

## Access to Finance from Financial Institutions among the Smallholder's Cashew Nut Producers in Tandahimba District - Tanzania

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**ABSTRACT:** The study was carried out among the cashew nut producers in Tandahimba District to identify factors that influence smallholder's cashew nut producers to access finance from financial institutions. The study employed a cross-sectional research design, whereby a sample size of 100 respondents was used. Data were collected through a household survey and interviews. Quantitative and qualitative data were analyzed by using binary logistic regression and content analysis respectively. The results show that factors influencing cashew nut smallholder's producers to access finance from financial institutions are: age of the producers' ( $p = 0.001$ ), having financial statements for at least three years of producers' in cooperatives ( $p = 0.027$ ), cooperative membership to cooperative union ( $p = 0.014$ ), absence of criminal cases ( $p = 0.042$ ), certificate of maximum liability from registrar of cooperatives ( $p = 0.011$ ), minutes of the meeting which approved application for the loan for cooperatives ( $p = 0.041$ ), farm/ land size ( $p = 0.044$ ) and effectiveness of cooperative association in linking producers' to getting a loan from a financial institution ( $p = 0.032$ ). The study concludes that, the identified factors can be used for efficient access to finances among smallholder's cashew nut producers in Tandahimba district.

**KEYWORDS** - *finance, financial institutions, smallholder farmer and warehouse receipt system.*

### I. INTRODUCTION

The economy of Tanzania, like that of other Sub-Saharan African countries, mainly depends on agriculture sector, which employs more than 75% of the country's population and is their primary source of income (Assenga, Masawe, Tarimo, Kapinga, & Mbega, 2020). In addition, agriculture accounts for 24.5% of the country's GDP and 85% of total agricultural exports raw resources, (Ngwegwe, 2019). The agricultural sector is dominated by small-scale producers, who are mostly found in rural areas and cultivate farm land ranging from 0.9 to 3.0 hectares (Kimaro and Towo, 2015).

Cshew nut is one of the important cash crop grown in Tanzania, cultivated mainly in Mtwara, Lindi and Coastal regions, (Venkatakrishnan and Kidando, 2014), and it is the main source of income in the regions. The Bank of Tanzania report of December 2022 indicated that cashew nut was among the main agricultural exports in the country exporting 210.8 metric tonnes in 2020/2021 and 240.1 metric tonnes in 2021/2022. Tanzania is the world's sixth largest cashew nut producer and Africa's third producer, behind Ivory Coast, and Burundi (URT, 2020). The country is known for producing high-quality cashew nuts with higher international market demand than cashew nuts from other African countries. This high level of quality products is due to the favourable weather and soil conditions, as well as good farming practices (CBT, 2020). However, despite its high demand in the World market, Cashew nut producers in Tanzania are faced with several challenges such as lack of efficient, sustainable and widely accessible financial services, low prices, limited inputs and market of produce and post-harvest losses (Yusuph, 2009, Nkwabi and Fallon, 2020;). In addition, high intermediation costs, peculiar difficulties in the financial environment, missing markets for risk management instruments and lack of suitable collateral affect the crop.

To address the financial and marketing constraints facing smallholder's cashew nut producers, in 2002 the Tanzanian government introduced the Warehouse Receipt System (WRS) as a pilot project (Mhando, 2014; Mtanda, 2015). The system was introduced after observing that a large number of producers owned assets informally, making it difficult for them to use their assets as collateral while applying for credits (Mapunda *et al.*, 2018). This is due to the unpredictability of external factors such as high and covariant risks, a lack of risk management instrument markets and unstable prices (Coulter and Onumah, 2012). WRS operates under the Warehouse Receipts Act No. 10 of 2005, which governs the Tanzania Warehouse Licensing Board. The Warehouse Receipts Act was passed by the parliament of the United Republic of Tanzania's to provide a regulatory framework for warehouse receipt, as well as warehouse licensing processes and other related matters (URT, 2005). In 2015, the URT's parliament passed the Warehouse Receipts (Amendment) Act, which amends the Warehouse Receipt Act with a view to better provide for the regulations of the Warehouse Receipt System. The system is now mandatory in the cashew nut industry and producers are obliged to sell their produce through WRS and Cooperative Societies (AMCOS).

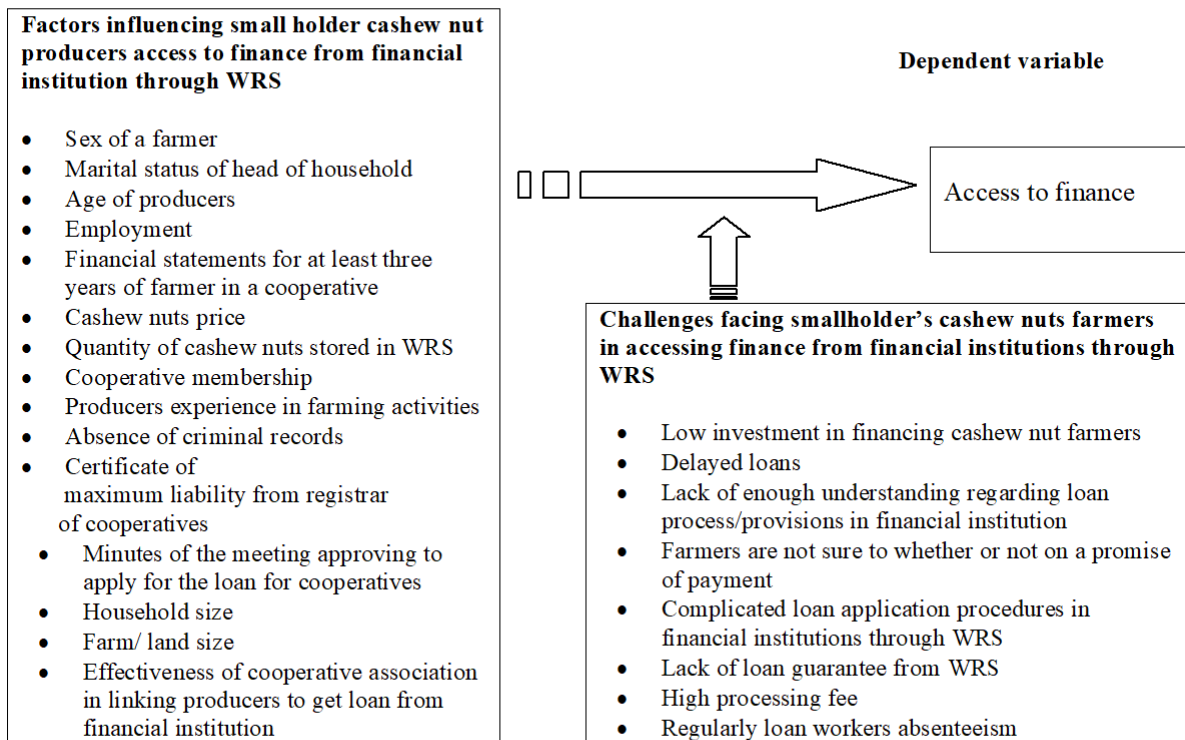
WRS implemented through cooperative unions was predicted to enable smallholder's producers to access finance from financial institutions by formalizing their produce as collateral to assist in loan requests (Coulter and Onumah, 2012). Despite the efforts to improve access to financial services among smallholder's producers, the efforts have not been very successful as expected (William and Kaserwa, 2015); also, producers are unhappy with how the system operates due to lack of transparency (Miranda *et al.*, 2017; Mtanda, 2015; Nyambo and Ligate, 2013). Further, the system is reported to be unfavourable to these producers as it offers uncertain environment to access finance from financial institutions (William and Kaserwa, 2015). Therefore, this paper assesses the factors which influence access to finance among the cashew nut smallholder's producers from financial institutions, bearing that their livelihoods depend on the crops and the Tanzanian economy hinges on agriculture sector. Being more specific, the paper identifies factors influencing cashew nut smallholder's producers to access finance from financial institutions. The paper was guided by the research questions; what are the factors influencing access to finance among the cashew nut smallholder's producers from financial institution through WRS? In addition, what are the challenges facing smallholder cashew nut producers in accessing finance?

## II. LITERATURE REVIEW

From the literature reviewed, it can be noted that the studies conducted regarding access to finance from financial institutions most of them relied on the following: value chain finance assessment of the cashew nuts sector, effectiveness of school heads' financial management skills in provision of quality education in secondary school, effectiveness of financial management units in WRS, financial management practices of cashew nut boards, factors influencing the choice of financial institution to access finance, correlation of financial access and sustainable cashew nuts development, assessment of small-scale cashew nut processors' capability, the impact of monetary government policy and regulation on the effectiveness of warehouse receipt systems and the role of warehouse receipt system in improving access to finance among smallholder farmers (Mtanda, 2015; Maghimbi, 2020; Venkatakrishnan, and Kidando, 2014; Karlan, Kutsoati, McMillan, & Udry, 2011; Coulter, and Onumah, 2012, Mapunda, Mhando, & Waized, 2018). Therefore, no evidence of research studies about the factors influencing access to finance from financial institutions among the smallholder's cashew nut producers. Hence, the present study will fill the gap.

The conceptual framework for this study portrays a potential association between the independent and dependent variables. Precisely, access to finance from financial institutions through WRS may be influenced by a number factors, to mention: Sex of a farmer, marital status of head of household, age of producers, employment, financial statements for at least three years of farmer in a cooperative, cashew nuts price, quantity of cashew nuts stored in WRS, cooperative membership, producers experience in farming activities, absence of criminal records, certificate of maximum liability from registrar of cooperatives, minutes of the meeting approving to apply for the loan for cooperatives, household size and farm/ land size. However, a small holder cashew nut producer possess the given factors on access to finance, it can be intervened by some challenges such as Low investment in financing cashew nut farmers, delayed loans, lack of enough understanding regarding loan process/provisions in financial institution, farmers are not sure to whether or not on a promise of payment, complicated loan application procedures in financial institutions through WRS, lack of loan guarantee from WRS, high processing fee and regularly loan workers absenteeism. The conceptual framework is well illustrated in Figure 1 below.

**Independent variables**



**Figure 1: Conceptual framework**

**III. METHODOLOGY**

The study was conducted in Tandahimba district, Mtwara region - Tanzania. The district covers 1673 square kilometres, which equates to 167,331 hectares. Tandahimba district is the largest cashew nut producers in Mtwara region and WRS services are accessed by producers through Agricultural and Marketing Cooperative Societies (AMCOS) (Maghimbi, 2020). As a result, notable information regarding the study was found.

The study employed a cross-sectional research design which was appropriate for the research as it enabled determining relationships between and among the variables at a time which is relative to this study; as it aimed to determine relationship between variables and is a population-based study. Also, the design provides a snapshot of the outcome and characteristics associated with it at a specified point in time (Abraham, 2014).

The target population of the study was smallholder's cashew nuts producers in Tandahimba district. The sample size was determined using the finite population correction factors sample size formula, which is:

$$n = \frac{n_0N}{n_0 + (N-1)}$$

Where:

n = Actual sample size

n<sub>0</sub> = The sample size, without considering of the finite population correction factor (99.96)

N = Population size (5,000)

$$n = \frac{(99.96)(5000)}{99.96 + (5000-1)} = 100$$

Therefore, the sample size was 100 smallholder's cashew nut producers.

Simple and purposive sampling techniques were employed to select smallholder's cashew nut producers from cooperative unions. First, Tandahimba district had 183 cooperative unions. Then one cooperative was selected randomly from each ward in the district making a total of 22 cooperatives. Using the "=Rand ()" command in Microsoft Excel names of respondents were selected proportionally based on the entire number of cashew nut producers in respective cooperative union.

On the other hand, by using purposive sampling technique a total of 22 key informants (8WRS operator officers, 6 bank officers and 8 extension officers) were selected from the responsible institutions by considering their official position. The key informants provided technical information regarding factors influencing cashew nut smallholder's producers to access finance from financial institutions. A household survey and interviews were used for data collection tools. During the survey, copies of the Questionnaire Survey were distributed to the respondents to collect quantitative data. The key informant interviews were used to collect views regarding the factors influencing smallholder's producers to access finance from financial institution.

To analyse quantitative data, Statistical Package for the Social Sciences (SPSS) version 23 software was used. Data were entered into SPSS software, cleaned and then analysed to compute descriptive statistics and binary logistic regression. Descriptive analysis was employed to demographic features and challenges facing smallholder's farmers in accessing finance from financial institutions through WRS while binary logistic regression to examine the factors. The following model was used to examine the factors influencing smallholder's cashew nut producers to access finance from financial institutions;

$$\text{Logit}(Y) = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \beta_9 X_9 + \beta_{10} X_{10} + \beta_{11} X_{11} + \beta_{12} X_{12} + \beta_{13} X_{13} + \beta_{14} X_{14} + \beta_{15} X_{15} + e, e \sim N(0, \sigma^2), (1)$$

Where:  $X_1$  = Sex of a farmer,  $X_2$  = Marital status of head of household,  $X_3$  = Age of farmer,  $X_4$  = Employment,  $X_5$  = Financial statements for at least three years of farmer in a cooperative,  $X_6$  = Cashew nuts price,  $X_7$  = Quantity of cashew nuts stored in WRS,  $X_8$  = Cooperative membership,  $X_9$  = producers' experience in farming activities,  $X_{10}$  = absence of criminal cases,  $X_{11}$  = Certificate of maximum liability from registrar of cooperatives,  $X_{12}$  = Minutes of the meeting approving to apply for the loan for cooperatives,  $X_{13}$  = Household size,  $X_{14}$  = farm/ land size, and  $X_{15}$  = Effectiveness of cooperative association in linking producers' to get loan from financial institution are the predictors. The outcome variable "Y" was whether small holder producers had ever accessed a loan (1) or not (0).

Qualitative data obtained from key informants was subjected to thematic analysis. Using thematic analysis, the researcher defined and developed categories, assessed consistency of the categories with regard to relevance to the themes, generalized, then presented the results on the meanings, attitudinal, behavioural, relationships and differences of the concepts; concerning factors influencing access to finance from financial institutions.

#### IV. RESULTS AND DISCUSSION

The demographic characteristics of the respondents (cashew nut producers) in Tandahimba District are summarised in Table 1.

**Table 1: Demographic characteristics of the Respondents' (n = 100)**

Demographic Characteristics	N	Percentage (%)
<b>Age</b>		
Below or equal to 35 years	31	31
Above 35 years	69	69
<b>Source of income</b>		
Employment	9	9
Trade	3	3
Animal husbandry	0	0
Crafts	0	0
Farming	88	88
<b>How Long have of practicing cashew nut farming, in Years</b>		
10 years or less	37	37
More than 10 years	63	63

Table 1 shows demographic characteristics of the study respondents. Out of the 100 respondents, 31 (31%) were aged 35 and below years old while 69 (69%) were above 35 years of age. This shows that respondents aged above 35 years were more involved in cashew nut farming. Further, the main source of income among the respondents 88 (88%) of was farming activities, while = 9 (9%) was employment, while 3 (3%) of the respondents was trade activities. Thus, that 88% of the respondents were smallholder's cashew nut producers in Tandahimba district whose farming activities were the main sources of their income. As regard to Long have of practicing cashew nut farming, 37 (37%) of the respondents had been farming cashew nuts for 10 years or less, and 63 (63%) have been farming the crop for more than 10 years. This implies that the 63 (63%) of the respondents had been farming cashew nut for more than 10 years therefore could provide notable experience of cashew nut farming.

#### **The factors influencing smallholder's cashew nut producers to access finance from financial institutions**

Binary logistic regression analysis was employed to estimate the factors that influence smallholder's cashew nut

Producer's to access finance from financial institutions. Table 2 presents the findings.

**Table 2: General model regression output**

Variables	B	Sig.	Exp(B)
$X_1$ =Sex of a farmer	0.313	.942	1.023
$X_2$ =Marital status of head of household	0.116	.754	.881
$X_3$ =Age of producers	1.421	.001	1.123
$X_4$ =Employment	0.759	.598	2.136
$X_5$ =Financial statements for at least three years of farmer in a cooperative	1.249	.027	1.283
$X_6$ =Cashew nuts price	0.393	.074	.675
$X_7$ =Quantity of cashew nuts stored in WRS	0.945	.231	.673
$X_8$ =Cooperative membership	1.562	.014	2.252
$X_9$ =Producers experience in farming activities	0.566	.551	.311
$X_{10}$ =Absence of criminal records	.931	.042	1.867
$X_{11}$ =Certificate of maximum liability from registrar of cooperatives	2.556	.011	1.336
$X_{12}$ =Minutes of the meeting approving to apply for the loan for cooperatives	1.257	.041	1.016
$X_{13}$ =Household size	.138	.740	1.014
$X_{14}$ =Farm/ land size	0.824	.044	2.563
$X_{15}$ =Effectiveness of cooperative association in linking producers to get loan from financial institution	.921	.032	2.182
Constant	3.715	.024	1.123
Cox & Snell $R^2 = 0.385$ , Nagelkerke $R^2 = 0.582$			

As shown by binary logistic regression outputs in Table 2. Eight predictors significantly have influence on smallholder's cashew nut producers' access to finance from financial institutions as they have p values less than level of significance (5%). Age of producers ( $p = 0.001$ ), having financial statements for at least three years of farmer in a cooperative ( $p = 0.027$ ), cooperative membership ( $p = 0.014$ ), absence of criminal cases ( $p = 0.042$ ), certificate of maximum liability from registrar of cooperatives ( $p = 0.011$ ), minutes of the meeting which approved one's application for a loan for cooperatives ( $p = 0.041$ ), farm/ land size ( $P = 0.044$ ) and effectiveness of cooperative association in linking producers to get loan from financial institution ( $p = 0.032$ ). Further, the relationship which exists between these predictors and dependent variable is positive, which means that as small holder cashew nut producer possessing the identified factors increase access to finance.

Age of cashew nut producers has coefficient of 1.421 and a p-value of 0.001 indicates that age is a significant predictor of access to finance among cashew nut smallholder's farmers in Tandahimba district. The odds ratio of 1.123 implies that for each unit increase in the age of producers, the odds of accessing finance increases by approximately 12.3%. Older cashew nut producers were in a better position to access financial support due to their experience and established relationships with financial institutions.

The implication of this finding shows that financial institutions perceive older producers to be creditworthy or lower risk borrowers due to their experience in the cashew nut industry. Additionally, older producers are assumed to have had more time to establish a positive credit history or develop relationships with financial institutions, which can facilitate their access to financing options. The results tallies with Kirby, Mainuddin, Khaliq, & Cheema (2017), the respondent's age has a significant and positive effect on farmers' access to credit from input providers. This means that as a farmer's age increases, the probability of the farmer gaining access to credit from input provider's increases.

Apart from age of producers, having financial statement was another factor that influenced financial access among small holder producers. It has coefficient of 1.249 and a p-value of 0.027 which indicates that having financial statements for at least three years in a cooperative is a significant predictor to access finance. The odds ratio of 1.283 suggests that smallholder's cashew nut producers who can provide financial statements for at least three years are approximately 28.3% more likely to access finance compared to those without such statements.



The findings indicate that having financial statements for at least three years in a cooperative plays a crucial role in improving chances of securing finance from financial institutions among cashew nut farmers. This finding implies that financial institutions credit the availability of financial statements as they provide them with a clear understanding of the producer's financial history, performance, and repayment capacity. Smallholder's cashew nut producers who can demonstrate a track record of financial management and accountability through their cooperative's financial statements are seen as lower-risk borrowers, making them more attractive candidates for financing, as reported by one extension officer,

*"In regard to factors that influence small holder cashew nut producers' to access loan from financial institution; having financial statement for at least three years is noteworthy"* (Interview, 2022).

The results are in line with, Sandip (2013) reported that, financial statements of producers in cooperatives influence smallholder's producers to access finance from financial institutions. Coulter, and Onumah, (2012) noted as well that the financial institution requires financial statements (income statement, the balance sheet, and the cash flow) statement to be sure on the existence of the trend of the account and money flow before accessing to loan.

It was reported as well that being a cooperative member had influence on producers' access to financial support from financial institutions. The variable has coefficient of 1.562 and a p-value of 0.014 which indicates that cooperative membership is a significant predictor of access to finance. The odds ratio of 2.252 suggests that smallholder's cashew nut producers who are members of a cooperative are approximately 125.2% more likely to access finance compared to those who are not cooperative members. The cooperative acts as a guarantor to a farmer while applying for financial support hence, enhancing the chances of securing financing from financial institutions. This finding implies that financial institutions have high trust to farmers under cooperative unions than individual farmers. Additionally, cooperative membership signals a commitment to collaboration, transparency, and accountability, which are favorable qualities in the eyes of financial institutions. Further, during the interview, one WRS operator officer reported that:

*"Only members of cooperatives could access financial support from financial institutions through the (WRS)"* (Interview, 2022).

The results are in line with, Moses et al. (2020) who reported that being cooperative member is among the factors influencing access to finance among the cashew nut smallholder's producers from financial institutions.

Absence of criminal records were another variable included and the findings reported that the odds of having access to loan for one who had no criminal records were 1.867 times more than for one who had a criminal record. Financial institutions were reported to have high trust on applicants with no criminal records than those with criminal records. A criminal record tends to raise a concern and it show a lack of responsibility or stability of producer, and the lender wants to make sure that they pay back the loan. The findings concur with, Karthickumar and Sinija, (2017) who reported that, not having criminal cases have influence on an access to finance from financial institution as lenders are sure of the credit return.

Furthermore, the coefficient of 2.556 and a p-value of 0.011 indicate that having a certificate of maximum liability from the registrar of cooperatives was a significant predictor of access to finance. The odds ratio of 1.336 suggests that smallholder's cashew nut producers with such a certificate are approximately 33.6% more likely to access finance compared to those without it. This finding implies that the certificate may provide assurance to financial institutions regarding the cooperative's financial responsibility and capacity to repay loans.

The implication of the findings is that smallholder's cashew nut producers who are part of cooperatives and possess a Certificate of Maximum Liability are more likely to gain access to finance. It highlights the importance of cooperatives in facilitating access to finance for smallholder's farmers and emphasizes the role of formal documentation and compliance in building trust and credibility with financial institutions. The results concur with Ngwegwe, (2019) who argued that legal liability for exclusion or inclusion of customers is significant in access to loan. Certificate of maximum liability encompasses legal liability and in a wide range influence loan access (Brown, 2021).

The minutes of the meetings approving to apply for the loan for cooperatives was also found to have significant influence on loan access. It has coefficient of 1.257 and a p-value of 0.041 suggest that having minutes of the meeting approving the loan application for cooperatives is a significant predictor of access to finance. This implies that having formal documentation of the loan approval process can positively influence the perception of creditworthiness by financial institutions.

The minutes of the meeting approving the loan application from cooperatives serve as evidence of a structured and formal decision-making process. Financial institutions value transparency and accountability in loan applications, and the existence of these minutes demonstrates that the loan application has undergone a thorough review and approval process. Having the minutes of the meeting provides financial institutions with a clear understanding of the rationale behind approving the loan application, the evaluation criteria used, and the collective decision made by the cooperative members or relevant authorities. This can positively influence the perception of creditworthiness, as it indicates that the loan application has been subjected to a careful assessment and received formal approval. The results are in parallel with, Mapunda, Mhando & Waized, (2018) who reported that the minutes from the Board which approval of loan agreement is in open format. The requisite details should be inserted into the highlighted fields or the wording to suit loan accession purposes. Also, Maghimbi, (2020) stated that agreement or notice which is ancillary by the documents from members contemplate interests and the commercial benefit of the Company to enter into the transactions.

The farm/land size is a significant predictor of access to finance having coefficient of 0.824 and a p-value of 0.044. A larger farm/land size is positively associated with access to finance, as indicated by the odds ratio of 2.563. This finding implies that larger farm/land sizes are perceived to be more economically viable and creditworthy, leading to better access to finance. The results suggest that financial institutions perceive larger farms/land as more profitable and therefore more likely to repay loans, resulting in better access to financing for smallholder's cashew nut producers with larger land holdings. The larger size of the farm/land seems to be a measure of potential profitability and collateral value, increasing the confidence of financial institutions in lending to such producers. To add, one bank officer said that:

*“Landholding size and ownership positively influence access to finance from financial institution among small holder producers’ (Interview, 2022).*

The findings are similar with, Sandip (2013) who reported that, size of farm influence smallholder's producers to access finance from financial institutions.

Effectiveness of cooperative leaders in linking producers to financial institution had significant influence on loan access with coefficient of 0.921 and a p-value of 0.032. This finding implies that an efficient cooperative leadership plays a crucial role in facilitating access to finance to its members. The cooperative leader's act as an intermediary, connecting producers with financial institutions and helping them navigate the loan application process. Strong cooperative leaders played an important role on assisting their members in accessing finance by providing guidance on loan applications, and establishing strong relationships with financial institutions and good repaying strategies. The findings concur with, Venkatakrisnan and Kidando, (2014) stated that producer cooperatives unions are owned by farmers; pooling their access to loan influence existence of the cooperative association.

Apart from factors influencing smallholder's cashew nut producers to access finance from financial institutions the challenges facing them are also given. Table 3 under summarizes the findings.

**Table 3: Challenges Facing Smallholder's Farmers in Accessing Finance from Financial Institutions through WRS**

Challenge	Frequency	Percentage
1. Low investment in financing cashew nut farmers	92	92
2. Delayed loans	82	82
3. Lack of enough understanding regarding loan process/provisions in financial institution	73	73
4. Farmers are not sure to whether or not on a promise of payment	68	68
5. Lack of loan guarantee from WRS	64	64
6. Complicated loan application procedures in financial institutions through WRS	49	49
7. High processing fee	31	31
8. Regularly loan workers absenteeism	28	28

Results in Table 3 show that, five (5) challenges in accessing finance from financial institutions through WRS have been identified by smallholder's cashew nut producers. Out of 100 smallholder's cashew nut producers involved on challenge: Low investment in financing cashew nut farmers 92 (92%) smallholders cashew nut producers affirmed it, delayed loans 82(82%), lack of enough understanding regarding loan process/provisions in financial institution 73(73%), Farmers are not sure to whether or not on a promise of payment 68 (68%), and lack of loan guarantee from WRS 64(64%).

Respondents 92 (92%) reported that that Low investment in financing cashew nut farmers was among a challenge facing small holder farmers in accessing finance from financial institutions. Farmers complained to receive less funds than they have been requesting. Financial institutions are yet not convinced to invest in financing cashew nut farmers as cashew nut smallholder farmers are too risky to handle as most of them have inadequate collateral. Therefore, farmers struggle to finance their farming activities due to insufficient funds leading to limited production and reduced income. These results are consistent with Oboh, & Ekpebu, (2011) who reported that farmers have being receiving lower loans than they demand during their application.

Delayed loans were also among the challenges faced by smallholder's cashew nut farmers as 82% confirmed it. Farmers reported not to be receiving funds on time, but three or even four months after requesting for loan. This implies farmers face difficulties in meeting their financial needs on time which hinders their agricultural operations and investments. To add, one extension officer said that:

*"They have been waiting for more than two months after requesting a loan and yet they haven't receive any feedback" (Interview, 2022).*

The findings concur with Ashimogo et al. (2016) whom stated that, deferred loan facing farmers cheat on the quality of cashew nut produced. Furthermore, Bianchi, and Kossoudji (2015) declared that, the challenges facing small holder farmers to access loan include: lack of on time loan and government initiative to support cashew nut farming.

Lack of limited understanding regarding loan processes and provision from financial institutions was also another challenge facing these farmers by 73%. Findings indicate that farmers have limited knowledge of loan processes and provisions from financial institutions. Farmers reported to receive training on opening accounts from financial institutions and not how to access finance from these institutions. This implies that farmers struggle to navigate loan application procedures, resulting to a limited chance of successfully loans. It also shows that financial institutions are more invested in gaining more customers through the system than assisting farmers to secure financial support. The results are consistent with Bwire (2017) who noted poor literacy among farmers on agriculture financing hence farmers failing to utilise the available opportunities to secure loans from financial institutions. The findings are also parallel with Nukpezah, & Blankson, (2017) who reported low level of information on the procedures to acquire loan from financial institutions among farmers.

Farmers' not being sure whether or not on a promise of payment was another challenge facing farmers in the district by 68%. Findings found that farmers had uncertainty regarding the promise of payments. This is due to low selling prices its unpredictability in every season. Due to persistent low selling price farmers are now afraid to request for loans as they aren't sure if the next selling price will enable them to pay the debts. These findings are parallel with Karlan, Kutsoati, McMillan, & Udry (2011) who reported that fear of loan default is the most important reason that deterred farm households from joining credit programs in rural Ghana.

Lack of loan guarantee from WRS was another challenge facing smallholder's cashew farmers in accessing finance by 64%. Previously farmers could use the produce as collateral to secure finance from financial institutions. However, after suggesting that they needed the financial support during production time then the system has failed to offer proper collateral for the farmers to secure finance from financial institutions. This has led to a hesitant situation for financial institutions to provide loans without proper collateral, making it difficult for smallholder's cashew nut producers to access finance. To add, one bank officer said that: *"After the changes on the system farmers face difficulties to get collateral to secure loans" (Interview, 2022).*

The results are found similar with William (2015) who argued that; Lack of loan security, accountability for intermediaries and limited access to technologies are among the challenge facing smallholder's cashew nut producers. Also, low quality and quantity of cashew nut production is influenced by lack of credit assurance (Coulter and Onumah, 2012).

## V. CONCLUSIONS AND RECOMMENDATIONS

### 5.1 Conclusions

The study aimed to analyse/discuss the factors influencing smallholder's cashew nut producers to access finance from financial institutions. The study was conducted at Tandahimba district in Mtwara region. The study found that older producers, those with financial statements for at least three years in cooperative, cooperative members, producers without criminal records, and those with a certificate of maximum liability from the registrar of cooperatives had a higher likelihood of accessing financing from financial institutions. These factors enhance trust and credibility in the eyes of financial institutions.

On the other hand, the study revealed several challenges faced by smallholder's cashew nut producers in accessing finance. These challenges include low investments in financing cashew nut farmers, delayed loans, lack of loan



guarantee from the Warehouse Receipt System (WRS), lack of understanding regarding loan processes and provisions, and farmers' uncertainty about promise of payment. These challenges hinder farmers' ability to access the necessary funds for their farming activities, leading to limited production and reduced income.

The knowledge generated from the study may assist the policy makers in cashew nut board through WRS to make a self-evaluation on how effective it has been involving cashew nut producers to access finance through their system; therefore take effective measure in improvement and formulation of policies considering the factors and challenges identified for efficient access of finances among the cashew nut small holder producers. Also, the findings of this study are expected to be useful to cashew nut stakeholders (Tanzania Cashew nut Board, financial institutions financing small holder cashew nut producers (nmb, crdb, exim, nbc and bank of zanzibar) and cashew nut business personnel's) to get knowledge for the improvement of financial access among small holder cashew nut producers. In addition, the study may be used as a resource to other researchers who would like to perform the research on access to finance from financial institutions among the smallholder's cashew nut producers.

During paper scripting the following limitation were experienced: limited time as I need to work as employed, performing family activities and at the same time writing a paper, access to literature to identify knowledge gap and finding current literatures for references. Likewise, identifying appropriate sample size in relation to the population and appropriate sample profile as study population comprised of people with varies profiles.

## 5.2 Recommendations

The study recommends that, the Tanzania Cashew nut Board in partnership with cashew nut small holder producers, financial institutions financing small holder cashew nut producers (nmb, crdb, exim, nbc and bank of zanzibar) and cashew nut business personnel's should improve policy and strategies to run WRS considering the factors and challenges identified for efficient access of finances among the cashew nut small holder producers.

The Tanzania Cashew nut Board through cooperative unions should encourage small holder cashew nut producers to invest in credit facilities like small-scale banks to offer themselves credit at affordable rates. This should be through legislation to facilitate credit creation.

Also, Tanzania Cashew nut Board in partnership with financial institutions' offering loans to cashew nut producers should perform regular training to cashew nut producers on how, where and requirements desired to access loans. This will widen cashew nut small holder producers understanding regarding loan access, and promote on time access of finances.

## VI. ACKNOWLEDGEMENTS

I would love to spread my great heartfelt appreciation to my supervisor Prof. David G. Mhando for his great support, encouragement, guidance and coaching from the early stages of this work, to the final point of its compilation. I am also grateful to all respondents for their time and information they provided through filling the questionnaire and responding to interview.

Acknowledgements are also given to staff at Sokoine University of Agriculture department of Policy, Planning and Management for their relentless support, guidance and advice throughout the study. Finally, I would like to give thanks to my friends and colleagues at Sokoine University of Agriculture with whom we have regularly engaged in conversation about my study.

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