ASSESSMENT OF THE IMPACT OF MICRO FINANCE SERVICES AND CHALLENGES IN ECONOMIC EMPOWERMENT A CASE OF SAVINGS AND CREDIT ORGANIZATIONS (VICOBA) IN TEMEKE DISTRICT

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A RESEARCH REPORT SUBMITTED TO THE OPEN UNIVERSITY OF TANZANIA IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTERS DEGREE IN PROJECT MANAGEMENT

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CERTIFICATION

The undersigned certifies that he has read and hereby recommends for acceptance by the Open University a dissertation entitled Assessing the Impact of Micro Finance Services in Economic Empowerment: *A Case of Savings and Credit Organizations (VICOBA) in Temeke District* in partial fulfillment of the requirements for the degree of Master in Business Administration at Open University

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DECLARATION

I, **KUHUNGA PATRICK MSAMBICHAKA** do hereby declare that this dissertation reports is my own original work and that it has not been presented to any other University or Higher Learning Institution for similar or any other degree award

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Date

DEDICATION

This work is dedicated to my parents Prof. L. A. Msambichaka and Dr. K. A. Msambichaka without them, I would not have been where I am now. May God bless you.

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ABSTRACT

The study aimed at exploring the impact of VICOBA in poverty reduction in Temeke District of Tanzania. Specifically the study was to assess the improvement of the economic status as a result of VICOBA-loans, determine challenges faced in accessing and repayment of VICOBA-loans, and identify additional service that may be offered by VICOBA to the members. The study used exploratory and descriptive designs and used of questionnaire and interviews as well as documentary review in data collection. Thematic analysis was used for the qualitative data while descriptive analysis and Chi-square test were used for the quantitative data. The findings of the study reported that there is the significant increase of income, equipments/assets and business production of the VICOBA-members, therefore, VICOBA have helped to empower economic status of their members. It was revealed that in accessing and repaying VICOBA-loans; generally VICOBA-members face negligible challenges. It was further noted that amount of loan given, lending policy and procedures used by most of VICOBA are likely to inflict challenges to the members in accessing and repaying VICOBA-loans in the near future. Concerning additional services desired by VICOBA-members the study found that saving facilities and business educations were significantly desired by VICOBA-members. The study concluded that VICOBA have helped in economic empowerment in Temeke district of Tanzania. It was recommended that government and other development stakeholders should create enabling environment for the VICOBA to work smoothly in the country to serve great population of MSEs

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LIST OF ACRONYMS AND ABBREVIATIONS

SACCOS   Saving and Credit Cooperative Society

MSE   Micro and Small Enterprise

VICOBA   Village Cooperative Bank

MFI   Micro Finance Institute

SMEs   Small Medium Scale Enterprises

FI   Financial Institutions

NMP   National Microfinance Policy

MFI   Microfinance Institutions

NSGRP   National Strategy

CHAPTER ONE

1.1 Introduction and Background to the Study

Economic development has become a worldwide main area of concern having realized the wide growth of poverty and low standards of living especially in developing countries. Poverty has become the major hindering factors to the world's economic development where out of the three billion people; half of the world's population is surviving on an income of less than 2 dollars per day (Nakakuta 2010). The level of poverty has been increasing child mortality rates in poorer communities as one out the five children in the family dies before the five years of age, basing on the fact that parents cannot afford to provide the basic necessities of life (Hubka and Zaidi, 2015).

As strategies for community economic development through eradicating poverty, the United Nations Organization (UNO) announced the millennium development goals in the year 2000 to be attained by 2015 which included addressing extreme poverty and hunger, achieve universal primary education, promote gender equality and empowering women, reduce child mortality rates, improve maternal health, combat HIV/AIDS, malaria, and other diseases, ensure environmental sustainability as well as develop a global partnership for development (United Nations, 2005; Hubka and Zaidi, 2015).

Among the strategies set by UN was availability, accessibility and usability, of microfinance services in supporting and/or empowering efforts of small and micro entrepreneurs through addressing issues like improving income level and creating jobs within communities (United Nations 2005). So for now, the pursuit of development has taken the direction of socio-economic empowerment whereby microfinance

schemes taken as one of the major strategy to promote and speed up the level of economic empowerment for the poor with micro finance being one of the strategies (Anin, *at el.,* 2012).

Through the objectives of Microfinance Institutions (MFI), most countries have benefited from their operation for instance Bangladesh; in which most microfinance programs have taken up Grameen Bank methodology which regards microfinance as a basic tool for empowering very poor people in the world. Grameen Bank has made a number of achievements in line with community economic development through extend banking facilities to poor entrepreneurs, eliminate the exploitation of the poor by money lenders, create opportunities for self-employment for the vast multitude of unemployed people in rural Bangladesh (Hubka and Zaidi, 2015). This has been done through offering of small loans usually less than 200 US so as to establish small businesses and this has been supported by the constant sensitization of the local communities on the different opportunities from micro finance institutions (Arifujjaman and Rahaman, 2007).

In the sub Saharan Africa including Tanzania, community economic development still lags behind (Haupt, 2006; Kiweu, 2009). In line with this low level of economical development in Africa, it has also been found out that over 90 percent of the people have limited access to financial services from commercial banks and formal micro finance institutions which has contributing to low livelihood access leading to vicious cycle of poverty. Considering the fact that credit service is the very important tool for development of Micro and Small Entrepreneurs (MSEs), as the way to overcoming credit constraint, MSEs are now forming their groups for servings and credit assistance to themselves famed as Servings and Credit Organizations (or VICOBA in

Swahili term). These organizations are normally unregistered microfinance organizations which operate under spirit of trustiness. They are working according to democratic principles for the purpose of encouraging savings, using pooled funds to make loans to members at reasonable rates of interest, and providing related financial services to enable members to improve their economic and social condition (Muzinduki, 2008; Triodos, 2012). KIKOBA (plural VICOBA) serves only its members. A person must be a member in order to save, borrow or receive other services from the VICOBA. To become a member of a KIKOBA, a person must belong to the field of membership set forth in the bye-laws of the respective VICOBA.

Small community Servings and Credit Organizations (i.e. VICOBA), according to Guifold (2010) have greatly supported MSEs with financial services and also in the promotion of enterprise culture by offering them with training in various forms of production and business management. Likewise, VICOBA-operations have been seen as the major influence of economic empowerment in many developing African countries such as Ghana, Tunisia and Botswana (Bald, 2007; Cuevas and Fischer, 2015) by providing credit to their members at reasonable interest rates that support business developments of the member borrowers of whom majority operate micro and small enterprises thus contributed to the development of MSEs in the economy (Guifold, *ibid*). In Tanzania, apart from serving and lending to their members, VICOBA are the channels through government funds reach many poor people (PRIDE-TZ, 2005). Some of the government programs to finance entrepreneurial activities of poor people via VICOBA and other microfinance programs are MKUKUTA and other programs (Triodos, 2012).

In Tanzania, Village Community Banks were originally adopted from Niger, in West Africa, where they were popularly known as "Mata MasoDubara" (MMD). The model was initiated in Tanzania in 2000 with the aim of empowering less disadvantaged people in both urban and rural settings. Though VICOBA has been very valuable to its members, different studies have revealed various problems they encounter the same way as members of other financial institutions. In a study done by Kihulya (2007) revealed that members of formal and semi-formal financial institutions in Tanzania faces multiple challenges including lack of collateral, high interest rate ranging from 20% to 40%, short term repayment and rudimentary repayment schedule. On other hand those who are members of informal financial institutions such as VICOBA complained of small amount of credit, lack of shares, and sometimes lack of business management trainings of the members.

Recently there have been complaints that Tanzanian VICOBA tend to operate basing on the market forces of demand and supply as the result less concentration is placed on the existence and the role of serving the low income earners who most of them are the operators of small and micro businesses; instead they focus more on the ability of the member-client to fulfill the requirements and repay the loan within on a given period of time, thus it become difficult for Tanzanian VICOBA to be realistic in reaching low income earners with financial services (Massawe, 2012). As a result MSEs in Tanzania are still faced with the challenge of securing the sources of finance services despite the government, donors and other stakeholders' efforts which have been made to provide VICOBA with supplementary capital by means of poverty alleviation schemes. Therefore, the study indented to review potential ability of VICOBA in empowering economic of MSEs in Tanzania.

1.2   Statement of the Problem

Besides the booming of micro finance services offered by both formal and informal microfinance institutions to the people of Dar es Salaam city of Tanzania, the level of economic development in the area still remains very low with high rate of poverty among the community members. Most of people in the city still have limited access to the basic necessities of life like food, shelter, good health care and education. According to the Tanzanian statistics (2012) as reported by Diyamett (2013) over 30.5% of the Dar es Salaam population lives below the poverty line with the vicious circle of poverty. The majority of them are residing in the slum areas, especially in Temeke district (Diyamett, *ibid*). Limited access to these basic needs has contributed to the increase of unemployment rate especially to the youth generation. This has also contributed to an increased level of government expenditure in investing in poverty eradication programs hence contributing to the delay in other developmental programs.

In Africa, it has been established that the informal micro finance organizations are more important than the formal micro finance institutions to MSEs (collection of authors in Chipeta and Mkandawire, 2011). This is because formal MFIs have been targeting mostly medium and large scale entrepreneurs since they are considering MSEs are the risk borrowers. This being the fact, there is the need of studying the impacts of this informal savings and credit organization in helping their members and the community development at large. However, from the understanding of the researcher there are very few studies have been conducted in this area and analyze quantitatively how VICOBA have been empowering economy of MSEs.

1.3   Objective of the Study

In this study the objectives were classified into two categories which are the general and specific objectives.

1.3.1   General Objective of the Study

The main objective of this study was to assess the impact of VICOBA microfinance services and challenges in economic empowerment in Temeke District of Tanzania.

1.3.2   Specific Objective of the Study

The following specific objectives were formulated to address the above general objective:

  i.   To assess the improvement of the economic status as a result of VICOBA-loans

  ii.   Determine challenges faced in accessing and repayment of VICOBA-loans

  iii. Identify additional services desired by VICOBA-members

1.4   Study Questions

The study had to answer the following questions

  i.   What are the economic impacts of accessing VICOBA-loans to the members?

  ii.   What are the challenges in assessing and repaying VICOBA-loans to the members?

  iii. What additional services desired by VICOBA-members?

1.5   Scope of the Study

According to Kothari (2004) the scope of the study clarify the boundaries of the research, this enable the researcher only to deal with tasks he or she focus to in order

to make decisions about the changes required in the study. The study was limited to VICOBA located in Temeke district of Dar es Salaam, Tanzania. On other hand, members of the following VICOBA: Seumadi, Upendo, Mshikamano, Jipemoyo and MBV were included in the study. The study was limited on the profits obtained by the members from the utilization of loans they had received from the VICOBA. The study was descriptive in nature and utilized both mostly qualitative and quantitative primary data.

1.6   Significance of the Study

The study is of benefits to policy makers, VICOBA and Micro and Small Entrepreneurs in Tanzania and in many developing countries in Africa. It guides policy makers in formulating and implementing effective community empowerment through VICOBA as well as Micro and Small Enterprise sub-sectors in the country. Also it is a vital tool to policy makers in reviewing, designing appropriate policy interventions for better microfinance roles in poverty alleviation sectorial performance. Also, it provides the ways in which VICOBA can be able to formulate important services for their members which are in line with needs and conditions of micro and small entrepreneurs.

This study assesses the community empowerment through micro-credit lending (VICOBA) with an urban context its findings will provide the way forward for the VICOBA best practice (lending, repayment and management). Moreover the study findings and suggestions are essential in designing the appropriate way in creating processes of community empowerment strategies to compliment with the poverty alleviation strategies in the country through this microfinance schemes. Furthermore,

the research findings broaden up the existing literature in similar area of study and create a step potential to researchers who are interested to undertake research on the same or related disciplines.

1.7   Organization of the Study

The study is organized in the following format:

Chapter 1: This chapter carries the introduction part of the study which includes overview of the information concerning microfinance institution, especially VICOBA, in the developing countries such as Tanzania. It also carries statement of the problem, objectives of the study and research question, the significance of the study and lastly the organization of the study.

Chapter 2: This chapter is all about the review of the work of literature which has been done by other researchers. It generally contains the information concerning theories which are related to the use of microfinance institutions, especially VICOBA, in Tanzania and in the rest of the world for the purpose of making their awareness in the analytical chapters. This chapter also includes the definition of key terms and the conceptual model of the study.

Chapter 3: Different methodologies that the researcher adopted in collecting data in the study is presented in this chapter with the main focus on the description of research design and the justification of the collected data.

Chapter 4: This is the main part of the research study in which the study findings is presented and discussed in detail. The impact of VICOBA in empowering economy of

their members is examined in this chapter as well as discussing different issues which arose in the course of conducting this study.

Chapter 5: This chapter carries the final part of the study by presenting the conclusion on the study as well as the suggestions. Also it presents the conclusion and recommendation of the study to VICOBA-members, government and society at large. Further direction in future studies in the related topic is also given in this chapter.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

In this chapter a lot was discussed on the theoretical and conceptual framework of the variables of the study to provide a critical and analytical review of literature on various issues related to VICOBA and their impacts on economic empowerment. This was performed by reviewing related studies that have been undertaken by other researchers in both national and international levels. Literature review led to the drawing of some conclusions and a guide for the study.

2.2 Conceptual Definition

Naoum (1998) describe theoretical definition as common scientific context in which theories tent to be precisely defined in results which are widely accepted as correct. Thus this section provides the meaning of key words which appeared more frequently in this study. The most popular terms in the study are: savings and credit organization (VICOBA), Micro and Small entrepreneurs (MSEs) and microfinance.

2.2.1 Microfinance Institutions (MFIs)

The word microfinance is being used very often in development vocabulary today. Although the word is literally comprised of two words: micro and finance which literally mean small credit; the concept of microfinance goes beyond the provision of credit to the poor. Christen (1997) cited in Anin, *at el.,* (2012) defines microfinance as 'the means of providing a variety of financial services to the poor based on market-driven and commercial approaches (Christen, ibid). This definition encompasses provision of other financial services like savings, money transfers, payments,

remittances, and insurance, among others. However many microfinance practices today still focus on micro-credit: providing the poor with small credit with the hope of improving their labour productivity and there by lead to increment in household incomes. United Nations (2005) stated that microfinance is a facility that makes it possible for the focused poor people to get a small loan to start a business, pay for school fees, procure housing or receive health care such an initiative is instrumental in changing the poverty patterns in view of improved facilities to lessen the challenge posed by startup capital. Microfinance has been changing people's lives and revitalizing communities since the beginning of trade.

2.2.2   Micro, Small, Medium and Large Enterprises

There is no universally accepted definition of MSE. Different countries use various measures of size depending on their level of development. The commonly used yard sticks are total number of employees, total investment and sales turnover. In the context of Tanzania: Micro enterprises are those engaging up to 4 people, in most cases family members or employing capital amounting up to Tshs.5.0 million. The majority of micro enterprises fall under the informal sector (URT, 2003). Small enterprises are mostly formalized undertakings engaging between 5 and 49 employees or with capital investment from Tshs.5 million to Tshs.200 million (URT, 2009). Above Small enterprises are medium enterprises and large enterprise. The study adopted the mentioned definitions of Micro and Small Enterprises by United Republic of Tanzania (URT, 2003).

Table 2.1: Tanzania Enterprises Definition

Category	Employees	Capital investment in Machinery (Tshs)
Micro Enterprise	1-4	Up to 5 Million
Small Enterprises	5-49	Above 5 mil. To 200 mil.
Medium enterprise	50 – 99	Above 200mil.to 800 mil.
Large enterprise	100 +	Above 800 mil.

Source: (Tanzania SMES policy, 2003)

The proponents of credit approach argue that people who live in developing countries might improve their living standards by becoming micro entrepreneurs and that financial institutions should support their initiatives with small loans (United Nations, 2005). This is true because well established and sustainable micro and small enterprises in many societies contribute to the growth of national income, more employment opportunities, better standard of living and hence to the reduction of poverty. However, according to the International Finance Corporation 60% to 69% of the population in many African countries has no access to conventional financial institutions (IFC 1994, cited in United Nations, 2005).

Due to the decline of the public sector, the role of Micro and Small Enterprises (MSEs) in promoting economic growth and development, offering increased employment and reducing income disparities has been widely recognized (Bagachwa 1994; Bendera 1997). In Tanzania, Micro and Small Enterprises contribute 13% and 34% of rural and urban employment respectively as well as up to 32% of GDP (Arifujjaman and Rahaman, 2007). The increased participation and contribution of Micro and Small Enterprises (MSEs) has led to an increased need for financial services (Chijoriga, *ibid)*. Credit has been recognized as one of the tools for

promoting the development of MSEs. Loans enable the individual member or enterprises to enjoy both benefits of economies of scale and those of new high-value technology.

2.2.3 Savings and Credit Cooperatives

Ledgerwood (1999) defined savings and credit schemes as the organizations which are formulated for the purpose of providing financial services to its members whereby it accepts the deposits from the members and provide them with loans at the reasonable interest rate during the time when they are in need of the loan. They also provide other microfinance services like education of entrepreneurial skills. They are designed for the aim of motivating more savings through small and regular deposits.

They can exist in various forms some are legally registered and others are not but all have a common objective of acting as the non-bank financial intermediaries in the communities especially for the poor people. The researcher is going to use the definition of savings and credit organization as the microfinance scheme which was formulation for the aim of providing its members with financial services such as loan and providing them with the saving mechanism by accepting deposits from members.

2.3   Theoretical Review

A theory is an explanation which helps to understand and make predictions about a given situation. A theory is constructed by a set of sentences consisting entirely of the true statement about a situation under consideration; however the truth of any one of these statements is always relative to the whole theory (Carnwell and Daly 2001). The study stood on the following theories. Theoretically the development of VICOBA in the country has been the issue of interest to many people. The study by Mike

FitzGibbon (1999) in microfinance services offered through SACCOS found that half of the institutions, do not offer credits and those offering credits, condition require that the loan seeker has some form of fixed assets as collateral. VICOBA lending scheme and its flexibility has already proved to be one of the better tools for community liberation socially and economically in Tanzania. This is evident in the people benefiting from the scheme recorded facts from the VICOBA practitioners as derived from the Documentation Report by the Ministry of Finance and Economic Affairs/Poverty eradication Department (2009)

The study conducted by Kihongo (2005) shown that there was effectiveness in the capacity building through various skills by provision of training ranging from simple accounting procedure, business management and some entrepreneur skills as part of VICOBA project operation. The trainings have been not only useful in successful operation of VICOBA but also growth of their economic activities. On the other hand, though there is progress in microfinance sector in Tanzania in terms of number and products they offer, still there are some limitations, which are a hindrance to income poverty reduction. Further, sustainability of VICOBA members' projects is not assured as with the small size of capital in business, it is difficult for them to compete with new entrants in the same business with large capital (Kihongo, 2005). Microfinance such as VICOBA has a slightly higher impact on extreme poverty than on moderate poverty for everybody (Khandker 2005). The problem that they conclude microfinance to be a good instrument for poverty reduction even though they don't reach the poorest which are in most nee. Another study focusing on the VICOBA model and its contribution to poverty reduction found that VICOBA does not take the members out of poverty but it can "act as a buffer to protect rural poor not to fall

under the established poverty line" (Begasha 2011). The author concludes that the VICOBA model does not result in all the members leaving poverty, but by letting members save and take loans on a regular basis it protects them against deeper poverty and it helps to smooth consumption. In another impact assessment of VICOBA in Tanzania, Begasha (2011) argues that the VICOBA model is an important tool towards poverty reduction since the study found positive impacts for the members in several ways, for example in increase of income and capital, capacity building and women empowerment.

2.3.1 Cultural Structure Theory of Economic Development

Under cultural perspective, economical development is low because of people's traditional beliefs, attitudes and behaviors of men as breadwinners and subsistence survival which has caused high levels of laziness Christen (1997) cited in Anin, *at el.,* (2012). From the theory it portrays that people still believe in production for only home survival characterized with low attitude to investment hence low accessing to financial support organizations. This is very common among female headed families that even still have the cultural, traditional mentality that women have no right to initiate business and own property. On the central the structural perspective explains the low economic development as a result of unemployment, underemployment, and poor health conditions of the people. Due to unemployment and underemployment people are unable to access the basic necessities of life since they are not financially developed. This is catalyzed by the limited utilization of financial services which are an aid to creation of developmental enterprises that create employment. In addition to that due to the high illiteracy levels people are not informed about carrying out developmental investment projects that can contribute to economic development

(Nakakuta 2010). From this theoretical perspective the Microfinance institutions can be a significant component of an effective poverty reduction strategy, through improving access and efficient provision of savings, credit and insurance facilities in particular can enable the poor to smooth their consumption, manage their risks better, gradually build their asset base, develop their micro enterprises, enhance their income earning capacity, and enjoy an improved quality of life (Chijoriga, 2010). Researchers argue that the Microfinance Institutions (MFIs) are useful as they: reduce poverty through increased income and standard of living, empower many people especially women, develop the business sector through growth potentials and develop parallel financial sectors. (Hubka and Zaidi, 2015).

It is generally accepted that without permanent access to institutional microfinance, most poor households would continue to rely on inadequate self-finance or informal sources of microfinance which limits their ability to actively participate and benefit from development opportunities (Nakakuta 2010). Recognizing the importance of financial services to MSEs, Microfinance Institutions (MFIs) have become alternatives sources for financing MSEs in place of formal Financial Institutions which regarded MSEs as too poor to save, having low borrowings and carrying a default risk (Chijoriga, 2010 cited in Hubka and Zaidi, 2015). The policy further aims at raising the income of both households and enterprises, by facilitating savings, payments and insurance and credit services.

2.3.2   The Bucket Theory of Financial Management

The bucket theory of financial management by Ann Henderson, (1990) cited in Kiweu (2009) states that becoming financially worry free is not an impossible goal through

working systematically towards that goal. Imagine five buckets hanging in stair step fashion, each below and a little to the right of the one above it. As water flows into the top bucket the bucket begins to fill and the water flowing represents the resources of the family. When these resources (water) reach their capacity, they flow into the second bucket which is another list of needs. This process continues until all the buckets are filled. The first bucket represents basic financial priorities such as food, clothes, shelter health care and transport. The second bucket represents financial security and includes saving plan and an emergency fund. The third bucket represents a family's insurance needs, including life, health, and property protection. The fourth bucket represents quality of life. The fifth bucket represents investments. To build a sound financial base for a family, each bucket must be filled before resources are diverted to the next one so as to attain improved standards of living as a sign of economic development that contributes to poverty eradication.

First resources are used to provide basic needs. As income increases and money is left after basic needs are met, the extra is used to develop an emergency fund and begin a regular savings plan. When saving is regular and the emergency fund complete, the next step is to purchase adequate insurance to protect the family's health, income, and property. When adequate insurance coverage is provided, extra money is then diverted to building quality of life. Quality of life focuses on acquiring some of the wants, extras, and frills. The last step is to channel the extra money available into investments that will provide a secure future for the family. This might include money for children's education, retirement, or family goals. For the constant provision of the above resources, there is a need for constant investment with support from financial institutions like MFIs through provision of saving and credit services. This is in line

with the reasonable interest rate charges on the credit services as well as to the loan repayment periods for the financial services offered. In addition to that, there is a need for proper planning of the resources and income that have been attained from financial institutions so as to attain sustainable economic development.

2.3.3 Effective Market Theory

Is the theory which was developed by Andrew-Lo (2005) for the aim of reconciling the economic theories based on efficient market hypothesis by applying the principles of evolution to financial interactions such as competition, adaptation and natural selection. He explained more that when multiple members from a single group are competing for scarce resources from a single market then the market is considered to be highly efficient. Also when a small number of individuals are competing for abundant resources then the market is considered to be less efficient (Andrew-Lo, 2005).

The theory enabled the researcher to understand the financial interaction between savings and credit organizations (i.e. VICOBA) and SMEs whereby SMEs depends on savings and credit cooperatives for their access to financial services especially loans, also the VICOBA depends on the demands of their financial services especially credit to borrowers from small and micro business enterprises for their survival and continuation of provision of service. However the efficiency market of VICOBA can be a potential source of microfinance to SMEs, wherein, there is an existence of multiple number of small and micro business operators who are in need of microfinance services from VICOBA.

2.3.4   The Structure of VICOBA in Tanzania

Village Community Banks program was established to overcome capital shortcomings and empower the poor to have their own MFIs, which meet their needs and can, reduce income poverty specifically in rural areas. In its structure Village Community Banks are informal, village based savings and credit groups being promoted in various parts of Tanzania (Duursma, 2007). VICOBA is structured in such a way that poor people, especially those in the rural areas, are organized in groups and trained in various skills so as to build up their capacity to fight against poverty. VICOBA holds a strong belief that even poor people have skills, capabilities and abilities which when unleashed and utilized effectively can help them to attain and improve their economic development and social welfare. By 2009 VICOBA has spread in 19 out of 25 regions in Tanzania with approximately 56,280 members (MoFEA/PED, 2009).

VICOBAs are groups of maximum 30 people that meet regularly, usually once per week, to save shares in the VICOBA and give loans to the members. Among the 30 people there is one chairperson, one secretary and one accountant. The members within the group are divided into sub-groups of five people to work as each other referees when someone wants to take a loan, which together with the savings works as a collateral instead of other assets. The majority of the groups have an interest rate of 10% per month, even though some groups have lower, 1.5% or 5% per month. The majority of the VICOBAs have three months repayment time, but some have six months. Apart from different rate and repayment time also other things differ between different VICOBAs, such as minimum and maximum amount of savings and loans,

and how often they divide the money among the members, but the organization and general operation is more or less the same for all of them(Duursma, 2007). The VICOBAs decide themselves the minimum and maximum to save, by deciding how much one share should be. Then the members can choose how many shares to save each week, some groups have maximum of three shares per week while some groups have maximum of five shares, but one can be a member and save only one share every week. They keep the money in an iron box usually in someone's home, but if they have a lot of money they can also open an account in a bank. How big loans one can take depends on the amounts of shares (Kihongo, 2005).

2.3.5 Access to Microfinance Credit and Services

Lack of access to credit is indicated as a key problem for SMEs worldwide (Duursma, 2007). In some cases, even where credit is available, the entrepreneur may have difficulties because the lending conditions may require collateral for the loan. Credit constraints operate in variety of ways in Kenya where undeveloped capital market forces entrepreneurs to rely on self-financing or borrowing from friends or relatives. Lack of access to long-term credit for small enterprises forces them to rely on high cost short term finance. These Unbanked SMEs may also not have collateral to access formal credit. Another issue is that these unbanked SMEs might not have the skills to run the business professionally. They may not have proper bookkeeping procedures, inventory systems, business plans or income statements making it hard for a bank to evaluate them (Frempong, 2007). In Kenya by 2007, there were about 2.2 million MSME's, of which 88 percent are non-registered (Cowan et al. 2007). Of this non-registered group, only 23 percent have bank accounts, and only 10 percent have ever

received credit from a formal source. Banks have a fiduciary duty to make prudent loans with their depositors' and investors' funds. Therefore, most limit their risk with the SME market either by not lending at all or by charging high interest rates and requiring at least 100-percent collateral coverage. Many entrepreneurs are reluctant to seek credit. Though commercial banks face several problems, the main problem that the Kenyan banks have continued to face is directly related to lax credit standards for borrowers and poor portfolio risk management. SMEs have been the hardest hit in accessing credit worldwide because they are considered a high risk group. Credit scoring would provide a framework where each applicant would be ranked in accordance with their riskiness thus allowing those with good credit history to receive credit and denying those who would probably default. A credit scoring system may therefore serve to bridge this gap in provision of information and risk assessment making it easier for SME's to access formal credit (Cowan et al., 2006).

2.3.6   Microfinance(VICOBA) Empowerment and Poverty Reduction Tool

According to the World Bank, poverty is said to exist when people lack the means to satisfy their basic needs (World Bank 1998). Income poverty is a state where one lacks a normal or socially acceptable amount of money or material possessions. Income poverty is a main cause of other types of poverty like food poverty, basic needs poverty, ill health and handicap people in rural areas poverty such as Ludewa district fail to utilize other forces of production that is land, entrepreneurial, and labour. Although the Human Development Index for Tanzania rose from 0.458 in 2000 to 0.530 in 2007, poverty in the country is still widespread and acute (UNDP, 2009). Poverty is a predominantly rural phenomenon; more than 80% of Tanzania's

poor live in rural areas (NBS, 2009). As a reaction towards poverty reduction, the Government of the United Republic of Tanzania has been battling against poverty through various policies such as MKUKUTA, Microfinance policies and SMEs policy. In reducing poverty, the country developed the Tanzanian Development Vision 2025. The Development Vision was later translated by Poverty Reduction Strategy of 2000-2003followed by, National Strategy for Growth and Reduction of Poverty (NSGRP) or commonly known in Kiswahili as 'MKUKUTA' of 2005-2010. The NSGRP is country policy towards reduction of poverty thus all development agents (State organizations and non-state organizations) are tied to implement poverty reduction initiatives under the guidance of NSGRP (URT, 2005). Among the strategies, all the policies sought to enable the poor people come out of poverty by providing them with means and capacity to access to capital through microfinance schemes including SACCOS and VICOBA. Moreover they can invest into the income generating activities and get income for sustaining their daily life. One of the means is capital, but, given the fact that they don't meet conditions (mostly collateral), which have been put by financial institutions, the poor people fail to access capital.

Most of entrepreneurs and SMEs are unable to generate themselves through retained earnings or equity financing therefore highly depends on external sources including financial institutions. The considerable number of research papers and consultancy reports that have cited that the access to financial institutions products and services including finances been a major problem in the growth of SME sector. A survey of the literature in the area indicates there is a significant gap in knowledge of the determinants or factors of access to financial institutions products and services by the SMEs in developing countries, including Tanzania Mashenene*et al.,* 2014; Chijoriga,

1997; Mungaya*et al.,* 2012; Chandika, 2005; Olomi (2009). Existing studies on Tanzanian SMEs have consistently cited the problem of finance as principal constraint on their development and growth. In survey of 136 small firms in Tanzania, Satta (2003) found that 63% of them consider difficulties in accessing finance from financial institutions as the major constraint to their development. Ayyagari*et al.* (2006) employing sample of 80 countries including Tanzania they found that access to financial institutions products and services including finance is an important constraint to firm growth. In support with that Maliyamkono (2006) noted that total credit during 2006 stood at 36% of commercial banks deposits and was mainly from large firms. Similarly, Olomi (2009) also noted that, studies regularly indicates that over 70% of SMEs in Tanzania perceive access to financial institutions as the most serious impediment to the establishment and developmental though FIs do not have liquidity problems.

Thus establishment of microfinance institutions was important as they can provide loans to the active poor people with soft conditions that take into consideration the need and capacity of the poor. As part of the solution, different organization has assisted the people in formation of informal/formal groups and associations like SACCOS and Village Community Banks (VICOBA) programs (Olomi, 2009). In responding to the constraints the government of Tanzania enacted the SME policy that remains a valid development framework for the sector growth in 2003, complementing with developmental policies such as "National Microfinance Policy (NMP) in (2001), Economic Empowerment Policy (2004), Private Sector Development Policy (2004) and NSGRP (2005- 2010) to smooth the access of SMEs to financial institutions products and services in the country's development. Despite

of some notable achievements in assisting the development of SMEs in the country, the policy effective implementation faces inadequate coordination and weak synergy among stakeholders, inadequate resources to implement planned programmes, compounded by lack of prioritization and at times inconsistencies in legislation (URT, 2012). More less the development of these new policies and strategies with moderately corresponding purposes has helped in addressing some of their problems, such as making registration and certification easier, but have not adequately addressed their needs, such as having adequate work premises and issues of access to financial institutions products and services. For example in increasing access to financial institutions products and services NSGRP recognizes the need to address remaining challenges in improving access to finance by the private sector including rural especially rural ones (Mungaya*et al.,* 2012).

The financial institutions lending conditions are the conditions that the borrower has to fulfill so as to qualify to get loan. These conditions include the interest rate to be paid on loan, the duration of loan repayment the minimum amount of loan and the loan collateral security. These have direct impact on loan repayment by small and medium entrepreneurs. Other reasons which affect loan repayment include low level of business education, misuse of loans and failure of business due to economic changes.

2.3.7   Challenges Facing VICOBA in Providing Services to the Community

According to Bee (2007) the establishment of VICOBA groups targeted in improving areas of the members this includes members expansion, capital expansion most of the VICOBA when started the capital base was very low VICOBA group is built through

shares bought by members on a weekly basis. According to Begasha (2011), (MoFEA/PED 2009) with few members at the start that meant a meager amount of capital but with the increased member base that implies an increase in capital. Apart from the member base the value of the shares also contributed much to the capital expansion. Stakeholders Expansion During their establishment, all banks had only farmers as members but currently the three VICOBA have opened way to people of different occupations including public servants, private sector workers and VICOBA groups as other microfinance schemes face different challenges in their daily procedures in serving their members although the challenges can be varied from place to place or community to community.

For example Illiteracy Majority of VICOBA members are not well educated and therefore it becomes difficult to understand when given trainings and even when running their businesses .Inadequate Capital most of groups faces low capital to fulfill the members loan needs loan, with that, it means the village bank have to look for other sources to fulfill their customers' requirements (Begasha, 2011). Most of VICOBA they do not have their own building to meet so they have to meet at the house of one of the members. Sometimes the area is small to accommodate all of them, but also it is risky for the owner of the house to accommodate all of the members since people may think that the money collected are kept there and so the house owner being in the fear of being attacked by people who want to steal the money. Inadequate Knowledge on Record Keeping VICOBA is operated by the people who have little knowledge concerning how to keep records. The situation might be caused by the fact that most members have low education level hence becomes difficult to adhere with this (Nakakuta 2010).

Loan defaulting and failure to repay as most MFIs facing the poor repayment rate, village banks also facing the same problem contributed by inadequate opportunities for income generating activities. Theoretically this are the most glaring problems facing many of the MFIs globally and national wide now the ongoing study intend to identify the underlying problems in smoothing the implementation of VICOBA approach in improving the living standard specifically in Temeke district context.

2.4 Empirical Review

Various researchers have put forward issues on micro finance institutions and economic empowerment/development, so this section is divided into two subsections; review of studies done outside and within Tanzania as explained below.

2.4.1 Empirical Studies outside Tanzania

In the cross- sectional quantitative study conducted by Kateera (2004) on micro finance intervention, entrepreneur skills and rural economic development in Uganda at Wakiso district. A sample of 140 respondents was selected. The findings revealed that MFIs provided loans, savings and insurance services and that these services influenced investment and community development. The findings also revealed that MFIs were involved in the provision of Entrepreneurial Skills, and that these skills influenced the increased investment in developmental projects. It was recommended that Micro Finance services, outreach be deepened for poorer people to access it. Micro Finance providers needed to team up with educational and vocational Institutions to train Micro Finance clients in Entrepreneurial Skills. Terms and condition given to potential clients of small savings and credit organization have been reported to favour growth of clients' enterprises. From the findings, Seibel (2005)

noted that Indian small savings and credit organization have a favourable repayment period of 1-4 years for any member that gets a loan compared to other micro finance institutions which require repayment within a period of less than two years. This period allows client to invest and be able to adjust their investments in case of uncertainty to the business. The member-clients are also given a grace period of around six to seven months and this is the period that allows them to respond to their repayment obligation after the expiry period. Arifujjaman and Rahaman (2007) conducted a study on the impact of micro financing on improving standards of living and empowerment in Bangladesh. The study used a random sampling technique in getting respondents and data was attained through interviewing the people who were already involved in microfinance activities.

From the analysis of data, it was found that microfinance had the positive impact on the standard of living and lifestyle of the poor people. It was also noted that MFIs did not only contribute to economical development through help the poor people come over the poverty line, but also helped them to attain self empowerment. There had been an argument that the interest rates of MFIs were high, but most of the respondents interviewed did not agree on this issue and found it to be reasonable. The study concluded that despite the debate about higher interest rate; MFIs had contributed not only to improving standards of living, but they also offered extensive human development programs in Bangladesh. The study recommended for the provision of reasonable interest rates by the MFIs and sensitization of the public to effectively use the institutions for economical development. Kyeyune (2007) conducted a study on the contribution of micro finance institutions towards economic activities of the youth and women in Uganda (Luwero district). Both primary and

secondary data were used by the researcher. The primary data were obtained from both FINCA clients and management with the help of self-administered interviews and questionnaires. Secondary data were obtained from published materials, which included journals, textbooks, and magazines among others. The study found out that FINCA offered several services to clients that contributed to their development, such as provision of different types of loans that enabled them to start up some businesses for their development, therefore FINCA had positive contribution towards economic growth of rural youth and women through poverty eradication. The study recommended the need for provision of lower interest rates, sensitization of the client, lengthen the repayment period, expanding the product portfolios, and emphasizing more village banking to increase accessibility.

As already reported above also Llewellyn, (2008) examined operation model of Savings and Credit Co-operations (SACCOs) in Malawi and highlighted that collateral security and guarantors were strictly needed in order to prevent defaulting and members given loans according to their savings levels. When one defaults, collateral was sold or a guarantor's savings taken. It was reported that the SACCOs did not go further to investigate why clients fail to pay loans but concentrate on recovering loans and interest which is only in the interest of the SACCO as an institution but not individual client borrowers. The study concluded that SACCOs do not look at profitability of enterprises for clients; they look after their own profitability through sustained repayments for the loans. It is a common culture for SACCOs' members to go for borrowing either in other financial institutions or from money lenders to be able to pay. This finding is also linked to the argument of Patricia (2008) cited in Cuevas and Fischer (2015) that managers of SACCOs in Mozambique

and Malawi have an assumption that members know what to do, they concentration is on giving credit, increasing on membership and members being able to pay. Anis (2009) conducted an assessment on for microfinance as a tool for economical development through poverty eradication in Australia. The research attempted to provide a critical appraisal of the debate on the effectiveness of microfinance as a universal poverty reduction tool. With the help of questionnaires and interviews, it was argued that while microfinance had developed some innovative management and business strategies, its impact on poverty reduction remained in doubt. Microfinance, however, certainly played an important role in providing a safety-net and consumption smoothening. The borrowers of microfinance possibly also benefited from learning-by-doing and from self-esteem. However, for any significant dent on poverty, the focus of public policy should be on growth-oriented and equity-enhancing programs, such as broad-based productive employment creation.

Nakakuta (2010) conducted a study on the role of micro finance in the social economic development of women in Uganda. The study was conducted using qualitative and quantitative methods. Questionnaires and interviews were used in data collection. The study found out that women who accessed the loans from MFIs were able to improve their socio-economic status through starting up and or expanding investments and enterprises, paying school fees for their children, purchase of household items like furniture, land and solar installation among others. The research also found out that women face some challenges in their access and utilization of the MFI services and these include; small amounts of money disbursed, diversion of funds, high interest rates, low returns on investment, short grace periods, The study recommended that the government should intervene, especially where interest rate is

concerned and centralize and also monitor the operations of the MFIs so that they offer adequate services to the women, the respondents recommended that MFIs should lower the interest rate, empathize with their clients, monitor and increase grace period. Muzinduki (2011) studied inclusion and exclusion criteria for the microcredit funds provided by the MFIs in Kabalole, Uganda. The researcher used qualitative methodologies in collecting data which are focus group discussion, interview, and documentation system. The study found that the MFIs provided their services at certain requirements which include registration fees, compulsory savings, having shares within the cooperation, bookkeeping and documentation work. The researcher recommended on the needs to regulate the requirements, rules and regulations of the MFIs so that they can suit the provision of microfinance to small and micro businesses. The findings of Muzinduki was the same as the findings of Wright and Rippey (2003) from Kampala, Uganda who suggested for the importance of strong government support and regulations of microfinance institutions which have the main role in poverty reduction in the economy for the MSEs to benefit in financial sector.

Ikem et al. (2012) cited in Hubka and Zaidi (2015) evaluating the extent to which the use of accounting information can be used to eliminate the financial challenges of Small and Medium Enterprises (SMEs) in Nigeria. The study found that the SMEs in Nigeria were facing the challenge of using poor accounting system which denies their access to financial services in financial institutions. The study suggested on the role of quality accounting information to enhance financial management and accessibility of finance by SMEs. The study, further noted the lack of information and lack of assets like land remain obstacles to people's participation not only in microfinance but also

in other development programs including agricultural programs. Documentation requirement is also constraint for the MSEs to access microfinance services in SACCOs in Nigera and Ghana (Annim, 2009). Adnan (2013) conducted a study on the role and performance of micro credit towards poverty reduction in Pakistan. This study was based on both quantitative and qualitative methods with the help of questionnaires and interviews data collection methods. The result of the study was that microcredit helped in the poverty alleviation of different categories of poor people and had the positive effects on their living standards. It was found that there were high interest rates on micro loans because of the administrative cost. It was observed that there was improvement in the microfinance sector in terms of investments, active borrowers, branches and personnel. The study therefore recommended the need for a reduction in the interest rates charged on the loans offered to the clients so as to empower clients take up the loans to develop their business enterprises.

Obeng (2014) conducted a study on the impact of micro credit on rural economic development in Ghana with the aim of assessing whether microfinance had contributed positive or negative outcomes towards community development. Questionnaires and face to face interviews were used in data collection while purposive sampling techniques were used in selecting the respondents. The findings from the study were that people, especially marginalized and vulnerable people were getting access to credit which impacted positively on their improved standards of living. In conclusion most of the rural economic poor tended to look up to Microfinance institutions for credit. Fortunately, these institutions were geared towards the rural poor. It was recommended that, Sustainable economic development

required action and policies that would improve both the productive and the human capital of the poor. Policy interventions needed to be well targeted if the benefits were to reach the poor. Then to achieve economical development, MFI needed to offer small loans that would not require physical collateral. On the other hand, Bald (2014) conducted a comparative study between Savings and Credit Co-operations (SACCOs) and other lending institutions namely commercial banks, MFIs and money lenders in Ghana. The study used only secondary data from 1995 to 2010. Time series analysis and ANOVA was used in his study. He found that the rates range by Most of SACCOs were between 9-13% per year and are more appealing and favourable to borrower who is belong to the respective SACCOs compared to microcredit institutions that charge interests ranging between 20-30 p.a.

The interest rates charged by these SACCOs allow member-client to make profits since are not exploitative. Also it was found that SACCOs charge interest on a reducing balance which doesn't happen to clients of SACCOS. The study concluded that loans from other lending institutions would only be available at prohibitively high interest rates and added that SACCOs have comparative advantages over other financial services providers. Walker et, al (2014) conducted qualitative study to examine benefit of SACCOs as the source of financial services in Rwanda using UMURENGE and Kamla-Raj SACCOs as the case study. The study used questionnaire as the primary tool for data analysis and factor confirmatory analysis was employed. It was found that SACCOs approach reduces on administrative transaction costs of lending reduces default through collective risk taking; and provide a channel for business information to the members. Wolff, *et. al.,* (2015) examined repayment stress face borrowers of commercial bank and that of SACCO. The study

collected data from 60 people who had borrowed between KSH 500,000/= and KSH 700,000/= in January 2014. Respondents for this study were obtained through simple random selection. The study found that borrowers from the commercial banks had 1.8 repayment stressed higher than borrowers from the SACCO. From SACCO perspective, members were given longer repayment periods and the grace period so that they are able to adjust in situations of default risks. It should be noted this strategy was put in place to favor loan recovery. Long repayment period do help SACCO members and it does help them in cases of risks that befall their business. However, it was observed that SACCO is able to offer better incentives to their potential clients apart from the access-to-loans argument. They offer higher nominal interest rates on current and term deposits than other commercial banks.

2.4.2 Empirical Studies inside Tanzania

Mwelukilwa (2001) conducted a study on the role of socio-economic co-operatives in the economical development among women in Tanzania found out that socio-economic co-operatives played a great contribution in economical development through enhancing women's participation in income generating activities, provision of funds to support education to children of the poor, facilitation of financial services, provision of employment opportunities and provision of a voice to the poor in the policy making structure. However, there had been limited participation of the poor design and implementation of interventions aiming at economic development. The study recommended the need for building strong member controlled cooperatives, promoting good leadership in the cooperatives, promoting strong and effective cooperative development support institutions, improving cooperative education and training. Omar (2008) conducted a study on financial constrain faced by SMEs and

structural characteristics of these MSEs in Tanzania. The study found that most of the SMEs are characterized by the use of poor technology, poor management system, and lack of education and poor performance of their guarantee teams in terms of repayment. The study concluded that most of the MSEs have lack of access to finance for starting, operating and expanding their business enterprise. The study recommended on the improvement of the business conditions, legal system, commercial law reforms and bankruptcy procedures as well as the use of credit guarantee and the increase in the supply of microfinance services to MSEs. The small saving and credit organizations (i.e. VICOBA) intends to have a number of future programs that would target different client categories that would include the poor people. The study by Ahmed (2009) in Iringa rural District, Tanzania reported that VICOBA-members were accessing to goods and services more easily than they would have on an individual basis.

It was also added that members can be learning promoting skills such as enterprise management and problem solving as key tools in community empowerment. Ahmed *(ibid)* concluded that VICOBA as financial intermediaries, channeling savings into loans, provide saving opportunities for the MSEs, especially to rural poor, but further improvements are necessary to make their services more efficient and sustainable. However, Mukuye (2012) found that in Tanzania members of small savings and credit organizations were useful receiving mechanisms for resources from Government and NGO development agencies. Mwakajumilo (2011) conducted a study on formal microfinance institutions in saving, mobilization, investment and poverty reduction for the purpose of investigating the role of microfinance sector in Tanzania taking SACCOs as the case study. The researcher used semi structured and in-depth

interview as his primary methodologies for collecting data from a sample of 250 respondents. The study found that there is an increase in the proportion of borrowing members who take loans from the SACCOs. However, growth and development of financial status of microfinance consumers were noted. The study suggested on development and improvement of saving and credit cooperatives as the alternative mechanism of formal banks which is effective for small business growth. Banfisile (2011) cited in Mukuye (2012) evaluating the factors influence the capacity of SACCOs in providing long-term financial services in Dar es Salaam, Tanzania. The study found out about the membership status of SACCOs as well as its financial service capacity and the loan lending policies influence the capacity of SACCOs to provide long term financial services important for many entrepreneurs business growth.

Diyamett (2012) conducted a study on the role and effect of loan attained from Micro Finance Institutions in fostering economical development through poverty reduction and innovation among women owned enterprises in Dar es Salaam. It was found out that 85% of the women were innovated to take the loan because of business oriented reasons, so as to increase on their capital and productivity while 15% had other reasons which included pear pressure, and others wanted to meet their new people and one of them just wanted to see if she could really get a loan while the other had friends in the group that was being given the loan so she also decided to take the loan. However the study noted that women needed to take loans with the main aim of investment resulting to poverty eradication among them. Pelrine and Kabatalya (2013) conducted the study in Tanzania to determine factors which determine accessibility of SACCOs' credit facility to member-clients. The study was qualitative

and used linear regression model to find out determinant factors. The study reported the improvement in well-being of the members to accessed credit service in the SACCOs from the savings made by members sometimes used as collateral by borrower, depending on ability of borrower to repay the loan and time spent in the SACCOs. The study concluded that these factors made accessibility of credit services hard to the members especial a new member who has just join SACCOs for the immediate credit assistance. Meanwhile, these requirements help to ensure the SACCOs remain viable in the financial market according to Roodman and Morduch (2012) compulsory savings, guarantor's savings as well as some collateral security ensure that when one fails to pay, the system is able to recover the loan through selling the property, deducting from guarantors" savings and using client's personal savings. The major concern with this arrangement lies with the intention of the SACCO itself.

Several studies identified several negative and positive factors influencing, SMEs accessing to financial institutions products and services ranging from; unstable and inadequate juridical and legislative framework, which does not support the relationship between capital providers and the SMEs requiring financing; Inadequate information from enterprises themselves, stringent lending policies including collaterals requirements, cumbersome procedures and the perception of small businesses and rural poor as risky often lead to the financial exclusion (Chandika, 2005; Beck,et,al 2006). Many SMEs in the service sector do not own land and equipment, and as a result, it is difficult to provide any form of security or collateral to financial institutions.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1   Introduction

This chapter presents the methodology of the study detailing the research design, study area, study population, study sample, sampling techniques, data collection methods, validation of instruments and data analysis technique. Study methods and procedures (i.e. methodology) refers to a collection of methods to create beliefs and knowledge and interpretation of this knowledge in light of the ontological and epistemological positions focusing on answering questions like what can we know, How do we know and What is the truth (Strauss and Corbin, 1998).

3.2   Research Design

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. In fact, the research design is the conceptual structure within which research is conducted (Leedy and Ormrod 2005). For the study, the researcher used case study design. The design gives a complete snapshot of a case of empowerment efforts in poverty reduction. This study design used to describe the relationship between variables. The case study designed opted as the study seeks to describe a unit in detail, in context and holistically which is will be a way of organizing educational data and looking at the object to be studied. The research design provided in-depth description of the level of economic improvement brought by VICOBA as well as the challenges encountered by VICOBA-members when seeking and repaying loans in their respective VICOBA.

3.3   Study area and Study Population

3.3.1   Research Area

The study was conducted in Temeke Municipality of Dar es Salaam, Tanzania. The researcher chose this area on grounds that relevant data in line with the topic could be attained since Temeke is the district with many people of low income earning in Dar es Salaam. The other reason of choosing Temeke is in the interest of proximity since researcher live and work in Temeke Municipality, therefore, it was possible and easier for the researcher to administer questionnaire and conduct interview which at the end gave validity and reliability to the research finding.

3.3.2   Study Population

According to Myers, (1962) population can be defined as the totality of observation with which the researcher is concerned. The population for this study comprised of 140 members of the following VICOBA: Seumadi, Upendo, Mshikamano, Jipemoyo and MBV. These are the small saving and credit organizations (i.e. VICOBA) located in the study area. Members of the aforementioned organizations were the key informants in the study since the study wanted to investigate the effectiveness of the services offered by the VICOBA. The five VICOBA were chosen because they are among the most active VICOBA in the study area with many members. In all these five selected VICOBA; membership is opened to everyone who wants to join the organization irrespective of the personal characteristics such as gender, level of education and so on.

3.4   Study Sample and Design

3.4.1   Sample Design

Sample according to Babbie (2004) is the representation of the population. Kothari (2006) also defined sample as a collection of some parts of the population on the bases of which judgment is made. He elaborated more that sample should be small enough to make data collection convenient and should be large enough to be true representative of the population which is selected.

The SMEs-members of the selected VICOBA was based on period of the membership of more than three years believed that are potential respondents of the study. The membership period of more than three years is hoped to be enough for the member to realize potential benefits and losses of engaging in the VICOBA business. Therefore, reliable and valid information relating to the service(s) offered by selected VICOBA as well as challenges faced by VICOBA-members were covered.

3.4.2   Sample Procedures

Sample procedure was defined by Kothari (2006) as the process of selecting a part of the aggregate of the totality based on which a judgment or inference about the aggregate or totality is made. It is a process of selecting a group of people, events, behaviour, or other elements with which to conduct a study. It also includes selection of technique that is going to be used in the selection process. The major criteria influencing the choice of a sampling technique is based on the availability of sampling frame, that is, a list of the units comprising the study population. In the case when the sample frame is available investigator is advices to use probability sampling techniques such as simple, stratified and cluster random sampling techniques. When it

is not available investigator has to use non-probability sampling techniques such as purposive, convenience and snow ball sampling techniques (Saunders, et al 2007). In this study researcher used combination of simple random sampling (one of probability sampling techniques) and convenience sampling technique (one of non-probability techniques) to select members of the selected VICOBA. Additionally, it should be noted that this was an academic study and therefore is limited by time.

3.4.3 Sample Size

Sample size is the number of respondents selected to participate in the study from targeted population. However it depends on the accuracy needed, population size, population heterogeneity whether the sample is to be subdivided or not and resources available (Bailey 1994). Prior to sample selection the researcher first determined total number of members in each of the selected KIKOBA and it was found that in Seumadi there was 30 members, Upendo had 28 members, Mshikamano had 32 members, Jipemoyo had 25 members and MBV had 25 members who had hold membership for more than three. Therefore, the study had to make sample of these five groups of potential respondents using a sampling formula provided by Yamane (1967) when population/sample frame is less than 200 individuals. This is stated here under.

$$n = \frac{N}{1 + N(e)^2}$$

Where 'n' is the sample size, 'N' is the population size or sample frame and 'e' is the degree of precision that the selected population is the right one. The sample was calculated at 90% level of confidence. But due to the time limit the study did not

manage to obtain exactly required number of respondents. Table 3.1 below show required sample and obtained sample in the field.

Table 3.1: Sample Size of the Study

VICOBA	Population Size (N)	Required sample size (n)	Obtained Sample size
Seumadi	30	23	20
Upendo	28	22	22
Mshikamano	32	24	21
Jipemoyo	25	20	19
MBV	25	20	20
TOTAL	140	109	102

Source: Field Data (2015)

The total of 102 members were selected for the study from the selected VICOBA as follows 22 members from Upendo, 21 members from Mshikamano, 19 members from Jipemoyo and 20 members from each of Seumadi and MBV.

3.4.4 Sources of Data and Methods of Data Collection

The study collected both primary and secondary data whereas primary data formed a big part of data collection. Primary data are the fresh information collected for the first time and happened to be original in character. They are original works of research or raw data without interpretation or pronouncements presented on official opinion or position (Kothari, 2006). In this study questionnaire was the most important tool for data collection. On the other hand, secondary data is the information which is obtained from the source of literature. These are second hand information they include the published and unpublished data from different sources.

3.4.5 Questionnaire

Questionnaire was the main tool for data collection in this study in addressing the overall research questions. Structured questionnaire were prepared and sent to the respondents by hand-self admitted technique. All respondents were given the same copy of questionnaire to fill in their answers. The respond mode used was the Likert scale of five points starting from the (1) strongly disagrees to (4) strongly agree. Duration of data collection was one month and the purpose of the questionnaire was explained to the potential respondents and how to fill it.

Reason behind is that in most of the previous studies, which were carried out in the same context, the researchers have used this technique for data collection was successful. Moreover according to Kothari (2006), the advantage of this method is that it's less expensive, permits anonymity and may result in more honest responses. Another advantage is that the researcher does not have to be present; this eliminates bias due to phrasing questions differently for different respondents, therefore, minimal interference of researchers. It hinders researcher's interference hence reduce the response bias by the respondent.

3.4.6 Interview

Interview is the method of direct data collection which involves investigator contacts with the participants-who are asked to respond to questions. Whereby, the investigator/researcher listen to what participants/interviewees say about their views and opinions in their own words and learn from them (Kvale, 1996). For the purpose of this study unstructured interview was used to collect information from a few respondents who were found to have some more information. This enabled the researcher to obtain information by interacting face to face with respondents that

provides straight answers to research questions. Also the method allowed greater freedom to ask supplementary questions to the respondents.). Furthermore interview permits the direct exchange of ideas, opinions, or information between the interviewer and the interviewee. However, interviewees were firsts contacted by telephone and briefed about the study. They were allowed to schedule the interview time and dates convenient for them. The interviews were conducted at the evening hours in the working days and in during weekends.

3.4.7 Documentary Review

Documentary review involves collection of secondary data. In the study the researcher visited library to where she could review different documents to get and read relevant materials, books, published and unpublished dissertation, reports and articles from journals, political speeches and newspaper reports concerning potential credibility of small savings and credit organizations in and outside Tanzania.

3.5 Method of Data Analysis

The application of reasoning to understand and interpret data that have been collected by the researcher is referred to as data analysis according to Zikmund (2003). Much of data in this study was quantitative. However, analysis of data depended on whether the data are qualitative or quantitative.

3.5.1 Qualitative Data Analysis

In analyzing qualitative data the researcher followed the method which was used by Leedy and Ormond (2005) whereby after validation the researcher followed the processes as follows:-

- *Identified statements that relate to the topic*: the information from the interviews were broken up to reflect single and specific thoughts

- *Grouped statement into meaningful units*: the single specific thoughts were clustered into similar categories that reflect various perspectives of the respondents.

- *Sought perspective divergent*: conflicting and similar perspectives were considered.

- *Constructed composite*: various meanings identified were used to develop an overall description on the framework with an objective way to dialogue the impacts of microfinance services in economic development.

3.5.2 Quantitative Data Analysis

Babbie, (2004) narrated that normally quantitative research approach tend to focus on analyzing numerical data, compared to qualitative approach which deals with meanings, examining the attitudes, feelings and motivations of people. In this study quantitative analysis statistical procedures were conducted using Statistical Package for Social Science (SPSS) version 16.0. Quantitative data was coded, investigated for integrity, analyzed through descriptive analysis was used in calculations of percentages and arithmetic mean of collected data. Also, in order to come up with valid conclusions. Chi-Square test was also used to test relationship between variables.

3.6 Reliability of the Research Instrument

Reliability is the consistency of measurement, or the degree to which an instrument measures the same way each time it is used under the same condition with the same

subjects. Reliability of the instrument according to Amin (2005) refers to the degree to which the said instrument consistently measures whatever it is measuring. The methods frequently used to test reliability are test-retest, split-half, equivalent-form and the Cronbach alpha (Babbie, 2004). In the study, the Cronbach alpha coefficient was used to calculate the internal consistency (reliability) of the measuring scales.

The Cronbach alpha indicates the extent to which a set of test items can be treated as measuring a single latent variable (Malhotra 1999) and is more accurate and careful method of establishing the reliability of a measuring instrument than the Spearman-Brown and Kuder-Richardson reliability measures (Parasuraman, 1991). The Cronbach alpha reliability coefficient ranges from 0 to 1 (George and Mallery 2003), hence the closer the alpha coefficient is to 1.0, the greater the internal consistency of the items in the scale. According to George and Mallery (*ibid*), a Cronbach alpha coefficient of 0.70 or more is considered ideal. Other studies, however, regard a Cronbach alpha coefficient of 0.50 as acceptable for basic research (Tharenou, 1993). A Cronbach alpha of 0.70 means that 70 percent of the variance in observed scores (the actual scores obtained on the measure) is due to the variance in the true scores (the true amount of the trait possessed by the respondent). In other words, the score obtained from the measuring instrument is a 70% true reflection of the underlying trait measured. Therefore, the measures of the variables were conducted as follows:

Improvement of the economic status as a result of VICOBA-loans: the variables for assessing the improvement of the economic status as a result of VICOBA-loans were level of income, equipment, production and employees before and after joining VICOBA. The instruments (variables) had a 5-point Likert-scale and reliability check

of the instruments revealed a Cronbach alpha of 0.715, which shows that the measure was reliable. Challenges faced in accessing and repayment of VICOBA-loans: the variables for assessing challenges faced in accessing and repayment of VICOBA-loans were amount of loan given, repayment period, lending procedures used by VICOBA, lending policy used by VICOBA, consideration of collateral, consideration of borrower's monthly income, consideration of borrower's contribution in the VICOBA, interest rate charged, consideration of business proposal, consideration of business license. Other challenges involves; consideration of accountability, consideration of the age of the business, consideration of guarantor, consideration of nature of the business, consideration of borrower's age and consideration of borrower's level of education. The instruments (variables) had a 5-point Likert-scale and reliability check of the instruments revealed a Cronbach alpha of 0.817, which shows that the measure was reliable.

Additional services desired by VICOBA-members: the variables for examining the additional service required by VICOBA members were savings, insurance, money transfer and business education. The instruments (variables) had a 5-point Likert-scale and reliability check of the instruments revealed a Cronbach alpha of 0.603, which shows that the measure was reliable.

Table 3.2: Cronbach's Alpha Coefficient

Variables	N of items	Cronbach's Alpha Coefficient
Improvement of the economic status as a result of VICOBA-loans	8	0.715
Improvement of the economic status as a result of VICOBA-loans	17	0.817
Additional services desired by VICOBA-members	4	0.603
Cronbach's Alpha of Questionnaire	29	0.722

Source: Researcher computation (2015)

CHAPTER FOUR

4.0 PRESENTATION OF RESULTS, ANALYSIS AND DISCUSION

4.1   Introduction

Analysis of the data is very important part of any research. The quality of data collected matters, but what matters more is the interpretation of that data. This chapter presents the results of the study. It is supported by discussions and other relevant works from the literature. To begin with, researcher discussed the background of the respondents as follows:

Table 4.1: Background of Respondents

Variable	Measurement	Frequency	Percent
Gender of Respondents	Male	15	14.7
	Female	87	85.3
	Total	102	100.0
Age group of respondents	21-30 years	36	35.3
	31-40 years	45	44.1
	41-50 years	15	14.7
	51-60 years	6	5.9
	Total	102	100.0
Respondent level of Education	Primary	39	38.2
	Certificate	15	14.7
	Diploma	21	20.6
	Advance Diploma	12	11.8
	Degree	12	11.8
	Master	3	2.9
	Total	**102**	**100.0**

Source: Field Data (2015)

From the results of the table 4.1 it can be seen that number of female (85.3%) was higher compare to the number of male (14.7%). This implies that women are more likely to join VICOBA compare to the men. However, since there is both male and

females' responses it can be said that the study consist of views of both male and female and therefore there was no response bias in term of gender. 44.1% of respondents were at the age of 31-40 years old followed by those of 21-30 (35.3%) years and those of 41-50 (14.7%) years old. Therefore, majority of VICOBA-members are the youth and young adults. These are the energetic, enterprising and hard working classes. Concerning with respondents level of education, the study found that more than one third (38.2%) of the respondents had primary level of education followed by those of diploma and certificate levels who represented 20.6% and 14.7% of all respondents respectively. Now, it can be assumed that majority of VICOBA-members are the people with low level of education.

4.1.1 Impact of VICOBA on the Economic Status of the Members Objective

The first objective of the study was to assess the improvement of the economic status as a result of VICOBA-loans. Therefore the study wanted to know if members of VICOBA have enjoyed the increase of income, equipment, business production and employees in their business since they joined VICOBA. Questions were papered in form of short sentences with response mode of 1= very low, 2= low, 3= moderate, 4= high and 5= very high. The questions were aiming at capturing respondents' opinions concerning with aforementioned variables before and after joining VICOBA. Cross-tabulation with the Chi-Square test was used to find out the extent to which the responded VICOBA-members have benefited from business loans/credit services offered by VICOBA. The area concentrated by the Economic Status variable included:

i.   Level of Income

The independent variable economic status assessed the benefit received by VICOBA-members in term of income gained after joining the scheme. Furthermore the analysis was also done to determine the trend of how member's income flows before and after the being joined with VICOBA where they accessed finances for their business. The results in table 4.2 indicate that:

Table 4.2: Level of Income

Variables			Level of Income	
			Income Before joined VICOBA	Income After joined VICOBA
Options	Very low	Count	45	6
		% within Level of Income	44.1%	5.9%
	Low	Count	30	3
		% within Level of Income	29.4%	2.9%
	Moderate	Count	24	20
		% within Level of Income	23.5%	58.8%
	High	Count	0	15
		% within Level of Income	.0%	14.7%
	Very high	Count	3	18
		% within INCOME	2.9%	17.6%
Total		Count	102	102
		% within Level of Income	100.0%	100.0%

Source: Filed Data (2015)

The results indicate that, the increase of the income after joined VICOBA has been significantly higher than income before join VICOBA (p< 0.001). From the table it can be seen that 44.1% of the respondents perceived that their income was very low before they joined VICOBA compare to 5.9% of them who perceived that they

remained poor after joined VICOBA. On other side, 2.9% of respondents perceived that their income was very high before joined VICOBA but this number increased after they had joined VICOBA where 7.6% of respondents accepted that their income became very high after joined VICOBA.

ii.   Level of Equipment

Next, the study analyzed level of equipments of the respondents before and after joined VICOBA. Likewise cross-tabulation was used to determine frequencies, percentages and level of significance where in Chi-squire test was deployed. The results have indicated that joined VICOBA scheme members have enjoyed significant increase of their equipments for their daily business operations (p=0.002). The results also shown that half (50%) of the respondents agree that level of equipments/assets in their business operation before joined VICOBA was very low compare to the 23.5% who said level of equipment was still low even after joined VICOBA. Also, no one (0%) said that he/she had very high level of equipments before joined VICOBA but 5.9% believed to have very high level of equipments in their business which were obtained after joined VICOBA.

Table 4.3: Level of Equipments

			Level of Equipment	
			Equipment Before joined VICOBA	Equipment After joined VICOBA
Options	Very low	Count	51	24
		% within Level of Equipment	50.0%	23.5%
	Low	Count	42	24
		% within Level of Equipment	41.2%	23.5%
	Moderate	Count	6	45
		% within Level of Equipment	5.9%	44.1%
	High	Count	3	3
		% within Level of Equipment	2.9%	2.9%
	Very high	Count	0	6
		% within Level of Equipment	.0%	5.9%
Total		Count	102	102
		% within Level of Equipment	100.0%	100.0%

Source: Field Data (2015)

From the findings indicates most of the members were able to purchase new households equipments after joining the VICOBA. This implies that finances obtained from VICOBA were the significant in adding purchasing power to members compared to those who are members.

iii.   Level of Production

The study also analyzed levels of production in the businesses of respondents before and after joined VICOBA to assess the trend. The results have been given in the table 4.4.

Table 4.4: Level of Production

Variable			Level of Production	
			Production Before joined VICOBA	Production After joined VICOBA
Options	Very low	Count	30	6
		% within Level of Production	29.4%	5.9%
	Low	Count	54	15
		% within Level of Production	52.9%	14.7%
	Moderate	Count	12	48
		% within Level of Production	11.8%	47.1%
	High	Count	6	18
		% within Level of Production	5.9%	17.6%
	Very high	Count	0	15
		% within Level of Production	.0%	14.7%
Total		Count	102	102
		% within Level of Production	100.0%	100.0%

Source: Field Data (2015)

From the results of table 4.4 it was revealed that there was significant increase of productions in their businesses performed by the respondents after joined VICOBA ($p<0.001$). More specific the results shown that 29.4% of respondents perceived level of productions in their business were very low before joined VICOBA while few (5.9%) of them perceived that their level of business production was very low after join VICOBA. Moreover, there was no one (0%) who believed that she/he had very high level of production in her/his business before joined VICOBA while 14.7% of them accepted to have acquired very high level of business production after joined VICOBA. Therefore the study accepted that VICOBA have also helped their members to develop in term of the business production.

iv.   **Level of Employees**

Lastly, the study assessed level of employees engaged in the business of the respondents before and after join VICOBA. The aim was to assess if finances and services obtained from VICOBA has any impact in the area. The results illustrated that there was an increase of employees in the businesses of respondents after joined VICOBA but based on the results of Chi-Squire test the increase was termed as a weak significant (p=0.054).

Table 4.5: Level of Employment

Variables			Level of Employment	
			Employment Before joined VICOBA	Employment After joined VICOBA
Options	Very low	Count	51	27
		% within Level of Employment	50.0%	26.5%
	Low	Count	36	30
		% within Level of Employment	35.3%	29.4%
	Moderate	Count	15	30
		% within Level of Employment	14.7%	29.4%
	High	Count	0	6
		% within Level of Employment	.0%	5.9%
	Very high	Count	0	9
		% within Level of Employment	.0%	8.8%
Total		Count	102	102
		% within Level of Employment	100.0%	100.0%

Source: Field Data (2015)

within Level of Employment was accounted by 26.5%, in moderate level of employment after getting loan were accounted for 29.4% of respondents while high

accountented for 5.9% and very high accounted for were accounted for 8.8%
compared to 0% from who are not the members of the VICOBA. Hence, the study
accepted that VICOBA-finances have contributed very little in improving
employment opportunities or number of employees in the businesses operated by
VICOBA- members. This might contributed with little capital invested in the
members businesses.

4.1.2 Challenges of Accessing and Repayment of VICOBA-Loans

The second objective of this study was to determine Challenges faced by members in
accessing and Repayment of VICOBA-loans. The motive behind this objective was to
determine what could be possible barriers that prevent peoples from joining VICOBA
or that hinder attainment of big economic development through the use of VICOBA.

The study evaluated if lending factors (i.e. provision of business license,
accountabilities and collateral, year of stating business, nature of business and
documentation of project), loan's characteristics (i.e. lending policy, lending
procedures, interest rate, amount of loan, repayment period) and manager's
characteristics (i.e. members age, monthly income, business experience, level of
education) course constraints to the VICOBA-members when trying to access and
repay loan received from the VICOBA. The questions were prepared on these
variables with five Likert scale points and presented to the respondents in order to
identify the extent to which the mentioned variables above have been a challenge to
the VICOBA-members. The survey scale ranged from (1) not a challenge, (2) very
small challenge, (3) small challenge, (4) big challenge and (5) very big challenge.
Both descriptive statistics and logistic regression were used in the analysis of the

results of this objective. Descriptive statistics was used to determine the strength of the aforementioned variables in challenging accessibility and repayment of the VICOBA-loans in which mean and standard deviation were used to rank the results according to the order of priority. However, it should be known that the variable with highest mean is the one respondents rated to have high challenging power to them in dealing with VICOBA-loans while the one with the lowest mean is the one viewed to be non-challenging factor by these responded VICOBA-members. On the other hand logistic regression was used to indicate which variables are significantly predictors of the challenges faced by VICOBA-members when accessing and repaying VICOBA-loans. So, dependent variable was the challenge of accessing and repaying VICOBA-loans. The results have been presented in the table 4.6 (descriptive results) and table 4.7 (regression results) hand in hand with the interpretation of the findings.

Table 4.6: Challenges of Accessing and Repaying VICOBA-Loan

Variables	Scale					N	Mean	Std	Rank
	1	2	3	4	5				
Amount of loan given	6	42	45	6	3	102	2.59	0.82	1
Repayment period	15	75	9	3	0	102	2.00	0.60	2
Lending procedures used by VICOBA	24	63	9	6	0	102	1.97	0.75	3
Lending policy used by VICOBA	30	60	9	3	0	102	1.85	0.70	4
Consideration of collateral	54	15	30	3	0	102	1.82	0.96	5
Consideration of borrower's monthly income	15	75	9	3	0	102	1.74	0.51	6
Consideration of borrower's contribution in the VICOBA	36	66	0	0	0	102	1.65	0.48	7
Interest rate charged	69	24	6	3	0	102	1.47	0.86	8
Consideration of business proposal	93	3	6	0	0	102	1.15	0.50	9
Consideration of business license	102	0	0	0	0	102	1.00	0.00	10
Consideration of accountability	102	0	0	0	0	102	1.00	0.00	11
Consideration of the age of the business	102	0	0	0	0	102	1.00	0.00	12
Consideration of guarantor	102	0	0	0	0	102	1.00	0.00	13

Consideration of nature of the business	102	0	0	0	0	102	1.00	0.00	14
Consideration of borrower's age	102	0	0	0	0	102	1.00	0.00	15
Consideration of borrower's level of education	102	0	0	0	0	102	1.00	0.00	16
AVERAGE MEAN	1.45								
Interpretation of Means 4.21-5.00 = Cause very big challenge 3.41-4.20 = Case big challenge 2.61-3.40 = Cause small challenge 1.81-2.60 = Cause very small challenge 1.00-1.80 = Does not cause challenge									

Source: Filed Data (2015)

From the results of the table 4.6 it can be revealed that factors that cause very small challenges to the VICOBA-members when accessing and repaying the loan from VICOBA are amount of loan given (2.59), repayment period (2.00), lending procedures used (1.97), lending policy used by VICOBA (1.85) and consideration of collateral (1.82). The rest of the variables were reported to have cause no challenges to the VICOBA-members in accessing and repayment of the VICOBA-loans were consideration of borrower's monthly income (1.74), consideration of borrower's contribution in the organization (1.65), interest rate charged (1.47), consideration of business proposal (1.15), consideration of business license (1.00), consideration of accountability (1.00), consideration of the age of the business (1.00), consideration of guarantor (1.00), consideration of nature of the business (1.00), consideration of borrower's age (1.00) and consideration of borrower's level of education (1.00).

However, the average mean was found to be 1.45 which indicates that generally the challenges due to these variables were almost negligible. Amount of loan given has been found to cause somehow great challenge to the VICOBA-members compare to other variables/factors under review. In deed most of the sampled respondents agreed

to that amount of loan received from the VICOBA was not enough to expand their businesses. They wanted to receive more than three millions but unfortunately VICOBA do not have enough money to provide such huge amount to their members. In all visited VICOBA, maximum amount someone could receive was 2,500,000/= to 3,000,000/=. Subsequently, sometimes VICOBA-members try to apply loans from Banks and MFIs and individual money lenders to supplement amount they have received from the VICOBA.

This finding was somehow related to the findings obtained by Roslan and Mobd (2009) who conducted their study in Malaysia. They found that the probability for loan repayment default was influenced by amount of the loan given and repayment period. Responding to (Mwakajumilo, 2011) argument, many studies have been reporting that low amount of loan given by financial institutions are reported as the factor for entrepreneurs to fail to access credit from financial institutions. Another study was the study by Padmanabhan (1981) who found that small amount of loan together with unrealistic repayment schedule was the cause for borrowers to default and dare not to borrow again from financial institutions. Additionally the study disagreed with the findings obtained by Adeyemo and Agbonlahor (2007) who found amount of loan offered by MFIs was too small to the extent that cause small enterprises not to borrow from MFIs. From the findings repayment period was also identified to be among the factors that cause very small challenges to the VICOBA-members in accessing and repaying VICOBA-loans. Through interview method of data collection the researcher afforded to note that repayment period was friendly and simple to members and not the factor that can constrain members from going ahead and receive loan from VICOBA. A chairperson of the visited VICOBA acknowledged

that she has never heard any members of her group complain of repayment period and this is because the repayment periods for certain amount of money were agreed by members' themselves at the general meetings. Repayment period was found to range from 6 to 24 months. Lending procedures was the third factor reported to cause small challenge to the VICOBA-borrowers. The study argued that a member could receive credit assistance prompt once he/she has requested for it. It can take a period of 30 minutes to five hours for an applicant to receive loan from VICOBA. It was reported that VICOBA have simple and short procedures of filling application firms compare to other microfinance institutions which need the applicants first to acquire introductory latter from the local leaders, starting from street char persons to the ward executive officers.

Procedures used by other financial institutions were viewed to be the hardest and hectic procedures which consume a lot of time and money, however, they do not secure borrow anonymous compare to procedures used by VICOBA. It was further highlighted that application forms in VICOBA are written in Kiswahili language which is simple and easy for the applicants to understand, however, there are no many papers to fill when one applying for the VICOBA-loans. Moreover, application forms were available at any time at VICOBA-treasures' homes. Likewise, Vigano (1993) found that amount of loans given by Development Bank of Burkina Faso to young entrepreneurs was reasonable but many of these young entrepreneurs failed to access because of long bureaucracy which made them to regard lending procedure as a time-consuming factor. It was also noted that in obtaining VICOBA-loans there was no need of having expensive collateral compare in other financial institutions where things like houses and cars are highly recommended in order to receive loan. It was

said that collateral was pledged for those who could take loan of more than one million. More on this, it was argued that all money loaned to members is money mobilized by members themselves and being members' funds; members are committed to pay back their loans. Therefore, there is no need for the VICOBA to request for the expensive collateral from the member-borrower. However, still lack of collateral was argued to be the challenge to some members who do not have anything worth millions of money to put as the security when they need to receive a loan of one million and above. The amount to which collateral became strictly recommended and hence contribute to their failure in accessing the loan they need from VICOBA. Nevertheless, there are rare cases of this kind.

On other hand, the study conducted in Kenya by Finaccess (2008) reported that 80% of responded Mitaana SACCO-Members agreed to pledge collateral in order to secure loan from the SACCO. That means that no collateral no loan and vice versa. Finaccess (2008) continued that some of the Mitaana SACCO-Members were discouraged to continue holding their membership because they could not have enough property to receive loan by the leg of collateral and some feared their property could be devoted in case they fail to pay back the loan. Concern with interest rate, it was reported that interest rate was so low for the members to repay the VICOBA-loans. Unlike formal financial institutions which tend to raise interest rate to micro and small entrepreneurs since they consider them as the risk borrowers. Ahmed (2009) noted that high interest rates and the lack of housing to secure loan from MFIs are two main factors restricting the growth of entrepreneurs in Tanzania. Furthermore loan with high interest rate has been reported to be problem loan to young firms own by women entrepreneur borrowers by Chagwa (2012) who carried out his study in the

same area (Dar es Salaam region). It is the researcher opinions that when high interest rate is charged on the loan; the earning of most micro and small entrepreneurs is not so much to handle such liability. Consideration of business proposal was almost not there in VICOBA scheme. It was reported that in rare cases a borrower can be asked to present project plan before receiving the loan; and these is for those who wants to borrow more than one million. This is opposite to the formal credit market where borrowers are asked to submit certain documents/information of the project they want financial support. It was further argued that micro and small entrepreneurs do not document their project plans.

So, whenever they try to prepare one either for the loan purpose in the formal financial institutions; they do fail and eventually end up on receiving nothing from the formal financial institutions. But the removal of business proposals in the VICOBA has been of great help for this group of entrepreneurs since amount of money/credit needed by them is very small and some most of time is not directly injected in the business. Most of the VICOBA-members received/borrow money from VICOBA to pay for the immediate responsibility such as school fees for their children, medical treatment, home foods and the like. By doing so, they have been able to preserve operating capitals in their businesses. Provision of business licenses was evaluated and found it was jot one of the factors challenging VICOBA-members from accessing loan from their VICOBA. This is because they were not asked to provide their business licenses. In line with the study on the constraints to small and medium entrepreneurs (SMEs) Financing in Dar es Salaam by Mwelele (2012) shown that business accountability was the statistically significant predictor of constraints to SMEs financing by microfinance institutions (MFIs). Mwelele (ibid) argued that in

the process of accessing MFI's loan, borrowers were asked to provide business accountabilities and since majority of SMEs do not document their financial positions, therefore, many applicants were unqualified for the MFI's loan services. This being the fact the present study has argued that VICOBA-members have enjoyed accessibility of loan from their VICOBA due to the absence of provision of business accountabilities. Now, the question can be how VICOBA identify credit worthiness of the borrowers-the answer is very simple, before one join VICOBA, existing members of that VICOBA have to screen behaviour of that parson who has applied for the membership. And since all are living together in one community it becomes very ease for the existing members to identify behavior of the applicant. If they are not satisfied with the person's behavior-membership is denied and if they are satisfied they grant applicant membership. Through this way VICOBA have been able to enroll credit trustworthy members.

In the discussion it was argued that business experience plays a major part in all formal lending-in the bank and MFIs. But for the VICOBA which normally act as the informal financial organization in the community borrower business experience is not major factor for the borrower to be issued certain amount of money. It was noted that the reason for the VICOBA not to consider business experience or age of business of borrower is that most of the VICOBA-members are the people of low income who always move from one business to another business depend on the economic climate, business information received from the social networks and other personal reasons. Therefore, most of the members do not have permanent business they tend to shift from one kind of business to another and shifting require financial reasons that can be obtained from the organizations/VICOBA. This is why it was reported in this study

age of the business operated by VICOBA-members was not the challenging factor for the VICOBA-members to acquire loan from their respective VICOBA. After found that VICOBA-members were facing almost negligible challenges in accessing and repayment of the loan, the study went ahead to find what factors are likely to impose challenges to the VICOBA-members in near future if economic climate will change. Therefore, logistic regression was used in which odd ratios of the independent variables (factors cause challenges) against dependent variable (challenges of accessing and repaying VICOBA-loans) were determined as shown in the table 4.7.

However, it has already mentioned that SPSS was used to run all analysis in this study-include regression analysis, there different types of methods (step-wise, forward, backward, etc.), of entering variables in the regression model, but in this study researcher used the default enter method (all independent variables were entered simultaneously into the regression model). All variables were entered in the regression mode but in the regression output some of the variables were excluded automatically-these are the variables which could not have any effects in accessing and repaying VICOBA-loans.

The results of logistic regression analysis (table 4.7), show that all variables analysed do not significantly predict challenge of accessing and repaying VICOBA's loans by members. This is because observed p-values for all variables include for overall statistics are greater than 0.05 (p>0.05) at 95% level of confidence. But based on the values of odd ratios the results continued to show that Lending policy used by VICOBA (OR= 2.970E10), amount of loan given by VICOBA (OR= 3.488E5), and lending procedures used by VICOBA (OR= 32.795) are the factors that are likely to

impose challenges to the VICOBA-members in accessing and repaying VICOBA-loans.

Table 4.7: Predictors of Challenges of Accessing and Repaying VICOBA-Loans

Variables							95.0% C.I.for EXP(B)	
	B	S.E.	Wald	df	Sig.	Exp(B) / OR	Lower	Upper
Consideration of collateral	-36.819	6.599E3	.000	1	.996	.000	.000	.
Consideration of business proposal	-69.837	1.435E4	.000	1	.996	.000	.000	.
Lending policy used by VICOBA	24.114	1.319E4	.000	1	.999	2.970E10	.000	.
Lending procedures used	3.490	9.768E3	.000	1	1.000	32.795	.000	.
Interest rate charged	-2.016	7.849E3	.000	1	1.000	.133	.000	.
Amount of loan given	12.762	4.696E3	.000	1	.998	3.488E5	.000	.
Repayment period	-33.736	6.569E3	.000	1	.996	.000	.000	.
Consideration of borrower's monthly income	-40.752	1.322E4	.000	1	.998	.000	.000	.
Consideration of borrower's age	-54.187	1.194E4	.000	1	.996	.000	.000	.
Overall Statistics	235.415	3.669E4	.000	1	.995	1.736E102		

Source: Field Data (2015)

4.1.3 Additional Services Desired by VICOBA members

The primary service offered by VICOBA is the credit service. Besides, the study wanted to understand other services desired by members to be provided by their VICOBA. Therefore, questions were prepared with the variables such as savings, insurance services, business education, and money transfer and sent to the responded VICOBA members to give their opinions regarding availability of such services from the VICOBA. However, survey scale was in the four Liker scale ranging from (1) not at all, (2) very low, (3) low (4) high to (5) very high. In order to deal with this objective correlation analysis (table 4.8) was conducted to show the sample characteristics-that means to establish the relationships between the mentioned variables. The results indicate that saving has strongly significant correlation with business education (p<0.001), but it does not have correlation with money transfer

(p=0.0735) and insurance service (p=0.637). This means that respondents who desired that VICOBA should start offering saving services they also wanted that VICOBA to give business education but they did not significantly desire that VICOBA also to provide insurance services and money transfer services. Therefore, the study have accepted that apart from loan/credit services VICOBA-members are significantly desire their VICOBA to start providing saving and business education.

Table 4.8: Additional Services desired by VICOBA Members

		Saving	Money transfer	Business Education	Insurance service
Saving	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	202			
Money transfer	Pearson Correlation	-.315	1		
	Sig. (2-tailed)	.075			
	N	102	102		
Business Education	Pearson Correlation	.767**	.126	1	
	Sig. (2-tailed)	.000	.483		
	N	102	102	102	
Insurance services	Pearson Correlation	.085	.067	.249	1
	Sig. (2-tailed)	.637	.710	.163	
	N	102	102	102	102

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Field Data (2015)

Concern with the result of the table 4.8, the study argued that it is normal for the financial organization/association to emphasize saving more than other services because through saving people (especially MSEs) can get out of poverty burden. However, Tanzania national microfinance policy of 2000 put it that saving is the major beneficial financial service to the lower income group. The policy wants microfinance institutions and/or schemes to encourage small earners to save in order

to protect themselves against emergence and/or to cover large expenses of life. Base on this the study wants leaders of VICOBA to implement and emphasize their members to save their money with VICOBA. On other side, one of the visited VICOBA known as Upendo association had started to offer saving services. It was said that in Upendo, saving has two forms. The first one is the compulsory saving in which members are required to contribute some certain amount of money every year in order to update their membership. Second is the voluntary saving where any member after saving compulsorily is allowed to save his/her additional money with the association. Allen (2006) said that it is ease to fight poverty with move saving than receiving the loan. This has also been argued with very many professionals in the financial sector that poor people should know how to save; using credit to foster them will not help if they don't know how to save.

Brighton (2003) noted that unlike saving credit is not always appropriate for everybody or every circumstance. The poor and starved who have no income or means of repayment they need other forms of support before they can make effective use of loans and poor clients should be encouraged and supported to build a small savings base and develop basic money management skills prior to taking on the risks associated with credit. It was also argued that VICOBA-members could benefit from business educations which can be provided by different stakeholders in the financial sectors. It was noted that several times credit officers, marketers and other officers from formal financial institutions like banks and MFIs visit VICOBA-members in their meetings to advertise their products meanwhile providing them with some business ideas. This being the case leaders of VICOBA can prepare and invite officers of banks and other formal financial institutions to come and provide VICOBA-

members with comprehensive basic business skills. Some of the business skills that can be provided to the VICOBA-members are cooperative learning, leadership training, marketing training, business training and production training. Contrary to this, Urio and Kessy (2006) conducted a study in Dar es Salaam to examine the reason for the micro and small entrepreneurs (MSEs) to default loans and found that lack of business and financial related trainings to the MSEs were the main predictor of loan default by MSEs-borrowers. Therefore they recommended MFIs to provide these trainings to their MSEs-clients pre and post lending to them for better loan recovering process.

Kuzilwa (2002) and Rweyemamu *et, al*., (2003) they also reported that the entrepreneurs who received credit together with business trainings and advices, performed better and manage to repay their loans than those who did not receive trainings. Garson (1999) on this related study in Ethiopia concluded that credit must be accompanied by some kind of marketable skill development which the poor seriously lack. Finally the study argued that credit and/or saving alone can only increase the scale of existing activities rather than enabling the poor to move into new or higher value activities. Therefore, the study wants VICOBA to consider provision of basic business and financial education to their members.

4.2   Discussion of the Findings

4.2.1   Economic Impacts of Accessing VICOBA-loans to the Members

The findings of the economic impacts from people who accessing VICOBA-loans has indicated that their income level has been increased compared to before join to VICOBA this was agreed by 44% respondents. After joining and access loans from

VICOBA almost all members have enjoyed significant increase of their equipment's for their daily business operations) by almost (50%). That through the loans they were able to buy new assets or equipment's important in their business operation this includes fridges, motorcycles etc. Having all this has been a catalyst in improving their level of production hence realizing the significant economic impacts.

These findings has been significantly supported by Kyeyune (2007) conducted a study on the contribution of micro finance institutions towards economic activities of the youth and women in Uganda (Luwero district) using both primary and secondary data were used by the researcher. The study found out that FINCA offered several services to clients that contributed to their development, such as provision of different types of loans that enabled them to start up some businesses for their development, therefore FINCA had positive contribution towards economic growth of rural youth and women through poverty eradication.

Moreover, in line with the observed positive economic impacts findings, the study by Ahmed (2009) in Iringa rural District, Tanzania also reported that VICOBA-members were accessing to goods and services more easily than they would have on an individual basis. It was also added that members can be learning promoting skills such as enterprise management and problem solving as key tools in community empowerment. Ina additional, Mukuye (2012) also agreed that in Tanzania members of small savings and credit organizations were useful receiving mechanisms for resources from Government and NGO development agencies.

4.2.2   Challenges in Assessing and Repaying VICOBA-Loans to the Members

The results on the challenges facing VICOBA has been clearly shown that all Microfinance Institutions including VICOBA has been facing many institutional and structural challenges. From VICOBA nature of their activities their main business is sell money by lending and mobilizing savings or buying shares. It normally deals with poor people in rural and urban areas. Therefore this category of people they catalyzed with high poverty and illiteracy that also impedes the smooth achievement of VICOBA goal. The revealed factors in the study involves in accessing and repaying the loan from VICOBA are amount of loan given, repayment period, lending procedures used, lending policy used by VICOBA and consideration of collateral.

Roslan and Mobd (2009) said that in most studies done amount of loan given has been found to cause great challenge to the VICOBA-members. Similar findings was observed by Mwakajumilo, (2011) argue that the amount of loan received from the VICOBA is not enough to expand their businesses. Padmanabhan (1981) also found that small amount of loan together with unrealistic repayment schedule was the cause for borrowers to default and dare not to borrow again from financial institutions this been hampering loan taking to most of the MFIs members. Collateral needs for securing the loan taken has been a great posing problem, the study conducted in Kenya by Finaccess (2008) reported the same that 80% of responded Mitaana SACCO-Members agreed to pledge collateral in order to secure loan from the SACCO. That means that *"no collateral no loan"* Finaccess (2008) continued that some of the Mitaana SACCO-Members were discouraged to continue holding their membership because they could not have enough property to receive loan by the leg of collateral and some feared their property could be devoted in case they fail to pay

back the loan. The study also reveal the lower control on interest rate, thus interest rate was low for the members to repay the VICOBA-loans this has been affecting the growth of the VICOBA for future lending capacity. The interest rate has been differing according to nature of Microfinance scheme as some are governed by legal Acts and some are not such as VICOBA (Chagwa (2012). From these view it is noted that high interest rate charged on the loan; high interest and stringent lending policy and bureaucracy the earning of most micro and small entrepreneurs is not so much to handle such liability. Has been reported by Vigano (1993), involves Ikem et al. (2012) cited in Hubka and Zaidi (2015).

4.2.3   Additional Services Desired by VICOBA-Members

The primary service offered by VICOBA is the credit service. The results indicated that savings, insurance services, business education, and money transfer are among the other services provided by VICOBA. In line with Brighton (2003) noted that unlike saving credit to make effective use of loans and develop basic money management skills prior to taking on the risks associated with credit. Kuzilwa (2002) and Rweyemamu *et, al*., (2003) they also reported that the entrepreneurs who received credit together with business trainings and advices, performed better and manage to repay their loans than those who did not receive trainings. In the cross- sectional quantitative study conducted by Kateera (2004) on micro finance intervention, entrepreneur skills and rural economic development in Uganda at Wakiso district revealed that MFIs provided loans, savings and insurance services and that these services influenced investment and community development. The findings also

revealed that MFIs were involved in the provision of Entrepreneurial Skills, and that these skills influenced the increased investment in developmental projects.

Therefore conclusively the VICOBA in Tanzania have played the big role in financial inclusion for poor people in rural and urban areas. It has also increased the opportunities of economically marginalized people to access savings and credits for their business start up. This move has great impact in socioeconomic conditions of the poor hence boost up their standard of living. However VICOBA are faced with many challenges including structural and institutional which to some extent have an obstacles to the prosperity of the sector.

4.3   Summary

From the findings and discussion it has revealed that most of the respondents agree that their engagement in the VICOBA microfinance scheme has been beneficial in empowering them hence supporting the poverty reduction efforts.   However the VICOBA has been facing various challenges ranging from institutional to structural that need frequently review of the policy and creating conducive business environment to these small emerging entrepreneurs. Therefore the findings imply that access to financial services and products is very important for financial excluded population in Tanzania. Generally it has been noted the microfinance scheme including VICOBA has great role in improving the economic situation of the poor or financial excluded people. This done through the different services provided in saving, mobilization, training s, insurances and loan provisions. Though majority of respondents perceive that access to finance and other services from VICOBA has not done good in increasing employment. This cans also the problem of what do they

perceive and describe the term employment. From the results the respondents agreed and identified that they face difficulties access to finance and in loan repayment due to various reasons including market limitations, commencing unprofitable business, perceived high interest rates, late loan repayment, member's untruthfulness has been impeding the timely and credit worth loan provision effectiveness.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSION AND RECOMMENDATION

5.1   Introduction

This chapter looks at the main findings presented in chapter four by relating them to the objectives of the study, and also reflects on the methodologies used to obtain and analyze data. From the findings, conclusions were drawn and recommendations made. The chapter ends with identifying an area for further research.

5.2   Summary of the Study

Microfinance services have a wider role of providing services to the large population of poor people in the society. The intention of the study was to explore the impact of VICOBA in poverty reduction in Temeke District of Tanzania. Generally VICOBA business is being based on savings and lending based on various conditions set by member. This includes social, psychological and economic factors which are very important determinants in maintaining member's relationship and effective loan repayment. Accordingly, the study posed three research questions to be answered. What are the economic impacts of accessing VICOBA-loans to the members? What are the challenges in assessing and repaying VICOBA-loans to the members? And what additional services are desired by VICOBA members?

5.2.1   Impact of VICOBA on the Economic Status of the Members

First, by using cross-tabulation and Chi-Square test the study found that VICOBA have helped to empower economic of their members in term of increasing their incomes, equipment/assets and productions in their business. The increase of levels of

these three variables to the VICOBA-members was found to be significantly. However, it was also found that VICOBA has helped to increase employees or employment opportunities in the enterprises of VICOBA-members although this increase was found to be insignificantly. Findings also revealed that apart from various challenges facing VICOBA and members still the members have been highly benefited in both economic and socially. Thus members used VICOBA as source of capital for new startup and existing businesses.

5.2.2 Challenges of Accessing and Repayment of VICOBA-Loans

Second, the study found that VICOBA-members were facing almost negligible challenges in accessing and repayment of the VICOBA-loans. Different variables were used to assess the challenges encountered by members in accessing and repayment of the loans in VICOBA. According to the order of important it was found that amount of loan given, repayment period, lending procedures used by VICOBA and lending policy used by VICOBA as well as consideration of collateral for those who wants to borrow more than one million was the factors that could bring some very small challenges to the VICOBA-members in accessing and repayment of the VICOBA-loans. But the following variables were found not to cause any challenge to the VICOBA-members: consideration of borrower's monthly income, consideration of borrower's contribution in the VICOBA, interest rate charged, consideration of business proposal, consideration of business license, consideration of accountability, consideration of the age of the business, consideration of guarantor, consideration of nature of the business, consideration of borrower's age and consideration of borrower's level of education.

Nevertheless, the loan defaulting, Lack of Governing Law Inadequate Knowledge on Record Keeping, lack of office, inadequate capital, and misuse of funds, theft, market limitations and death has noted to be major challenges affecting the development of VICOBA in the district. However illiteracy and untruthfulness issues have been a crosscutting issue affecting both loan provision and acquisition to most of members. Loan defaulting has been affecting the loan provision rotations among members and it has been much more complex members behavior.

5.2.3 Additional Services desired by VICOBA members

Lastly, the study found that savings and business education were also wished by VICOBA-members to be provided to them. But not all VICOBA were not offered saving service, the study noted that one of the five visited VICOBA had started offering saving service. In which there were two types of savings that are compulsory saving and voluntary saving. Compulsory involved the agreed amount each member has to contribute per year so that she/he can continue holding her/his membership. While voluntary saving was any amount of money saved by members in association/organization after compulsory saving has been made. However, business education was also significantly desired by VICOBA-members. These are skills like cooperative learning, leadership training, marketing training, business training and production training.

However, VICOBA members believe that, there are significant benefits such as: the members may receive continued business training, discuss the merits of a loan or business proposal, debate a variety of ideas for small business start-ups, or even discuss other issues of common interest to the group.

The training provided by VICOBA to members is a crucial part of the process expanding trusted networks of family, friends and neighbors into functioning savings- and loan groups means learning new behaviors and new skills. At VICOBA training sessions, participants receive a thorough understanding of the principles for savings, business planning, and credit and loan management. Other skills include learning basic accounting of financial transactions, cost and price calculations.

Further, in accordance with findings shows household income had direct relationship with loan acquirement from VICOBA. Therefore, result confirms with previous findings as suggested that loan had a relationship with member's business development and entrepreneurship development   among members of VICOBA. The trend of members taking loan has been satisfactory has been stable it has been varying and although somehow members business has been declining leading to loan declining.

5.3   Conclusion of the Study

Based on the findings of this study, it can be concluded that VICOBA have been working as the instruments of economic empowerment in our society. Many people have benefited directly and indirectly from the VICOBA and therefore lift up the economy of the country in general. Normally the simple access to finance for SMEs has a significant importance for the establishment of new businesses and support the growth and development of already existing business, hence foster the economic and social development of a nation. Moreover, under crisis conditions, supporting the access to finance for SMEs and entrepreneurs is fundamental since these business or enterprises can positively contribute to the individual development and recovery of

the national economies. However, most surveys emphasize that SMEs report, always, the access to finance as one of the most imperative obstacles to their well functioning and development. Moreover the study indicate that given the reduced availability and even lack of financial services and products the it needs the policy makers to focus their efforts in shaping and monitoring of the number of significant indicators, such as the share of loans granted to individuals and SMEs, based on their size, experience business opportunities, building capacity to entrepreneurs and sectors. Also the study ensured that there is no doubt that credit provides fund for implementing various socio- economic development activities. It is clear that urban and rural poor people have been unable to access financial institutions to secure credit. One of the easy initiatives for reaching majority with financial services such loans was initiation of VICOBA in most of developing countries.

However, it has concluded the establishment of VICOBA in Tanzania faces many challenges in its aim to favor the poor in terms of microfinance services for their income generating activities in a sustainable manner. The implementation and running of VICOBA initiative faces many loan repayments defaulting and unfavorable attitudes among members hindering the determined empowerment benefit to members. With these challenges the empowerment efficacy of the VICOBA in many areas has not been 100% meet the intended goals of its establishment. To some extent this remains an obstacle to financing households and self-help groups development projects in community as community empowerment tool. These difficulties that individuals and SMEs face when they are seeking to obtain the necessary funding resources are associated both to the entrepreneurs, microfinance schemes and the economic environment of the country, as well as to the

existing regulatory and institutional framework. In order to alleviate these difficulties, the measures taken by government has to target on increasing financial development, which would ensure greater availability of financing for small businesses who are totally excluded from financial services.

5.4 Recommendation of the Study

Based on the findings of the study the following recommendations have been identified for the purpose of increasing effectiveness of VICOBA. These are as follows:

- VICOBA should come up with mechanisms to ensure that loans borrowed are used for the right purpose: for example encourage borrowers to have a business plan, vision and mission when applying for the loans. These will make them to use the loans proper and for the intended purpose.

- VICOBA should continuously review their financial policies and procedures. This will enhance the evaluation of loan applications by ensuring that loan applications are evaluated and ranked according to the sovereign by-laws governing financial market of the country. High compliance with financial market by-laws of the country will lead to growth of both members and their VICOBA organization because the loan eligibility facilitates loan recovery and minimize administrative costs.

- Since the study found that VICOBA are the profitable associations to their members and in fighting for the poverty in the country. The study would like

business people, especially young entrepreneurs to join VICOBA so that they can easily get capital (i.e material and skills) to finance their business

- Government should provide conducive environment for growth and development of VICOBA so that the informal sector of economy can also benefit from cheap and accessible micro credit facilities and other microfinance service.

- VICOBA should always try to organize business skills training since this was established as the additional service required by most members and at the same time will greatly contribute to the ability to run a profitable business and identify opportunities.

- Lastly, it was recommended that VICOBA should adopt new technology of managing information and/or members' details. This can be simple attained by introducing the use of computer applications while reduce the use of paper work.

5.5   Area of the Further Study

The suggest more research researcher to be conducted in other areas within the country apart from Temeke municipal to figure out microfinance services impacts in economic empowerment in the country.

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QUESTIONNAIRE TO THE MEMBERS OF COMMUNITY BASED

FINANCIAL ORGANIZATIONS (VICOBA)

Dear Sir/Madam,

The questionnaire is aimed at examining the contribution of VICOBA in economic empowerment in Tanzania. In order to meet this objective, you have been selected as a member of the sample to provide relevant and objective data needed to satisfy the quest for this knowledge. I wish to appeal to you to assist by kindly sparing a few minutes to complete this questionnaire. You may either disclosure your identity or not. I also wish to assure you that your answers will be treated in strict confidence and used for academic purpose only.

My dear respondent feels comfortable to answer by writing in any language either **Kiswahili** or **English**.

SECTION A: Respondent Profile

1.   Data _____ Time _____

2.   Phone number: _____

3.   Name of the KIKOBA: _____

4.   Gender of respondent:

M	F
1	2

5.   Age of respondent:

21-30 years	31-40 years	41-50 years	51-60 years	61< years
1	2	3	4	5

6.   Your level of education

Primary	Certificate	Diploma	Advance Diploma	Degree	Master
1	2	3	4	5	6

7.   How many times have you borrowed money from the VICOBA

1 (2)	2 (2)	3 (3)	4 (4)	5 and more (5)

8.   How would you rate economic benefits have been brought by VICOBA in Tanzania.

Very small	Small	Moderate	High	Very high

SECTION B: Impact of VICOBA

9.   How would you rate level of income in your business before and after receiving loan from community based microfinance organization (KIKOBA)?

	Very law (1)	Law (2)	Moderate (3)	High (4)	Very high (5)
Before					
After					

• Do you have reasons for above rate?

    _____

    _____

10.   How would you rate level of equipments in your business before and after receiving loan from KIKOBA?

	Very law (1)	Law (2)	Moderate (3)	High (4)	Very high (5)
Before					
After					

• Do you have reasons for above rate?

    _____

    _____

11.   How would you rate level of production in your business before and after receiving loan from KIKOBA?

	Very law (1)	Law (2)	Moderate (3)	High (4)	Very high (5)
Before					
After					

- Do you have reasons for above rate?

_____

_____

12.   How would you rate level of employment in your business before and after receiving loan from KIKOBA?

	Very law (1)	Law (2)	Moderate (3)	High (4)	Very high (5)
Before					
After					

- Do you have reasons for above rate?

_____

_____

13.   Explain in short how have you benefited from loan you received from KIKOBA?

_____

_____

SECTION C: Challenge of Accessing and Repayment of the VICOBA loans

14.   How do you regard the challenges of accessing and repaying VICOBAs' loan

Very small	Small	Moderate	High	Very high

15.   The study wants to know lending factors, loan characteristics and borrower characteristics that can easily impose obstacle to the borrower when accessing loan from the VICOBA. Therefore, you have been given some of the variables that can help the researcher to establish thereof. Please rate your opinion in the given 5 points Likert scale the way you think the following variables have been challenging factor to the borrowers of VICOBA.

s/n	Variable	Not a challenge (1)	Very Small challenge (2)	Small challenge (3)	Big challenge (4)	Very big challenge (5)
i	Consideration of Business license					
ii	Consideration of Accountabilities					
iii	Consideration of the age of the business to be financed					
iv	Consideration of collaterals					
v	Consideration of guarantors					
vi	Consideration of nature of business to be financed					
vii	Consideration of business proposal and plan					
viii	Lending policy of the organization					
ix	Lending procedures used					
x	Interest rate charged					
xi	Amount of loan given					
xii	Repayment period established					
xiii	Consideration of bower's monthly income					
xiv	Consideration of bower's age					
xv	Consideration of bower's level of education					
xvi	Consideration of bower's age					
xvii	Consideration of bower's contribution in the organization					

- What other factors would you want to indicate as the constraints faced by borrowers of VICOBA in accessing and repaying loan?

  _____

  _____

  _____

SECTION D: Additional Services desired by VICOBA members

16.   The study wants to identify additional services, apart from loan, offered by VICOBA. Now show how you would rate availability of the following services in VICOBA.

s/n	Services	Not at all (1)	Very low (2)	Low (3)	High (4)	Very high (5)
i	Saving					
ii	Business Education (i.e financial skills, marketing skills etc)					
iii	Money Transfer					
iv	Insurance					

- Mention other additional services one can receive in VICOBA scheme?

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Thank for your time and responses