

# Influence of Financial Inclusion and Social Inclusion on the Performance of Women - Owned Businesses in Tanzania: A Case of Iringa Municipal.

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**Abstract:** Recognizing the indispensable role of women owned enterprises in general economic development, the government of Tanzania have offered support to the development of women owned enterprises through financial intermediary, infrastructures and policy measures. Despite of these indicators, the state of micro entrepreneurship has yet to reach a satisfactory level and women enterprises continue to lag behind that of their male counterparts. This study therefore investigated the influence of financial inclusion and social inclusion on the Performance of Women - Owned Businesses in Iringa Municipal, Tanzania. The population of this study comprised all one thousand six thousand sixty three (1,663) women-owned Micro, Small and Medium Enterprises (MSMEs) registered and unregistered while one hundred and fifty (150) were selected as a sample size for the study. The data collection instruments for the study were structured questionnaire and personal interview. Data were analyzed with the aid of Multiple Regression (Ordinary Least Square Estimation) and Pearson Product Moment Correlation Coefficient. Results showed that financial inclusion and social inclusion have positive and significant influence on women-owned businesses performance. Additionally, financial inclusion and social inclusion jointly contribute about 59.2% to the performance of women-owned businesses. Results also indicated that social inclusion ( $r = 0.528^{**}$ ) is positively and significantly related with the financial inclusion. The therefore recommended that government should have a policy in place through its financial regulator to encourage financial institutions to diversify their branch networks in the country and government should also have policies and regulatory frameworks in place that will close the gender gap in financial inclusion and social inclusion.

**Keywords:** Financial Inclusion, Social Inclusion, Entrepreneurship, Business Performance

## Introduction

Today countries throughout the world have realized that women represent a powerful human resource which can be used as a mediator of growth and development. Women entrepreneurship is one way of doing that. Women entrepreneurs not only create new job opportunities but also provide society with different solutions to management, organization and business problems. The growing presence of women in the business ground as entrepreneurs over the past two decades has transformed the demographic characteristics of business and overall economic growth in most of the countries[1]

Wasihun and Paul [2], learned that micro enterprises are essential to women especially in Africa countries, because they offer opportunity for self-employment which embodies a chance to exploit their potentials. Today, many opportunities to start new businesses and international support are accessible to women entrepreneurs. Female-run enterprises are steadily increasing all over the world, contributing to household income and growth of national economies [3]

Women play a key role in the private sector and micro, small and medium enterprises (MSMEs) in Tanzania. The fraction of women owned enterprises (WOEs) is reported to have

enlarged from 35 per cent in early 1990s (NISS, 1991) to 54.3 per cent in 2012 (MIT, 2012). This amounted to 1.716 million WOE, over 99 per cent of which are microenterprises with fewer than five employees and almost three-quarters have only one employee[4].

Financial inclusion has been acknowledged as one of the factors that influence micro, small and medium enterprises evolution and development. Financial inclusion is about the conveyance of banking services at an affordable cost to the outsized sections of disadvantaged and low-income groups. [5] termed financial inclusion as a state in which all people who can use financial services have access to a complement of quality financial services, provided at affordable prices, in a convenient manner and with dignity for the clients.[6] proclaimed that financial inclusion helps people to spread or increase income stream in the house, provides liquidity/cash flow; absorbs shock of adversity by building assets which enables client to cope with loss done consumption smoothing, thus circumventing the sale of productive assets. In addition to financial inclusion, social inclusion has also been recognized as one of the factors that influence micro, small and medium enterprises performance. [7],described Social inclusion as the removal of institutional barriers and the enrichment of incentives to rise access by diverse individuals and groups to development opportunities. According to[8], social inclusion directing on creating conditions for equal opportunities and equal access for all, is

reflected to be useful when describing the actual process involved in promoting social integration.

Inclusive financial and social arrangement are becoming policies issues in both developed and developing nations of the world as they have been alleged as veritable tools for micro, small and medium enterprises performance. Financial inclusion and social inclusion of women are important for gender equality. They empower women and give them better control over their financial and social life [9].

### **Statement of the Problem**

Entrepreneurship literatures have acknowledged the desire by women to be financially and socially independent. According to [10], globally, one-in-three formally registered businesses are owned by women (IFC estimate). Small and Medium-Sized Enterprises (SMEs) account for 80 per cent of jobs world-wide, and women tend to be over-represented in, and own, smaller enterprises. Despite the significant contributions of women entrepreneurs to the economic development, women have been financially and socially marginalized. In line with this observation, [11], noted that women's lower level of financial literacy/capability; time and mobility constraints; poor access to information and networks; cultural and gender norms have been major constraints to women-owned businesses growth and development.

Financial inclusion and social inclusion have received a lot of research attention in developed and developing nations and they have measured and conceptualized in many different ways. However, the constructs have not been explored and they still remain challenging constructs in Tanzania. This study therefore intends to fill gap in knowledge by examining the influence of financial inclusion and social inclusion on women-owned businesses performance in Iringa Municipality, Tanzania.

### **BACKGROUND AND LITERATURE SURVEY**

#### **Concept of Financial Inclusion**

Financial inclusion is well known and well documented. However, much of the information on approaches to financial inclusion still lacks sex-disaggregated data, and thus maintains the prevailing gender gap in the access that women and men have to financial products and services globally [12]. Financial inclusion or inclusive finance is whereby effort is made to safeguard that all households and businesses, regardless of levels of income are able to effectively access and use suitable financial services they need to improve their lives [12]. [13], defined financial inclusion as the practice of ensuring access to suitable financial product and services needed by susceptible groups such as weaker societal sections and low income groups at an affordable cost in a fair and transparent manner by mainstream institutional players, thus making an inclusive financing arrangement critical aspects in the context of economic growth and development of any economy.

[14], also defined inclusion as the process of ensuring access to financial services as well as timely and adequate credit where needed by groups at an affordable cost. Centre for

Financial Inclusion (2013) described financial inclusion as a state in which all people who can use financial services have access to a complement of quality financial services, provided at affordable prices, in a convenient manner and with dignity for the clients. [6] noted that financial inclusion helps people to diversify or increase income stream in the house, provides liquidity/cash flow; absorbs shock of adversity by building assets which enables client to cope with loss through consumption smoothing, thus avoiding the sale of productive assets.

#### **Concept of Social Inclusion**

Social inclusion gained eminence in public discourse after inclusion was incorporated as one of the four pillars in Poverty Reduction Strategy Paper (PRSP). The concept of social inclusion is related to that of social integration. However, social inclusion, converging on creating conditions for equal opportunities and equal access for all, is considered to be suitable when describing the actual process involved in promoting social integration [15]. Social inclusion is also often more simply accepted as a policy goal, as it clearly eradicates a connotation of assimilation that some associate with the term "integration" not all individuals and/or groups in societies are eager to be "integrated" into mainstream society, but all strive to be included [16].

According to [17], the overall goal of social inclusion policy is to shape a just society devoid of discrimination, harness the full potential of all social groups regardless of sex or circumstance, stimulate the enjoyment of fundamental human rights and protect the health, social, economic and political well-being of all citizens, in order to achieve reasonable rapid economic growth [18]. It also targets to evolve an evidence-based planning and governance system where human, social, financial and technological resources are efficiently and effectively positioned for sustainable development [18]. [18], perceived that social inclusion is the removal of institutional obstacles and the enhancement of incentives to upsurge the access of diverse individuals and groups to development opportunities. It pursues to bring about system level institutional reform and policy change to remove inequities and provides some individuals and groups more opportunity to realize their agency [17].

#### **Financial Exclusion and Social Exclusion and their effect on Women - Owned Business Performance**

The encouragement for women's economic empowerment has been growing over the last decade. The number of private actors supporting this has expanded expressively. Studies established that women owned over 90% of businesses especially in informal sector [19]. Data on women-owned small and medium enterprises proposes that these enterprises contribute about half of total employment, more than 30% of total gross domestic product.

Despite of this report, financial exclusion and social exclusion have bedeviled the performance of women-owned businesses in Tanzania. In line with this opinion, [20] witnessed that despite growing rates of female entrepreneurship and increasing education levels, women-

owned enterprises are almost uniformly disadvantaged. [21], also noted that women are often severely disadvantaged, compared to men in accessing facilities for saving or borrowing money. [22], also revealed that there are gender gaps in education. Most of skills and business training tends to be targeted towards men.

Studies also established that customs, lack of formal rights and access to justice have constrained women to have right to manage property, conduct business, or travel without their husbands' consent [10]. [23], asserted that women have inadequate access to education, assets, finance, information on trade regulations and procedures, market linkages, etc. Women's care responsibility and time burden create a major barrier to engagement in global trade activities [10]

**METHODOLOGY**

Iringa municipal has a strong business movement because it is a pathway to Dar es Salaam, Arusha, Mbeya, Ruvuma and Mwanza where most commodities from Southern highlands are taken to, and four universities namely Ruaha Catholic University, Mkwawa University College, Iringa University and Mosh co-operative university. Due to this the population of Iringa municipal has significantly increased causing many women to participate in different entrepreneur activity. This research work was carried out among the women entrepreneurs in Iringa Municipal, Tanzania. The choice of Iringa municipal is based on the fact that it has highest number of women –owned businesses in the region. Descriptive survey research design was employed to examine the influence of financial inclusion and social inclusion on women –owned businesses performance. The study engaged both primary and secondary data, Primary data was collected from the women owned enterprises in Iringa Municipal. Secondary information sources used for the present research include the journals, magazines and internet sources. A well-structured questionnaire was prepared and distributed to the different women-owned enterprises in Iringa Municipal. A total of hundred (150) questionnaires were administered by the researcher and all of them (150) were fully filled and successfully returned to the researcher in time thus included in the analysis. The successfully filled questionnaires were equal to hundred (100) percent of the total number of administered questionnaires. Data were analyzed with the aid of Multiple Regression (Ordinary Least Square Estimation) and Pearson Product Moment Correlation Coefficient.

**Table 1: Regression Results**

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate	Durbin-Watson
1	.755 <sup>a</sup>	.592	.575		0.558	1.822

Model	Sum of Squares	df	Mean Square	F	Sig.
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**Model Specification**

To examine the influence of financial inclusion and social inclusion on women-owned businesses performance, financial inclusion is measured by accessibility to account opening, accessibility to business loans and accessibility to mobile banking. Social inclusion is measured by women rights to property, accessibility to education, accessibility to leadership role and gender equality, while women-owned businesses performance was measured by ability to meet target profit level, sales growth, customer satisfaction and level of repurchase. Mathematically, the model is expressed as follows;

$$\text{Women –Owned Businesses Performance} = f(x_1, x_2) \dots \dots \dots (1)$$

$$\text{Women –Owned Businesses Performance} = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \mu_i \dots \dots \dots (2) \text{ Where;}$$

A prior expectation is  $\beta_1 \dots \dots \beta_2 > 0$

$X_1$  = Financial inclusion;

$X_2$  = Social inclusion.

$\mu_i$  = Disturbance Term

$\beta$  = Intercept

$\beta_1 - \beta_2$  = Coefficient of the independent variables

**Results and Discussion**

**Influence of Financial Inclusion and Social Inclusion on Women-Owned Business Performance**

The result in Table 1 shows that financial inclusion and social inclusion have positive and significant influence on women-owned businesses performance. Additionally, financial inclusion and social inclusion jointly contribute about 59.2% to the performance of women –owned businesses. The estimated Durbin - Watson value of 1.822 clears any doubts as to the existence of positive first order serial correlation in the estimated model. The model was constructed to test the null hypothesis that financial inclusion and social inclusion have no influence on women owned businesses performance in Iringa Municipal, Tanzania. The F-statistic of 139.520 indicates that the overall regression plane is statistically significant. Therefore, null hypothesis is rejected while alternative hypothesis is accepted.

Implication of this finding is that if women are financially and socially inclusive (access to business loan, access to mobile banking, access to education, rights to property, access to leadership role and gender equality) in Tanzania, the levels of women entrepreneurship will be high.

1	Regression	207.444	2	103.722	139.520	.000 <sup>b</sup>
	Residual	1022.556	97	10.542		
	Total	1230.000	99			

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.322	1.822		4.019	.000
	Financial inclusion	.351	.121	.332	2.908	.005
	Social Inclusion	.113	.110	.116	1.021	.001

**Relationship between Financial Inclusion and Social Inclusion**

Result in Table 2 indicates that social inclusion ( $r = 0.528^{**}$ ) is positively and significantly related with the financial inclusion. The relationship was positive which implies that the more women have access to finance, the more they likely to be socially inclusive. This indicates that

financial inclusion cannot be achieved without social inclusion.

Therefore, the null hypothesis which states there is no significant relationship between financial inclusion and social inclusion is rejected, while alternative hypothesis is accepted.

**Table 2: Correlations**

		Financial inclusion	Social Inclusion
Spearman's rho	Financial inclusion	1.000	.528 <sup>**</sup>
		Correlation Coefficient	
		Sig. (2-tailed)	.000
		N	100
Social Inclusion	Social Inclusion	.528 <sup>**</sup>	1.000
		Correlation Coefficient	
		Sig. (2-tailed)	.000
		N	100

<sup>\*\*</sup>. Correlation is significant at the 0.01 level (2-tailed).

**Conclusion**

This study examined the influence of financial inclusion and social inclusion on the performance of women-owned businesses in Iringa municipal, Tanzania. Findings from the empirical results indicate that financial inclusion and social inclusion were joint predictors of women-owned businesses performance. Study also confirmed that social inclusion has positive and significant relationship with financial inclusion. This indicates that financial inclusion cannot be achieved without social inclusion. This study gives a signal to the government to have policies in place that will encourage women to have access to education, rights to property, access to leadership role, access to business loans, access to mobile banking and gender equality in Tanzania.

**Recommendations**

Based on the findings and conclusion, the following recommendations are made;

1. Government should have a policy in place through its financial regulator to encourage financial institutions to diversify their branch networks in the country, the value

transacted through agency banking units and the amount transacted through internet banking across the country.

2. Promotion of financial education and financial literacy among women entrepreneurs should be encouraged in all local governments in Tanzania.

3. Women should be encouraged to have better opportunities to rise to the top in all areas of finance, politics and administration.

4. Government should have policies and regulatory frameworks in place that will close the gender gap in financial inclusion and social inclusion.

5. Government should enact a law that will grant women equal rights to property in order for them to expand their economic opportunities.

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