The Role of Debts in Facilitating Land Grabbing/Dispossession: A Case Study of Kibaigwa Ward, Dodoma Region- Tanzania

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List of Acronyms

DFID	:	Department for International Development
IFI	:	International Financial Institutions
IL	:	Individual lender
KIs	:	Key Informants
SACCOS	:	Savings and Credits Cooperatives
SRL	:	Sustainable Rural livelihoods
SL	:	Sustainable Livelihoods
WEO	:	Ward Executive Officer
Rs	:	Respondents
UNDP	:	United Nations Development Programme

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May the almighty God bless you all.

Abstract

This study uses the Sustainable Rural Livelihood framework to understand the role of credit/debit in facilitating land grabbing/dispossession while exploring the link between land dispossession and debts. This is the case study of Kibaigwa ward in Kongwa district, Dodoma Tanzania whereby, like in other rural areas, agriculture is the main source of livelihood. The area is characterized by small scale and large-scale farmers but because of the availability of international crop market and good infrastructure mainly Morogoro road, it has attracted a number of formal and informal financial institutions as well as individual money lenders.

Empirically, the study findings show the clear link between debt and land dispossession either through collateral taking in case of debt repayment failure or involuntary selling of land to secure other collaterals mainly houses. This is due to the poor financial institutions management policies coupled with the land tenure system which does not favour rural poor as well as unreliable climatic condition which largely affects agriculture. Furthermore, land dispossession is facilitated by population increase of which farms mostly regarded as infertile have being converted into settlement areas. Scholars argue that, although not all credits are bad analysis of land and financial institutional processes and organizational structure that govern credit are of vital importance including involvement of local people to let their knowledge, perceptions and interests to be heard (Gerber 2013; Scoones as cited by Krantz 2001:2)

Relevance to Development Studies

For developing countries especially in the rural areas, land is the most important asset although the nature of its ownership and security differ from one country to another based on land competition, degree of market penetration and institutional and political context (Cotula et al 2006:1).

There are many factors which contribute to resource scarcity especially land. Regardless of the differences within and between countries, Cotula et al (2006:1) mentioned ongoing population growth, urbanization, globalization of markets, international investment flows, trade negotiation and climate change as factors which had set increase pressure on land. For instance, recently be-

cause of food, fuel, environmental and financial crisis, global world has experienced massive land grabbing especially in the global South where it is believed empty land is available, though virtually it is not.

However, those with weak rights to these resources are argued to lose out, while in the case of land dispossession, the poor, indigenous people and women few to mention become more vulnerable, as they mainly depend on land to acquire their livelihood (ibid). Land grabbing is argued to occur mostly where there is weak land management characterized by lack of transparency and standard criteria to categorize it (Borras et al 2011; Rulli et al 2012).

Thus, this study is relevant to development studies as it offers insights on how land grabbing/dispossession occurs in the micro level (family) through credit/debit which was/is proposed as a solution to rural agricultural development.

Key Words

Land grabbing, dispossession, credit/debt, Sustainable Livelihood, Agriculture financialization

Chapter 1: An Overview of Rural Credit and Land Grabbing/Dispossession

1.1.Introduction

In most developing countries, agriculture is the main source of livelihoods especially in the rural areas. In Tanzania, agriculture is termed as the back born of the economy in which it employs almost 80% of the rural population/labor force (Ahmed et al 2009:46). However, rural population has been facing big challenges in agricultural production in terms of weather, technology and market (Ismail 2016). Thus, in 1960s and 1970s rural credit was introduced to improve agricultural productivity and reduce poverty (Braverman and Luis 1986:1253). Although rural credit services have tremendously expanded, yet only small fraction of small scale farmers in developing countries have received or benefited from such credit (Braverman and Luis 1986:1254-5). Additionally, rural credit is argued to have weak control system which results into large number of defaulters and it fails to reach the target group (Adams 1984; Magali 2013).

Despite the importance of the rural credit in terms of improving agricultural productivity and reducing poverty, failure to repay the credit results into land loss (Gerber 2013). Similarly, credit/debit is argued to be the soft way of dispossession while capital owners are accumulating (Li 2015; Gerber 2013). Furthermore, 2007/08 global food, energy environment and finance crisis have fuelled land grabbing and dispossession mostly in Sub-Saharan countries thereby corporations and countries acquire inexpensive land while others perceive the process of land transfer as an economic opportunity for the rural poor in the South (Rulli et al 2012; Borras et al 2011). However, many developing countries are argued not to have in place legal or procedural mechanisms to protect local populations in terms of their interest, livelihood and welfare (FAO:5-6).

Thus, this study seeks to understand the role of debt in facilitating land grabbing/dispossession in Kibaigwa rural which is facing rapid population growth due to agricultural activities and the availability of maize market, of which microfinance institutions are attracted to save the population. As mentioned before, weather especially shortage of rain has become the major challenge in Kibaigwa rural which contributes to low agricultural production, consequently, failure to loan repayment to most of the small-scale farmers.

The fact that, land dispossession can be caused by different factors including enclosure by the government and voluntary land selling, this study argues that the current land dispossession in Kibaigwa ward needs to be addressed in terms of rural credit system. It is argued that, most of the credit institutions which aim at providing credit to rural farmers have weak control systems which results into a high rate of defaulters and failure to reach the target group (Adams, 1984; Magali, 2013). However, reconfiguration of land property especially its concentration in the rural area has been mentioned as the major hidden consequences of credit/debit and it is hard to trace (Gerber 2013).

Trying to understand the role of debit in facilitating land grabbing/dispossession in Kibaigwa, the study brings out the relationship between debit and land dispossession which is grounded on the poor and weak microfinance operating system as well as poor implementation of land law which resulted into high rate of defaulters and lack of land title for most of the rural population respectively. Furthermore, land dispossession in the area is through confiscation of collateral by lenders/credit institutions and through involuntary land selling to secure other properties especially houses which have been kept as collateral because of lack of land title.

Sustainable Rural Livelihood Approach (SRLA) was used to analyze the link between debit and land dispossession because dispossession mostly happens to the rural areas and it affects livelihood of the population. Therefore, through the five key elements of the (SRL) including the context, resources, structures, activities or strategies and the outcome the study tried to unpack the connections between credit/debit and other variables such as land, population and market.

1.2. Research Problem

Recently Kibaigwa ward has been experiencing the growth of large scale agricultural commercialization in which maize and sunflower are dominant crops. This type of agriculture is characterized by expansion of farms leading to land scarcity for smallholders. However, many farmers from different regions of Tanzania, mostly, the neighbouring regions such as Morogoro, Iringa, Manyara and Arusha have been attracted to the area (Chitimbe and Liwenga 2015). Not only expansion of farms, but also commercial agriculture is argued to increase the work load in which mechanization became the solution (Chitimbe and Liwenga 2015). Lack of financial services was one of the key impediments for farmers to improve their production. Credit/loans have been accepted as a means of transforming rural agriculture especially for small scale farmers (Adams 1986; Anyelwisye 2007; Gerber 2013; Magali 2013).

Thus, for the Kibaigwa famers to survive or compete with the ongoing large scale agricultural commercialization, they opt to engage in credit to afford agricultural mechanizations which include seeds, fertilizers and tractors and other agricultural machinery. Notwithstanding the failure of some farmers to access formal credit due to lack of collaterals such as land title and household income, yet, microfinance institutions are not available to train or advise farmers on business for the beneficiaries to invest their loans in the remote areas (Anyelwisye 2007). Consequently, informal credit appears to be the solution for the majority because most of the rural farmers have no land title and are also poor. Moreover, agricultural commercialization in Kibaigwa was reported to result into land deal whereby famers who wish to expand their farms have an opportunity to pay a rent fee to the land owners for each growing season (Chitimbe and Liwenga 2015).

Generally, Dodoma region (in which Kibaigwa ward is just part of it) is categorized as semi-arid zone with savanna climate and major livelihood activities are farming and livestock keeping characterized by small scale. Regardless of the dry climate, Dodoma region and particularly Kibaigwa division, is famous for the production of maize, sunflower, sesame bulb rush and groundnuts. Therefore, because of the 2007/08 global food crisis which led to some actors calling upon the doubling of food production of which corporations and individual farmers have been encouraged to invest in agriculture mostly in large scale, it has resulted in revaluation of land whereby corporations and individuals have been attracted to the rural areas where they can easily acquire inexpensive "empty" land. Consequently, Kibaigwa has been receiving new farmers from different regions of Tanzania leading to land scarcity.

Land grabbing is argued to occur mostly where there is weak land management and it characterized by lack of transparency and standard criteria to categorize it (Borras et al 2011; Rulli et al 2012). However, among the large number of studies on land grabs and credit/debt, there is virtually no literature on the relation between land grabs and credit/debt. And yet little is known about the local/micro processes of land loss/dispossession.

Thus, this study is tailored with the aim of understanding how debt either formally or informally facilitates land grabbing/dispossession in Kibaigwa division, and suggests possible solution to address that issue in terms of policy review, formulation and implementation.

1.3. Objective of the Research

The main objective of this study was to understand the role of debt in facilitating land grabbing /dispossession in Kibaigwa area with the aim of unpacking the connection between land dispossession and debt. Based on the small-scale farmer experience with credit and land dispossession, four specific objectives were addressed which were; finding out how rural people in Kibaigwa ward engage in debt and why, exploring why they fail to pay their credit, examining the relationship between debt and land grabbing/dispossession in the area and finally finding out the socio-economic implications of debt in the area.

1.4. The Research Question

What is the role of debts in facilitating land grabbing/dispossession?

1.4.1. Sub-Questions

i. How do local people engage in debts and for what purpose?
ii. Why do farmers in Kibaigwa fail to pay back their credit?
iii. What is the relationship between debt and land grabbing/dispossession in the study area?
iv. What are the socio-economic implications of debt at Kibaigwa ward?

1.5. Site of the Study

Kibaigwa is an administrative ward of Kongwa district in Dodoma region in Tanzania. Recently, this ward has risen to a township authority. According to the 2002 census, the ward has a total population of 15,426 (URT 2002), while as per National Bureau of Statistics (NBS) census report of 2012, the ward has a total population of 24,761 people and it covers a total area of about 111.92Km2. According to Wilson, (2002), it sounds unreasonable to select the study area for research using a random sampling technique; one should make use of the available information that might quite logically guide the choices. Therefore, Kibaigwa ward was purposively selected for this study because land dispossessions of local land owners 'small farmers' by both internal and foreign investors have prompted land crises in Kibaigwa (Katundu, Makungu and Mteti, 2013). Moreover, there is high poverty incidence among small holder farmers despite high MFI activities in the area (Coulson, 2013). Therefore, selection of this area was guided by the features related to debt and land dispossession which is highly exhibited in the ward (Kibaigwa Township Report, 2017; Pandambili Ward Report, 2017).

1.6. Structure of the Paper

This study is divided in five chapters. Chapter one introduces the research problem, objectives and research questions, chapter two explains research methodology including design, approach, methods of data collection, scope and limitation and ethics.

Chapter three contextualizes financialization of agriculture or rural credits, Sustainable livelihood and the land dispossession. Chapter four includes findings and discussion of which findings were analyzed using Sustainable Rural Livelihood as mentioned earlier while chapter five contains conclusion and recommendations.

Chapter 2: Research Methodology Overview

2.1. Introduction

This chapter presents the methodology which was deployed in the study. It includes research design, approach, techniques of data collection, sampling and analysis. Also, it explains scope and limitations and research ethics as well as the Sustainable Rural Livelihoods Approach.

2.2. Research Design

According to Odhoro and Kombo (2002), research design is the scheme, outline or plan that generates answers to research problems. It involves planning for collection and analysis of data in a manner that aims to combine relevance with the research purpose. Research design can be descriptive or explanatory, experimental, semi experimental, correlation and review design. This study is an explanatory cross-sectional survey study design because given the limited time to accomplish this study, the research data was collected from small farmers' who possess different features only once at a point in time and analysis and interpretation was conducted in a single point in time. The reason behind this is the fact that cross-sectional design allows the researcher to get data from multiple cases at the given point in time to analyze relationship across number of variables of interest (Mann, 2003; Saunders et al., 2007). In this study, the relationship between variables of debt and land grabbing and or dispossession were analyzed to describe the fact that debt influences land dispossession among smallholder famers.

In addition to that, this design can deal with both qualitative and quantitative data collected simultaneously in a single phase (Blanche, et al. 2006; Baxter and Jack, 2008; Terrell, 2011; Rose, Spinks and Canhoto, 2015). Moreover, the use of explanatory survey design was more useful both in terms of economy and rapid turnaround in data collection and its ability to identify the characteristics of the population. As proposed by Creswell (2009), for social science studies, the data collected through survey design are useful in generalizing the findings from sample of responses to the population.

2.3. Research Approach

The fact that, land grabbing is characterized by lack of transparency and standard criteria to categorize it (Rulli et al 2012) while land loss because of indebtedness is not a new phenomenon (Sinha 1984) then, in-depth study to understand the interrelationship between land grabbing/dispossession and debt is of vital importance. To have a strong argument based on the collected data, qualitative data were complemented with a limited amount of quantitative data which were collected from small farmers using structured questionnaire. Therefore, the study employed a mixed method approach where by both quantitative and qualitative methods were applied as elucidated by Steckleret al. (1992), Clark and Creswell (2011) and Creswell (2014). The reason for using this approach is to describe systematically and accurately the roles of debts in facilitating land grabbing/dispossession and overcome the weakness of a single approach. This is because qualitative research allows the researcher to dive deeper into the problem to have a clear understanding of underlying features between debt and land grabbing/dispossession and generate insight in the problem. Furthermore, it is useful as it can be easy to describe and report the results about the small farmers of Dodoma region and Tanzania in general.

2.4. Data Collection Methods

2.4.1. Primary Data

Field work was conducted in Kibaigwa ward in Kongwa district, Dodoma Tanzania from July to August 2017. At the beginning, focus group discussion (FGD) was conducted with the purpose of utilizing the opportunity of changing questions depending on the discussion and theme that could have raised (Terrel, 2011). Furthermore, FGD provided the researcher with an understanding of the participants' perceptions about debt and land grabbing/dispossession by asking specific questions. Cresswell (2009, argued that, FGD allows dimensions of interaction among group members of which it was well observed. Moreover, the FGD were heterogeneous as argued by Wong 2008, whereby each FGD comprises of village officers, MFIs representative, farmers and extension officers.

In addition to FGD, structured interview and in-depth interview were conducted. Structured questionnaires were administered to 75 small scale farmers while in-depth interview was conducted to 11 key informants drawn from ward government, village leaders, district officials, microfinance institutions and farmers. These interviews were done by the researcher and two research assistants.

2.4.2. Secondary Data

On the other hand, the secondary data are those which are not new and original at the date of publication. They belong to someone else rather than the current author (Adam and Kamuzora, 2008). Secondary data include both raw data and published summaries (Saunders et al., 2009). Therefore, both quantitative and qualitative secondary data were extracted from documents and archival records from financial institutions and Kibaigwa. For collecting quantitative data, review of the microfinance credit records was done to assess the number of borrowers and amount of credit they collect, (microfinance banks, SACCOS, village saving and landing (VSL), VICOBA). Also, village records on land deals were reviewed. Qualitative data were collected by reviewing district agricultural and land policies, and related project planning documents, credit association conditions for individual to access credit.

2.5. Sampling

In this study, probability and non-probability sampling were used to select a sample. A multistage sampling was employed as an appropriate procedure considering the nature of the study. A sample of 75 farmers was selected using a multi-stage sampling procedure. The multi-stage procedure was a four - stage, purposive sampling approach. In the first stage, Dodoma region had been purposely selected due to high rate of land dispossession among small-holder famers in recent years (URT-Dodoma Region, 2016). In the second stage, Kibaigwa Ward had been purposively chosen due to the fact that most of the dispossessed poor farmers are located in this area (Chitimbe and Liwenga, 2015).

Moreover, in the third stage also, the same technique was used to select three villages in which large scale farming is taking place with the intension of understanding how land was acquired, who owned it, what they produce and for what purpose. In the fourth stage, a researcher selected farmers to be interviewed. Farmers were selected purposively because proposed study seeks to interview small farmers. Therefore, to ensure that data are collected from small famers a purposive selection was appropriate. A criterion used to select small famers was size of a farm whereby a small-holder farmer was considered to cultivate not more than 20 acres.

2.5.1. Sample Size

The total number of smallholder farmers at Kibaigwa Ward is 2117 (Kibaigwa Township Report, 2016). Among them, 923 engage in borrowing. Thus, the total sampling frame is 503. However, the small holder farmers to be interviewed were selected purposively. So, from the population size, the sample size was obtained by using Slovin's formula for calculating the sample size given by the equation $n = N/(1 + Ne^2)$. In this formula $n =$ sample size, $N =$ population size of all stakeholders with certain characteristics, $e =$ precision factor coefficient (5%) and it is also known as margin in error. This formula was adopted because according to Krejcie and Morgan (1970) and Tejada and Punzala (2012) it is simple and therefore provides accurate sample size, also fits with the available parameter N. Therefore, according to the formula $n = 503/(1 + 503 * 0.08^2) = 119$. However, Saunders et al., pointed out that for statistical generalizations about the population the rule of thumb suggests the minimum sample size to be 30 (Saunders et al., 2007). Therefore, a sample size for a proposed study was 75. This sample size is considered partly for statistical reasons and partly for logistical considerations. Statistically, the sample size is large enough to study and make generalizations about the population. Logistically, this sample size is considered proportionate of the population under study.

2.5.2. Selection of the Key Informants (KIs)

KIs are defined as opinion leaders or informed opinion holders (Powell, 1999). Also, Onwuegbuzie and Leech (2007) pointed out that in purposive and convenience sampling, researcher chooses individuals that are conveniently available, knowledgeable on a topic under scrutiny and willing to participate in the study. Therefore, in this study purposive sampling technique was used to select key informants for in-depth interview. The KI interviewed include; one Ward Executive Officer (WEO), two Loan Officers (LO), three Village Executive Officers (VEO), two members of Township land committee, two Ward Extension Officers and one District Agricultural and Livestock development officer. These KI provided useful information about land policies, land acts, welfare of farmers, financial institutions and land dispossession. It is argued to be the best way to collect credible data which depend on research questions and in this case, the researcher was able to collect some insiders or expert information that is beyond what is known about debt and land deals (Zina 2014). The reason for choosing these individuals is the fact that they are well informed and possess good knowledge about credit and debt issues in relation to land deals which involve land changing hands.

2.6. Data Analysis

Content analysis was used to analyze in-depth interview and FGD information which was recorded in the note books of the researcher and the two research assistants. Responses were grouped into themes in relation to research questions and objectives. In qualitative research, content analysis emphasises on pinpointing, examining, and recording patterns (or "themes") within data (Lacey et al. 2001; Creswell et al. (2004). Themes are important to the description of a phenomenon and are associated to a specific research question (Pope et al 2000). Furthermore, qualitative analysis is argued to be not guided by universal rules, thus it is a very fluid process that is highly dependent on the evaluator and the context of the study and is likely to change and adapt as the study evolves and the data emerges (Rao and Woolcock, 2003)

The fact that, mixed methods were employed to conduct this study; quantitative data which were collected through structured questionnaires were summarized and coded. After coding, data were entered into Statistical Package for Social Sciences computer program version 21.0 and Microsoft excel 2007. Data entered to SPSS were used to calculate descriptive statistics particularly cross tabulation; measures of central tendency and correlation.

2.7. Scope and Limitations

2.7.1. Scope of the Study

This study is grounded by Sustainable Rural Livelihoods Approach (SRLA) Framework. Conceptually, the study focused on the variables developed from the Sustainable Rural Livelihoods Framework. Empirically, the study examined the relationship between debt and land dispossession in Kibaigwa ward. As this is confirmatory study, the data were analyzed using correlation modelling. However, the study was not limited to empirical analysis. Qualitatively the study explored how local people in the study area engage in debt and for what purpose. Moreover, the study explored why farmers in Kibaigwa ward fail to pay their debt and analysed the socio-economic implication of debt to Kibaigwa smallh-older famers. Thematic analysis was used

Furthermore, debt and land grabbing/dispossession are a global phenomenon in both rural and urban areas. However, this study focused in rural area because of high occurrence of land dispossession due to poverty. Nevertheless, the results of this research have also been extended to the whole region and the neighbouring regions, but it was not possible to generalize to the whole country since some of the rural areas and the most urban areas do not exhibit similar patterns.

2.7.2. Overall Limitation of the Study

The overall limitation of the study can be categorized in two broad concepts: Topic coverage and methodological limitations. Topic coverage for the study is limited to the assessments of impact of debt on land grabbing or dispossession as explained in sub-section 2.4.1. Methodologically, the study was only conducted in Kibaigwa ward and hence the research findings were not generalized to urban areas in Tanzania. However, the findings may be generalized to other rural parts of Tanzania which exhibit similar characteristics of Kibaigwa. Moreover, given the fact that my scholarship package does not include a research fund, therefore financial limitation is fundamental as it entail travelling from Netherlands to Tanzania and to the field, also time was too short. Additionally, availability of secondary data was another challenge of which many secondary data were missing because at the village level record keeping for the village leaders and local credit provider like SACCOS and VICOBA is minimal in Tanzania. Therefore, to fill this gape in-depth interview to the key informants such as village leaders and credit institutions staff was conducted.

2.8. Research Ethics

Land and debt issues were treated as sensitive matter, there by proper introduction of the researchers to the ward authority was well observed. First, introduction letter from ISS were collected, followed by letters from the Dodoma regional office and Kongwa district office. Having been introduced, the researcher was well received and supported by the respective leaders from ward to village level.

Second, the researchers were introduced to the research area and the purpose of conducting the study. This practice is insisted by scholars that before asking good questions, few things should be done including introduction of the study (O'Leary 2014:226). Furthermore, ethics were explained to the respondents including assurance of confidentiality and freedom to skip questions in case of not being comfortable to answer (ibid)

Third, to ensure confidentiality and anonymity permission to take pictures and audio recording. Most of the respondents accepted picture taking against audio recording. As a result, one respondent accepted to share her loan story, but her name was withheld.

2.9 SLA Approach

The Sustainable Livelihood Approach (SLA) was introduced as a supplement to the conventional definition and approach to poverty eradication which is argued to be narrow as it focuses only on certain aspects or manifestation of poverty such as low income while excluding other aspects like vulnerability and social exclusion (Krantz 2001:1). Thus, Sustainable Livelihood (SL) concept was developed to offer coherent and integrated approach to poverty. More attention is paid to various factors and processes which constraints or enhances poor people's ability to make a living in an economically, ecologically and socially sustainable manner (ibid).

Firstly, SRL was introduced by Brundtland Commission on Environmental and Development while the United Nations Conference on Environment and Development expanded of which sustainable livelihoods was advocated (ibid).

Chamber and Conway (1992) proposes that;

"A livelihood comprises the capabilities, assets (stores, resources, claims and access) and activities required for a means of living: a livelihood is sustainable which can cope with and recover from stress and shocks, maintain or enhance its capabilities and assets, and provide sustainable livelihood opportunities for the next generation; and which contributes net benefits to other livelihoods at the local and global levels and in the short and long term". (ibid)

Additionally, a modified definition was proposed by Ian Scoones (1998) which state that;

"A livelihood comprises the capabilities, assets (including both material and social resources) and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from stresses and shocks, maintain or enhance its capabilities and assets, while not undermining the natural resource base" (ibid)

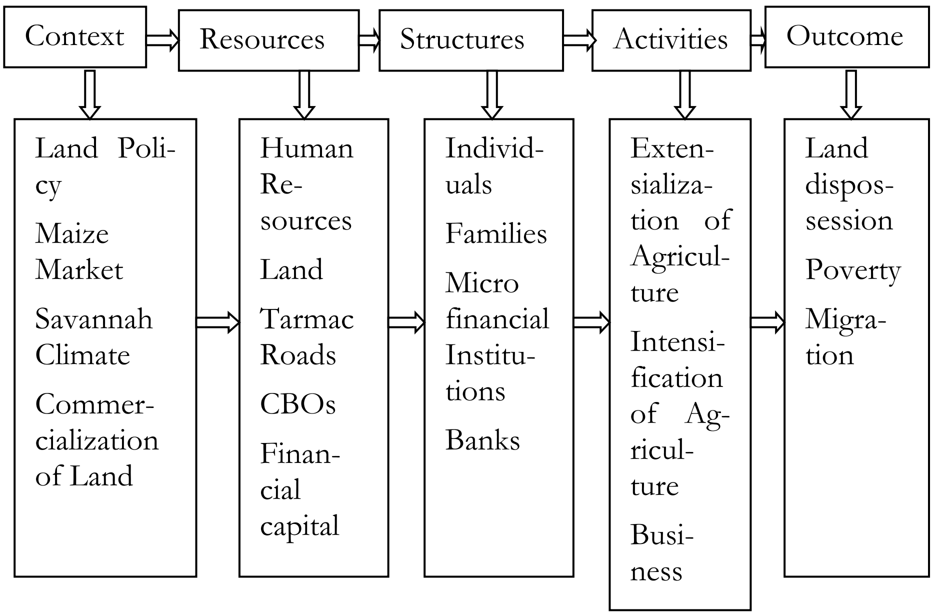
Although this approach was adopted by different international organizations including DFID, CARE and UNDP, Krantz (2001:1) highlighted component of portfolio of assets in which people derive their living as the most complex component of SL (ibid).

As an approach, different framework of SLA has been used in different programmes, for instance the Institute for Development Studies SRLA framework has three elements which are livelihood resources, livelihood strategies and institutional process and organizational structures while Scoones framework has five elements including context, conditions and trends, livelihood resources, institutional processes and organizational structures, livelihood strategies and sustainable livelihood outcome (Scoones 1998:4).

Furthermore, Scoones (1998) pointed out that, it is insufficient to analyze the different aspects of livelihoods thus institutional and organizational structure that link these various elements must be analyzed while involvement of the local people is of vital importance (Krantz 2001:2).

Therefore, for the purpose of this study, Scoones (1998) frame work was adopted which is explained by the diagram below.

Figure 3:1 The Sustainable Livelihood Framework (Scoones 1998)



2.10 Summary

The adopted methodological approach described in this chapter includes research design, approach, data collection methods, sampling, analysis as well as scope and limitations and research ethics. This study employed an explanatory cross-sectional survey study design and mixed method approaches where by both quantitative and qualitative approaches were used. FGD was used to collect primary data while archival records of financial institutions were used to obtain secondary data. The sample size was obtained by using Slovin's formula which led to a total of 75 sample size for the study. Content analysis was used to analyse data obtained from FGD while descriptive statistics particularly cross tabulation; measures of central tendency and correlation were used to analyse data obtained from structured questionnaire. In the next chapter, context in which the study is executed is presented.

Chapter 3: Contextualizing Financialization of Agriculture/Rural Credits and the Land Dispossession.

3.1. Introduction

The main objective of this chapter is to describe the context in which the study is grounded. It comprises of five sections including land grabbing/dispossession in the World and Africa, land politics in Tanzania, land grabbing, Agricultural financialization and rural credit in Tanzania.

3.2. Land grabbing/dispossession in the World

Land grabbing has become an important issue in the contemporary global agrarian discourse where it is estimated that between 45 million and 227 million hectares of land may have changed hands between people and multinational corporations (Margulis et al 2013). Basically, land grabbing is argued to be not per se a new phenomenon as it has historical precedents in the era of imperialism and its traits can be traced from the colonial era (Margulis et al 2013:1). Unlike the imperialism and colonial era, contemporary land grabbing is happening in the world of sovereign states which is exercising formal territorial control (Margulis 2013:3).

However, the contemporary land grabbing is argued to be occurring mainly in response to 2007/08 global food, energy, environmental and financial crisis (Hall 2013; Margulis et al 2013). These crises are argued to cause a dramatic revaluation of land ownership (Borras et al 2011:209). Furthermore, the grab involves North and South of which its nature is argued to underwrite both colonialism and imperialism while there is also a dynamic between South and South which are economically powerful (ibid). Additionally, global South are perceived as source of alternative energy production primarily biofuels, food crops, mineral deposit and reservoirs of emit services while Sub-Saharan Africa became the site of the most speculative major land deals (ibid). According to Visser and Spoor (2011), land grabbing as a global-scale phenomenon, occurs in all regions and parts of the world, not only in Africa as assumed to be the case (Borras, et al 2011)1.

Consequently, global world has been experiencing acquisition of relatively inexpensive and productive agricultural land located in foreign countries and it is evidenced by the dramatic increase in the number of transnational land deals between 2005 and 2009 (Rull et al 2012:892). By estimates, Oxfam 2012 estimates 227 million hectares changed hands while World Bank (WB) 2010 estimates 45 million hectares change hands too (Margulis et al 2013:2). This phenomenon is argued to be associated with an appropriation of fresh water sources and it is occurring in alarming rate in all continents except Antarctica (ibid).

By definitions, land grabbing in the Tirana International conference on land coalition 2011 was defined as processes of land acquisitions that are in violation of human rights, without prior consent of the pre-existing land owners and with no consideration of the social and environmental impacts (Rull et al 2012:892). Moreover, broadly, land grabbing is defined as the transfer of the right to own land or use the land from local communities to foreign investors through large-scale land acquisitions (more than 200 ha per deal).

Large flow of capital goods and ideas across border are main factors of land grabbing and it is largely linked to the major shift in power and production in the global political economy (Margulis et al 2013:1). Additionally, land grabbing is characterized by transnational and domestic corporate investors, government and local elites taking control over large quantities of land (Margulis et al 2013:2). Although the target areas are/were meant for commodity crop, fuel crop, investment and ecosystem services while private to private purchase and public to private leases for biofuel production and acquisition of large parcels of land for conservation arrangement is the mechanism, yet the processes are argued to take place in a very low level of transparency, and consultation while ignoring the rights of the local communities living off the land (Borras et al 2011).

[1]Also see Visser et al (2012) for land grabbing in the Global North

Some see land grabbing as an economic opportunity for the rural population, however it has been perceived as a threat to their livelihoods thus improved land market governance is of vital importance (Borras et al 2011:210). As stated earlier, that land grabbing happens at a low level of transparency, also, World Bank (2010) as cited by Borras et al (2011:210) clearly states that the process of land grabbing takes place mostly in places where buyers could exploit, corrupt on indebted government with little ability to regulate the transaction or maintain the interest of the poor rural community.

Moreover, land grabbing has a strong link with the transformation of agrarian labor regime due to property dynamic basically dispossession of land, water, forest and other natural resources which tend to be concentrated in the hands of few (White et al 2012:620). Additionally, large-scale deals are argued to be a frame work in which concrete deals between corporations and government for the purchase and or leasing of designated areas occurs (ibid). Willy (2012) as cited by White et al (2012:624) identified legal manipulations that render untitled but traditionally owned and used land as unowned while the government and international development organizations support the acquisition of great expanses of land by large corporation both foreign and domestic (ibid).

Drawing from Wolford (2010), it is argued that the dramatic increase of large scale land and resource deals can be linked to different trends which facilitate various mechanisms of accumulation which result into diverse forms of dispossession with which it has different consequences for rural livelihoods, social and political relations (White et al 2012:627). Contemporary political economic relations are argued to facilitate a process of accumulation by dispossession, thus, public assets are enclosed (Harvey 2003, 2004) as cited by White et al (2012:627).

Although land grabbing is mainly focused on food, biofuel and environmental purposes also land is argued to become a major asset and political priority (Visser and Spoor 2014:301). Furthermore, it is empirically difficult to study it, however, due to real and massive experiences of dispossession, violence and social exclusion, land grabbing has become a world political agenda in which new global governance instrument are being created (Margulis et al 2013:2, Visser and Spoor 2014:309)

3.3. Land Politics in Tanzania

Tanzania is assumed to be rich in terms of natural and human resources whereby as the United Republic, its mainland part (Tanganyika) got its independence in 1961 while the isle part (Zanzibar) got its independence in 1963. The two parts become united republic of Tanzania in 1964 (Haki Ardhi 2010:8).

As a country, it has an area of about 945,087 square kilometers, however about 888,200 square kilometers are argued to be attractive to land grabbers since colonial time and approximately 140,000 square kilometers were grabbed through dubious treaties between African chieftain and Karl peters in collaboration with his fellow conquistador (Juhani Koponen 1994:72) cited by Haki Ardhi (2010:8).

Population wise, it is estimated that, since independence which was approximately 11 million, it has quadrupled to 44 million in 2010 thus reduces the chances of vast underutilized/underdeveloped land (ibid). However, in 1923 colonial state in Tanganyika passed the land ordinance in which the current land regime is still informed (Haki Ardhi 2010:9)

In Tanzania, land rights are observed through unwritten customary law and modern laws and policies, this situation was identified by Woodman (1997) as legal pluralism. Thus, in Tanzania legal implication of these legal pluralism occurs when these laws are empirically applied in any land cases (Mbonde 2015:14). Therefore, individual or group of individuals may have customary land rights as a member of specific ethnic group or family also as a citizen of Tanzania in accordance with Land Act of 1999 in which every citizen has a right to own property.

Furthermore, current Tanzania land legal framework is under the Land Act and Village Land Act of 1999 (URT 1999ab) which formulated based on National Land Policy (URT 1995), cited by Mbonde (2015:16), however, as mentioned earlier Land Act of 1999 formally known as land registration was mainly informed by Land Ordinance passed by colonial state in 1923 (Haki Ardhi 2010:9)

Apart from having these laws in place, also the government has a major role to play in its implementation. However, albert many African countries and Tanzania in particular, have land laws and new ones have been passed, its effective implementation remains the challenge due to limited capacity of the state (Palmers 2000b as cited by Manji 2001). For instance, Tanzania has Land Act of 1998 and village land Act of 1998, Uganda also has Land Act of 1998 but the Tanzanian government has declared lack of implementation capacity (Manji 2001). Reasons for the failure are assumed to be the same, which includes; lack of clear policy (derivatives), shortages of qualified personnel, lack of political will on the part of government, conflict at community level and action of individual bureaucrats and limited capacity of the state to carry out policy reform (Manji 2001).Thus, although every citizen has a right to reserve a title for land he/she rightfully owns either in the urban area or rural area, most of them do not use this right, as a result statistics show that only 2 to 10 percent of the land is held under formal land tenure while 98% and 89% of the all business and properties operate extralegally (De Soto 2000; Deininger 2003; Landesa 2012).

Although land tenure must reflect the welfare of the poor and create the incentives needed for the investment and act as key underlying factor for sustainable economic growth (Deininger 2003), on the contrary most of the economic activities in Tanzania operate under extralegal document due to the long process of acquiring required land/property title (De Soto 2000). Arguably, development virtually everywhere requires the use of economic opportunities associated with trade, and along the process investment in land is of vital importance whereas the investors will need assurance of land rights (Deininger 2003).

3.4. Land Grabbing in Tanzania

Tanzania is argued to be among African countries which have a progressive land tenure reform which includes Land Act of 1999 and Village Land Act of 1999, of which it provides legal recognition of customary rights and collective group land rights (Alden Wily 2011) as cited by Nelson et al 2012. Surprisingly, there is a growing sense of pervasive land grabs encroaching on local rights including rural farmers and pastoralists who depend heavily on land to derive their livelihoods (Nelson et al 2012:2).

Like many African countries, Tanzania has received investors from different parts of the world with the aim of obtaining long-term lease for several thousand hectares of land to invest in different sectors including biofuel, food, tourism, hunting and forestry (Locher and Sulle 2014:4, Nelson et al 2012:2).Up to 2007, 36 percent of the country's total area was protected in various ways, however new protected areas were being created where forest and wildlife were conserved under the label community based conservation (Benjaminsen and Bryceson 2012:336). Thus, by 2012 forty percent of Tanzania's total land area was conserved in different ways including conservation whereby seascape designated as Marine Park or conservation was increased (ibid). Statics show that, in 2012, 8% of marine water was under conservation but the target was 10% while an extra 10-20% was proposed by conservationist to be non-fishing zone (ibid).

However, it is better to situate Tanzania land grabbing within longer post-independence history of land issues (Nelson et al 2012:3). Land grabbing in Tanzania is argued to be more extensive and uncontrolled in the recent past than it is today (ibid).

3.4.1. The Era of Ujamaa/Socialism

During this period, land grabbing was mainly done by the government hence, private property was taken by state and this was marked by nationalization of sisal, coffee and cashew plantations and other capitalist assets (Nelson et al 2012:3). With the aim of bringing agricultural production and economic control under socialist ideology, also the government officials were prohibited to involve in private enterprises (ibid). Many properties were placed under parastatal organs such as National Agriculture and Food Corporation (NAFCO) or National Ranching Corporation (NARCO) (ibid). Furthermore, there were status upgrading of National Parks and Game reserves, thus state has effective control over huge conservation land during independence time (Nelson et al 2012:4).

Additionally, in the mid-1970s, collective villagization (Vijiji vya Ujamaa) were introduced. It is estimated that up to five million rural citizens were relocated without the reference to existing customary right to land as was recognized by existing statute also the processes were either voluntarily or by force (ibid)

Contrary to socialist policy which was against private accumulation, yet there was allocation of large areas to private individuals or investors, for instance in 1979 foreigner with the name Stelyn was offered land tittle to 379,000 acres along eastern border of Tarangire National Park (Shivji 1998)

3.4.2. Between Liberalism and the Present

In the late 1970s and 1980s Tanzanian economy collapsed and eventually economic and political environment were opened while socialist economic policies were abandoned (Nelson et al 2012:4). Hence, liberal and capitalist policies took over the economy of which it had a profound implication in relation to land tenure and ownership as private investment and property rights as well as foreign investment were encouraged (ibid).

Because of liberal policies, potential rural areas in terms of agriculture, tourism and mining were more attractive, and documentation of rampart land loss especially in pastoralist Simanjiro district through state expansion or elite claims in community area or through sale of community land by village leadership operating without sufficient checks and balance was an example (Igoe and Brockington 1999) as cited by (Nelson et al 2012:5).

In response to 2007/08 global food and fuel crisis, land grab in Tanzania focused mainly on large-scale land deals and direct foreign investment in food and biofuel production (Benjaminsen and Bryceson 2012:335). The first wave of land deals was characterized by biofuel projects, for instance in 2008 nearly 37 entities of varying types that were engaged in diverse aspects of bio energy development were reported (Kachika 2011). However, because of the limited economic viability of some envisioned biofuel crops and lack of policy and legal framework in Tanzania those projects have lost interest for many investors and have not been realized either (Hultman et al 2012, Sulle and Nelson 2013). Recently, land based investment on food productions especially rise sugar and palm oil have attracted more investors and some project argued to be operating (Locher and Sulle 20014:14). Furthermore, with the aim of being registered under the Clean Development Mechanism (CDM) and climate change mitigation under United Nation Framework convention on Climate Change (UNFCCC), investors have also invested on forestry plantation of which it also requires land approval (ibid).

It is argued that, local land users, are being dispossessed through conservation process and capital accumulation are concentrated in the hands of few powerful actors (Benjaminsen and Bryceson 2012:336). Also, it does not necessarily take usual forms of privatization of land (ibid). Furthermore, this form of land rush is argued to cause dispossession of local people's land and resources has been gradual and piecemeal in some cases while it involved violence in other cases (Benjaminsen and Bryceson 2012:337). Thus, a substantial and increasing part of rural and coastal Tanzania is no longer available to smallholder, pastoralist or small-scale fishers for productive activities (ibid). Also in relation to rural development, these dispossession processes are argued to generates a reserve of cheap labor (Benjaminsen and Bryceson 2012:336).

The term accumulation by dispossession was suggested by Harvey (2003) to describe the current process due to the fact that it is ongoing process (ibid). Consequently, land grabbing has become a hot issue in the social discourse and the political arena and it is argued that, it facilitates concentration of wealth and assets in the hands of the political and economic elites (Nelson et al 2012).

3.5.1 Agricultural Financialization

Before the 2007-08 crisis, agriculture was considered as backwater, of which financialization of farmland was not a priority for financial speculation (Fairbairn 2004). However, since then the situation has changed, because of the food price volatility, energy, finance and environmental crisis, agriculture has become a desirable alternative. Therefore, institutional investors such as pension funds, net worth individuals and private foundations were attracted to invest in farmland businesses (ibid.).

The economic paradigm with the conversion of real economic value into financial instrument and exchange within the financial system became dominant in the economic institutions, activity and value creation, hence, financialization. Fairbairn (2014) uses the term catch-all to explain financialization as the form of accumulation in which profit making occurs increasingly through financial channels rather than through trade and commodity production.

Mainly, financialization processes have been facilitated by two major shifts in the economic institutions which are the growing of shareholder value as a source of corporate governance and securitization which means the process of taking an illiquid assets or group of assets and through financial engineering, transforming them into a security that can be traded (Fairbairn 2014).

The crisis of 2007-08 marked the proliferation of financialization especially in farmland, yet financialization is argued to be a historical recurring phenomenon in which during capitalist system, accumulation cycle shifts to finance as an alternative to commodity production and trade. Also, the 1973 crisis is argued to have set off the phase of financial expansion (Arrighi 2009). Principally for the financialization to realize its goal, changes in the structure and operation of financial market, changes in the behavior of nonfinancial corporations and changes in economic policy are of vital importance (Palley 2007).

As a result of financialization, the market became dominant/alternatives whereby small-scale farmers were/are exposed to global market which is characterized by privatization; also, financialization transforms the functioning of the economic system at both the macro and micro levels (Palley 2007). In the past, the governments used to protect farmers from price fluctuation, however from 1980s in the name of neo-liberalism; the government stopped from guarantee subsidies to farmers and left everything to the market. Moreover, more speculators get involved in the market of which prices are distorted, hence, only big farmers can manage the market leaving small scale farmers to become increasingly marginalized (Isakson 2015).

Regardless of the market failure in price determination, yet financial derivatives aim at mitigating farmers vulnerability from climate change, market uncertainty and the drop out of the state from supporting farmers especially the small-scale farmers (Isakson 2015).

3.5.2 Rural Credit – Tanzania

In 1960s and 1970s rural credit in developing countries was suggested as a means to improve agricultural productivity as well as poverty reduction (Braverman and Luis 1986:1253). Gerber (2014) has argued that, through credit/debt economic structures such as financial organizations, banks, agriculture and industries are linked together, and credit/debit shapes the economy. Hence, despite the challenges that small-scale farmers have been facing, including drought, lack of market and poor agricultural technology, credit/debt has exposed them to the global market of crop.

Rural finance refers to the broad range of financial services, such as: savings, credit, payment transfers, leasing, insurance, etc provided by formal and informal financial services providers operating in rural financial markets (Wangwe, 2004:3). Many scholars insist that rural financing in Tanzania is a facilitator and not an opportunity (Wangwe 2004; Massawe 1994 and Kaino and Mashindano 2012). Historically, rural financing in Tanzania has developed through different systems. The credit rural financing was once under the government ownership. During that period of state ownership, government priorities were the key determinants of credit/debt (Wangwe and Lwakatare 2004:4). The credits were handled through two banks namely National Commercial Bank (NBC) and the Cooperative Rural Development Bank's (CRDB) under Bank of Tanzania (BoT) supervision. Provision of loans was done through cooperatives (Wangwe and Lwakatare 2004:4; Masawe 1994).

In the attempt to improve efficiency of rural financing credits system, the government reformed the whole financial sector by doing the following;

- Establishment of the Banking and Financial Institutions Act of 1991 to deregulate the bank (liberalization)
- Passing of Cooperative's Act of 1991to restructure Cooperatives hence introduction of Savings Cooperatives Credits (SACCOs) and NGOs
- Establishment of BoT Act 1995 to consolidate BoT and Financial Institutions Act of 1991.
- Establishment of Cooperative Development Policy 2002

Soon after the legal reforms of financial sector, rural credits system is now provided by four categories of institutions (Wangwe and Lwakatare 2004:6). The institutions are;

- Banks – CRDB, NMB, KCB and EXIM
- Member based organizations and associations such as cooperatives (especially SACCOS and some cooperative unions), NGOs (e.g. PRIDE, MEDA, SEDA and FINCA)
- Large companies financing through contract farming, government and
- Public sector institutions (e.g. SIDO, PTF, WDF, YDF, Local councils)

It is therefore obvious that, rural financing in Tanzania has developed alongside with the general finance sector. The changes made in the general sector automatically affected the rural financial sector and credits.

Since credit programmes have been identified as the solution in transforming agriculture by the Tanzanian government, rural poor farmers have been receiving cheap credit as a support from the state (Adams et al 1986). For example, in the 1980s the Tanzanian Government endorsed SACCOS as a means of providing access to financial services to rural people who were/are not served by formal financial institutions (Magali 2013). However, most of the credit institutions which aim to provide credit to rural farmers are argued to have weak control systems which results into high rate of defaulters and failure to reach the target group (Adams et al 1984; Magali 2013).

Although the main aim of credit is to improve productions situation, at the same time credit/debit mechanisms can be a stumbling block for rural small-scale farmers since it has been used as a means of land concentration by large land investors at the cost of small farms (Gerber 2013). Li (2010) argued that, owners of capital use debt as a source of benefiting from rural poor people in terms of labor and land dispossession. Similarly, since most of the financial policies in the developing countries are argued to favour rich people and denies rural rights to land, debt is used as a soft way of dispossession while companies know how to trap small-holder into debt (Li 2015; Gerber 2013).

Nonetheless, assessing the impacts of debt constitutes puzzle given the fact that, whenever dispossession happens; the dispossessed ones remain with the standard written document which shows voluntary land sale, while there is a possibility of being forced to sale by the creditor (Gerber 2013). Therefore, because of the silent nature of dispossession caused by debt, eventually people find themselves stranded in a fear of big farmers who bought the land (Li 2015). Accordingly, social differentiation is also an outcome of credit/debit in both ways, once the defaulter became ruined or managed to use the debt properly and became rich (Gerber 2014).

Moreover credit/debit are argued to play a major role in the development of capitalist relationships as defaulters are ought to work hard in line with intensive calculations, trade, work intensification (Gerber 2013).

3.6. Summary of Literature and the Gap

The literature presented in the previous chapter indicates that land grabbing or dispossession is a common phenomenon worldwide. The main causes of this situation according to the literature are response to the 2007/2008 global food and fuel crisis, commercialization of land, land preservation for forests and National Parks, privatization policy and for different public purposes. On the other hand, credit/debt according to the literature is said to mainly facilitate economic progress of the beneficiaries. Negative outcome of the debt including land dispossession is given little attention. Following this backdrop, this study aimed to show how credit or debt facilitates soft land grabbing or dispossession especially in the rural areas.

Chapter 4: Empirical Findings on the Role of Debt in Facilitating Land Grabbing/Dispossession

4.1. Introduction

Chapter four presents research findings regarding the role of debts in facilitating land grabbing/dispossession in Kibaigwa ward - Tanzania. The chapter is divided into five sections. The first section gives the general characteristics of the respondents. Section two explains how and why small farmers engage in debt. Section three presents reasons or factors that affect small farmers' ability to repay their loan or not. In section four, the researcher presents the relationship between debt and land dispossession in Kibaigwa. Section five contains the socio-economic implications of debt to small farmers.

4.2. Demographic Characteristics of the Respondents

The small-scale farmer's gender, age, education level and household size are potentially important when exploring small scale farmer's behaviour towards loan acquisition and the impact of debt it has to land dispossession.

4.2.1. Gender Distribution of Small Farmers

The Table 4.1 shows gender distribution of small farmers who participated in this study at Kibaigwa ward. The analysis revealed that males were much involved in the debt than their female counterparts as they comprise 62.7% of the small farmers and female were only 37.3%. This trend could probably be attributed to the traditional norms of many African societies as women have been the disadvantaged group due to lack of access to education, lack of access and ownership of assets and gender discrimination causing them not to secure loans. Among lenders, it has been found that most of the small farmers borrow money from informal creditors. Informal creditors include, 49.3% from individual money lenders, 12.0% from friends and about 1.3% from family members and traders. Other small farmers borrowed from formal sector which include 29.3% from MFIs and 6.7% borrowed from commercial banks.

Table 4:1. Gender Distribution of Interviewed Small Farmers (Source: Field Data 2017

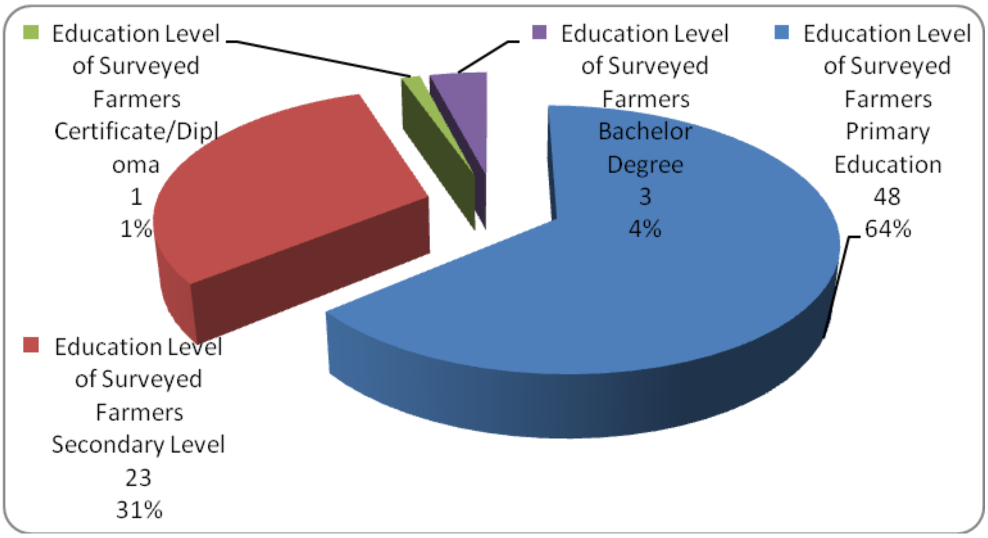
Gender of respondents	Frequency	Percentage
Female	28	37.3
Male	47	62.7
Total	75	100.0

Moreover, results from cross tabulation of gender and types of lenders from whom small farmers access their loans show that female small farmers frequently borrow from MFIs while male farmers borrowed from individual money lenders and commercial banks. In this study, there is an association between gender of the small farmers and where they access loans. While 50.0% of female farmers borrowed from MFIs, only 32.1% of female farmers borrowed from individual money lenders. Moreover, 59.6% of male farmers borrowed from individual money while only 17.0% borrowed from MFIs. On the other hand, approximately 9.0% of male farmers and 3.6% of female farmers borrowed money from commercial banks. The p-value Chi-square (0.047 at 95 confidence level (CL)) indicates that these variables are not independent of each other and that there is a statistically significant relationship between the gender and types of lenders from whom small farmers access their loans. The likelihood ratio is also significant at 95% confidence level with p-value 0.037. The main reason for men to borrow from informal creditors is the fact that they have power to mortgage the land and other assets unlike women who do not own those properties. Women instead borrow from MFIs because they are active in joining as well as become loyal to those groups compared to men.

4.2.2. Distribution of Education Level

As for education, the majority 64.0% of clients had primary education (i.e. standard seven education). This level is probably sufficient to successfully undertake agricultural activities. Also, 30.7% of smallholder farmers possess secondary school education. On the other hand, only 1.3% and 4.0% possess certificate/diploma and university education whereby one client had masters degree and the other three are bachelor degree graduates. The findings through cross tabulation between education level and decision to take loan revealed that education level does not influence loan taking decision. The two variables are independent on each other. So, decision to take loan doesn't depend on farmer's education level especially higher level of education. This is confirmed by the *p*-value of Chi-square (0.981, 95% CL). See figure 4.1 for more clarification.

Figure 4.1. Distribution of Farmer's Education Level (Source: Field Data 2017)



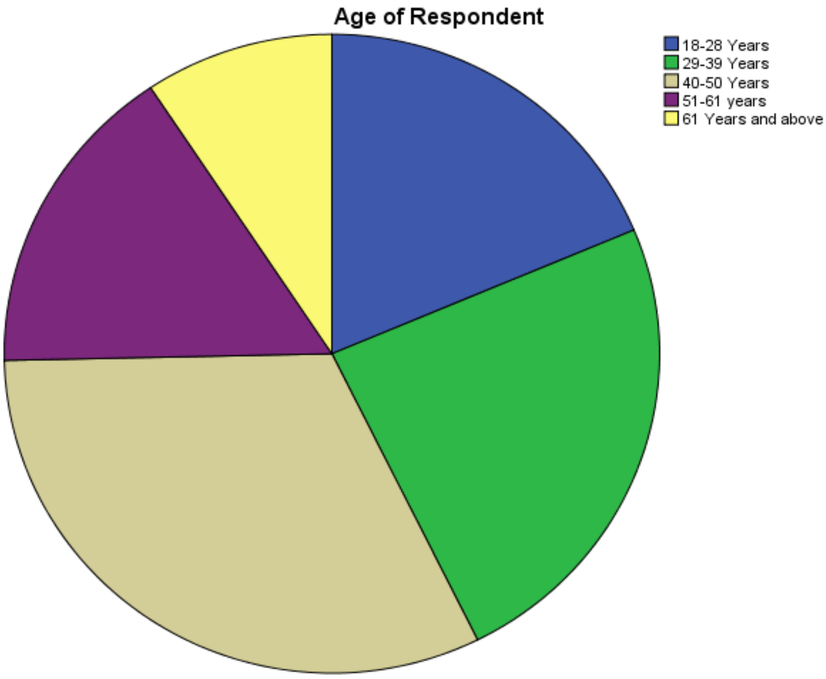
Moreover, the cross tabulation between education level and ability to repay the debt shows that the two variables are independent to each other. The Chi-square *p*-value is 0.601, 95% confidence level. Therefore, ability to repay loan is not influenced by education level of a farmer. Since all of the surveyed small farmers practice rain fed agriculture, so ability to repay loan of both less and highly educated farmers depend on the amount and duration of rainfall. This was found during KIs and focus group discussion as most of the participants claimed that rainfall affects strongly their ability to repay loans due to the fact that production of major cash crops (maize and sunflower) falls. One key informant said that

'*ability to pay depends on the season of the year, when the season is good the ability to repay also is high for agricultural debts and vice versa. Likewise, for business debts also depend on the season of agricultural production because 85% of customers are farmers*' (KI).

4.2.3 Age Distribution

The age of the interviewed small-scale farmers at Kibaigwa seems to be concentrate much on middle ages between 29-60 years which is equal to 72% while at the lower end there are only 14 respondent who are equivalent to 18.7% of all small farmers. On the contrary, at the upper end there were only seven (9.3%) small farmers. This implies that most of the small farmers are still economically active to take agriculture to the next level provided that they are empowered with capital and farm implements. Figure 4.2 shows age distribution of the small-scale farmers who were interviewed by the researcher.

Figure 4:2. Age Distributions of Small Farmers at Kibaigwa (Source: Field Data 2017)



4.3. Purpose of Debt and how Small Farmers Engage in Debt

There is fragmentation of debt for rural households in Kibaigwa. The study found that debt is both socially and legally regulated. It is socially regulated in the sense that access, price and use of debt are shaped by social interactions, and that class and localisation are key indicators. According to their social class and localisation, people borrow varied amounts, from distinct money providers for varied purposes and they pay a different price. Therefore, instead of being a purely economic transaction, debt is first and primarily a social tool that sets debtors and creditors into relationship and local systems of hierarchies. It is legally regulated because lending processes require borrowers to fulfil certain legal framework before receiving money even if they are in informal groups.

Based upon the analysis of Harriss-White on Indian informal economy and labour (Harriss-White 2003; 2010), this paper sets out three main arguments about informal debt. Firstly, informal debt is not a synonym for unorganised or unstructured debt. Secondly, rural debt is fragmented in the sense that borrowers face different prices and borrowing conditions. Thirdly, it is socially regulated, in the sense that social institutions such as class, gender and status shape the demand for the access to and the use of debt transactions.

The situation is that, farmers who engage solely in agricultural production borrow less and at a high price associated with many difficult conditions and a thinner range of options. However, table 4.3 shows that 61.3% of small-scale farmers borrow money for the purpose of agricultural production, 28.0% for business investment and approximately 10.7% borrowed for household purposes such as consumption, school fees and medical treatment. The results are supported by the comments from the interviewed extension officer and Ward executive officer who said that many debtors (about 70%) borrow for agricultural production purposes although in the application form they fill in that it is for business purposes. And 20% are farmers who really borrow for business issues and the remaining borrow for uses such as medical treatment, school fees, consumption, to repay other debts and social issues such as funeral or ceremonies. Debt is thus shaped by broader socio-economic and political changes.

Table 4:2 Purpose of Borrowing (Source: *Field Data 2017***)**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agricultural production	46	61.3	61.3	61.3
	Business investment	21	28.0	28.0	89.3
	Consumption	4	5.3	5.3	94.7
	School fees	3	4.0	4.0	98.7
	Medical treatment	1	1.3	1.3	100.0
	Total	**75**	**100.0**	**100.0**	

Nevertheless, during field work it was found that in order for these small farmers' requests to borrow for agricultural production to be accepted by lenders especially micro-financial institutions and commercial banks, they had to lie that the loan was requested for business purposes and not agriculture.

> *"I told loan officers from FINCA Bank that I needed a loan in order to develop and grow my business of selling sunflower oil, I lied, the truth was I needed money to hire people for weeding my maize farm..............."* a respondent said in focus group discussion (FGD)

Moreover, small-scale farmers said that they have to lie because agriculture is not attractive lenders since small farmers' agricultural activities depend on rainfall and in the recent past rainfall have been diminishing and erratic due to shift in climatic conditions. Also, there has been a decrease in soil fertility and growth of population which increases settlement area which in turn reduces area for agricultural activities as many farms are converted into settlement areas for the growing population. Similar results were found by Twene (2016) in Ghana and Goldman et al. (2016). It is however unfortunate that most of the small-scale farmers do not follow approved best agricultural practices. One respondent (R1) stated that:

"We, small farmers do not adhere to farming practices; if farmers use lands properly they could not need extra land to produce more. I myself, in 2015 attended a seven days training on modern agricultural practices, last year and this year I decided to put the theory into practice, despite short and scant rainfall in the last year I harvested 0.96Ton/Acre from 0.3Ton/Acre, and this year against all odds (rainfall unreliability and occurrence of pest) I expect to harvest not less than 12Tons in my 15Acres farm, so if we follow modern techniques we will be able to repay loans or stop taking them altogether and protect our land and other assets" (R1)

4.4. Factors Hindering Loan Repayment by Small Farmers

In assessing the factors that hinder small-scale farmers' ability to repay their debt, the respondents mentioned a number of factors emanating from debt policies, debt procedures, market, weather and climate, skills and poverty. Despite the efforts made to collect loans, available data indicate that many microfinancial institutions still face a problem of an increase in an outstanding balance withheld by defaulters due to the fact that not all loans disbursed are repaid on the due date. Accordingly, this study found that 45.3% failed to repay their debt completely while 54.7% managed to repay their loan. This is a very high percentage of borrowers who have failed to repay their loan. Actually, this result tells us that lenders are unable to collect almost half of the amount they offer to borrowers. With borrowers' failure to repay the loans, the lenders are rendered unable to provide loans to new loan applicants (Chijoriga, 1997).

Table 4:3. Loan Repayments (Source: *Field Data 2017***)**

Managed to repay	Frequency	Percentage
Yes	41	54.7
No	34	45.3
Total	**75**	**100.0**

4.4.1. Lack of Trust among Borrowers

Consequently, for the period of 2016-17, National Bank of Commerce loan provision was reduced by more than 50% (National Bank of Commerce Report, 2017), National Microfinance Bank closed loan for new applicants (National Microfinance Bank Report, 2016-17) and Trust Fund reduced loan by 29% in 2008 and by 40% in 2016 (Trust Fund Report, 2008; 2017) due to the failure of borrowers to repay loans on time. One of the key informants (KI) had this say;

> *"A month ago, a well-known lender at Kibaigwa refused to lend me money because many farmers have not repaid back". "In the period of December 2016 to April 2017, FINCA Bank did not issue any loan at Kibaigwa division" (KI)*

Moreover, one of the individual lender (IL) who used to lend money to small farmers and entrepreneurs had these to say:

> *"I stopped lending money because many borrowers are not trustworthy on their collaterals and on repaying their debt, last I encountered a big blow when I lend 5.0 million to an entrepreneur who secured my money using his family house under the witness of his wife and our friend. When he failed to repay my money, which had increased to 8.0 million in six months, I decided to claim the collateral, house, without success. So, I took it to the ward office for reconciliation. Astonishingly, the borrower's wife who was a witness to our agreement declined knowledge of the agreement saying that her husband had done without her knowledge and therefore she cannot allow the house to be sold. That was simply a conspiracy of husband and wife to save their house. The husband's whereabouts are not known to date. That way I lost my money. It is not just me, many lenders have encountered such situations and that is why they charge a shilling for a shilling as interest rate" (IL1)*

When probed to explain how the borrower's wife managed to lie while she witnessed the agreement he replied that:

> *"You know us individual money lenders serve people we know or referred by someone we know and trust. I knew that man and was a good friend. In our agreement only, I and him (borrower) signed. His wife and our friend were just eye witnesses. We avoid involving government officials or lawyers because we have to pay them" (IL1)*

4.4.2. High Interest Rate

The findings show that poor loan repayment behaviour by the borrowers negatively affects the lenders' operations in a number of ways. These include the inability of the lenders to fully disburse the loans at the expected maximum levels. When asked why they fail to repay their debt, small-scale farmers (SSF) in the study area lamented that the interest rate charged is very high and the time given to complete the repayment is too short. See the quotation below;

> *"Loan was a burden to me, a mess started when all my maize wilted due to drought"*
> *"I couldn't pay back because interest rate was so high, I was supposed to repay 600 000 TZS for a loan of 300 000 TZS, that means a shilling for a shilling, it was way high for me...... I accepted the loan at a time because I had medical emergency, I had to save my father's life"*

> *"Mode of payment and interest rate are big challenges to farmers, some lenders charge up to 200% interest rate, due to ignorance and poverty. People take the money and lose their land and houses". "I couldn't repay due to bad rainfall" (SSF).*

In developing countries one of the major challenges regaring access and loan repayment is the interest rate charged by lenders (Kashuliza, Magayane and Mvena, 1998; Wangwe and Lwakatare, 2004). Interest rate differs from one lender to another depending on the degree of risk associated with it and modality of payment (Wahid and Rehman, 2014). In the study area, it has been found that interest rate charged by financial institutions is relatively low compared with what is charged by individual money lenders. The common interest rate charges by individual lenders is 100% popularly known as 'a shilling for a shilling', and in extreme case these lenders charge up to 200% interest rate 'two shillings for a shilling'. During in-depth interview KIs said:

> *"Interest rate is too high for both individual lenders and financial institutions and that is why the borrowers look the debts as burden and not economic chances. 25% charged by SACCOS and 35% -40% charged by individual lenders"*
> *"The interest rate charged by lenders is too big to pay for example SACCOS charges 25% of the debt which is a burden to borrowers"*
> *"individual lenders are the biggest problem when it comes to interest rate, when they find that you are in need and don't have elsewhere to go, they charge interest rate of two shillings for a shilling (200%) and not the normal shilling for a shilling rate (100%)"*
> *"Normally financial institutions charge not more than 36%, but individual lenders can charge up to 100% which we call it a shilling for a shilling" (KI)*

Generally, many farmers are of the view that, interest rate is a big barrier to loan repayment. Table 4.5 explains more;

Table 4:4. Do You think Interest Rate has Impacted Loan Repayment Negatively? (Source: *Field Data 2017*)

Responses	Frequency	Percent
Strongly agree	38	50.7
Agree	25	33.3
Neither agree nor disagree	5	6.7
Disagree	6	8.0
strongly disagree	1	1.3
Total	**75**	**100.0**

4.4.3. Mode of Repayment

In case of mode of repayment, the findings show that mode of debt repayment impact loan repayment negatively. Depending on the type of a lender the mode of repayment can be negotiated. However, most of the time financial institutions' mode of payment is dictated to borrowers especially micro borrowers. The mode of payment can be a lump sum payment where a debt is settled only once and for all, or instalment payment '*rejesho*' for a specified period of time. These instalments can be paid monthly or weekly depending on the policy of the lending institutions. Weekly instalment has been a problem to many farmers since they cannot raise income within such a short time for the next instalment. Many borrowers prefer a monthly payment mode as it provides them with enough time to earn income for payment of the nest instalment. At Kibaigwa division the mode of payment imposed by financial institutions is weekly or monthly while individual money lenders prefer a lump sum payment.

> *"Lenders prefer borrowers to payback their debts in weekly basis which is not friendly to borrowers, to generate an income per week which can be used at a family and to repay the loan is not easy, so people live in tension every day, then debts become burden and not an advantage to borrowers, in the end some fail to repay" a respondent said in a focus group discussion at Pandambili Ward of Kibaigwa division*

> *"Repayment mode of debts is not friendly to debtors because the interval is too short, for example every week, within only seven days, a debtor must pay principal amount plus interest amount to a lender, if the money had been used in agriculture but the harvest is only once per year, how on earth can a small farmer payback a debt smoothly"*

Table 4:5 Do You think Mode of Repayment has Impacted Loan Repayment Negatively? (Source: *Field Data 2017***)**

Responses	Frequency	Percent
strongly agree	30	40.0
Agree	21	28.0
Neither agree nor disagree	2	2.7
Disagree	19	25.3
Strongly disagree	3	4.0
Total	**75**	**100.0**

4.4.4. Crop Levies

It is another major problem to small farmers as it reduces farmer's income and hence negatively affects the debt repayment ability. However, in 2017/18 financial year crop levies have been abolished by the government of the united republic of Tanzania under president Magufuli administration. Following rules and regulation of crop levies a farmer was supposed to pay a levy at the road gate designated by the district council to collect crop levy and at the market where the crops were sold as a market levy, only twice. On the contrary, farmers used to pay crop levy four to five times: at the village, at gate one (Designated by district council), at gate two, to police officers on the road and at the market. It was a burden to farmers. Table 4.7 explains more;

Table 4.6 Do You think Levy has Impacted Loan Repayment Negatively? (Source: *Field Data 2017***)**

Responses	Frequency	Percent
Strongly agree	24	32.0
Agree	27	36.0
Neither agree nor disagree	15	20.0
Disagree	8	10.7
Strongly disagree	1	1.3
Total	**75**	**100.0**

In addition to the explanations given in table 4.7, one small-scale farmer (SSF) had this to say;

> *"Levy for now days is not among the obstacles because many of them are demolished by the government, back then they were disasters to farmers"*
> *"Levy is not an obstacle because the government has abolished some of them which were disturbance to farmers"*
> *"Back then levy could reduce farmer's income by 20-30%" (SSF)*

4.4.5. Grace Period (Exemption)

Duration to start paying back is of outmost importance in influencing the ability of small farmer to repay debt. Both short and long-time period for start repaying the loan can affect the ability of farmers to repay the loan. Short time period affects ability of farmers to repay negatively because they depend on harvests which take up to a minimum of four months. Long time period can also affect farmers negatively since borrower relaxes and a sense of responsibility fades away.

Although duration differs from one type of lender to another the most applied is a week or a month. To a very small degree, individual lenders can provide a grace period of up to six months without withholding the interest rate depending on how closer the lender and borrower are.

Other important factors which affect the grace period of loan repayment are misleading advertisements from the lender's loan officers. These officers use tricky techniques when they are searching for borrowers. They falsely influence borrowers and never tell them negative part of the loan to be obtained. Table 4.8 gives more explanations;

Table4:7 Do You think Duration to start Repaying has Impacted Loan Repayment Negatively? (Source: *Field Data 2017***)**

Responses	Frequency	Percent
Strongly agree	19	25.3
Agree	36	48.0
Neither agree nor disagree	5	6.7
Disagree	13	17.3
Strongly disagree	2	2.7
Total	**75**	**100.0**

In addition to explanations given in table 4.8; through FGD it was established that;

> *"The time given to start repaying back is too short, just a week after taking a loan from FINCA Bank"*

> *"We are farmers, but we borrow using business umbrella, as a result we are given very short time to start repaying our debts while we depend on our harvest to repay them, many of us fail to repay, we lose our land"*

> *"I was given six months by an individual lender and after I harvested my crops I sold some and paid back my debt"*

"Microfinance institutions provide borrowers with a very short time to start repaying back the debt, usually a week" (FGD)

In practice, when one wants to borrow from individual lender he/she has to express his/her interest orally to the lender. Then the lender asks some questions such as how much is needed, purpose of loan, type of collateral a borrower is willing to use, time when the money is needed and other related questions. After that the lender provides a borrower with a list of terms, if a borrower agrees to the required terms then a time and place is set for them to conclude a deal under a witness of a closest family member of a borrower (Mainly wife, husband, father or mother or a child). The common terms are interest rate, mode of payment and style of writing a contract. This style is tricky, for example when a farmer borrows 500,000 TZS at interest rate of 50% per month the contract is written that a farmer has borrowed 750,000 TZS and is required to pay back in a month. The 250,000 TZS is the interest amount at interest rate of 50%.

Usually, duration to pay back depends on the agreement between a lender and a borrower. As time to pay back increases the interest rate also increases. Mostly, the interest rate is charged once on a principal amount and repayment is once. If a farmer borrows 1.0 million and given six months to repay back the debt at interest rate of 100%, then the farmer has to pay back 2.0 million in six months, the payment is a lump sum of 2,000,000. In some cases, lenders might accept instalment payments but at a higher interest rate. Many farmers have lost their land due to this kind of interest and contracts and the government cannot interfere because the contracts do not stipulate that a farmer has borrowed at an interest rate. It simply shows the amount which has been borrowed (principal plus interest amount). One Ward Executive Officer (WEO) had this to say

"This kind of lending is not fair"
"Lenders capitalise on farmer's ignorance and poverty"
"Because the contract does not stipulate an interest rate, when they come for reconciliation we as government officials we argue the farmers to repay back, they complain that we favour the lenders, they need to understand that we protect our citizens by following the law although we know that they were tricked because of their poverty" (WEO)

4.4.6. Financial Institutions' Credit/Debt Policies

In case of the financial institutions, the procedures are a bit complex and farmers incur some cost during loan processing. There are transport and accommodation cost from Kibaigwa to Dodoma municipal where the FINCA Microfinance Bank and PRIDE TZ Ltd offices are located, residence approval letter fees paid at village and ward offices, passport size, pre-deposit amount, group fee and others. The procedures are: potential borrower (a small farmer) must apply to join a borrowing group gets discussed by members of the group and either is accepted or rejected, if accepted pays group fee. Then loan officer from a micro-finance institution issue a registration form to a group chairperson to register a new customer. A form must be filled by a farmer and for referencing village and or ward executive officers must prove by a written letter or form that a farmer is a resident in their administrative areas. After filling the form undergoes training for six weeks. At the same time, a farmer is required to deposit some amount of money with the lending institutions as own savings. The amount to be deposited depends on the amount a farmer expects to borrow. Upon successful completion of the training a farmer is given the first loan. The amount of the first loan does not exceed 500,000.

These procedures and associated cost reduced the ability of farmers to repay the debts. It is a vicious cycle of income poverty as a farmer borrows some money from a friend in order to use it to process a relatively bigger loan from MFI and after securing a loan pays back what a friend owes and remains with very small amount that cannot be used in an intended activity. In the end, a farmer fails to repay a debt. Table 4.9 put it clear.

Table 4.8. Do You think Cost of Processing Loan has Impacted Loan Repayment Negatively? (Source: *Field Data 2017***)**

Responses	Frequency	Percent
Strongly agree	12	16.0
Agree	12	16.0
Neither agree nor disagree	19	25.3
Disagree	26	34.7
Strongly disagree	6	8.0
Total	**75**	**100.0**

During the survey, it was found that for farmers to secure loans, they have to wait at least for more than three months. Let alone they have to lie to loan officers that they need the money for business purposes and not for agricultural production because if they say the loan was for agricultural production they will not get it. If a farmer applies a loan in November when agricultural activities starts (Kibaigwa rainfall season start), loan officers do not disburse the loan until agricultural season is over in April (Kibaigwa rainfall season ends) or May. They do so because they know that farmers are going to use the money for agricultural production which is unpredictable due to poor rainfall and declining soil fertility.

April and May are months when farmers at Kibaigwa experience the lowest income and hence lowest purchasing power because crops are yet to be harvested. Usually, the harvest time is June to August. Therefore, the loans those farmers are given in this time of the season ends up in household consumption. Even if the loan is put into business, the expectation that the businesses will generate extra income is less as purchasing power is the lowest at that particular time. In the end farmers fail to repay their debt as quoted below;

> *"I requested a loan in February and I was given in April, all my goals were destroyed, I managed to repay it but with difficulties"*
> *"My neighbour applied for a loan in November of a certain year, he was given a loan in March of the followed year, he used the money for household consumption and failed to repay back the loan, rainfall was bad that year, he committed suicide in the forest because FINCA Microfinance Bank sold his house"*

"I don't know what we can do with this, but many farmers had lost their land and houses because their loan delayed"
"Loan officers delay our loan applications on purpose but due to our poverty we cannot refuse, we take the loan and put into unintended use, we lose the money, we lose our farms" (SSF)

4.4.7. Climatic Conditions (Availability of Rainfall)

Also, rainfall affects the ability of farmers to repay their debt. Except for one all 98.7% surveyed farmers agreed that rainfall affect their ability to repay debts. About 60.0% of small farmers agreed that rainfall affect debt repayment ability to the large extent. This is because Kibaigwa farmers depend on rainfall for their agricultural production. Therefore, if rainfall in a particular year is not enough then farmers' income is jeopardised. Thirty seven percent of farmers said that rainfall has affected debt repayment to medium extent while only 2.7% commented on that rainfall affects debt repayment ability to the low extent.

Table 4.2 To What Extent Does Rainfall Affects Debt Repayment Ability (Source: *Field Data 2017***)**

Responses	Frequency	Percent
Large extent	45	60.0
Medium extent	28	37.3
Low extent	2	2.7
Total	**75**	**100.0**

Since in recent years rainfall has been diminishing and become unpredictable, farmers' income has been on a decline too. Both cash and food crops especially maize and sunflower have been affected by short and scant rainfall. Eighty eight (88) percent of farmers said that the most affected crop is maize while only 12.0% said sunflower is the highly affected cash crop.

Table 4.10. Types of Crops Affected by Rainfall (Source: *Field Data 2017***)**

Crops	Frequency	Percent
Maize	66	88.0
Sunflower	9	12.0
Total	**75**	**100.0**

Moreover, the descriptive statistics shows that 92.0% agreed that rainfall is diminishing in recent years. A change in rainfall is caused by changes in climatic conditions and the destruction of the environment. Only 8.0% refuses that rainfall is not diminishing. However, during focus group discussion the respondents argued that the rainfall has not diminished but the rainfall patterns has changed. He continued that, the amount of rainfall is the same, it is only not predictable. All in all, the study found that together with its unreliability the amount of rainfall has also decreased.

Table 4.11. Has Rainfall Diminish Over the Recent Years? (Source: *Field Data 2017***)**

Responses	Frequency	Percent
Yes	69	92.0
No	6	8.0
Total	**75**	**100.0**

4.4.8. Unstable Prices for Crops

In addition to that, changes in price of crops and farm implements affect farmer's ability to repay loan. A decrease in price of crops results in a decrease in farmer's income. However, since farmers are also consumers, hence a decrease in price of crops increases their purchasing power. Hence a decrease in price of crops can result into both a fall and an increase in farmers' income. However, a net increase in income depends on how fast the aggregate demand is rising. On the other hand, an increase in price of crops raises farmers' income but erodes their purchasing power. Net increase in farmers' income depends on the amount of food crops harvested for household consumption. If a farmer has enough food for the family, the extra income obtained from increase in price of crops will not be spent for food stuffs and can be used to repay a debt.

Table 4.12. Change in Price of Crops and Loan Repayment Ability (Source: *Field Data 2017***)**

Response	Frequency	Percentage
How increase in price of crops affects your loan repayment ability?		
Positive	58	77.3
Negative	17	22.7
Total	**75**	**100.0**
How decrease in price of crops affects your loan repayment ability?		
Positive	18	24
Negative	57	76.0
Total	**75**	**100.0**

From table 4.13 results show that 77.3% of small farmers at Kibaigwa established that increase in price of crops affects loan repayment positively while 02.7% said that increase in price eroded loan repayment ability. On the contrary, 76% of the respondents purposed that a decrease in price of crops affects your loan repayment ability in a negative way. Hence, the study summarizes that a decrease in price of crops reduced the debt repayment ability while an increase in price of crops increases loan repayment ability. The following were remarks of different respondents (Rs):

> *"When price of crops especially food crops decreases, farmers' purchasing power increases, then with our dwindling income we can afford our basic needs and remain with some money to pay for our debts"*
> *"Price decrease is a burden and a relief because farmers get low income and they also spend less"*
> *"People think an increase in price is good for them because they think about getting a lot of money; they don't think about how much they spend"*
> *"High price of food crops is a disaster to both famers and workers, but when cash crops fetch a premium price it is a paradise to farmers"*
> *"I went to the market to sell my sunflower and I was paid a very good price, then on the next door I bought some kilos of maize flour and cooking oil, I used all of the money I was happy about, my happiness was short lived" (Rs)*

In case of price of farm implements, the findings in table 4.14 show that 12% of small farmers at Kibaigwa established that increase in price of farm implements affects loan repayment in a positive way while 86.7% supposed that increase in price of farm implements affects loan repayment ability negatively. In contrast, 81.3% acknowledged that a decrease in price of farm implements affects farmer's loan repayment ability positively and 18.7% believed that increase in price of farm implements affected loan repayment ability negatively Hence, the study concludes that a decrease in price of farm implements strengthened the debt repayment ability while an increase in price of farm implements eroded loan repayment ability. The theory behind is that an increase in price of farm implements increases the cost of production and hence reduces the farmers' profits.

Table 4.3. Change in Price of Farm Implements and Loan Repayment Ability (Source: *Field Data***)**

Response	Frequency	Percentage
How increase in price of farm implements affects your loan repayment ability?		
Positive	09	12.0
Negative	65	86.7
Total	**75**	**100.0**
How decrease in price of farm implements affects your loan repayment ability?		
Positive	61	81.3
Negative	14	18.7
Total	**75**	**100.0**

On the other hand, not all of the farmers fail to repay their debt; there are others who managed to repay them. However, for those who managed to repay their debt it was not an easy task. A cross tabulation results in table 4.15 show that among them, 68.3% said that debt was a burden to them while 31.7% acknowledged that debt was a worrisome encounter especially when you put something precious as land on the line. Therefore, in order to protect their land, farmers had to employ different measures and strategies.

Table 4:44. Cross Tabulation (Source: *Field Data 2017***)**

Have you managed to repay your loan * What is your experience about debt and land dispossession?					
			What is your experience about debt and land dispossession		Total
			It was a worry	It was a burden	
Have you managed to repay your loan	No	Count	14	20	34
		% within have you managed to repay your loan	41.2%	58.8%	100.0%
	Yes	Count	13	28	41
		% within have you managed to repay your loan	31.7%	68.3%	100.0%
Total		Count	27	48	75
		% within have you managed to repay your loan	36.0%	64.0%	100.0%

From table 4.15 the findings show that 61.3% of the small farmers conceded that the most popular measure which they used was to increase agricultural production. This increases the chance of improving their income if the rainfall is good and crops fetch good price. In the end they would be able to repay their debt. Reduction in household expenditure is another measure employed by small farmers to ensure they repay their debt successful. Poor farmers are faced with a challenge of low income (SIDA, 2005; Kiiru, 2007; Malamsha and Kimaro, 2014) and therefore for them to be able to repay debts they must cut down household budget to include only important and necessary needs. This was another strategy used by small farmers at Kibaigwa to save money for paying back the debts. Moreover, about 06.6% engaged in extra income activities and they also argued their family members to engage in extra income generating activities in order to generate more income to use for payment of debt.

Table 4:15. Measures Taken in Order to Repay Debt Back on Time (Source: *Field Data 2017***)**

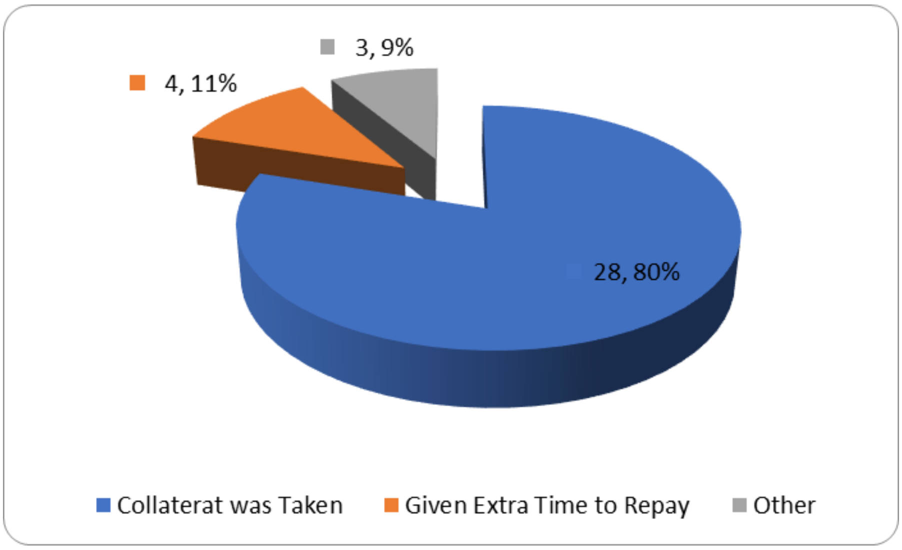
Measure Taken	Frequency	Percentage
Increase Production	46	61.3
Reduce Spending (recreation, unnecessary spending)	24	32.0
Engage in Extra IGAs (retail shops, poultry project)	04	5.3
Family Members Engage in extra IGA	01	1.3
Total	**75**	**100.0**

4.5. Relationship between Debt/Credit and Land Dispossession

There is intense debate involving micro-credit proponents and opponents on whether microcredit can lift poor out of poverty. The micro-credit industry has long painted a picture, often backed by exciting individual success stories, in which poor households can escape poverty once they receive a micro-credit. Small farmers are thought to benefit in particular as access to micro-credit allows them to become economically and socially more independent. However, it is argued that, capital owners use debt as a source of benefiting from the rural poverty in form of labor and land dispossession (Li 2010). Furthermore, although the main aim of credit/debit is to improve productions situation, at the same time credit/debit mechanisms have been a stumbling block to rural small-scale farmers since it has been used as a means of land concentration (Gerber 2013).

Based on the study findings, 69.3 percent of the respondents used land as the collateral means in accessing loan whereas 26.7 percent used houses. The analysis showed that only 4 percent of the respondent used other assets which included livestock, motorcycle, vehicles and household appliances like television and refrigerator. The respondents argued that, in case a farmer failed to repay the debt, the lender used to claim the possession of the asset used as collateral to recover the debt. Figure 4.3 show action taken to small-scale farmers after failure to repay the loan;

Figure 4:3. When Farmers did not Repay their Loan (Source: Field Data 2017)



Although land dispossession was used for loan recovering when land was the collateral, during focus group discussion, it was argued that, most of those who managed to repay their loan sold their land to protect houses and household appliances. They went further by saying that, business people who at the same time are the large-scale farmers, tend to help small scale farmers in repaying their loan with the intention of acquiring their land. Once large-scale farmer acquired the land on the basis of loan repayment, the land was registered, and its title was used as the collateral in favour of their loan application. The other observable key point was that, the same large-scale farmers were the individual lenders whose interest rates were claimed to be 100 through 200 percent which facilitated land dispossession. The implications of debt/Credit and Land Dispossession were reported to be seasonal migrant labour, depeasantisation and urbanization which increased of settlement area.

4.5.1. Seasonal labour

Land dispossession was mentioned as one of the reason for seasonal migrant labour which normally happens during farming and harvesting seasons. It was argued that, labourers used to move from Kibaigwa to the neighbouring regions where most of the large-scale farmers cultivate. In facilitation of these movements, the respondents maintained that there are different pickup points where labourers meet collectively to be picked by the large-scale farmers who seek workers for their farm in the neighbouring regions.

4.5.2. Depeasantisation

It was further indicated as a sign of land dispossession. This is because the respondents argued that, most of the small-scale farmers were forced to engage in other businesses like post-harvest chain such as crop buying and selling; retail business like retail shops, hawker and peddlers; employment like security guards, housemaids, barmaids (which was shown to promote prostitute to young girls) due to economic hardship. As it was observed, it is valuable to note that; housemaids and to some extent barmaids were one of the catastrophic eagle to the termination of right to education for young girls. But as a matter of fact, all these were noted as alternative means of livelihood when the small-scale farmers lost all of their family land or remaining with small portion after the land dispossession. In summary, the respondents argued that, the family which remained with the small portion of land did not produce sufficient food to feed the family which led many families to suffer malnutrition caused by not having enough to eat. In the same way it was reported due to the sharp drop of purchasing power by the rural population attributed by the land dispossession, the majority of retail business did not produce enough food to feed their family likewise. These were noted as challenges the rural population is facing at Kibaigwa and its suburbs.

4.5.3. Increase of Settlement area

It is apparent that, Kibaigwa town is among the fastest growing town in Dodoma in Kongwa district. Its development was affirmed to be among the sign of land dispossession. Although urbanization may be utilized as an indicator for growth but on the contrary-large scale farmers/business persons due to their financial power, were argued to buy up poor land for real estate. By real estate, it means they bought land and built houses for rent, business and residential. In fact, the term has the connection with the ownership of all-natural resources above and under the acquired land. Along with real estate business, the acquired land as well as the erected buildings using title deed were and are used as collateral means by the larges-scale farmers in accessing loans for both businesses and agriculture. To conclude, the farms which were used for production were and are largely turned into settlements is fuelled by the population increase by both migrants and business people who engage in the postharvest chain via Kibaigwa International Market including transporters, traders etc.

4.6 Socio-Economic Implications of Debt for Small Farmers

In the context of Kibaigwa population livelihood, the analyses were as well drawn on agriculture intensification/extensification, livelihood diversification and migration (Scooner 1998:4). In fact, these were also noted to cover the livelihood of the Kibaigwa population in a greater extent. In this section, it is drawn on the detail of the analyses

4.6.1 Agriculture Intensification/Extensification

Although the agriculture was identified to be the major means of economic production on both small-scale and large-scale farmers, the research findings showed that the livelihood of the Kibaigwa population depends from agriculture extensification. This was reported by some number participants during focus group discussion and it was further supported by the agricultural extension officers. For instance, one of the participants argued that he used to cultivate several acres but harvested very little. The participant added that, when he was introduced to best farming practices for agriculture intensification, he cultivated only three acres and harvested about fifteen maize sacs. Central to agriculture extensification/intensification and the spreading of the best farming practices for agriculture intensification although slowly, the question rises what will be the effects of the rural livelihood in relation to land dispossession? According to the findings, although best farming practices were and are still introduced to the Kibaigwa population, the land dispossession which reorient to the debts repayment whether directly or indirectly to secure some other collateral properties such as houses, and house utensils will hinder the societal economic basis as they mostly loose land.

4.6.2. Livelihood Diversification

Also, soil fertility and growth of population were argued to increase settlement area which in turn reduces farming land as many farms are converted to settlement areas to support the growing population. Similar results were found by Twene (2016) in Ghana and Goldman et al. (2016).

Additionally, the study found that debt is both socially and legally regulated in the sense that access, price and use of debt are shaped by social interactions, and that class and localisation are the key indicators. According to their social class and localisation, people borrow varied amounts, from distinct money providers, for varied purposes and they pay a different price. Therefore, instead of being a purely economic transaction, debt is first and a primary social tool that sets debtors and creditors into relationship and local systems of hierarchies. Debt is also an image and catalyst of broader socio-economic and political trends, specifically for being deficient in social protection, persistent under-employment and increasing consumerism.

Based upon the analysis of the Indian informal economy and labour (Harriss-White; 2003), this paper sets out three main arguments. Firstly, informal debt is not a synonym for unorganised or unstructured debt. I argue that rural debt, both formal and informal, is fragmented, in the sense that borrowers face different prices and borrowing conditions, and socially regulated, in the sense that social institutions such as class, gender and status shape the demand for, the access to and the use of debt transactions.

Secondly, social regulation translates into persistent inequalities of which the most marginalized people access loan with high interest rates and it's not for the income generating purposes. On the contrary, dominant groups such as business persons access loan at low interest rates and it's for generating income. Thirdly, social regulation does not guarantee that debt must follow a pre-determined course and is fixed over time. Usually, most social interactions and processes that shape the debt contract evolve in a very irregular way depending on local circumstances and specific periods in history. In this study, this is illustrated by distinctive debt patterns between types of income generating activities.

4.6.3. Migration

Under migration, the analysis aim was mani-fold: one being migration as physical shifting from Kibaigwa to other arable lands in the regions nearby Kibaigwa and two migrating from agriculture as economics mode of production to other economic activities like employment, retail business etc. Central to the hostile and unpredictable weather changes at Kibaigwa, the findings showed that, most of the large-scale farmers migrate to the nearby regions in favour of the stable weather to support large scale farming. However, on the other hand, small-scale farmers, remains at Kibaigwa. These were argued in the focus group discussion. In fact, the migration case for the large-scale farmers catered for the yields reliability. Over the course of discussion, the majority of arguments indicated that although small-scale farmers borrowed from both the formal and informal borrowers, they mostly failed to repay as they mostly got loss when cultivated at Kibaigwa. This created a debt that small-scale farmers failed to repay, and the only solution was to sell their land to the large-scale farmers and the business firms to cover their debt. It was noted as well, some of the loans collaterals were properties other than land, like houses etc. and to rescue those properties, the immediate solution was to sell land to large-scale farmers and business firms so that they would repay their loan.

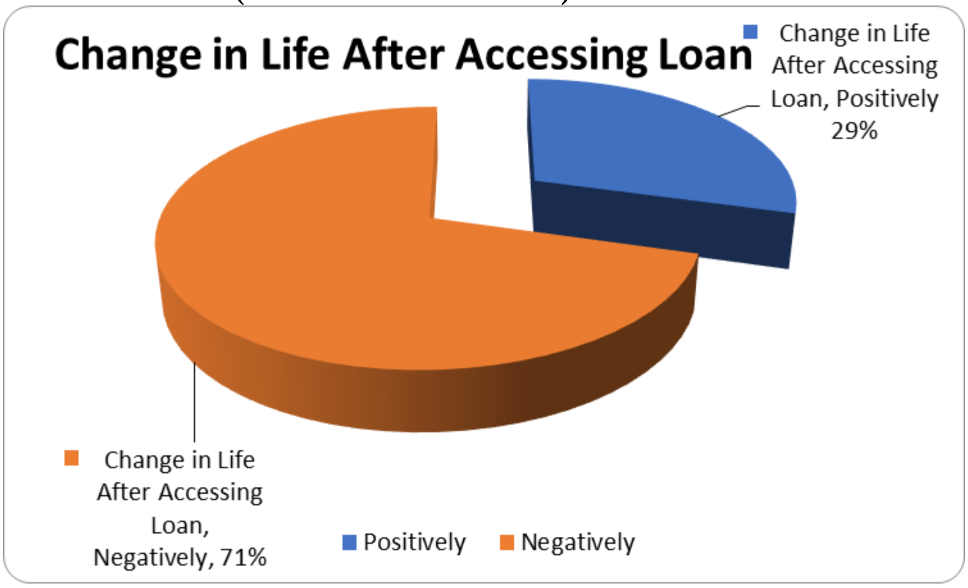
Equally important as well was the migration from agriculture to other economic activities/business/employment. This was well revealed in the focus group discussion. The participants narrated that, some of the societal workforce which used to depend on small-scale farming developed a new tendency towards temporary employment like security guards, bar maids, prostitutes, farm labor etc. Likewise, some families developed a tendency towards terminating girls from school and send them in the urban to seek for household jobs to support their families following the economic hardship which rose from land dispossession in favour of debt repayment.

4.6.4. Effects of Debt on Welfare/Poverty

The surveyed respondents in this study were asked to respond on livelihood improvement based on loans access. The quantitative analysis revealed that 29.3 percent of small-scale farmers experienced economic and social wellbeing improvement (that is positive change in their life). In contrast, 70.7 percent indicated that, the economic strength and their social wellbeing were deteriorated meaning their lives were changed negatively. Similarly, these results conformed to the triangulated information from the focus group discussion which maintained that, about 25 percent of the small-scale farmers at Kibaigwa division and its suburbs succeeded due to loan. On the same basis, the remaining 75% did not succeed, meaning that the loan declined their livelihood which led them into a poverty trap. The following quote is from an argument rose by a focus group discussion member who argued that:

> *"Credit aims to improve the society livelihood, but in practice, it is quite different, we have been seen some people losing their family land which were used as collateral because of debts. Others lost houses, livestock and household appliances. This led to suicide as well as some husbands neglecting and ran away from their families which deteriorated their livelihood"*
>
> *"The livelihood of many borrowers especially the small-scale farmers deteriorated because most of them failed to repay their debts. In this case their collateral (mostly land) were taken for lenders debt clearance" (FGD)*

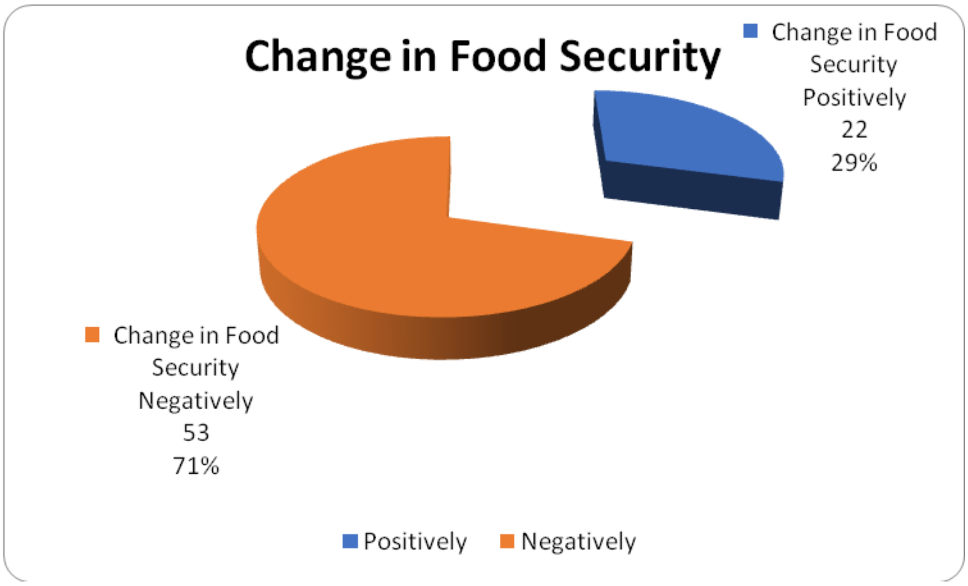
Figure4:4. Change in Life of Kibaigwa Division Farmers after Accessing Loan (Source: Field Data 2017)



Moreover, Mosley and Hulme (1998) reported that, MFIs programmes that targeted higher-income households (those near the poverty level) had a greater impact on household income. On the other hand, those below the poverty line were not helped much and the very poorest were somewhat negatively affected (Haule, 2008). The poorest tended to be more averse to risk-taking (World Bank, 2001; Rweyemamu et al., 2003; Kasali, Ahmad and Lim, 2015). On the contrary, Nichols (2004) investigated the impact of loan on the lives of the poor farmers in the rural China and found that the loan had led to positive impact in their life. Their income has increased, spending on education and health increased hence improved their standard of living and there was visible sign of higher wealth level within the village. These controversies arise due to the difference in poverty level of rural people in various countries (Mosley and Hulme, 1998). In addition to that, the variations of poverty can also be seen in local settings.

Studies of Littlefield et al. (2003), Brau and Woller (2004), Parvin (2012), Malekoet al. (2013), Angko (2013), Mago and Cephas (2014) and Gerli (2015) showed that microfinance interventions have a vital influence in reducing poverty among small farmers, which consequently help to contribute to food security and improve the social relations. Moreover, microfinance can help to minimize the vulnerability to economic risk because it can help poor to diversify their incomes and improve living standard (Austin, 2011; Mago and Mago, 2014; Arouri et al., 2014). However, in case of food security the findings of this study revealed that 66.7% of small farmers said that after accessing loan their food security worsened and only 33.3% acknowledged that loan had positive impact on their food security. They added that, with amount of money obtained as loan, they were able to purchase food for their families. This indicates that the loan war directed in supporting the household consumption level.

Figure 4:5. Change in Food Security of Farmers at Kibaigwa Division after Accessing Loan (Source: Field Data 2017)



Moreover, the results showed that 72.0 percent of small farmers answered that after accessing loan their income did not improve but rather deteriorated. Only 28% had their income improved. Also, about the standard of living, it was shown that the farmers' standard of living did not improve. Table 16 indicates that, 53.3% said that loan has impacted their life standard negatively, meaning living standard deteriorated. The remaining 46.7% argued that their life standard improved as a result of loan. This somehow deviation from the income reflection was expected as majority of small-scale farmer directed a significant portion of their loan into the household consumption. In this sense they felt the standard of life improved, only that in the end when it came to repayment they found that their collaterals mainly land were dispossessed in compensation of the un-repaid loan. Lastly, among the surveyed farmers, about 60.0 percent agreed that their social relations were improved tremendously because of credit-debt relation. However, 40.0 percent said that their social status has declined. These facts are as well supported in (Gerber2013: 839) who argues that, the credit-debt relations are important factor behind capital, labour and land control.

Table 4.16. Changes in Socio-Economic Variable after Accessing Loan (Source: *Field Data 2017***)**

Socio-Economic Variable	Positive		Negative		
	Frequency	Percentage	Frequency	Percentage	**Total**
Change in Income	21	28.0	54	72.0	**100.0**
Change in Living Standard	35	46.7	40	53.3	**100.0**
Change in Social Status	30	40.0	45	60.0	**100.0**

4.6.5. Summary

This chapter aimed at looking at the implications of accessing loans to the small-scale framers. It was noted that majority pointed out that loans to them were a problem as little happened in terms of improving their incomes.

Some of the key reasons for failure to repay loans were tough debt policies, crop market failures, bad seasons, and lack of skills. The later is critical when it comes to debt servicing as it need care in utilizing loaned money. Financial management skills and running of a project are central in a project that uses credits. Similar change was observed in food security. Majority of the respondents indicated a decline in food security as a result of taking up loan. This is because the cost of servicing the loan affected their earnings and thus they had to dig deep into their pockets to repay loans.

CHAPTER 5: CONCLUSION

This study highlighted the role of debt in facilitating land dispossession in Kibaigwa ward in Kongwa district in Dodoma region, Tanzania. For the intensive exploration of the nexus between land dispossession and debt in the area, SRLA was adopted as a tool to analyse the problem. The study analyses why rural people engage in debt, why they fail to pay back the loan, the relationship between debt and land dispossession as well as the socio-economic implications of debt in the study area.

Although financial institutions were argued not to be interested in financing agriculture, yet the study results showed that 61.3% of the borrowers borrowed for agricultural purpose, of which for the farmers to access loan they had to lie during loan application. Additionally, debt was identified as legally and socially regulated as it is shaped by social interactions and that class and localization are the key indicators.

Using the SRLA tool, socio-economic situation was assessed, and the outcome shows that, agriculture as the main source of livelihood, extensification was the strategies for most of the small-scale farmers however, climatic conditions affects production adversely of which farmers could not rely on agriculture to repay their loans. Also, this situation said to contribute the lack of agricultural loan especially to small-scale farmers.

Although loans and in particular micro credits are known to be useful in helping farmers to improve their income outputs and hence incomes, in the case of the study area, we noted that micro-credits are causing farmers to lose their land. This is something which we need to pay attention to as it will have long run implications such as food shortage, and hunger stricken families.

Furthermore, other strategies adopted were population migration whereby, people moved out of Kibaigwa for other activities outside the area. This is a common approach in all areas that are fast changing but it is also a result of land dispossession due to debts.

Exploring why rural people fail to repay their loans, the study managed to identify several factors which adversely affect loan repayments including poor land and financial institutional policies, market fluctuation, climatic conditions and poverty. Although, repayment failure, affects borrowers in terms of dispossession, it also affects institutional capabilities of providing credits in which most of the financial institutions in Kongwa district were argued to be dead because of high rate of defaulters. From the present study findings, 45.3% of the respondents fail to repay their debts, of which it is almost half the disbursed loan.

The nexus between debt and land dispossession were also manifested in the study whereby indicators such as seasonal migrant labour, depeasantisation and increased settlement areas were affirmed. Study findings revealed that 69.3% uses land as a collateral of which dispossession was used as loan recovery in case of repayment failure. Also, these statistics were coupled by the information from the FGD whereby, the respondents argued that some of the borrowers who managed to repay their loan, opt to sell their land to secure their houses and other household properties.

Furthermore, as mentioned earlier, that land dispossession/grabbing occurs in the area where there is poor or lack of policies, the study findings revealed that although the people were aware of the land laws and policies in which they are entitled to property rights, yet they have no land title. These findings were supported by the De Soto study in Tanzania in which only 2-10% of the rural Tanzanians have land title. Additionally, financial institutions were argued to have poor policy implementations of which it contributes to the high rate of defaulters which facilitates dispossession.

5.1 Recommendations

Study findings indicate that there are private loans which are used to exploit farmers. While taking these loans is voluntary; there is a need for educating farmers to be aware of the cost of such loans- 100% interest.

The hidden land grabbing that is happening in Kabaigwa may have larger consequences in the future. There is a need for more researchers to work on this and establish if the motive of the creditors in the area is to help people or to grab their land. This is perhaps important due to the presence of the maize produce market which affects the price of land.

While the informal sector financial market is booming, the formal sector is declining, suggesting that there is a problem that need to be addressed. There is a need to search for this problem and detail it further.

Kibaigwa international maize crop is a new facility in the area and it is opening up new opportunities. The larger and long-term consequences of the facility need to be studied as well.

Some of the farmers noted that they take loans, but they do not actually use the loan money as it was intended. Loans are expected to be used productively and if not, then it is a liability. There is a need to look at how loan money is socially constructed by small holders. They may need introducing project management training in the area so as to help them from losing their land due to financial illiteracy.

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