

**A Latent Class (LC) Cluster Analysis of Farmers and Traders 'Attitudes Towards
Formal Contractual Choices in the Vegetable Chains in Lushoto District, Tanzania
By**

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Abstract

This paper is based on New Institutional Economics (NIE), particularly on institutional arrangements. It used 'transaction cost' approach to find out potentials of vegetable farmers and traders in participating in formal contractual arrangements. The study employed sectional design while using both quantitative and qualitative methods. Quota sampling and then systematic sampling techniques were used to select small-scale farm vegetable wholesale traders for the surveys. The sample consisted of a total of 153 small-scale vegetable farm owners and 788 wholesale traders. Latent Class (LC) cluster analysis was used to identify clusters for the potentials of using formal contracts. Methodological triangulation was used. Both quantitative and qualitative narrations and explanations of experiences of participants used in the analysis of data. According to this study, most vegetable farmers preferred formal to informal when compared to wholesale traders. Trust and weak contract enforcement mechanism framework were a concern for both farmers and wholesale traders. Consequently; to sensitize 'public private partnership' to link vegetable farmers in contract farm to be given their due consideration.

Key words: Lushoto, Tanzania, Latent Class Cluster Analysis (LCCA), contractual choices, vegetable chains