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Factors Affecting the Effectiveness of Warehouse Receipt System in Tanzania

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Abstract: *The purpose of this study was to assess the effectiveness of Warehouse Receipt System in selected districts using exploratory sequential design. The sample size of the study constituted two hundred (200) respondents from the selected districts of which purposive sampling procedure was adopted for getting the full picture of Warehouse Receipt System in Tanzania. The study was conducted in Lindi Region in two districts namely: Kilwa and Nachingwea District. The study results revealed ineffective Warehouse Receipt System in Lindi Region since most of the decisions are made without adherence to the rule of law. Apart from that, many respondents disagreed with the way the system is supported by the Government and the performance of cooperative society. Likewise, the study findings revealed lack of transparency, public awareness, and the existence of high cost of transactions. For effective Warehouse Receipt System stakeholder including government should provide competency based training to all practitioners of Warehouse Receipt System to create public awareness on warehouse receipt system. , To strengthen the system, stakeholders are also advised to allocate sufficient funds for recruiting qualified staff and procuring appropriate stores equipments. Furthermore, licensed warehouse operators are advised to embrace modern storage facilities that will enhance their day to day activities and attain good performance of the system. It is a high time for the government to restructure the whole system and come up with the system that will befit farmers' needs rather than subjecting them to unnecessary transaction costs. From these highlighted factors, this study recommends further researches to be conducted on factors affecting warehouse receipt system by scaling study scope.*

Keywords*:* Warehouse Receipt System, Effectiveness, Farmers, Cooperative Society, Licensed Warehouse, Depositors, Warehouse Operators, buyers, Cashew, Kongomba, and AMCoS.

Study Background

Agriculture in most of African countries to a great extent is the key driver of social and economic well-being of the people. It is the major sources of food supply and household income despite being subjected by food distribution margins and seasonal price variability Badiane *et al*, (1997). The sector contributes 27% of the GDP, 80% of the rural household income, **95%** of the National Food requirement, **30%** of total exports and **65%** of the raw material requirements for the industries (The Warehouse Receipts System Operational Manual, 2013). In spite of the remarkable contributions of this sector to the economy, the agricultural marketing system is still disorganized, uncoordinated and unpredictable due to unnecessary Government interference, non-tax barriers, poor enforcement mechanism, poor marketing institutions, and unawareness of business knowledge and lack of regulatory systems.

To overcome these challenges, the idea of establishing Warehouse Receipts System worldwide was pioneered by stakeholders for the purpose of minimizing the problems of food price volatility in Agricultural Markets. The system is mainly established for storage of goods, protection, risk-bearing, financing and stock of raw materials. Warehouse receipts system has a long history as it was first adopted in Mesopotamia in 2400 BC and in Africa the system was practised by Port Warehousing Companies and Freight Forwarder and it was officially inaugurated in 1980s. In US the system was recognized in 1916 after the enacting of the US Warehousing Act of 1916. In a bid to ensure the existences of formal and well-functioning structured commodity marketing, the United Republic Government of Tanzania established Warehouse Receipts System (WRS) through Warehouse Receipts Act No. 10 of year 2005. Currently, the system is implemented in various developing countries such as: Romania, Hungary, South Africa, Zambia, Ghana, Russia, Slovakia, Bulgaria, Chechnya, Poland, Kazakhstan, Turkey, and Mexico Bulgaria, Kazakhstan, Hungary, Slovakia, Lithuania, and Moldova Uganda, Ghana and Tanzania. Nevertheless, the system is still encountered by various challenges like lack of awareness among the public, limited warehouses facilities, lack of human resources, lack of storage facilities, legal and regulatory environmental issues, and scarcity of basic skills practitioners, weak market institutions, and smallholder farmers' access to finance Katunze, (2017).

Warehouse Receipts System (WRS) refers to a well-functioning structure of communication and distribution of farming products. It is the kind of trade where commodities are stored in licensed warehouse whereby famers deposit goods (crops) in exchange for Warehouse Receipts. A warehouse receipt is the document issued by warehouse operators to the depositors justifying the storage of certain amount of commodities. It shows the quantity, quality, grade and value of the goods being stored Katunze, (2017).

The main purpose of WRS is to promote fair and sustainable commodity marketing systems. It is through this system where depositors store and sell their commonalities in future when price rises. Apart of that depositors have an option of pledging Warehouse Receipts to a lender as collateral security for loans purpose (Warehouse Receipts Act No. 10 of year 2005). The system was primarily introduced for the purpose of combating the challenges hindering the effective production and marketing of the agricultural products such as: post-harvest losses, poor quality, price fluctuations, unreliable market information, poor finance, polarized trade, poor weighing equipment, marketing risks, remote trade, selling produce prior to harvest, and lack of quality and quantity assurance (Warehouse Receipts Act No. 10 of year 2005).

A study by Kuwornu (2019) asserted that the WRS was established because it was found as a viable mechanism for solving agricultural challenges facing farmers. The system had the following benefits: access to credit, risk minimization, information sharing, quality assurance and certification system, promotion of export trade, promotion of industrialization, promotion of storage facilities, reduction of post-harvest losses, and enhancement of food security, jobs creations, linkage between demand and supply, and enhancement of poverty reduction strategies.

The components of warehouse receipts system

The Warehouse Receipts System normally involves the following components: Trade Commodity, Depositor, Licensed Warehouse, Licensed Warehouse Operators, Buyers and Lenders/Financial Institution. Trade commodities are those goods allowed to be stored and traded in the Warehouse Receipts System which include: coffee, raw cashew, maize, paddy, sesame, sunflower, pigeon peas and cotton. Depositor is any legal person who deposits a commodity in a licensed warehouse for storage, handling, or shipment, has the right to have Warehouse Receipts as the legal document evidenced the storage of specified commodity at specified location. Licensed Warehouse is any building, structure or other protected enclosure authorized by the Board to undertake storage activities. Licensed Warehouse Operators is any legal person approved by the board for undertaking activities related to the Licensed Warehouse. Buyer is any legal person who buys commodity stored in the Licensed Warehouse. Financial institution is any institution authorized by the bank of Tanzania to undertake finance activities under the system (Warehouse Receipts Act No.10 of 2005 as amended in 2015).

Statement of the Problem

Despite the establishment of Warehouse Receipts System, which aimed at formulating well-functioning structured commodity marketing, farmers have not given much trust on its operations and intended goals. Majority of farmers still uphold the belief that the system was not established to protect their interests. For instance, Noel &Venkatakrishnan (2014) and Towo &Kimaro (2013) Miranda, Mulangu&Kemeze (2017) in their study argued that majority of stakeholders are dissatisfied in the way the system works. These studies have not clearly elaborated factors affecting the performance of WRS. This calls for a thorough investigation on the probable factors which affect the performance of Warehouse Receipts System in Tanzania. Therefore, this study was intended to find out factors affecting the effectiveness of Warehouse Receipt System in Southern Zone of Tanzania.

Objective of the study

The objective of the study was to evaluate factors affecting the performance of Warehouse Receipts System in Southern Zone of Tanzania.

Research question

What are the challenges hindering the performance of Warehouse Receipt System in Southern Zone of Tanzania?

Significance of the study

This study specifically focused on the factors affecting the effectiveness of Warehouse Receipts System in Southern Zone of Tanzania and thus expected to provide useful contributions to the literature on the factors affecting the effectiveness of Warehouse Receipts System in Tanzania and the world at large. Additionally, the findings will assist policy makers in designing and adopting an appropriate model for effective and efficient Warehouse Receipts System from the highlighted challenges facing the existing system.

2.0 Theoretical perspective

2.1.1 Definition of Warehouse Receipts System

The Warehouse Receipts System denotes a kind of trade arrangement of which commodities are stored in a Licensed Warehouse for future demand including sales and loans. Normally, Licensed Warehouse Operator issue receipts after receiving and inspecting commodities from their clients which bears the title of deposited commodities, the value, type, quantity and quality (grades). The system is regulated by Warehouse Receipts Regulatory Board (WRRB). WRRB is the government agency authorized to oversee all functions of Warehouse Receipts System in Tanzania Nkonya, N and Barreiro-Hurle, J (2013*).*

2.1.2 Actors of Warehouse Receipts System

2.1.2 .1 Depositor

Depositor is any legal person who stores a commodity with some charges in a licensed warehouse for future uses. Depositors have the right to have warehouse receipt after depositing their goods in the licensed warehouse. The warehouse receipt is the legal document justifying the storage of commodities in certain licensed warehouse. It is the legal contract between the two parties' i.e. Depositor and Licensed Warehouse Operator CBT (2012).

2.1.2 .2 Licensed Warehouse Operator

Licensed Warehouse Operator is the legal person licensed to undertake activities of Licensed Warehouse, the person is responsible for checking, receiving, storing and delivering commodities. She /he is responsible for the quality and quantity of stored commodities, consequently, the liability of received and stored goods, lies with the Licensed Warehouse Operator CBT (2012). .

2.1.2 .3 Buyer

Buyer is any legal person who participates in the purchasing of commodities stored at the Licensed Warehouse. Normally, there is no direct transactions contact between the buyer and depositors since the system is operated through brokers in the Tanzania Mercantile Exchange (TMX) CBT (2012).

2.1.2. 4 Financial Institutions

Financial Institutions are organization entrusted by the appropriate authorities to provide financial services under the system. Financial institutions are there for the sake of facilitating business transactions which includes insurance cover and payments CBT (2012).

2. 2 The History of Warehouse Receipts System

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To overcome these challenges, the idea of establishing Warehouse Receipts System worldwide was pioneered by stakeholders for the purpose of minimizing the problems of food price volatility in Agricultural Markets. The system is mainly established for storage of goods, protection, risk-bearing, financing and stock of raw materials. Warehouse receipts system has a long history as it was first adopted in Mesopotamia in 2400 BC and in Africa the system was practised by Port Warehousing Companies and Freight Forwarder and it was officially inaugurated in 1980s. In US the system was recognized in 1916 after the enacting of the US Warehousing Act of 1916. In a bid to ensure the existences of formal and well-functioning structured commodity marketing, the United Republic Government of Tanzania established Warehouse Receipts System (WRS) through Warehouse Receipts Act No. 10 of year 2005. Currently, the system is implemented in various developing countries such as: Romania, Hungary, South Africa, Zambia, Ghana, Russia, Slovakia, Bulgaria, Chechnya, Poland, Kazakhstan, Turkey, and Mexico Bulgaria, Kazakhstan, Hungary, Slovakia, Lithuania, and Moldova Uganda, Ghana and Tanzania. Nevertheless, the system is still encountered by various challenges like lack of awareness among the public, limited warehouses facilities, lack of human resources, lack of storage facilities, legal and regulatory environmental issues, and scarcity of basic skills practitioners, weak market institutions, and smallholder farmers' access to finance, Wheling & Gartwaite, (2015).

2.3 Warehouse Receipts System Operation

Worldwide, Warehouse Receipts System operations differ but for the case of Tanzania, the system operates as follow: First the depositors (farmers) deposit their commodities to the Licensed Warehouse and then receive the Warehouse Receipt issued by the Licensed Warehouse Operator. Warehouse Receipt is the legal document issued by the Warehouse Operator indicating the quality,

quantity, value and grades of the goods being stored in the certain Licensed Warehouse. This document is issued to the depositors for trading or financing purpose, after receiving the warehouse receipts, depositor has an option of borrowing or waiting for sales when the price rises. . Secondly, when depositor decided to opt, sales option, they are required to press selling order to their agent known as Agricultural Marketing Cooperative Society (AMCoS). The agent will trade the commodity at Tanzania Mercantile Exchange (TMX). The payments mode is normally through AMCoS bank accounts. AMCoS has the mandate to charge all necessary charges including fees charge, storage charge, packaging costs, taxes, loans if any, other legal charges before credited the payments to the individual bank of the respective depositors. After settlements of payments, the commodity is delivered to the buyer after undergoing all the necessary procedure like verifications of quality, grade and quantity of the commodity by using weight and standard measurement equipments William, J.G. and N. Kaserwa. (2015).

2.4 Benefits of warehouse receipts system

Historically, the system has been found to have sound economic benefits as it allows depositors to access loan from financial institutions; it minimizes transaction costs and risk associated with price fluctuations, it enables farmers to participate more effectively on marketing, facilitating quality assurance and certification system. Furthermore, the system is the source of reliable marketing information, promotes export, reduces post- harvest losses, enhances food security, and creates employments. What is more, the WRS is believed to have contributions in the improvement of living standards since promote the use of standards and approved weighing equipment.

2.5 Studies of warehouse receipts system

Kuwormu, (2019) on the study of famers' perceptions of warehouse receipts system in Indonesia using the sample size of 500 farmers found that the system performance was both inefficient and ineffective due to various challenges including: complicated regulations, lack of awareness, lack of facilities, limited access of loans by depositor because of high interest rate, and poor infrastructures.

Onumah, (2002) on his study of the role of warehouse receipts in enhancing commodity marketing and rural livelihoods in Africa found the following are challenges that impeded the system performance:: apart of the challenges hindering the system he noticed the following contributions of the system such as the uses of standard weights and measures, easy access to loan, Price stabilization and promotion of instruments to mitigate price risks through the existence of reliable agricultural market.

NMB, (2013) on their studies of economic benefits of WRS to cashew farmers in Southern Region of Tanzania revealed positive economic impact of the system despite being delimited by lack of transparency, lack of efficient quality control mechanism, lack of storage facilities, government interference, weak cooperative organizations, and presence of few buyers.

Mpita, (2013) on her study of impact of warehouse receipt system on poverty reduction of cashew farmers in Newala District using the regression technique analysis with the sample size of 200 farmers, remarked negative relationship between poverty reduction and Warehouse Receipt System.

Masali, (2013) on his study of the assessment of effectiveness of warehouse receipts system in cashew marketing in Tandahimba District found positive impact of the system on farmer's income, though the payments normally are paid on installments basis contrary to the stipulated requirements. Not only that but also the study reported some shortfalls of the system which include: lack of transparency, lack of sufficient storage facilities in warehouse, and improper measurements among warehouse operators.

Onumah (2010) on his article of the potential and challenges of warehouse receipt system in Africa recorded challenges hindering the warehouse receipt system which include: lack of appropriate legal framework, lack of suitable storage infrastructures and lack of requisite skills. Apart from the challenges identified, the study also recorded the following benefits such as: reductions of post --harvest losses, reduction on the scope of cheating in agricultural trade, and enhancement of liquidity in agricultural trade.

Conceptual Framework

3.0 Materials and Methods

3.1 Study Area

The study was conducted in Lindi Region in two districts namely Kilwa and Nachingwea Districts. These two districts were selected because of the availability of data since researchers worked with the districts as trainers of Good Governance.

3.2 Research Design

The research adopted a case study design whereby descriptive and exploratory data were captured. Henceforth, both qualitative and quantitative data were collected. The research was designed to allow triangulation by using multi-methods of data collection.

3.3 Sampling Techniques and Sample Size

The study applied multistage sampling procedure whereby: first, purposive sampling was conducted to select the two districts in Lindi i.e Kilwa and Nachingwea. Second, stratified sampling was employed to select framers who are willing to participate in the study. Third, the proportional simple random sampling was carried out to select 200 who are using Warehouse Receipt System in the two districts of which each district was represented by 100 farmers.

3.4. Data Types and Sources

The research collected both qualitative and quantitative information as well both primary and secondary data. In primary data, the researchers intended to know the current situation and perceptions of the people who were interviewed by using questionnaires and focus group discussions. For secondary data, the researchers intended to get both the findings of other researchers regarding the system.

3.4.1 Questionnaire

Questionnaire is among widely techniques used in collecting structured information for different purposes. Basically, each respondent is required to respond to the directed questions in a pre determined order. In this study a total of 200 questionnaires were administered to the farmers at the selected districts. Questionnaires are very useful in drawing accurate information from the respondents in a logical sequence. Questionnaires were developed to capture information about the ages and the factors influencing the effectiveness of Warehouse Receipt System. The questions in the questionnaire relating to the farmers' problems and constraints were based on a five-point Likert scale as follows: 5 = strongly agreed, 4 = 3 = moderate, 2 = disagreed, 1 = strongly disagreed.

2.4.2 Focus Group Discussion

The follow-up interviews through Focus Group Discussion (FGD) to all farmers were conducted to get clarification on some findings whereby a semi-structured interview approach was applied.

3.4.3 Documentary review

The secondary data were collected from two districts social and economic profile.

3.5. Data Analysis Plan

Data collected were categorized and coded according to a predetermined coding scheme. An effort was made to code the data at the point of collection to simplify work during the analysis stage. Descriptive data were coded after data collection since it is difficult to do so before due to the diversity of possible responses (Saunders et al 2003). The data were then entered into the Microsoft excel statistical data analysis software. Processed data and results were summarized and presented using appropriate statistical tables.

4.0 Results and Discussions

4.1 Respondents Involved

Two hundred respondents were involved and all questioners were collected as distributed to the respondents (farmers) this asks us that 100% of the respondents responded the distributed questioners.

4.2 Age of Respondents

Table:1 regarding respondent's age revealed that 20% of the respondents there are between 25-40 years while 30% their ages is between 41-50- years and 50% rages between 51 and above. The table tells us that majority of cashew farmers their age ranging between 51 years and above. This suggests that majority of the farmers are elders. During group discussion researchers noticed that those who are under 50 years own their farms in form of legacy. The study results indicate that majority of cashew farms are owned by the elders. This is an alarming situation which calls for policy changes that will encourages the youth to undertake agricultural activities and discourage urban influx.

Table 1: Age Group Distribution Respondents

Category (Age)	Frequency	Percentage (%)
25-40	40	20
41-50	60	30
51-60	100	50
Total	200	100

Source: Case study data, (2020)

4.3 Education Background

The distribution of responses based on the educational background is shown in Table:2 The study showed that 8 of respondents equivalent to 4% completed bachelor degree, 12 respondents equivalent 6% hold a diploma, 35 respondents equivalent to 17.5% certificate, 40 respondents equivalent to 20% holding secondary education and 105 respondents equivalent 52.5% are standard seven leavers. These results show us that inexpert people are the one who operate agricultural activities. This is an alert to the government and institution dealing with agricultural promotion to take all required necessary measures to address the problem specifically non- engagement of educated people in agricultural undertakings. The study results tell us that agricultural sector in Tanzania is the undermined sector, neglected by the professional people since the sector is owned and operated by uneducated people (standard seven leavers). This suggests that the sector is considered as margin sector and people equate the sector as second option compared to other sectors.

Table 2: Education Background

s/n	Education background	Frequency	Percentage (%)
1	Bachelor degree	8	4
2	Diploma	12	6
3	Certificates	35	17.5
4	Secondary school	40	20
5	Standard seven	105	52.5
	Total	200	100

Sources: Case Study Data, (2020)

4.4 Factors Hindering the Performance of Effective and Efficiency Warehouse Receipt System

4.4.1 Lack of Transparency

Table:3 shows that 132 equivalents to 66% of respondents strongly disagreed with the transparency practices in the Warehouse Receipt System, 47 equivalents to 23.5% disagreed with transparency, 13 equivalents to 6.5% were neutrally with the level of transparency, 7 equivalents to 3.5% agreed with the level of transparency and 1 respondent equivalent to 0.5% strongly agreed with the level of transparency in Warehouse Receipt System. These results reveal the absence of transparency since majority of farmers claimed that lack of transparency is among the challenges hampering an effective and efficient Warehouse Receipt System in Tanzania. Many respondents claimed that cashew auctioning process is a secret binding closed doors since the prices are set by other entity instead by the owner of the commodity (Farmers). Additionally, they argued that the auction process under the system is not open and participatory since, government leaders tend to operate black market as most of government officials are suspected to undertake price fixing with the buyers before the auction. These have made buyers to come to the auction with their predetermined prices (fixed price). Farmers are not satisfied with the system because of the lack of freedom in determining the price as well as the decision regarding where and when to sell their commodities. Under this system, farmers have no option of selling or not selling. In the case of price determination, famers claimed that they are the one who are supposed to negotiate prices instead of AMCoS or government (political leaders) since they are the one who know the exact cost of production. Henceforth the system promotes unfair trade instead of fair trade, smith (2008).

Table 3: Level of Transparency

Level of Transparency	Frequency	Percentage (%)

Strong agreed	1	0.5
Agreed	7	3.5
Neutral	13	6.5
Disagreed	47	23.5
Strong disagreed	132	66
Total	200	100

Sources: Case Study Data 2020

4.4.2 Lack of Sufficient Storage Facilities

Table: 4 indicated that 90 equivalents to 45% of the respondents strongly disagreed with the number and status of storage facilities of Licensed Warehouse available, 67 equivalents to 33.5% respondents disagreed with the store equipments available and the number of licensed warehouse at the district, 24 equivalents to 12% were neutral, while 19 equivalents to 9.5% of the respondents agreed with the facilities available in the licensed warehouse. The study results discovered lack of important working tools required in the stores such as computers, motor vehicles, tables, photocopy machines, fax machines and office chairs. This situation of lacks of the important tools undermines the store functions. Lack important working tools like computer affect greatly the performance of WRS such as timely preparation of important reports. It is high time WRS adopt electronic Warehouse Receipt System which is more effective than manual system.

Regarding the low number and few spaces, farmers argued that lack of sufficient storage facilitates are among of the factors hindering the performance of Warehouse Receipt System particularly during harvest seasons. Many respondents had to travel long distance to store their produce due to congestion to their nearby Warehouse facilities. This has encouraged famers to opt traditional system of selling their crops to the middleman commonly known as Kangomba/Choma choma which is normally an exploitative system. Besides, shrinking of deposited crops is a common phenomenon due to inappropriate storage facilitates at the licensed primary warehouse. This has also forced farmers to sell their farm produce to the middlemen to take the advantage high transportation cost, disturbances, and other challenges associated with the uses of warehouse receipt system.

Table 4: Sufficient Storage Facilities

Status of Store Facilities	Frequency	Percentage (%)
Strongly Disagreed	90	45
Disagreed	67	33.5
Neutral	24	12
Agreed	19	9.5
Strongly Agreed	0	0
Total	200	100

Sources: Case Study Data, 2020

4.4.3 Lack of Public Knowledge

Considering table: 5 related to the issue of public knowledge of the Warehouse Receipt System, the study results evidenced that 145 equivalents to the 72.5% of the respondents strongly disagreed with the knowledge of warehouse receipt works , 23 equivalents to the 11.5% of the respondents disagreed with the knowledge of warehouse receipt works, 18 equivalents to the 9% of the respondents agreed with the knowledge of warehouse receipt works and 14 equivalents to the 7% of the respondents strong agreed with the knowledge of warehouse receipt works. The study results tell us that most of farmers know nothing about the system since they do not know how the system operates. For instances, farmers claimed that they are demanded to sell their crops

by using the system but they do not know how when exactly their payments from AMCoS will be settled. Customarily, the payments are credited to the AMCoS bank account by the buyers then from AMCoS bank account to the farmer's individual bank account. This is a humiliating situation to the farmers who are in need of cash to settle and meet their family and personal obligations like paying tuition fees for their siblings or even acquiring other necessities of life like clothing and food. Furthermore, farmers are forced to wait their payments for long time even for more than one month as if the business was in credit basis "this is not fair". This situation has discouraged farmers to use the system and opt to use traditional methods even at lower prices. Additionally, farmers are constantly exploited through crop grading system carried at the headquarters' of primary cooperative society which tend to differ with the information recorded at the Warehouse when deposing goods.

Table 5: Public Awareness of Warehouse Receipt System

Status of the Public Awareness	Frequency	Percentage (%)
Strongly Disagreed	145	72.5
Disagreed	23	11.5
Neutral	0	0
Agreed	18	9
Strongly Agreed	14	7
Total	200	100

Sources: Case Study Data 2020

4.4.4. Lack of Strong Cooperative Society

Table: 6 regarding the availability of strong cooperative society results revealed 122 equivalents to 61% of respondents strongly disagreed with the ability of the way the existing cooperative society undertake its responsibility, 34 equivalents to 17% of respondents disagreed with the ability of the way existing cooperative society undertake its responsibility, 27 equivalents to 13.5% of respondents agreed with the ability of the way existing cooperative society undertake its responsibility and 17 equivalents to 8.5% of respondents strongly agreed with the ability of the way existing cooperative society undertake its responsibility. When high percentage of respondents equivalents to 61% do not agree with services offered only 8.5% of respondents strongly agreed that primary cooperative society undertakes warehouse receipt system in efficient manner. During the discussion, the researchers noticed that many cooperative societies failed to deliver services to customers on timely because of the inadequate and incompetent staff. Famers argued that majority of WRS personnel had no adequate knowledge and skills to execute their responsibilities. Not only that but also the staff at the primary cooperative society (primary levels) are very few compared to the demand. The insufficient and lack of competent staff in primary cooperative society tend to undermine the performance of Cooperative society as expected.

Table 6: Availability of Strong Cooperative Society

Status Strong Cooperative Society Available	**Frequency**	**Percentage (%)**
Strongly disagreed	122	61
Disagreed	34	17
Neutral	0	0
Agreed	27	13.5
Strongly agreed	17	8.5
Total	200	100

Sources: Case Study Data 2020

4.4.5 Legal framework

Table: 7 showed that 177 respondents equivalent to 88.5% believed that Legal framework is among the factors hindering the performance of warehouse receipt system while 23 respondents equivalent to 11.5% disagreed that the Legal framework is affecting warehouse receipt system performance. During the discussion, many respondents argued that the legal framework does not provide conducive environment to the Warehouse Receipt System due to weak, fragmented, and uncoordinated legal framework of the system. Farmers argued that the system is surrounded by irregular directives from higher levels of the government. Moreover, farmers claimed that most of the Warehouse Receipt System is concentrated in built-up areas rather than rural areas where agriculture is predominant.

Table 7: Legal Framework

Does legal framework affect WRS?	Frequency	Percentage (%)
Yes	177	88.5
No	23	11.5
Total	200	100

Source: Case study data, (2020).

4.4.5 High Transaction Costs

Table: 8 showed that 183 respondents equivalent to91.5. % strongly disagreed with the transaction costs charged in the Warehouse Receipt System since is higher than required while 17 respondents equivalent to 8.5% disagreed with the transaction costs charged in the Warehouse Receipt System. These costs include: transportation cost, storage cost, administration cost, taxes; market fees as well interest rate. Many respondents argued that the system is fragmented by huge amount of transactions cost which almost is likely to leave farmers empty-handed. For instance, the price of one kilogram of cashew could be 1,590 Tsh but a farmer could just be paid 1,000 Tsh. This implies that more than 590 Tsh is treated as transactions cost in facilitating the Warehouse Receipts System. During discussion respondent claimed that the system does not favor the smallholder farmers as expected since it favors unexpected group of people. One of responded argued that cooperative societies normally violate rules and procedure of the Warehouse Receipt System by charging high transactions cost compared to the rate authorized. For instance the statement above illustrate that the transaction cost charge in the respective year was very high since the procedure requires the system to charge not more than Tsh 275.75 per kilogram as taxes and other charges instead of Tsh 590 per kilogram. The respondent argued that this is the embezzlement and should be stooped for the Government and other stakeholder to make close follow-ups on the operations of Warehouse Receipt System.

Table 8: Transaction Costs

Status of Transaction Costs	Frequency	Percentage (%)
Strongly disagreed	183	91.5
Disagreed	17	8.5
Neutral	0	0
Agreed	0	0
Strongly agreed	0	0
Total	200	100

Source: Case study data, (2020).

4.4.6 Limited Support from Government

Table: 9 regarding the government support to the warehouse receipt system, the study findings reported that 125 equivalents to 62.5% of respondents strongly disagreed with the government commitment in supporting Warehouse Receipt System, 43 equivalents to 21.5% of respondents disagreed with the government commitment in supporting Warehouse Receipt System, while 32 equivalents to 16% of respondents agreed with the government commitment in supporting During the discussion farmers claimed that the system is neglected by the government particularly Central Government though little supports are provided by Local Government. Famers insisted that support from Central Government is very important because Central Government can direct security organ to oversee the operations of Warehouse Receipt System compared to Local Government.

5.0 Conclusion and recommendation

5.1 Conclusion

The purpose of the study was to evaluate the challenges hindering the effectiveness of Warehouse Receipt System in Mtwara region. The study results revealed ineffective warehouse receipt system in the following aspects; many respondents strongly disagreed with the: performances of cooperative society, awareness of public, storage facilities available, and the levels of transparency in warehouse receipt system. Generally, they way Warehouse Receipt System operates is generally ineffective due to the high cost of transactions since high percentage of the farmers claimed that they are neglected by the system particularly during the negotiations of the prices. Not only that but also the charges charged by the Licensed Warehouse operators is very high.

5.2 Recommendation

For the purpose of the effectiveness warehouse receipt system stakeholders including government should provide competency-based training to all practitioners of Warehouse Receipt System to bridge the gap of public unawareness of the respective system. Furthermore, to strengthen the system stakeholders are advised to allocate sufficient funds for recruiting qualified staff, procuring stores equipments, and establishing procurement registry. In addition to that, the government should provide regulations that will limit higher government official leaders to engage in price fixing. Furthermore, licensed warehouse operators are advised to embrace modern storage facilities that will enhance their day to day activities that will facilitate them to attain the expected good performance of the Warehouse Receipt System. It is a high time for the government to restructure and overhaul the entire system so as to come up with the system that will benefit farmers. From these highlighted factors, this study recommends further researches to be conducted on factors affecting Warehouse Receipt System by scaling study scope.

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