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**The dynamics and implications of credit and debt
among small farmers: The case of the Uyui district in
Tanzania**

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List of Acronyms

ACA	Agricultural Credit Agency
ASDS	Agriculture sector development
BOT	Bank of Tanzania
LBT	Bank of Tanganyika
MDG	Millennium development goals
MKUKUTA	National strategy for growth and reduction
MMD	Mata Masa Dubara
NGS	National Growth Strategy
SACCOS	Savings and credit cooperative organisation
SEDET	Social and economic development initiative of Tanzania
SHF	Small holder famers
VICOBA	Village Community Bank
UWWW	Umoja wa wakulima wadogo
NBS	National bureau statistics

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Abstract

In the 2000s, the government of Tanzania in cooperation with the Central Bank of Tanzania introduced a number of policies aimed at financial inclusion in rural areas. This process led to the establishment of Savings and Credit Cooperative Organisations (SACCOS) and Village Community Banks (VICOBA). While on some accounts very successful, these informal financial schemes have also brought with them high levels of credit dependency and indebtedness among small farmers. Using qualitative interview methods, the present study investigates the dynamics and implications of credit and debt among small farmers in the Uyui district which found in the Tabora region by comparing one SACCOS and one VICOBA. My main objective is to clarify to what extent it is the positive side of *credit* or the negative side of *debt* that dominates these efforts at financial inclusion. My findings show how credit benefited some of the small farmers who handled their loans well and managed to become small entrepreneurs, while other debtors-farmers failed to repay their loans on time and lost their land, thereby changing their class position from small landowners to wage labourers. It is likely that climate change and the resulting bad harvests will increase the number defaulting debtors in the near future.

Relevance to Development Studies

During the period of socialism in Tanzania, the government has put much emphasis on access to credit in agriculture, and its policies were seen as a major tool for reducing poverty in rural areas. The reason for focusing on rural areas is that a majority of Tanzanians still depends on agriculture. From this perspective, rural credit and debt may offer a great entry point into the dynamics of rural development in Sub-Saharan African and possibly more broadly.

In this study, I seek to evaluate the accessibility of financial resources to small farmers and their utilization in the Uyui region. This knowledge might contribute to inform policymakers, financial institutions, and development organizations in designing targeted interventions that facilitate credit access, improve farmers' economic opportunities, and stimulate rural economic growth.

Keywords

Credit, debt, small farmers, SACCOS, VICOBA, rural indebtedness, rural development

Chapter 1: Introduction

1.1 Broad context of the research

Agriculture is a vital sector for the economy for many countries, especially in developing countries. It may play an important role in reducing poverty and ensuring food security among the population (Law et al., 2013). Tanzania is a case in point. The country depends on agriculture to drive its economy and the majority of its population engaged in agriculture remains poor. Yet agriculture crucially contributes to its livelihoods. Tanzania has 68% of the population engaged in farming, of which 83% are small farmers; the latter contribute to 75% of the total agriculture output (Palloti, 2016).

Over the years, the government of Tanzania has established several policies, strategies, and programs aimed at financing the agricultural sector, with the ultimate goal of supporting its development. From its inception, these initiatives have been geared towards promoting sustainable growth and ensuring the long-term viability of the sector. These policies have been designed to facilitate access to finance for individual farmers and organisations operating within the agricultural sector. By supporting this critical sector of the Tanzania economy, the government has been trying to help improve food security, employment opportunities, and economic growth at both the household and national levels, and hence poverty reduction.

Some of these policies were the ‘Agriculture sector development strategy’ (hereafter ASDS), the ‘National growth strategy’ (NGS), the ‘Poverty reduction strategy’, and the ‘National microfinance policy’ (Kashuliza, 1992). The main objective was to boost the agricultural sector via mechanisms of privatization and financialization in order to facilitate access to credit by small farmers. However, things have not been that easy. Despite these various strategies and initiatives to develop the agricultural sector, access to credit by small farmers remains a major problem in the Tanzanian countryside. Indeed, the small farmers who form the largest stakeholders in this sector still face numerous challenges. The limited and inadequate access to credit for rural small farmers is a significant issue that affects their productivity, which in turn affects the overall productivity of the sector. It is in this broad context that the present study takes place.

1.2 Rural credit in Tanzania

To understand the dynamics and implications of rural credit and debt on small farmers in the Uyui district in Tanzania, we have first to provide some more background on rural credit in Tanzania. As we saw, for years, the establishment of rural financing tools was one of the major means for influencing agricultural transformation with the support of international organizations. The creation of specialized formal credit schemes was the main priority. The aim was to supply production credits to small farmers and provide them with longer-term loans for rural development projects. However, it turned out that these formal financial schemes were not always well designed, and they did not fulfil all their promises (Kashuliza, 1992).

Even after decades of such interventions, most small farmers in Tanzania remain poor. Their level of personal income and savings is low, which hinders their ability to make any impact on agricultural development. Providing credit to farmers at subsidies rates did not work as

expected. The idea was that such loans would encourage small farmers to adopt advanced technology and modern farm inputs with the longer-term goal of substantially modernizing agriculture. Since the 1990s, the Tanzanian policy-makers typically saw the small farmers' lack of access to formal credits as a consequence of their lack of property rights. Only the latter, they assumed, would allow small farmers to use their land as collateral (Kashuliza, 1992).

Moreover, Kashuliza (1992) argued that the institutionalization of formal credits across Sub-Saharan Africa (including in Tanzania) strongly depends on the dominant economic philosophy of any given country, the nature of their formal financial system, and the interest of the international donors at the time. In Tanzania of the late 1980s, formal credit was institutionalized via the establishment of the state-led 'Rural Development Agricultural Policy' which financed operation programs in rural areas, especially targeting small farmers. Its goals were more quantitative output targets (e.g. number of hectares planted) rather than repayment rates and profits for the lenders (Kashuliza, 1992).

Policies like ASDS, NGS, Poverty Reduction Strategy, and Microfinance Policy were aimed at modernizing agriculture. They consisted in helping small farmers increase their crop production by using modern farm tools, improving their knowledge by using improved seeds and fertilizer, controlling pests and diseases, and ensuring that land conflicts are reduced. Farmers were encouraged to stay on their land, called "bibanja", namely "plots of land" (Curtis, 2015).

More recently, in the 2000s, one important new financial scheme was established: The Bank of Tanganyika (LBT), later replaced by the Agricultural Credit Agency (ACA). This scheme operated in rural financial markets and put much emphasis on credit rather than savings. Its performance, as a result, did not turn very successful, largely because of lack of viability due to poor loan recovery, operation losses, and the decline in the real value of funds due to high inflation and low lending rates (Kashuliza, 1992).

In 2006, the government of Tanzania introduced a policy called "Kilimo Kwanza", which means "agriculture first". The initiative of this policy aimed at solving constraints faced by small farmers and at ensuring them access to markets as well as credit from agricultural banks (Curtis, 2015). The policy sought to mobilize the private sector and to increase its investment in the agricultural sector. Also, it intended to bring awareness among various stakeholders so that their support and participate in the implementation of agricultural activities would be improved. Moreover, the policy emphasized the provision of credit to small farmers. It particularly focused on extending services like equipping them with good infrastructure ranging from irrigation, transportations, and storage facilities.

Let us now turn to the informal sources of credit. Two kinds of informal financial schemes have been particularly important in the rural development of Tanzania. I will briefly review them one by one. Farmers started informal cooperatives in 1920s already. The main aim was to be able to capture part of the trade profit from cash crops. Later, small farmers in rural areas decided to form **Savings and Credit Cooperative Organisations (hereafter SACCOS)**, the first source of informal credit I will mention. SACCOS combined old credit cooperatives that began as rotating and saving credit associations (ROSCAs) which were common in cash crop producing areas. SACCOS are defined as groups of people who voluntarily work together to meet their common economic, social and cultural needs through a

jointly owned and democratically controlled enterprises. SACCOS operate under the principles of value and solidarity whereby people within the community get together and establish a system of investing shares in the form of savings and loans (Haki, 2006).

The main reason for introducing SACCOS was to fight against poverty by providing affordable financial services to its members and by promoting economic development within the communities. The idea was to promote savings and make loans available for their members. This kind of informal financial scheme is important for the mobilization of financial services in different types of development activities, especially in rural areas. Specific goals have been to promote the use of advanced technology and the development of banking skills, access to credit, storage, marketing, trainings, loan disbursement, and savings.

In Tanzania, SACCOS operates under the Cooperatives Societies Acts of 2013, the SACCOS Regulations of 2015, the National Microfinance Policy (NMP) of 2017, the Microfinance Act of 2008, and the Microfinance Regulations of 2019. The main objective of these regulations was to facilitate the formation and operations of SACCOS, given the fact that they are not regulated by the central bank (Msuya, 2023). Most of SACCOS found in rural areas are community-based. Their establishment resulted from a lack of formal credit in these areas. Formal institutions have indeed been very hesitant to lend to small farmers and so the establishment of SACCOS helped the latter serve the rural population who were not getting services from formal financial schemes (Wenner, 2007). SACCOS were meant to empower small farmers in providing vital agricultural inputs such as seeds, fertilizer, tools, and machinery in order to boost their agricultural productivity and elevate their livelihoods.

Tanzania has today 3,831 SACCOS which are serving more than 1.8 million people with shares, savings and deposits worth more than TZS 4280.1 billion and loan portfolio of more than TZS 232.2 billion (Msuya, 2023).

The second major source of informal credit in rural Tanzania is the **Village Community Banks (hereafter VICOBA)**s. These organizations are informal mutual support groups that aim at offering financial help to people who have no access to the services from the banks (Bee, 2007). In 2002, Care International and the Social and Economic Development Initiative of Tanzania (SEDEI) decided to apply a technique that has been used in Niger in assisting women to access financial services like savings, deposits, and credits among themselves. This was done in groups known as “Mata Masa Dubara” or “women on the move”. In Niger, such groups had been very successful, with reported income increases of sometimes 50% (Bee, 2007).

A typical VICOBA in Tanzania consists of 25-30 community members who govern themselves by self-made constitutions. Most of the groups meet once in a month to transact. There is one secretary, one accountant, and there is a division into subgroups among the members aiming to work as referees when a member wants to take a loan. VICOBA are therefore self-financing institutions that do not need any external funds. This is because group members mobilized their own capital through shares, savings, and other incomes they get from interest rate charges. Monetary transactions are transparent and uncomplicated. Documentation is also simple and clear to both educated and uneducated people (Bee, 2007). Moreover, the interest rates are typically low, ranging from 5% to 10%, and their level is decided by the members themselves.

VICOBAs aim to enhance the living standards of its members through generating income activities. Moreover, the rules and regulations defined by the members create a sense of collective ownership. The chairperson is democratically elected by the group members, and the latter voluntarily engage in all the organization's activities. This guarantees that the leaders will benefit from the trust, respect, and commitment of the members (Bee, 2007).

VICOBAs have been an important instrument of capacity building insofar as it developed a number of financial skills (calculating, saving, financial discipline, planning, management). They are also a grassroots instrument conveniently selecting which business will grow. The establishment of VICOBAs in Tanzania is one of the implementation of Millennium Development Goals (MDGs), the National Strategy for Poverty Reduction (MKUKUTA), and Tanzania Vision 2025, and financial inclusion strategies (Kihongo, 2005).

1.3 Introducing the case studies

The present study will investigate and compare the performances and consequences of one SACCOS and one VICOBA. I will now briefly introduce the two organizations I investigated. Both are located in the Uyui district (more below).

Firstly, the **Umoja Wa Wakulima Wadogo (hereafter UWWW)** SACCOS was established in 2018 by small farmers. The SACCOS has 200 members and all members are small farmers including 60% of male members and 40% of female members. The main purpose of this SACCOS was to enable all members to be financially stable in order to improve the quantity and quality of their productions. In this process, access to credits, trainings, and financial management was seen as crucial. The SACCOS was designed as an alternative to formal banks.

The UWWW SACCOS is the most important source of financial services for its 200 members. Through it, they have been able to access loan with low interest rates at 7% flat rate. This financial scheme has managed to open a bank account in one of the formal financial institutions within the district and every transaction is passing through the bank. The UWWW SACCOS has a written constitution and every member has to sign and agree to all the terms and conditions.

Secondly, the **Mapinduzi community bank** that is a VICOBA established in 2020 by small farmers in the Uyui district and has 100 members from four different villages which are Usase, Iyombo, Isikisia, and Unyamwezi. 50% of members are male and 50% female. Its aim is to improve the living standards of the small farmers and their agricultural productions by enabling them to access financial services easily. All the members from the four villages I mentioned above meet every month in their respective villages. After six months, they all meet together and discuss their financial reports and situation. This VICOBA has been able to give out profits to each member at the end of every year, and all the members are able to access loan (pers. comm.).

I focused on these two case studies to investigate my research problem. While these two financial schemes are said to be beneficial to small farmers, I would like to know how and to what extent this is true. I am particularly interested in their ways of dealing with their phenomenon of debt.

1.4 Statement of the problem

There is some evidence that small farmers in the countryside of Tanzania are facing challenges with debt and that this might have an impact on their livelihoods. In most of developing countries – including Tanzania – it is well known that small farmers rely extensively on credit and that they are often indebted. This is so, in short, because the majority of the population engaged in agriculture is poor, and because in these conditions, access to credit is essential for their survival (Wangwe and Lwakatare, 2004; Gerber, 2014).

Whenever credit is needed, credit may come from family and friends, patron-clients' relationships, savings and credits organisation (such as SACCOS), or village community banks (such as VICOBA). Due to the informal situation of many small farmers, it is not easy for them to access formal financial schemes, which makes them turn to informal financial schemes. In some cases, such informal sources of credit lack the kind of consumer protection found in the regulations of governmental credit schemes and result in high levels of indebtedness (Singh, 2008).

As we will see below, many farmers in Tanzania – including in the Uyui district – have small land plots, small production, little surplus, and they are therefore highly dependent on credit. In order for them to survive in accessing markets and thereby covering their fundamental needs in household and agricultural reproduction, they borrow in informal financial schemes like SACCOS and VICOBA (Wangwe and Lwakatare, 2004). As a result, they often get into debt for consumption instead of productive purposes. They often require loans to fulfil household consumption needs, education, medical expenses, social functions like weddings or funeral, and sometimes to repay previous loans. This is when debt creates problems, as we will explore below.

Declined and uncertainty in earnings from agricultural operation along with an increasing dependence on commodities induces more borrowing from informal financial schemes, which results in difficulties in meeting repayment obligations, a major cause of distress among small farmers (Path, 2008; Gerber 2014). This challenge is accompanied by the absence of effective risk mitigation measures in capitalistic rural settings. How to address such destructive dynamics? What are the true consequences of credit? More debt or constructive investments?

1.5 Objectives and research questions

This study seeks to understand the dynamics and implications of informal credit and debt in rural Tanzania. For this purpose, I selected two informal credit organizations in the district of Uyui. Accordingly, my research is guided by one central question and four sub-questions. The central question of the thesis is the following:

What are the dynamics and implications of rural credit and debt among small farmers in the Uyui district in Tanzania?

The sub-questions of the thesis are:

- i. What are the patterns of credit utilization and debt accumulation among small farmers in the Uyui district?

- ii. What factors influence the farmers' borrowing decisions in SACCOS and VI-COBAs? What are the advantages/challenges of accessing credit through these schemes?
- iii. What are the social, economic, and psychological impacts of debt on the livelihoods of small farmers in the region?
- iv. How do small farmers manage their debts? And what are the broader consequences for rural development?

1.6 Organization of the paper

This research paper is organised into five chapters. The first chapter is about the background of the study and the introduction. The second chapter covers the research methodology. The third chapter is about the analytical framework. The fourth chapter presents the findings and analysis. The fifth and the final chapter of the thesis entails the conclusion and recommendations.

Chapter 2: Research methodology

2.1 Interview techniques

This chapter clarifies the research methodology used in this study. The latter is based on a qualitative interview methodology that aimed at getting first-hand information (primary data) from various stakeholders involved in informal financial schemes. In addition, the research used secondary data collected from academic articles, policy papers, and newspaper articles.

I used a snowball and random sampling research techniques. My goal was to interview users and providers of credit, especially small farmers. I interviewed 5 small farmers from the UWWW SACCOS in the Uyui district, and 5 members from Mapinduzi Village Community Bank. The formers were selected by the SACCOS' chairperson; the latter by my research assistant. In addition, 2 members were referred to us by another member of the SACCOS.

The data collection period started from August 1 to September 15, 2023. All the interviews were done via zoom meetings and WhatsApp video calls. I also hired a research assistant who helped me mobilize people and who arranged things logistically. My research assistant was a key player in my study because he himself is a farmer and has fieldwork experience in other research projects similar to mine. I had already worked with him in one project and this gave me assurance and confidence to work with him during research data collection as well.

I had a great experience working with him. I learnt a lot from his experience as a farmer and researcher. He went to the field and collected all the data; he scheduled meetings appointment with leaders of the SACCOS and VICOBA we worked with; he maintained the correspondence with participants when needed; and he visited four villages to interview Mapinduzi VICOBA members.

During the selection of participants, I suggested to him the type of participants I wanted in order to get relevant information for the study. I formulated the questioners and arranged the questions that we asked during the interviews. At first, it was not comfortable for him to do the interview with women alone due to our culture and I respected that. Therefore, this led me to change my initial choice of participants and to pick another financial scheme with members from both genders.

During the data collection, the interviews were conducted in Swahili and Nyamwezi, which is the local language of the Tabora region. Moreover, field notes and recordings were taken and I translated Swahili and Nyamwezi to English in order to write the research as per ISS standards. Some words remained in Swahili to obtained information to maintain clarity.

After getting permission and approval from the chairman of the UWWW SACCOS and the chairlady of the Mapinduzi VICOBA, we started conducting interviews through zoom meetings and WhatsApp video calls with all members. We introduced ourselves (me and my research assistant) to all members who were able to attend the introduction meeting and I explained them the purpose of this study. I told them that they should feel comfortable with the study and that they could interrupt the interview at all time if they did not feel comfortable or ready with the questions (Laws et al., 2013). Through this openness, I clearly let them free, which created some trust among the parties. They ended up very open during the interviewed sessions. Each interview lasted for at least 30 minutes.

During the interview, I observed how each interviewee narrated their own experiences in their own words, how they reacted when I raised the issue of debt, and I found out that because a majority of participants are members of more than one informal financial schemes, it is often hard for them to remain solvent. I crosschecked the information with other data I had obtained from other interviews and sources. My observation method allowed me to collect information within a short period of time. However, this method has its disadvantages because the researcher's presence may influence what happens in the encounter (Laws et al., 2013).

I used a snowball-sampling technique because it involves building a sample through referrals (O'Leary, 2014). In this case, the chairperson of the UWWW SACCOS chose for us the participants to interview and gave them permission to be interviewed by us. However, during the collection of data, these participants gave us referral to other two ex-members whose properties had been sold after not being able to able to repay back their loans.

At first, I faced challenges with these techniques because some of the members of the SACCOS were not open and comfortable to give us their opinions and other referrals. But this changed when I asked my gatekeeper (in this case the chairman) to talk with them and eventually they were once again open to share their views on how the SACCOS was operated and from that I got useful information for my study. Yet, overall, I am still not sure to what extent the members were told not to be open or if they concealed some of the information for the sake of keeping a good reputation of the organization.

I did a random sampling to interview participants from the Mapinduzi VICOBA and in this process, the chair lady of this organization allowed us to choose whoever we wanted to interview. Every interviewee was able to answer all the questions without any hesitation. Through this method, I became aware that some members are also involved in multiples informal financial schemes; I also learned that members of this VICOBA are also members of UWWW SACCOS.

2.2 Area of study

I selected the Tabora region because it is one of the poorest in Tanzania. It therefore matched my intention to engage with debates among Tanzania scholars about whether SACCOS and VICOBA are able to lift small farmers out of poverty and improve the livelihood outcomes of their members (Msuya, 2023).

Moreover, the region belongs to the top six regions with the highest numbers of SACCOS in Tanzania, although the poverty rate is 34.5%, which is above the average national poverty rate of 24.6% (URT, 2018). National bureau statistics (2022) report shows that the population of this district is 562,588 and the majority is engaged in agriculture, cultivating maize, cassava, sorghum and groundnuts as food crops, and sunflower, palm oil, cotton and tobacco as cash crops.

Geography

The Uyui District is among the six districts of the Tabora region. Most parts of the district are located in the central part of the Tabora region, and they surround by the Tabora Urban/Municipal Council. The district shares borders with the Igunga and Nzega districts in the North, and with the Sikonge district in the South, the Urambo on the West, and the

Iramba district of Singida region lies on the eastern side of the district. In terms of international identification, the district lies between latitudes 05⁰04' and 06⁰15' south of the Equator and between longitudes 32⁰15' and 32⁰00' east of Greenwich and a total surface area of 13,453 sq. kms.

With exception of very few slopes, the district is relatively homogeneous with gently undulating plains intersected by seasonally flooded valley. In the extreme northeast, this pattern gives way to open, flat land suitable for cultivation and covered by well or moderately drained soils with textures of sandy loams. The soils vary between red lateritic earth grey sand to silt hardpan and iron crust "mbuga". Moreover, there are sandy clay loams and reddish colored soils on inter flute slopes that are saturated with water within 100 cms of the surface during the growing season. The majority of these soils has high nutrient contents and is considered suitable for a wide range of food and cash crops. They therefore have the potential for profitable cultivation. The Uyui district's soils can best be described as moderately fertile (URT, 2018).

The district receives rainfall of between 750 mm and 950 mm annually, falling between the months of October or November and December and there is a dry season from January to February or March, and a second lower peak occurs in February or March and the rains then tail off in April or sometimes in May.

Population

According to the 2022 Population and Housing Census, the district has 281,101 people compared to 131,247 inhabitants ten years ago. This big increase of 149,854 people shows an average annual growth rate of 3.5 percent during intercostal period. The projections for 2022 put the district population at 300,949, out of which, women account for 51.3 percent of the population(NBS,2022).

Agriculture

Despite agriculture being the main activity of most of households of the Uyui district, it still shows little promising developments. Most agriculture households engage in small-scale farming and only a few of them are engaged in large-scale farming. Hand equipment's are the major tilling tools in small-scale farming while tractors are used in a few available large-scale farms. The major constraints in production are the low average rainfalls which have left the district with no choice but largely rely on crops which are favored by such climatic conditions. Maize is the major food crop grown in the district and it is well adapted to this climate. Other drought resistant crops grown are cassava, sorghum, groundnuts, tobacco and cotton. Paddy production exists in some wards of the district and is dependent on rain fed floods and it is thus grown entirely in low-lying lands. It is normally transplanted in January and February during the long rainy season.

Land ownership structure and inequalities

The inequality in ownership and land control represents the single most critical contributor to the gender gap existing in the economic well-being, social status, and empowerment of women in the Uyui district. In agrarian societies, the most important form of property is arable land. This is so because arable land has economic, political and symbolic significance. Therefore, the struggle for gender equality in command over land is one of the main focus for rural women's struggle for equality.



Tabora region mapp 2023

Source :Uyui district (b.d.). In *Wikipédia*. retriever in August 28, 2023, from https://en.wikipedia.org/wiki/Uyui_District

2.3 Ethics

The collection of data started after getting approval from the UWWW SACCOS and the Mapinduzi VICOBA leaders. The participants were free to participate or not to participate during the interview. All participated based on their own will. I asked their permission to be recorded during the interviews and I explained them that all the conversations will be anonymized and translated in English for academic purposes (Laws et al., 2013). All members agreed to be recorded and their age to be mentioned (if needed), but they wanted to keep their names anonymous. They also gave me permission to store everything in text form for academic purposes.

In the middle of the data collection, I faced some challenge with my research assistant when he refused to interview women. This forced me to start looking for another informal financial scheme with both men and women, something that took more time than expected. I did not have the possibility to change the research assistant, and so this forced me to restart the whole process of finding a new informal financial institution, introducing myself to the new leader, and asking permission to do interviews with their members for the data collection of this study.

Moreover, I encountered network problems on some of the interview days. This made me unable to follow up on these interviews, which caused me not to get enough information. On some instances, I could not understand the notes taken by my research assistant and/or unable to understand his recorded conversation. In these instances, I therefore had to redo the interviews with the same participants in order to get the clear information I was looking for.

Some of the participants found out that I am based in The Netherlands and they assumed that my research was aimed at getting grants/funds. Some therefore asked for allowance or monetary help for their farming activities. I therefore had to re-explain the purpose of my research. I told them I do this to complete my studies here at the ISS and not for getting funds. The majority understood. Generally, I offered drinks to my informants during the interviews and meetings.

Chapter 3: Analytical framework

3.1 Commodification and the need for credit

Financial problems and household indebtedness are common challenges among rural communities in developing countries as they face rapid urbanisation and commodification (Mutsonziwa and Ashenafi, 2019). Overreliance on credit and obstacles to savings reduce the options available to rural households. This is compounded when the household's production depends on paying for services such as seeds, fertilizers, machinery rentals, and land rentals without enough liquidity. The pressure to gain access to credit rapidly turns into rural indebtedness (Gerber, 2014).

The establishment of 'financial inclusion' initiatives for poverty reduction in Tanzania has led to a surge of indebtedness among rural households. This is somewhat paradoxical since the aim of financial inclusion was to reduce poverty and establish economic support to overcome old patterns of indebtedness. In an increasingly commodified world, the increase of expenses to meet agricultural needs, household needs, and to satisfy new patterns of consumptions desire such as modern production, equipment, and machinery has led to a majority of the population to depend on debt (Saefullah et al., 2022).

This thirst for credit among farmers has taken different forms. In many rural regions across the globe, but especially in Asia, a classic source of credit was the 'patron'. Patron-clients' relations are based on the patron providing loans to his client for subsistence purposes; the latter is expected to display a kind of filial loyalty to the patron in exchange (Scott, 1972). These relations "are usually rooted", writes Gerber (2015: 234), "on rent and/or debt bondage, and the terms of exchange depend on the relative bargaining power of the two classes". Within the transition to capitalism, these old relations were often replaced by commercial credit relationships with traders, shopkeepers, and moneylenders.

In Sub-Saharan Africa, rotating savings and credit associations (ROSCAs) have played a particular role, although they were documented in many parts of the world, in both the global North and global South. They encompass a wide range of formal or informal schemes of group savings and credit (Gerber, 2015). Each member typically contributes the same amount, regularly, to a general pool which is then alternately given, by various means of selection, to one member of the group. Geertz (1962: 262-263, quoted in Gerber, 2015: 234) suggested that ROCSAs should be regarded as an intermediate institution in the transition to capitalism: over time, "The rotating credit association becomes more and more like a specifically economic institution, a 'firm', with its own pattern of value integration. In this sense, the form is, perhaps, self-liquidating, being replaced ultimately by banks, cooperatives, and other economically more rational types of credit institutions". However, the flourishing of ROSCAs in so many contexts is a sign that the institution remains very strong.

Another popular form of informal credit association is the Accumulating Savings and Credit Association (ASCA). Unlike ROSCAs, ASCAs appoint one member to manage and fructify the fund. They may lend to people outside the group. ASCAs represent a clearer move towards market-oriented lending activities. SACCOS and VICOBAAs could be seen as examples of ASCAs.

3.2 The consequences of credit and debt

As capitalist relations expand, the necessity of credit has always far-reaching consequences, both positive and negative. The need for credit in entrepreneurship and growth is a familiar finding of development economics. However, what is less recognized and investigated, writes Gerber (2015: 234) “is the reverse relation: indebtedness – before and during capitalist expansion – as a trigger for economic growth”. Gerber showed that credit and debt relations have been a key factor behind social differentiation by enriching some and impoverishing others. Some farmers are successful in handling credit and may even become full-fledged entrepreneurs while others may be much less successful, ending up losing their land and becoming landless peasants.

Besides that, credit and debt relations have also shaped the choices and behaviours of countless farmers by encouraging solvency-driven values and norms (Gerber, 2014). Gerber argues that credit and debt have promoted market discipline by forcing the borrowers to strictly calculate, pay, trade, compete, work, intensify and cut costs. J. H. Boeke (1946, quoted in Gerber 2015: 236), the main theoretician of developing economies where both ‘traditional’ and ‘modern’ sectors coexist, wrote that the creditor is the peasant’s “indispensable guide through the labyrinth of the money economy”. In agreement with this quote, the creditor forces the debtors to adapt their behaviour to their new state of being indebted. New pressures are created. These pressures are typical of market-based economies, and especially of capitalism. Gerber (2015: 245) lists them as “pressures for growth, short-termism and cost-cutting innovations”.

We can see that the consequences of credit and debt give rise to many interesting theoretical questions related to what we mean by ‘development’. Credit represents the creative side of finance while debt represents new pressures for remaining solvent. Both potentials may be equally important for explaining what we mean by the ‘modernization of agriculture’. Some farmers win while others lose. But which side is the most important in rural Tanzania? To what extent does it depend on the kind of credit sources? And what can be done to make more people win?

Chapter 4: Findings and analysis

This chapter presents my research findings and their analysis. These findings stem from my field data that were collected in the Uyui district of the Tabora region from August to September 2023. Guided by my research questions, I focus below on the dynamics and implications of credit and debt for small farmers.

4.1 Description of the study group: Age and gender difference

This study shows the age and gender differences in the UWWW SACCOS. The majority of its members are below 35 years of age. The high number of young farmers unable to find a job after completing their school can explain this. Accordingly, these young farmers decided to be self-employed in the agricultural sector after struggling to get office jobs within and outside their district.

I interviewed 7 people from this SACCOS although the scheme has 200 members. I found out that 65% of members are between 18 to 35 years of age and 35% are between 40 and 50 years of age. The majority of them praised the establishment of the SACCOS that made easier for them to get capital and be able to buy seeds, fertilizers, and to hire machines and lands.

“After completing my high school, I decided to go to Dar es Salaam (business city) to look for office jobs unfortunately I did not get any job. My parents advised me to come back to the village which I agree, and after coming back my father gave me a portion from his land and I started farming. After seeing the benefits from farming I decided to join the SACCOS whereby I registered and become one of the member and after six months I was qualified to get a loan of TZS 1,000,000/= which I used to buy all I needed in my farming activities and since then I decided to settle here. Last year I was able buy my own land which I thank our elders in this village for bringing this idea and establish this SACCOS which has become our savior especially for us youth in this district”. (Male, August 2023).

A recent report from the Ministry of agriculture showed that the rural youth’s participation in agriculture has increased from 60% to 63%. This took place after the establishment of the Tanzania Development Vision 2025’ and MKUKUTA 11, two policy packages that aimed at promoting employment growth amongst the youth after seeing it as having the potential to make a significant contribution to agricultural development in rural areas.

“We are no longer having that idea of going to town to look for formal office jobs after completing our schools. After seeing what our fellow youths who finished school before us are successful through farming activities in the village and some are owning lands, I decided to join my father in their SACCOS and in farming and I have seen the good results from farming”. (Female, August 2023).

Although the Uyui district is one of the districts that still has a high rate of poverty, the youth may still find other income from agriculture because there is limited availability of other employment opportunities in the area. As stated by one youth from SACCOS:

“I grew up from poor family, I saw how my parents were struggling to rise us because during their time they were not aware of this kind of informal financial institutions to allow them to access credit in order to increase their productions for example my father had small portion of land which he inherited from his father. It was so hard for him to raise capital for his agriculture activities by his own. Through the experiences he encountered he forced me to join this SACCOS and it has been a help to rise my agricultural productivity which helped to expand our land.” (Male, September 2023).

A majority for women in the Uyui district are actively participating in agricultural activities. My study shows that women in this district are accessing credit from these informal financial schemes. I found out that some of these women are leaders and manage those group’s finances. The Mapinduzi VICOBA has a female leader who is a chairlady and she is in a position to control the groups’ financial situation, making decisions and benefiting from the trust of all members:

“In this VICOBA we are both male and female and our wives(leaders) are the ones leading the organization and decide for us. This group is also in the effort to eradicate patriarchy system within our community. Since the establishment of this informal financial schemes women has been leading the groups, majority of them pay their loans on time and the scheme has been expanded to four villages and through that it has shown how women can be trusted if they are given chance in the communities”. (Male September 2023)

However, due to traditional customary practices in Tanzania, the district has a higher number of men who owns land than women. This happens through customary inheritance rules. This is because the old traditional system did not allow women to inherit or to buy land, and this makes men to have control over the lands. I argue that customary tenure is biased against women ownership of land, which most of the time makes women be vulnerable, despite them being the major producers in agricultural and household activities.

Moreover, I believe that if women could be given a chance to be allowed to inherit lands, they would use this land to improve their households and community. Women have become the most trustworthy gender of the two informal financial schemes under investigation. They tend to have better loan histories than men.

4.2 Dynamics and implication of rural credit and debt

There is a rapid increase of informal financial schemes in rural areas, which stimulates the dynamic of credit and debt relations among small farmers. The strict rules, policies, and strong conditions of the formal financial schemes made these rural small farmers seek for assistance from VICOBA, SACCOS, and other institutions. These two informal financial schemes provide loans efficiency with few administrative obstacles compared to formal financial schemes such as banks.

“The credits we are getting from the SACCOS with simple terms and low interest rates has been helping us to purchase the necessary requirements for farming in every seasons and because we are seeing credits has been helpful tool for us and make us not to lack agricultural tools and services like paying hired labor, hiring lands I think without the having the means of accessing loans in this institution, we farmers would have a lot of problems with our agricultural activities”. (Female, August 2023)

A majority of small farmers in the Uyui district depends on credit from these informal financial schemes. As they are not getting any subsidies from the government, their dependency to credit increases, and this in order for them to run their agricultural activities and productions smoothly.

The purpose of credits mostly remains for agricultural purposes as indicated by different participants from the study. For instance, one interviewee of the Mapinduzi VICOBA mentioned that the majority of small farmers in the Uyui district rely solely on credit for farming.

“We don’t get any help from the government currently, neither seeds nor fertilizer even though they insist on agriculture, we small rural farmers in this district used to depend a lot on subsidies, and this affected us especially this time of inflation everywhere including agricultural products and this has largely made us rely on credits as our main capital in the operations of all agricultural activities from the beginning of farming to delivery of products(crops) to the markets. But being able to access credits from our VICOBA with easy access and low interest rates have helped a lot to raise each other in our community of farmers”. (Female September 2023)

However, not all small farm holders use this credit for agricultural purposes and activities. For instance, due to limited employment opportunities and poverty in the district, some of the small farmers seek loans and use them for other purposes as well. One of these purposes is for household consumption, payment of schools fees, medical expenses, etc. As stated by one of the respondents during the interview:

“Last month my daughter was supposed to resume to school and it was not harvest session so I did not have enough money to pay her school fees, I had to apply for emergency loan from our SACCOS which was approved within a few days and my daughter was able to resume to school”. (Female September 2023)

However, because of the debt, some of the small farmers I interviewed became temporary wages workers and some have become contract workers. Small farmers who were not able to repay their loans lost their assets used as collateral, mostly land. They therefore shifted their class location from being land owners to wage workers or contractual laborers after struggling financially.

“I took loan of six million and I put my land as collateral because of drought I did not get good harvest as I planned, this lead be not being able to repay back the loan and made the management of SACCOS decided to sell my land so that they can recover loan I took, I have a family and I have nothing to do, so I became a wages laborer in order for me to be able to feed my family and meet the household responsibilities”. (Male, September 2023)

Moreover, I agree with Deborah (2014) that debt gives “poignant and edgy character to hope”. Due to these informal schemes to give easy access to credit, there is no policy to monitor or limit people taking multiple loans from different informal financial schemes. This, in contrast, is for example the case with formal banks, where one customer cannot take multiple loans in different banks. Because they are able to take multiple credits from different informal schemes, many rural farmers face deep anxieties around issues related to debt. For some of them, debt has become a serious burden and they live a life of worries and sometimes regrets.

My findings show that debt has become an important problem in the Uyui district, where some members of SACCOS and VICOBA are not sure of their future because they are struggling to manage their debts in order to rescue their lands. Also, I found out that other families have been living under pressure, isolation, and anger due to debt, struggling to remain solvent without affecting the family members. This has made some families reduce home expenses in order to be able to pay their debts.

“After my wife and I started to take loans from SACCOS and VICOBA, we decided to shift our children from boarding school which was expensive to day school so that we can be able to reduce the cost and save some money in order to be able to pay loans on time and keep our land safe”. (Male, September 2023).

In this study, my results shown that members of both SACCOS and VICOBA have had to reduce some of their expenses because they are afraid to lose their assets which some of them inherited from their ancestors’ generation. There is a cost in paying back easy credit, and to remain creditworthy, they have to reduce some of their expenses.

4.3 Patterns of credit utilization and debt accumulation among farmers

However, my findings also corroborate the well-known fact that credit is essential for agricultural development. During the study, some of my informants stated that the crop production of borrowers is higher than the crop production of small farmers who did not take credit:

“In our district even our fellow farmers who said there will never join these financial schemes because they did not believe in taking loans as a major source of agricultural development we have seen some of them has started joining and other are asking for advice so that they can be the members, and this is after seeing how we are able to access loan easily and how successful we are in agriculture activities. For example, last year I was able to rent ten hectares of land and one big storage house and this was because being able to apply for a loan from the SACCOS which made me to be able to store my crops until the coming season, this has become one of the major achievement for join the SACCOS whereby we have seen our fellow farmers who have not joined any kind of financial institutions, does not have any alternative to borrow and do not have enough capital how it is not easy for them to achieve what I and other members who are using their loans well for agricultural activities has achieved”. (Male, August 2023).

My interview data also confirm the observation that the availability of informal financial schemes like VICOBA and SACCOS made access to investment credit much easier. Thanks this availability, the small farmers were able not to depend only on agricultural incomes, but also to start other investments like livestock, fish farming, and poultry farming. This enabled some to have multiple incomes. This category of borrower clearly corresponds to the ‘winners’ of financial inclusivity.

“I started poultry farming after see how climatic change has affected our harvest last season due to drought and this was the best decision on my life because through poultry my market has expand which has been easy for me to repay back the loan and use some of my profit in increasing my shares in our VICOBA.” (Female, August 2023).

One of my informants said that small farmers in the Uyui district utilize their loans for different purposes apart from agricultural productivity – for example for purchasing livestock, for paying other expenditures like wages for hired labor, for buying improved seeds, for improved manure and fertilizers, for other equipment, and for purchasing or hiring land. These are all example of entrepreneurial activities largely described by development economists.

“Last year I wanted to start a new investment and try to see if I can expand my source of income which I decided to start selling fresh milk by buy a cow instead of buying milk from another breeder, I applied loan from the VICOBA and enabled me to buy a cow and other working equipment’s. It has been one year since I started my business and now I managed to add another three cows and business is going well”. (Female, September 2023)

Although I was expecting that some of the small farmers would use their ‘agricultural loans’ for other activities than agricultural, my data suggest that out of 10 beneficiaries, 8 claimed to have fully utilized their credit in agriculture, and only 2 admitted having used it partially for agriculture the rest being used for other purposes. However, my research suggests that no small farmers diverted the total amount of their loans.

The reason of these partial uses in agriculture is that most of the informal financial schemes disburse the loans in cash, making it easy for most small farmers to be tempted to use their loans for non-approved purposes.

“I diversify the loan in other activities apart from agriculture to get a quickly return to enable me to repay the loan on time”. (Female, August 2023).

Moreover, the study shows that using loans for non-agricultural activities like wedding or households’ expenditures may lead to forms of debt bondage. Having no profit or return on their loan, the debtors can easily slip in the defaulter category or having to take more credit from one institution in order to repay the loans from another institution. My informants confirmed that some of the debts are caused by using loans for household expenditure like buying food, clothes, wedding ceremonies, and even alcohol.

“I am a member of both SACCOS and Kicoba. Last year I applied for loan from VICOBA and unfortunately I spent for Christmas with my family hoping that I would get a lot of harvest in the season but the result did not come out as I expected and this made me to decide to apply for another loan from SACCOS so than I can be able pay back the loan to VICOBA and this is where the problem stated and made me to cut off many of the family expenses in order to re pay back the loan but the burdens are too much on me.” (Male, September 2023).

Small farmers in the Uyui district look for a way to expand their agricultural production in order to increase harvest every seasons. Unfortunately, this sometimes leads to indebtedness due to the accumulation of credits in multiple places.

“Our community is facing challenges of water and it was real difficult for a cotton to grow due to dry season caused drought. I needed big capital to build water well and that made me to take loans from my SACCOS

and VICOBA in order for me to be able to pay the technician but these two repayments have become a burden to me in terms of repayment". (Female, September 2023)

In Swahili, there is a saying that *"kukopa harusi kulipa matanga"* which means that *"borrowing is like a wedding; paying back is like mourning"*. After meeting small farmers who are burdened by the debt of informal financial schemes, and after observing how stressed they are during the interviews, it became clearer to me why small farmers often complain about the 'agrarian distress' in the country. As factors behind this distress, they mention debt, but also structural factors such as the lack of governmental support, unfavorable informal financial schemes, and environmental issues. The latter are only increasing, due to a large extent by climate and ecological change. These debtors may belong to the victims/losers of 'inclusive finance'. They may also have their part of responsibility in their situation, for example by failing to realize the risk inherent in taking multiple loans without having the assurance of being able to cover their cost after the harvest.

"It is like we are forgotten by the government of this district, we the farmers accomplish everything for ourselves without the assistant from local government, and this make us to accumulate a lot of debts example we are facing drought problem and this is due to scarcity of rain and there is no other source of water for irrigation, this made me to take multiple loans in order to build well to irrigate the crops". (Male, August 2023).

4.4 Factors influencing small farmers borrowing decisions in SACCOS and VICOBA

The SACCOS and VICOBA function as community-based financial organizations with both positive and adverse effects on local farmers. These two financial schemes create a suitable environment for providing financial services to rural communities. As we have seen, they are easily accessible and frequently come with more straightforward terms and conditions than formal financial schemes.

"Our leaders introduce these two community based financial schemes through trainings and meeting we are able to understand the terms and conditions of every services they are providing for us. This is to all literacy and illiteracy people. Leaders make sure they give us clarifications on everything we are asking them." (Male, August 2023)

Acquiring loans with friendly interest rates is one of the primary reasons why small farmers from the Uyui district decide to engage with these financial schemes. My informants confirmed that low interest rates and the small amount of bureaucracy during the application process allow them to get those loans relatively quickly. Also, I do not have any evidence of favoritism or of any kind of discrimination in providing loans. This means that all members are in principle seen as equal, regardless of their age, gender, education, and social status.

"The service is equal for all the members. Every member gets loan twice a year and if there is an emergency, we members conduct a meeting and decided whether the loan should be given or not to the members who wants more than twice a year as the constitution says." (female, August 2023)

“There is a time I took the loan from one bank and the rate was three times compared to SACCOS and VICOBA which has lower rates with lower conditions”. Taking loans from these communities based financial schemes gives us the relief in time of payment due to interest rates and the benefits we are getting like expand our knowledge to entrepreneurship skills and other trainings” (Male, August 023).

During the interview, one informant revealed that her ability to access credit from the VICOBA increased the productivity of her farm because enough capital helped her get higher quality and quantity productions during the harvest. This is the ideal outcome for many small farmers taking out a loan, but the majority of my informants said that the result is based on chance. Many plans did not end like what they expected.

“Before joining Mapinduzi Vicoba I was depending on my little savings which was hard for me to be able to buy all the required agricultural tools for the farming, but after starting getting loans and annual shares it has helped me to be able to buy all the necessary agricultural inputs in every season”. (Female, August 2023)

Several small farmers confirmed that since the government stopped giving them subsidies, informal financial schemes have become their saviors. After the government announced that it would no longer provide subsidies to them, they had no choice but to join the informal financial schemes so that they could be able to boost their capital and buy seeds, fertilizer and other agricultural inputs to allow them to compete in the market by producing quality and quantity crops.

“I was depending credits from my relatives sometimes from friends but what I was not getting enough crops compared to now. Through SACCOS and VICOBA is like compensation of what I was getting from the government” (Female, August 2023)

Most of my informants saw borrowing as essential for more income and food consumptions in their households. It was something they saw as positively transforming their lives.

“My farming life has changed after joining the SACCOS, because of the loans I get has given me more profits than before when I used to depend on my savings which did not fulfill all the needs in farming and households”. (Male, August 2023).

4.5 Advantages and disadvantages of SACCOS and VICOBA

SACCOS and VICOBA have numerous advantages *and* disadvantages. It is sometimes difficult to assess both sides impartially. However, one of my key findings is that SACCOS and VICOBA are not that different when it comes to the proportions of advantage and disadvantages. Both of these informal financial schemes are similar in terms of management structures, constitutions, and operations.

However, SACCOS and VICOBA are slightly different when it comes to group size. The VICOBA consisted of a smaller group of people while the SACCOS formed by large group of people.

Secondly, the amount of loan disbursed was also different. The SACCOS' amounts are quite higher than the VICOBA's and this is because of its higher number of members which increased the number of shares and savings.

Also, the SACCOS has an account with the formal bank and they normally do all their financial transactions through the banks. In contrast, it is not necessary for the VICOBA to have an account with formal banks, and the majority of these kinds of informal institutions do all their financial transactions by cash. The leaders are the ones who keep the cash in their houses.

These two financial schemes have become the most significant financial relief systems for small farmers in the Uyui district. All the members of these two financial schemes have received loans with grace period from three months to one year according to the borrower's wish. The small farmers confirmed their happiness with the process was. Through loans, they were able to improve their agricultural production, which made them able to improve their household's income in order for them to meet their basic needs.

"The loan process from these two financial schemes are easy and conditions are simple. Majority of us in this district are members to both schemes and this has become a pleasure for us to get loans quickly to fulfill our goals". (Female, September 2023).

Besides that, these informal financial schemes provided trainings in agriculture and entrepreneurs for their members. The latter are benefiting from trainings that have been conducted by leaders from these two schemes, by district trainers from governmental offices, and by non-governmental organizations. The topics have ranged from financial management to entrepreneurial skills, including the best practices for dealing with competitive markets.

"We have been receiving entrepreneurship trainings and education on financial management, this has helped me to be wise and make good decisions on how to use loans and this helped on managing business which is food restaurant as well as dealing farming actives at the same time. This has been a helpful to people like us who did not be able to attend school to get the financial knowledge which helps a lot". (Female, August 2023)

The trainings have been given out to both leaders and the members as well. The leaders trained on how to manage the financial sides of the SACCOS and VICOBA. This knowledge helped them resolve some of the challenges faced in the industry. I was told that it improved their performances in lending. Also, the leaders got training on how to prepare their work plans and their financial annual reports. They learned how to deal with the accounts of each members as well as how to organize trainings on expenditures, revenue, and action plans.

However, besides the adverse effects on some of the debtors mentioned above, the SACCOS and VICOBA I investigated also display a number of disadvantages. There is a lack of collateral verification in the VICOBA. Basic good banking practices point of the fact that collaterals need to be checked to see if their value corresponds to the loan taken. Most of the rural small farmers have loans problem, so they should consider the effects of engaging their land as collateral. If the collaterals do not match the amount of the loans they took, it is bad for the community-based organization in case of problems. Also, the leaders of these two schemes lack the technical knowledge of evaluating land. And since the government does

not control the administration of the SACCOS and VICOBA, they do not have any back-up in case of financial problems due to poor loan management, being independent financial schemes.

“I took a loan of TZS 4,000,000 from the SACCOS but unfortunately I could not pay back because I had loans and so many arrears in other financial schemes and this cause my five hectares of land to be sold by SACCOS. I know for sure the current price of five hectares cannot be 3,000,000 the amount was auctioned by SACCOS’ management and I came to find out that through the process no evaluation was done when submitting the collateral documents during the application of the loan”. (Male, August 2023)

The lack of skilled staff is another disadvantage of these two informal financial schemes. Their leaders are democratically chosen, but this process does not guarantee that they have the needed skills for financial management, for leading financial institutions, or for conducting SACCOS and VICOBA business. This made these schemes vulnerable. The screening of the loans, the processing of the loans, and the proper recovery of the loans are not guaranteed. Also, the majority of the members does not have the knowledge of its rights and of property evaluation. All of this brings with it a risk of increasing indebtedness.

“We are elected to be their leaders because of the trust, but many times we are facing challenges due to lack some of managerial skills and education in the operations of these credit unions and this has become a very big challenges to us and the unions”. (Female, August 2023)

Poor managerial and operational structures are another challenge of these two informal financial schemes. They lack credit risk mitigation. The monitoring of the loans disbursed to the farmers is also lacking, and there is little follow-up after a loan has been given to farmers. During the study, I realized that the loans are often disbursed to members without checking whether the borrowers are qualified. This led to the defaulting of some of the borrowers.

“These two informal financial schemes have been experiencing loss because of the poor performance of the management and some of the members not returning loans and this is because there has been negligence in the entire process of providing and screening loans and this has caused the groups to experience losses time to time”. (Male, August 2023).

4.6 Social, economic and psychological impact of credits and debts to rural small farmer’s livelihoods

The effects of credits and debts on small farmers in the Uyui district are significant and intimately related to their means of substance and agricultural practices. The lives of most farmers are shaped by the availability of credit and by the ability to manage their debts. This impact their economic stability, agricultural production, and general standard of living.

“We are grateful that we have been able to get cheap and quickly loans from these two financial institutions schemes and this has helped to strengthen our agricultural activities but we have grown with the burden of how to return debts on time without affecting our economy and our income”. (Male, August 2023)

4.6.1 Social impact of credit

In rural areas, small farmers are experiencing a heightening of stress and anxiety due to elevated debts levels. The uncertainty surrounding their ability to repay their loans significantly affects their mental health and overall wellbeing. This is important because, as Channa et al. (2022) argued, the effective management of debts have the potential to influence the farmers' social standing within their respective communities.

I observed that some rural small farmers lost their land because they could not repay back their loans. This was the case for two farmers I interviewed. Because of this inability to repay back the loans, these small farmers experienced many societal issues including loss of status and even a downgrading in their class location. When small farmers lose their property, they also lose their social status as stated by one of the respondents:

“After my land was auctioned to cover the loan I took from the SACCOS, I have lost respect and some close people have also run away from me. Since then I became a laborer my value and respect to the society has dropped”. (Male, September 2023)

These two informants lost their lands and became laborers. Each of them had taken a loan of T'ZS 3,000,000 with the interest of 7% for one year, and both gave their lands as collateral. These two small farmers were unable to repay their loans and the SACCOS decided to sell their lands in order to recover the SACCOS capital.

“I lost my land last year and it was after taking the loan from SACCOS which I used in agricultural activities but due to dry season I did not get good harvest and this lead to loss which made me not be able to repay back the loan and I lost my farm”. (Male, August 2023)

The factors mentioned by the interviewee show that debt may foster social differentiation among small farmers in the Uyui district. Also, the quote shows that these farmers who did not pay back their loans lost their status and became wages laborers.

“I lost my status after not having land when I started going to my colleagues who are still have farmers to get a job so that I can manage my family. I have been despised by the community after failing to repay the loan and it has been difficult for anyone to trust me”. (Male August 2023)

4.6.2 Economic impact of credit on rural small farmers

Small farmers are forced to produce cash crops in order to repay their loans to avoid the stress of being unable to repay their loans back on time. During the data collection in the Uyui district, I found out that the majority of small farmers who are members of SACCOS and VICOBA are producing tobacco, cotton, maize and rice. These crops are sold as commodities and this makes it easy for them to access the market to sell their productions. The profits are used to repay back their loans.

“I decided to start cultivating commercial crops that are in market demand at large quantity and leave small part of the farm for food crops for my family. This is because cash crops go off to the market quickly and this make easy for me to be able to return the loans to VICOBA on time, but food crops are going slowly to the

markets and needs a lot of attention from the farms to storage to the market compared to cash crops". (Female, September 2023)

In this context, 80% of the correspondents are engaged in cash crop productions that are in high market demand to be able to sell on time and get the money to repay back the credits they took. This may cause food security issues in the Uyui district. This has been happening because most of the population is engaged in the cultivation of commercial crops and only maintains a small part of their land for food consumption. The latter is not enough for meeting the needs of the population of this area.

4.6.3 Psychological impact of credit to rural farmers

During the interview with the two defaulters from SACCOS, I observed that they are experiencing psychological pressure after being expelled from their land and forced to change their status from land owners to wages laborers. These ex-farmers experienced fear to face the community and to lose the community's trust. Due to this, some small farmers could not handle the pressure and decided to relocate to other cities. Some even became sick because of depression and anxiety and others apparently tried to commit suicide.

"I am afraid to meet people of this district, I am not attending any events that happens in this village, neither wedding nor funeral burial, majority of people are pointing fingers on me and even to become an example in the credit groups in this district. This has caused me depression and anxiety even to be afraid to face people in this community. (Male September 2023)

4.7 Farmer's debt repayment strategies

My study shows that many small farmers find ways to avoid having to struggle with indebtedness. They manage to repay their loans on time to these two informal financial schemes through engaging themselves into other activities, not just agriculture. They diversify their portfolio and invest in other forms of entrepreneurship. This has been helpful for some of them because of the training they have received during their meetings and training sessions.

A number of small farmers started businesses like beekeeping, pottery, food selling ('mama lische') and motorcycling. Many farmers drive taxi motorcycles after they return from their farms. These activities help them generate more income apart from waiting for harvesting or selling seasons.

"I started food selling and my husband started motorcycling every day in the evening after coming back from the farm. These two extra activities we have been able to earn extra income which is helping us on paying back our loans on time and increase shares from our two financial schemes without problem. I am a member of the VICOBA and my husband is a member of SACCOS". (Female, September 2023)

In other words, in agreement with Gerber (2014), debt pushes borrowers into a kind of entrepreneurship spirit. This allows borrowers not to depend on only one income. It makes their loan repayment more likely and it keeps indebtedness at bay, at least for a while. In that sense, debt stimulates them to be economically creative and to discover other ways of increasing their income than relying solely on agriculture.

4.8 The consequences of credit/debt on rural development

Access to credits enables farmers to purchase crucial agricultural supplies including seeds, machinery, and technology. The investments in crop yields and agricultural productivity increase the household's income and promote the overall economic stability.

“After joining SACCOS I was able to access the loan which helps me to get all the agricultural inputs and this has boost the productivity which also increase my earnings.” (Male, August 2023)

In the context of the Uyui district, access to credit from these two informal financial schemes enables small farmers to expand their agricultural activities such as testing out new crop types, starting new operations, or producing goods with benefit. This reduces the risks brought on by crop failure and market changes. Also, diversification helps farmers to be more resilient.

“Access to loan, has helped me to expand my agricultural activities and this is due to me being able to buy agricultural equipment's which are expensive and I could not manage with my small savings I had”. (Male, August 2023)

Access to credit makes it easier for small farmers to access markets by taking advantages of favorable pricing changes and gaining good market prospects for their products.

“I am now able to start new ways of farming by using modern machines, this is because of the capital I earn from savings, shares and loans from VICOBA. This help to get better products from the farm and be able to keep up with the competitive market”. (Female, August 2023)

Access to credit has improved agricultural activities, increasing the need of labor during the planting and harvesting season and helping small farmers and local workers. However, the stress brought on by debt can divert them from productive activities, which affects the total labor productivity and wellbeing.

My study shows that SACCOS and VICOBA's can significantly reduce the psychological stress caused by rural debt loads. A focus on values like openness, collaboration, and social support network inside these credit schemes helps lessen the stigma and exclusion that people with debt frequently suffer.

“In our VICOBA there are small groups of three members within the scheme that hold a meeting once in a month and discuss the challenges we are facing which we cannot share in a big group and help in solving the problem.it can be diseases, family and financial problem and all the discussion will be shared to the chairlady so that she can know how to handle the situation in case members cannot be able to repay their loan or pay necessary contributions to the group. All problems are solved equally and friendly regardless of gender or age. Each member has the rights to speak without being judged by the members”. (Female, September 2023)

To rely on loans does not help all small farmers to get out of poverty, but it is a way to ensure the status quo, namely the reproduction of their household. In this context, the government

could make more efforts to release the farmer from the burden of debt by establishing new policies, such as subsidies, that could help develop the agricultural sector without exploiting the farmers.

Chapter 5: Conclusions and recommendations

Credits have been a significant tool for the reproduction of small farmers. The abolition of the government's subsidies to small farmers and the privatization of financial institutions seem have not helped the survival of small farmer in an increasing competitive market era.

The study shows that every time there is debt, there are also challenges. It was the purpose of this study to examine the dynamics and implications of credit and debt among the small farmers in the Uyui district in the context of local SACCOS and VICOBA.

The study focused on rural indebtedness to examine how credit and debt shape the life of rural farmers. I found that the impacts are substantial, most notably by creating new and strong pressures on the debtors. I showed how credit could lead to indebtedness and affect the lives of a majority of small famers.

Risking losing one's property and assets is not a small thing. The farmers who put their land as collateral may find themselves unable to repay. They then face challenges such as social isolation, expulsion from the schemes, and they may become wages laborers, known as defaulters and losing the community's trust.

Also, the study shows how farmers have to change their lifestyle because of the debt occurred. Debt forces them to focus on how to repay back loans instead of on how to develop their livelihood economy.

Income diversification is a common strategy used by debtors. It helps them earn extra income so that they are able to pay back their loans. Through that, some tried to minimize their household's expenditures. However, a large number of small farmers in the Uyui district also see credit as their savior regardless of the challenges of the burden of debt they are facing.

Nevertheless, there are connection between finance and development. The development of agriculture and the growth of small farmers often depend on the credit from informal financial schemes. A majority of small farmers depend on them after the abolition of subsidy allowance from the government.

Much of the country depends on agriculture even though the sector is facing multiple crises such as debt and climate change. The two are linked because the sector depends on both credit and on rains, and the absence of rain may open the door for more debt. This is why formal financial institutions are often hesitant to deal with small farmers. As a result, it is mostly informal financial schemes that dominate the Tanzanian countryside. In this context, it is not rare to see farmers ending up joining in multiple informal financial schemes and taking multiple loans. In these cases, debt becomes a way of life and it deteriorates rural development.

Recommendations

First, from a policy perspective, the government should intervene more in these informal financial schemes. Although there are policies, these schemes are largely autonomous and the government is not entirely keeping its eyes on them. For example, most VICOBA's are not registered, and some of the SACCOS are not registered either, although new regulations requiring the registration of SACCOS. Similarly, the Bank of Tanzania (BOT) is not keeping an eye on the SACCOS with small capital. A majority of rural SACCOS fall under minimal capital and are not monitored by the BOT.

Second, there is no limitation of membership in these informal financial schemes. This can account, as we have seen, for the indebtedness of many small farmers who end up being members of multiple financial schemes. But if there were clear policies preventing cumulating and checking personal incomes, they would be much less cases of rural indebtedness in the Tanzanian countryside.

Third, the reconstruction of the national agricultural framework also means giving a relief to small farmers. As we have seen, most of them are poor, and the abolition of subsidies affects them in many ways, making them struggling in their production process. The government should look for ways to give them relief.

Fourth, there should be a regulatory policy about the value of the borrower's property used as collateral by small farmers. There should be registered evaluation companies specialized on the evaluation of the value of the land compared to the amount of the loans taken. This would help match collaterals and loans taken.

Finally, the borrowers' rights are a crucial element in the way forwards. Legal education should be offered during the training sessions so that the farmers can have legal knowledge and be in a position to decide what to (not) do during membership registration and during the loan application process.

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Appendices

Interview Guideline: Exploring Small Farmers' Engagement with SACCOs and VICOBA

1. Can you confirm if you own the land you cultivate or are involved in farming activities on this land?
2. How many years have you been practicing farming in this village?
3. Could you provide an estimate of the total land area, in hectares, that you and other small farmers own collectively in this village?
4. Are there medium or large-scale farmers present in this village, in addition to small farmers?
5. Do you have a clear understanding of the terms and conditions associated with being a member of SACCOs (Savings and Credit Cooperative Societies) and VICOBA (Village Community Banks)?
6. Could you share the approximate size of your farm in hectares?
7. Do you receive any government subsidies or support for your farming activities?
8. What motivated you to join SACCOs and the village community bank in this village? Additionally, could you outline the benefits you have experienced from participating in these financial schemes?
9. In situations where you, as a member, are unable to repay the loan on time, could you describe what typically happens?
10. Is there a formal written agreement or contract that needs to be signed when applying for a loan from these financial institutions?
11. Based on the shares you hold within the cooperative, how much are you allowed to borrow, and what is the associated interest rate?
12. Are members permitted to review and discuss the terms and conditions with other members and even non-members before signing the loan application form?
13. For those members who are unable to repay their loans on time, how does this impact their lives and their status within the cooperative?
14. What was your previous relationship with formal financial institutions before becoming a member of these informal financial groups?
15. Could you elaborate on how a member's standing or benefits are affected if they lose their shares due to loan repayment challenges?
16. Is there a minimum number of shares a member must possess in order to qualify for taking out a loan?
17. Is debt a burden for you?
18. Is debt a real risk for you?

19. Have you ever been worried to lose your land because of debt?
20. Do you know people who lost their collateral because of debt? (either because it was seized or because they had to sell it to repay loans)
21. What measure did you take to make sure you could repay your loans on time?

22. When you are indebted, do you have to work more? do you have to sell more? do you have to produce more to make sure you can repay?

23. Overall, do the benefits of credit compensate for the burden of debt?