The sub Saharan Journal of Social Sciences and Humanities
(SJSSH)
ISSN: 2619-8894 (Online), 2619- 8851 (Print)

Bridging Financial Inclusion and Business Success: A Sectorial Analysis of Women's Enterprise Performance Under Government Soft Loan Programs in Tanzania

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Received: February 02, 2026; **Accepted:** July 27, 2026; **Published:** August 13, 2026

Abstract: *Globally, women entrepreneurs face systemic barriers to accessing formal credit, with financial exclusion disproportionately affecting marginalized populations in developing economies, where women are 9% less likely than men to own bank accounts and encounter stringent collateral requirements that restrict business growth and economic empowerment, perpetuating cycles of poverty and gender inequality that undermine progress toward the Sustainable Development Goals. In Sub-Saharan Africa, where 90% of women in low-income countries work in informal enterprises with limited social protection and financial stability, government-backed soft loan programs have emerged as critical policy interventions to address credit constraints and promote inclusive economic growth, yet limited empirical evidence exists on whether such financial support translates into sustainable business profitability across different sectors, creating a significant knowledge gap for policymakers seeking to optimize inclusive entrepreneurship interventions. This study examines the sectorial distribution, profitability, and loan repayment behaviour of businesses established by marginalized women through Local Government Authority soft loans in Dar es Salaam, Tanzania, employing a cross-sectional mixed-methods design that integrates structured questionnaire surveys with 233 beneficiaries across five municipalities, five key informant interviews, and five focus group discussions, analyzed using descriptive and inferential statistics including independent sample t-tests at 0.05 significance level, benefit-cost ratios, and loan delay rate computations, alongside thematic analysis using NVIVO version 14. Findings reveal substantial sectorial variation in financial performance, with manufacturing (18% profit margin, 12.5% delay rate), business/trade (20% profit margin, 10.7% delay rate), construction (18% profit margin, 13.6% delay rate), and education (7% profit margin, 4.7% delay rate) representing optimal investment sectors demonstrating strong profitability and manageable repayment behaviour, while culture/sports (5% profit margin, 3.1% delay rate) and community development (8% profit margin, 5.1% delay rate) exhibit lower returns and financial instability, indicating the critical role of sectorial selection in determining business success. Notably, loan delay rates increased significantly across all municipalities over the five-year study period, with Ilala rising from 22.1% to 79.6% ($t=6.84$, $p<0.01$) and Kinondoni from 19.8% to 72.4% ($t=5.92$, $p<0.01$), reflecting systemic challenges including market competition, inflation, limited financial literacy, and inadequate business support services that undermine business sustainability despite credit access. Theoretically, findings affirm the Resource-Based Theory's emphasis on strategic resource allocation and the Financial Inclusion Theory's recognition that credit access alone is insufficient without complementary business development support, while challenging assumptions that microfinance uniformly empowers women regardless of sectorial investment choices and contextual factors. Empirically, this study contributes novel evidence on sectorial performance differentials in government-supported women's enterprises, demonstrating that targeted sectorial prioritization significantly enhances program effectiveness and loan recovery rates. Globally, the findings offer transferable policy pathways for inclusive entrepreneurship across Sub-Saharan Africa and comparable developing economies, with implications for SDG 1 (No Poverty), SDG 5 (Gender Equality), SDG 8 (Decent Work and Economic Growth), and SDG 10 (Reduced Inequalities), while contributing to the broader discourse on optimizing public financial interventions for women's economic empowerment. The study recommends that Local Government Authorities prioritize funding for high-profitability sectors, implement structured business advisory services and financial literacy programs, strengthen loan monitoring systems with flexible repayment mechanisms, and integrate mentorship components to enhance loan recovery rates and ensure sustainable business growth among marginalized women entrepreneurs, ultimately contributing to broader economic transformation and poverty reduction in developing economies.*

Keywords: *Women entrepreneurship; Government soft loans; Sectorial profitability; Financial inclusion policy; Loan repayment behaviour*

1.0 Background Information

Globally, women entrepreneurs face systemic barriers to accessing formal credit, with financial exclusion disproportionately affecting marginalized populations in developing economies. Women are significantly less likely than men to own bank accounts and encounter stringent collateral requirements that restrict business growth and economic empowerment, perpetuating cycles of poverty and gender inequality that undermine progress toward the Sustainable Development Goals (Demirgüç-Kunt *et al.,* 2021; World Bank, 2022). Despite comprising half of the global labour force, women remain disproportionately engaged in low-paying, informal, or unpaid work, with only a fifth of businesses worldwide owned by women, and many struggle to scale them up due to discriminatory financial systems, cultural expectations, and lack of access to investment capital (UN Women, 2023). The gender wage gap persists as a persistent issue, with women earning substantially less than men globally for the same work, while financial exclusion remains a significant challenge that constrains women's entrepreneurial potential and broader economic participation (OECD, 2022).

In Sub-Saharan Africa, the situation is particularly acute, with the vast majority of women in low-income countries working in informal enterprises that offer limited social protection, job security, or financial stability (ILO, 2023). The region has outpaced Asia to become the region with the highest number of poor people in the world, characterized by one of the highest rates of income inequality and the region in which women are most excluded from socio-economic activities (Melesse *et al.,* 2023). Women in the region face significant underemployment, often working fewer hours in paid employment while shouldering the bulk of unpaid household and care work (Moazzem & Shibly, 2020). Furthermore, financial exclusion disproportionately affects women in Sub-Saharan Africa, with only a minority of women having access to formal financial services compared to men, creating a structural impediment to women's economic empowerment and business development (World Bank, 2022).

Tanzania exemplifies these challenges, with women experiencing significantly higher unemployment rates than men, where urban female unemployment rates are substantially higher than those of their male counterparts (Welwel, 2022). Structural factors, including inadequate access to financial resources, skills gaps, and an underdeveloped industrial sector, continue to hinder women's economic participation (De Smet, 2021). One of the primary obstacles limiting women's ability to set up or expand businesses is restricted access to credit, often due to stringent collateral requirements, high-interest rates, and discriminatory lending practices by formal financial institutions (Sabir & Majid, 2023). In response to these challenges, the Tanzanian government introduced the Local Government Authorities (LGAs) soft loans in 2018 through Section 37A of the Local Government Finances Act, CAP 290, requiring LGAs to distribute a portion of their revenue for soft loans to marginalized groups, specifically women, youth, and persons with disabilities (Mndolwa & Alhassan, 2020). As such, by April 2025, over 4,557 women's groups had received a total of 40.71 billion Tanzanian shillings in interest-free loans, part of the government's broader initiative to empower women economically through local councils' internal revenue allocations (Ministry of Finance, 2023). This initiative represents a significant policy intervention in promoting financial inclusion and economic empowerment, providing affordable credit that enables women to set up and expand businesses capable of generating income, creating employment opportunities, and contributing to broader economic growth (Mchembe, 2023).

Existing research on microfinance and women's entrepreneurship in Tanzania suggests that access to credit alone does not guarantee business success (Mgema *et al.,* 2021; Kimaro, 2023; Njau, 2023). A systematic global review of rigorous studies on the effects of capital access for women-owned businesses found that capital alone is rarely sufficient to drive sustained growth for women-owned businesses, with grants showing mixed results and credit delivering gains mainly for higher-performing firms (Abebe *et al.,* 2026). The evidence indicates that both grants and loans generate the strongest impacts among women with already established or higher-performing businesses, while subsistence or early-stage enterprises typically experience limited gains (Abebe *et al.,* 2026). Furthermore, grants produce mixed results, with resources sometimes diverted to household consumption or other uses, reducing their effect on business performance (Lindvert *et al.,* 2019). This finding challenges the assumption that financial access uniformly empowers women entrepreneurs regardless of sectorial investment choices, business characteristics, or contextual factors (Bapolisi *et al.,* 2023).

Despite the Tanzanian government's efforts to promote financial inclusion and entrepreneurship through LGA soft loans, little is known about the profitability and sectorial distribution of businesses set up by marginalized women beneficiaries (Hudon *et al.,* 2020). While the LGA soft loans aim to ease business establishment and sustainability, there is limited empirical evidence on their actual impact on the profitability of businesses started by marginalized women beneficiaries (Lindvert *et al.,* 2019). Many beneficiaries have been reported to face challenges in sustaining their enterprises due to market competition, lack of business skills, and economic instability (Malamsha, 2023). Questions remain regarding whether businesses supported by LGA soft loans generate substantial profit margins, which sectors women invest in, and the broader economic implications of their success or failure (Maghina *et al.,* 2023). Furthermore, studies have shown that businesses owned by marginalized women tend to cluster in low-profit sectors such as retail, food vending, and small-scale agriculture, which are highly competitive and often yield minimal returns (Kevela & Magali, 2022). The extent to which LGA-funded businesses align with high-growth and high-profitability sectors remains unclear (Mrema & Kinyondo, 2024).

The theoretical mechanisms explaining how soft loans influence business creation, sustainability, and profitability also remain inadequately explored. While the Resource-Based Theory emphasizes the importance of valuable, rare, and well-organized resources in achieving sustainable competitive advantage (Barney, 1991), critics argue that financial capital alone may not be sufficient in ensuring long-term business success (Bhatia & Singh, 2019; Lal, 2021). Factors such as entrepreneurial competence, market conditions, and government policies play crucial roles (Kasoga, 2020). Similarly, the Financial Inclusion Theory underscores the importance of access to credit, savings, and financial services in promoting economic growth and reducing poverty (Were *et al.,* 2021), but critics argue that without proper financial literacy, business skills, and strategic investment guidance, many women struggle to manage funds effectively, leading to unsustainable debt and business failure (Bapolisi *et al.,* 2023; Lindvert *et al.,* 2019; Mersland & Strøm, 2021). The Schumpeter's Innovation Theory postulates that entrepreneurship is a key driver of economic development through innovation (Mgema *et al.,* 2021), yet innovation requires not just capital but also a conducive business environment, relevant education and skills, and market access (Ahmed *et al.,* 2023). These theoretical perspectives have not been systematically applied to analyse the sectorial distribution and profitability of businesses established through LGA soft loans in Tanzania, representing a significant theoretical gap (Rugeiyamu, 2022).

The present study builds on and extends existing research on women's entrepreneurship, financial inclusion, and microfinance performance by applying the Resource-Based Theory, Financial Inclusion Theory, and Schumpeter's Innovation Theory to the underexplored context of LGA soft loans in Tanzania. Previous work has established the importance of financial inclusion in fostering economic participation and wealth creation among disadvantaged groups (Demirgüç-Kunt *et al.,* 2021; Allen *et al.,* 2022). For instance, Demirgüç-Kunt *et al.* (2021) emphasize that access to financial services, particularly microfinance and government-supported credit schemes, plays a crucial role in enhancing women's entrepreneurship in developing economies. Similarly, Allen *et al*. (2022) found that financial inclusion positively correlates with higher business survival rates, increased household incomes, and greater investment in education and healthcare among marginalized populations. Mersland and Strøm (2021) suggest that financial institutions and government-backed credit programs should integrate mentorship and financial education as part of their loan disbursement strategies to enhance business viability and ensure long-term profitability. This study extends these theoretical applications by examining how sectorial investment choices, financial literacy, and market conditions interact with financial access to determine business profitability and sustainability. The study thus contributes to the growing body of evidence on financial inclusion and women's economic empowerment in developing economies, providing empirical insights from a previously under-researched sector with relevance for policy development across Sub-Saharan Africa and comparable contexts.

This study addresses the identified empirical and theoretical gaps by examining the sectorial distribution, profitability, and loan repayment behaviour of businesses established by marginalized women through LGA soft loans in Dar es Salaam, Tanzania. Specifically, the study seeks to answer three interconnected research questions: (i) What are the types of businesses set up by marginalized women who have accessed LGA soft loans? (ii) What are the major areas into which the accessed loans were invested and what is their profitability? and (iii) What are the sectorial variations in loan repayment behaviour and financial performance? The paper contributes to the global discourse on financial inclusion and women's economic empowerment while offering specific insights for inclusive entrepreneurship policy in Tanzania and comparable developing economies, with implications for SDG 1 (No Poverty), SDG 5 (Gender Equality), SDG 8 (Decent Work and Economic Growth), and SDG 10 (Reduced Inequalities).

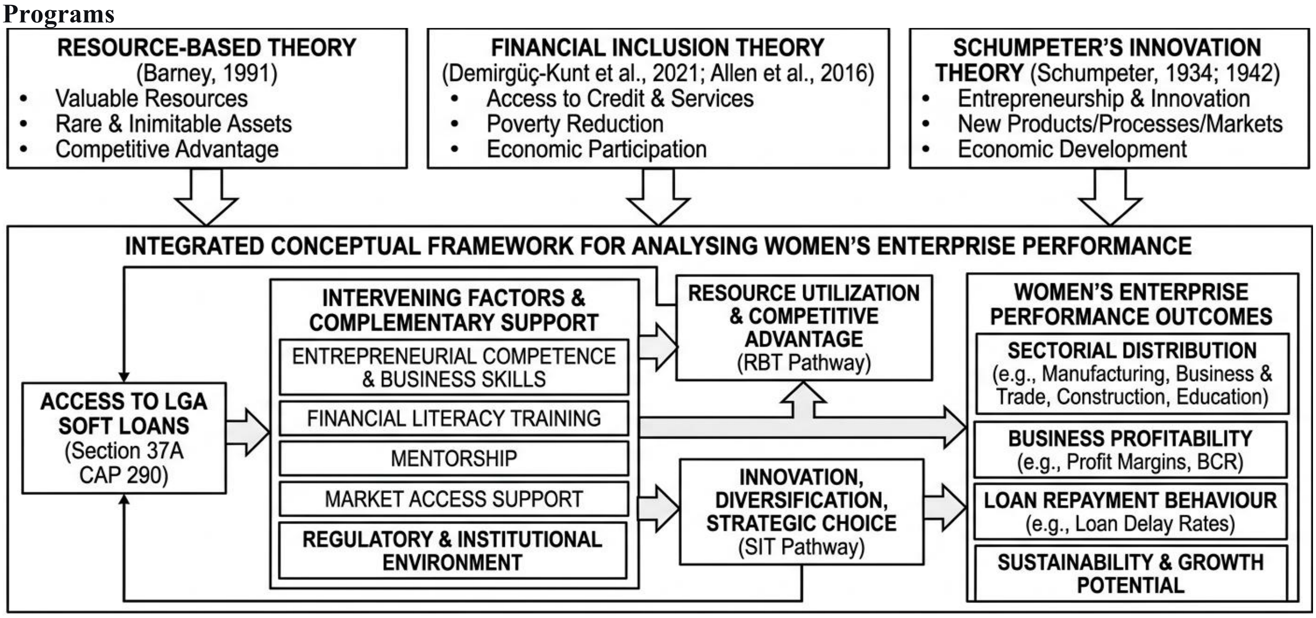
2.0 Theoretical Framework

2.1 Introduction to the Theoretical Framework

This study is anchored on three complementary theoretical perspectives that together provide a comprehensive analytical lens for understanding the sectorial distribution, profitability, and loan repayment behaviour of women-owned enterprises supported by government soft loans. The Resource-Based Theory, developed by Barney (1991), offers insights into how financial resources, when combined with other valuable organizational assets, can create sustainable competitive advantage and superior business performance. The Financial Inclusion Theory, as articulated by Demirgüç-Kunt *et al.* (2021) and Allen *et al.* (2016), illuminates the role of access to formal financial services in promoting economic participation and reducing poverty among marginalized populations. The Schumpeter's Innovation Theory, originating from Schumpeter (1934), emphasizes the role of entrepreneurship and innovation as drivers of economic development and business success. The integration of these three theories is particularly appropriate for this study because the success of women-owned enterprises supported by soft loans is simultaneously shaped by the effective utilization of financial resources, the enabling environment of financial inclusion, and the innovative capacity of entrepreneurs to identify and exploit profitable business opportunities across different sectors. As Abebe *et al.* (2026) demonstrated in their systematic global review, capital access alone is rarely sufficient to drive sustained growth for women-owned businesses, with the strongest impacts observed among women with already established or higher-performing enterprises, highlighting the need for complementary theoretical perspectives. Figure 1 illustrates the conceptual framework guiding this study, showing the relationships between access to LGA soft loans, intervening factors, and business performance outcomes.

farm-entrepreneurs, finding that financial resources, when combined with other organizational capabilities such as managerial skills and market knowledge, significantly enhanced business performance and sustainability. Similarly, Cowling *et al.* (2020) demonstrated that access to financial capital, when effectively deployed, enables women

Figure 1: Conceptual Framework Integrating Resource-Based Theory, Financial Inclusion Theory, and Schumpeter's Innovation Theory for Analysing Women's Enterprise Performance Under Government Soft Loan Programs



Source: Authors' construction based on Barney (1991), Demirgüç-Kunt et al. (2021), and Schumpeter (1934)

2.2.1 Historical Foundations and Core Principles

The Resource-Based Theory (RBT), pioneered by Barney (1991), represents a foundational perspective in strategic management that explains how firms achieve and sustain competitive advantage through the strategic deployment of valuable, rare, inimitable, and non-substitutable resources. Barney (1991) argued that firms are heterogeneous collections of resources and capabilities, and that this heterogeneity can be a source of sustained competitive advantage when resources possess four key characteristics: they must be valuable (enabling the firm to exploit opportunities or neutralize threats), rare (not widely possessed by competitors), imperfectly imitable (difficult for competitors to replicate), and non-substitutable (not easily replaced by equivalent resources). This framework, commonly known as the VRIO framework, has become a cornerstone of strategic management theory and has been extensively applied across diverse organizational contexts.

The theory's relevance extends beyond the private sector to encompass public sector and development contexts, where financial resources provided through government programs can serve as critical organizational assets that enable entrepreneurs to invest in better technologies, raw materials, and operational expansion. Cherotich *et al.* (2022) applied the RBT framework to analyse credit access among women superior business outcomes. However, the theory also emphasizes that financial capital alone is insufficient; its value depends on how effectively entrepreneurs combine it with other resources, including human capital, social networks, and organizational capabilities, to create competitive advantage.

2.2.2 Application to LGA Soft Loan Programs

The Resource-Based Theory provides a powerful analytical framework for examining how LGA soft loans influence the performance of women-owned enterprises across different sectors. The theory's emphasis on valuable resources is directly relevant to understanding how access to affordable credit enables marginalized women to overcome capital constraints, invest in productive assets, and pursue business opportunities that would otherwise be inaccessible. The soft loans, by providing interest-free or low-interest capital, represent a valuable resource that can be deployed to acquire raw materials, equipment, and other productive inputs that enhance business operations and profitability. The rarity of such resources is particularly salient, as marginalized women face stringent collateral requirements and discriminatory lending practices from formal financial institutions, making government-backed soft loans a scarce and critical resource for business development.

The theory also illustrates the importance of effective resource utilization. Bhatia and Singh (2019) and Lal (2021) argued that financial capital alone may not be sufficient in ensuring long-term business success, emphasizing that entrepreneurial competence, market conditions, and government policies play crucial roles in determining how effectively financial resources are deployed. In the context of LGA soft loans, the theory suggests that the profitability and sustainability of women-owned enterprises depend not only on access to credit but also on the entrepreneurs' ability to combine financial resources with other capabilities, including business skills, market knowledge, and strategic sectorial choices. Kasoga (2020) found that entrepreneurial competence significantly moderated the relationship between financial access and business performance, supporting the RBT's emphasis on resource complementarity.

The sectorial distribution of women-owned businesses, as examined in this study, reflects the application of RBT principles. Women entrepreneurs who invest in sectors with higher profit margins and stronger growth potential, such as manufacturing, business and trade, and construction, demonstrate the strategic deployment of financial resources to create competitive advantage. Conversely, those who invest in low-profit sectors, such as culture and sports, and community development, may face limitations in their ability to generate sustainable returns from their financial resources. This sectorial variation in performance reflects differences in the value-creating potential of resources deployed across different industry contexts, consistent with the RBT's emphasis on resource heterogeneity and context-specific advantage.

2.3 Financial Inclusion Theory

2.3.1 Theoretical Foundations

The Financial Inclusion Theory (FIT) underscores the importance of access to credit, savings, and financial services in promoting economic growth and reducing poverty, particularly among marginalized populations. Demirgüç-Kunt *et al.* (2021), in their comprehensive Global Findex Database analysis, established that financial inclusion is a critical enabler of economic participation, allowing individuals and households to invest in education, health, and business activities that improve their living standards and contribute to broader economic development. The theory posits that access to formal financial services enables marginalized groups to overcome the credit constraints that perpetuate poverty and inequality, facilitating entrepreneurship, income generation, and wealth creation.

Allen *et al.* (2016) demonstrated that financial inclusion positively correlates with higher business survival rates, increased household incomes, and greater investment in education and healthcare among marginalized populations. The authors emphasized that access to financial services, particularly microfinance and government-supported credit schemes, plays a crucial role in enhancing women's entrepreneurship in developing economies. The theory recognizes that financial exclusion is both a cause and consequence of poverty (Eutropia, 2022), and that expanding access to financial services can create virtuous cycles of economic empowerment and social development.

2.3.2 Application to LGA Soft Loan Programs

The Financial Inclusion Theory supports the role of LGA soft loans in alleviating credit constraints faced by marginalized women, allowing them to set up and grow businesses. The initiative, established through Section 37A of the Local Government Finances Act, CAP 290, directly addresses the financial exclusion that has historically limited women's economic participation (Mndolwa & Alhassan, 2020). As such, by providing accessible and affordable credit, the program reduces the barriers that marginalized women face in accessing formal financial services, enabling them to participate in income-generating activities that contribute to household welfare and economic growth.

The theory also emphasizes the importance of complementary support mechanisms. Mersland and Strøm (2021) argued that financial inclusion programs must integrate mentorship and financial education as part of their loan disbursement strategies to enhance business viability and ensure long-term profitability. This insight is particularly relevant to the LGA soft loan program, where limited financial literacy and inadequate business support services have been identified as constraints on business sustainability. Lindvert *et al.* (2019) and Bapolisi *et al.* (2023) demonstrated that without proper financial literacy and strategic investment guidance, many women struggle to manage funds effectively, leading to unsustainable debt and business failure.

The variation in loan delay rates across municipalities, as observed in this study, reflects the Financial Inclusion Theory's emphasis on the importance of supportive institutional environments. The significant increase in delay rates across all municipalities over the study period suggests that access to credit alone is insufficient to ensure business sustainability; complementary interventions, including financial literacy training, business mentorship, and market access support, are essential to enable women to effectively utilize financial resources and generate sustainable returns. Were *et al.* (2021) and Noah (2022) found that financial inclusion programs that combine credit access with capacity building achieve significantly better outcomes than those that provide credit alone.

2.4 Schumpeter's Innovation Theory

2.4.1 Theoretical Foundations

Schumpeter's Innovation Theory (SIT), first articulated by Schumpeter (1934), postulates that entrepreneurship is a key driver of economic development through innovation. Schumpeter (1942) expanded this view, arguing that entrepreneurs introduce new products, processes, business models, and organizational forms that disrupt existing market structures and create new opportunities for growth and development. The theory identifies five types of innovation: introduction of new goods, introduction of new methods of production, opening of new markets, conquest of new sources of supply, and carrying out of new organization of any industry. These innovations, driven by entrepreneurial activity, are the engine of economic progress and structural transformation.

The theory emphasizes that entrepreneurship is not merely about starting a business but about introducing novelty that creates value and drives productivity improvements. Mgema *et al.* (2021) applied the SIT framework to analyse the potential of microfinance self-help group lending approaches, finding that financial access enables entrepreneurs to innovate and diversify their business activities across different sectors. Omojolaibi *et al.* (2019) demonstrated that access to financial services is associated with higher levels of innovation among women entrepreneurs in developing economies.

2.4.2 Application to LGA Soft Loan Programs

Based on the Schumpeter's Innovation Theory and in the context of marginalized women receiving LGA soft loans, it is assumed that financial support can foster their innovation and diversification into various business sectors. The theory suggests that access to capital enables women entrepreneurs to pursue new business opportunities, adopt new technologies, and explore new markets, contributing to economic development and structural transformation. Ahmed *et al.* (2023) found that microfinance programs that encourage innovation and business model experimentation achieve better outcomes than those that focus solely on credit provision.

However, innovation requires not just capital but also a conducive business environment, relevant education and skills, and market access. Lindvert *et al.* (2019) and Shohel *et al.* (2023) argued that without policies encouraging entrepreneurship beyond financial support, innovation may remain limited. The sectorial distribution of women-owned businesses, as observed in this study, reflects the extent to which innovation and diversification are occurring. Women who invest in higher-profit sectors such as manufacturing, business and trade, and construction demonstrate entrepreneurial innovation in pursuing opportunities in more dynamic and growth-oriented sectors. Conversely, the concentration of women in low-profit sectors such as culture and sports, and community development, may reflect constraints on their ability to innovate and diversify, including limited education, skills, and market access.

The Schumpeterian perspective also highlights the importance of entrepreneurial capabilities in identifying and exploiting profitable business opportunities. In the context of LGA soft loans, the theory suggests that the success of women-owned enterprises depends not only on access to financial resources but also on the entrepreneurs' capacity to recognize and pursue innovative business opportunities across different sectors. The study's findings on sectorial variation in profitability and loan repayment behaviour reflect differences in the innovative capacity and strategic choices of women entrepreneurs. The sectors identified as optimal for investment, manufacturing, business and trade, construction, and education, represent areas where innovation and entrepreneurship can generate sustainable returns and contribute to economic development.

2.5 Integration of Theories and Conceptual Framework

2.5.1 Complementary Theoretical Perspectives

The three theoretical perspectives, Resource-Based Theory, Financial Inclusion Theory, and Schumpeter's Innovation Theory, are complementary rather than competing, together providing a comprehensive analytical framework for understanding the sectorial distribution, profitability, and loan repayment behaviour of women-owned enterprises supported by LGA soft loans. Resource-Based Theory explains the internal organizational factors that shape business performance, including the effective utilization of financial resources, human capital, and organizational capabilities. Financial Inclusion Theory explains the external institutional factors, including access to financial services, regulatory frameworks, and support systems, that create the enabling environment for entrepreneurship. Schumpeter's Innovation Theory explains the dynamic processes of innovation, diversification, and structural transformation that drive business growth and economic development.

The integration of these theories is necessary because the success of women-owned enterprises is shaped by both internal resource utilization and external institutional conditions, as well as by the innovative capacity of entrepreneurs. Abebe *et al.* (2026) found that capital access generates strongest impacts among women with already established or higher-performing businesses, while subsistence or early-stage enterprises typically experience limited gains, highlighting the interaction between financial access, business characteristics, and entrepreneurial capabilities. This finding underscores the importance of an integrated theoretical approach that recognizes the multiple factors shaping enterprise performance.

2.5.2 Pathways to Business Performance

The conceptual framework illustrated in Figure 1 shows how these three theoretical perspectives jointly explain business

ISSN: 2619-8894 (Online), 2619- 8851 (Print)

performance outcomes. The Resource-Based Theory perspective focuses on how financial resources from LGA soft loans, when combined with other organizational resources including human capital, social networks, and managerial capabilities, create sustainable competitive advantage and superior business performance. The Financial Inclusion Theory perspective focuses on the institutional environment, including access to financial services, regulatory frameworks, and support systems, that shapes the enabling conditions for women's entrepreneurship. The Schumpeter's Innovation Theory perspective focuses on the dynamic processes of innovation, diversification, and strategic sectorial choice that drive business growth and economic development.

The integration of these three perspectives explains why some women-owned enterprises supported by LGA soft loans succeed while others fail. Success occurs when entrepreneurs effectively combine financial resources with other organizational capabilities, operate in supportive institutional environments, and pursue innovative opportunities in high-growth sectors. Failure occurs when financial resources are not effectively utilized, institutional environments are weak, or entrepreneurs lack the capacity to innovate and diversify. This integrated perspective explains the divergent performance observed across different sectors and municipalities, with high-profit sectors demonstrating superior performance and lower delay rates, while low-profit sectors exhibit lower returns and financial instability.

3.0 Methodology

3.1 Introduction

This section presents the methodological framework employed to examine the sectorial distribution, profitability, and loan repayment behaviour of businesses established by marginalized women through Local Government Authority (LGA) soft loans in Dar es Salaam, Tanzania. The methodological choices reflect the study's philosophical orientation, recognizing that the performance of women-owned enterprises involves both measurable financial outcomes and complex contextual factors that require integrated investigation (Creswell & Plano Clark, 2018; Yin, 2018).

3.2 Description of the Study Area

The study was conducted in Dar es Salaam, Tanzania's primary commercial hub, which contributes 17.2% of the country's Gross Domestic Product (Mrema & Kinyondo, 2024). Dar es Salaam is the largest city in Tanzania and serves as the nation's economic, administrative, and cultural centre, hosting the headquarters of most major corporations, financial institutions, and government agencies. The region's high population of approximately 6.4 million (NBS, 2022) provides a ready market for businesses supported by LGA soft loans, making it an ideal location for evaluating their impact on women's entrepreneurship and financial inclusion.

Dar es Salaam receives among the highest allocations of LGA soft loans in Tanzania, reflecting its significance in the government's economic empowerment agenda. In 2023, LGAs across Tanzania disbursed TZS 43.94 billion, with TZS 24.02 billion distributed to women, despite a 60.8% decline in female beneficiaries due to a shift to bank-managed lending (Ministry of Finance, 2023). The region's urbanization, diverse economic activities, and developed commercial infrastructure create an ideal setting to examine the sectorial distribution, profitability, and sustainability of businesses set up by marginalized women through LGA soft loans. The study was conducted across all five municipalities of Dar es Salaam: Ilala, Kigamboni, Kinondoni, Temeke, and Ubungo, each presenting distinct economic characteristics and business environments that influence women's investment decisions and business outcomes.

3.3 Research Design

A cross-sectional research design was adopted whereby data were collected once from the study population. The cross-sectional design was selected as it provides a snapshot of the phenomena being investigated at a specific point in time while also allowing determination of association between the various variables (Sabir & Majid, 2023). This design is particularly appropriate for examining the sectorial distribution and profitability of women-owned businesses, as it enables the collection of data on multiple variables simultaneously and facilitates comparisons across different groups and sectors.

The study employed a mixed-methods approach, integrating quantitative and qualitative data collection methods. The quantitative strand provided numerical evidence on business profitability, sectorial distribution, loan amounts, and repayment rates, while the qualitative strand provided contextual depth on women's entrepreneurial experiences, challenges, and the effectiveness of LGA soft loans in fostering sustainable businesses. The mixed-methods approach was adopted because it enables a more comprehensive understanding of the impact of soft loans on marginalized women's business profitability and sectorial distribution (Hirose & Creswell, 2022). The integration of data collection methods and subsequent analyses enables a holistic assessment of the effectiveness of LGA soft loans in fostering the marginalized women's profitability and diversification of their business ventures.

3.4 Sampling Techniques and Sample Size

3.4.1 Target Population

The study target population comprised all women groups that had accessed LGA soft loans in Dar es Salaam region in the fiscal years 2018/19 to 2022/23. According to records

ISSN: 2619-8894 (Online), 2619- 8851 (Print)

obtained from the five municipal councils, a total of 560 women's groups had received soft loans during this period, representing approximately 11,200 individual women beneficiaries across the region.

3.4.2 Sampling Procedures

The study employed multistage sampling techniques to select study participants. In the first stage, Dar es Salaam region and its five LGAs (Ilala, Kigamboni, Kinondoni, Temeke, and Ubungo) were purposefully selected. The selection was based on the region's status as the primary commercial hub of Tanzania, the significant allocation of LGA soft loans to the region, and the diversity of economic activities present across the five municipalities.

In the second stage, simple random sampling was used to select women groups in each LGA. The random choice aimed at ensuring a broad representation of women beneficiaries across different sectors and business types (Bartlett *et al.,* 2001). A list of all funded women's groups was obtained from each municipal council, and groups were randomly selected using a computer-generated random number sequence.

In the third stage, purposive sampling was used to select key informants, including 5 Municipal Community Development Officers (MCDOs) and 5 Community Development Officers (CDOs) who were directly involved in the administration and monitoring of LGA soft loans. These key informants were selected based on their direct involvement in loan administration, monitoring, and evaluation, and their minimum of two years' experience in the program.

3.4.3 Sample Size Determination

The study's sample size of 233 respondents was calculated using Yamane's (1967) formula (Equation 1):

$$n = \frac{N}{1+N(e)^2} \text{ (Equation 1)}$$

Where:

- n = Sample size
- N = Total number of funded women's groups (560)
- e = Margin of error (5%)

$$n = \frac{560}{1+560(0.05)^2}$$

$$n = 233$$

The sample size of 233 was considered adequate for descriptive and inferential analysis of the survey indicators, consistent with sample size guidance for survey research in comparable financial inclusion studies (Bartlett et al., 2001; Sabir & Majid, 2023).

3.5 Data Collection Methods

3.5.1 Quantitative Data Collection

Quantitative primary data were collected from the marginalized women who had accessed LGA soft loans using a structured questionnaire. The questionnaire comprised five sections: (i) respondent socio-demographic characteristics; (ii) business characteristics and sectorial distribution; (iii) loan utilization and investment patterns; (iv) business profitability and financial performance; and (v) loan repayment behaviour and challenges. The questionnaire was developed based on the theoretical framework and literature review, with items drawn from established studies on microfinance and women's entrepreneurship (Lindvert *et al.,* 2019; Mgema *et al.,* 2021). The questionnaire was pre-tested with a small sample of respondents (n=15) from Kinondoni municipality to assess clarity, relevance, and appropriateness of items, with revisions made based on pre-test feedback. The pre-test results indicated acceptable reliability with Cronbach's alpha coefficients exceeding 0.70 for multi-item scales.

Additionally, secondary data on the number of marginalized women groups funded, number of women beneficiaries, amount of loans issued, and loan repayment records were collected from LGA offices in the five municipalities of Dar es Salaam region. These secondary data enabled triangulation of data collected from women group leaders and those from LGAs, enhancing the validity and reliability of findings.

3.5.2 Qualitative Data Collection

Qualitative data were collected through Key Informant Interviews (KIIs) and Focus Group Discussions (FGDs). Five KIIs were conducted with Municipal Community Development Officers (MCDOs) and Community Development Officers (CDOs) using a semi-structured interview guide covering loan administration processes, monitoring mechanisms, challenges faced, and perceptions of program effectiveness. All interviews were conducted in Kiswahili, audio-recorded with participant consent, and lasted between 45 and 75 minutes.

Five FGDs were conducted with women beneficiaries, with each FGD comprising 8-12 participants selected from different business sectors and municipalities. The FGDs were guided by a discussion guide covering topics including: business establishment and growth experiences, challenges faced in accessing and utilizing loans, factors influencing business profitability, loan repayment experiences, and recommendations for program improvement. Each FGD lasted between 90 and 120 minutes and was facilitated by a trained moderator with a note-taker present. All FGDs were conducted in Kiswahili, audio-recorded with participant consent, and transcribed verbatim.

3.6 Data Analysis

3.6.1 Quantitative Data Analysis

Quantitative data collected through the questionnaire were cleaned using Microsoft Excel to ensure validity of data as suggested by Creswell (2003), then analysed using IBM-SPSS Statistics (version 27). Both descriptive and inferential statistics were computed. Descriptive statistics included frequencies, percentages, means, and standard deviations, which were critical in summarizing the marginalized women's business profitability, sectorial distribution, and loan use trends.

Inferential statistics included independent sample t-tests conducted to compare the Loan Delay Rate (LDR), Benefit-Cost Ratio (BCR), and other profitability indicators based on the marginalized women's investments of the LGA soft loans across different business sectors and districts at a 0.05 significance level. The t-tests allowed for statistical comparison of profitability measures, helping to decide whether sectorial differences in financial performance were statistically significant.

The study further conducted sensitivity analysis including computation of Loan Delay Rate (LDR) and Benefit-Cost Ratio (BCR) using Equation 2 and Equation 3 respectively.

$$Loan\ Delay\ Rate = \frac{Loan\ issued - Loan\ refunded}{Loan\ issued} x100\% \quad (2)$$

$$BCR = \frac{\sum \frac{B_t}{(1+r)^t}}{\sum \frac{C_t}{(1+r)^t}} = \frac{loan\ refunded}{Loan\ issued} \quad (3)$$

Whereby R_t = Net cash inflow in year t , r = Discount rate is 0% (since no profit is made on the Government side), t = Time period, C_0 = Initial investment cost, B_t = Benefits in year t and C_t = Costs in year t

3.6.2 Qualitative Data Analysis

Qualitative data from the KIIs and FGDs were analyzed thematically using NVIVO software (version 14). The thematic analysis followed the six-phase approach articulated by Braun and Clarke (2006), comprising: (i) familiarization with data through repeated reading of transcripts; (ii) generation of initial codes based on patterns in the data; (iii) searching for themes by collating codes into potential themes; (iv) reviewing themes against coded extracts and full dataset; (v) defining and naming themes; and (vi) producing the final report. Themes were developed inductively from the data while also being informed by the theoretical framework. Patterns and recurring themes related to women's entrepreneurial experiences, financial challenges, and the effectiveness of LGAs soft loans in fostering sustainable businesses were identified and systematically organized.

3.6.3 Data Integration

The qualitative and quantitative strands were integrated at the interpretation stage following a convergent parallel design (Creswell & Plano Clark, 2018). The integration process involved: (i) analysing qualitative and quantitative data separately; (ii) identifying areas of convergence, divergence, and complementarity between the two sets of findings; (iii) synthesizing findings to develop a comprehensive understanding of sectorial distribution, profitability, and loan repayment behaviour; and (iv) presenting integrated findings in the results section. The integration process was facilitated by the structure of the results section, which presents quantitative findings alongside qualitative themes in a convergent manner.

3.7 Validity, Reliability, and Trustworthiness

Several measures were employed to enhance the validity and reliability of quantitative findings. Content validity was ensured through systematic development of questionnaire items based on the theoretical framework and literature review, with items reviewed by subject matter experts for relevance and appropriateness. Construct validity was addressed by measuring each construct through multiple items and employing scales with established use in similar studies. Reliability was assessed through internal consistency checks, with Cronbach's alpha coefficients computed for multi-item scales, with acceptable thresholds of ≥0.70 (Nunnally & Bernstein, 1994). Data accuracy was ensured through systematic data entry, cross-checking of secondary records with primary data, double data entry for a random sample of questionnaires, and verification of calculations.

3.8 Ethical Considerations

The study adhered to strict ethical guidelines to ensure integrity, confidentiality, and respect for participants' rights. Prior to data collection, ethical approval was obtained from Sokoine University of Agriculture (Approval with Ref. SUA/ADM/R.1/8/1231 dated 4th March 2024). Data collection permits were further granted by the President's Office Regional Administration and Local Government Authorities (PO-RALG) (Permit with Ref. AB.307/323/01/210 dated 15th March 2024) and Dar es Salaam Local Government Authority (Permit with Ref. EA.260/307/04D/ dated 17th AApril2024).

Participants were fully informed about the study's aims, potential risks, and benefits, and informed consent was sought before their participation. Participants were informed that participation was voluntary and that they could withdraw at any time without consequence. Confidentiality and anonymity were maintained by ensuring that no personally identifiable information was shown in the findings. All data were stored securely, with access restricted to the research team, and will be retained for five years before destruction, consistent with institutional data management policies.

Cultural sensitivity was upheld throughout the research process, ensuring that questions and interactions were conducted in a manner respectful to local norms and values. Interviews and FGDs were conducted in Kiswahili, the local language, to ensure participants could express themselves freely. Participants were not offered any incentives for participation, and all data collection activities were scheduled at times convenient for participants.

4. Results and Discussion

4.1 Introduction

This section integrates quantitative and qualitative findings, discussed through Resource-Based Theory (Barney, 1991), Financial Inclusion Theory (Demirgüç-Kunt *et al.,* 2021; Allen *et al.,* 2016), and Schumpeter's Innovation Theory (Schumpeter, 1934). It covers respondent characteristics, sectorial distribution, sensitivity analysis (loan delay rates and benefit-cost ratios), profit margins, and optimal investment sectors.

4.2 Respondents' Socio-Demographic Characteristics

Table 2 presents the socio-demographic characteristics of the 233 respondents who participated in the questionnaire survey. The sample comprised marginalized women who had accessed LGA soft loans across the five municipalities of Dar es Salaam region.

Table 2: Socio-Demographic Characteristics of Respondents (n=233)

Variable	Category	Frequency (n)	Percentage (%)
Age	18-25 years	5	2.1
	26-30 years	9	3.9
	31-35 years	20	8.6
	36-40 years	34	14.6
	41-60 years	153	65.7
	Above 60 years	12	5.2
Marital Status	Single	38	16.3
	Married	146	62.7
	Separated	15	6.4
	Divorced	3	1.3
	Widowed	31	13.3
Education Level	Primary	105	45.1
	Secondary	86	36.9
	College	30	12.9
	University	12	5.2
Employment Status	Business	167	71.7
	Crop Farming	12	5.2
	Livestock Keeping	51	21.9
	Salaried Employment	3	1.3

Source: Field Data (2025)

Table 2 reveals that the majority of respondents (65.7%) were aged 41-60 years, suggesting that most individuals benefiting from LGA soft loans are in the later stages of their career, possibly seeking to enhance their existing businesses or establish new ones. This finding is consistent with Elimuu (2019), who found that older women are more likely to access microfinance programs due to accumulated experience and established social networks. The dominance of this age group may also reflect that younger women face additional barriers to credit access, including limited collateral and business track records.

As regards marital status, Table 2 shows that over three-fifths (62.7%) were married, suggesting that family support may play a significant role in the entrepreneurial endeavors of marginalized women. This finding aligns with Bhatia and Singh (2019), who found that married women entrepreneurs often benefit from household resource pooling and spousal support, which can facilitate business establishment and sustainability. The proportion of widowed respondents (13.3%) is notable, reflecting the vulnerability of widows who often lack alternative sources of income and thus rely on entrepreneurial activities for survival.

Education-wise, over two-fifths (45.1%) of the respondents had primary school education, which could influence the scale and profitability of their businesses due to limited formal education and business management skills (Myint, 2022). Only 18.1% had college or university education, indicating a significant educational gap among beneficiaries. This finding is concerning given that Lindvert *et al.* (2019) and Mersland and Strøm (2021) demonstrated that financial literacy and business skills are critical determinants of microfinance success. A participant in one of the focus group discussions in Kigamboni expressed this challenge:

> *"We received the loans, but many of us have never written a business plan or kept proper records. We just start businesses the way we have always done, but when costs rise, we don't know how to adjust."* - FGD Participant, Kigamboni

Table 2 also shows that the majority (71.7%) of the respondents were engaged in business, followed by livestock keeping (21.9%) and crop farming (5.2%), showing a diverse range of sectors where the marginalized women operate. The high proportion engaged in business reflects the urban context of Dar es Salaam, where trading and service activities are more accessible than agriculture. The study's findings align with broader discussions on how socio-economic backgrounds and education levels affect the success and sustainability of businesses set up by marginalized groups (Kazosi *et al.,* 2024). From the Resource-Based Theory perspective, the limited education and business skills represent constraints on the effective utilization of financial resources, as entrepreneurs may lack the human capital necessary to deploy loans productively and achieve sustainable competitive advantage (Barney, 1991; Kasoga, 2020).

4.3 Sectorial Distribution of Income Generating Activities

Table 3 illustrates the sectorial distribution of businesses set up by marginalized women using LGA soft loans across the five municipalities of Dar es Salaam. The findings show the sectors in which women invested and the variation across municipalities.

"We invest in what we know. Many of us have been selling food or vegetables for years. When we get the loan, we just expand what we already do because we don't know about other businesses like construction or manufacturing." - FGD Participant, Temeke

The finding aligns with Schumpeter's Innovation Theory (Schumpeter, 1934), which suggests that innovation and diversification are constrained by limited knowledge, skills, and market access. The concentration of women in traditional sectors reflects constraints on their ability to pursue innovative opportunities in high-growth sectors, consistent with Ahmed *et al.* (2023), who found that

Table 3: Sectorial Distribution of Businesses Across Municipalities (n=233)

Sector	District					Overall	
	Ilala	Kigamboni	Kinondoni	Temeke	Ubungo	Freq	Per (%)
Agriculture and Livestock	13 (23.6%)	13 (23.6%)	13 (23.6%)	8 (14.6%)	8 (14.5%)	55	23.6
Business and Trade	14 (36.8%)	7 (18.4%)	7 (18.4%)	5 (13.2%)	5 (13.2%)	38	16.3
Community Development	4 (28.6%)	5 (35.7%)	0 (0%)	3 (21.4%)	2 (14.3%)	15	6.4
Construction	4 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	4	1.7
Culture and Sports	0 (0%)	3 (100%)	0 (0%)	0 (0%)	0 (0%)	3	1.3
Education	4 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	4	1.7
Environment	5 (71.4%)	1 (14.3%)	1 (14.3%)	0 (0%)	0 (0%)	8	3.4
Fishing	0 (0%)	0 (0%)	6 (100%)	0 (0%)	0 (0%)	6	2.6
Food and Catering	15 (33.3%)	16 (35.6%)	8 (17.8%)	6 (13.3%)	0 (0%)	45	19.3
Health	0 (0%)	0 (0%)	5 (100%)	0 (0%)	0 (0%)	5	2.1
Industry and Manufacturing	14 (46.7%)	4 (13.3%)	4 (13.3%)	4 (13.3%)	4 (13.3%)	30	12.9
Transport	14 (70%)	2 (10%)	2 (10%)	0 (0%)	2 (10%)	20	8.6

Source: Field Data (2025)

Table 3 reveals that the most dominant sectors overall were agriculture and livestock (23.6%), food and catering (19.3%), business and trade (16.3%), and industry and manufacturing (12.9%). These findings suggest that women invest in sectors with lower capital requirements, quick turnover rates, and steady demand for goods and services. This pattern is consistent with Kevela and Magali (2022), who found that businesses owned by marginalized women tend to cluster in low-profit sectors that are highly competitive and often yield minimal returns. A participant in one of the FGDs in Temeke explained this phenomenon:

financial access alone does not guarantee business diversification without complementary capacity building.

Across the five municipalities, agriculture and livestock investment was evenly distributed in Ilala, Kigamboni and Kinondoni (23.6% each), while Temeke and Ubungo had lower participation (14.6% each). This variation may be attributed to land availability, urbanization levels and market demand. Areas with more peri-urban characteristics, such as Kigamboni and Kinondoni, offer better opportunities for livestock farming and horticulture, making them attractive for women entrepreneurs (Mwinuka *et al.*, 2023). The lower representation in Temeke and Ubungo could be due to limited access to land or a stronger focus on other economic sectors. These findings align with Cherotich *et al.* (2022), who noted that urban and peri-urban agriculture plays a key role in marginalized women's economic empowerment, particularly via poultry farming and vegetable production.

Food and catering was most prominent in Kigamboni (35.6%) and Ilala (33.3%), reflecting consumer preferences and cultural dynamics where small-scale eateries thrive. Ilala's urban density and working population drive demand for fast food and catering services. From Financial Inclusion Theory, sectorial distribution reflects local economic conditions, market demand, and infrastructure shaping women's investment choices (Luo et al., 2018; Demirgüç-Kunt et al., 2021).

On the other hand, construction (1.7%), education (1.7%), and culture and sports (1.3%) had the lowest participation, due to higher startup costs, specialized skills requirements, and limited immediate profitability. The low participation in construction and education is concerning given that these sectors demonstrated higher profit margins in subsequent analysis. This suggests that marginalized women face barriers to entering high-profit sectors, including limited access to information about business opportunities, lack of relevant skills and training, and inadequate market connections.

4.4 Sensitivity Analysis

4.4.1 Loan Delay Rate (LDR) Across Municipalities

Study findings in Figure 2 show substantial variation and significant increases in the delay of loan repayment by marginalized women across five LGAs of Dar es Salaam region over five-year study period (2018/2019-2022/2023).

Figure 2 reveals that Ilala experienced the most dramatic increase in loan delay rates, surging from 22.1% in 2018/2019 to 79.6% in 2021/2022, suggesting either declining business profitability or challenges in financial discipline. A t-test comparing LDRs between Ilala and other municipalities revealed significant differences (t=6.84, p<0.01), indicating that the deterioration in Ilala was statistically meaningful. This trend is mirrored in Kinondoni, where LDR increased from 19.8% to 72.4% (t=5.92, p<0.01). These findings are consistent with the observations of Hassan *et al.* (2024), who found that borrowers in lower-income sectors often struggle with loan cycles due to external market forces and limited financial literacy.

A participant in one of the FGDs in Ilala explained the challenges facing loan repayment:

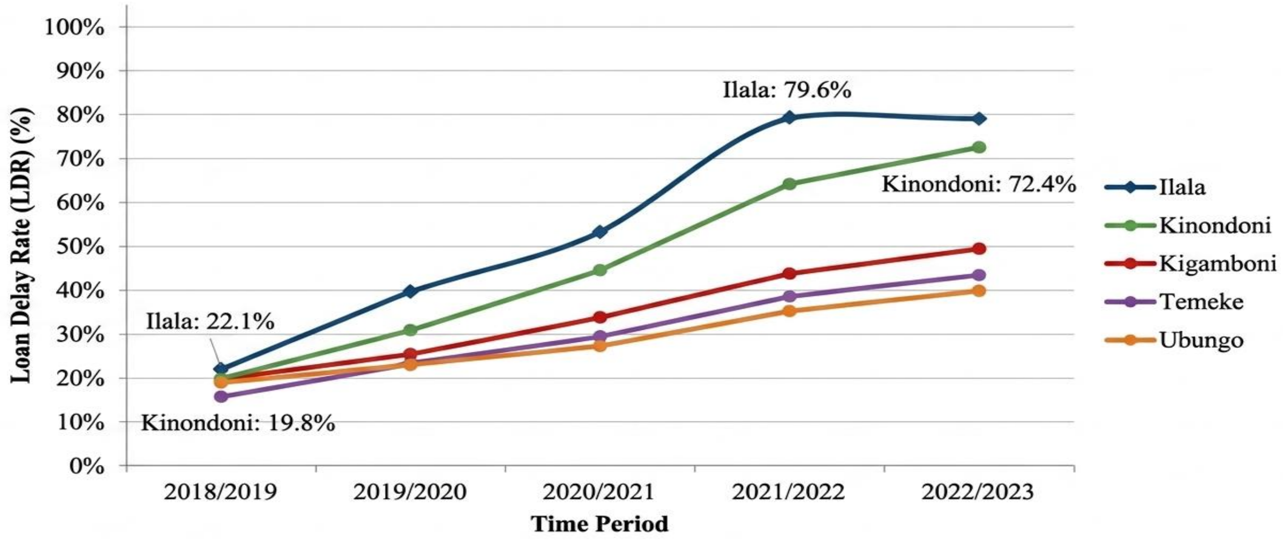
> *"When we started, the business was good. But then competition increased, and prices for goods went up. We used some of the loan money for household emergencies when business was slow. Now we are struggling to repay."* - FGD Participant, Ilala

This finding is supported by a poultry farmer in Kigamboni, who stated:

> *"We started with high hopes, but rising feed prices and market saturation makes it hard to break even, let alone repay loans on time. Sometimes, we have to choose between reinvesting in our business and meeting loan obligations."* - Key Informant, Kigamboni

Similarly, Kinondoni's LDR increase from 19.75% to 72.44% suggests that despite initial business support, sustainability remains a challenge for many beneficiaries. A beneficiary group of women who invested in a restaurant in Ubungo expressed similar concerns:

Figure 2: Loan Delay Rates Across Municipalities (2018/2019-2022/2023)



Source: Field Data (2025)

"At first, our business thrived, but rising costs of food supplies and increased competition reduced our profit margins. We are repaying bit by bit, but delays are inevitable." - FGD Participant, Ubungo

The above experience highlights the systemic issues that many women-led businesses face, which extend beyond mere financial access to broader economic constraints. From the Financial Inclusion Theory perspective, these findings underscore that access to credit alone is insufficient without complementary support mechanisms, including financial literacy training, business mentorship, and market access support (Mersland & Strøm, 2021; Were *et al.,* 2021).

In Kigamboni, the LDR rose from 15.55% in 2018/2019 to 52.41% in 2022/2023, showing that even districts with better repayment history are experiencing setbacks. Ubungo and Temeke showed fluctuating LDRs between 41% and 59%, suggesting moderate levels of repayment control with periods of stability and decline.

4.4.2 Benefit-Cost Ratio (BCR) Across Municipalities

The Benefit-Cost Ratio (BCR) analysis presented in Figure 3 shows varying levels of financial viability of the funded women's businesses, with a declining trend in most municipalities correlating with increasing delay rates.

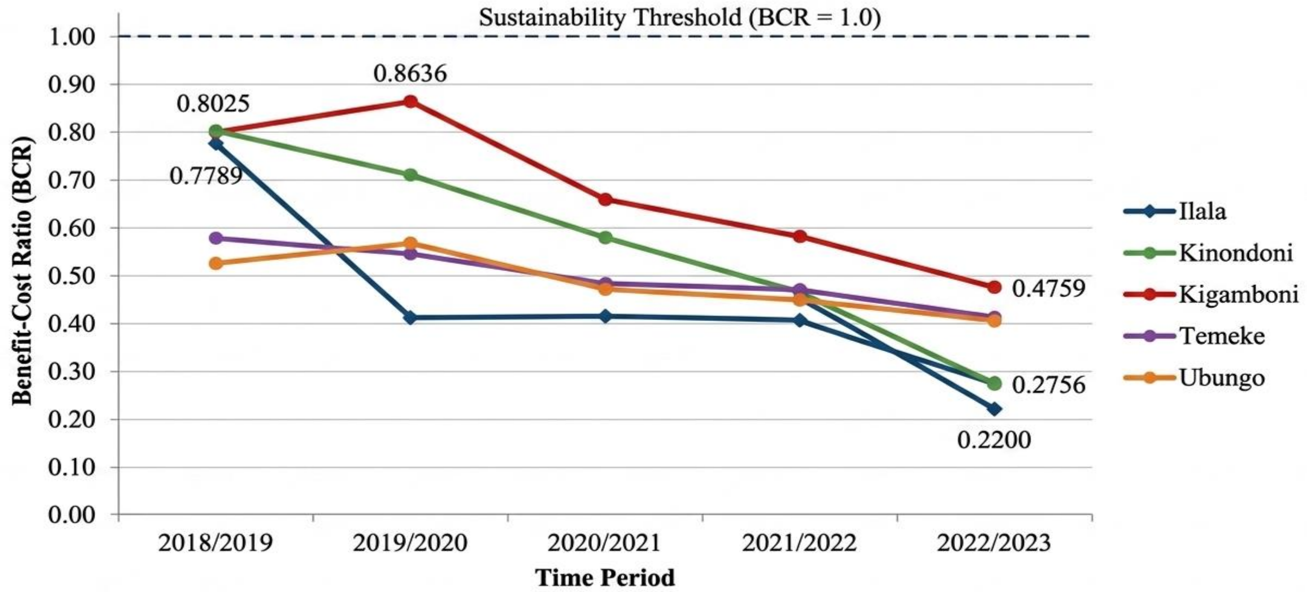
microfinance programs reflect underlying business sustainability challenges and loan utilization inefficiencies.

Kinondoni, which initially had a BCR of 0.8025, experienced a steady decline to 0.2756 in 2022/2023, showing worsening profitability. Kigamboni presents a contrasting trend, maintaining the highest BCR values, peaking at 0.8636 in 2019/2020, before dropping to 0.4759 in 2022/2023. This suggests that while businesses in Kigamboni initially performed well, external economic pressures or structural issues may have affected later repayment. Temeke and Ubungo exhibited moderate BCR values, with figures mostly ranging between 0.40 and 0.60, showing businesses in these districts still generate moderate returns despite repayment delays.

A key informant from the Municipal Community Development Office in Kinondoni explained:

"The BCR decline is worrying. In the early years, women were able to generate good returns from their businesses. But with inflation and increased competition, their profit margins have shrunk. They are still running businesses, but the returns are not enough to cover both living expenses and loan repayments." - Key Informant, Kinondoni

Figure 3: Benefit-Cost Ratio Across Municipalities (2018/2019-2022/2023)



Source: Field Data (2025)

Figure 3 reveals that in Ilala, the BCR dropped from 0.7789 in 2018/2019 to 0.2200 in 2022/2023, signaling a drastic reduction in financial sustainability, meaning that for every TZS invested, the return has significantly diminished. This suggests that businesses in this district are struggling to generate sufficient returns, due to economic constraints or operational inefficiencies. This finding is consistent with Annim (2010), who found that declining BCRs in

From the Resource-Based Theory perspective, the declining BCRs suggest that the financial resources provided through LGA soft loans are not being effectively combined with other organizational resources, including managerial capabilities, market knowledge, and operational efficiencies, to create sustainable competitive advantage (Barney, 1991; Cowling *et al.,* 2020). The inability to maintain BCR values above 1.0 indicates that the loans are not generating sufficient returns to cover the initial investment, threatening the long-term sustainability of both the businesses and the loan program.

4.5 Profit Margins Across Sectors

Table 4 presents the profit margins and monthly earnings across different sectors, highlighting the financial disparities between industries supported by soft loans. The findings show substantial variation in profitability across sectors.

Table 4: Profit Per Month and Profit Margin Across Sectors (2018/2019-2022/2023)

Sector Invested	Profit per Month (TZS)	Profit Margin (%)	Min Profit (TZS)	Max Profit (TZS)	Std. Dev. (TZS)
Food and Catering	800,000	25	300,000	1,500,000	300,000
Business and Trade	600,000	20	250,000	1,000,000	200,000
Industry and Manufacturing	700,000	18	300,000	1,200,000	250,000
Construction	650,000	18	200,000	1,000,000	250,000
Agriculture and Livestock	500,000	15	200,000	800,000	150,000
Fishing	450,000	14	200,000	700,000	175,000
Transport	400,000	12	100,000	700,000	200,000
Environment	350,000	10	150,000	600,000	125,000
Health	300,000	10	100,000	500,000	150,000
Community Development	250,000	8	100,000	400,000	100,000
Education	200,000	7	50,000	350,000	100,000
Culture and Sports	150,000	5	50,000	250,000	75,000

Source: Field Data (2025)

Table 4 shows that food and catering was the most profitable sector, with an average monthly profit of TZS 800,000 and a profit margin of 25%, signifying a high return on investment. The profitability ranged between TZS 300,000 to 1,500,000, with a standard deviation of TZS 300,000, showing significant variation in earnings within the sector. The high profitability of food and catering aligns with Agarwal and Ben-David (2018), who found the food industry to be one of the most profitable sectors in developing economies, particularly in urban areas where demand for prepared food is consistently high.

On the other hand, culture and sports stands out with the lowest profit per month, averaging TZS 150,000, and a profit margin of only 5%, suggesting that businesses in this sector are struggling to generate substantial profits from the loans provided. The low profitability in this sector likely reflects limited market demand, seasonal fluctuations, and the niche nature of cultural and sporting activities in urban Dar es Salaam. A member of one of the business groups in the culture and sport sector mentioned:

> *"It has been difficult to see substantial returns; we do what we can, but it's a small market, and the profits are slow to come."* - FGD Participant, Kigamboni

This aligns with Myint (2022), who found cultural enterprises face market constraints and require specialized skills. From Schumpeter's Innovation Theory, low profitability reflects limited capacity to innovate and diversify within the sector (Schumpeter, 1934; Shohel et al., 2023).

In terms of profit consistency, agriculture and livestock and industry and manufacturing show balanced profits averaging TZS 500,000 (15% margin) and TZS 700,000 (18% margin), with ranges of TZS 200,000-800,000 and TZS 300,000-1,200,000 (SD: TZS 150,000 and TZS 250,000), indicating moderate income variability.These findings align with literature showing agricultural and manufacturing ventures generate significant profits yet remain vulnerable to market and environmental risks (Greyling & Rossouw, 2019).

A female entrepreneur in construction in Ilala shared her experience:

> *"Though the timelines are sometimes stretched, the overall profit from each project has allowed us to overcome the delays and expand our business. But we had to learn the construction business first. Many women don't have that opportunity."* - FGD Participant, Ilala

4.6 Loan Delay Rates Across Sectors

Table 5 presents Loan Delay Rates (LDRs) across sectors, revealing substantial variation in repayment performance.

Table 5: Average Loan Delay Rate (LDR) Across Sectors (2018/2019-2022/2023)

Sector Invested	Delay Rate (%)	Min (%)	Max (%)	Std. Dev. (%)
Transport	15.31	10.11	25.48	5.22
Construction	13.58	6.34	22.11	5.07
Industry and Manufacturing	12.45	5.12	20.67	4.13
Fishing	11.28	4.22	19.87	4.31
Business and Trade	10.68	3.25	18.44	4.27
Environment	9.14	3.45	18.12	4.15
Agriculture and Livestock	8.23	2.14	15.56	3.12
Health	7.42	1.89	14.56	3.12
Food and Catering	6.27	1.67	12.34	3.03
Community Development	5.12	2.37	8.14	2.41
Education	4.72	1.23	10.14	3.02
Culture and Sports	3.11	1.07	8.21	2.24

Source: Field Data (2025)

Table 5 shows that transport has the highest average LDR of 15.3%, ranging between 10.1% to 25.5%, with a high standard deviation of 5.2%, showing significant variability in repayment timelines within the sector. According to Blanco-

Oliver *et al.* (2024), sectors such as transport often experience cash flow issues due to operational challenges such as vehicle maintenance, fuel costs, and irregular income patterns, which may explain the observed high LDR. A member of one women's business group in the transport sector in Ilala stated:

> *"While our business has been profitable, the unexpected costs and delays in payment from customers sometimes delays our ability to repay on time."* - FGD Participant, Ilala

Construction followed closely with a LDR of 13.6%, ranging from 6.3% to 22.1% (SD=5.1%). The high LDR in construction reflects the nature of construction projects, which often involve delayed payments from clients, seasonal variations in work availability, and the need for substantial upfront investment before returns materialize (Rugeiyamu, 2022).

On the other hand, Table 5 shows that food and catering businesses experienced the lowest LDR of 6.3% with a narrow range of between 1.7% to 12.3% and a standard deviation of 3.0%. This observation suggests that businesses in this sector are better at meeting their repayment obligations, due to the higher cash flow from daily transactions in the food service industry. This finding is consistent with Xia *et al.* (2017), who found that businesses with high customer turnover and steady daily revenue streams tend to have better loan repayment performance.

Study findings further show that agriculture and livestock, business and trade, and fishing showed moderate LDRs, with averages of 8.2%, 10.7%, and 11.3% respectively. These sectors reflect a balance between consistent income generation and repayment challenges, with fluctuations in the timing of repayment being influenced by seasonal demands and market volatility. From the Financial Inclusion Theory perspective, the sectorial variation in LDRs reflects differences in the institutional environment and market conditions that shape business performance across sectors (Demirgüç-Kunt *et al.,* 2021; Were *et al.,* 2021).

Community development and education show low LDRs, averaging 5.12% and 4.72% respectively, suggesting that businesses in these sectors may run on a more stable financial foundation, due to smaller operational scales and fewer variables affecting cash flow. However, as noted earlier, these sectors also have lower profit margins, indicating a trade-off between stability and profitability. Culture and sports had the lowest LDRs of 3.11%, suggesting that they may be niche businesses that require adequate support to enable them to maintain stable repayment cycles (Myint, 2022).

4.7 Optimal Sectors for Marginalized Women's Investment of LGA Soft Loans

Figure 4 (a) and (b) present the optimal sectors in which marginalized women invested the soft loans accessed from LGAs. The analysis identifies sectors that provide the best balance between profitability and manageable loan delay rates.

Figure 4 (a): Optimal Curve Across Sectors

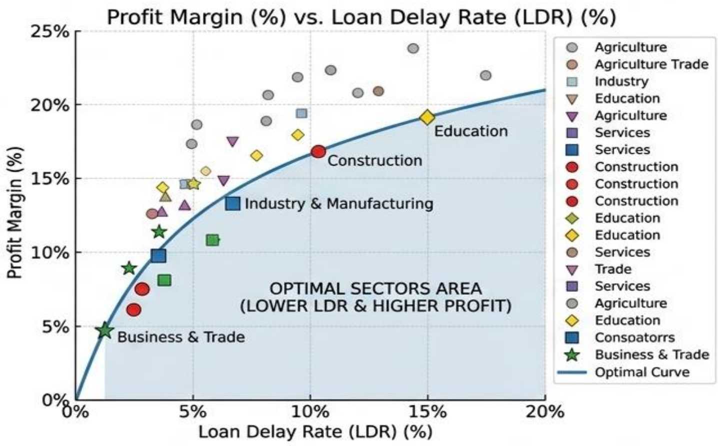
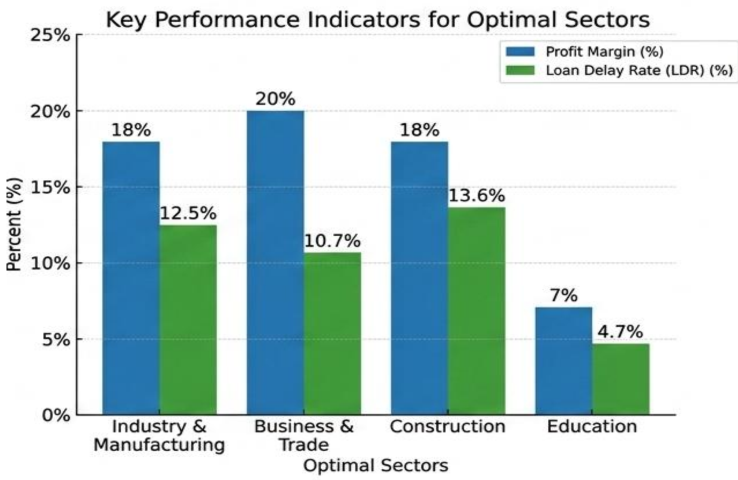


Figure 4 (b): Optimal Sectors for Investment



Source: Field Data (2025)

Figure 4 reveals that the best sectors for investment include industry and manufacturing, business and trade, construction, and education. These sectors were identified as optimal for investment due to their high profit margins and manageable LDRs. These sectors lie below the best curve, suggesting they are more likely to provide a sustainable return on investment while maintaining balanced repayment schedules.

For instance, industry and manufacturing show a solid profit margin of 18% and a LDR of 12.5%, suggesting a promising return with moderate repayment delays. Similarly, business and trade offer a profit margin of 20% and a LDR of 10.7%, signifying a strong business case for profitability with reasonable loan repayment behaviour. A woman representative from the business and trade sector in Ilala said:

> *"Despite some initial setbacks, the steady increase in demand for local products has allowed us to pay back on time and still see decent profits."* - FGD Participant, Ilala

The above-mentioned sectors seem to align well with both the financial expectations of the loaning program and the business realities faced by women entrepreneurs (Agarwal & Ben-David, 2018; Ahmed *et al.,* 2023). From the Resource-Based Theory perspective, these sectors enable women entrepreneurs to deploy their financial resources in ways that generate competitive advantage and sustainable returns (Barney, 1991; Cowling *et al.,* 2020).

Construction and education were also identified as optimal areas for investment with an 18% profit margin for construction and a more modest 7% for education, alongside manageable LDRs of 13.6% and 4.7% respectively. While construction faces a slightly higher delay rate, its high-profit potential, reflected in its broad range of profits (from 200,000 TZS to 1,000,000 TZS), may compensate for the delays, as projects tend to yield substantial returns once completed. The education sector, though offering lower profit margins, maintains a low LDR and provides consistent returns, especially in urban settings with high demand for educational services. According to Rugeiyamu (2022), sectors like construction are driven by long-term projects that, despite their delay issues, still offer substantial profit margins that make them attractive for sustained investments.

A female entrepreneur in construction in Ilala elaborated:

> *"Though the timelines are sometimes stretched, the overall profit from each project has allowed us to overcome the delays and expand our business. But we had to learn the construction business first. Many women don't have that opportunity."* - FGD Participant, Ilala

The findings on optimal sectors have significant implications for policy. A key informant from the Municipal Community Development Office in Kinondoni recommended:

> *"We need to guide women to invest in sectors that will give them better returns. Instead of just giving loans, we should provide information about which businesses are more profitable and provide training to help them succeed in those sectors."* - Key Informant, Kinondoni

From the Schumpeter's Innovation Theory perspective, the identification of optimal sectors reflects the need for entrepreneurial innovation and diversification to achieve sustainable business growth (Schumpeter, 1934; Mgema *et al.,* 2021). The findings suggest that policymakers and program implementers should provide guidance, training, and mentorship to help women entrepreneurs identify and enter high-profit sectors, rather than leaving investment decisions solely to individual choice. This approach aligns with the Financial Inclusion Theory's emphasis on complementary support mechanisms that enable effective utilization of financial resources (Mersland & Strøm, 2021; Demirgüç-Kunt *et al.,* 2021).

5.0 Conclusions and Recommendations

This study examined the sectorial distribution, profitability, and loan repayment behaviour of businesses established by marginalized women through Local Government Authority soft loans in Dar es Salaam, Tanzania, revealing critical insights into the effectiveness of government-backed microfinance interventions for women's economic empowerment. The investigation established that while LGA soft loans provide essential capital access, financial access alone is insufficient for sustainable business success, with sectorial investment choices, financial literacy, market conditions, and complementary support services emerging as decisive determinants of performance. Theoretically, findings affirm the Resource-Based Theory's emphasis on strategic resource allocation and the Financial Inclusion Theory's recognition that credit access must be complemented by business development support, while empirically contributing novel evidence that manufacturing, business and trade, construction, and education represent optimal investment sectors with strong profitability and manageable loan delay rates. The significant increase in loan delay rates across all municipalities reflects systemic challenges including market competition, inflation, limited financial literacy, and inadequate business support services, underscoring that soft loans cannot achieve their intended impact without comprehensive institutional reforms. These findings contribute to the global discourse on financial inclusion and women's economic empowerment, with implications for SDG 1 (No Poverty), SDG 5 (Gender Equality), SDG 8 (Decent Work and Economic Growth), and SDG 10 (Reduced Inequalities), while offering transferable policy pathways for inclusive entrepreneurship across Sub-Saharan Africa and comparable developing economies.

The study recommends that Local Government Authorities prioritize funding for high-profitability sectors including manufacturing, business and trade, construction, and education, while integrating financial literacy and business mentorship programs into loan disbursement processes to enhance effective loan utilization. Strengthening loan monitoring systems with flexible repayment structures that accommodate market fluctuations and economic shocks is essential, alongside establishing sector-specific support mechanisms providing market information, supply chain connections, and technical assistance tailored to distinct sector requirements. Finally, a comprehensive institutional framework simultaneously addressing financial access, capacity building, market development, and regulatory support is necessary, recognizing these dimensions as interdependent for achieving sustainable women's economic empowerment. These recommendations offer a practical pathway for optimizing government microfinance interventions, enhancing women's entrepreneurship outcomes, and contributing to broader economic transformation and poverty reduction in developing economies.

Declaration of Conflict of Interest

The author declares that there are no known competing financial interests or personal relationships that could have influenced the research and findings presented in this paper.

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