

BINDURA UNIVERSITY OF SCIENCE EDUCATION



FACULTY OF COMMERCE

DEPARTMENT OF ECONOMICS

FACTORS AFFECTING HOUSEHOLD ACCESS TO CREDIT ACCESS IN SWAZILAND.

SUBMITTED BY:

MALVERN MUBAYI

B0923994

SUPERVISOR: DR.KAIRIZA

DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE BACHELOR OF SCIENCE (HONOURS) DEGREE IN ECONOMICS OF BINDURA UNIVERSITY OF SCIENCE EDUCATION.FACULTY OF COMMERCE.

SEPTEMBER 2018

RELEASE FORM

NAME OF AUTHOR: MALVERN MUBAYI

STUDENT NUMBER: B0923994

TITLE OF PROJECT: FACTORS AFFECTING HOUSEHOLD
ACCESS TO CREDIT ACCESS IN
SWAZILAND.

PROGRAMME: BACHELOR OF SCIENCE (HONOURS)
DEGREE IN ECONOMICS.

YEAR GRANTED: SEPTEMBER 2018

Permission is hereby granted to Bindura University library to produce single copies of this project and to lend or sell such copies for scholarly or scientific research purposes only. The rights and neither the project nor extensive extracts from it may be printed or otherwise reproduced without the author's approval.

SIGNED:.....

PERMANENT ADDRESS:
MOFFAT PRIMARY SCHOOL
P.BAG CY375
CAUSEWAY
HARARE

APPROVAL FORM

The undersigned certify that they have supervised, read and recommend to the Bindura University of Science Education for acceptance a research project entitled: **Factors Affecting Household Access to Credit Access in Swaziland_** submitted by **Malvern Mubayi B0923994** in partial fulfillment of the requirements for the **Bachelor of Science (Honours) Degree in Economics**.

.....	.../...../...../
(Signature of Student)	Date
.....	.../...../...../
(Signature of Supervisor)	Date
.....	.../...../...../
(Signature of the Chairperson)	Date
.....	.../...../...../

DECLARATION FORM

I **MALVERN MUBAYI** declare that this project is an original copy of my own work and has not been published before or submitted to any other institution/university.

Signed.....Date.....

Registration number

Physical address.....

.....

.....

DEDICATION

This piece of work is dedicated to my beloved parents Mr. and Mrs. Mubayi and the Mubayi family for their unwavering support and encouragement in times of difficulty. Mom and Dad you are my source of inspiration. Thank you for your love.

ABSTRACT

The focus of this study was on determinants of household access to credit in Swaziland. The study aimed at establishing factors affecting household access to credit access using logit model. The specific objectives guided were to determine the effect of gender on access to credit, to ascertain the impact of employment on access to credit, to establish the impact of age on access to credit and to find the relationship between marital status and access to credit. After reviewing the relevant literature on households and access to credit at both the micro and macro levels, it outlines the research design for a micro level study on the factors affecting household access to credit access in Swaziland. The results were drawn from a sample size of 281,979 households. A logit model was adopted in order to analyze the probability of success in relation to the probability of failing since the study assumed that there are no clear characteristics which give one an automatic passage to access credit. It was found that being male and increase in age increase the probability of failure to access credit. Conversely, being employed and being married reduces the probability of failure to access credit. Therefore, gender, employment status, age and marital status significantly affect access to credit in Swaziland. Women are encouraged to apply for loans since being male increases the probability of being rejected in favor of female. Since age increases the probability of being refused to access a loan, household heads are encouraged to apply for loans when they are still young. It was recommended that more employment opportunities should be created in order to increase chances of accessing credit. In the same vein, since being married reduces the chances being refused to access credit, married people are encouraged to apply for credit.

ACKNOWLEDGEMENTS

First and Foremost, I would like to thank the Almighty God for his guidance and strengthen me throughout the entire degree programme. For we are nothing without his wisdom. Heartfelt gratitude is also indebted to my supervisor DR.KAIRIZA for the overwhelming supervision throughout the writing of this dissertation in such a way that would be acceptable for academic purpose.

Last but not least indebted gratitude goes to my colleagues Delight and Mr Sakarombe for their assistance in this piece of work.

May God bless you all in abundance.

TABLE OF CONTENTS

RELEASE FORM.....	i
APPROVAL FORM.....	ii
DECLARATION FORM.....	iii
DEDICATION FORM.....	iv
ABSTRACT FORM.....	v
ACKNOWLEDGEMENT.....	vi
TABLE OF CONTENTS.....	vii
LIST OF TABLES.....	ix
LIST OF APPENDICES.....	x
CHAPTER I.....	1
1.0 INTRODUCTION.....	1
1.1 Background of the study.....	2
1.2 Statement of the problem.....	3
1.3 Research objectives.....	4
1.4 Research questions.....	4
1.5 Research hypothesis.....	4
1.6 Assumptions of the study.....	5
1.7 Significance of the study.....	5
1.8 Limitations of the study.....	5
1.9 Delimitations of the study.....	5
1.10 Definition of terms.....	6
1.11 Outline of the study.....	6
1.12 Summary.....	6
CHAPTER II.....	7
LITERATURE REVIEW.....	7
2.0 Introduction.....	7
2.1 Theoretical Literature.....	7
2.1.1 Financial Liberalization Hypothesis.....	7
2.1.2 Credit Rationing.....	9

2.2 Empirical Literature.....	10
2.3 Summary.....	13
CHAPTER III.....	14
RESEARCH METHODOLOGY.....	14
3.0 Introduction.....	14
3.1 Research Design.....	14
3.1.1 Correlation research design.....	14
3.2 Data type and sources.....	14
3.3 Theoretical Framework.....	15
3.3.1 The random utility model.....	15
3.4 Empirical model specification.....	16
3.5 Justification of variables.....	17
3.5.1 Dependent Variable: Failure to Access Credit (FAC).....	17
3.6 Independent Variables.....	17
3.6.1 Gender.....	17
3.6.2 Employment status.....	17
3.6.3 Age of household head.....	17
3.6.4 Marital status.....	18
3.7 Estimation Procedure.....	18
3.8 Diagnostic Tests.....	19
3.8.1 Multicollinearity Tests.....	19
3.8.2 Heteroscedasticity test.....	19
3.8.3 Normality Tests.....	19
3.9 Summary.....	19
CHAPTER IV.....	20
DATA PRESENTATION, ANALYSIS AND DISCUSSION.....	20
4.0 Introduction.....	20
4.1 Descriptive Statistics.....	21
4.2 Diagnostic Tests.....	21
4.2.1 Multicollinearity Tests.....	22
4.3.1 Heteroscedasticity Test.....	22

4.4.1 Normality Test.....	23
4.5 Regression Results.....	25
4.6 Interpretation of Results.....	25
4.7 Discussion of Results.....	25
4.8 Summary.....	26
CHAPTER V.....	27
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....	27
5.0 Introduction.....	27
5.1 Summary.....	27
5.2 Conclusions.....	28
5.3 Recommendations	28
5.4 Areas for further research.....	28
REFERENCES.....	29

LIST OF TABLES

4.1.1 Summary of Descriptive Statistics.....21
4.2.1 Multicollinearity Tests.....22
4.3.1 Heteroscedasticity Test.....22
4.4.1 Normality Test.....23
4.5.1 Regression Results.....25

LIST OF APPENDICES

APPENDIX 1:
Regression Results.....33

