

**GROUP FORMALIZATION INTO VICOBA MODEL:  
A CASE OF KIMARA WOMEN EMPOWERMENT GROUP IN KIMARA  
WARD, KINONDONI DISTRICT, DAR ES SALAAM**

**MELINDA FRANCO MUGANDA**

**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF  
REQUIREMENTS FOR MASTER OF COMMUNITY ECONOMIC  
DEVELOPMENT (MCED) OF OPEN UNIVERSITY OF TANZANIA  
2016**

**CERTIFICATION**

I, **DR. HAMIDU SHUNGU**, certify that I have read and hereby recommend for the acceptance by the Open University of Tanzania a dissertation titled “***Group Formalization into VICOBA Model***” in partial fulfillment of the requirements for the award of the degree of Master of Community Economic Development (MCED) of the Open University of Tanzania.

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Melinda Franco Muganda

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Date

## **DEDICATION**

This work is dedicated to my beloved children, Franco Emmanuel Batela, Rene France Batela, and Senion Smith Batela for their encouragement and prayers, love, moral and material support they gave. . It is also dedicated to my Almighty God, JOHOVA NISI.

## **ACKNOWLEDGEMENT**

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Lastly and not least, I thank my family; mum and my children for their support, encouragement and tolerance for the time that I was attending school and working hard to complete my master's program.



## **ABSTRACT**

The general objective of this community needs assessment is to support the formalization of the informal women groups in Kinondoni District, Dar es Salaam a case study of Kimara Ward. Specifically, the assessment sought: specifically to assess the community needs of the women in Kimara Ward, Kinondoni District; to prioritize the identified needs of the women in Kimara Ward, Kinondoni District; to address the prioritized needs of the women in Kimara Ward, Kinondoni District, Dar es Salaam. The research was a Community Needs Assessment study conducted in Kimara in Kinondoni Municipality. It was a case study of the Kimara Women Empowerment Group. The methods used in this study included: Focus group discussions (FGDs); key informant interview; and community validation workshop. The major findings of the study were the needs of the community as stated: The need of the women groups to formalize their groups; need of the women in the community to train on the Village Community Banks (VICOBA) Model; lack of entrepreneurship skills, lack of organizational management skills, low financial literacy and loan and financial assistance needs. The implemented project prioritized group formalization and awareness of the VICOBA model. The assessment recommended the integration of pending needs in the future project plans, the development of the constitution of the group to guide its activities, opening of a bank account to ensure safety of the members' contributions, adherence to the proper use of the Credit Kit and establishing a physical location for group meetings, the group

needs to take charge of management of their activities as this is a threat to the sustainability of the group

## TABLE OF CONTENTS

<b><u>CERTIFICATION</u></b>	<b>ii</b>
<b><u>COPYRIGHT</u></b>	<b>iii</b>
<b><u>DECLARATION</u></b>	<b>iv</b>
<b><u>DEDICATION</u></b>	<b>v</b>
<b><u>ACKNOWLEDGEMENT</u></b>	<b>vi</b>
<b><u>ABSTRACT</u></b>	<b>vii</b>
<b><u>TABLE OF CONTENTS</u></b>	<b>viii</b>
<b><u>LIST OF APPENDICES</u></b>	<b>xv</b>
<b><u>LIST OF FIGURES</u></b>	<b>xvi</b>
<b><u>LIST OF TABLES</u></b>	<b>xvii</b>
<b><u>LIST OF ACRONYMS</u></b>	<b>xviii</b>
<b><u>CHAPTER ONE</u></b>	<b>1</b>
<b><u>PARTICIPATORY NEEDS ASSESSMENT</u></b>	<b>1</b>
<u>1.0 Introduction</u>	1
<u>1.1 Kinondoni Community Profile</u>	4
<u>1.2 Community Needs Assessment</u>	5
<u>1.2.1 Objectives of Community Needs Assessment</u>	5
<u>1.2.2 Research Questions</u>	6
<u>1.2.3 Research Methodology</u>	7

<a href="#"><u>1.2.3.1 Research Design and Sampling Techniques</u></a>	7
<a href="#"><u>1.2.3.2 Target Population</u></a>	7
<a href="#"><u>1.2. 3.3 Population Sample</u></a>	8
<a href="#"><u>1.2.3.4 Sampling Techniques</u></a>	8
<a href="#"><u>1.2.3.5 Data Collection Methods</u></a>	8
<a href="#"><u>1.2.3.5.1 Document Review</u></a>	8
<a href="#"><u>1.2.3.5.2 Key Informant Interview</u></a>	9
<a href="#"><u>1.2.3.5.3 Focus Group Discussions (FGDs)</u></a>	9
<a href="#"><u>1.2.4 Data analysis and presentation</u></a>	11
<a href="#"><u>1.2.4.1 Ethical issues</u></a>	12
<a href="#"><u>1.2.4.2 Validity and Reliability</u></a>	12
<a href="#"><u>1.2.4.2.1 Community Validation Workshop</u></a>	13
<a href="#"><u>1.2.4.3 Data Analysis Method</u></a>	13
<a href="#"><u>1.3 Community Needs Assessment Findings</u></a>	13
<a href="#"><u>1.3.1 Demographics</u></a>	13
<a href="#"><u>1.3.1.1 Age Distribution</u></a>	13
<a href="#"><u>1.3.1.2 Marital Status</u></a>	14
<a href="#"><u>1.3.1.3 Education Levels</u></a>	15
<a href="#"><u>1.3.1.4 Employment Status/Income</u></a>	15
<a href="#"><u>1.3.2 Group Formalization</u></a>	16
<a href="#"><u>1.3.3 The Concept of VICOPA</u></a>	17
<a href="#"><u>1.3.3.1 KWEG and Entrepreneurship Skills</u></a>	18
<a href="#"><u>1.3.3.2 Benefits and Financial Assistance</u></a>	19

<a href="#"><u>1.3.3.3 Other Challenges Facing KWEG</u></a>	19
<a href="#"><u>1.4 Community Needs Prioritization</u></a>	21
<a href="#"><u>1.4.2 VICOBA Model Training</u></a>	21
<a href="#"><u>1.4.3 Entrepreneurship Skills</u></a>	21
<a href="#"><u>1.4.4 Organizational Management/Governance</u></a>	22
<a href="#"><u>1.4.5 Financial Literacy</u></a>	22
<a href="#"><u>1.4.6 Loan Disbursement and Financial Assistance</u></a>	22
<b><a href="#"><u>CHAPTER TWO</u></a></b>	<b>24</b>
<b><a href="#"><u>PROBLEM IDENTIFICATION</u></a></b>	<b>24</b>
<a href="#"><u>2.0 Background to Research Problem</u></a>	24
<a href="#"><u>2.1 Problem Statement</u></a>	24
<a href="#"><u>2.2 Project Description</u></a>	25
<a href="#"><u>2.2.1 Target Community</u></a>	26
<a href="#"><u>2.2.2 Stakeholder Groups</u></a>	26
<a href="#"><u>2.2.3 Project Goals in CED Terms</u></a>	27
<a href="#"><u>2.2.4 Project Objectives</u></a>	29
<a href="#"><u>2.3 Host Organization</u></a>	29
<a href="#"><u>2.3.1 Institutional Fundamentals</u></a>	29
<a href="#"><u>2.3.2 Role of CED Student and Host Organization</u></a>	30
<a href="#"><u>2.3.2.1 CED Student Role in the Project</u></a>	30
<a href="#"><u>2.3.2.2 The Group's Role in the Project</u></a>	30
<a href="#"><u>2.3.3 Kimara Women Empowerment Group SWOT Analysis</u></a>	31
<b><a href="#"><u>CHAPTER THREE</u></a></b>	<b>34</b>

<b><u>LITERATURE REVIEW</u></b>	<b>34</b>
<u>3.0 Introduction</u>	34
<u>3.1 Theoretical Literature</u>	34
<u>3.1.1 Conceptualisation of Village Community Bank</u>	34
<u>3.1.2 Poverty</u>	36
<u>2.1.3 Poverty Alleviation</u>	38
<u>3.1.4 Poverty in the Tanzanian Context</u>	38
<u>3.1.5 Possible Causes of Poverty in Tanzania</u>	39
<u>3.1.6 Financial Sector Reforms and Formation of MFIs in Tanzania</u>	40
<u>3.1.7 History and Development of VICOBA in Tanzania</u>	41
<u>3.1.8 VICOBA Institutional Structure and Intensive Training</u>	42
<u>3.1.8.1 Institutional structure</u>	42
<u>3.1.9 Intensive training</u>	43
<u>3.1.10 The Status of VICOBA in Tanzania</u>	44
<u>3.1.11 A Comparison of VICOBA and Other Micro-Finance Institutions</u>	45
<u>3.1.12 Micro-Finance Schemes and Poverty Alleviation</u>	46
<u>3.1.13 Gender and Micro-Finance</u>	47
<u>3.2 Theoretical Framework</u>	49
<u>3.2.1 Group Formalization</u>	50
<u>3.2.1.1 Conceptual Overview</u>	50
<u>3.2.2 Types and Characteristics of Groups</u>	52
<u>3.2.3 Formal Task Groups</u>	53
<u>3.2.4 Informal Groups</u>	53

<a href="#"><u>3.2.5 Social and Work Groups</u></a>	54
<a href="#"><u>3.2.5.1 Producer Association Groups</u></a>	54
<a href="#"><u>3.2.5.2 Credit and Savings Groups</u></a>	55
<a href="#"><u>3.2.5.3 Claims Groups</u></a>	56
<a href="#"><u>3.2.5.4 Formation of Groups</u></a>	57
<a href="#"><u>3.2.5.5 Forming Stage</u></a>	57
<a href="#"><u>3.2.5.6 Storming Stage</u></a>	57
<a href="#"><u>3.2.5.7 Norming Stage</u></a>	58
<a href="#"><u>3.2.5.8 Performing Stage</u></a>	58
<a href="#"><u>3.2.5.9 Functions of Groups</u></a>	59
<a href="#"><u>3.2.5.10 Task functions</u></a>	59
<a href="#"><u>3.2.5.11 Maintenance functions</u></a>	59
<a href="#"><u>3.2.6 Challenges Facing Groups</u></a>	59
<a href="#"><u>3.2.6.1 Lack of Assets</u></a>	59
<a href="#"><u>3.2.6.2 Lack of Access to Markets</u></a>	61
<a href="#"><u>3.2.6.3 Lack of Rights</u></a>	62
<a href="#"><u>3.2.6.4 Dependence on External Intervention</u></a>	63
<a href="#"><u>3.2.7 The VICOBA Concept</u></a>	64
<a href="#"><u>3.2.7.1 Conceptual Overview</u></a>	64
<a href="#"><u>3.2.7.2 VICOBA and Microfinance</u></a>	65
<a href="#"><u>3.2.7.3 VICOBA and VSLA's</u></a>	66
<a href="#"><u>3.2.8 Origin of VICOBA</u></a>	67
<a href="#"><u>3.2.9 The VICOBA Methodology</u></a>	69

<a href="#"><u>3.2.9.1 Formation</u></a>	69
<a href="#"><u>3.2.9.2 Management and Governance</u></a>	70
<a href="#"><u>3.2.9.3 Operations and Credit Procedures</u></a>	70
<a href="#"><u>3.3 Empirical Literature</u></a>	71
<a href="#"><u>3.3.1 How Groups Contribute to Poverty Eradication</u></a>	71
<a href="#"><u>3.3.2 How and When Groups Help their Members</u></a>	73
<a href="#"><u>3.3.3 Groups Inclusiveness: Case of the Poor</u></a>	74
<a href="#"><u>3.3.4 VICOBA Success Stories</u></a>	77
<a href="#"><u>3.4 Policy Reviews</u></a>	80
<a href="#"><u>3.4.1 The National Microfinance Policy (2000)</u></a>	80
<a href="#"><u>3.4.2 Small and Medium Enterprise Development Policy (2002)</u></a>	81
<a href="#"><u>3.4.3 Women in Development in Tanzania Policy, 1992</u></a>	82
<a href="#"><u>3.4.4 Tanzania Development Vision and National Strategy for Growth and Reduction of Poverty (MKUKUTA)</u></a>	82
<a href="#"><u>3.5 Literature Review Summary</u></a>	83
<b><a href="#"><u>CHAPTER FOUR</u></a></b>	<b>87</b>
<b><a href="#"><u>PROJECT IMPLEMENTATION</u></a></b>	<b>87</b>
<a href="#"><u>4.0 Introduction</u></a>	87
<a href="#"><u>4.1 Project Outputs</u></a>	87
<a href="#"><u>4.2 Project Planning</u></a>	88
<a href="#"><u>4.2.1 Implementation Plan</u></a>	88
<a href="#"><u>4.2.2 Project Inputs</u></a>	89
<a href="#"><u>4.2.3 Staffing Pattern</u></a>	90

<a href="#"><u>4.2.3.1 VICOBA Registrar and Trainer</u></a>	90
<a href="#"><u>4.2.3.2 The CED Student</u></a>	90
<a href="#"><u>4.2.3.3 One Supporting Staff</u></a>	91
<a href="#"><u>4.2.4 Project Implementation Budget</u></a>	91
<a href="#"><u>4.3 Project Implementation</u></a>	91
<a href="#"><u>4.3.1 Project Implementation Report</u></a>	92
<a href="#"><u>4.3.2 Project Implementation Gantt chart</u></a>	94
<b><a href="#"><u>CHAPTER FIVE</u></a></b>	<b>96</b>
<b><a href="#"><u>PROJECT PARTICIPATORY MONITORING, EVALUATION AND</u></a></b>	
<b><a href="#"><u>SUSTAINABILITY</u></a></b>	<b>96</b>
<a href="#"><u>5.0 Introduction</u></a>	96
<a href="#"><u>5.1 Participatory Monitoring</u></a>	96
<a href="#"><u>5.1.1 Participatory Monitoring Methods</u></a>	97
<a href="#"><u>5.2 Participatory Evaluation</u></a>	97
<a href="#"><u>5.2.1 Participatory Monitoring Plan</u></a>	98
<a href="#"><u>5.2.2 Performance Indicators</u></a>	100
<a href="#"><u>5.2.3 Participatory Evaluation Methods</u></a>	101
<a href="#"><u>5.2.4 Project Evaluation Summary</u></a>	102
<a href="#"><u>5.3 Project Sustainability</u></a>	103
<a href="#"><u>5.3.1 Financial Sustainability</u></a>	103
<a href="#"><u>5.3.2 Technical Sustainability</u></a>	103
<a href="#"><u>5.3.3 Organizational Sustainability</u></a>	103
<a href="#"><u>5.4 Sustainability Plan</u></a>	104

<a href="#"><u>5.4.1 Financial Capacity</u></a>	104
<a href="#"><u>5.4.2 Institutional Plan</u></a>	104
<b><u>CHAPTER SIX</u></b>	<b>106</b>
<b><u>CONCLUSION AND RECOMMENDATION</u></b>	<b>106</b>
<a href="#"><u>6.0 Introduction</u></a>	106
<a href="#"><u>6.1 Conclusions</u></a>	106
<a href="#"><u>6.2 Recommendations</u></a>	108
<b><u>REFERENCE</u></b>	<b>109</b>
<b><u>APPENDICES</u></b>	<b>117</b>

### LIST OF APPENDICES

<a href="#"><u>Appendix 1: Focus Group Discussion to members</u></a>	117
<a href="#"><u>Appendix 2: Key Informant Interview Guide</u></a>	120
<a href="#"><u>Appendix 3: Community Validation Workshop Guideline: Community Priority</u></a>	
<a href="#"><u>Ranking Tool</u></a>	121
<a href="#"><u>Appendix 4: Organization Management Structure for Weg: Kimara</u></a>	122
<a href="#"><u>Appendix 5: Group Registration Certificate from BRELA</u></a>	123
<a href="#"><u>Appendix 6: List of members of Kimara Women Empowerment Group (WEG)</u></a>	124
<a href="#"><u>Appendix 7: Types of training offered by VICOBA Sustainable Development</u></a>	
<a href="#"><u>Agency</u></a>	125
<a href="#"><u>Appendix 8: VICOBA Training Phases</u></a>	126

## LIST OF FIGURES

<u>Figure 1: Kimara Ward, Kinondoni District</u>	6
<u>Figure 1.1 Group discussion</u>	10
<u>Figure 1.2 Group discussion</u>	10
<u>Figure 1.3 Group discussion</u>	11
<u>Figure 2: Age of respondent</u>	14
<u>Figure 3: Respondents Marital Status</u>	14
<u>Figure 4: Respondents Education Level Attainment</u>	15
<u>Figure 5: Respondents annual income range in TZS</u>	16
<u>Figure 6: Training needs prioritization</u>	18
<u>Figure 7: What is the most critical challenge facing this group? N = 30</u>	20

## LIST OF TABLES

<a href="#"><u>Table 1. What training is most useful for your group? N=30</u></a>	18
<a href="#"><u>Table 2: What is the one critical problem facing this group? N=30</u></a>	20
<a href="#"><u>Table 3: Priority Issues as Identified during the Needs assessment n=25</u></a>	23
<a href="#"><u>Table 0.4: VICOBA Groups Situation under LAMP</u></a>	78
<a href="#"><u>Table 0.5: Logical Frame of Project Implementation Plan</u></a>	88
<a href="#"><u>Table 0.6: Project Inputs</u></a>	89
<a href="#"><u>Table 0.7: Financial Expenditure Summary (TZS)</u></a>	91
<a href="#"><u>Table 0.8: Project Implementation</u></a>	91
<a href="#"><u>Table 0.9: Project Implementation Gantt chart</u></a>	95
<a href="#"><u>Table 10: Participatory Monitoring Plan</u></a>	98
<a href="#"><u>Table 11: Participatory Monitoring Plan</u></a>	100
<a href="#"><u>Table 12: Participatory Evaluation Survey (Self-assessment)</u></a>	101
<a href="#"><u>Table 13: Log Frame for Goals 1, 2 and 3</u></a>	102

## LIST OF ACRONYMS

BRELA	Business Registration and Licensing Authority
CBO	Community Based Organization
CCT	Christian Council of Tanzania
CED	Community Economic Development
COOP	Cooperation
DAWASCO	Dar es Salaam Water Supply Company
EARD-CI	The Enterprise and Rural Development – Community Initiatives)
FDG	Focus Group Discussion
IGAs	Income Generating Activities
KNPA	Kilimanjaro Native Planters Association
KWEG	Kimara Women Empowerment Group
LAMP	Land Management Program
MDGs	Millennium Development Goals
MKUKUTA	Mkakati wa Kukuza Uchumi na Kupunguza Umaskini Tanzania
MoFEA/PED	Ministry of Finance and Economic Affairs/Poverty Eradication Department
NCA	Norwegian Church Aid
NGO	Non-governmental Organization
NSGRP	National Strategy for Growth and Reduction of Poverty

REPOA	Research on Poverty Alleviation
ROSCA	Rotating Savings and Credit Association
SIDA	Swedish International Development Cooperation Agency
SMEs	Small and Medium Enterprises
VICOBA	Village Community Banks
VSDA	VICOBA Sustainable Development Agency
VSLAs	Village Savings and Loans Associations



## **CHAPTER ONE**

### **PARTICIPATORY NEEDS ASSESSMENT**

#### **1.0 Introduction**

This chapter explains on how community needs were assessed. It has five main parts which include: community profile, community needs assessment, Community needs findings, and community needs prioritization and chapter conclusion.

The importance of community organizing in Tanzania was revealed longtime before independence. The people recognized that community organization is one way of saving them from poverty and consolidating their efforts towards a common goal. People organize themselves and form groups for various reasons. As people get together, they find similarity in them. Some people come together by mutual attraction and others because they live close by or belong to the same Organization.

Interpersonal relationships involve direct communication between friends, members of the family, a club, a fraternity or members of a small work force. These groupings involve relationships among individuals who have relatively fixed roles and status.

Some groups are intentionally formed into organizations and some are unintentionally or involuntarily formed. There are psychological groups and several social organizations wherein the members are related to each another by different yardsticks.

When two or more people come together in some interdependent way where each member's behavior influences the behavior of the others', this group can be called a psychological group. This relationship is enhanced when the members share a set of beliefs and values. When they work together on common jobs, the members become unified in a way that sets them apart from members of other groups. We can take families, political clubs and various educational groups as examples.

Social organizations are interrelated groups formed to accomplish stated goals. Political clubs, community leaders and group of friends may all join together to form a political party. Similarly, attitudes and career ambitions bring people together. Colleges and Universities are changing as social organizations. A social organization can comprise of diverse groups.

Formation of groups may have several reasons, however, the main reason for a group to form is physical interaction based upon a common need or problem. The greater the extent to which individuals share activities the more they will interact and the higher the probability that they will form a group. Interaction enables them to discover common interests, likes and dislikes, attitudes, or sentiments.

The concern on the plight of women in Tanzania has led to the formation of different types of women groups. There are several reasons why women want to come together:

- i. To have access to goods and services more easily than they would have on an individual basis;
- ii. To pull together their scarce resources, own and manage them themselves in order to fight against household poverty, food shortage, shelter, power of an individual person against market forces, unemployment and low self-esteem;
- iii. Groups can be learning laboratories, promoting skills such as enterprise management and problem solving;
- iv. Groups are useful receiving mechanisms for resources from Government, NGOs, development agencies and other financiers;
- v. Groups allow more small women entrepreneurs to be reached;
- vi. It reduces on administrative transaction costs of lending;
- vii. Groups provide a channel for information.
- viii. Social support: perhaps provided by members of a group in times of crisis
- ix. Formation of groups based on religious grounds e.g. Wanawake Wakatoliki Tanzania (WAWATA) and political groups such as Umoja wa Wanawake Tanzania (UWT)

However, there are many challenges facing women groups which hinder the progress of group and thereby not being sustainable. Some of the women lack knowledge of how to form strong groups. Groups of such type have no good foundation they lack vision and seriousness. As for those which have managed to formalize, they may be faced with a problem of capacity building which include; entrepreneurship skills and

business management. Those are few of the major problems which cause a series of problems, such as membership drop outs, mismanagement of funds, and inability to service the loans, (SEDT, 2009).

### **1.1 Kinondoni Community Profile**

Dar es Salaam City is made up of three municipalities: Kinondoni; Ilala; and Temeke municipality. Kinondoni Municipal is bordered by the Indian ocean to the North East, Ilala Municipal to the South, Bagamoyo District to the North, Kibaha District to the West and Kisarawe District to the South West. The Municipality is well linked by roads and other communication networks to the rest of the city and other parts of the country. Major road links are: Morogoro Road, Bagamoyo Road, Kawawa Road, Mandela Road and Sam Nujoma Road. Kinondoni Municipal has four (4) divisions namely; Magomeni, Kinondoni, Kibamba and Kawe. These divisions are then divided into twenty seven (27) wards, which in turn are sub divided into sub wards commonly known as Mtaa. According to the 2002 Census, the Kinondoni Municipality has a population of 1,088,867 people with a growth rate of 4.1%. The rapid population increase is influenced by both natural causes and immigration (birth rates and net immigration rates respectively). The Municipality has an area of 531 square kilometer and the population density is estimated at 2051 persons per square kilometer,0 <http://www/kmc.go.tz>

Kimara Ward is one of the 27 wards in Kinondoni Municipal Council in the Dar es Salaam City. The ward is located along Morogoro Road some 15 kilometers from Dar es Salaam City Centre and is made up of five (5) sub-wards, namely: Baruti,

Kimara Baruti, Kimara Matangini, Mavurunza and Kimara B (also known as Temboni). According to 2002 National Population Census, Kimara was estimated to have 66,288 people (33,053 male and 33,235 female National Population Census Report, 2002) and now it is expected to have more than 80,000 people given a population growth rate of 4.1%.

The ward covers an equivalent of 42.05 square kilometers in area. Kimara Ward experiences a modified type of equatorial climate. It is generally hot and humid throughout the year with an average temperature of 36oC. The hottest season is from October to March while it is relatively cool between May and August with temperature around 15oC.

There are two rain seasons: - short rain from October to December and long rain season between March and May. The average annual rainfall is 1300mm. Humidity is around 96% in the mornings and 67% in the afternoons. The climate is also influenced by the Southwest monsoon winds from April to October and Northeast monsoon winds between November and March. Kimara gets piped water from the Great Ruvu River through DAWASCO.

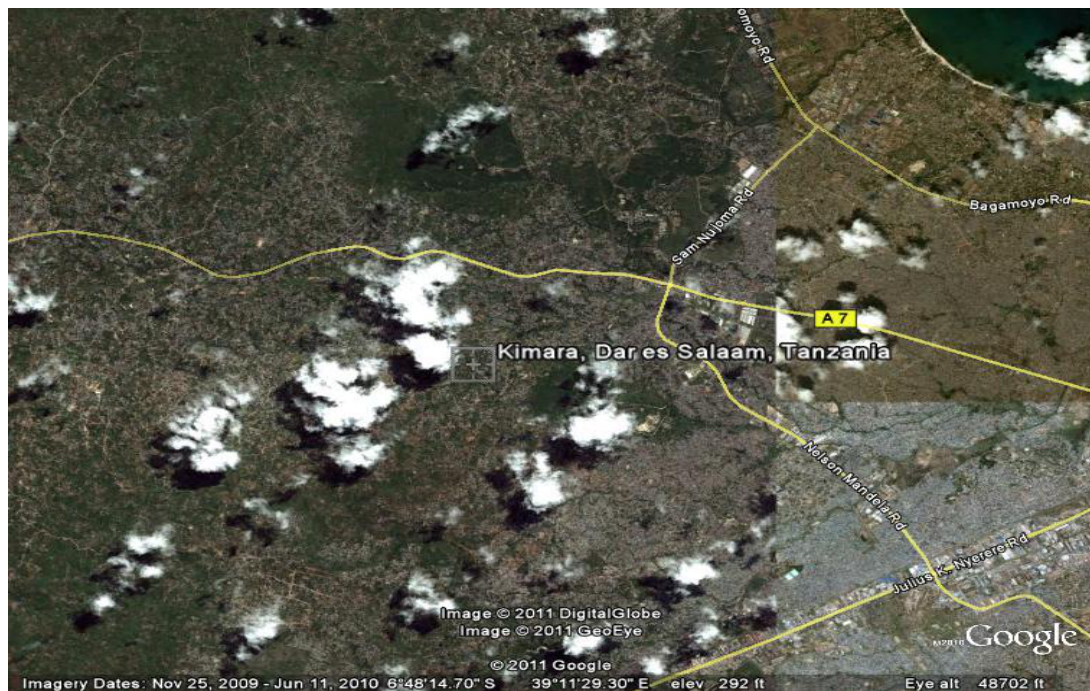
However, like other parts of Dar es Salaam, Kimara faces an acute shortage of water all the times. People depend solely on water vendors which is very costly and most of the time unsafe for human consumption. People living in this ward are engaged in both formal and informal economic activities. Most of the people in this ward are

engaged in petty businesses such as motor-vehicle garages, small household shops, pubs, poultry, gardening, cattle keeping, barber shops and brick-making businesses.

## **1.2 Community Needs Assessment**

### **1.2.1 Objectives of Community Needs Assessment**

The general objective of this community needs assessment is to support the formalization of the informal women groups in Kinondoni District, Dar es Salaam a case study of Kimara Ward. Specifically, the assessment sought:



**Figure 1: Kimara Ward, Kinondoni District**

**Source: Google Map 22/3/2016**

- i) To assess the community needs of the women in Kimara Ward, Kinondoni District;

- ii) To prioritize the identified needs of the women in Kimara Ward, Kinondoni District;
- iii) To address the prioritized needs of the women in Kimara Ward, Kinondoni District, Dar es Salaam

### **iii)1.2 Research Questions**

- i) What are the needs of the women community in Kimara Ward, Kinondoni District?
- ii) What are the priorities of the needs of the women in Kamara Ward, Kinondoni District?
- iii) To what extent can the prioritized needs of the women in Kimara Ward be addressed?

### **1.2.3 Research Methodology**

This study was conducted along the lines anticipated in the research design and the following participatory methods: Document Reviews; Key Informant Interview; Focus Group Discussions; and Community Validation Workshop.

#### **1.2.3.1 Research Design and Sampling Techniques**

This research was designed around qualitative and quantitative approaches as a case study of Kimara Ward women group in Kinondoni District. A 21-instrument tool was used to guide the focus group discussions (Appendix 1). Three group discussions were held with 10 participants in each group who were selected randomly and the

same guide was used for all three groups. The research also employed a 5-instrument tool for the key informant interview (Appendix 2). One key informant was interviewed at the VICOBA Sustainable Development Agency (VSDA). Finally, a community validation workshop was conducted to prioritize the identified needs through the participants. This was done among 25 members of the women community. Each participant had to select only three priorities (out of six needs) according to their preference (Appendix 3).

#### **1.2.3.2 Target Population**

The term population refers to a large group of people, an institution or a thing that has one or more characteristics in common on which a research study is focused. It consists of all cases of individuals, things or elements that fit a certain specification. Frankel and Wallen (2000) denote that population is the group of interest to the researcher from which possible information about the study can be obtained. The target population for this study included women in Kimara Ward, Kinondoni District.

#### **1.2. 3.3 Population Sample**

A sample is a small group of subjects drawn from the population in which a researcher is interested for the purpose of drawing conclusions about the universe or population (Kothari, 2004). Leedy (1986) adds that the results from the sample can be used to make a generalization about the entire population as long as it is truly representative of the population. In this CNA research a sample of thirty (30) community members were chosen to take part in the analysis.

#### **1.2.3.4 Sampling Techniques**

Kothari, (2014) there are much more current references states that simple random sampling provides equal chance to every member in the population to be involved. Three group discussions were held with 10 participants in each group who were selected randomly and the same guide was used for all three groups.

#### **1.2.3.5 Data Collection Methods**

##### **1.2.3.5.1 Document Review**

The minutes of the meetings of the informal women group was reviewed among other documents. The VICوبا training manual was also reviewed by the researcher. Further, an extensive literature review was carried out on the theoretical and empirical aspects of group formalization and village community banks as well as an analysis of related policies.

##### **1.2.3.5.2 Key Informant Interview**

Key Informant interviews were conducted with persons considered strategic in terms of their participation/experience in life of this informal group. A key informant interview was conducted with the de facto leaders of the informal group and in particular, the informal chairperson and secretary to the group. Another key informant interview was conducted with the Registrar of the VICوبا Groups at the VICوبا House, Sinza.

**1.2.3.5.3 Focus Group Discussions (FGDs)**

Three FGDs were conducted among the informal group members. The FGDs involved moderated discussions with the researcher and note taker for every FGD discussion. The discussions were recorded verbatim and transcribed. A qualitative analysis was thereafter used to establish the strength and direction of perceptions. Appropriate scoring/ranking matrices were developed for the issues under investigation. The meetings were facilitated using the FGD Guidelines provided in Appendix 2.



**Figure 1.1 Group discussion**

Souse: Researcher 2011



**Figure 1.2 Group discussion**

Souse: Researcher 2011



### **Figure 1.3 Group discussion**

Souse: Researcher 2011

#### **1.2.4 Data analysis and presentation**

Different methods were used to analyze the collected data. The data collected from the field were analyzed both quantitatively and qualitatively. Responses from the structured questions were analyzed quantitatively and the results are presented in tables and figures in frequencies and percentages. Qualitative data analysis was used to discuss the perceptions of people who answered open-ended questions and focus group discussions. According to Powell (1991) content analysis is the method which consists of establishing a number of different content categories and counting up the number of times items relevant to each of them occurs in a particular set of data. Content analysis is systematic and objective. Microsoft excel was used to analyze data.

##### **1.2.4.1 Ethical issues**

Ethics has been defined as that branch of philosophy which deals with one's conduct and serves as a guide to one's behavior (Mugenda, 2003). Ethical issues are likely to be of importance throughout the research and require integrity from the researcher. Ethical issues start from the research design, and data collection, data processing and storage, data analysis and reporting (Saunders 2009).

In this stage respondents were given room to decide if they consent to participate in the research. Ethical issues provide confidentiality to the respondent to participate in research without any fear hence produce a good research report. Ethical issues guarantee confidence to the respondent and the researcher were able to explain and ensure those respondents that the information given will be confidential and for the academic purpose and the researcher is expecting to adhere to the principles of the ethics of research so that they may meet all the qualifications.

#### **1.2.4.2 Validity and Reliability**

Validity and Reliability of information provided was measured by comparing information from respondents by directly observing the operations and activities. The researcher was able to develop a holistic view and understanding of the context within which the project operates. After obtaining data the information obtained was critically viewed to test truthfulness of the data. A pilot study was done in which five selected members from the community answered a questionnaire to test for validity and reliability. Obtained results helped to shape and improve the questionnaire.

##### **1.2.4.2.1 Community Validation Workshop**

Findings of the assessment were validated through a participatory validation workshop. The informal group was presented with the study findings and a participatory community ranking assessment was carried out by the group members. This exercise gave the group members the opportunity to interrogate both the

methodology and findings through plenary as well as group discussions. See Appendix 3 for more details.

#### **1.2.4.3 Data Analysis Method**

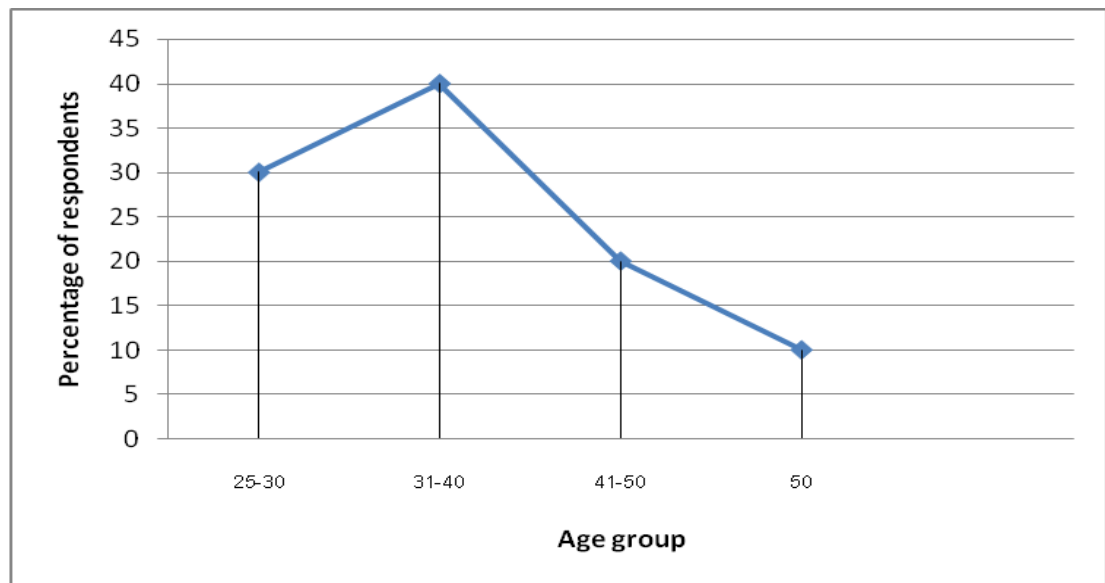
The collected data from the focused group discussions and key informant interviews were collated as necessary and verified for inferences. The data from the community meeting was ranked using a Priority Ranking Tool. To obtain statistical inferences, simple excel spread sheet was used to analyze the data.

### **1.3 Community Needs Assessment Findings**

#### **1.3.1 Demographics**

##### **1.3.1.1 Age Distribution**

The sample consisted of 30 members of the group all of which were women. Figure 2 shows the age distribution of respondents: ages between 25-30 were 30% and respondents who were between 30-40 were 40%, the age between 40-50 were 20% while the ages above 50 were 10% of the respondent.

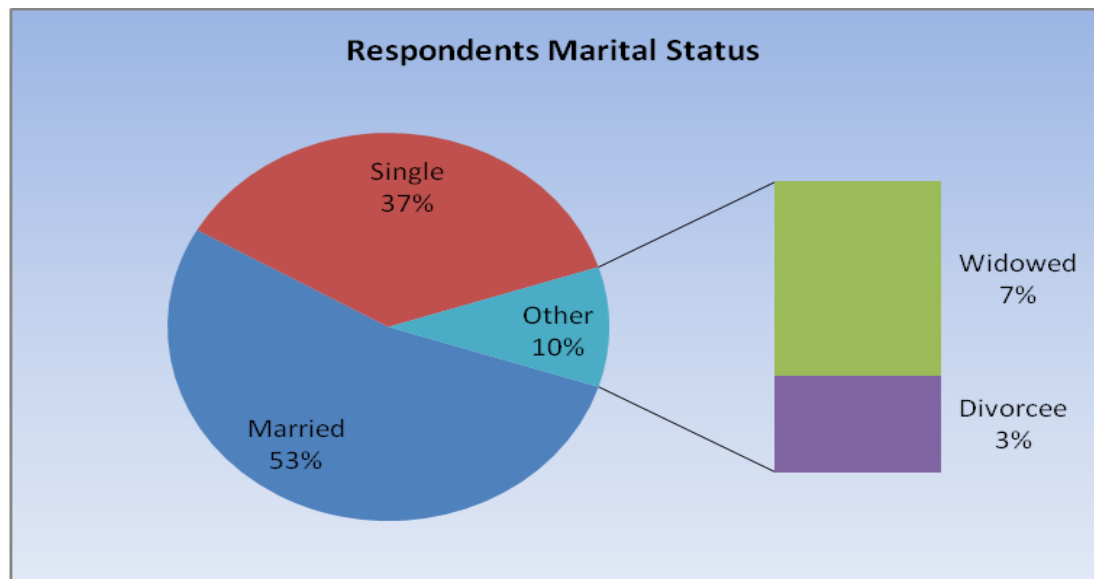


**Figure 2: Age of respondent**

(Source: Field Data, 2010)

### 1.3.1.2 Marital Status

The study shows that among the 30 group members, 16 are married, 11 are single, 2 are divorcees and one is widowed. (Figure.3).

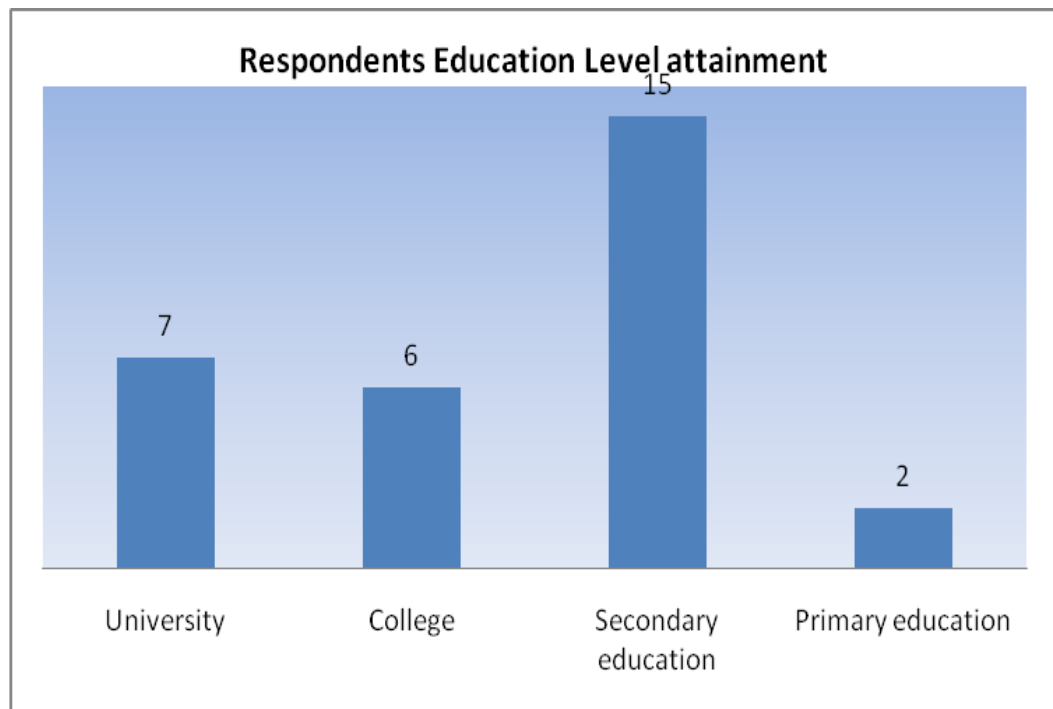


**Figure 3: Respondents Marital Status**

(Source: Research Findings 2010)

#### **1.3.1.3 Education Levels**

The study shows that two (2) members are primary school leavers, fifteen (15) have attained secondary school level, six (6) have college Certificates and seven (7) members of the group have attained degree level of education.



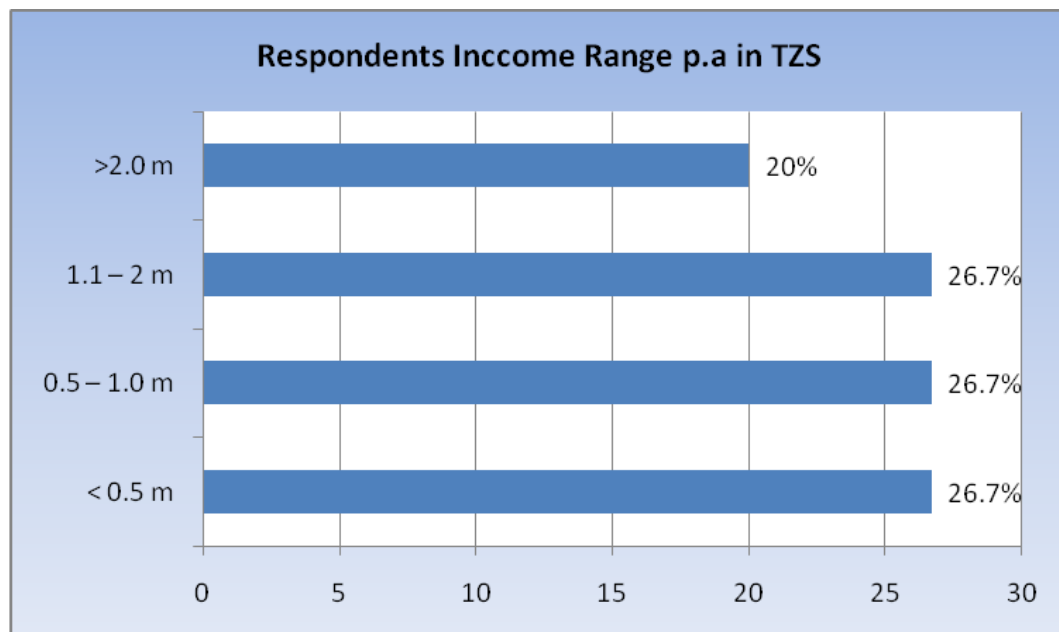
**Figure 4: Respondents Education Level Attainment**

Source: Research Findings 2010

#### **1.3.1.4 Employment Status/Income**

The social economic status of respondents was very important in the reflection of the economic activities done in the community. The discussion was also concerned with group's perception of poverty and what do they know about it. The demographic information was essential in order to know the characteristics and nature of the study population.

As shown in Figure 5 below; about (26.67%) respondents said that they earn less than 0.5m per year, 8(26.67 %) respondents their income was between 0.5m-1m/= (26.67%) earn between 1.1-2m/= and (20%) respondent earn above 2m/= The findings revealed that majority of the respondents annual income was very low in such a way that they cannot meet basic needs. For example 26.67 % of respondents earn less than 400,000 Tanzania shillings per year or TZS 1,100 (\$ 0.7) per day which is well below the poverty line (standard poverty line is \$1.0 per day), World Bank, 1999. These findings concur with those of URT (2002) that, an estimated 36 % of the Tanzania population lives below the poverty line.



**Figure 5: Respondents annual income range in TZS**

**Source: Research data 2011**

### **1.3.2 Group Formalization**

The assessment established that the group had no legal status as it was not registered.

However, most of the group members felt that, the group should be formalized especially to enable it join the official VICOBA groups and also to enable it carry out official banking services from which they will be able to benefit more. Similarly, most of the group members were not aware of the term ‘Board Members’ indicating that the leadership of this group may not be able to put down sound governing principles.

In conclusion the assessment established that group formalization was a priority, because among other things a group without legal status is difficult to get financial assistance from the financiers.

### **1.3.3 The Concept of VICOBA**

The assessment established that all the members of this group have heard about VICOBA. However, their concept about the same appear distorted as some think they are lending organs and oblivious of the fact that group members make their own contributions then can borrow. In general, all the members did not have adequate knowledge of how a typical VICOBA group operates. This explains the lack of cohesiveness and focused leadership the group is experiencing at a moment.

Simple needs assessment conducted among the members prioritized the VICOBA group formation capacity building among the members. This was interpreted as a need to train the members on the whole concept of VICOBA (Table 1.0). Each

member had a chance to select 3 types of training among the 5 training offered at the VICOBA Sustainable Development Agency (VSDA) (Appendix 7).

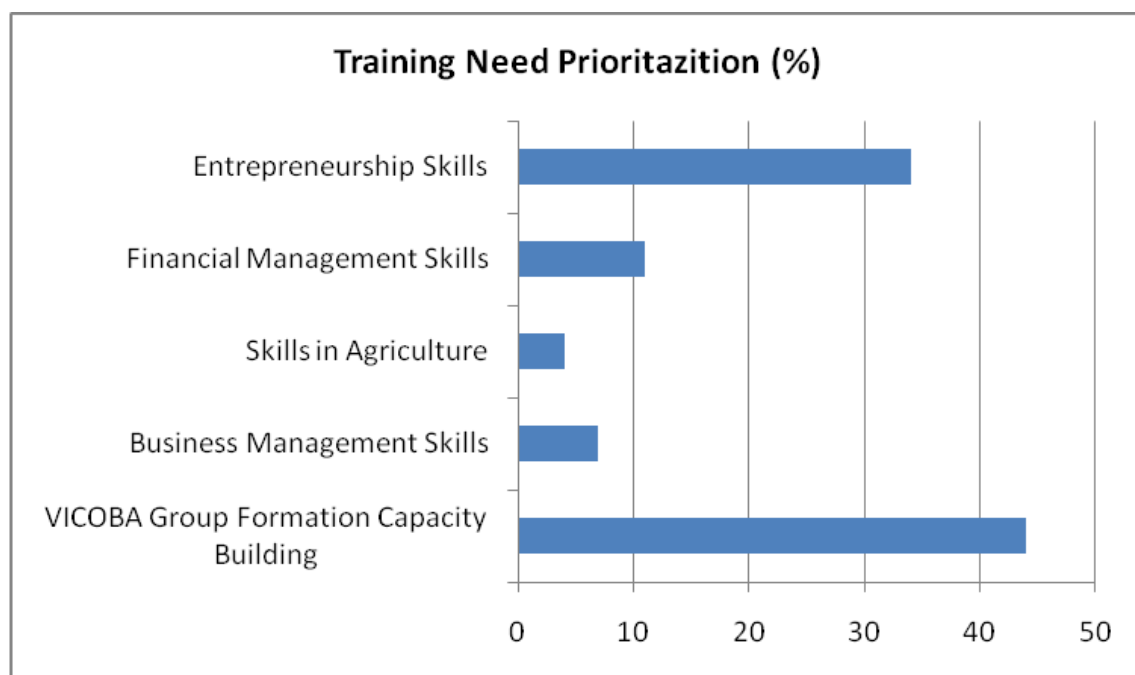
**Table 1.0: What training is most useful for your group? N=30**

<b>Training Need</b>	<b>Frequency</b>	<b>% Distribution</b>
VICOBA Group Formation Capacity Building	40	44
Business Management Skills	06	07
Skills in Agriculture	04	04
Financial Management Skills	10	11
Entrepreneurship Skills	30	34
<b>Total</b>	<b>90</b>	<b>100%</b>

Source: Field data (2016)

### **1.3.3.1 KWEK and Entrepreneurship Skills**

Study showed that, there is a need amongst the members to be equipped with entrepreneurship skills in addition to understanding the VICOBA concept. Figure 6 illustrate this



**Figure 6: Training needs prioritization**

Source: Field Data 2016

The assessment also showed that most of the group members were familiar with neither written nor participated in the crafting of a business plan. It also became

apparent that the members were in dire need of knowledge on entrepreneurship so that their products and services could compete actively in the marketplace.

#### **1.3.3.2 Benefits and Financial Assistance**

The study showed that majority of the members (over 80%) have never borrowed from a bank and at the same time do not know what it takes to borrow from a bank. However, members were very keen to borrow from their own group and indicated that the three-month period is too long as they needed to start borrowing as soon as possible. It thus emerged that the group should be equipped with financial literacy skills to reinforce their saving and investment capabilities.

#### **1.3.3.3 Other Challenges Facing KWEK**

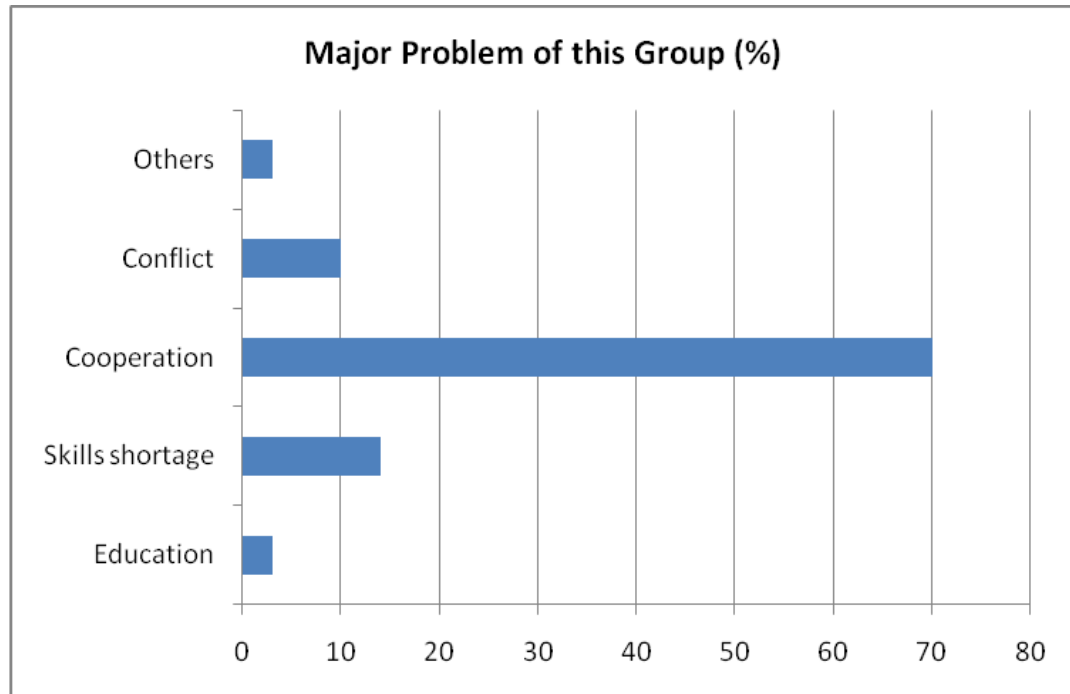
The assessment of the challenges facing the group showed that the members hardly attend meetings, the contributions of the members are inconsistent, the members lack entrepreneurship skills, there is a lack of market for the produce of some of the members. Also established (through key informant interview) was the fact that the most of the VICOBA groups are dominated by women – a fact that makes them lack the men's participation in their management and leadership. The other challenge as pointed out by the group is lack of cooperation. About 70% of the group members felt that lack of cooperation is the number one cause of problem in this particular group (Figure 7). Finally, the assessment also established that most of the group members do not operate bank accounts. This is an indicator of the financial literacy

of the group. This is also a confirmation of a weak saving culture among the members hence they cannot engage actively on investment matters.

**Table 2: What is the one critical problem facing this group? N=30**

Gender	Frequency	% Distribution
Education	1	03
Skills shortage	4	14
Cooperation	21	70
Conflict	3	10
Others	1	03
Total	30	100%

**Source: Research Findings (2016)**



**Figure 7: What is the most critical challenge facing this group? N = 30**

**Source: Research Findings 2016**

**iii).4 Community Needs Prioritization**

The assessment identified the community needs on basis of the data analysis from the focused group discussions and the key informant interview. However, in order to prioritize these needs, a stakeholders' participatory validation workshop meeting was conducted among the group members by using the Community Priority Ranking Tool. The assessment confirmed the six areas of community needs or challenges facing the Kimara Women Empowerment Group in priority order as follows (Table 3)

#### **1.4.1. Group Formalization**

- i) Members are not fully aware of the benefits of formalized groups
- ii) Members are not aware of the processes of registering a group either as a business or an NGO entity
- iii) Members do not have full understanding of group dynamics

#### **iii).42 VICOBA Model Training**

- i) Members do not understand the present national financial services
- ii) Members do not have skills of funds mobilization
- iii) Members do not understand the role of leadership in any institutional arrangement

#### **iii).43 Entrepreneurship Skills**

- i) Members felt that their knowledge on entrepreneurship could not help them to compete
- ii) Members felt they do not know how to plan for a business effectively

- iii) Members felt that they do not have capability to increase the sales of their products, goods or services.

**iii).44 Organizational Management/Governance**

- i) Members of the group felt that they needed a board or trustee
- ii) Members felt they needed a constitution to guide their affairs
- iii) Group member felt that they need well equipped leaders

**iii).45 Financial Literacy**

- i) Majority of the members do not operate bank accounts
- ii) There is no saving culture among the members
- iii) Members felt they do not have skills to carry out investment

**iii).46 Loan Disbursement and Financial Assistance**

- i) Members felt they lack grace period for loan repayment
- ii) Members felt that the amount of loan they were receiving was too small
- iii) Members felt that they needed financial assistance from banks or any other financial institutions

**Table 3: Priority Issues as Identified during the Needs assessment n=25**

<b>Need</b>	<b>Employed</b>	<b>S e l f employed</b>	<b>Score</b>	<b>R a n k</b>
Lack of Entrepreneurship skills	14	2	16	3
O r g a n i z a t i o n a l Management/governance	5	3	8	4
Group formalization	14	6	20	1
Financial literacy	4	2	6	5
VICOBA Model training	12	8	20	1
Loan Disbursement and Financial assistance	2	3	5	6
<b>Total</b>	<b>51</b>	<b>24</b>	<b>75</b>	

**Source: Research findings (2010)**

### **1.5. Conclusion**

The purpose of this chapter was to present the research findings featuring Kinondoni District but focusing on Kimara Ward and hosted by a certain women group, Kimara Women Empowerment Group. The study has also highlighted the objectives of the assessment together with the assessment methodology used to carry out the research. Further, this assessment has been done by providing relevant information relating to the location, population, economic activities, assessment findings and prioritization of the community needs. Economically, most of the people who reside in this ward are poor; their income is below the poverty line. It has also been shown that the women's group has not been formalized and it lacks basic concept of the VICOBA model among others.



## CHAPTER TWO

### PROBLEM IDENTIFICATION

#### 2.0 Background to Research Problem

The Community Needs Assessment Project has identified six areas of needs in the women group Kimara Women Empowerment Group, namely: Group Formalization; VICOBA Model training, Entrepreneurship, Organizational Management and Governance, Financial Literacy and Loan Disbursement and Financial Assistance. This group of women, according to the needs assessment, lack basic skills to manage their own affairs, they are also not able to form a cohesive group despite the fact that they have come together for quite some time now. Similarly, the group lacks knowledge on financial matters as well as general entrepreneurship. One can say that the needs have arisen due to ignorance and lack of cooperation among the group members. These needs continue bogging down this group and it cannot make any progress. The group is therefore in dire need of an intervention to address its problems. Unless such an intervention is put in place the group risks continue lack of financial and entrepreneurship literacy and hence cannot break out of the poverty cycle. Further, the problem of lack of management or governance skills if left unattended, will completely cripple the group because it may not attain any semblance of self-rule.

## **2.1 Problem Statement**

Broadly speaking, capacity building of the group members will inform a general solution for the prioritized needs. Specifically, in this project, Group Formalization and VICOBA Model Training will form the focus on an intervention strategy. The needs have generally been caused by lack of cooperation and awareness (Fig. 7). The goal setting and project implementation will be directed at the Group Formalization and VICOBA Model Training among the VICOBA group leaders and the ordinary members. The centrality of the intervention is to formalize and equip the women group VICOBA principles of operation. Thus, key areas such as group formalization, the basic characteristics of the VICOBA methodology and how to manage activities of the VICOBA groups as a business will be integrated in the intervention. If these interventions will not be put in place, the existence of this informal group will be at risk. This will culminate into either the poor management of the group or exodus of members resulting in subsequent death of the group.

## **2.2 Project Description**

The Group Formalization and VICOBA Model Training is a project that will be simultaneously implemented for the informal group, Kimara Women Empowerment Group in Kimara Ward in Kinondoni District, Dar-es-Salaam. It will be a pre-requisite for the group to attend the VICOBA Model Training to be conducted by VICOBA Sustainable Development Agency (VSDA) at the VICOBA House in Sinza, Dar-es-Salaam before being registered to join the VICOBA Groups. The members are to attend a 12 weeks training program designed to inform them about

the VICOBA Model. The training will be conducted every Saturday by the VICOBA Registrar. The 30-member group will be mobilized for this training.

### **2.2.1 Target Community**

The target community is the Kimara Ward in Kinondoni District Council, Dar es Salaam. According to the 2002 Census, the Kinondoni District had a population of 1,088,867 people with a growth rate of 4.1%. The rapid population increase is influenced by both natural birth rates and net immigration rates respectively. The Municipality has an area of 531square kilometer and the population density is estimated at 2051 persons per square kilometer.

People living in this district are engaged in both formal and informal economic activities. Most of the people in target project area (Kimara Ward) are engaged in petty businesses such as motor-vehicle garages, small household shops, pubs, poultry, gardening, cattle keeping, barber shops and brick-making.

### **2.2.2 Stakeholder Groups**

Project stakeholders in this project include the beneficiaries and all others who in one way or another affect the project or will be affected by this project. The stakeholders include the VICOBA Sustainable Development Agency, the informal Kimara Women Empowerment Group, BRELA, financial institutions, local government, and Ministry of Finance and Economic Affairs dealing with the MKUKUTA Strategy, and members of the group.

- i) The above key players expect to see the following from the project:
- ii) Enhanced growth and development of the group performance, sustainability and education to the members on the entrepreneurial skills.
- iii) The surrounding community from the groups' output (tangible and intangible)
- iv) the Government will to some extent realize its NSGRP commonly as MKUKUTA 2020, Millennium Development Goals (MDGs 2015) and National Development Vision 2025 priority in good life by every citizen. women empowered economically and socially thus reducing men dependence.
- v) The project makes networking among NGOs, CBOs and FBOs will be established and promoted through this project.
- vi) The financial institutions will provide the necessary funding and technical assistance for the execution of project.

### **2.2.3 Project Goals in CED Terms**

Goal 1: Group Formalization

Goal 2: VICOBA Model Training

Goal 3: Manage group activities

#### **Goal 1: Group Formalization**

Formalization of the group is of paramount importance. The group was made aware of the advantages and disadvantages of group formalization. The CED student

supported the group with the process of registration with the Business Registration and Licensing Authority (BRELA). Critical issues in groups formalization is lack of awareness of the systems and also low understanding of benefits derived from formalization. The project will therefore focus on:

- i) Members are not fully aware of the benefits of formalized groups
- ii) Members are not aware of the processes of registering a group either as a business or an NGO entity
- iii) Members do not have full understanding of group dynamics

## **Goal 2: VICOBA Model Training**

The VICOBA Sustainable Development Agency through its VICOBA training program introduced the VICOBA concept to the group. The training also covered the structure, principles and operation system of VICOBA groups. Topics included briefing on historical background of the program, course objectives, meaning of group leadership, how to develop group's internal regulations, conflicts resolution techniques, meaning and importance of VICOBA groups for family development, socially and economically. Critical issues include the lack of awareness on available national financial services, lack of group dynamics knowledge. Issues and constraints were basically based on the following:

- i) Members to understand the present national financial services
- ii) Members to acquire skills of funds mobilization
- iii) Members to understand the role of leadership in any institutional arrangement

### **Goal 3: Manage Group Activities**

The group's ability to manage their activities is paramount to its survival. The project will therefore introduce the members to the benefits of saving and starting new business ventures. The training will also cover management of funds as a result of weekly contributions. It will also cover how to disburse and repay loans. Other topics will include group's internal regulations, conflicts resolution techniques, meaning and importance of VICOBA groups for family development, socially and economically.

#### **2.2.4 Project Objectives**

Objective 1: To support the group with the registration process

Objective 2: To acquaint the group with the basic characteristics of the VICOBA methodology and Objective 3: To enable the members to understand and manage their group activities.

### **2.3 Host Organization**

Kimara Women Empowerment Group (KWEG) was established in September, 2010. The group started with 7 members and grew up to 30 members. However, due to a complex of problems which included lack of seriousness and commitment to some of the members the group membership decreased to 26 members. Some of the problems included members complained that 1) they were not favoring rotation of meeting places they preferred for a permanent place 2) Others wanted to begin accessing credit immediately after the group formation rather than begin training 3)

There were those who said the management was not competent and lacked leadership skills. Therefore the group remained with 26 active members.

### **2.3.1 Institutional Fundamentals**

**Vision of the Group:** Building up a community, which is free from poverty

**Mission Statement of the CBO:** Making a positive change in the lives of group members and empower them with proper skills and adequate capital.

#### **Group Objectives**

- i) Engaging in productive activities which aim at economic development and alleviation/eradication of poverty
- ii) Commitment to building up a community which is free from poverty and which work in team spirit for quality of life and community welfare.
- iii) Unity and solidarity in the efforts of building up a prosperous society which cherishes quality amongst people.
- iv) Prudence in approach choosing priorities and in selecting courses of action.

#### **Organization Management Structure (Appendix 4)**

Executive committee with five members:

- i) The Chairperson
- ii) The Secretary
- iii) Finance Manager/treasurer
- iv) Accountants (2)

## **2.3.2 Role of CED Student and Host Organization**

### **2.3.2.1 CED Student Role in the Project**

In view of the above needs, the researcher will do the following:

- i) Take the lead in assisting the group to get registration,
- ii) Mobilize the group for regular meetings and trainings
- iii) Assist with filing and keeping records of the group.

### **2.3.2.2 The Group's Role in the Project**

The group is expected to attend the scheduled training sessions. The group is also expected to provide the required information and sensitize its members to show willingness in volunteering in some of the activities so as to realize the socio-economic goals. The group is also expected to give monthly contributions to the groups fund as planned so as to be able to cover training costs.

## **2.3.3 Kimara Women Empowerment Group SWOT Analysis**

The situation analysis conducted among the Kimara Women Empowerment Group members singled out a number of strengths of the group and opportunities of the external environment which can be exploited to benefit the group. The assessment further showed that the group is faced by a number of weaknesses that will need to be addressed, as well as a number of challenges or threats that will require strategies to be developed in order to overcome them.

Table 4.0 illustrates the strengths, weaknesses, opportunities and threats pertaining to this group. However, according to the training which was conducted at the VICOBA Sustainable Development Agency it is anticipated that the group will make use of the opportunities and strengths gained.

Table 4.0: SWOT Analysis of Kimara Empowerment Women Group (KWEG)	Strengths	Weaknesses	Opportunities	Threats
1	Fully owned by the target communities	Lack of management and entrepreneurial skills	Good support from the VICOBA National Office	The change of leadership may change political leadership and therefore support towards the CBO's activities be affected.
2	Low management costs as costs are all partly taken care of by group members alone under voluntary basis.	Constitution for the group is not yet in place	Good support from the Ministry of Finance and Economic Affairs	Wealthier members may feel constrained by the limit placed on savings.
3	Have established good working	Not registered, no policies and regulations		Potential loss of money. The threat of

	relationship with local government leadership			possible loss of money is worrisome. This may discourage other members.
4	Have established good working relationship with VICOBA Office at the national level	Lack of permanent office, currently using a temporary office at Kimara.		Access to markets / insecurity can undermine the functionality of the group.
5	The group assist each other in the time of problems, such as death, illness and also cooperate in social events such as weddings, graduation etc.	Lack of funds to establish big projects which can generate big income.		
6	The group members enjoy reasonable level of education	Lack of Bank Account.		

**Source: Research Findings (2016)**

## **CHAPTER THREE**

### **LITERATURE REVIEW**

#### **3.0 Introduction**

This chapter is divided into four main parts, theoretical literature, empirical literature, policy reviews and finally summary of the literature reviews. The literature covered in this section will feature how groups are formalized and the concept of village community banking (VICOBA). The theories of group formalization and the origins of village community banking are discussed as the basis of the project. The applications of these theories are considered in the empirical section of the literature. Policies related to group formalization and village community banking were also examined in the literature review.

#### **iii).1 Theoretical Literature**

##### **3.1.1 Conceptualisation of Village Community Bank**

Village Community Bank (VICOBA) is a saving and credit program that provides basic microfinance management and enterprise development skills to poor rural communities. The core concept of VICOBA is self-empowerment. It also encourages community capacity building, the mobilization of local resources, community ownership of projects and joint management.

VICOBA model has more or less similarities with the microfinance concept. Some references traced back the history of micro financing in the middle of the 1800s when the theorist Lysander Spooner 1850's was writing over the benefits of small loans to entrepreneurs and farmers as a way of getting the community out of poverty. But it was only at the end of World War II that the concept had a big impact to the world community development.

Microfinance refers to Small-scale financial services-primarily credit and savings provided to people who farm or fish or herd; who operate small enterprises or micro enterprises where goods are produced, recycled, repaired; who promote services; who gain income from renting small amounts of land, draft animals, or machinery and tools to other individuals and groups at the local level of developing countries, both rural and urban (Marguerite, 2001).

Generally the concept of Vicoba its vision and mission, works for the improvement of the livelihood and welfare of the community through its philosophy of human empowerment. VICOBA dedicates and addresses itself to the well-being of poor people and vulnerable groups of the society such as women, the young, the aged, the disabled, widows and orphans. VICOBA also works for the less fortunate people who are living under difficult conditions and who are living where there are poor social services or none at all.

Micro-finance is generally defined as the provision of a broad range of financial services such as deposits, loans payment services, money transfers and insurance products to the poor and low-income households, for their micro-enterprises and small businesses (OI, 2009). Such services enable them to raise their income levels and improve their living standards (Bangko, 2001).

Generally, micro-finance programs are expected to improve the welfare of the poor women and men by impacting the economically active poor who would be helped to raise social welfare by promoting human capital investment (Kihongo, 2005). Different scholars (Thomas, 2001; Maziku, 2007; Reed, 2011; Begasha, 2012) have discussed micro-finance as a tool for the poor and low income earners towards poverty reduction and development strategy at various levels.

However, many of them have a common consensus about various problems facing the field of micro-finance in the process of impacting the poor community. VICOBA like any other micro-finance scheme are saving and micro-finance groups which target low income community members to encourage saving and provide access to micro-loans for small enterprises development (SEDT, 2010).

According to SEDIT (2010) VICOBA schemes have proved to be very effective to the rural communities where they operate with very little cost; the scheme can easily be integrated to other development initiatives and give better results within a short period. Therefore, one would expect that poor households to benefit from access to MFIs such as the VICOBA. Generally, access to micro loans could be very essential in income poverty alleviation of those poor rural households that cannot access credit from the formal financial institutions such as Banks due to a lack of collaterals.

### **3.1.2 Poverty**

The lack of resources and the necessary conditions require meeting the basic needs for a healthy living; it is basically having insufficient income to provide food, shelter and clothing needed to preserve health (Mugenda, 2012). URT (2005a) categorizes poverty into two major aspects; income poverty and the non-income poverty. Income poverty refers to a situation where a person or a portion of the population experiences a shortage of income to meet his/her or their basic needs. On the other hand non-income poverty is when a person or a portion of population experiences deprivation of social needs and services such as health services, education, water, sanitation, environmental care and decision making. Generally, poverty is a multi-dimensional problem, embedded in a complex and interconnected political, economic, cultural, and ecological system (Littlefield *et al.*, 2003).

According to Khan (2006) understanding poverty requires an examination of the economic and social context of the respective countries including institutions of the

state, markets, communities and the households. Poverty leads to poor health with its associated cost and low productivity, poor education and wasted minds (Shah, 2004). Also poverty leads to miserable lives and crimes, unacceptable choices, such as educating one group over another or addressing causes of poverty at the expense of those presently in poverty (Bryceson, 2004).

According to URT (2007) poverty is described as a situation in which households are placed below a socially defined minimum level of well-being, usually manifested in hunger, sickness, powerlessness and illiteracy. However, poverty has been defined using monetary and non-monetary measures of welfare because it is such a broad phenomenon. Monetary measures of poverty concentrate on income expenditure and consumption level. Non-monetary measure of poverty have two broad categories namely, basic needs which comprises of food, shelter or housing and clothing, and social service that includes access to health, education, water, sanitation and employment. Income poverty means low level of income that human being has in the society (Kayunze, 2001).

### **2.1.3 Poverty Alleviation**

Poverty is undesirable condition that should be alleviated and eradicated (Kayunze and Kihyo, 2000). Therefore, poverty alleviation is conceived as a strategy for achieving a sustained increase in productivity and an integration of the poor into the process of growth (Hartmann, 2004). The government of Tanzania has been more concerned with poverty alleviation since independence (Johnson, 2003), therefore a number of strategies aiming at socio-economic growth and poverty reduction have been implemented

including the National Strategy for Growth and Reduction of Poverty (NSGRP II) which is the second national organizing framework for putting the focus on poverty reduction high on the country's development agenda (URT, 2005a). In 2010 NSGRP II was launched to rally national efforts in accelerating poverty-reducing growth. It will also continue to put emphasis on mainstreaming cross cutting issues in sector strategies and LGAs development plans. Micro-finance schemes seem to be convenient means of reducing income poverty in the country; this is based on the theory that the provision of small loans to the poor is an effective policy instrument in the fight against poverty (Wangwe, 2005).

#### **3.1.4 Poverty in the Tanzanian Context**

Poverty in Tanzania is characterized by low income and expenditure, high mortality and morbidity, poor nutritional status, low educational attainment, vulnerability to external shocks, and exclusion from economic, social and political processes (Issa, 2004). Poverty is particularly widespread in the rural areas, but is not insignificant in urban areas. There are also important regional differences in the levels and specific dimensions of poverty (ADB, 2005). In 2001, it was found that, more than one third of the Tanzanian population could not satisfy their basic needs and nearly 18% could not afford to attain food requirement for a healthy living (URT, 2002). Income poverty (basic needs and food poverty) was more in rural areas containing 83.4% of the poor in 2007 (URT, 2010), and it is largely a rural phenomenon of all the poor. Micro-finance institutions like VICOBA are considered as a tool for poverty

alleviation through improving access to finance and financial services to the rural poor.

### **3.1.5 Possible Causes of Poverty in Tanzania**

According to the World Bank (2003) major causes of poverty in Tanzania include; fiscal and monetary policies that do not support the leading economic sector of agriculture. The poor performance of Tanzania's agricultural sector has put a significant number of people in rural areas in a poor economic situation. In addition, the country's adoption of socialism and self reliance as her development agenda, corruption and misallocation and use of the government revenue, resulting in a decline in living conditions for most Tanzanians (Malunda, 2005). Structural adjustment is another cause of poverty in Tanzania (Shah, 2004).

In the mid-1980s, Tanzania embarked on an economic recovery programme under the IMF along with the World Bank-sponsored Structural Adjustment Program (SAPs). It was widely believed that stabilizing the economy would result in growth and would ultimately lead to poverty reduction (Rweyemamu, 2009). But some elements of adjustment appear to contribute to livelihood sustainability, whilst others have negative effects. For example removal of subsidies and reduced expenditure may have a negative effect on the poor who may have to pay more for food and have access to fewer public services. Mkombe (2005) pointed out that cultural practices are given priority number one in household expenditure for example *Unyago* (female initiation-traditional training for young girls in preparation to motherhood), this also contributed very much to poverty.

### **3.1.6 Financial Sector Reforms and Formation of MFIs in Tanzania**

The government of Tanzania has since 1961 been implementing financial sector reforms aimed at putting in place a competitive, efficient and effective financial system (Rubambey, 2002). According to Microned (2006) the principal elements of the financial sector reforms were liberalization of interest rates, the restructuring of state owned financial institutions, the establishment of private banks (both local and foreign owned), strengthening of the Bank of Tanzania's role in regulating and supervising financial institutions and strengthening of Saving and Credit Cooperative Societies (SACCOS) as grass root providers of financial services. Tanzania's 2000 National Microfinance policy was established in order to guide the establishment and operations of MFIs (URT, 2000). According to URT (2000) it is clear that those social based MFIs such as SACCOS, NGO's and other service providers were 'free to develop micro-finance services on the basis of their own internal objectives, whether profit, poverty alleviation, self help or other motivations'.

The reforms identified started with the enactment of the Banking and Financial Institution Act of 1991, which among other things, permitted the establishment of private sector-owned banks and provided for a structure for regulation and supervision of the financial sector (World Bank, 2003). The reforms brought about recognition of the need for autonomy of the central bank, not only in the formulation of a monetary policy, but in the regulation and supervision of the financial sector as well (Satta, 2000). The financial sector is headed by the central Bank of Tanzania (BOT), and is responsible for

the regulation and supervision of formal financial institutions, including community and cooperative banks (URT, 2000).

### **3.1.7 History and Development of VICOBA in Tanzania**

In Tanzania, the acronym „VICOBA“ for Village Community Bank was coined in September 2002. SEDIT, CARE and WCRP are the major organizations that participated in coming up with the VICOBA concept and its acronym. The background of the acronym is a CARE international model developed in Niger, West Africa in 1991 (URT, 2009). The model is popularly known as „*Mata Masu Dubara*‘ (MMD) and is based on the Nigerian vernacular for women in a course to emancipate themselves from poverty. In Mozambique it is known as OPHIVELLA, in Uganda JENGA and Zanzibar JOSACA all of which are CARE international found acronyms with modifications suiting local demands. According to SEDIT (2010) VICOBA is a grassroots based lending model, which focuses on fostering a participant’s ability to innovate and manage viable income generating activities. The adoption of VICOBA is based on its suitability and effectiveness in catalyzing developmental initiatives (SEDT, 2010).

The VICOBA model starts at the bottom with collateral groups of five members getting together by forces of social economic discipline and acceptability to form a large group of 30 people. The groups formed are then registered and facilitated to make their own bank and training activities schedule. Intensive training lasting for up to sixteen weeks is conducted. Skills in inter and intrapersonal discipline in production, saving, spending and behavioral transformation is provided in a proper way (URT, 2009). Based in the mode of operation, the micro-finance policy and poverty, VICOBA Scheme has proved

to be a 13 very effective to the rural communities where it operates with very little cost and can easily be integrated to other development initiatives and give better results within a short period.

### **3.1.8 VICOBA Institutional Structure and Intensive Training**

#### **3.1.8.1 Institutional structure**

According to SEDIT (2010) the internal institutional structure of the groups of 30 members each are made up of the chairperson, secretary, treasurer, money counters, key holders and discipline master. Jointly, they ensure groups' survival and attainment of the goal. They carry out the overall supervision of the group in view of the procedures guiding management of shares, loan management, and discipline. The chairperson's responsibility is to ensure joint of the group and supervision of the groups' bank is responsibility of the secretary. Collection of the shares, custody of the credit kits (Plate 1) and overseeing the functions of the groups' bank account the treasury and money counters they count money after collection from different contributions.

The key holders are responsible for ensuring the safety of the keys of the credit kits and opening and closing the kits during and after contribution exercise. The locked credit kit has three padlocks and three members are entrusted as key holders. It is done in this way to reduce the risk of one person opening the box without the permission of others (SEDT, 2010). Lastly, the discipline master role is that of overseeing adherence to the rules of the groups. In addition to the above official, group trainers provide overall guidance to the group, and, in collaboration with the chairperson, ensure group cohesion which is important for the group's survival. Group members are required to attend

weekly meetings as decided by the group. Moreover, every group has the cycle decided by the group of about 12-18 months. After a certain period funds 14

accumulated are pooled together for few individuals to get loans equivalent to the total contribution made. At the end of the circle dividends are shared among group members, this is usually after twelve or fourteen months and the whole process of saving and borrowing starts again (SEDT, 2010). Therefore, the group leadership team in VICOBA is democratically elected from among the group members and serves voluntarily; this makes the leaders win the members' trust, respect and commitment to obeying their instructions. Moreover, what they plough back to the group remains own (group) members money.

### **3.1.9 Intensive training**

According to SEDT (2010) the VICOBA scheme can be operated at a very low cost as it only involves purchase of a credit kit, writing materials and member's contribution for training costs where applicable. The implementation of VICOBA training methodology goes over four phases. These are; introductory phase, Intensive training phase, Development phase and Maturity phase (SEDT, 2010). All these phases have their objectives and time limit for execution by VICOBA trainers and all VICOBA members. Generally, introductory phase takes three weeks and its objective is to identify client groups, explain to them the basic characteristics of the VICOBA methodology and recruiting individuals into the programme. The intensive training phase for four months normally aims at the objective is to enabling group members

understand clearly how better to manage their group activities and provide business management skills that will enable them to select, plan and manage their IGAs profitably. As regards the development phase which lasts four months or more, the objective is to assist the group to become self-governing. Lastly, the maturity phase which lasts for three months or more, is geared towards assisting the group to become independent from the project.

Most of the micro-finance institutions do not provide business skills training and other technical support to their clients free of charge. Therefore, based on the above, one would expect VICOBA members to easily manage their IGAs make a profit and reduce their poverty. The VICOBA scheme provision of the saving facility is also very important as it does enable members to save which may then help them in future to meet investment cost of IGA or even expansion of their current enterprises.

### **3.1.10 The Status of VICOBA in Tanzania**

VICOBA have spread almost too all parts of Tanzania since 2002 and there are 1876 groups operating with 56 280 members which is only 0.14% of the 41 048 532 (2002 census) million of Tanzanians (URT, 2009). Data shows that since 2006 approximately 30 billion Tshs has been collected from their own income as revolving fund for the groups (URT, 2009). The model is based on elements that promote creativity; ownership and sustainability of community invented income gaining activities that are also gender sensitive. A projection by SEDIT (2010) shows that it is 100% cost effective to launch VICOBA project in Tanzania. However, only 0.4% of people surviving below poverty

line have accessed the VICOBA facilities and as pointed earlier almost a negligible proportion of Tanzanians are served by the facility. By December 2010 Rufiji Delta had 22 registered groups with 550 members (WWF, 2011). Based on the above observation the micro-finance industry in Tanzania is still evolving and generally there has been an increasing trend in performance of the MFIs in Tanzania for both outreach and financial indicators since 2002.

### **3.1.11 A Comparison of VICOBA and Other Micro-Finance Institutions**

The basic and fundamental difference between VICOBA and the other models of micro-finance is mainly around beneficiaries of the interest charged (returns on investment or capital booster) (Kihongo, 2005). For example, since conventional micro-finance institutions (MFIs) are commercially oriented charging too high interest rates (17-25%) for their credit, hence it's unaffordable by the poor. VICOBA charge low interest rates (5-10%) and this is normally decided by the members (SEDIT, 2010). In the other models as in all profit motivated financial institutions the interest is derived from the borrower and flows to the lender to meet operation costs such as salaries, cost of utilities and also investment returns.

In this view, it reduces the capacity of the micro-finance schemes to meet the social objective of poverty alleviation as it extracts resources from the poor which would have otherwise been utilized to improve their welfare. According to Kihongo, (2005) the VICOBA model as compared to other MFIs, recycles this investment returns to enable participants take bigger loans in the future. At the end of each cycle the total returns in investments is distributed to each member as dividends according to each person's

current share capital investment. Therefore, based on the above, members of VICOBA stand to benefit more as compared to accessing loans from formal financial institution which charge high interest rate. The interest rate to the loan, are set at a lower rate, improving the capacity of the members to remain in the groups, and enable them to retain portion of earned incomes good enough to improve not only their life circumstances, but also (individual) savings and investments.

### **3.1.12 Micro-Finance Schemes and Poverty Alleviation**

Studies by OI (2009) recognize the benefits of providing capital to people struggling to move out of poverty. Recent research by the Consultative Group to Assisting the Poor (CGAP) showed that the total amount managed by investment funds for micro-finance totaled over 11 billion dollars (CGAP, 2009). Another study done in Bangladesh in 2009 showed that 1.8 million micro-finance client households crossed the 1.25 dollar a day poverty line in the period between 1990 and 2008 (Reed, 2011). Based on these observations the rural poor in Tanzania may also benefit through credit provision by VICOBA move out of poverty.

The VICOBA scheme is flexible in its implementation; it can accommodate other social and economic activities of the target communities such as promotion of local markets and production of goods, rehabilitation of health facilities, environmental conservation initiatives, strengthening education facilities, peace promotion initiatives or facilitation of timely acquisition of scarce or expensive productive inputs/equipment for poor communities (SEDIT, 2010). As compared to the traditional MFIs, which are commercially oriented charging too high interest rates (17-25%) for the poor to afford. The entire profit gained from loan interests is retained and part of it is used to cover high

operation cost including transport cost and salaries of professional credit officers (SEDIT, 2010).

Kihongo (2005) points out that, strategies for poverty alleviation have been using micro-finance services as an important tool for intervention. Kihongo further argues that significant income and employment opportunities for the poor have been created through the evolution of micro-finance services created in developing countries. Simanowitz, (2002) also agrees that micro-finance programs are among the most important interventions to reduce poverty in developing countries. The loans given by VICOBA are normally soft and affordable to the poor and are utilized to support IGAs that are carefully selected based on the market opportunities, appropriate technology and locally available resources (Kihongo, 2005).

Luoga (2008) argues that micro and small scale enterprises in Tanzania have employed the biggest part of the urban population generating a high proportion of the GDP and contributing to foreign exchange earnings. Therefore, efforts need to be directed towards designing and establishing cheap and sustainable micro-financial lending systems/procedures which accommodate the poor.

Shoo (2001), in her study on the role of small-scale enterprises on poverty alleviation found that the majority of low-income earners agreed that the income generated from their participation in micro-financing lending schemes was spent on educating their children, and sometimes themselves. Some of the income was used to access health services. Thomas (2001) concluded that one of the benefits of micro-finance is that,

lending increases more investment in housing and sanitation as a result of increased income to some borrowers. The above observations echo the importance of micro-finance from MFIs such as VICOBA. Therefore, if the poor are to join these institutions and abide by their regulations chances are high they may move out of poverty.

### **3.1.13 Gender and Micro-Finance**

A survey conducted by Kihongo in 2005 revealed that most men do not want to join VICOBA because it takes a long time to start acquiring loans and the loans are small, and others think they are women based projects. They argued that, women can tolerate during the waiting period of three months for training and saving because they can get support from others including their husbands. Therefore, although the VICOBA project is not gender biased Kihongo (2005), seems to suggest women are more involved than men. Kihongo's observation is echoed by SEDIT (2010) who point out that, there is a sense of strength among the women than men in managing funds from VICOBA.

The observation that women are more connected with VICOBA may not be that surprising. According to OI (2009), micro-finance organizations make it a priority to serve the particular needs of women, since a surprising 70% of all those living in extreme poverty are female. According OI (2009) women are often excluded from education, the workplace, owning property and equal participation in politics and decision making. Therefore, micro-finance schemes provide an opportunity to improve their circumstances and the lives of their children. In addition, women have become the preferred clients of MFIs, as they tend to be better borrowers.

ILO (1998) argues that micro-finance can positively impact on women's livelihood through; raising their income which then helps them to better perform their reproductive role and caring for the family. Increased incomes also enhance their employment in micro enterprises and in improving IGAs, thus, enhancing their self-confidence and status within the family as independent producers. SEDIT (2010) has also observed that; men have realized that when women are given a chance, they have great capacity to create development and changes in the community. The mere fact that many women are involved in micro-financing is quite encouraging. Their economic empowerment means a better living in female headed households and even in those headed by men. Generally, any increase in income means more cash available for a household's consumption.

### **3.2 Theoretical Framework**

Micro-finance is analyzed from two main theoretical perspectives, the financial system approach and the poverty lending approach (Robinson, 2001). The former concentrates on large scale outreach looking on who is able to pay back micro-loans and the latter on poverty reduction through credit and often this provides complementary service such as entrepreneurial skills training, teaching of literacy, nutrition or food security and health services. The advocates of micro-finance model have underlying assumptions that if loans are paid in time then this automatically translates to success of the project meaning that recipients targeted must be improving their lives; lifting themselves out of poverty. From the above observation this study adopted the poverty lending approach, on which clients are provided with loans and complementary service such as entrepreneurial skills to act as a tool to lift the poor from poverty.

Micro-finance schemes seem to be a convenient means of reducing income poverty in the country; this is based on the theory that the provision of small loans to the poor is an effective policy instrument in the fight against poverty (Wangwe, 2005). The improved access to finance and financial services creates income generating capacity which may enable the poor to access all the development requirements to get out of poverty and reduce their vulnerability to unexpected events (Nyamsogoro, 2010). The study's generally carried out based on the assumption that micro-finance has the capability of enabling the rural poor earn some vital cash from IGAs or investment into their on-going farming or either means of livelihood thus raising their total income could be very important in meeting rural households other needs especially those requiring cash income.

### **3.2.1 Group Formalization**

#### **3.2.1.1 Conceptual Overview**

The need to formalize springs from a fundamental organizational requirement. Organizations, even if small and comparably simple, are communities of individuals that aim to achieve a certain goal. As such they are built on the fundamental yet opposing principles of division of labor into individual tasks and coordination of those individual tasks to obtain a goal the individual could not obtain. The division of total labor and the coordination of individual require rules. Rules and the specific form of division of shape form the structure of the organization (Mintzberg, 1979). Some historical concepts of group formalization (dating back to 1963) have been considered in this literature (Pugh et al, 1963).

However, Bodewes, 2002, showed in his paper that the early definitions came short in exactly defining the concept. Influential research such as the findings of the group around Pugh (Pugh, 1968 as cited in Bodewes, 2002), Organ & Green (Organ & Green, 1981 as cited in Bodewes, 2002) and Podsakoff, 1986 as cited in Bodewes, 2002) understood group formalization as the mere existence of formally laid down rules (Bodewes, 2002).

Other research such as Hall (Hall, 1963 as cited in Bodewes, 2002) and Walsh & Dewar (Walsh & Dewar, 1987 as cited in Bodewes, 2002) added to Pugh, Hickson, Hinings, Macdonald, Turner, & Lupton's (1963) definition by stating that not only the codification of expected behavior but also its enactment are important to in order to speak of formalization. Again referring to Bodewes (2002), the proposed definitions of formalizations still lacked the ends to which rules were enacted and applied. In his paper "Formalization and innovation revisited" where he aims to provide a common ground to research on innovation in organizations Bodewes (2002) proposes that: "*Formalization is the extent to which documented standards are used to control social actors' behavior and outputs*" (Bodewes, 2002, p. 211).

Bodewes (2002) furthermore strongly suggest that formalization is not to be measured on the aggregate level of the organization as such but rather on department – or process-level as those units and their requirements with respect to formalization may vary considerably (Bodewes, (2002).

Welker (2004) in her dissertation on the formalization of order process in the manufacturing companies extends the definition of formalization, adding decisions, activities and working relations as dimensions referred-to by formalization (Welker, 2004). Drawing from Daugherty, Stank and Rogers (1992) and from the original work of the Aston-group (Pugh et al. 1963) she identifies a formalization of decisions (Welker, 2004). The formalization of decisions refers to “the operation of procedures that deal with decisions seeking and conveying of decision “(Welker, 2004, p.39).

Activities as a dimension of formalization are understood by Welker as a formalization of the actual work flow such as instructions or information (Welker, 2004) whereas working relations refer to tasks and responsibilities (Welker, 2004 drawing on Daugherty, Stank & Rogers, 1992)

Augmenting Bodewes (2002) definition by the dimensions identified, Welker, 2004 develops the following definition of formalization: Formalization is “the degree to which decisions, activities and working relationships are controlled and coordinated by formal, explicit rules and procedures.” (Welker, 2004, p.39)

As Welker’s (2004) definition augments Bodewes (2002) definition of formalization and is suitable for a manufacturing environment, and to not jeopardizing the comparability.

Mintzberg, 1979 understands the structure of an organization as “the sum total of the ways in which it divides its labor into distinct task and then achieves coordination among them” (Mintzbert, 1979, p.2). Standardization refers to an in advance programmed behavior of factors whereas formalization refers to the rules laid down for the advance-programming of the behavior (Welker, 2004)

Anderson and Francois, 2007 define formalization as the group taking actions in setting up its governance provisions that help in providing some degree of external oversight to the administration of the group’s rules and procedures. This includes information on (1) whether the group has written rules, (2) whether it is registered as a group with the government, (3) whether it keeps written minutes of meetings, (4) whether it has formal penalties, and (5) whether it has a bank account.

### **3.2.2 Types and Characteristics of Groups**

A group is a collection of individuals, sharing a common identity and contributing to a common aim under the direction of a leader. Most organizational tasks are undertaken by groups or teams which in turn provide stimulus, protection and assistance to the individuals that compose it. Distinction should be made between formal and informal groups. The following are the characteristics of groups:

- i) Members engaged in frequent interaction;
- ii) Those involved define themselves as group members;
- iii) They share common norms and mutual interests;
- iv) They identify with one another and share values;

- v) They feel a sense of collective responsibility;
- vi) They act in a unified way towards the organization.

### **3.2.3 Formal Task Groups**

These are groups set up by the management of an organization to undertake duties in the pursuit of organizational goals. A task force group is created to fulfill specific goals or undertake specific tasks. Further, they have a formal status and role conferred by the organization as well as having definite structures with prescribed leadership and established rules, processes and roles.

### **3.2.4 Informal Groups**

These are groupings which are normally set up by the employees themselves in accordance with their own needs or formed by a group of people with common issues. Every organization has these kinds of groups within it. Researches assert that they are very important to organization's effectiveness because they are created by the individual members for the purpose of sharing a common interest or meeting a shared need or they emerge from organizational interactions and may be contained within formal task groups. It is also important to note that such groups tend to have a flexible communication within itself hence sometimes called the grapevine – GOSSIP (*Wikipedia, the free encyclopedia, July 24, 2011*)

### **3.2.5 Social and Work Groups**

While all groups will have both social and task dimensions, some groups are predominantly social in their orientation. Examples of these groups would be families and social clubs. These groups provide for our safety and solidarity needs and they help us develop self-esteem. Work groups function to complete a particular task. In a work group, the task dimension is emphasized. The group members pool their expertise to accomplish the task. Examples of this would be workplaces, campus organizations, or juries.

#### **3.2.5.1 Producer Association Groups**

Producer associations typically contribute to solving market failures arising from indivisibilities and collective action problems. For example, in the Indian sugar cooperatives analyzed by Attwood (1988), the local elites organized to build sugar mills which achieved efficient scale of production by buying from a large number of small producers. Smaller farmers were protected from excessive exploitation by the intense rivalries among elites as well as by a common caste affiliation encompassing both small and large farmers. These factors allowed organizational hierarchy with effective leadership and management.

A similar example of elite-peasant cooperation in relation to coffee producers in Colombia is analyzed by Thorp (2002), and involved high levels of power control, some facilitating cooperation, while strong elements of material incentives provided the main driving force. Meanwhile, a successful federation was built by the cocoa

producers of El Ceibo in Bolivia, on the basis of both material incentive (producers finding a market niche in fair trade chocolate and cocoa) and cooperation. Here good cooperation was possible because of a background of community organizations (“sindicatos”) in Bolivia which, following the Revolution of 1953, were created “to act as a bridge between the local people and the government and other external institutions” (Bebbington, 1996).

### **3.2.5.2 Credit and Savings Groups**

These represent central examples where imperfect and asymmetrical information provides the opportunity for group formation to increase access to finance and control over incomes for the poor. These groups divide broadly into two camps: externally initiated microfinance schemes and informal savings groups or ROSCAs (Rotating Savings and Credit Associations). Whereas credit schemes increase access to finance, ROSCAs contribute to control over income through savings, and by so doing often contribute to empowerment. Both seem to occur particularly among women; in the case of credit groups, this has been achieved deliberately through targeting and institutional design, while ROSCAs, especially in Africa, have mostly developed as a result of the initiatives among poor women themselves. In this respect, credit and savings groups contrast with many producer groups which tend to be dominated by men.

Credit and savings groups utilize the group as a form of collateral for those with few or no assets, where joint liability for loan repayment transfers the risks associated

with information asymmetries from the lender to the group. This rests on the assumptions that groups will exert peer pressure on members to repay because members of the group only receive loans when previous borrowers have repaid; that groups will be more effective in monitoring and screening than more distant financial institutions; and that groups will function cohesively because they share a common social background (Wydick, 1999). These characteristics mean that credit and savings groups can contribute in a number of ways. Rather than requiring preexisting social bonds, these groups can be a means to create these bonds, especially in rapidly changing environments. Besides the immediate economic returns, the social cohesion engendered through these groups can contribute significantly to security against fluctuations (Rowlands, 1995). Both ROSCAs and group-based credit programs can facilitate links with formal financial institutions, because of the efficiency gains of groups in compensating for information asymmetries.

### **3.2.5.3 Claims Groups**

Claims groups may often move into income-generating activities, partly because this is an important means of consolidating the group. When they do embark on income-generating activities, group solidarity and the sense of identity they bring with them stands them in good stead. The only weakness, identified by Bebbington (1996), is that they may be biased toward inappropriate decisions from the point of view of economic viability (for example, going for activities that allow distribution of benefits to all members when this may not be the most productive use of

resources), indicating that the trade-off between economic viability and inclusiveness is hard to avoid.

But a virtuous circle identified by Bebbington may help: as the economic benefits of good forest management become apparent in better prices, for example, more forest dwellers may be mobilized to join the claims movement. Interaction between the efficiency and the claims functions also occurs in women's credit and savings groups. In Mahmud's (2002) study of women's credit groups in rural Bangladesh, the creation of a savings fund promoted a sense of solidarity, as well as bargaining power; it furthered a democratic decision-making process concerning its development and use; and it held the group together.

#### **3.2.5.4 Formation of Groups**

Groups are formed based on a purpose and interest. According to Bruce Tuckman's model of Forming, Storming, Norming and Performing established in the 1960's and 70's there are four stages of group development.

#### **3.2.5.5 Forming Stage**

In the Forming stage, the initial stage of group development, the group members first come into contact with others and get acquainted with each other. This stage is characterized predominantly by a feeling of uncertainty among the group members as they now try to establish ground rules and pattern of relationship among themselves.

### **3.2.5.6 Storming Stage**

Storming is the next stage which is characterized by a high degree of conflict among the members. Members often show hostility towards each other and resist the leader's control. If these conflicts are not adequately resolved, the group may even be disbanded. But, usually the group eventually comes in terms with each other and accepts the leadership role at the end of this stage.

### **3.2.5.7 Norming Stage**

Norming is the third stage of the group development process during which the group members become closer to each other and the group starts functioning as a cohesive unit. The group members now identify themselves with the group and share responsibility for achieving the desired level of performance of the group. Norming stage is complete when the group members can set a common target and agree on the way of achieving this.

### **3.2.5.8 Performing Stage**

Performing is the fourth and final stage in which the group is finally ready to start working. As the group is now fully formed after resolving their internal conflicts of acceptance and sharing responsibility, they can now devote energy to achieve its objectives.

Under some conditions, high levels of conflict are conducive to high group performance. So we might expect to find situations in which groups in Stage II

outperform those in Stages III or IV. Similarly, groups do not always proceed clearly from one stage to the next. Sometimes, in fact, several stages go on simultaneously, as when groups are storming and performing at the same time. Groups even occasionally regress to previous stages. Therefore, even the strongest proponents of this model do not assume that all groups follow its four-stage process precisely or that Stage IV is always the most preferable.

### **3.2.5.9 Functions of Groups**

**3.2.5.10 Task functions** – required to achieve the group’s purpose and objectives and include: Formulating objectives and setting targets; seeking opinions and exchanging information to facilitate task achievement; reinforcing, confirming and clarifying information; and assessing brainstormed ideas and selecting ideal solutions

**3.2.5.11 Maintenance functions** – of the viability of the group by establishing norms, and a sense of Purpose; Conflict resolution and ensuring harmonious relationships; creating opportunities for participation and member contribution; and assessing group effectiveness and initiating any required remedial action.

Groups may function to increase incomes and empowerment in a number of ways. One important function for groups, and a major reason why they have evolved, is to overcome a variety of market failures and thereby contribute to increasing efficiency in both technical and allocative senses. Major market imperfections leading to the formation of groups include indivisibilities leading to high transaction costs if activities are not carried out in a single organization (Nugent, 1986), imperfect and

asymmetric information giving rise to risk and uncertainty and externalities associated with non-excludability so that group or collective action is needed to produce public goods.

### **3.2.6 Challenges Facing Groups**

#### **3.2.6.1 Lack of Assets**

Poverty, and in particular chronic poverty, is associated with lack of education, capital, labor, social status, and other assets. Yet these make important contributions to group formation and organization. Hence, the poor are structurally weak in terms of group formation, relative to others in society. In relation to market failure groups, the poor often cannot make productive contributions that make their inclusion worthwhile. This results in what some have analyzed as a middling effect, whereby the poorest and the richest tend to be excluded from groups (Hulme and Mosley, 1996, Mercer, 2002, Molinas, 1998 and Weinberger and Jutting, 2001).

While the rich may not need groups in order to produce efficiently, the poorest may be excluded because they have no assets to contribute to group enterprises. For example, land ownership seems to be essential for participation in agricultural cooperatives, thereby automatically handicapping the poor and excluding the poorest. Additionally, it has been argued that since individual gains are proportional to initial assets, this lowers the incentive to participate for the chronically poor, in contrast to the incentives facing the larger players (Olson, 1965 and Wade, 1987).

Education can also play an important role in mobilizing links, and in the motivation to join groups in the first place. Evans, Adams, *et al.* (1999) show that the extent of female education correlated positively with participation in credit groups among the poor in Bangladesh. Similarly, Nelson's (1995) analysis of a ROSCA started in a Nairobi slum showed how the group mobilized their scarce educational and political resources (one member of the group was literate and one was the secretary of the local political party branch), which eventually enabled them to form a lucrative cooperative and engage with formal financial institutions.

By comparison, the lack of education and social status of the poor, more generally, contributes to exclusion from groups. For example, in her study of women's groups on Mt. Kilimanjaro in Tanzania, Mercer (2002) found that groups were mainly comprised of "respectable" women from middle-level families who used groups to demonstrate their upwardly mobile status. The richest women had no need to do this, and the poorest were excluded on social grounds. This relates to the critical tendency of many groups to reinforce rather than challenge existing structures. Groups can enable individuals to reinforce or increase their (economic and social) status through *conformity* to dominant social and political norms (see Bourdieu, 1984). Marginalized categories, by definition, may be excluded from this process, and may be more likely to achieve economic, political, or social objectives through the more arduous and demanding route of *challenge*.

### 3.2.6.2 Lack of Access to Markets

The isolation which poverty entails is a major disadvantage in relation to networks, which are critical both for the capacity for group formation and the success of groups. Unequal access to networks results in asymmetric information about opportunities. In particular, the poor often lack access to *social networks* which can be a major handicap to the success of groups. For example, Bebbington (1996) shows how class distinctions in South America inhibit the capacity of Peoples Organizations to make the relevant connections with technical “experts”/financial investors which are crucial to their capacity to enhance productivity. For the chronically poor, a lack of social networks may also inhibit group formation in the first place, as destitution leaves little space for networking.

In addition, deprivation tends to worsen some forms of conflict and thereby damages the trust essential for networking and economic exchange more generally. In turn, the resulting limited and biased economic networks among the poor—generally strongest within their own income group—limits knowledge about and access to market opportunities. Flawed access to market information is worsened by the isolation of rural poverty. Thus, many studies find cooperatives or credit unions are more likely to form nearer towns, where there is some prospect of transport and market access (for example, Lam, 2001 and Meinzen-Dick, Raju, *et al.*, 2002), while poverty maps show a distinct relationship to geographical proximity to transport.

### **3.2.6.3 Lack of Rights**

Access to political institutions seems to have a crucial bearing on the ability of groups to succeed among the poor. This is strongly influenced by the enforcement of rights or political entitlements, while a lack of citizenship, territorial claims, influence, and so forth, can be crippling. For example, Johnson and Forsyth (2002) found that, despite the adoption by the Thai state of legislation to promote community forestry, certain groups were unable to benefit from this due to a lack of political entitlements, including immigrants of the last 100 years who were not able to claim citizenship. In Southwest Thailand, informal political structures were used to subvert the uptake of the legislation by a rural peasantry which was ethnically distinct, predominantly Muslim, and traditionally under the control of a paternalistic state.

In many countries, immigrants, squatters, and scavengers suffer from similar disadvantages in terms of their status and political entitlements, which makes it hard for them to organize and act as a group. Lack of political entitlements is not only disempowering in relation to formal political institutions, but it can also inhibit the capacity to resist informal structures of exploitation and domination. This can be seen in the very low probability of successful group formation among the poor in highly stratified societies (Harriss-White, 1998).

Extensive study of cooperatives in South Asia highlights social stratification as the key explanatory element for why cooperation is almost totally absent in some regions

and a common feature of others. This seems especially true where caste and ethnic factors interact with class. For example, in the wet-rice areas of West Bengal, the only “cooperation” found is a form of forced labor for building roads (Bandyopadhyay & Von Eschen, 1988), whereas in other parts of India, such as Maharashtra, sugar cooperatives have been a significant success story. The same element is cited for Latin America by Molinas (1998, p. 421). The implication of this finding is that the poorest are seriously disadvantaged, being “trapped” at the base of a socially stratified system, with no possibility of challenging this condition.

#### **3.2.6.4 Dependence on External Intervention**

As noted earlier, many successful group ventures among the poor depend on external actors—the state, an NGO, or social activists. The poorer the group, the more important this outsider role—though internal leadership can be successful. Yet, as noted, such external leadership roles typically go wrong. If this is so, then the poor, by their very dependence on such actors, are disadvantaged. In many cases, it is the appropriation of groups to ideological, political, or economic ends external to the group which results in disaster. Many cooperatives formed by the state in post-independence Africa, for example, have suffered from subordination to ideological and political ends (Akwabi-Ameyaw, 1997). Similarly, forestry groups and microfinance groups are often subordinated to external objectives (environmental conservation, financial sustainability, etc.), resulting in a lack of genuine participation, and the disempowerment of the so-called beneficiaries.

Richer members of groups who play a networking role can substitute for external actors. But combining rich and poor in the same group is only likely to be successful, from the evidence we have seen, when the rich truly need the poor (as with Colombian coffee or the Indian sugar mills). Moreover, such “mixed” groups often result in unequal distribution of the benefits, and are rarely significantly empowering for the poor.

### **3.2.7 The VICOBA Concept**

#### **3.2.7.1 Conceptual Overview**

VICOBA is a savings and credit program that provides basic microfinance management and enterprise development skills to poor rural communities. The core concept of VICOBA is self-empowerment. It also encourages community capacity building, the mobilization of local resources, community ownership of projects and joint management. VICOBA model has more or less similarities with the microfinance concept. Some references traced back the history of micro financing in the middle of the 1800s when the theorist Lysander Spooner (1850’s) was writing over the benefits of small loans to entrepreneurs and farmers as a way of getting some people out of poverty. But it was only at the end of World War II that the concept had a big impact.

Microfinance refers to Small-scale financial services-primarily credit and savings provided to people who farm or fish or herd; who operate small enterprises or micro enterprises where goods are produced, recycled, repaired; who promote services; who

gain income from renting small amounts of land, draft animals, or machinery and tools to other individuals and groups at the local level of developing countries, both rural and urban (Marguerite, 2001).

From the very concept, wrapped up in its vision and mission, VICOBA works for the improvement of the livelihood and welfare of the community through its philosophy of human empowerment. VICOBA dedicates and addresses itself to the well-being of poor people and vulnerable groups of the society such as women, the young, the aged, the disabled, widows and orphans. VICOBA also works for the less fortunate people who are living under difficult conditions and who are living where there are poor social services or none at all.

### **3.2.7.2 VICOBA and Microfinance**

The word ‘microfinancing’ today has its roots in 1970s when some organizations started to engage actively in giving microloans to some pre-qualified people. One of the prominent organizations that institutionalized the word ‘microfinance’ was Grameen Bank of Bangladesh grounded by a man called **Muhammad Yunus** who is regarded as the ‘microfinance pioneer.’ There are also some claims attributed to Akhtar Hameed Khan who promoted participatory rural development in Pakistan (2002). VICOBA is a microfinance program providing a broader set of financial services, including welfare loans and saving opportunities. Microcredit also could be traced back to Friedrich Wilhelm Raiffeisen’s village bank in Germany which he started in 1864. This bank is generally known today as Raiffeisen Bank. Guinnane,

1901, a Yale University scholar, asserted that the Raiffeisen's model—microcredit is effective in helping the poor and could withstand two tests concerning payback moral and the possibility of providing financial services to poor people.

### **3.2.7.3 VICOBA and VSLA's**

VICOBA is a program based on a standardized Accumulating Savings and Credit Association (ASCA) model, called Village Savings and Loans (VSL), where people self-select into groups called Village Savings and Loan Associations (VSLA). VICOBA members are every week required to buy 1 to 3 shares from the group fund. As the price of a share is set by the group itself, it is important that members have quite the same economic capacity so that those having a higher income can satisfy their credit and saving demands, while still making it possible for the poorest to afford at least one share at every meeting. The share value can be changed at the end of every cycle (9-18 months) so that a progressing VICOBA could raise the share price (Levicki 2010, p.13). Due to a low literacy rate within the first VSL-program *Mata Masu Dubaru* (MMD) the members were only allowed to buy one share per meeting as shareholdings had to be memorized. However, in the VICOBA model, the use of written records permits its members to buy more than one share per meeting but also forces a VICOBA to undergo a longer financial training than most of other VSL-models (Levicki 2010, p. 16)

The VSL model, first launched in Niger in 1991 as the *Mata Masu Dubara* (MMD) program, is today keeping almost three million people engaged. Neither being supervised by a financial services regulator, nor formally registered, a VSLA is

usually accounted for as an informal financial institution. (FinScope 2006, p.3) The VSL design aims at providing the poor with basic financial education and an entry-level financial service, helping them to handle their households' cash flows and choosing more secure and stable income generating activities (IGAs). A VSLA is completely financed by its members (with no external capital added) but initially dependent on external financial training from field staff. The field staff also supervises and monitors the VSLA for a certain period, ensuring that the association's procedures and systems work properly. If so, the VSLA is free to operate independently. (VSL Associates Ltd, 2002).

The financial competence given by the financial training contributes to a pride and self-conscience that could help increase aspirations not just for members but for the whole community in line with the theory of multiple equilibrium (Levicki, K. 2010, p.4 and Ray 2006, p. 417). The VSLAs' informal setting has proven as an effective way to lower monitoring and screening costs, making it possible to penetrate poor and remote rural areas and urban slums where the multiplier effect hinders more formal financial institutions and MFIs (VSL Associates Ltd, 2002).

### **3.2.8 Origin of VICOBA**

#### **VICOBA in Africa and Tanzania**

In 1991 the *Mata Masu Dubaru* (MMD) Model which translates from local dialect Hausa of Niger to mean literally “a woman on the move” Kihongo, (2005) was innovated by CARE International in Niger West Africa. The village women in Niger

West Africa where the MMD model started had shown three symptoms of poverty which were most obvious among others. These were; poor living conditions, meager capital, and poor entrepreneurship strategies. Behind this was a lack of relevant and realistic vision and will power. It was a tormenting situation. The situation was not only in Niger, but everywhere and especially in the developing countries like Tanzania.

Community members in this situation are in most cases found also engaged in other social economic and environmental evils. Random bush and forest harvesting and clearing, unplanned utilization of water resources, drug abuse and peace breaking gangs are some of these side lobed evils. To support such vulnerable communities in a positive course is therefore also to safeguard the society at large.

It is in this situation that CARE International in 1991 pioneered the coining up of this tool called MMD by then for the women emancipation in Niger. The communities were revitalized through sensitization meetings and training, entrepreneurship strategies were refreshed through training and a capital basket was established through *special* saving and credit scheme called Village Community Banks. It is special because of two reasons; first there is no external saving or crediting partner apart from the village bank members. What external partners do is only to support groups with seed money through donations, gifts, fundraising campaigns and sometimes soft loans that can be afforded by the group. Second is the entrepreneurship training package.

After two years the innovation in Niger gave forth recommendable results. The women had shown a defined move out of poverty. Living conditions of the women changed remarkably. The innovation was thus exported to Msumbiji, Zimbabwe, Uganda, and Eritrea and finally modified by SEDIT staff and adopted in Tanzania Islands and the Mainland in 2000 and 2002 respectively. This lending model was introduced in Tanzania by CARE Tanzania, Zanzibar Area Office (Jozani-Chwaka Bay Conservation Project) in year 2000 and later adopted by other conservation and community livelihood support projects n Pemba Island and Tanzania Mainland. The quick adoption and outspread of this model to various districts/projects is made through various development agencies mainly due to the good results it has shown in the areas where it was initially introduced.

### **3.2.9 The VICOBA Methodology**

#### **3.2.9.1 Formation**

A VICOBA group is a voluntary group of 20 to 30 people formed by target village members through a post awareness creation campaign. They themselves select who is to join the group. The members meet on a weekly basis to buy shares and distribute loans. Through the purchase of shares the members save, and the size of a member's shareholding is what decides the amount she can borrow. The VICOBA's also have a welfare fund, to which all members contribute weekly. The purpose of the fund is to prevent members from using their business loans for non-productive private purposes, such as health care and school fees which is a common problem in other programs.

### **3.2.9.2 Management and Governance**

The management of VICOBA start when a select-supervisor identifies eligible program areas based on criterion such as safety, access to markets, hosting businesses and accessibility by car. Members of the selected program area are then free to apply to form the group. Application requirements are formally simple. Every member has to be at least 18 years old but neither gender nor literacy matters. VICOBA use written records and this requires several members of a VICOBA to be literate. The rules and regulations to govern and guide them are decided by the group. They select their own leaders; they decide their own share values and social protection contribution values. They decide themselves when and where to meet for their weekly bank operation and training sessions.

### **3.2.9.3 Operations and Credit Procedures**

A loan applying member has to sign an agreement form with the VICOBA and provide a business plan showing what the loan is to be used for. Loan size accessible to a member is three times her shareholding. If the member defaults her shares are confiscated and her collateral group covers the difference with their shares. This provides incentives against moral hazard as the VICOBA model has evident preconditions for a social safety net to develop. As members save they build up a group fund from which they can borrow. Within the larger VICOBA group, there are smaller groups of five participants who support each other and guarantee each other's loans. The small group members take turns getting loans for their businesses – only

two members at a time get loans which they pay back in three months. By interest payments on issued loans the fund continuously grows.

### **3.3 Empirical Literature**

#### **3.3.1 How Groups Contribute to Poverty Eradication**

There are many ways in which, and purposes for which groups of people form, and indeed, most economic decisions are taken by people acting within, and very often on behalf of the group. Here we are concerned with groups which undertake joint activities, typically initiated around an economic function, though they often have strong social and political roles.

Some records also pointed to the case populaire movement of Alphone and Dorimène Desjardins in Quebec, Canada. The credit union concept is traced to them. Today, there are more than 7000 microfinance institutions all over the world and there are also more than half a billion families benefited or are benefiting from these small loans provisions.

As a result of Yunus pioneering work, he was awarded a Nobel Peace Prize in 2006. Indeed, microfinance has been proven as a tool in alleviating poverty. Microfinance is analyzed from two main theoretical perspectives. The financial system approach and the poverty lending approach: The former concentrate on large scale outreach and this is done after carefully scrutiny of who is able to pay back microloans. The targeted group range from individuals to small and medium enterprise. In this

approach commercial microfinance institutions charge high interest rates on loans than the normal lending rates of the country's commercial banks.

On the other hand, poverty lending approach concentrates on poverty reduction through credit and often provide complementary service such as skills training, teaching of literacy, nutrition or family planning (Robinson 2009:22). The general context of the problem is, first, there are contradictory findings on the impact of micro credit projects. Pro-microfinance scholars and practitioners have been optimistic on the positive impact that MFI have to their beneficiaries while on the other hand counter arguments have been raised by other scholars who are skeptic towards microfinance projects. For example, Robinson claims that alleviating poverty requires many tools and these tools should include food, shelter, health and family planning services, education, infrastructures, markets and communication (Robinson 2001: 19) meaning that microcredit per se cannot make a difference towards economic development of the poor.

Different scholars have discussed microcredit as an effective tool to be used by the poor towards poverty reduction. Extreme studies argue that due to presence of microfinance the poor has been able to ripple both economic and social benefits (Holcombe, 1995; Hossain 1998). Inspiring stories from around the world have helped to turn microfinance from a few dispersed programs into a global movement (Armendariz and Morduch 2010:268). Other scholars have broaden the case saying due to presence of microfinance women have been able to economically and

financially empower themselves (Major & Manders, 2009:25). On the other side there is growing number of impact studies that questions the validity conclusion of the other group. Their conclusion contradicts above optimism saying that microfinance clients have been negatively affected by the projects (Armendariz & Morduch 2010: 268). The negative effect is translated here as overload of debts due to continuously borrowing (Montgomery, 1996; Rogaly, 1996; Wood and Sharrif, 1997). Other scholars such as Hulme and Mosley identified beneficial impact but stress that microfinance programs do not benefit the poorest as it is often claimed. Hulme, (1997) argued on the increasing importance of microfinance but pointed out that knowledge about impact is partial and contested (Hulme: 1997).

### **3.3.2 How and When Groups Help their Members**

Individuals' willingness to engage in collective action in support of both efficiency functions and group claims has been analyzed from an individual maximizing perspective (Elster, 1989, Hechter, 1987, Olson, 1965, Ostrom, 1990 and Taylor, 1987). However, this type of analysis fails to allow for the important elements of behavior, noted above, which are not based on self-interest. Moreover, while efficiency aspects lend themselves to this type of analysis, claims functions are particularly suitable for analysis from a social and/or political perspective, with an emphasis on group identity and group loyalty which tends to be overlooked in individualistic maximizing analysis. This complexity of reasons for individual and group motivation partly explains the many instances of failure of groups which is evident in the literature, and makes it particularly important to analyze what factors

allow groups to contribute effectively. We divide our discussion into two of the broad categories already identified: market failure situations and situations where the issue is increased access to power and/or resources.

The most important overall effects of the groups appear to be the creation of self-esteem, empowerment, and mutual support. This is illuminated by Gooptu's (2002) analysis of sex workers in Calcutta, which shows that one of the most diverse fragmented, internally competitive, and conflictual sets of individuals can become an effective group. She emphasizes the role of opposition to oppression. The "socially marginalized and stigmatized" sex workers of Calcutta created a positive identity as did the oppressed and impoverished small farmers of the North East of Brazil. Gooptu, (2002) also confirms one of the insights of Mahmud's (2000) study: the valuing of cooperation for itself, as a force for empowerment. The capacity of groups to express and mobilize social/cultural/political identities makes them powerful actors in social change, where they can become instrumental in challenging or exacerbating structures of inequality. This capacity is particularly important for poverty, negatively and positively, both in relation to groups formed among elites to exclude the poor, and for groups formed among the poor to challenge elite control.

The importance of this capacity of groups to construct or cohere identities has also been emphasized by Kaplan (1997), who described how women in a squatter community in Cape Town (Crossroads) who previously had no links, came together to form a highly successful action group which challenged state-sponsored eviction

attempts and was even instrumental in the overthrow of apartheid. The group increased its strength through seeking the assistance of middle-class rights groups and soliciting extensive media publicity. Despite the eventual destruction of the squatter camp a decade or so after the movement started, members of the group went on to form a rights group of their own, which now campaigns on behalf of other marginalized communities in the context of the new South Africa.

### **3.3.3 Groups Inclusiveness: Case of the Poor**

The problem for efficiency groups is that they almost always have barriers to entry. Land is usually the crucial factor, where the landless are automatically excluded from any successful agricultural production venture. For example, the sugar cooperatives analyzed by Attwood (1988), or the Anand dairy cooperatives of India (Attwood & Baviskar, 1988), or the buffalo milk producers of southern Italy (Bianchi, 2002) are a testimony of this exclusion. Many microfinance groups exclude the poorest, and where they are included, the poorest can be exploited (Copestake, 2002).

The great advantage of claims groups, by contrast, is that because they are about voice, they are less likely to exclude, although problems of inclusion may arise from factors such as caste, gender, and ethnicity. Claims groups may exclude for cohesion; the Bangladeshi forest groups excluded the rich as well as some of the poorest, or by means of sociological category, as in the case of the South African housing groups who also excluded the poorest, who were mainly illegal immigrants (Beall,

Crankshaw, & Parnell, 2002). Females are often excluded, or have disproportionately a small voice (Agarwal, 2002).

When claims groups move into productive activity, at least initially they take with them their quality of inclusiveness, though as the economic function develops this may lead to the emergence of barriers to entry, as was the case in some of the groups researched by Bebbington (1996).

Despite the problems of exclusion with efficiency groups, we have encountered inclusive instances which we find suggestive, two of which we analyze below. Simple organization into groups in the 1990s led to successful co-operatives. In Colombia, for instance, the cooperative Recuperar in Medellin, had almost 1,000 members by the mid-1990s, 60% women, with members earning 1.5 times the minimum wage, being eligible for loans and scholarships from the cooperative (Medina, 1998). In Asia, a similar movement has gained momentum, with examples in India, the Philippines, Indonesia, and Bangladesh.

In both Asia and Latin America, emphasis is placed on dignity and empowerment. It appears that the financial input is modest (sometimes a local businessman rather than an NGO). In due course, the COOP may exclude, but the benefits of starting from such a low point are clear, as is the potential for an upward route for the poorest.

However, the key in every such case is the green light from municipal authorities. This is where the effective barriers lie. This brings us to an important theme: the

route out of chronic poverty may often need a relatively honest broker in the state, frequently at the decentralized level, where this may be a particularly scarce resource. It is surely no accident that the two Latin American countries where these success stories are most common are also the two with the most vigorous processes of decentralization.

The second kind of instance comes from efficiency groups where the culture of inclusiveness has been able to be sustained, without too expensive an efficiency trade-off, or in the best cases, with beneficial feed backs on efficiency. An instructive example is the credit federation, SANASA, a Sri Lankan NGO which has seen it as its mission to sustain a culture of inclusiveness, such that 52% of the members are reported to be below the poverty line. The culture is extremely participatory, with the accounts posted on the office walls and open meetings. Each member society is run by its own members and depends almost entirely on its own money for its loans. High repayment ratios are maintained by a sense of ownership and group solidarity. The culture is firm: defaulting is stealing from your neighbor.

Studies of this case find it to be genuinely inclusive and able to support weaker members (Hulme & Montgomery, 1994). They hint, however, that the success is partly a product of relatively high levels of education in Sri Lanka, and partly reflects Sri Lankan society's relatively unstratified nature: their point of comparison is the more rigid Bangladesh, where, Montgomery (1996) argues, BRAC's high level of discipline probably does exclude the poorest.

### **3.3.4 VICOBA Success Stories**

Following the successful introduction of the micro-credit methodology based on the Village Community Banks (VICOBA) model in the Sida-financed ‘Land Management Program’ and ‘District Development Program’ in Tanzania, ORGUT/SEDIT initiated a nationwide VICOBA program in Tanzania in early 2008. According to SEDIT report (2009), Ilala District alone had about 18 VICOBA groups since the inception of the program in 2006. The groups, under the facilitation of SEDIT, had achieved an accumulation of approximately TZS 110 million in loans to members under a period of eighteen months only. Most groups started with a weekly shares value of TZS 1,000 but now have raised the share value to TZS 2,000 owing to improved income of each group member. In 2007, the Ministry of Finance (Poverty Eradication Department) and SEDIT, funded by UNDP did set up the Mtwara VICOBA Project covering three districts - Masasi, Newala and Nanyumbu. In less than 2 years, each district had formed a minimum of 12 VICOBA groups – that is approximately 36 groups in total and were able to raise a minimum capital of about TZS 80 million.

The Land Management Program (LAMP) in Tanzania covers the following districts: Babati, Kiteto, Simanjiro and Singida Rural. The Department for Regional Administration and Local Government at the Prime Minister’s Office (PMO-RALG) is responsible for coordinating the program, which is supported by the Swedish International Development Cooperation Agency (SIDA). The program is supporting

the formation and governance of VICOBA in these districts since 2003. By October 2006, the total number of VICOBA groups was 117 with 3287 members of which 2050 were women. In total these groups have issued loans to the amount of TZS 155 million and had a mobilized capital in the amount of TZS 198 million with a repayment rate of about 100% (LAMP booklet Series, 2007, 5-6). The table below shows the status of the VICOBA groups.

**Table 0.4: VICOBA Groups Situation under LAMP**

<b>District</b>	<b>VICOBA Groups</b>	<b>Members</b>	<b>Men</b>	<b>Women</b>	<b>Amount of L o a n issued/TZS</b>	<b>T o t a l Share/TZS</b>
Babati	16	433	166	267	12,000,000	33,194,670
Kiteto	26	671	244	427	13,684,500	15,676,910
Simanjir o	47	1341	464	877	93,812,000	97,871,939
Singida	28	842	363	479	36,043,660	51,845,875
<b>TOTAL</b>	<b>117</b>	<b>3287</b>	<b>1237</b>	<b>2050</b>	<b>155,540,160</b>	<b>198,589,394</b>

(Source: LAMP Booklet Series, 2007)

The Norwegian Church Aid (NCA) in Tanzania also supports the formation of VICOBA groups in Tanzania through the Christian Council of Tanzania (CCT). The formation of VICOBA groups by CCT started in 2007 and a monitoring field visit by NCA in 2008 established that there were about 392 groups spread out in Geita, Mara and Chunya with a total of 10,268 members and shares amounting to Tshs 1.75 billion, which is equivalent to USD 1.5 million. The majority of group members are

women and, in many cases, membership strengthens the women's situations. Through the group, they achieve increased economic independence and greater self.

The Enterprise and Rural Development - Community Initiatives (EARD-CI) based in Tengeru, a village outside of Arusha, is dedicated to improving the lives of rural families through access to affordable credit and training on sustainable agriculture, environmental conservation and healthcare. In November of 2006, EARD-CI started the VICOBA Program to help local communities provide additional funding for them as the demand for micro-loans continued to grow past what EARD-CI itself could meet. EARD-CI provides the training for the program participants and helps ensure that their business ideas are viable before they get access to loan funds. There are two VICOBA groups running at the moment.

On July 15, 2010 there was a success story published about one of their many clients who was able to develop a successful business with their micro-credit loans started with a credit of only 50,000 TSH. She used this initial small loan to sell ground nuts and cake. As she expanded her business she took out larger loans of 100,000 TSH and then 500,000 TSH. With these new loans she was able to sell a wider variety produce moving from just ground nuts and cake to other vegetables. She was eventually able to start supplying vegetables to supermarkets like Shop Right instead of just selling them herself. Finally she took out a loan of 1,500,000 TSH to build a nicer house for her family. She now runs a profitable business and is able to improve the standard of living for both her and her family.

### **Beneficiaries Voice:**

**Exhibit 1:** In the Lendanai Villlage in Simanjiro District, Mrs. Emiliana Kimaro, a mother of four, notes: *“Now I have got money and I can save. I see this as a miracle in my life. I did not expect to get such a good life”*

**Exhibit 2:** One day in 2003, Martha Lukas, a 50-year-old Maasai mother of eight who lives in Loiborsiret Village in Simanjiro, noticed a group of women carrying some green boxes. Curious, she asked someone what the women were doing. *“I was told that the boxes contained money for women so that they can get loans for starting small businesses through a group called VICOBA. This was good news to me, so I decided to join.”* Three years later, Mrs Lukas points to improvements in her living conditions that she never thought possible. Before she joined the group, she says, *“I didn’t know how to count money or livestock, but I can now count any amount of money without problem.”*

## **3.4 Policy Reviews**

### **3.4.1 The National Microfinance Policy (2000)**

The overall objective of this policy is to establish a basis for the evolution of an efficient and effective micro financial system in the country that serves the 48 low-income segment of the society, and thereby contribute to economic growth and reduction of poverty by establishing a framework within which microfinance operations will develop; lobbying on the principles that will guide operations of the

system; serving as a guide for coordinated intervention by the respective participants in the system; and describing the roles of the implementing agencies and the tools to be applied to facilitate development. (URT 2000)

The policy covers the provision of financial services to households, small holder farmers, and small and micro enterprises in rural areas as well as in the urban sector. It covers a range of financial services, including savings, credit, payments, and other services.

The policy provides for the development of a sustainable microfinance industry as an integral part of the wider financial sector, within the framework of the country's Financial Sector Reform policy statement, 1991.

#### **3.4.2 Small and Medium Enterprise Development Policy (2002)**

The objective of the National Microfinance Policy is to transform the predominantly agriculture economy to a semi-industrialized one. The SME sector has a significant role to contribute towards attaining this goal. It is on this basis that sustainable Industrial Development Policy identified specific strategies targeting at stimulating the SME sector to be able to play this crucial role. Under this policy, the government's commitment is to promote entrepreneurship development through facilitating improved access of SMEs to financial and non-financial services. The Small and Medium Enterprises (SMEs) plays a crucial role in employment creation and income generation in Tanzania. SMEs all over the world and in Tanzania in

particular, can be easily established since their requirements in terms of capital; technology, management and even utilities are not as demanding as it is the case for large enterprises.

### **3.4.3 Women in Development in Tanzania Policy, 1992**

The main objectives for this policy include; To define the meaning of the “concept of women in development”; identify problems arising from planning without gender focus and to give guidelines in planning with a gender focus; obstacles hindering the participation of women in development and to direct ways of removing the same; initiate strategies and establishing system to reduce women’s heavy workload and to expound on ways which will be used in coordinating women development programs.

### **3.4.4 Tanzania Development Vision and National Strategy for Growth and Reduction of Poverty (MKUKUTA)**

The National Strategy for Growth and Reduction of Poverty (NSGRP) of 2005 to 2010 focuses on economic growth through three clusters (i) growth and reduction of income poverty. The goals for this cluster include; ensuring sound economic management; promoting sustainable and broad-based growth; improved food availability and accessibility at household level in urban and rural areas; reducing income poverty of both men and women in rural areas; reducing income poverty of both men and women in urban areas; provision of reliable and affordable energy to consumers.

The second cluster is improvement of quality of life and social well-being and has five goals, namely; ensure equitable access to quality primary and secondary education for boys and girls, universal literacy among men and women, and expansion of higher, technical and vocational education; improved survival, health and well-being of all children and women and of especially vulnerable groups; increased access to clean, affordable and safe water and sanitation, decent shelter and a safe and sustainable environment and thereby reduced vulnerability from environmental risk; adequate social protection and rights of the vulnerable and needy groups with basic needs and services and systems in place to ensure effective universal access to quality public services that are affordable and available and the last but not least cluster is governance and accountability.

This cluster has six goals which are; structures and systems of governance as well as the rule of law are democratic, participatory, representative, accountable and inclusive; equitable allocation of public resources with corruption effectively addressed; effective public service framework in place to provide foundation for service delivery improvements and poverty reductions; rights of the poor and vulnerable groups are protected and promoted in the justice system; reduction of political and social exclusion and intolerance; and; improved personal and material security, reduced crime, eliminates sexual abuse and domestic violence.

### **3.5 Literature Review Summary**

From the discussions in the literature review, the researcher has studied the theoretical literature, empirical literature related to group formalization and VICOBA Model. The study has revealed that most of the researchers emphasis the importance of collective efforts by undertaking joint activities, initiated around an economic function. Formalization of groups has also been discussed that documented standards are used to control. The literature studied various types of groups using case studies and the potential to help the poor. Equally important it was also discussed why, when and how people help members of the group.

The origin of VICOBA and its adaptation to Tanzania as a strategy to help the poor has also been discussed. Since VICOBA is a group bearing features and characteristics of other microfinance groups such as VSLA's the discussion was based on a similarities and differences. The study revealed that there is not much difference between VSLA and the VICOBA Model.

The empirical review has included information on the best practices of VICOBA. The practical examples based on several groups which have been successful in their operations have been supported by testimonies from the beneficiaries. Although the study has noted that VICOBA is a new industry in Tanzania (about 10 years old since its inception) there has been a tremendously growth and increase of VICOBA groups in Tanzania. What makes VICOBA famous is its structure, principles and methodology.

The research has also reviewed different policies, these include the small and micro-enterprise groups (SMEs); the microfinance policy, the Women Development Policy and the National Strategy for Growth and Reduction of Poverty (NSGRP) (MKUKUTA) Strategy. Each of the mentioned policies has its significant importance in supporting the groups or individuals especially the poor in the informal sector. That is why SMEs development is closely associated with more equitable distribution of income as regards to poverty alleviation.

The Microfinance Policy also targets the same beneficiary, it establishes a basis for the evolution of efficient and effective micro financial systems in the country that serves the low-income segment of the society, and thereby contributes to economic growth and reduction of poverty. The women in development Policy has been also included in this study; this policy ensures that all developmental programs are planned with gender focus. Last but not least the study noted that there are some efforts taken by the government to promote and support microfinance in the country. This can be evidenced by the establishment of the MKUKUTA Strategy which is in support of the microfinance industry such as VICOBA.

### **Conclusion from the Literature Review**

The chapter has conceptualized some of the key concepts of the study namely micro-finance and poverty. The chapter reviewed some literature on micro-finance worldwide, financial sector reforms and formation of MFIs in Tanzania. The chapter

also reviewed history and development of VICOBA in Tanzania and relationship between micro-finance scheme (including VICOBA) and poverty alleviation. The chapter concluded that presence of micro-finance schemes have proved to be very effective to rural communities especially women. A general observation on VICOBA is that it is a grass root based lending model intend to improving and managing viable IGAs. It can also be concluded from the chapter that in Tanzania VICOBA faces various constraints, these include; minimum coverage, low income and low number of participants. These observations indicate that something needs to be done urgently to improve coverage and increase the number of Tanzanians to be served by VICOBA in order to alleviate income poverty.

## **CHAPTER FOUR**

### **PROJECT IMPLEMENTATION**

#### **4.0 Introduction**

This chapter explains how this project is going to be implemented. In this project there are 3 objectives which include; to support the group with the registration process; to acquaint the group with the basic characteristics of the VICOBA methodology; and to enable the group to manage their activities. The chapter is divided into three major parts: the first part is about expected outputs (which lists down the tangible and intangible deliverables of the project); the second part concerns the project planning which include the implementation plan, project inputs, staffing pattern and the project budget; and the third part is about project implementation (which explains how the activities are going to be executed and reported). The Gant chart is also provided to ensure proper managing and control of the project.

#### **4.1 Project Outputs**

By the end of the implementation of the intervention of registering the group and also equipping VICOBA group members with VICOBA Model Skills, the following outputs are anticipated:

- i) Output 1: Business Registration Certificate as issued by BRELA

- ii) Output 2: Thirty (30) women trained on the VICOBA methodology and the group recruited into the VICOBA program including issuance of VICOBA credit kit.
- iii) Output 3: Thirty (30) women trained on the management of VICOBA activities

## 4.2 Project Planning

### 4.2.1 Implementation Plan

The project implementation plan with its narrative summary, performance indicators, resources needed, responsible persons and time frame can be presented in Table 6 in a logical framework.

**Table 0.5: Logical Frame of Project Implementation Plan**

NARRATIVE SUMMARY		PERFORMANCE INDICATOR	RESOURCES NEEDED	RESPONSIBLE	T I M E FRAME
Project Activities					
Activities of Goal 1: Formalization of Group					
A1	A joint meeting conducted to discuss the matter	At least 1 meeting conducted	N/A	Secretary	N o v 2010
A2	Obtain the registration form from BRELA	The secretary assigned to get the application form	TZS 8,000	Researcher	N o v 2010
A3	Filling and signing the application forms	Members signatures	N/A	All members	D e c 2010
A4	Submission of the application form	Evidence of members contrition towards the fees	N/A	Researcher	D e c 2010

A5	Collection of Registration Certificate	The secretary assigned to collect the certificate	N/A	Researcher	Jan 2011
<b>Activities of Goal 2: Training of VICOBA Model</b>					
A6	Mobilization of the group members	List of names and contacts of members	TZS 60,000	Chairperson	S e p t 2010
A7	Attendance of the training	List of names of training participants	TZS 120,000	All members, Trainer	O c t 2010–Jan 2011
A8	Members are able to conduct and record minutes of the meeting	Schedule of activities in training program or hand out	N/A	Researcher	Jan 2011
A9	Members are able to conduct simple election of their leaders	Schedule of activities in training program or hand out	N/A	All members	Jan 2011
A10	Members are able to use the tools in the VICOBA credit Kit effectively	Schedule of activities in training program or hand out	TZS 150,000	Treasurer	Feb 2011 onwards
<b>Activities of Goal 3: Group to manage activities</b>					
A11	The VICOBA members are contributing weekly	Members are contributing	N/A	All members	S e p t 2 0 1 0 onwards
A12	Loan Disbursement	Records of money disbursed	N/A	Officials	M a y 2 0 1 0 onwards
A13	VICOBA members are able to repay loans	Repayment schedule	N/A	All members	J u n e 2 0 1 0 onwards

#### 4.2.2 Project Inputs

**Table 0.6: Project Inputs**

S/ N	INPUT	UNIT COST (TZS)	QUANTI TY	COST (TZS)
1	VICOBA Registration + Credit Kit	Lump-sum	-	150,000

2	Trainers Facilitation Fees	10,000	12	120,000
3	Communication costs	5,000	12	60,000
Total				330,000

#### **4.2.3 Staffing Pattern**

The staff required for this project and its implementation were as follows: the Trainer; the Supporting Staff both of VICOBA Sustainable Development Agency; and the group Secretary elect. Their roles in this project are spelt out as follows:

##### **4.2.3.1 VICOBA Registrar and Trainer**

The registrar was also at the same time the trainer. The trainer was responsible for the design, development and delivery of the training on the VICOBA model to the group. As a registrar, the officer was responsible to ensure that the group met the minimum qualifications to be registered as a legitimate VICOBA group. This involved attending at least 12 training sessions attended once every week for at least 2 hours per session. Another requirement was that the group was to have a minimum of 25 members. Upon meeting these requirements, the registrar was to certify the group so that the group can get the Credit Kit which contains registers, a collection basket, receipt books, and locks and keys.

##### **4.2.3.2 The CED Student**

The CED Student was responsible for the registration process for the group. This involved collection of application forms from BRELA, overseeing the filling and signing of the form and submitting the same back to BRELA. The CED Student was

also responsible for the collection of registration certificate. Further, the CED Student was also the liaison person between the Kimara Women Empowerment Group and the VICOBA Sustainable Development Agency. This involved mobilizing the group for the VICOBA model training and ensuring the recruitment of the group into the VICOBA groups at the agency.

#### **4.2.3.3 One Supporting Staff**

The VICOBA supporting staff was involved in logistic issues such as taking attendance, requisitioning stationery and arranging and cleaning the training venue.

#### **4.2.4 Project Implementation Budget**

**Table 0.7: Financial Expenditure Summary (TZS)**

<b>ITEM</b>	<b>U N I T COST</b>	<b>QUANTITY</b>	<b>COST</b>
VICOBA Credit Kit	Lump-sum	-	150,000
Communications (Between secretary & members)	5,000	12 units	60,000
Facilitators Fees	10,000	12 units	120,000
BRELA Registration	Lump-sum	-	8,000
<b>Total</b>			<b>338,000</b>

#### **4.3 Project Implementation**

**Table 0.8: Project Implementation**

<b>Objective 1: To support the registration Process</b>
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Activities	Project Month											Resources Needed	P e r s o n Responsible
	2010				2011								
	9	10	11	12	1	2	3	4	5	6	7		
A1			X									N/A	All members
A2				X								8,000/=	Researcher
A3				X								N/A	All
A4				X								N/A	All
A5					X							N/A	Researcher
Objective 2: To acquaint the group with the basic characteristics of the VICOBA Methodology													
A6	X											60,000/=	Researcher
A7		X	X	X	X							120,000	All, Trainer
A8					X							N/A	All
A9					X							N/A	All
A10						X	X	X	X	X	X	150,000/=	All
Objective 3: To enable the group manage activities													
A11	X	X	X	X	X	X	X	X	X	X	X	N/A	All
A12									X	X	X	N/A	All, Trainer
A13										X	X	N/A	All, Trainer
A14									X	X		N/A	Researcher

Key: For meaning of A1 –A14 see Logic Frame of section 4.2.1

### 4.3.1 Project Implementation Report

The implementation of this project started in October 2010 by identifying the community to be involved in the project. The objectives of the project implementation were to assist the group with the registration process, to acquaint the

group with the basic characteristics of the VICOBA methodology, and to enable the group members to understand and manage the group activities.

The form for registration was collected on December 10, 2010, and the signing of the form by all members was completed by 30<sup>th</sup> December 2010 and returned on the same date. It took about two weeks for the certificate to be ready for collection. The group was registered on January 31<sup>st</sup>, 2011 with the registration number 215895.

At the same time, training on the VICOBA Model for the group (thirty-member group) was conducted between October 2010 and January 2011 for twelve weeks. The training was attended weekly (every Saturday) for 2 hours per Saturday at the VICOBA Sustainable Development Agency offices in Sinza, Dar-es-Salaam. The training was conducted by the agency registrar Mr. Felix Ngonyani. The topics for training included: introduction of the VICOBA model, benefits of VICOBA groups, the responsibilities of the group members, how to conduct a typical VICOBA group meeting, managing VICOBA contributions, disbursing loans to members, loan repayment and group management, VICOBA banking procedures and techniques for selecting appropriate business.

Some of the typical training activities conducted were as follows: model group meeting (Role play), model election of leaders, and a typical demonstration on how to use the credit kit. Another methodology used in this training was use of question-and-answer approach. The training was delivered using participatory

approaches including use of flip-charts, training manual and a white board. Since members' attendance was a critical criterion in joining the VICOBA group, it was strictly monitored using an attendance register of which all the names of the attendees were recorded.

The registration book was used as the monitoring tool, to monitor the number of members who attended whenever the training was conducted. The training was sponsored by VSDA and the participants were only required to contribute the facilitator's fees of TZS 10,000 per session. At the end of each training session, members contributed also a sum of TZS 5,000 as a communication fee given to the secretary to be used in reminding members of the upcoming events. At the end of the training, the group was issued with the *Credit Kit* and a training evaluation conducted using self-assessment method (Table 13).

As far as equipping the group with skills to manage their own activities is concerned, the group was commissioned by Hon. Devota Mkuwa, the Executive Director of VICOBA Sustainable Development Agency (VSDA). She emphasized to the members the importance of VICOBA model and its benefits and urged the members to be committed. Subsequently, the group embarked on the weekly meetings and contributions of TZS 10,000 per week per member. As at January 2011, the records show that members' contribution is standing at TZS 1,570,000. In May 2011, the group started issuing loans to its members. However, the repayment rate is a matter

of concern and a measure should be put in place to rebuild the members' confidence in the group.

#### **4.3.2 Project Implementation Gantt chart**

The Gantt chart (Table 10) shows the activities of the project implementation. It shows both the start and end time for each activity. The duration for each activity is generated and the variance is explained. This is useful information which will assist the project coordinator to ensure that the project is implemented within the planned time.

Table 9: Project Implementation Gantt chart

[illegible]



## **CHAPTER FIVE**

### **PROJECT PARTICIPATORY MONITORING, EVALUATION AND SUSTAINABILITY**

#### **5.0 Introduction**

This chapter covers the monitoring, evaluation and sustainability of the project. Monitoring part shows the process and methods that were used to measure the degree of the progress of the project activities against the identified milestones. The evaluation part focuses on the changes (output) made by the project to the current situation of the group. Lastly, the sustainability of the project entails the building of the necessary capacity of the group to ensure that the project is sustained even after the withdrawal of the intervention.

The researcher developed simple participatory monitoring and evaluation tools for use. The monitoring plan was developed to ensure that the implementation of project activities is tracked. Equally important, a self-assessment participatory evaluation was conducted by the project beneficiaries to measure the project outputs or outcomes against the objectives.

## **5.1 Participatory Monitoring**

The information regarding project monitoring was collected against the activities. The performance indicators were set for the monitoring process. The monitoring information was gathered during the project implementation.

The information collected included feedback regarding the status of the registration of the group at BRELA offices and also information about members' class attendance, topics covered, time used against time planned and human, financial and material resources utilized for the various activities. The project monitored the inputs, the outputs and the outcomes of the project. The reports formed the basis for evaluating the progress of the project against the planned activities in the respective month. The comments of the members and other stakeholders were considered.

### **5.1.1 Participatory Monitoring Methods**

This part describes the monitoring methods used to monitor the project activities. It is important to monitor the project, so that changes could have been incorporated where necessary and ensure proper use of resources. Methods used to monitor the progress include; self-assessment, document review and observation.

## **5.2 Participatory Evaluation**

The project was evaluated using the self-assessment method. The three general objectives whose outcomes were evaluated are:

Objective 1: To support the group with the registration process;

Objective 2: To acquaint the group with the basic characteristics of the VICOBA methodology;

Objective 3: To enable the group to understand and manage the group activities

### 5.2.1 Participatory Monitoring Plan

**Table 10: Participatory Monitoring Plan**

Objective/Activities	Monitoring Method	Performance Indicator	Means of Verification
<b>Objective: To support the group with the registration process</b>			
<b>Activities:</b>			
1. A joint meeting conducted to discuss the matter	Document Review	At least 1 meeting conducted	Minutes
2. Obtain the registration forms from BRELA	Observation	The researcher assigned to get the application forms	The registration form
3. Filling and signing the registration form	Observation	Members signatures	A copy of filled and signed application form
4. Submission of the application form	Document review	Evidence of members contribution towards the fees	Receipt of application fees
5. Collection of registration certificate	Observation	The researcher assigned to collect the certificate	Registration Certificate
<b>Objective 2: To acquaint the group with the basic characteristics of the VICOBA Methodology</b>			
Objectives/Activities	Monitoring Method	Performance Indicator	Means of Verification
<b>Activities</b>			
1. Attendance of the training	Document review	List of names of training participants	Weekly attendance register
3. Members are able to	Observation	Schedule of activity in	Sample of minutes

conduct and record minutes of the meeting		training program or handout	of model meeting
4.Members are able to conduct a simple election of their leaders	Observation	Schedule of activity in training program and handout	Model executive committee elected during the training
5.Members are able to use the tools in the VICOBA credit Kit effectively	Observation	Members able to model Schedule of activity in training program and handout	Members able to model the use of the tools in the VICOBA credit kit.
<b>Objective 3: To enable the management to understand and manage the group activities</b>			
<b>Objectives/Activities</b>	<b>Monitoring Method</b>	<b>Performance Indicator</b>	<b>Means of Verification</b>
<b>Activities:</b>			
1.The VICOBA members are contributing weekly	Document review	Members are contributing	The amount of money collected weekly
2. Loan Disbursement	Document Review	Records of Money disbursed	The number of members issued with loans
3.VICOBA members are able to repay loans	Document Review	Repayment schedule	Amount of money collected from loan repayment

### 5.2.2 Performance Indicators

**Table 11: Participatory Monitoring Plan**

Objectives/Activities	Performance Indicator
<b>Objective: To support the group with the registration process</b>	
Activities	
1. A joint meeting conducted to discuss the matter	At least 1 meeting conducted
2. Obtain the registration forms from BRELA	The researcher assigned to get the application forms
3. Filling and signing the registration form	Members signatures
4. Submission of the application form	Evidence of members contribution towards the fees
5. Collection of registration certificate	The researcher assigned to collect the certificate
Objectives/Activities	Performance Indicator
<b>Objective: To acquaint the group with the basic characteristics of the VICوبا Methodology</b>	
Activities	
1. Mobilization of the group members	List of names and contacts of members
2. Attendance of the training	List of names of training participants
3. Members are able to conduct and record minutes of the meeting	Schedule of activities in training program or handout
4. Members are able to conduct a simple election of their leaders	Schedule of activities in training program and handout
5. Members are able to use the tools in the VICوبا credit Kit effectively	Members able to model Schedule of activities in training program and

	handout
Objectives/Activities	Performance Indicator
<b>Objective 3: To enable the management to understand and manage the group activities</b>	
Activities	
1.The VICOBA members are contributing weekly	Members are contributing
2. Loan Disbursement	Records of Money disbursed
3.VICOBA members are able to repay loans	Repayment schedule

### 5.2.3 Participatory Evaluation Methods

A self-assessment method through an evaluation questionnaire was used to engage the community in evaluate the project outcomes. The participatory evaluation survey (Table 14) is defined.

**Table 12: Participatory Evaluation Survey (Self-assessment)**

OUTCOME	Rate the Project Outcome in your own perspective			
	V.Good	Good	Average	Poor
<b>Objective 1: To Support the Group with the Registration Process</b>				
Output 1: Business Registration Certificate	100%	0%	0%	0%
<b>Objective 2: To acquaint the group with the basic characteristics of the VICOBA Methodology</b>				
Output 2: Recruitment into the VICOBA Groups	100%	0%	0%	0%
<b>Objective 3: To enable the management to understand and manage the activities</b>				

<b>Output 3:</b> Management of activities	10%	30%	50%	10%
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**Source: Field Data (2011)**

From this self-assessment method, the results show that the project was successful for the first and second output as both scored 100%. The evaluation of the third output indicates that the group is still not comfortable as far as managing their activities are concerned. For instance, only 30% of the group feels that the management of group activities is “Good”. At the same time 10% of the members felt that the management of group activities was “Poor”.

#### 5.2.4 Project Evaluation Summary

**Table 13: Log Frame for Goals 1, 2 and 3**

<b>NARRATIVE SUMMARY OF ACTIVITIES</b>	<b>PERFORMANCE INDICATOR</b>	<b>MEANS OF VERIFICATION</b>	<b>ASSUMPTIONS</b>	<b>TIME FRAME</b>
<b>OUTPUT 1: Business Registration Certificate</b>				
Registration certificate obtained	Group is formal	Business License	Participants will understand and use it for business and financial assistance application	Jan 2011
<b>OUTPUT 2: VICOPA Registration</b>				
Group has been recruited into the VICOPA Program	Participants are able to conduct effective discussion on income generating projects	VICOPA Credit Kit	Members will be able to use the tool and its contents	Jan 2011

<b>OUTPUT 3: Management of Activities</b>				
Members are able to repay the loans	Register Book	Schedule of those who have loans	Participants will cooperate	May 2011

### **5.3 Project Sustainability**

Sustainability in this VICOBA group depends much on the investment on the community's capacity building through training and financial generated by the group itself. The project is said to be sustainable if and only if there is community ownership and project benefits continue to be produced even after the project completion and closure. The elements of sustainability are: Financial, Technical, and Organizational sustainability as explained hereunder:

#### **5.3.1 Financial Sustainability**

This group will be sustainable financially because as time goes by, the group is building a financial base to help it get established financially. However, it is also important to note that at start-up very little funds if any was put into the group by VSDA as most of the funds are sourced from within the group. Hence even if funding is withdrawn, the impact will not affect the group adversely.

#### **5.3.2 Technical Sustainability**

The training that the group received will be a good technical base for this group. This will ensure that the group is technically sustainable such that a withdrawal of any technical support may not result a high negative impact in the group. This

notwithstanding, many of the group members (above 60%) have attained above secondary school education so this ensures technical sustainability of the group.

### **5.3.3 Organizational Sustainability**

In terms of organization, this group is facing a real threat. To this extent, the management of activities has not scored a high rating. The group therefore, needs to revisit its objectives and the commitment of the members. For this reason, the group, therefore, needs a refresher course on management of activities alongside entrepreneurship training.

## **5.4 Sustainability Plan**

The above mentioned are among the factors that may in one way or another affect the viability of this project in the future, therefore this project is proposing a mechanism that will ensure that the project benefits are delivered even after the end of the project. This sustainability plan will have three components: the first component will address financial factors; the second and third on the group and leadership factors respectively.

### **5.4.1 Financial Capacity**

To ensure that the group generates enough funds to run the project in full capacity, the target group (the members) will be sensitized to pay their contributions in a timely fashion. Further close follow up to those who have taken loans will be made and proper record keeping will be observed. This strategy will be employed to

ensure that the group has adequate resources particularly after the project phase-out so as to ensure that the other needs are also implemented (Needs 3 – 6) as shown on the list of priorities, Table: 04).

#### **5.4.2 Institutional Plan**

Because the stakeholders would like to see that the project benefits are continued even after the termination of funding and that the group can be able to fund itself and expand. It is assumed that the stakeholders will accept this sustainability strategy. As explained before, in this text, the project will be institutionalized within the group. This means that the project will be part and parcel of the project portfolio of the group.

## **CHAPTER SIX**

### **CONCLUSION AND RECOMMENDATION**

#### **6.0 Introduction**

This project was implemented in Kinondoni District in Kimara Ward amongst a certain women group, the Kimara Women Empowerment Group. A needs assessment was done among the women group and a project designed to mitigate the needs of the group. The highlights of the project design, literature review, project implementation, monitoring, evaluation and sustainability are presented here.

#### **6.1 Conclusions**

The Kimara Community Participatory Needs Assessment Project identified six problems facing the women group. Group formalization and VICOBA Model Training were both identified as priority needs and a strategy to intervene developed. The study showed that the members did not know how the systems work and so they did not formalize their group. The study also showed the group did not understand how the VICOBA Model works and thus required some skills to replicate the VICOBA methodology into their day to day operations. Finally, the study also established that even though majority of the group are learned, they do not operate bank accounts. Therefore training was important to the group to impart the knowledge to cultivate the culture of saving.

The literature review has highlighted the concept of forming groups and formalization. Formalization enabled the group to be registered by the government systems. The literature also noted and highlighted the relationship of VICOBA with both microfinance and VSLAs.

The two needs; group formalization and training on VICOBA Model were running simultaneously and were implemented between October 2010 and February, 2011. The former took one month - from December 2010 through January, 2011 and the later began in September 2010 through February 2011 and went on for a period of 12 weeks. The main project activities included: Conducting a Joint Meeting to discuss the matter of formalization, obtaining a registration form, getting it signed by the members, returning to the authorities (BRELA) and collecting the Registration Certificate. As for the VICOBA Model, the activities included mobilization of the members to attend training, monitoring of the activity and finally evaluating the training.

Observation and document review methods were used to control the activities whether they were on the right track. The project's objectives were on the right track and were achieved. The researcher used the self-assessment method to evaluate the results. The outcomes of the project were positive and according to the plan.

The assumption is that if members know each other well, have a common interest, well organized and trained for a period of 12 weeks then the groups will be sustainable in operations. Also as long as members continue paying their

contributions in a timely manner and with high discipline on the loan repayment it will sustain the group's activities. The project will have enough money to lend to the members without a need of seeking external financial assistance. With formalization the group will be able to approach financial institutions for capital to invest in bigger projects. On the other hand, the group needs to take charge of management of their activities as this is a threat to the sustainability of the group.

## **6.2 Recommendations**

This study recommends thus:

- i) The pending four needs identified should be integrated in the future project plans
- ii) The group to develop a constitution and other related regulations such as policies to guide the activities of the group
- iii) The group to open a bank account to ensure that their savings are safely and securely taken care of by a credible financial institution
- iv) It is recommended that the group adhere to the proper use of the tools provided in the VICOBA Credit kit, these include; the registers, receipts and stamps for recording receivables and payables.
- v) The group to seek a physical location for their regular meetings

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## APPENDICES

### **Appendix 1:** Focus Group Discussion to members

Total number of active members-----30-----

1. What is legal status of your group? Kindly share with me the process of registering a business name or a non-governmental organization. Is this group formal or informal? If your group is informal, would you like to formalize it?
2. What benefits have you drawn from this group? Kindly explain
3. What benefits can you draw if your group were registered legally?
4. Does your group have leaders? If yes, kindly expound how the leaders are selected and what is the office term?
5. Have you ever heard of the VICOBA groups? Can somebody share with us briefly what is VICOBA and how do they work?
6. Do you operate a personal bank account? If no/yes, explain why
7. What are your views about investment? Do you consider yourself as a local investor?
8. What activities/services are currently being provided by the group?
9. What are the challenges faced by your group in the process of implementing group activities
10. How is this group funded?
11. What other organizations does this group collaborate with? What is the nature of the collaboration with each organization?

12. Do you think the period between saving and getting a loan from your group is adequate? How long (days/months) does your group allow?
13. What are the needs of your group? Please list at list five in order of priority.
14. Suggest ways by which these needs can be addressed
15. Among the 5 types of training listed below; select only three which you think will be useful to your women group:
  - a) VICOBA Group Formation Capacity Building
  - b) Business Management Skills
  - c) Skills in Agriculture
  - d) Financial Management Skills
  - e) Entrepreneurship Skills
16. 17. Could this group share with me the significance of writing a business plan?
17. Have you ever participated or written one?
18. 18. If you are in business kindly share with us how you can increase your sales of your products/goods/services? What challenges do you face in this area?
19. 19. List other challenges which your group faces.
20. Is there anyone who has ever borrowed or applied to borrow from a bank? If yes, what were the requirements that made you to be able to borrow?
21. What do you think we require as a group to be able to borrow from a bank?
22. Could this group give views regarding the role of board members in an organization? Does this group have a board or a plan to have one?
23. Can any member volunteer to share with us the component of a constitution? What is the role of the constitution for a group such as this?

24. Using the provided sheet listing problems facing VICOBA, identify one (only one) major problem related to management of VICOBA (tick the answer) and pass it to the facilitator:

Education	1
Skills shortage	2
Cooperation	3
Conflict	4
Others	5

## **Appendix 2: Key Informant Interview Guide**

1. What is the role of VICOBA Office at the national level?
2. In your view, kindly share with me the challenges facing VICOBA groups
3. In your view, what do think are the main benefits of VICOBA groups
4. Could you explain the relationship between women and the VICOBA groups?

What do you think is the role of men in the VICOBA groups?

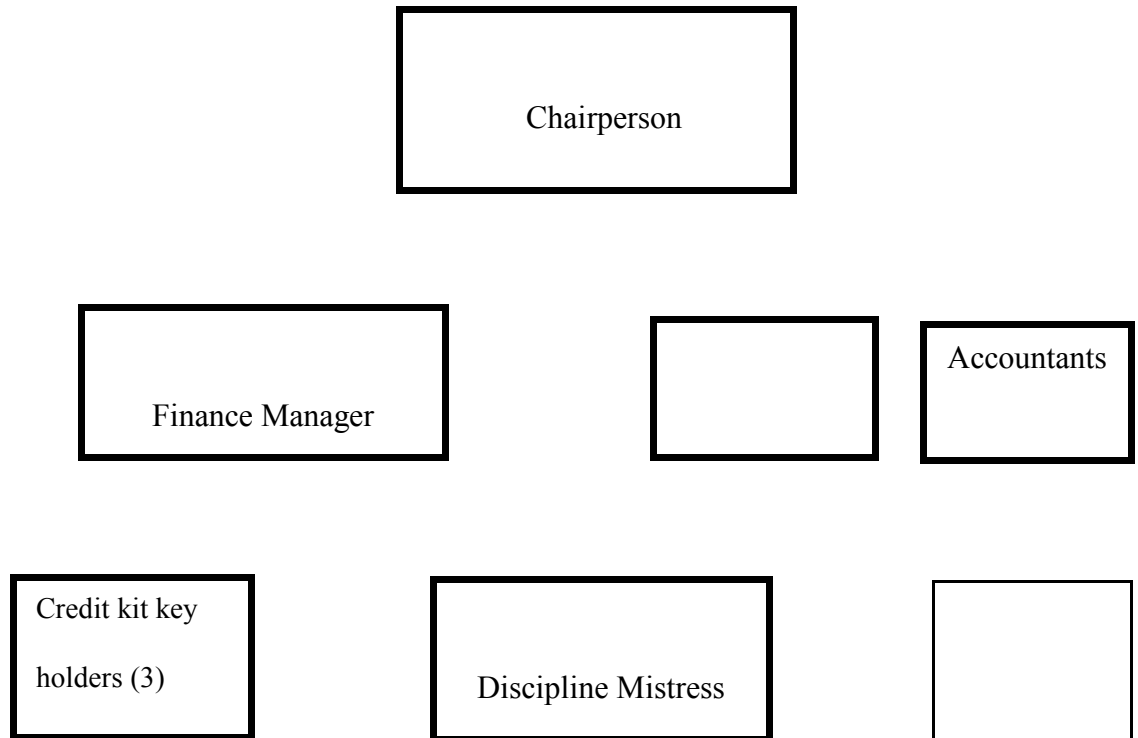
5. What do you recommend should be done by the government or local government to improve on the support to the VICOBA Groups?

**Appendix 3:** Community Validation Workshop Guideline: Community  
Priority Ranking Tool

- 1- Using the Community Needs Assessment Report write down the needs in any order
- 2- As much as possible attach a symbol to each need
- 3- Paste the printed symbol of the need on the ballot box to be used for ranking for the community needs. Ensure each ballot box has one need only.
- 4- Issue the community members with at least three voting cards marked one, two and three
- 5- Instruct the community members to rank those the needs by voting on the ballot boxes according to their priorities i.e. card no one should go to the top priority.
- 6- Conduct the voting process secretly to remove any bias
- 7- Count the cards and put up a matrix showing the votes with the highest ranking need taking the first priority.



**Appendix 4: Organization Management Structure for Weg: Kimara**



**Appendix 5: Group Registration Certificate from BRELA**

## APPENDIX 5



Form 5

No 215895

## THE UNITED REPUBLIC OF TANZANIA

**Certificate of Registration***The Business Names(Registration) Ordinance (Cap 213)*

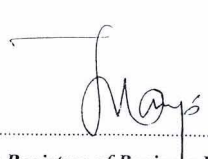
I HEREBY CERTIFY THAT WOMEN EMPOWERMENT GROUP =====

this 14TH day of JANUARY 201 1 has been duly registered

Pursuant to and in accordance with the provisions of the Business Names (Registration) Ordinance  
and the Rules made thereunder, and has been entered the Numb 215895 in the Index of  
Registration.

GIVEN under my hand at Dar es salaam this 31<sup>st</sup> day of JANUARY

Two thousand and ELEVEN

  
 Deputy Registrar of Business Names

NOTE - This certificate must be kept in a conspicuous position at the principal place of business. Any change in the  
particulars originally registered must be notified to the Registrar within twenty- eight days.

**Appendix 6:** List of members of Kimara Women Empowerment Group (WEG)

S/N	NAME	S/N	NAME
1	Neema Mgya	16	May James
2	Wende Mbepi	17	Ellah Munthali
3	Mpoli Godfrey	18	Rachel Dafa
4	Restuta Linga	19	Tumaini Kisitu
5	Jane Msungu	20	Angelina Magwila
6	Grace Godfrey	21	Daria Bongole
7	Grace Munthali	22	Mwajuma Mzava
8	Hidaya Mwakyusa	23	Mercy Mshana
9	Happy Lwendo	24	Cleria Msilu
10	Fatuma Mbaga	25	Sheha Ramadhani
11	Dainess Salila	26	Neema Fimbo
12	Jessica Ngallya	27	Vivian Matoli
13	Tumaini Mallya	28	Alice Mtili
14	Cecilia Anatoli	29	Jane Mubepi
15	Angela Sayi	30	Hidaya Eliud

**Appendix 7:** Types of training offered by VICOBA Sustainable Development Agency

Elimu ya VICOBA (Introduction to VICOBA Model)

Mafunzo ya kujenga Uwezo wa Kikundi (Capacity Building of the Group)

Biashara (Business Skills)

Elimu ya Mikopo na ujasiriamali (Loan and Entrepreneurship skills)

Stadi za Kilimo (Agriculture skills)

Ufugaji (Livestock)

Utunzaji wa fedha (Financial management)

Elimu ya Ujasiriamali (Entrepreneurship skills)

## **Appendix 8: VICOBA Training Phases**

### **Introductory phase - 3 weeks**

**Objective:** To identify client groups, acquaint them with the basic characteristics of the VICOBA methodology and recruit them into the program.

This phase is quite rapid, depending on how familiar with the situation the VICOBA project already may be. Once target villages are selected the three introductory meetings can be managed in as little as three weeks.

This phase is the most important and constitutes the major portion of the program success. The Field trainer introduces the project, benefits and responsibilities of the group members to the village local leaders, extension government officers working in the village and any other influential people living in the village. When these leaders accept the project, the second meeting for the communities will then be arranged. At the end of the second meeting the communities who have accepted the project will be needed to arrange the third meeting for groups formation, registration and arrangements for intensive training and banking operation with the registered groups.

## **2. Intensive Training phase: - 4 months**

**Objective: To enable group members understand clearly how better to manage their** group activities and provide business management skills that will make them be able to select, plan and manage their IGAs profitably.

This is a very important phase where group members attend an intensive training program in 4 months. The groups meet once in a week for banking and training activities. They can opt to meet twice a week if it is convenient to them. The intensive training phase contains two training modules. In the first module group members are trained on group management and banking operation system while in the second module they are trained on the techniques of selecting appropriate income generating activities (IGAs) for their families, developing business plans and business management techniques.

Two modules will be covered during this phase:

Module One: (Structure, Principles and Operation system of VICOBA groups).

Topics covered in this Module includes:-

- Briefing on historical background of the program, Course objective, Training phases and topics covered in each Module, and Training Methodologies and facilities required in each topic.
- Application of Introductory meetings with local leaders and villagers (importance and techniques)
- Meaning and importance of VICOBA groups for family development, socially and

e c o n o m i c a l l y .

- Meaning and importance of group leadership
- Developing group's Internal Regulations
- Conflicts Resolution Techniques
- Determining the group members Optional Training

Module two: This Module provides basic knowledge and skills required in Selecting, Planning and managing the most appropriate income generating activity (IGA) for the family. Topics contained in this Module are as follows:

- Brief introduction to SPM training methodology: historical background, description on the topics contained in the program, training materials required in each topic and how to apply in the training process.
- Techniques for selecting the most appropriate income generating activities for the family
- Techniques for initiating and running an IGA, and selling goods at profit
- Techniques for determining a startup and running capital of the selected family IGA
- Techniques for developing an effective plan of how to startup and run the selected IGA profitably.
- Basic management elements to consider when running a business:
- Control of funds generated from sales
- Four important areas of allocating funds generated from sales
- Proper utilization/allocation of productive resources used in running business
- Management of business risks

**Development phase - 4 months or more**

**Objective: Assist the group to become self-governing.**

The Field trainers assist the groups to move towards independence. The Field Trainers visits the groups on weekly basis for the first two months and thereafter once a fortnight for the last two months, (twelve total visits).

However, Field trainers can intervene frequently when the group needs help of his/her technical assistance. Likewise, the visits should take place during periods of loan disbursement and reimbursement, as those are generally the times when the participants encounter the most difficulties.

**Maturity phase: - 3 months or more**

**Objective: Assist the group to become independent from the project**

The Field trainers will visit the groups at the end of each month to evaluate group's performance and stability. Based on this evaluation, they will decide if the group is ready to be independent, or if it still needs assistance. Based on the evaluation results the Field trainer can estimate appropriate time, and determine type and magnitude of additional assistance to the weak groups.