensive capital is needed to establish the enterprises and no special skills are required. However, contrary to this, the review of the literature has depicted that, based on the innovation and the technological development, now days financial institutions needs SMEs owners with high education, many years in operations (experience), short distances between the firms and the financial institution and the gender balanced. This has become a big challenge to the majority of the owners of SMEs to access credit from the financial institutions.

Furthermore, literature has further observed that, among Sub-Saharan African countries, small entrepreneurs not only face credit access challenge, but also have low education levels, lack entrepreneurial training and experience to effectively manage enterprises (ILO, 2010). Furthermore, Nasser et al. (2003) argued that, lack of capital and limited access to finance is a factor inhibiting entrepreneurship and influencing growth negatively, as it impedes the progress that comes from timely application of resources.

The concept was given a full support by the Fletschner and Kenney (2011) who reported that majority of small business owners in their survey had a challenge of an access to capital at the first time they launched their businesses and it has remained the top hindrance they are facing when they wish to continue innovating and growing their businesses Also, a study by Thompson, Jones-Evans, and Kwong (2010) has reported that, SMEs depend much on some personal saving of the business owners but sometimes the profits obtained from the businesses to cater their financial needs.

A study done by Kihimbo et al. (2012) recognized the importance of formal financial sources in any business operations. The study came into the conclusion that there is an association between sources of finance and the performance of the business and from coefficient of regression results, it shows that formal source of finance is the most significant independent variables enhancing SMEsô performance in Ado-Ekiti metropolis.

Study undertaken by Mbugua (2014) on factors affecting the performance of small and micro enterprises in Limuru town market of Kiambu confirm that access to finance and availability of management experience are the key socio-economic factors affecting the performance of businesses in Limuru Town Market. The problems related to finance include lack of information on where to get sources of finance, restrictive lending offered by commercial banks, lack of access to finance, insufficient financing, lack of track record required by the banks, limited access to collateral, and the fact that financial institutions lack appropriate structure for dealing with SMEs.

Thus, the performance of SMEs usually requires sustainable investments, when it comes to lower levels of earnings accumulation of capital is always difficult. Formal credits facilities can only help SMEs owner to improve their incomes and can accumulate their own income (Atieno, 2001; Hossain, 1988) Hence, access to well-developed microcredit systems may be a crucial catalyst for economic development (Mitullah, 2003). To this end, this study analysed the influence of individual factors on the profitability of small and medium enterprises by mediating the effect of access to credits

1.3 Statement of the Problem

Individual factors especially those of owners manager play an important role in influencing the profitability of SMEs (Nasser et al, 2003). Individual factors such as education level, age of owners, technical skills, entrepreneurial training and experience to effectively manage enterprises are connected to the ability of the managers to perform their day to day activities and hence increase profitability as well as market share (Olutunla, 2008)

Despite the important role played by owner managersô individual factors, the SMEs profitability is still low. Past studies have noted that, poor profitability of SMEs in Tanzania is hampered by numerous factors including low levels of education, lack of business management skills, poor business development services, unfavorable legal and regulatory framework, and inadequacy of business training (World Bank, 2005).

However, these studies have not included some other important factors such as credit accessibility. As stated by Chen, et al. (1996), credit accessibility is the key determinant of women SMEs performance, including this variable will help to study the relationship between individual factors and profitability in another way. It is therefore important to include individual factors to study this relationship. Studying the relationship between individual factors and profitability with implication of access to credit will not only give the new knowledge but also helps to improve the profitability of SMEs**.**

Many empirical studies focused on other factor influencing profitability and put little emphasize on individual factors. For instance, (Akingunola, 2011) reported significant positive relationship between SMEøs financing and their growth while ignoring individual factors. In the same vain, Mazanai and Fatoki (2012) found that access to finance is directly related to SMEs performance. Very little has been documented on the influence of individual factors towards access to credit and profitability of SMEs. Therefore, this current study is going to analyze the influence of individual factors on the profitability of SMEs with moderating effects of access to credits**.**

1.4 Research Objectives

1.4.1 General objective

The general objective of this study is to examine the influence of individual factors on the profitability of female owned enterprises when mediated by access to credit.

1.4.2 Specific objectives

Specific objective are;

a) To assess the influence of credit accessibility on the profitability of SMEs.

b) To determine the influence of individual factors on the accessibility of credit of SMEs.

c) To determine the influence of individual factors on the profitability of female owned SMEs when mediated by access to credit

1.5 Research questions

1.5.1 General question

What is the influence of individual factors on the profitability of female owned enterprises when mediated by access to credit?

1.5.2 Specific questions

a) What is the influence of credit accessibility on the profitability of female owned SMEs?

b) What is the influence of individual factors on the accessibility of credit of female owned SMEs?

c) What is the influence of individual factors on the profitability of female owned enterprises when mediated by access to credit?

1.6 Significance of the study

This study provides useful insights to government policy makers on the need to have SMEs access to credit more easily and the subsequent impact of money lent to SMEs on their profitability. Financial institutions can see various ways of providing credit to SMEs and the impact of this credit to the performance of the said SMEs. The development of SMEs and their sustenance is paramount to economic development and this study can be of great benefit to financial institutions that are credit averse when it comes to the issue of lending money to SMEs. SMEs can therefore find this study very valuable as it can provides or shed light to the existing and potential forms of credit that is available to them and how they can benefit from it and improve their performance.

The study will contribute to the existing body of knowledge in terms of theory, knowledge, and methodological perspectives. In the case of theoretical contribution, the study reviewed several existing theories with a view to using or integrating them. A comprehensive framework was constructed for effective credit accessibility to improve profitability of SMEs. Also, knowledge contribution of the study was on understanding the enabling credit accessibility that have more influence on profitability. In addition, this study can help managers, owners, and stakeholders in the SMEs to be competitive by making them more attention on the individual factors and credit accessibility so as to increase profitability. Furthermore, the study can generate input for the improvement of policies in achieving the Sustainable Development Goals (SDGs) 8, and 9. Where SDG 8 considers the implementation of policies in promoting sustainability of SMEs that can create jobs, promotes culture and products to eradicate forced labour, slavery, human trafficking and SDG 9 which considers investments in infrastructure and innovation as crucial drivers of economic growth (UNDP, 2015).

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter aims at reviewing the literature based on this study. The chapter has various sections which are designed to present the detailed review of the literature. The sections include definitions of key terms, the empirical review of the study, the theoretical review of the study, the conceptual framework which presents the links of the variables and the research questions involved in the study.

2.2 Definition of Key Terms

2.2.1 Access to credit

Access to credit is the capability of an enterprise of an individual to be able to get financial services which include money deposits, making payments, insurance, and other risk management services (Demirgüç-Kunt, Beck, & Honohan, 2008) It also refers to the ease with which SMEs can secure financial assistance or loans from lending institutions (Kitili, 2012). In this study, access to credit means the ability of the owner of manager to obtain credit from the financial institution.

2.2.2 SMEs performance

Performance of SMEs' may be seen the context of actual outcome when compared to the inputs. Performance is an act of doing something in a profitable way. However, performance seems to be conceptualized, operationalized and measured in different ways (Teoh & Chong, 2007), thus making comparison difficult. The most widely used one are profit, sales growth, and growth. This study will use profitability as the measure of performance.

2.2.3 Small and Medium Enterprises

According to Karani (2012), "Small business concern; (a) which is at least 51 percent owned by one or more entrepreneurs; or, in the case of any publicly owned business, at least 51 percent of the stock of which is owned by one or more entrepreneurs and (b) whose management and daily business operations are controlled by one or more entrepreneurs."

The United Nations Industrial Development Organization (UNIDO) also defines Small and Medium Enterprises (SMEs) in terms of number of employees by giving different classifications for industrialized and developing countries (Elaian, 1996). The definition for industrialized countries is given as follows: Large - firms with 500 or more workers, Medium - firms with 100-499 workers, and small - firms with 99 or less workers. The classification given for developing countries is as follows: Large - firms with 100 or more workers, Medium - firms with 20-99 workers, Small - firms with 5-19 workers and Micro - firms with less than 5 workers.

According to the ministry of industry and trade in Tanzania, small businesses are collectively defined under the nomenclature SMEs. SMEs nomenclature is used to mean micro, small and medium enterprises. It is sometimes referred to as micro, small and medium enterprises (MSMEs).

In the context of Tanzania, micro enterprises are those engaging up to 4 people, in most cases family members or employing capital amounting up to Tshs.5.0 million. The majority of micro enterprises fall under the informal sector. Small enterprises are mostly formalized undertakings engaging between 5 and 49 employees or with capital investment from Tshs.5 million to Tshs.200 million. Medium enterprises employ between 50 and 99 people or use capital investment from Tshs.200 million to Tshs.800 million.

Table 2.1: Categories of SMEs in Tanzania

Category	Employees	Capital Investment (Tshs)
Micro enterprise	1 ï 4	Up to 5 mil.
Small enterprise	5 ï 49	Above 5 mil to 200 mil.
Medium enterprise	50 ï 99	Above 200mil.to 800 mil.
Large enterprise	100 +	Above 800 mil.

Source: URT (2003)

2.3 Overview of the challenges faced by SMEs in access to credit

In many reviewed literature the most listed and discussed constraints to the performance and growth small business in low and middle economies is limited access to fiancé. The organizations in these second and third world countries come across this challenge because of High interestsô rates, bureaucratic loan application procedures, collateral requirement incapability and insufficient records in finances. In Africa this is also a big challenge and a problem. SMEs experiences a lot of challenges in having an access to finance, this can be cited particularly Sub-Saharan Africa (Lutz & Lutz, 2017). The size of the organization may be a driving factor. Large firms in most cases have better access to finance from external sources compared to small firm which in most cases operated by women (Aterido, Beck, & Iacovone, 2013). Studies on other regions, such as South Asia, do not necessarily exhibit a financial bias against women-owned enterprises (Wellalage & Locke, 2017).

There is a vast amount of literature that finds that smaller size firms are more likely to experience financial constraints than larger size firms, which in turn, may affect SME performance. SMEs comprise of a dominant share of the private sector in developing countries, accounting for over 50 percent of the jobs in their respective economies (Kumar, 2017; Lorenz & Pommet, 2017). The growth of SMEs is important for employment and broader economic growth.

Access to finance may be necessary for firm growth and broader economic growth, but may not be sufficient on its own (Olafsen & Cook, 2016) While financial barriers are more commonly discussed in the literature, studies show that there are also often a range of non-financial barriers that affect the growth of businesses. These include:

- Human capital: limited knowledge and skills to manage finances, utilize financial services, and manage the consumer market can undermine firm growth.
- Technology and innovation: firms lacking innovation risk becoming uncompetitive. Financing constraints can have a significant negative impact on firm innovation (Lorenz & Pommet, 2017)
- Competition: strong competition in the markets is a high barrier for the growth of small and medium business.
- Regulatory framework: burdensome regulations and taxes can constrain firm growth.

- Political instability and corruption: they can adversely affect sales and productivity.
- Infrastructure: the status of roads, telecommunications, transport and electricity have an impact on the growth of businesses. An unreliable electricity supply, in particular, is considered a serious obstacle.

Analysis based on World Bank Enterprise Survey (WBES) data finds that managers of SMEs across all countries surveyed consider access to finance to be the biggest obstacle to business growth, followed by competition from the informal sector and then taxation (Kumar, 2017).

2.4 Credit Accessibility and performance of SMEs

Credit is considered a factor of production. Access to credits allows SMEs to utilize productive assets to enhance productivity and economy of scale (Kira & He, 2012). As suggested in (DALBERG, 2011) report, access to finance encourages market entry, facilitates growth, reduces risks, and fosters innovation and entrepreneurial activity. In addition, Wagenvoort (2003) estimated the growth sensitivity cash flow of enterprises in 14 European countries during 1996 - 2000 and found that financial constraints limit the growth potential of SMEs. Beck, Demirgüç-Kunt, and Maksimovicôs (2005) study on firms in 54 countries confirmed that financial constraints limit firm growth, especially small firms. Empirical studies worldwide also confirm the positive effect of credit accessibility on firm growth. For example, Rahaman (2011) estimated that a 10% increase in bank credit results to an 18.14% increase in growth of the sample firms in Ireland and the UK. Khandker, Samad, and Ali (2013) test the impact of access to finance on microenterprise growth and profitability in Bangladesh using the fixed-effect model. Their results suggest that credit constraints negatively affect microenterprise profit margin more severely than other types of constraints (such as transportation, lack of demand, etc.). In addition, enterprises that borrowed from money lenders to start their business get significantly lower profit than when they borrow from other sources.

Ekpe, Razak, and Mat (2010), commented that satisfactory credit enhance the performance of entrepreneurship businesses. The influence of being given a credit of striving to improve performance can be reflected on looking at increased profit of the entrepreneurial venture, new investment and employment of entrepreneurs (Kuzilwa, 2005). Similarly, Loice and Razia (2013) in their study they found a significant association between credit access and women entrepreneursô performance in Kenya, and they justified that loans assist female entrepreneurs to invest in and expand their business and thereby they make various decisions.

Additionally Soltane and Imen (2013) noted poor access to internal sources of finance is extremely affecting decisions of SMEs create investments and invest much in research and developments, similarly this affects organizational growth, innovation and organization performances. Moreover, Cabral and Mata (2003) find that ñconstraints in credit access leads to firm size skewedness towards small firmsò and they conclude that ñwhen financial constraints are eliminated, small firms grow to their optimal size giving rise to a more symmetric distribution of firm sizes in the economyò. This reflects the contribution of credit access for the growth of small business.

2.5 Theoretical framework

2.5.1 The Resource Based View (RBV) of the firm

The Resource Based View (RBV) of the firm provides a theoretical foundation for the significance of different forms of resources to firm competitiveness and performance (Roxas & Chadee, 2011). The RBV is a principal view in Strategic Management (Newbert, 2007), which has also informed several fields within the management research; including the organization theory, technology management, international management and HR management (Foss, 2011).

This theory is premised on the strategic importance of a firmòs resources and capabilities (Chaganti & Brush, 1999). The RBV views a business as a collection of resources, whose features considerably affect its competitive advantage and consequently performance (Barney, 1991; Penrose, 1959; Wernerfelt, 1984). According to this theory, the performance of a firm is best explained in terms of the resources, skills and assets it possesses (Lerner & Almor, 2002).

Furthermore, it suggests that firms have the potential to attain and sustain their competitive advantage by possessing tangible and intangible resources with the characteristics of being valuable, rare, inimitable and non-substitutable (Lee & Tsang, 2001; Wernerfelt, 1984). The most important assets in the context of a small business are the business owneròs skills (Lerner & Almor, 2002) because in such businesses, the business owner makes and implements all the important decisions. The general belief in entrepreneurship literature is that a small firm is an extension of its founder (Chandler & Jansen, 1992) and because everything revolves around them, the founderòs human capital may prove critical to the success of the small firm (Segal, Borgia, & Schoenfield, 2010).

The theory is related to the study in the sense that, it supports the proposition that the firms performance is influenced by resources, skills and assets it possess, then from the those resources and skills the business posses, one of which are in individual factors such as individual Business skills, education skills and Business experiences. This form the bases of the first three independent variables used in this study. The weakness of the theory is that it does not address adequately the other the other remaining part of individual factors like age, sex and distance but also it address very little on the performance of SMEs particularly the women owned SMEs.

2.5.2 Human capital

Human capital refers to the skills and knowledge acquired through investment in education, on-the-job training and other types of experience (Becker, 1964; Davidsson & Honig, 2003). Literature suggests that human capital represents one of the most significant resources for the success of entrepreneurial businesses. Some have described it as an essential source of competitive advantage (Coleman, 1998) while others have considered it vital to economic growth and entrepreneurial opportunities (Javalgi & Todd, 2011).

In the context of entrepreneurship, human capital improves the business ownersô ability to identify and exploit business opportunities, acquire resources such as financial capital as well as accumulate new knowledge and skills (Unger, Rauch, Frese, & Rosenbusch, 2011). Along these lines, Davidsson & Honig, (2003) observe that individuals equipped with a higher quality human capital are better placed at perceiving and successfully exploiting profitable opportunities when they arise. It follows that human capital theory suggests that higher level of knowledge, skills and other competencies are associated with higher firm performance (Martin, McNally, & Kay, 2013).

According to Lerner, Brush, and Hisrich (1997), human capital elements such as field and level of education, previous entrepreneurship experience and business skills impact performance. In another study, Aldrich and Martinez (2001) found that a certain amount of prior knowledge is required for success, either through training, experience or formal education. Some (Watson, 2003) have even linked lower levels of education and experience to the underperformance of women entrepreneurs when considered in relation to their male counterparts.

The theory relate to the study in the sense that generally support a positive relationship between human capital and firm performance (Santarelli & Tran, 2013; Unger et al., 2011), but also the theory form the basis of independent variables used in this study, the human capital as spoken from the literature education skills, entrepreneurship experience, education skills and sometimes age and sex may be integrated in human capital, therefore the theory extends on the individual factors as explained by resources based theory. However the weakness is that it does not also addresses adequately the parameters of profitability of women owned SMEs

2.5.3 Financial Capital Theory

Boldizzoni (2008), defined financial capital as the saved up financial resources which are used to start and maintain the operation of the business. This concept of financial capital has been adopted by many firms when preparing their financial reports. In this concept of financial capital which may be ether in saved money or invested purchasing power resembles the net asset or equity of the firm. In physical concept of capital which involves operational capability capital is recognized as the capacity of the firm to produce which is measured by looking at the units of output in a day.

Financial capital has been categorized by academicians as economic or productive capital necessary for firms operations signaling capital which signals a company's financial strength to shareholders, and regulatory capital which fulfils capital requirements for a business (Boldizzoni, 2008). This perspective implies that the access to finance is critical for starting enterprises which require adequate capital.

The theory is relevant to the study as it sets the ground, that whenever the business need to growth, it needs financial capital, therefore in this study the mediating variable is access to credit which is explained here as a financial capital. The theory support the proposition that having an access to credit will mean having financial capital which will consequently influence the profitability of the women owned SMEs. The theory provides a base for such mediating variable used in the study which is access to credit.

2.6 Empirical review

This part aims at reviewing the studies that have been done previously. These studies were reviewed in order to find the research gap and find the relationship which explains the relationship between individual factors, credit accessibility and the profitability of the SMEs. The literature also presents all the important aspects used to analyze the relationship in this study.

2.6.1 Profitability of SMEs

Malik (2011) stated that profitability is a very important objective when it comes to financial management since one of the aim of financial management is owners wealth maximization, and profitability is said to be very important determination of performance. This is because; profitability involves many aspects in calculation. This involves variables such as revenue and cost of transaction. Generally, a business that cannot make profit cannot survive and in most cases, this kind of SMEs or business is characterized by high turnover of the employees and the short period of survive.

On the other hand, it is documented that, a business that is highly profitable has the ability to reward its owners with a large return on their investment. This is due to the fact that, most of the owners of which their business are performing well in terms of creation of profit, have good life in various ways like housing, education to their children and health services. Hence, the major goal of any firm is make profit to ensure the sustainability of the business in any prevailing market conditions. According to Pandey (1980), profitability is the ability of a business to collect more revenue than cost incurred, whereas as his study interprets the term profit in relation to other elements. In actual sense, profitability of SMEs is the key determinant of the business survival examines the factors influencing profitability in order to understand how companies can get money to finance their operations.

Also, there are other determinants like education level, sex of the owner, location of the business as well as other individuals and organisation factors which are very important for profitability of the business. On the other hand, the analysis of profitability categorize measures assesses the companyös performances in terms of the profit earned in relation to the shareholders investment or capital employed in the businesses or in relation to sales or profit. Given that most entrepreneurs invest in order to make a return, the profit earned by a business can be used to measure the success of that investment.

Researcher like Hermanson (1989) has explained profitability in terms of an organization capability to generate income in its operations whereas the incapability to make money and generate income is termed as loss. Therefore profitability in other words is the outcome of the income gained by the business. In addition to that, Hermanson (1989) commented that profitability is realized when the firmœs revenue is actually greater than the firms costs of operations but when the cost is greater than revenue, this cannot actually reflect profitability but rather poor performance. Other researchers have tried to generate many explanations with regard to the determinant of profitability of many firms.

Modigliani and Miller (1958) were the first ones to introduce the issue of capital structure. This explained the impact that, bankruptcy costs, and agency costs have on the determination of an optimal capital structure. Four theoretical approaches can be distinguished namely the irrelevance theory such as (Modigliani & Miller, 1958), the tradeoff theory (Bradley et al., 1984), agency cost theory (Jensen and Meckling, 1976) and pecking order theory (Myers and Majluf, 1984). The three have been developed after the establishment of Modigliani and Millerœs theory. Whereas the trade-off, signaling, and agency theories assumes a positive associations between profitability and leverages, while the pecking order theory expects a negative association. Most empirical studies observe a negative relationship between leverage and profitability. The Pecking Order Theory of capital structure (Myers &Majluf, 1984) suggested an inverse relationship between leverage and profitability. The findings of Kester (1986); Titman and Wessels (1988); Rajan and Zingales (1995) and Booth et al. (2001), empirically confirm an inverse relation between the leverage ratio and profitability. In a study carried out by Sangeetha and Sivathaasan (2013), a significant strong and positive relationship between profitability and leverage ($r = 0.569$, $P<0.01$) has been found. Frank and Goyal (2004) experienced a positive relationship between profitability and leverage in some models. Moreover, various studies identified the determinants of profitability (Velnampy, 2006).

2.6.2 Education level and SMEs performance

Previous studies revealed a positive correlation between higher education Qualification and the growth of the business (Kozan, Oksoy, & Ozsoy, 2006). Education has direct effects on entrepreneursô motivation (Smallbone & Wyer, 2000). In addition education assists in enhancing the exploratory skills and can improve the communication skills and foresight

The enhanced skills are helpful in preparing and presenting a pleasing business case jus for a loan to financial institutions at the time of preparing a loan proposal and hence can convince the banker during the client interview and this can make the firm have an access to credit**.**

Kumar and Francisco (2005), found a strong effect of education in describing the access to financial services in Brazil, they also realized that graduates have only minor challenges in accessing and raising loans from banks. These findings can be interpreted as that the educated businessmen and women are capable of presenting the appealing financial information and good business plans, but also they have an ability of having and maintaining communication and relationship with financial institutions compared to uneducated businessmen.

Secondly, educated business managers have got some necessary skills that help them in managing the other functions of business like human resources management, Finance management, marketing and all these skills can results to high performances of the organization which can help those firms to access finance obstacles. The other reason is from supply side, i.e. bankersô value education as an important criterion in the process of approving a loan.

The ownerôs education level can also increase the chance for businesses to have an access to credit. This is due to the reason that highly educated businesses owners are more efficient in their work and fund providers have a lot of confidences in those borrowers with higher education those who are not educated (Berger & Udell, 2006). Educated managers/owners are able to understand the loan application procedures, present positive financial information and build closer relationships with their bankers (Pandula, 2011). In some studies like Kasseeah and Thoplan (2012), education level is measured via ordered measures depending on the level of the participant as primary, secondary or tertiary level etc. Several studies concur that the quality of human capital increases with increased schooling and training.

From the funds supply perspective banks and financial institutions perceive small business owners with higher educational qualification as being more creditworthy. Therefore, in such a case well educated entrepreneurs have a higher likelihood of accessing bank loan than those without. These authors also suggested that educated managers also possess the necessary confidence to overcome any barriers they might come across when seeking access to bank loan and are well informed in regard to bank credit services and requirements. Thus, it is more likely that such individuals tend to apply for loan more than those with lower educational qualifications.

These studies have proven that, the more the education the more the development. It is very true that, if the owner is more educated, he can improve the performance by making very improved and informed decision that can help the SMEs to perform high in the daily activities.

Zarook, Rahman, and Khanam (2013) and Slavec and Prodan (2012) observed that education level of owners has big tremendous correlation with access to financial institution loan. Ahmed and Hamid (2011) used the top managerôs stage of schooling as a measure of the satisfaction of human capital and determined huge fantastic dating between the academic level and the possibility of getting access to financial institutions. Because of its important in financing the organisation, various SMEs have tried to provide training to SMEs leaders so as they improve their performance of the SMEs. In the study about the importance of education to the SMEs, Pandula (2011) also suggested that education background has vast dating with get admission to bank loan. Nguyen and Luu (2013) dealt with schooling into three unique variables, particularly fundamental academic level, expert academic level and knowledge; approximately enterprise law and Tax regulation. This observation confirmed that all these proxies of instructional qualification of the proprietor/supervisor have widespread wonderful effect on getting entry to finance.

On the other hand, Mukiri (2012) investigated the effect of educational degree and schooling on access to bank mortgage indirectly via entrepreneurial orientation. The study findings revealed that the education level of the entrepreneur has a positive effect on getting entry to finance. Kira (2013) highlighted that SMEs with proprietor/managers who have instructional qualification of training and past are much more likely to be favored by banks in getting the admission to credit score. This is supported by Le et al. (2006) who asserts that there is a positive impact on tutorial degrees on networking.

Additionally, networking impacts companiesô accessibility to bank financing, those owners or managers who are having large coverage in terms of the social network have high chances of obtaining credits and improve their performance. High education levels help them to have high levels of interactions with others and in most cases they have the ability to manage discussions and be able to convince others and obtain what they want.

However, in some areas, the study have proven that, high education levels have positive influences indicating that, the more the education level is improved, the more the performance improves but the relationship was not significant. This means that education level is not a determinant of the performance. According to Abdesamed and AbdWahab (2012), in their study on the experience, education and business plan influencing SMEs start-up bank loan findings, they established that owners/manages education levels have a positive correlation but insignificant impact on firmsô qualification for financial institution startup loan.

Generally, previous studies have noted that the education level of the owner has an effect on the success of the business and as such, it should be seen as a critical success factor for small firms (Alfaadhel, 2010; Busman *et al.,* 2004; Jennings and Beaver, 1997; Gideon *et al.*, 1997; Madsen *et al.*, 2003; Yusuf, 1995; Wijewardena and Cooray, 1996).

However, Mwania (2011) studied about the effect Biashara Boresha Loan (BBL) on performance of SMEs owned by Kenya Commercial Bank (KCB) Ruiru branch customers found out that besides BBL, there are some other factors beleaved to be the determinant of organization performances, the results shows that there is no conclusive results on the association between entrepreneurs level of education and organization performances. Of the 51% respondents who received training in their areas of business, 49.5% reported that their businesses were performing well, showing that the appropriate training can produce positive results in the performance of businesses.

Research by Lussier and Pfeifer (2001) found a positive relationship between the level of education of managers and their firmôs performances. In a study of women directors, Smith et al. (2006) found that the positive effect of women on a firm's performance depends on their qualifications. These results can be generalized for all managers.

Also, Sinha (1996) analysed the educational background of the entrepreneur and revealed that most of the unsuccessful entrepreneurs did not have any technical background. In addition, Jalbert (2002) utilised a larger sample of firms from the Forbes 800 list from 1987-1996, and found puzzling evidence of a relationship between Chief Executive Officer (CEO) education and the firm's performance.

A firm that has larger human capital in terms of education is better placed to adapt its business to constantly changing market environments (King & McGrath 1998). This seems to play a crucial role in the sustainability of the firm's performance (Sinha 1996; King & McGrath 2002). Recently, Cole et al. (2014) examined whether exposure to personal finance and math courses has a causal impact on the financial outcomes. Their findings show that increasing education attainment could dramatically leads to greater financial management.

In addition, Charney and Libecap (2000) revealed that entrepreneurship education increases the development of new products as well as sales growth rates of the emerging firms. It is clear that education is related to a better firm performance. Graduates individuals are more likely to make their business expand (Kangasharju, 2000; Smallbone & Wyer, 2000). The study by Sinha's (1996) which concentrated on the education back ground of entrepreneurs has shown that many successful business owners have some minimum of a technical education compared to unsuccessful one who do have any. Charney and Libecap (2000) further put forward how important the entrepreneurship education is that it does not only produce self-sufficient individuals but also increases the creation of new businesses. The same study also reveals that the entrepreneurship education of an employee increases the salesô growth rates of emerging firms and graduatesô assets.

2.6.3 Business management Skills and SMEs performance

Previous researches have explored how the managerial education affects the access to credit. For example, (Kumar & Francisco, 2005), found a strong management Skills effect in explaining access to financial services in Brazil. They also found that graduates had the least difficulties raising finance from banks.

Marlow and McAdam (2013) posit that management skills are needed to run micro and small enterprises. Research shows that majority of the lot carrying out micro and small enterprises in Kenya are not quite well equipped in terms of education and skills. Studies suggest that those with more education and training are more likely to be successful in the SME sector (Thompson et al., 2010). Mahmoud (2011) study on market orientation and business performance among SMEs in Ghana articulated that there is a significant and strong relationship between managerial skills and involvement in business.

Managerial skills have major effect in enhancing the involvement of entrepreneurship in Malaysia. The study by Kamunge, Njeru and Tirimba (2014) found out that availability of managerial skills and experience affects businesses to a great extent while the respondents felt that trainings on managerial skills are required in the businesses to a great extent.

Olsen and Johannessen (1994), also uncovered that level of experiences and competencies of SMEs owners are important drivers of SMEs performances. Additionally, according to De Zoysa and Kanthi Herath (2007), owners /managers who are more entrepreneurially minded in the introductory and decline stages of their SMEs growth, tend to perform higher.

Lee and Tsang (2001) also reported that the experience, job network development activities, the number of business partners and the desire of the owners /managers have positive association with business growth. Yahaya et al. (2011) revealed that the majority of successful entrepreneurship were highly impacted by high skills on business operations which include more or less the skills in increasing the market share that best fit the size and ability of the business, and skills to provide more special and differential services. According to Tambunan (1994), small business owners /managers who have entrepreneurial values such as creativity, integrity and achievement were more likely to have superior performance in managing organizations than owners /managers without these values.

Mitchelmore and Rowley (2010) generated the following list of competencies thought by various researchers to be important for entrepreneurs: management skills such as the ability to develop management systems and organisation and coordination skills; idea generation; conceptual and analytical competencies, such as the ability to co-ordinate activities; customer management skills; delegation and motivation skills; opportunity recognition and the ability to take advantage of opportunities, the capability to formulate strategies for exploiting opportunities; hiring skills; decision making skills; leadership skills; and commitment.

Similarly, Inyang (2009) has described entrepreneurial competencies in terms of individual characteristics comprising related phenomena such as knowledge, attitudes, skills, and/or abilities required to perform a particular job, which can be acquired through managerial training and development. Furthermore, according Hunt (1998), competent behaviour is a function of several factors including a personôs motivation, personality traits, self-concept, knowledge or skills.

Chandler and Jansen (1992) found that education plays an important role in the development of competencies. Also, Segal, Borgia, Schoenfield (2010) argue that ñentrepreneurs who possess the potent, synergistic combination of education with industry managerial experience have the competencies and capabilities to manifest better resultsò. Similarly, Unger et al. (2011) contends that human capital improves the business ownersô ability to identify and exploit business opportunities, acquire resources such as financial capital as well as accumulate new knowledge and skills.

2.6.4 Business experience and performance of SMEs

Literature emphasizes the positive effect of past experience on small business growth by proposing that owner-managers with previous experience are more likely to avoid costly mistakes than those with no prior experience. Several authors agree that owners /managers with a greater degree of experience in their given fields are more likely to continue to operate their businesses and therefore be more successful (De Tienne & Cardon 2012; Heck *et al*., 1995; Wennberg *et al.*, 2010). Kolvereid (1996) also reports that individuals with prior entrepreneurial experience have significantly higher entrepreneurial intentions than those without such experience and thus increasing their chances for success.

In these lines, Krueger and Brazeal (1994) argue that prior work experience has the potential to advance oneÕs skills and abilities especially opportunity recognition. Likewise, Politis (2008) suggests that the entrepreneurÕs experiences result into the development of knowledge that enables them identify and act on business opportunities, as well as organized and managed new firms. Furthermore, Man and Lau (2005) identified theoretical and practical learning, and work i.e. knowledge, skills and experience as one source of entrepreneurial competencies.

Prasad *et al.* (2013), whose study found a positive significant relationship between entrepreneurial experience and firm growth, posit that entrepreneurial experience can enhance an entrepreneurøs skills and decision-making capabilities thereby enabling them to better manage the current business. This perspective is also supported in Døhaese *et al.* (2008). Furthermore, previous entrepreneurship experience has been found to be a good predictor of re-venturing, which consequently has the potential to contribute to future success (Davidsson & Honig, 2003) On the other hand, Sarwoko, Surachman, and Hadiwidjojo (2013) found that that the experiences and competence levels of SME owners are important factors influencing SMEsô growth and performance. Additionally, according to De Zoysa and Kanthi Herath (2007), owners/managers who are more entrepreneurially minded in the introductory and decline stages of their SMEs growth, tend to perform higher. Lee and Tsang (2001) also reported that the experience, job network development activities, the number of business partners and the desire of the owners /managers have positive impact on business growth.

2.7 Conceptual Framework

A conceptual framework can be defined as a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation (Reichel & Ramey, 1987).

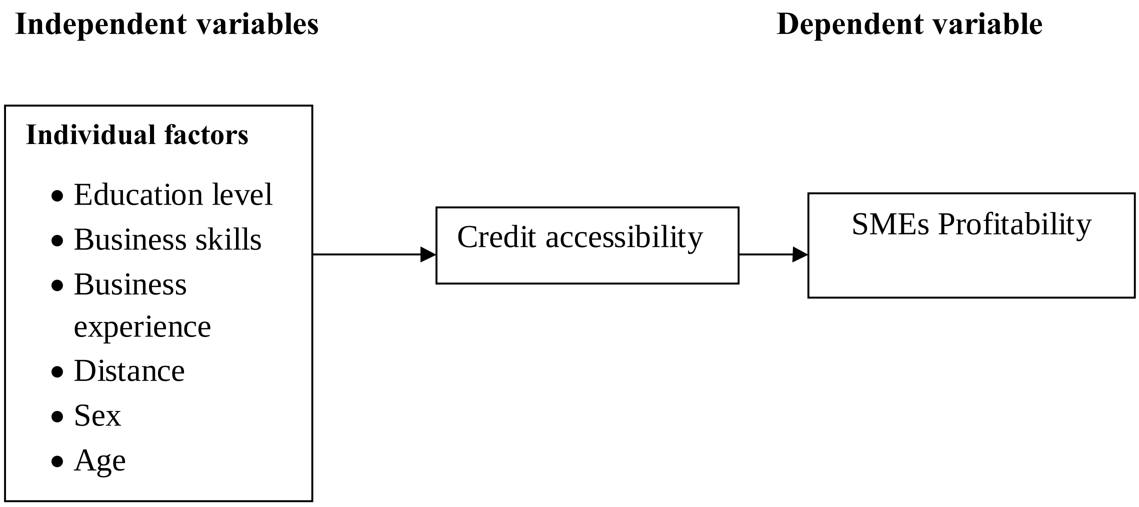

Figure 2.1: Conceptual Framework

Source: Empirical literature review and theories

The conceptual framework in figure 2.1 shows the relationship among and between variables. The model holds that individual factors of SMEs owners such as education level, business skills, age, sex, distance to financial institutions and business experience determines their access to credit which ultimately lead to their performance. The point of departure is that, those owners /managers with improved individual factors are more likely to have access to credits than those with poor bases of individual factors. Therefore having high credit accessibility can lead to high profitability creation.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was used to conduct the study. It further presents the research design, the study area, study population, units of analysis, sample size, sampling techniques, types and sources of data as well as data collection methods. It also presents the ethical consideration of the study.

3.2 Research design

Orodho, (2003) defined the research design as the scheme or plan that is purposely used to find and generate answers the problem at hand. It is plan full of details explaining how the study is going to be carried out beginning with proposal development, data collection to data analysis and reporting (Cooper & Schindler, 2014). Sekaran & Bougie, (2010) commented that a good and recommended research design have the purpose clearly defined and are in consistency between the study questions and the suggested method of research. This assists the research in optimal limited resources allocation by helping in making informed decisions (Orodho & Kombo, 2002).

The research design that is used in this study is cross sectional descriptive research design because data were collected once. It is a descriptive survey since it collects information by interviewing or administering a questionnaire to a sample of individuals (Orodho, 2003). This can be used when collecting information about peoplesô attitudes, opinions, habits or any of the variety of educational or social issues (Orodho & Kombo, 2002).

3.3 Study Area

This study was conducted at Dodoma city council. The reason for selecting this study area is due to the fact that there are many enterprises which deal with small businesses, therefore it is convenient especially in data collection with regard to time and financial resources (Kothari, 2004).

3.4 Study Population

According to Blumberg, Cooper, & Schindler (2008) population is the total of all elements (an element is the subject on which measurement is being taken) upon which inferences can be made. The target population for this study was female owned enterprises

3.5 Sample size and Sampling techniques

3.5.1 Sample Size

The sample size is a smaller set of the larger population (Cooper & Schindler, 2014). A sample is a set of entities drawn from a population with the aim of estimating characteristic of the population (Siegel 2003). This study employed 100 owners of SMEs.

3.5.2 Sampling Techniques

According to Cooper and Schindler, (2014) a sampling technique is a method of selecting elements from the population that represent the entire population. This study employed purposive sampling technique to select the female owned enterprises at Dodoma city, this was used because the distribution of these female owned SMEs could not be established.

3.6 Data collection Methods

A data collection instrument is a tool used to collect data in an objective and a systematic manner. Primary data were collected using structured questionnaire. According to Sandakos (2005), the use of questionnaire is appropriate because questionnaires are stable, consistent, and they are relatively cheaper. A structured questionnaire were designed and administered to 100 women entrepreneurs. Data collection process was facilitated by a structured questionnaire with 5-point Likert scale statements based on the constructs defined by (Mbugua, et al, 2014; Tolulope, et al, 2015).

3.7 Data Analysis

Data analysis is the act of changing and processing raw data into descriptive and inferential statistics which include tables and frequency distributions that can easily be interpreted and understood (Saunders & Thornhill, 2009). Quantitative data collected were analyzed using inferential statistics. Mean and standard deviation were used to measure the central tendencies of the variables. Specifically, binary logistic regression model was used to analyse the influence of individual factors on the credit accessibility and the profitability of the SMEs. The reason is that, binary logistic regression model fits when the dependent variable is a dummy with two responses, 1 = yes and 0 = no. therefore, both credit accessibility and profitability were captured as dummy variables. For credit accessibility the variables were captured as 1 = accessibility and 0 = non accessibility and for profitability, 1= making profit and 0 = not making profit. In addition to that, Structural Equation Modelling (SEM) which is a statistical approach that simultaneously estimates the multiple regression equations in a single framework was used to study the relationship between individual factors and profitability when mediated by the credit accessibility. SEM has been used in previous studies as it allows precise estimation of direct and indirect effects of the exogenous variables on all endogenous variables. In addition, it is capable of testing the relationship between latent variables and observed indicators.

Moreover, SEM technique takes measurement errors into account when analyzing the data. Since this study has some complex relationship with credit accessibility and has latent variables such as profitability which may be difficult to analyze using other analysis techniques, the application of SEM technique in this study was essential. Moreover, descriptive statistics further described the data set including the numerical measures such as averages, frequencies distributions, percentages and graphical display of data.

SPSS-AMOS (Statistical Package for Social Sciences with Analysis of Moment Structure) was used to determine the factor relationships and correlations.

Stages in Structural Equation Modeling

The first stage in the SEM Approach is the model specification where the researcher designed the model based on the theories and literature reviewed. In addition, the overall measurement model known as path analysis was developed. Path analysis is a set of relationship between endogenous and exogenous latent variables in the measurement.

The second stage is the model identification. There are three ways of model identification, which are just-identified, underï identified, and over-identified. The degree of freedom, which is the difference between the number of elements and parameters, was used as a reference on identifying the model. Thus, a positive degree of freedom shows an over identified model, whereas zero degree of freedom shows that the model is just identified, and negative degree of freedom shows that the model is under identified. A larger degree of freedom depicts a parsimonious model.

The third stage is estimation, where SEM produced regression weights, variances, covariance, and correlations. Estimation aimed at finding out the values for the parameters that maximize the likelihood of the observed data. The fourth stage involved the testing of whether or not the proposed model fits the data, or whether some modification is required to increase the fit. Acceptable model fit indicated by Goodness of Fit Index (GFI), Adjusted Goodness of Fit Index (AGFI) and Comparative Fit Index (CFI).

The base model to determine the impact of access to credit on SMEsôperformance is given as follows:

The formula;

Y = ϐ0 + ϐ1X1 + ϐ2X2 + ϐ3X3 +Ů

Where;

ϐ0, ϐ1, ϐ2 and ϐ3 are the parameters to be estimated,

Ů= the error term

X1 = Education level of the owner manager

X2 = Business skills

X3 = Business experience

X4 = Distance to the financial institution

X5 = Age of the owners

X6 = Sex of the owner of SMEs

3.8 Operationalization of the variables in the study

Table 3.1: Operationalization of the variables in the study

Variable	Justification for inclusion	Level (unit of measurements)
Credit accessibility	Was the dependent variable obtained by asking SMEs owners/managers whether he/she accesses credits or not. Yes =1 and No=0	Nominal dichotomous
Sex	Whether respondent is a male or a female. Male =1 and No= Male	Dummy variable
Business skills	Most important predictor of accessibility of credits. Was asked whether SMEs owners/managers have business skills or not	Nominal dichotomous
Distance from the financial institutions	Is one of the main factor that affect access and use credits	Ratio (Km)
Education level of the owner	Is one of the main determinants of credits accessibility as educated people can access and use credits easily.	Nominal dichotomous
Experience of owners/manager	Experience of firm owner/manager is likely to affect credit accessibility either positively or negatively	Ratio (years)
Age of the owner	Predicted to reduce or increase credit accessibility	Ratio (years)

3.9 Reliability and Validity of the measures

3.9.1 Reliability

Reliability refers to the degree of dependability and consistency of a scale that assesses a latent construct (Gatewood & Field 1990; Hair et al. 2006). Cronbachôs coefficient alpha (Ŭ) is a widely used measure of scale internal consistency reliability. Cronbachôs alpha indicates how well the items in a set are positively related to one another as explained by (Sekaran & Bougie, 2010). In this study each critical construct in the present research was examined using Cronbach alpha reliability tests. Generally, if the alpha value is greater than 0.7, the scale has reliability (Nunally, 1967).

3.9.2 Validity

Validity is an important criterion for evaluating the quality of research instruments. It considers how well the measures of the underlying factors accomplish their intended purposes. Validity on its part may be assessed internally or externally. Quoting Cook & Campbell, (1979) definition, internal validity refers ñto the approximate validity with which we infer that a relationship between two variables is causal or that the absence of a relationship implies the absence of causeò. External validity by contrast refers ñto the approximate validity with which we can infer that the presumed causal relationship can be generalized to and across alternate measures of the cause and effect and across different types of persons, settings, and timesò (Cook & Campbell, 1979).

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Overview

This chapter gives the findings of the research and discussions. Findings being presented here are based on the analysis of information obtained from the discussion with owners/managers of Small and Medium Enterprises (SMEs), key informants mainly officials dealing with SMEs, own experience and literature consulted. SMEs visited were those dealing with retail shops, catering services, textile and garments, hair salon/barber shop, flour and oil milling. Key informants approached were people who are accessible, willing to talk and having great knowledge regarding to the issues under discussion, notably, officials from the Ministry of Industry and Trade as well as Small Industries Development Organization (SIDO) in Dodoma. The analysis and discussions were based on the following specific objectives:

a) To assess the influence of credit accessibility on the profitability of female owned SMEs

b) To determine the influence of individual factors on the accessibility of credit of female owned SMEs

c) To determine the Influence of individual factors on the profitability of female owned SMEs when mediated by access to credit

These specific objectives are results of analysing the influence of individual factors on the performance of SME; the moderating effects of access to credits. Generally, this chapter is divided into five 5 main sections. The sections give an overview of the study which comprises of the general information about respondents interviewed (Owners/managers of SMEs firms) during data collection; they also present how credit accessibility influences the performance of SMEs and give individual factors that affect credit accessibility. The chapter also presents the implication of credit accessibility on the relationship between individual factors and profitability of SMEs as well as the contribution of credit accessibility to the profitability of SME.

4.1.1 General information on owners/managers of SMEs

4.1.1.1 Socio-economic characteristics of the owners/managers of SMEs

The study interviewed a total of 100 owners/managers of SMEs in Dodoma region. Out of 100 owners /managers interviewed, (25) 25% were females and (75) 75% were males (Table 4.1 1). These results show that SMEs are dominated by males. This is similar with most African societies whereby male dominate business industry while females are busy for taking care of their children at home and performing other domestic activities (Kevabe, 2004). Njuki *et al.* (2004) and Kanji *et al.* (2007) reported that women bear most of the household activities and thus it becomes difficult for them to be involved in extra duties.

Table 4.1: Socio-economic characteristics of the owners /managers of SMEs

Variable		**Frequency**	**Percent**
Gender of owner	Female	25	25
	Male	75	75
	Total	100	100
Age of owner	Young age, between 18 to 36 years	50	50
	Middle aged, between 37 to 54 years	30	30
	Older age, more than 55 years	20	20
	Total	100	100
Education of owner/manager	Primary education	5	5
	Secondary education	20	20
	Ordinary college education	40	40
	University and higher college education	35	35
	Total	100	100

Source: Field Survey, 2019

This study revealed that 50% of the SME owners /managers were between 18-36 years of age, followed by the age groups of 37-54 years (30%) and the rest, 20% were age group of above 55 years (Table 4.1). These results indicated that majority of SME owners/managers were youths and middle aged people.

This may be due to the fact that youth and middle aged people are energetic and motivated enough to undertake business. Moreover, this gives an insight that the contribution of these groups in agribusiness activities is high. United Nations (2009) asserts that youth has potentials in poverty alleviation and in the labour market. Thus, they are supposed to play their role especially in combating poverty and hunger. This will avoid the increase in poverty at old age.

Regarding to education level of the SME owner/manager, majority (40%) of the surveyed population had ordinary college education while 5% have attained primary education, 20% have attained secondary education and 35% have attained university and higher college education (Table 4.1). Education is an important factor for making various decisions in life. According to Kalineza *et al.,* (2002) a knowledgeable population is more likely to adopt new innovations like accessing credits compared to unknowledgeable population. Furthermore, education is argued to be one of the strongest determinants of household income and has a big bearing on household decisions made by household head (World Bank, 1996). From these results presented in Table 4.1 it can be established that, most people in the surveyed area have attained formal education as explained above. This indicates that they can be trained to participate more effectively in agribusiness industry.

4.1.1.2 Categorization of SMEs

Three categories of SMEs were visited during the course of the study. These were hair salon / barber shop, catering services and textile and garments with regards to the type of SMEs they operate. Table 4.2 gives the number of owners / managers of SMEs interviewed and their sub sector. Out of 100 managers / owners of SMEs interviewed, 25 (25%) were from hair salon / barber shop, 35 (35%) were from catering services and 40 (40%) were from textile and garments.

Table 4.2: Distribution of owners/managers for SME sectors

Sector	Sub sector	Hair salon/barber shop	Catering services	Textile and garments
Total		25 (25)	35 (35)	40 (40)

4.1.1.3 Age of SMEs

Figure 4.1 shows that 40.0% of the surveyed SMEs firms were young with less than 10 years old while 48.0% were middle aged with 10 to 20 years and 12.0% were old with more than 20 years since their establishment. Assessment of the firm age since establishment is important for understanding firm innovation and firm growth. It was observed that young and middle aged firms were established during technological era (21^{st} century). These firms are likely to be innovative and grow faster as compared to old firms. On the other hand, old firms; which were minority in the surveyed area, accumulated enough capital that can be used to purchase and adopt the new technology by the installation of new equipment, adopt production process and improve products and services.

Table 4.1: Firm age

Age (Years)	Frequency	Percent
Below 10	40	40.0
10-20	48	48.0
Above 20	12	12.0
Total	**100**	**100.0**

Source: Field Survey, 2019

4.2 Individual Factors affecting accessibility of credits

4.2.1 Selection of the model

Binary logistic, which is also called binomial logistic regression, was used to determine factors affecting accessibility of credits in SMEs owners / managers. Binary regression was the model of choice because the dependent variable (adoption) was nominal dichotomous in terms of YES (accessing) = 1 and NO (Not accessing) = 0. The mode was also selected because of its powerfulness and its very famous in social sciences which is used in predicting the a dependent variable on the basis of continuous and or categorical independent variables, determining the percent of variance in the dependent variable explained by the independent variables, gauging the impact of covariate control variable (which are otherwise called independent variables), and ranking the relative importance of independent variables. The independent variables entered in the model were mixture of ratio and nominal levels.

4.2.2 Goodness of fit of the model

Omnibus test of the capability of all predictors in the model shows that there was significance at the 0.001 level (p=0.000), the data entered into the model adequately fitted the model, and at least one of the predictors is significantly related to the response variable. Moreover, the model summary is presented in Table 4.3 showing-2 Log likelihood, Cox and Snell R^2 as well as Nagelkerke R square. The model ï 2 Log Likelihood = 693.021 indicating that there is fit between the model and the data. The Nagelkerke R squared = 0.69, suggests that about 69% variations in credit accessibility is due to independent variables in the model (Table 4.3). Classification table suggest that the model predicted correctly the relationship at 69.5% between dependent and independent variables.

Table 4.3: Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	693.021	.541	.690

4.2.3 Results of logistic regression on Individual Factors affecting credit accessibility

Table 4.4 summarizes the results of logistic regression analysis for SMEs owners /managers. Individual factors have likely positive effects on credit accessibility business skills, experience of owners/manager, and distance from financial institutions, education level of the owner/manager while age of the owners have negative effect on adoption. The results further indicate that sex of the SMEs owners have negative effects meaning that, being a female leads to poor credit accessibility than being a male.

Table 4.4: Individual factors and credit accessibility

Variables in the Equation	B	S.E.	Wald	d.f	Sig.	Exp B
Business skills	1.65	.221	56.361	1	.000	5.238
Owner experience of owners/manager	.042	.037	1.306	1	.253	1.043
Sex of the owners	-.038	.987	1.273	1	.001	0.293
Distance from financial institutions	.134	.237	.320	1	.572	1.144
Education level of the owner/manager	.036	.111	.104	1	.747	.965
Age	-.179	.215	.691	1	.406	.836
Constant	-.720	.458	2.476	1	.116	.487

Source: Field Survey, 2019

4.2.3.1 Business skills and its effects on credit accessibility

The results show that increasing SMEs owner/manager with business skills significantly ($P<0.01$) increase the likelihood of credit accessibility in the study area by factor 5.238. Business skills have regression value of 1.656 and Wald statistic of 56.361 as shown in Table 4.4. This indicates that SMEs owners/managers with business skills are likely to access credits than those with no business skills. Business skills were aimed at accessing and using credits. This is particularly crucial with recently global market economy in which business skills influences credit accessibility. The study found many SMEs owners/managers acquired business skills. This means that SMEs owners/managers knew the importance of business skills for firm competitiveness. This implies that business skills on human resources helps to leverage the credit accessibility. SMEs are more likely to access credits when business skills is available, by reason of the business skills can increase SME tendency to implement strategies such as access to credits.

4.2.3.2 Owners experience and its effects to credits accessibility

The results in table 4.4 further show that experience of owners/manager positively affects access to credit with regression value of 0.042 and Wald statistic 1.306. This indicates that low experiences of owners/managers increase the likelihood of credit accessibility by a factor of 1.043 for every unit change of this variable. The study found that many SMEs owners/managers run the firm for less than three months while few have less experience. This means that lack of sufficient experience in running SMEs hinder credit accessibility of the firm. The increase of odds of credit accessibility as the result of experience of SMEs owner/manager was statistically not significant with $p>0.05$).

4.2.3.3 Distance from the financial institutions and access to credit

Distance from the financial institution was positively correlated to the credit accessibility with regression value of 0.134 and is not significant ($p>0.05$) with Wald statistic of about 1.144 (Table 4.4). This implies that increase of distance from the financial institutions tends to affect firm ability to access credit. The plausible explanation is that SMEs which are located far from the financial institutions face difficulties in accessing credit services which will enable them to be innovative. Participant observation revealed that SMEs which are adjacent to financial institutions have more access to credits as compared to distant ones. There are several reasons hindering credit accessibility located far from the financial institutions.

4.2.3.4 Formal education and its effects on credit accessibility

The results in table 4.4 further shows that education level of SMEs owners/managers are positively correlated with credit accessibility. The education level was found to have $\beta = .036$, Wald statistic of 0.104, Exp (B) = 0.965 and $p>0.05$. This means that the likelihood of SMEs owners/managers to access credit increases by a factor of 0.965 for every unit change in this variable. The plausible explanation of positive regression value in education might be due to the fact that an increase in education level tends to decrease risk on credit accessibility. Educated SMEs owners/managers have the tendency of searching sufficient information on particular credit sources before accessing it. This increases chances for them to success as compared to none educated ones. In addition, education helps SMEs owners/managers in accessing information using ICT that are useful for SMEs development.

Table 4.5 shows education level of SMEs owners/ managers in Dodoma. SMEs owners/managers with primary education were 5% while 20% had secondary education. Ordinary college education accounted for 40% of total SMEs owners/managers while those with university and higher college education were 35%. According to the results in table 4.5, more than half of SMEs owners/managers had gone to school beyond secondary education. These findings imply that education level is higher among SMEs owners/managers. Therefore, SMEs owners/managers can wisely use their education in accessing credit.

Table 4.5: Education of owner/manager

Education level	Frequency	Percent
Primary education	5	5
Secondary education	20	20
Ordinary college education	40	40
University and higher college education	35	35
Total	100	100.0

Source: Field Survey, 2019

4.2.3.5 Owners age and its effects on credit accessibility

Owners age in the study regions have a negative effect on credit accessibility, with a negative regression coefficient (ϐ = -0.179) and a Wald ratio of 0.691. This suggests that although the relationship is not significant at ($p>0.05$), the increase in number of years of the owners is likely to decrease the likelihood of credit accessibility (Table 4.4). The explanation for this is that, since most of the financial institutions prefer to work with new SMEs rather than old firms, this incentive of new owners of SMEs guarantees the financial liquidity hence SMEs development. On the other hand, older owners of SMEs are less attractive to financial institutions therefore are likely to face liquidity problems. The findings are supported by (Temu & Hill, 1994) who pointed out that liquidity problem may hinder firm growth.

4.2.3.6 Sex of respondents and credit accessibility

From the data in table 4.4, the findings indicate that sex has a negative influence on credit accessibility with a magnitude of -0.038 and p value of 0.001 compared to females; this implies that males have high chances to be accessed to credits than females. This is true in most of the African countries whereby males own more resources than females and this helps them to be able to accesses more important determinants of developments such as credits. Further, males own resources like human skills and networking than females. These items help them to meet conditions required by the financial institutions.

4.3 Correlation between individual factors and credit accessibility

Table 4.6 presents individual factors correlated with credit accessibility. According to Bryman and Cramer (1992) correlation coefficients (regardless of positive or negative signs) are interpreted as follows: below 0.19 is very low, 0.2 to 0.39 is low, 0.4 to 0.69 is modest, 0.7 to 0.89 is high and 0.9 to 1 is very high. The correlation results in Table 4.6 show that, of the five factors affecting credit accessibility in the study area, the most affecting factor is business skills. The correlation coefficient between business skills and credit accessibility was low and it was significant at the 0.1% level of significance. Pearson correlation coefficients (r) between business skills with the use of contract development, business plan development, entrepreneurship skills and negotiation skills were +0.202, +0.136, +0.244 and +0.272, respectively (Table 4.6). This means that, business skills is crucial for SMEs managers to access credit for SME development.

Table 4.6: Correlation between individual factors and credit accessibility

Variables	Correlation	Contract Development	Business plan	Entrepreneurship skills	Negotiation skills
Business	R	0.202	0.136	0.244	0.272
skills	Sig.	0.000**	0.006**	0.000**	0.000**
	R	-0.002	-0.072	0.018	0.023
Distance	Sig.	0.966	0.144	0.710	0.636
Sex	Sig.	0.087	0.132	0.365	0.876
	R	0.076	0.083	0.052	0.021
Education	Sig.	0.123	0.092	0.296	0.670
	R	0.074	0.060	0.023	0.028
Experience	Sig.	0.135	0.222	0.646	0.566
Owner age	R	0.042	0.026	0.053	0.04
	Sig.	0.397	0.602	0.28	0.416

**. Correlation is significant at the 0.01 level (2-tailed).

Table 4.6 further shows that distance from financial institutions was negatively correlated with contract development (r = -0.002) and business plan development (r = -0.072) and the correlation was not significant (p>0.05). Negative correlations were due to the fact that owners do not have much skill on contract development and business plan development. Moreover, distance was positively correlated with the entrepreneurship skills (r = +0.018) and negotiation skills (r = +0.023) and correlation was not significant (p>0.05). The positive correlation between distance from the major city and the use of computer and internet was due to the fact that owners of SMEs were fully equipped with entrepreneurship skills and negotiation.

The level of education of owners/managers was positively correlated with contract development (r = +0.076), business plan development (r = +0.083), entrepreneurship skills (r = +0.052) and negotiation (r = +0.052), however correlation was not significant (p>0.05) (Table 4.6). The plausible explanation for the findings was that the access to credit requires knowledge on contract development, business plan development, entrepreneurship skills and negotiation. Therefore, SMEs owners/managers with high education can effectively access credits services hence become more innovative as compared to less educated ones.

In respect to sex of owner, the study found this variable to have positive correlation with contract development (0.087), business plan development (0.132), entrepreneurship skills (0.365) and negotiation skills (0.876). Experience of owner/manager in the sample as a factor affecting credit accessibility was positively correlated with access to credit services: contract development, ($r = +0.074$), business plan development ($r = +0.060$) entrepreneurship skills ($r = +0.023$) and negotiation ($r = 0.028$) (Table 4.6). This indicates that increase in the number of working years of experience of SMEs owner/manager positively increase the credit accessibility of SMEs. Insignificant ($p>0.05$) correlation was probably due to the sample size in which few SMEs owners had appropriate experience. About owners age, the results show that it had positive correlation with contract development, ($r = +0.042$), business plan development, ($r = +0.026$), entrepreneurship skills ($r = +0.053$) and negotiation ($r = +0.04$) and correlation was not significant ($p>0.05$) (Table 4.6). Positive relationship indicates that effect on credit accessibility is due to increasing ownersô age with an increase in number of years since its establishment.

4.4 Individual factors influencing profitability of SMEs

4.4.1 Selection of the model

To assess individual factors influencing profitability of SMEs, binary logistic was used. Binary logistic was used because the dependent variable (profitability) was nominal dichotomous in terms of making profit = 0 and not making profit = 1. The independent variables entered in the model were owners/managers attributes; business skills, distance from financial institution, education level of the owners, owners experience, sex of the owners and owner age. Prediction of the dependent variable was done by computing the odds of the dependent variable occurring. The percentage of variance in the dependent variable explained by the independent variables was determined by computing Cox & Snell R square and Nagelkerke R square, which are analogous to coefficient of determination (R^2) in Ordinary Least Squares (OLS) regression. Gauging the impact of the independent variables on the dependent variable was done by the observing the signs of the logistic regression coefficients (B values), which bear negative or positive signs meaning negative or positive influence, respectively, on the dependent variable.

The relative importance of the independent variables was determined by observing the magnitude of Wald statistics and concomitant level of significant, which test the significance of the beta value for each individual variable (Garson, 2008). The independent variables entered in the binary logistic model were mixture of ratio level and nominal level. Variables with ratio level were obtained by combining owner's attributes.

Omnibus test of the capability of all predictors in the model shows that there was significance at the 0.001 level (p=0.000), the data entered into the model adequately fitted the model, and at least one of the predictors is significantly related to the response variable. Moreover, the model summary is presented in Table 6 showing -2 Log likelihood, Cox and Snell R^2 and Nagelkerke R square. The model ï 2 Log Likelihood = 516.486 indicating that there is fit between the model and the data. The Cox and Snell R2 = 0.088 and Nagelkerke R squared = 0.119, suggests that about 8.8% and 11.9%, respectively, variations in profitability is due to independent variables in the model (Table 4.7).

Table 4.7: Model summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	516.486[a]	.088	.119

Table 4.8: Model results of Individual factors influencing profitability of SMEs

Variables in the Equation	B	S.E.	Wald	D.f	Sig.	Exp(B)
Business skills	1.037	.258	16.185	1	.000	2.820
Sex of respondents	1.345	.345	17.122	1	.234	1.876
Distance from financial institutions	.459	.126	13.170	1	.000	1.582
Education level	.081	.068	1.425	1	.233	1.085
Owner experience	.069	.247	.079	1	.779	1.072
Owner age	.020	.537	.001	1	.970	1.020
Constant	-2.122	1.061	4.001	1	.045	.120

Table 4.8 indicates that business skills had positive regression coefficient β=1.037 and significantly ($p<0.001$) correlated with profitability of SMEs. This indicates that business skills positively influence profitability by a factor of 2.820 for every unit change of this variable. The positive regression coefficient suggests that SMEs

owners/managers with business skills increase profitability. The plausible explanation is that profitability highly depends on business skills. Therefore, SMEs owners/managers with good business skills, related qualification and well educated, are likely to use their knowledge to improve profits of their SMEs.

The study further revealed the relationship between business skills and profitability of the SMEs owners/managers. It was found that out of 30 SME owners / managers who had no business skills, 49.4% of their SMEs did not make profit in last 3 months while 50.6% made profit. Regarding to SMEs owners/managers with business skills, more than half (65.4%) their SMEs made profit in the last 3 month as compared to 34.6% who did not make profit (Table 4.9). The difference in response of SMEs owners/managers on the influence of business skills on the profitability of SMEs was statistically significant with χ^2=9.062, $p<0.05$. This implies that, SMEs owners / managers with business skills were more innovative and their SMEs were creating profit in the last 3 months.

The study further revealed the number of person with business skills in every SME firm surveyed. It was found that 58% of SMEs firms had one person with business skills related qualification while 39.3% has none and 2.7% had at least two persons. Business skills related qualification was found playing a significant role in profitability. Out of 30 firms with no person who had business skills, 64.2% did not make profit in the last 3 months while only 35.5% made profit. On the other hand, out of 70 firms with one person who had business related skills; three quarters (74.9%) made profit in the last 3 months while 25.1% did not make profit. Out of 8 firms with two persons who had business skills, 72.7% made profit while 27.3% did not make profit. Chi square test showed presence of significant difference between business related skills and profitability with χ^2=62.042, p<0.001. Results suggest that an increase in the number of individuals with business related skills in SME firm is associated with increasing in SMEs innovation and therefore make profits.

About formal education of SME owners/managers; 5% had primary education while 20% has secondary education, 40% had ordinary education and 35% had university and higher college education. Results showed that formal education had positive influence on the profitability of SMEs. It was reported that out of 5 owners/managers with primary education, 5% their firms made profit in last three months and 5% did not make profit. The increasing trends of the formal education and profitability were observed for SME owners/managers with secondary and ordinary college education Different results were observed in SME owners/managers with university and higher college education whereby out of 42, only 33% innovated their firms in three months as compared to 25% and 5. The difference on response on influence of formal education in profitability of SMEs was statistically not significant with χ^2=6.167, p>0.05.

Table 4.9: Education Level and profitability

Education level	Innovation indicator (a binary variable)						Chi-square			
	SMEs didn't make profit in last 3 months		SMEs made profit in last 3 months		Total					
	F	%	F	%	F	%	χ^2	df		Sig.
Primary education	2	5	3	5	5	100	10.752	3	0	0.013
Secondary education	8	2	12	20	20	100				
Ordinary college education	20	5	20	33	40	100				
University and higher college education	10	25	25	42	35	100				
Total	40	100	60	100	100	100				

Source: Field Survey, 2019

4.4.2 Credit accessibility and its influence to SMEs profitability

4.4.2.1 Model fit SEM

Structural equation modeling was used because the relationship is complex with credit accessibility as mediating variable. The index fit of the model shows that, most of the index values tested were found to satisfy the general standard values for index fit. The general accepted standards for model fit tested were; goodness of fit index (GFI = 0.778), adjusted GFI (AGFI = 0.818) and comparative fit index (CFI = 0.981). All index fit the requirement of which the values are closer to 1.

Table 4.10 Model fit

Model	GFI	AGFI	CFI
Default model	0.778	0.818	0.981
Saturated model	1.000		1.000
Independence model	.000	.000	.000

4.4.2.2 Path analysis

After the model index was performed, path analysis was also done to find the relationship among variables in the model. It was generally found that, credit accessibility has a positive correlation with profitability. This is indicated by the beta value of 0.59 indicating that, increase in one unit of credit accessibility means increasing profitability by 59%. The relationship was tested to be highly significant with p value of 0.001. In addition, individual variables such as experience (0.03), sex of owners (0.21), and education level (0.12) was found to have a positive relationships. Other variables in the model had negative relationship. The observations is that, there is variation in the results between two models, structural equation modelling and binary logistic regression model on the influence of individual factors on credit accessibility.

Figure 4.2: Path model of the relationship between credit accessibility and the profitability of SMEs

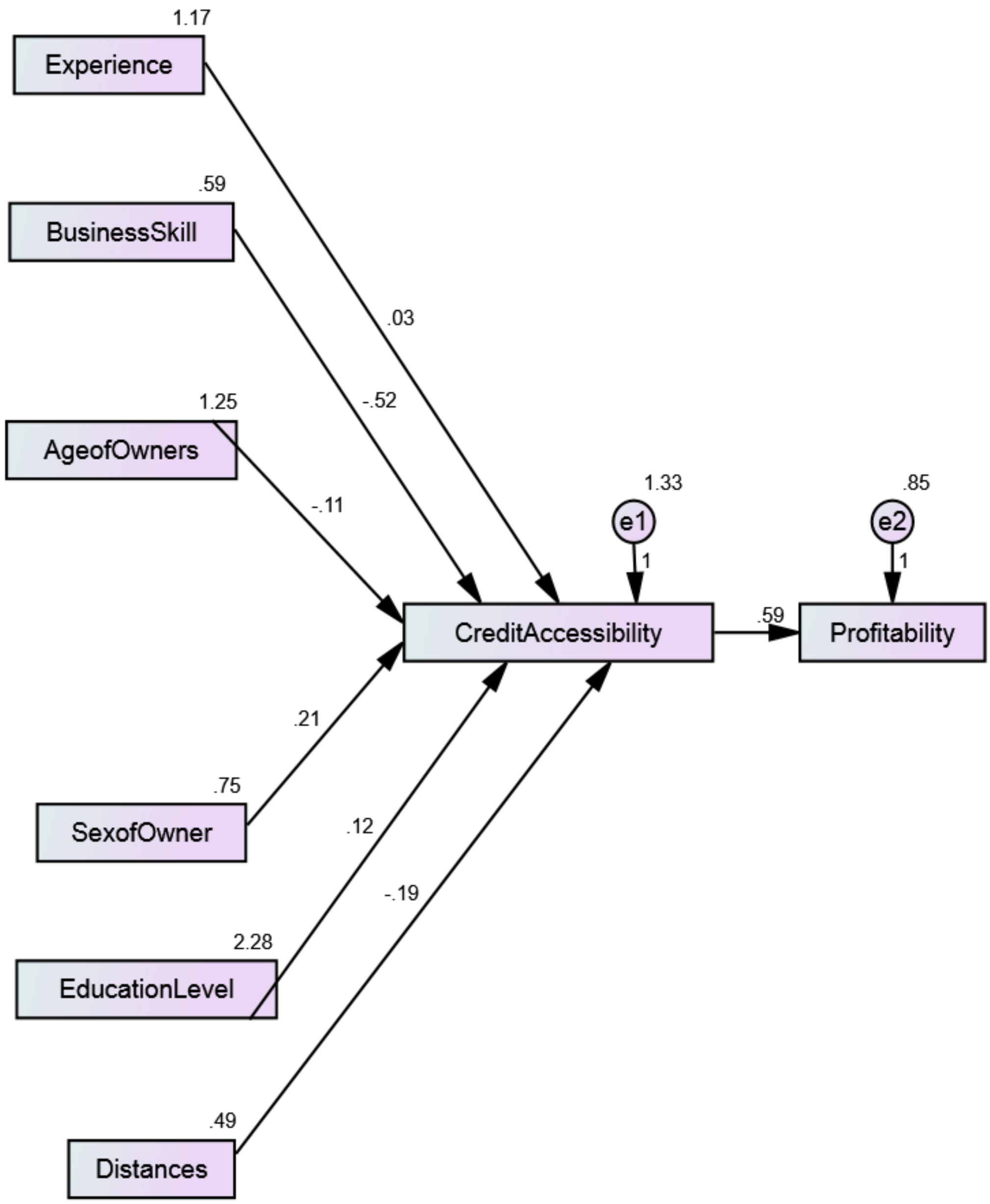

Table 4.11: Path analysis outputs

			Estimate	S.E.	C.R.	P
Credit Accessibility	<---	Experience	.031	.107	.284	.776
Credit Accessibility	<---	Business skill	-.523	.151	-3.461	0.001
Credit Accessibility	<---	Age of owners	-.107	.104	-1.027	.305
Credit Accessibility	<---	Sex of owner	.211	.134	1.575	.115
Credit Accessibility	<---	Education level	.121	.077	1.573	.116
Credit Accessibility	<---	Distances	-.189	.166	-1.137	.256
Profitability	<---	Credit accessibility	.593	.074	8.059	0.001

Generally, table 4.11 indicates that, credit accessibility have a positive influence on profitability (0.56) and p value of ($p = 0.001$), this suggests that, the relationship is significant at ($p<0.05$) and therefore increase in number of SMEs owners/managers accessing credit is likely to increase the likelihood of the profitability of SMEs. The explanation for this is that, since most SMEs owners/managers depend on credit for expansion of their SMEs, therefore accessibility of credit from formal banks and other financial institutions is very crucial for SMEs to make profit. Credit used by SMEs owners/managers to purchase new equipment, raw materials and marketing of the products. Field study revealed that out of 100 SMEs owners/managers interviewed, majority (75.0%) had access to credit from various financial institutions while 25.0% depends on own financing (Table. 4.3).

Table 4.3: Credit accessibility among SMEs owners/managers

Sources of financing	Frequency	Percent
Own Financing	75	75.0
SMEs gets credit	25	25.0
Total	**100**	**100.0**

CHAPTER FIVE

RESULTS DISCUSSION

5.1 Introduction

This chapter presents discussion based on the results presented in chapter four. The discussion is designed to include all variables such as individual factors, credit accessibility and profitability. The chapter starts by discussing the relationship between individual factors and the credit accessibility and then I discussed the relationship between individual factors and profitability when mediated by the credit accessibility. Generally, the chapter also included the literature from other researchers in order to make the discussion very smooth and to see experience from other parts of the world.

5.2 Business skills and credit accessibility

The findings indicate that, there is a direct relationship between business skills and credit accessibility. This indicates that, the more the business skills are provided to the owners of the business, the more they can access the credits. During the discussion with key informants, various reasons were identified. Firstly, it was explained that financial management is among the major business skills that help the owner. Being able to effectively manage the SMEs finances is critical to the acquisition of the credit. This is because; one among the criteria given by the financial institutions is the ability to keep financial records. Therefore, financial reports such as financial statements and balance sheets are among the major weapons for the SMEs to acquire credits. The discussion with one among the experienced owner of catering services revealed that:

> *"I have managed to access finance from different financial institutions because I always keep my financial records for every transaction. This is much easy to me because of the business skill training that I have attended in three years ago. Apart from the accessibility of the credits, these skills help me to manage my business through analysing the costs and benefits as well as determining the profit generated by my SME"*

In addition to that, business skills have helped SMEs to have larger size of the funds compared to those with no business skills. This is because, the financial institutions believe that owners with business skills are capable of making profits and pay back the loans. This reason is supported by different researchers. According to (Stevenson & St-Onge, 2005) evidence in the literature have indicated that, the financial education levels in Uganda are very low at all ages which has resulted to the poor access to credit and therefore low levels of financial inclusion and low saving rates. This means that, majority of the SMEs owners /managers have limited information on financing products.

According to the key informants, financial skills offers components such as personal financial management skills and abilities to carry out budgeting, proper book-keeping and financial planning with a major effect on the credit accessibility. Financial planning helps the SMEs to minimize costs and therefore create profit to the SMEs. Beck et al. (2007) supported this argument by pointing that, owners who are financially illiterate are very comfortable in book keeping and this always attract the financial institutions to give them credits for the SMEs believing that they can pay back the loans landed to them. During the discussion with the respondent dealing with hair salon/barber shop, it was observed that, most of the owners do not have skills on financial management and therefore they always perform very poor.

> *"My business is always performing very poor. Every time I want to get loans from the financial institutions they ask me to provide collaterals or at least to show financial reports indicating the performance of my business. I wish I could have business skills which can help me to get loans"*

She further revealed that

> *"Low level of financial literacy has resulted to poor degree to which organized youth group entrepreneur's access formal sources of finance. Generally, financial knowledge can help us to be made accessible to all financial institutions. I have learned that, financial training greatly increases the chances of entrepreneurs securing appropriate and affordable finance"*

She added that

> *"Membership with an association has helped us to increase our performance through accessing credits. This is because group liability is preferred by the financial institutions especially microfinance since it mitigates both the adverse selection and moral hazard problems which result in credit market failures"*

This was also supported by one of the financial institutionös officer that,

> *"Group lending increases SMEs access to credit because group members have the incentive to screen and monitor their group members to ensure that they invest their funds wisely. Owner's affiliation which is defined as belonging to and participating in any business or social group with similar characteristics and financing needs is critical to the credit accessibility and we encourage them to form and participate in groups"*

The second factor identified was marketing, sales and customer service. These combinations of factors in this category are among the most important factors for credit accessibility. Business skills on marketing help the owner to attract customers in the financial institutions. If SMEs cannot create markets then it will be very difficult for them to pay for the loans. This factor generally link with credit accessibility in terms of attracting the customers. The financial institutions are interested with the customer base since they are the only reasons motivating the SMEs in paying back for the loans. Their presence in the SMEs means a lot to the profit of the organization. It is therefore important for the SMEs to create a large base of market share so as they can make profit. This was further explained by the respondents that

> *"Sometimes we oil milling.*
>
> *fail to attract customers to our business because we do not have much skill on customer care. Selling is not the physical exchanging of the products and money, sometimes it needs to have good words with customers. It happens sometimes that we have problems with our husbands at home and when we get at our works we fail to separate ourselves from our emotions. This has resulted to the decrease in the number of customers and therefore we cannot afford to pay back the loans, then, at the end the financial institutions refuse to give us loans in the second round and sometimes they take away our properties" this was said by one of the experienced female owner of the flour and*

Generally, business skills on marketing, sales and customers were revealed to be a key in credit accessibility. Customer care means providing service before, during and after. This helps to attract customers and facilitate the profit making to the SMEs. The more the SMEs attract customer, the more it can be trusted by the financial institutions. These observations are in line with various studies. Jiménez and Saurina (2012) indicated that there exists a strong positive correlation between managerial competencies and credit accessibility. Managerial competencies such as proper ways of handling customers through good customer care can help managers to attract customers and therefore help the financial institutions to give credit as they will be assured that customers will pay back credits. This was further observed by Olawale and Lynety (2011) as cited from Thurnik and De Wit (2010) that, the endowed level of talent of a small business founder in dealing with customer as a specific entrepreneurship-specific human capital contributes significantly to the credit accessibility.

Also, another factor associated with business skill is communication and negotiation. This skill is very important in credit accessibility. Owner who can communicate and negotiate effectively with the financial institution has a chance to access credit than ineffective communicators. The reason given in the study area is that, skills in communication and negotiation can help the owner to have good bargaining and convincing power which can help the owner against any challenge from the financial institution. It was said by one of the key informants that:

> *"The depth of experience in communication and negotiation is measured by the number of years of business management experience in the current SMEs, and by the total years of the management in communication and negotiation experience. A good communicator and negotiator is a person who manages a company or a team of workers. These contribute to the successful fulfillment of a task such as credit accessibility. Therefore, negotiations should be understood as observable characteristics such as knowledge, skills or behavior patterns that contribute to the successful credit accessibility."*

This direct relationship further indicates that, negotiation skills can help the owner/manager of SMEs to have much convincing power to the financial institution in respect to the size of loans requested. This was further revealed by the owner of one of the SMEs in the study who said that:

> *"Sometimes we are using the experienced work to represent us in the negotiation. Some of us do not have enough skills in negotiations and in most cases we do not have experience in negotiation, at the end of the day we fail to access credits and if accessing we always get small size of loans"*

In some study areas, business skills were associated with entrepreneurship skills and hence credit accessibility. Owners with innovated skills can help to identify potential opportunities which can help to attract customers and therefore associated with the financial institution. This was also noted on the studies Olawale and Lynety (2011) who posted that, SMEs initiatives can be designed to enhance entrepreneurship skills and knowledge among the youths that can help them to access credits. This was also revealed by one of the respondents that

> *"I have attended training related to credit accessibility and one among the emphasis was on how entrepreneurial skills lead to credit accessibility. What I have learned is that, entrepreneurship skills offer creativity, innovation and risk-taking. These together can offer the ability to manage SMEs profitability and therefore leads to credit accessibility. The skills have helped me to be able to interpret successful entrepreneurial role and identify business opportunities"*

The same was observed by Olawale and Lynety (2010) that, entrepreneurial skills provide basis of such practical business practices including access to credits.

On the other hand, study revealed that, business skills is associated with credit accessibility through leadership. Leadership can help organization of teams in the SMEs. These teams can help to work in team work and therefore help to increase credit accessibility of the organization. In most cases, a discussion with respondents and key informants has associated this relationship with various elements such as managerial competencies.

It was observed that leadership presented by managerial competencies offers important managerial skills such as professional skills which is associated with the performance of the owner in respect to the specific category of the organization. Generally, owners of SMEs dealing with retail shops, catering services, textile and garments, hair salon/barber shop, flour and oil milling are supposed to have professional skills in these businesses. This can help them to acquire credit since they will be trusted in terms of outcome generation and efficiency in their business. Also, leadership skills can help owner / manager to have personal attributes. These attributes such as trusts are crucial in attaining credits. Trusted owners of SMEs have high chances of accessing credits. In addition, personal competencies is associated with risk taking since the more the owner can take risks associated with taking large loans the higher the performance. If the owner is not a risk taker then it becomes very difficult to take loans. According to the owner of retail shop, risk taking is among the obstacles of financing the SMEs.

> *"One of the obstacles to the success of an enterprise is lack of willingness to take risk. In most cases we have fear of failure and embarrassment on paying back credits. This fair has prevented most of us to take credit. I wish I could be a typical risk taker so as I acquire credits. In fact many young entrepreneurs fear risks arising from their immediate loans"*

Observations further indicated that, business skills such as project management and planning can help the owner of SMEs to access credit by mostly creating the viable business plan. Observation shows that, most of the owners do not have enough skills on how to create missions and visions of their organization. This has resulted to the poor setting of objectives and strategies as a key in resource utilization of SMEs. Further, it was found that, poor development of business plans has made the financial institutions to refuse giving credits to SMEs.

The financial institution have fear that, owners who do not have project management skills cannot appraise and evaluate projects and therefore it is difficult to give credits to them as they will fail to pay back. It was further observed that failure to access credit is related much with failure in project management and planning such as undefined goals, scope changes, and inadequate skills for the project, lack of accountability, improper risk management, ambiguous contingency plans and poor communication of the issues addressed in the project plans.

Furthermore, another kind of the business skills identified was a delegation and time management. It was observed that, majority of the owners / managers have tendencies of doing everything in the SMEs. This has resulted to poor performance of many SMEs leading to the poor credit accessibility. However, compared to owners who do not delegate, those who delegate authority to other subordinates have tendencies to access more credits. To them delegation means giving task to professionals in the fields who are expected to perform higher than the owners. On the other side, a time management skill is a key to performance in the SMEs. Those who manage time have high chance of progressing and hence attract financial institutions to provide credits to them.

On the other hand, it was revealed that, problem solving skill is a very important business skill for credit accessibility. Majority of the owners of SMEs interviewed pointed out that, the profitability of their SMEs deteriorate because they fail to solve problems as they appear. This is an important point to note because; SMEs involve workers who also face challenges and conflict each other. If the managers / owners do not have problem solving skills, they can end up in not making profit. The key respondent has pointed during the interview that

> *"In my organization, we have a team dealing with problem solving; this has made the impossible possible. Knowledge alone is not the key in solving problems but rather complimenting it with systematic problem solving approaches makes the difference. We have managed to increase our performance through accessing credits which has helped our individuals and organizations overcome perilous challenges"*

He added that

> *"Also problem solving skills make you stand out since workers are trained to do the usual and help the organization to perform high. Most of the workers acquired skills and knowledge in the problems they solve"*

The last component observed in relation to business skills and credit accessibility is networking skills. Owners who have skills in networking can help to establish link with financial institutions and therefore helps to obtain credit. It was further observed that, networking leads to information accessibility. Majority of the interviewed owners revealed that, through social media, owners can create a base of friends that can further help to be connected to the financial institutions.

> *"To me networking has helped my SMEs to share information with others and has certainly helped to establish and nurturing long-term, mutually beneficial relationships with the financial institutions. We are mostly networking through various activities such as participating in sports league, or attending a work conference. We are also networking through joining to several professional associations and attend every networking event that comes to our ways in order to be a successful networker. In fact, this has helped us to be associated with financial people who at the end of the day provide credit to us"*

Generally, networking can help SMEs to meet like-minded people or people who are capable of giving important connections to the compatible people in your SMEs.

The respondent further added that

> *"Being part of a network of people has resulted to a member of financial fund to join in office whatsapp groups and this has resulted to various financial opportunities, contacts and thought-sharing that goes on in a network like this over the years".*

These findings are in line with various studies. For example, Mitchelmore and Rowley (2010) developed a list of competencies which can be used as key skills that can help SMEs to make profitability by giving this kind of skills to their subordinate. The list of skills includes management skills such as the ability to develop management systems and organization and coordination skills; idea generation; conceptual and analytical competencies, such as the ability to co-ordinate activities; customer management skills; delegation and motivation skills; opportunity recognition and the ability to take advantage of opportunities, the capability to formulate strategies for exploiting opportunities; hiring skills; decision making skills; leadership skills; and commitment. These business skills are very crucial since they help to improve daily performance hence help the SMEs to survive.

The findings are also in tandem with the one by, Inyang (2009) who posted that entrepreneurial competencies in terms of individual characteristics comprising of a related phenomenon such as knowledge, attitudes, skills, and/or abilities required in performing a particular job, which can be acquired through managerial training and development. Furthermore, according to Hunt (1998), competent behavior is a function of several factors including a personôs motivation, personality traits, self-concept, knowledge or skills.

The findings also concur with Chandler and Jansen (1992) who found out that education plays a role in the development of competencies. Also, Segal et al. (2010) argue that ñentrepreneurs who possess the potent, synergistic combination of education with industry managerial experience have the competencies and capabilities to manifest better resultsò. Similarly, Unger et al. (2011) contend that human capital improves the business ownersô ability to identify and exploit business opportunities, acquire resources such as financial capital as well as accumulate new knowledge and skills.

5.3 Sex of the owner of SME

The study found that, the sex of the owners of SMEs is related with the credit accessibility. It was found that, males have high chance to have credit than females. The justification provided by the owners is that, males have ability to own resources /collaterals than females and this give them the chances to access credit than females. Also, it was discovered that, male have tendencies to be associated with groups especially in the streets than females; this has helped them to form networks easier than female. Discussion with owners of different sex revealed that a sex difference is very important in credit accessibility and this is supported by the views of the owner who commented that.

> *"Most of us cannot access credits because we do not have enough collateral as compared to males. Majority of family collaterals are mostly owned by the husbands. It is therefore very difficult to use them"*

In addition to that, one among the female owners revealed that:

> *"Availability of credit indicates that, female-owned SMEs are more likely to be credit constrained because they are more likely to be discouraged from applying for credit"*

However, contrary to this Beck and (Allen et al., 2014) in their study, they observed that female owned SMEs are more likely to access credit than male owned SMEs. This is due to the fact that female have now days joined many financial institutions and they tend to be trusted and in most cases this financial institutions are less discriminatory in nature. Also it was found that, sex of farmers and resource have related with the economic production role.

This is generally true as in most of the developing countries females have low access to important productive assets like tractors and land. This limits them from being engaged direct to credit accessibility and hence a low profitability in the owned SMEs. However, contrary to that, Madubunyi, Onoja, and Asuzu (2012) concluded that female in Nigeria have more access to resources used in production than males, this is mainly due to the female groups. On the other hand, it was found that, many female headed SMEs are always complaining about poor access to resources. It was also analyzed by the key informant in the study area that

> *"Compared with men, women control fewer political and economic resources, including land, employment and traditional positions of authority. Acknowledging and incorporating these gender inequalities into programmes and analyses is therefore extremely important, both from a human rights perspective and to maximize impact and socioeconomic development"*

This is supported by the world-Bank report on gender issues which highlights the importance of directly targeting the persistent constraints and obstacles to womenôs equality (especially in areas of economic empowerment, educational gaps, household /societal voice, and violence against women) by posting that

> ñ*In order to enhance productivity and improve longer-term development outcomes, gender equality is important for sustainable peace, and there is a growing body of empirical evidence suggesting that a higher level of gender inequality is associated with higher risks of internal conflict"*

5.4 Distance from the financial institutions and credit accessibility

The study has identified that, there is a strong relationship between distance from the financial institution and the credit accessibility. Owners who have distanced themselves from the financial institutions tend to limit themselves from accessing credits. Discussion with respondents revealed that, there are various factors affecting the relationship. Firstly, distanced SMEs are difficult to locate during the repayment time. This has resulted to the financial institutions rejection in providing credit as they found that those SMEs can fail to pay back for the loans. One of the members of the financial institution pointed that;

> *"Distance SMEs increases transaction costs through loan monitoring. It is very risk to give loans to the SMEs which are located very far. Apart from difficulties in location; those which are located far are much cost. This has resulted to poor performance of our institution because we don't see the benefit due to the cost of management"*

5.5 Relationship between education level of the owner and credit accessibility

It has been documented that, levels of education is directly related to credit accessibility. In this study, the respondents had different views with respect to the education levels and credit accessibility. The following were the qualitative factors used by the respondents to justify the relationship:

It is suggested that, the level of education in the study area determines the credit accessibility. Findings in chapter four indicated that, credit accessibility increases with an increase in education level. This means, compared with those with primary and secondary levels those owners with high education are more likely to access credit.

Generally it was found that education in the study area is a vital component in assisting owners of SMEs to make more informed decisions like joining to SMEs groups in the same business as well as in the network of SMEs owners of which they can get a good assistance to deal with how to get credits. According to key informants, education is an important tool to escape poverty and it plays a huge role in affecting owners in various disciplines including credit accessibility. Also, it was found that, primary education can foster human creativity, and hence been reported as having strong and positive relationship with credit accessibility especially for the owners to integrate new innovations into traditional systems of managing credits and other management and organizational issues like marketing management.

Survey in the study area has further indicated that, ownersô number of completed years of schooling and credit accessibility are directly related. SMEs with educated owners were found to make good decisions in terms of credit accessibility since it was found to be easy for them to process the received information on behalf of other members of the SMEs. In addition, the human capital represented by the ownersô formal education increased SMEs understanding of credit dynamics and therefore improved decisions on the amount of the credit requested. It was revealed by the business office in the Dodoma city council that

> *"Individual knowledge is often linked to wealth creation and more education is expected to improve the knowledge on how business financial resources can be leveraged. Indeed, knowledge is supported as a vital resource in business firms. In this way SMEs resource when examined in firms is referred to as human capital. Human capital can improve a firm assets and employees in order to increase productivity, as well as to sustain competitive advantage. This can however be done if education level can help SMEs to access credits."*

When asked about the education level and creativity, he acknowledged that

> *"Knowledge, skills, competencies, and attributes embodied in individuals facilitate the personal creativity and development in the SMEs"*

The results are supported by Fjose, Grünfeld, and SQW (2010); Namatovu and Balunywa, Kyejjusa, Dawa (2010) who posted that, small business owners with university degrees are in a right step of accessing additional finances from side employment than those with no university degrees. Generally, the study found out that most of the SMEs do not access finance, due to lack of educational base of the owners. The capacity of the owners who hold education degree in getting employment is being used to attract the unsecured financing (salary loans) which are later channeled to small businesses.

The officer added that

> *"Education level may enhance salaries which in turn is used as collateral for SMEs financing hence boosting the financial worth. Indeed it is true that SMEs managers with higher education level may be more exhaustive in their informal search abilities that yield more informed strategic decisions in SMEs"*

He further added that

> *"The importance of entrepreneurship education is to produce self-sufficient enterprising individuals but also increases the formation of new ventures, the likelihood of self-employment, of developing new products and of self-employed graduates owning a high-technology business"*

These results are in line with various studies such as Zarook et al. (2013) who posted that education level of owners has a big correlation with access to financial institution loan and in actual sense they help to improve performance of the business. It is also in line with Ahmed and Hamid (2011) who documented that, the top managerôs stage of schooling as a measure of the satisfactory of human capital and determined huge fantastic dating among academic level and the possibility of getting access to financial institution finance.

Generally, because of its importance in financing the organization, various SMEs have tried to provide training to the leaders of the SMEs so as they improve the performance of their SMEs. In the study about the importance of education to the SMEs; similar findings are presented by Pandula (2011) who suggested that educational background has vast dating with getting admission to bank loan.
It is also supported by Nguyen and Luu (2013) who posted schooling into three unique variables, particularly fundamental academic level, expert academic level and knowledge approximately enterprise law and Tax regulation. This observation confirmed that all these proxies of instructional qualification of the proprietor/supervisor have a widespread wonderful effect on getting entry to finance.

5.6 Relationship between Owner's experience and credit accessibility

The relationship between ownerôs experience and credit accessibility has been observed in different ways in the study area. Ownerôs experience has been associated with trust, quick and informed decisions, officer ability to identify customer, ability to handle problems and confidence.

Trust was found to be among the major reasons as to why experience influences credit accessibility through experience. In most cases, the study revealed that, majority of the owners of SMEs who have some years of experience have access to credits more than inexperienced ones. The reason given was that, financial institutions tend to put more trusts to the experienced owners as they believe that, these owners can perform better and repay the loans. It was observed that trust influences credit accessibility as noted by one of the experienced owners that;

> *"Experience has resulted in many advantages to me. Sometimes I get loans from the financial institutions with prior forms. I always fill the forms after having the loans. This has helped me to solve immediate problems associated with my SMEs. However, I have noted that, this could have not been possible out of my experience. Financial institutions trust me a lot. Sometimes they even consult me in decision making especially when they face challenges in their institutions"*

On the other hand, the study revealed that experience has given quick and informed decisions to the owners of the SMEs. This has also resulted to credit accessibility to majority of the SMEs. As associated with risk taking, quick and informed decision making has helped them to make decisions which are rarely to be made by inexperienced owners. This fact was emphasized by the owner of a shop who advised that

> *"My friend, if you are planning to enter an industry with no prior experience of it, have a thought about whether you'd benefit from trying to find a credit in it for a year or so first to build your experience. You might even want to consider a bit of work experience or an apprenticeship. Alternatively, talk to as many people as you can in that industry, read trade mags and books and anything else you can get your hands on to give you a deeper understanding of the sector otherwise you will end up making uninformed decisions which are not wealthy to SMEs".*

Another key reason identified was the ability of the officer to identify potential customer. It was found to be obvious that experienced owners ability to know who is a potential customer can help a firm to be positioned higher and therefore attracts the financial institutions. Potential customers were found to be key agents in attracting financial institutions to give loans to the SMEs. Generally, the experienced owners being in the business for many years can know by looking and engaging who are the potential customers.

> *"Experience can help owners to identify customers, marketing strategies and opportunities for growth. It also means that owners have access to a ready list of contacts, which can be really useful when you're trying to find suppliers, advice or other people to work with and this generally help to create and attract the attentions of the financial institutions"*

Another aspect is the ability to handle problems. Owners who have experience have more skills in handling problems. This is because; working in the organisations for long and many years has helped them to have much skill on problem solving. This has given confidence to them in handling all activities including credit accessibility. Discussion with owners of SMEs in Dodoma region has given different opinions as follows

Owner 1

> *"Experience working in a similar field or the same industry will, of course, mean that you have a greater understanding of that market and the way in which businesses in that field work and this can lead to credit accessibility"*

Owner 2

> *"Experience can give the owner more confidence in a certain area than if the owner has never done anything like it before. The experienced owner has better idea of what to expect and can foresee problems more clearly"*

Various studies have documented the importance of experience in relation to the credit accessibility and profitability. These literatures have emphasized the positive effect of experience and competencies of the owners. The findings are in line with (Olsen & Johannessen, 1994) who observed that experiences and competence levels of SME owners are important factors influencing SMEsô performance by improving profitability of SMEs.

Also, the findings are in similar with De Zoysa and Kanthi Herath (2007) who said that owners /managers, who are more entrepreneurially minded in the introductory and decline stages of their SMEs growth, tend to perform higher. The result is the same for the growth and maturity stages when the owners/managers are more administratively minded.

Also similar to this, Lee and Tsang (2001) also reported that the experience, job network development activities, the number of business partners and the desire of the owners/managers have positive impact on business growth.

One of the experienced owner mentioned good attributes of the experienced worker as:

> *"You know the good experience should teach new skills, highlight which skills are needed, should let you explore a career idea, connect you to people you could ask for help/advice, illuminate how things work in that sector, demonstrate your interest in that kind of work, how evidence of your motivation for that kind of work and should provide you with a contact you could ask for a reference"*

5.7 Age of the owner and credit accessibility

The last variable involved was the age of the owner. Age was revealed to have inverse relationship with credit accessibility. However, there are some owners who had conflicting options with credit accessibility. They believe that the more the ages of owners increase, the less the credit accessibility. The reasons given by the owners with this perspective is that, as age increases, mobility of the ownerôs decreases and therefore fail to locate financial institution as compared to the young owners of the SMEs. Some of the owners have gone further and associate increase in age with poor management of the SMEs. This has made the financial institution to fear giving loans to these owners.

In addition, the life expectancy which is more related to age of the owners has been pointed to be another reason. Financial institutions have fear that, giving loans to unlimited SMEs is a risk which they cannot afford. So in most cases they refuse to give loans to these SMEs and opt to go for those SMEs which are owned by the young owners.

Contrary to this, some of the owners of SMEs have pointed that, increase in age is related with the increase in experience. Those with this perspective have pointed that, trust is more made in owners with experience. This means as the age increases, experience also increases and therefore financial institution tend to increase trust to them and give more loan. This was supported by one of the experienced owner

> *"When I was young I used to move around finding connections and networks. This has helped me to establish contacts that are useful today. Currently, I am 65 and I enjoy the experiences I have. Young business men can learn from me. I can sit at my office comfortably and make some few calls to access loans. Financial institutions trust me a lot because I have loaned them and pay back several times"*

5.8 Individual factors and profitability of SMEs

The discussion with key informants and the owners of SMEs have revealed that, performance in terms of profitability is among the criteria for accessing credits. This is because the SMEs which make profit are more likely to be able to pay back loans. In this regards, SMEs profitability can be measured by using individual factors among which include business skills, age of owners, and experience of the owners, distances from the financial institutions and sex of the owners. The findings therefore show that, increase in profitability over a given period of time is determined by these important factors.

Evidence from empirical studies indicates that greater profits are associated with greater access to credit. This is also supported by Bebczuk (2004) who posted that, performance of SMEs is the function of the credit accessibility. During the survey in the study area, it was found that almost all the individual factors are the key determinants of the performance, this was revealed by the owners of SMEs that

ñPoor business performance is one of the reasons for lack of credit. It is true that, credit is the most severe constraint among declining and stagnant firms. We wish we could have wide chances of having credits, but the criteria given by the financial institutions are very difficult to attainò

5.9 Business skills

The study found out that, there is a strong relationship between business skills and profitability of surveyed SMEs. As it was analysed in chapter four, credit accessibility was an intervening variable and the findings indicate that, the owner who have business skills have a tendency to access credit and this has helped them to create profit more than those who do not access credits. Generally, the discussion in the study has revealed that, credit accessibility as an intervening variable is a very important determinant of the profitability as it is involved with the business skills. This was supported by the owner of SMEs who said that

> *"My profit has increased much after I have started accessing credits. This is due to the fact that, I have attended the training workshops about increasing business skills. Practically, accessing to credits has given me power to financial plan which I couldn't have before"*

5.10 Distance from the financial institutions

The study also revealed that, distance from the owner of the business and financial institution is much associated with the profitability of the SMEs. This is also mediated by the credit accessibility. The more the distance is between the two, the less the credit accessibility and therefore the less the profit created. In the structural equation modeling it was found that, there is a negative correlation meaning that, long distances affect the credit accessibility and hence profit. This was connected with the trust and transaction costs. If the owner is far away from the financial institution, it makes the financial institutions to incur much cost and lose trust to the SMEs. It is also associated with the time wasted during the follow up of the payments of the loans.

5.11 Relationship between education level of the owner and credit accessibility

Those with high education have tendency to perform higher than those who do not have high levels of education. The reason is, educated owners tend to see opportunities including credit accessibility and utilize them effectively. This has resulted to the profit creation. The discussion with owners has revealed that, educated owners are trusted and are well informed on opportunities. They are also effective in management of time, employees as well creation of profit and paying back the loans.

"In most cases, SMEs owned by educated people are naturally profit creators. We trust them and give loans to them. If you look to the records of those who take loans, you will see that, those who have high profits and manage to pay back loans, you will see that, educated owners are the majority in the list. They are always determiners of the profit of their own SMEs. We are always encouraging owners to at least attend trainings to get basic education that can help them to attend their business"

In general terms, SMEs ownerõs level of education tends to increase the chance of accessing to credit. This is contributed by the fact that qualified owners of SMEs are more efficient in their work therefore providers of funds tend to be confident in those with high education than those with lower levels of education. One of the officers of the financial institutions pointed during the discussion that

"Educated managers/owners are able to understand the loan application procedures, present positive financial information and build closer relationships with their bankers. In actual sense owner's level of education is positively and significantly related to probability of access to credit because SMEs in which the top manager has a bachelors or a post graduate degree have a greater likelihood of access to credit compared to those SMEs in which the top manager is not a graduate"

This was also noted by Zarook et al. (2013) that the level of education of the owners of SMEs affect access to credit in a way that increase in level of education also increases the access to credit.

5.12 Experience of the owner

Findings have found that the experience of the owners of SMEs have a direct impact on the quality of human capital and therefore is likely to ease the facilitation of negotiations with the providers of credit. It was pointed by an experienced key informant that

"Increase in the years of experience of the owners of SMEs means increasing the access to credits. This is true because the managerial experience and skills of the owners which is measured by the number of years they have been in operations increase confidences and accuracy in doing daily activities of which young and

inexperienced SME owners tend to be credit constrained as a result of factors such as limited security, lack of personal resources, limited trading records, credibility and alternative sources of finance"

5.13 Age of the owner

The study has found out that, there is a relationship between age of the owners and the profitability. This is because, the more the age of the owners increase the more the profit. This is contributed by the experience obtained and therefore increases in credit accessibility. However, in some discussions, it was found out that, increase in age means decreasing ability to networking and therefore decrease credit accessibility which leads to poor profitability of SMEs.

CHAPTER SIX

CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

This chapter provides the conclusion of the study based on the research objectives analyzed in chapter four and discussed in chapter five. The chapter also presents several recommendations which aim at providing the base for the policy makers to design and create policies aiming at answering the problems of credit accessibility and the profitability problems of the SMEs. Also this chapter presents the areas for further study which are very important to address the concentrations of the future researches on unstudied areas of study in the similar discipline. Generally the chapter starts by providing the summary of the findings, conclusion of the study, recommendations, limitations of the study and the areas for further studies.

6.2 Summary of the study findings

6.2.1 Individual factors and credit accessibility

The binary logistic regression model was used to study the relationship between individual factors and the credit accessibility. This is because, the dependent variable, credit accessibility was measured using the binary outcome, yes for accessing and no for not accessing. The output of the model of all variables included was found to have a positive correlation with credit accessibility. However only distance from the financial institution to the owner and the business skills were found to have a significant relationship with p values less than 0.05. On business skills the study revealed a negatively correlated with credit accessibility.

6.2.2 Credit accessibility and profitability of SMEs

To assess individual factors influencing profitability of SMEs, binary logistic was also used. Binary logistic was used because the dependent variable (profitability) was nominal dichotomous in terms of making profit = 0 and not making profit = 1. The independent variables entered in the model were owners/managers attributes; business skills, sex of the owners, distance from the financial institution, education level of the owners, owners experience and the age of the owner. Prediction of the dependent variable was done by computing the odds of the dependent variable occurring.

Credit accessibility was found to have a positive influence on profitability, with a positive regression coefficient (ϐ = 0.069) and a Wald ratio of 0.079. This suggests that the relationship is significant at ($p<0.05$) and therefore increase in number of SMEs owners/managers accessing credit is likely to increase the likelihood of profitability of SMEs. The explanation for this is that, since most of the SMEs owners / managers depend on credit for the expansion of their SMEs, therefore, credit accessibility from formal banks and other financial institutions is very crucial for SMEs to make profit. Credit used by SMEs owners/managers to purchase new equipment, raw materials and marketing of the products. Field study revealed that out of 100 SMEs owners/managers interviewed, majority (74.5%) had access to credit from various financial institutions while 25.5% depend on their own financing. Example, the results indicated that business skills had positive regression coefficient; this indicates that business skills positively influences profitability. The positive regression coefficient suggests that SMEs owners/managers with business skills increase profitability. About formal education of SME owners/managers, the study revealed a positive relationship between education levels and profitability. The increasing trends formal education and profitability were observed for SME owners/managers with secondary and ordinary college education.

6.3 Conclusion

The variables included in the model were found to be important variables in explaining the relationship between individual factors, credit accessibility and the profitability of SMEs. With positive influence on the credit accessibility all the variables were found to be critical factors for the credit accessibility. However distances from the financial institutions and the owners of SMEs as well as the business skills were found to be the major determinants with p values of less than 0.005.

Generally, this study has identified problems related to the individual factors, the study has pointed out that majority of the owners have age which are difficult to be given loans. Education level was also found to be a problem and therefore limit the credit accessibility. Sex of owner especially being a female was also revealed to be a major problem especially on problems of poor access to collaterals that can help them to have credits. Also some other conclusion can be made based on the access to credit. This means that there is evidence to support the case that majority of Tanzania SMEs have credit constrains. The available information shows that individual factors are a key to these constraints. Secondly, majority of the SMEs are suffering from the poor performance in terms of poor profit they create. Therefore, it is obvious that credit access remains to be a major and famous limitation to high profitability of female owned SMEs.

6.4 Recommendations

To solve the problems related to credit accessibility and the profitability of the SMEs, various measures can be taken. The following are the policy recommendations that can be taken to improve the profitability of SMEs in Dodoma city councils.

1. **Improving business skills of the owners of SMEs**

It was emphasized during the surveys that, majority of the owners of SMEs do not have adequate business skills. Therefore, training associated with business skills such as entrepreneurship skills, networking skills, marketing skills, leadership skills like managerial competency skills should be given to the owners so as they improve their skills in order to improve the accessibility of the credit and therefore increase the profit of the SMEs.

2. **Improving experiences of the owners of SMEs**

The study also pointed that, most of the owners are not experienced enough to operate their businesses. This has resulted to the poor performance of most of the SMEs. It is therefore recommended that, young owners should be given frequent training in order to make them more involved with how things are done in the SMEs. It is therefore important that, young owners should be given internship before they are fully operating their businesses. In addition young owners are recommended to deal with businesses that are manageable based on the history of the families. This at least will give them experience on how to operate SMEs.

3. **Reducing credit requirements**

Almost all individual factors were observed to constrain the credit accessibility. It is therefore recommended that, financial institutions should reduce the credit requirement so as majority can afford. This will improve the performance of SMEs as they will be able to access the credit and purchase important equipment, buy supplies and distribute products to the final consumers on time. This will increase profits of the SMEs and improve growth in general.

4. **Solving gender imbalance**

The study found out that, females do not have much access to credits compared to males because of the limited collaterals they have. It is therefore recommended that, knowledge is supposed to be given to the financial institutions in respect to the need to give credits to female owned SMEs. It has been documented several times that a developed female tend to offer more to the family than a developed male. Therefore, it is important to remove biasness and provide credits equally to all parts.

6.4.2 Theory Implications

Most of past studies have reported on the poor performance of failure female owned SMEs as results of some challenges like cultural environment, legal procedures and frame works and other organizational factors. Many theories are explaining on organizational based factors which affect the profitability of SMEs and ignore individualôs factors, but in this study the individualôs factors have been confirmed to influence profitability positively when there is access to credit, based on the results the study has contributed in the theory by incorporating individual with the help of access to credit that they can determine the profitability of female owned SMEs

6.5 Limitations and Delimitations of the study

When carrying out this study, a researcher faced some limitations. One of the major limitations that the researcher faced was time limit given that the study used self administered questionnaire in collecting data, the questionnaires were personally administered by the researcher with females SMEs owners and managers. Drop and pick technique was used where targeted respondents were not available. The researcher therefore re-scheduled the timetable and met some of respondents at their convenient time.

The other limitation was getting full cooperation from the respondents and obtaining accurate business data from respondents as planned. Some respondents were reluctant to part with information and therefore could have concealed some facts. The researcher however made effort to overcome the challenges by begging the owners and managers to respond to questionnaires. The researcher resolved to be flexible and met the respondent at their convenient time and thus made it successful

6.6 Areas for further Research

This study was designed to relate individual factors and credit accessibility together with the profitability. The performance was measured only using profitability which was captured using dummy variable. It is recommended that future studies can capture profitability using continuous variable so as to see the trends of the profitability. Also, future studies can study performances using other variables such as nonfinancial indicators such as customer satisfactions. This will help to contribute more to the body of literature.

Lastly, future studies can use longitudinal study design. The present study has used the cross-sectional design which is restricted on time and space. The longitudinal design will help to capture the trends in data collection and therefore help to measure the effects of factor on the credit accessibility and profitability over a period of time.

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APPENDIX 1: Questionnaire

Questionnaire

Dear, my name is Albert Raphael Makombe; I am a student from the University of Dodoma undertaking a study on the analysis of the influence of individual factors on the profitability of female owned small enterprises; the moderating effects of access to credits at Dodoma district council for the partial fulfillment of the Masters (MBA) Program at The University of Dodoma. I kindly request you to provide reliable information. The data collected are confidential and will be used for the study and not otherwise. Thank you in advance

	A. Socio economic information
1	Respondentôs sex (please tick your answer) 1 = Male 2 = Female
2	Your age group (please tick your answer) 1. (18 - 25 years) 2. (26 ï 35 years) 3. (36 -45 years) 4. (46 -55 years) 5. (55 years and above)
3	Years of formal education 1. 6 years, 2. 9 years, 3. 12 years, 4. 15 years, 5. 17 years
4	Experience 1. (1-10 year) 2. (11-20 years) 3. (21 ï 30years) 4. (31 years and above)
	5. Perceptions of on credit accessibility; Rate the following factors based on the Likert scale

Perceptions statements	5 = Strongly disagree	4 = Agree	3 = Undecided	2 = disagree	1 =
Access to credit of is Essential					
Access to credit is necessary					
Access to credit improve profitability					
SMEs should access credit regardless of the costs					
Collaterals are the major sources of poor credit access					
Education level is a key factor for credit accessibility					
Age of the owner of SME increases credit accessibility					
Sex of the owner of SME increases credit					

	accessibility					
	Experience of the owner of SME increases credit accessibility					
	Distance between SME and the financial institution reduce credit accessibility					
	High interest rate reduces access to credit					

6. How can you rate your profit? (Put a tick)

   1= Increasing

   2 = Constant

   3 = Decreasing

7. Do you access credits?

   1. Yes
   2. No

Please tick your answer.

8	Do you think income level of the owner increases credit accessibility? 1=strongly disagree 2= Disagree 3= not sure 4= Agree 5= Strongly agree

9	To what extent do you think individual factors influence access to credit? 1) Not at all 2) Small extent 3) Moderate 4) Great extent
	Please tick your answer
10	What are the most available sources of credit? é é é é é é é é é é é é é é é é ....
11	To what extent do you agree on the usefulness of credit? 1) Not at all 2) Small extent 3) Moderate 4) Great extent

APPENDIX 2: Interview checklist

1. Do you think individual factors influence credit accessibility? Explain
2. What are the available sources of credit accessibility? Explain
3. What are the most important individual factors which influence credit accessibility?
4. How do you explain the relationship between individual factors and profitability?
5. Do you have access to finance that assist you to improve profitability?
6. What are the risks associated with credit accessibility?

RESPONSE ON THE COMMENTS FROM EXTERNAL AND INTERNAL EXAMINER

CHAPTER	COMMENTS	ACTION TAKEN	PAGES
Title	The examiner Suggested some modification in the title to suit the analysis and findings	Title Modified	Cover page
Chapter One	➢ The examiner noted that the back ground is long and lack information on female owned enterprises	The background was refined and information on female owned enterprises were incorporated	Page 1-9
	➢ The examiner commented on how the problems associated with female owned Enterprises emerged	The information on how the problem emerged were added	Page 1-9
	➢ The examiner wanted justifications on why only individuals factors in the statement of problem in this study	Justification were provided	Page 7
	➢ The examiner commented that general and specific objectives are not related to each other	The objectives were refined to relate to each other	Page 8
Chapter Two	➢ The researcher commented on the relevancy of the theories used to the study and how it formed the	The researcher refined the theories by explaining the relevancies to the study	Page 17-19

	variables	and the contribution that the theories have on the variables used in the study	
	➢ The model shown in the conceptual framework showed the moderating variables but the test which was done was on mediating variable	The conceptual framework was refined to suit the analysis	Page 32
Chapter Three	➢ The examiner commented the population of the study to be female owned enterprises and not owner/mangers	Done as Instructed	Page 35
	➢ There was a problem on sample and sampling Frame	Refined to suit the study	Page 35
Chapter Five	➢ The examiner recommend to discuss the finding instead of presenting them	Done as Instructed	Page 65
Chapter Six	➢ Conclusion about research problem is weakly attempted	Refined as instructed	Page 94
	➢ Theory Implications of the study was completely left out	It refined and added as recommended	Page 96
	➢ Limitations and delimitations of the study was not existing	Refined and added to the study as recommended	Page 96

References	➢ The Examiner noted that some of the references were incomplete, and some were not in the list of references	The references were completed as instructed and those missing one were added to the list	Page 97-105