

**ASSESSING THE CONTRIBUTION OF VILLAGE COMMUNITY BANK
ON HOUSEHOLD WELFARE: A CASE STUDY OF KISHAPU DISTRICT,
SHINYANGA**

OSCAR S. A. RUTENGE

**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE DEGREE OF MASTER OF SOCIAL WORK
OF THE OPEN UNIVERSITY OF TANZANIA**

2016

CERTIFICATION

The undersigned certifies that she has read and hereby recommends for acceptance by The Open University of Tanzania, a dissertation titled: **“Assessing the Contribution of Village Community Bank on Household Welfare: A Case Study of Kishapu District, Shinyanga”**, in partial fulfillment of the requirements for the Degree of Master of Social Work (MSW) of The Open University of Tanzania.

Dr. Hadija Jilala

(Supervisor)

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DECLARATION

I, **Rutenge Oscar Sylivery Aloys**, do hereby declare to the Senate of the Open University of Tanzania that this dissertation is my original work, and that it has neither been submitted nor is concurrently being submitted for the similar degree award in any other University.

Signature

Date

DEDICATION

This work is dedicated to my wife Mrs. Frida P. Kishahayo and my friend Mr. Daniel. S. Sanyenge for their kind support and patience while pursuing my studies.

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ABSTRACT

This study therefore assesses the contribution of VICOBA on household welfare in Kishapu District. The study specifically aimed to, identifying the impact of VICOBA on household welfare, to examine the contribution of VICOBA in alleviation of income poverty and to determine the community's attitude towards VICOBA activities. The study used a cross-sectional research design to collect data from 100 respondents who were randomly selected. The respondents included 75 VICOBA members and 25 non-VICOBA members. The study also involved 6 key informants selected purposively. Primary data for this study was gathered through questionnaires, focus group discussions, observation and key informant interviews; while secondary data was obtained through document reviews. Quantitative data was analyzed using Statistical Package for the Social Science (SPSS) version 20 where frequencies and percentages were determined and qualitative data was analyzed by transcribing and making sense of the gathered information. The findings of this study reveal that, VICOBA members have accrued a lot of benefits impacting their lives positively. This study for instance witnessed and found out the way VICOBA members reduced their income poverty by accessing credits at affordable interests. Furthermore, the members have been able to create opportunities for entrepreneurship activities, social cohesion amongst one another, improve fund management at household level and minimize the burden of unnecessary losses due to family resources mortgage. The study further found out VICOBA group members improved their household welfare by educating their children, improving shelter, medication, increasing household assets and social cohesion.

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LIST OF ABBREVIATIONS

BOT	Bank of Tanzania
HDI	Human Development Index
HDR	Human Development Report
IGAs	Income Generation Activities
ILO	International Labor Organization
IMF	International Monetary Fund
LAMP	Land Management Program
MCGE	Mercy Corps Global Envision
MDGs	Millennium Development Goals
MFIs	Micro-Finance Institutions
MMD	Mata Masu Dubara
NGOs	Non-Government Organizations
NSEGRP	National Strategy for Economic Growth and Reduction of Poverty
PMO	Prime Minister Office
RALG	Regional Administration and Local Government
SACCOS	Saving and Credit Cooperative Societies
SCS	Saving and Credit Schemes
SDGs	Sustainable Development Goals
SEDIT	Social and Economic Development Initiatives
SPSS	Statistical Package for the Social Science
TCRS	Tanganyika Christian Refugee Service
UNDP	United Nations Development Program

URT	United Republic of Tanzania
USAID	United States Agency for International Development
VICOBA	Village Community Bank

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The concept of microfinance is not new to the world since there have been informal savings and credit groups that have operated for centuries including the "*susus*" of Ghana, "*chit funds*" in India, "*tandas*" in Mexico, "*arisan*" in Indonesia, "*cheetu*" in Sri Lanka, "*tontines*" in West Africa, and "*pasanaku*" in Bolivia, as well as numerous savings clubs and burial societies found all over the world (Mercy Corps Global Envision, 2009). Formal credit and savings institutions for the poor have also been around for decades. They have been, providing customers who were traditionally neglected by commercial banks a way to obtain financial services through cooperatives and development finance institutions (Schreiner and Colombet, 2001).

In the 1800s, various types of larger and more formal savings and credit institutions began to emerge in Europe. These institutions were organized primarily among the rural and urban poor; commonly known as People's Banks, Credit Unions, and Savings and Credit Co-operatives (Okiocredit, 2005).

Regardless of the name or purpose, most groups have a similar structure and protocol. Members are required to make a small monthly contribution to the community fund. Groups usually have 30-50 members and are governed by a strict set of rules, either written or unwritten, depending on the group's literacy. Breaching

the rules is considered “*taboo*” and comes with social repercussions and possible financial penalties or ostracism (Robinson, 2001).

The concept of the credit union was developed by Friedrich Wilhelm and his supporters (Wrenn, 2005). Their altruistic action was motivated by the concern to assist the rural population to break out of their dependence on money lenders and to improve their welfare (*ibid*). From 1870, the unions expanded rapidly over a large sector of the Rhine Province and other regions of the German States. The cooperative movement quickly spread to other countries in Europe and North America. Eventually it was supported by the cooperative movement in developed countries and also to developing countries such as Tanzania and other countries in Africa such as Kenya, Uganda and Ethiopia (Calgagovski *et al.*, 1991).

Micro-finance is one of the great success stories in the developing world in the last 30 years and is widely recognized as a just and sustainable solution in alleviating poverty (MCGE, 2009). According to FinMark Trust’s FinScope survey (2009); there were roughly 37 million people participating in some kind of informal savings group in East Africa. The number of group members in four countries in East Africa alone is 36,951,433 with following distribution; Kenya 11,183,469; Uganda 10,403,243, Rwanda 3,156, 218 and Tanzania 12,208,503 FinMark Trust’s FinScope Survey (2009).

In West Africa, Nigeria alone had nearly 41 million people participating in such groups (Napier, 2009). The value these individuals gain from participating in a savings group includes both tangible economic benefits as well as intangible social

benefits. The tangible economic benefits include housing improvement, increase household assets and livestock. The intangible social benefits include skills on how to manage VICOBA groups, leadership skills and recognition by other community members (SEMIT, 2008).

UNDP (2003) defines micro-finance as a set of innovative and alternative financial service to the poor who do not have access to formal institutions. The origin of micro-finance is found in several places but, one of the popular micro-finance institution is the Bangladesh Grameen bank founded by Professor Muhammed Yunus in 1976 (Armendariz, 2010). According to Muhammad Yunus (1984) poor households not only have the capability for loan repayments but, they also profit from the loans they borrow. Today, the micro-finance industry and the greater development community share the view that permanent poverty reduction requires addressing the multiple dimensions of poverty. For the international community, this means reaching specific Millennium Development Goals (MDGs). The MDGs have been succeeded by the Sustainable Development Goals 2015. The new SDGs, and the broader sustainability agenda, go much further than the MDGs, addressing the root causes of poverty and the universal need for development that works for all people.

Meanwhile, from 1970s, experimental programs in Bangladesh, Brazil, and a few other countries extended tiny loans to groups of poor women to invest in micro-businesses. This type of microenterprise credit was based on solidarity group lending in which every member of a group guaranteed the repayment of all members. These "microenterprise lending" programs had an almost exclusive focus on credit for

income generating activities (in some cases accompanied by forced savings schemes) targeting very poor (often women) borrowers (ILO - Microcredit Summit Campaign Report, 2007). This report goes on to clarify that; over 3,300 microfinance institutions reached 133 million clients with a microloan in 2006. 93 million of the clients were among the poorest when they took their first loan 85 percent of these poorest clients were women.

Microcredit programs throughout the world improved upon the original methodologies and defied conventional wisdom about financing the poor. The poor women had excellent repayment rates among the better programs, rates that were better than the formal financial sectors of most developing countries. Second, the poor were willing and able to pay interest rates that allowed microfinance institutions (MFIs) to cover their costs (Gonzalez and Rosenberg, 2006).

Though there has been progress in Tanzania's micro-finance sector in terms of number and products offered, some limitations are nonetheless still being observed and these hinder income poverty (Mkombe, 2005). Between 1950s and 1970s, governments and international donors focused on providing agricultural credit to small and marginal farmers, hoping to raise productivity and incomes.

These efforts to expand access to agricultural credit emphasized supply-led government interventions in the form of targeted credit through state-owned development finance. Institutions or farmers' cooperatives in some cases, that received concessional loans and on-lent to customers at below-market interest rates. Rural development banks suffered massive erosion of their capital base due to

subsidized lending rates and poor repayment discipline and the funds did not always reach the poor, often ending up concentrated in the hands of better-off farmers (USAID, 2010 & The World Bank, 2015).

1.2 Historical Background of Saving and Credit Schemes in Tanzania

Before the advent of VICOBA there were critical poverty symptoms in Tanzania, which associated with underfeeding, poor shelter and unemployment especially for primary, secondary and higher learning graduates (SEGIT 2008). The 1990s Millennium Development Goals address the same with 2015 - 2025 a time target wherein the symptoms were supposed to be absolved. Therefore, it is in this situation that the Government of Tanzania in year 2000 opened a new page for the first cluster of National Strategy for Economic Growth and Reduction of Poverty, which is Economic Growth and Reduction of Income Poverty. It is at this stage the VICOBA schemes began.

The Village Community Banks (VICOBA) program in Tanzania was established by CARE in 2002 not only to overcome the above shortcomings but also to empower the poor to have their own Micro Finance Institutions (Wrenn, 2005). Kishapu District being one of the districts where VICOBA scheme is implemented since 2006, several groups recognized to succeed in saving and credit management (Kishapu District Profile 2013). According Kishapu District Development report (2014), over 65 percent of VICOBA members are women.

According to Mkombe (2005); VICOBA was meant to deal and address the needs of the poor and reduce income poverty in the households. In this model, members of the

group are the shareholders of their 'bank' and also the sole customers. Throughout the financial year each member invests share capital in the bank with periodic but regular agreed sums of money, which also constitute their savings (Kihongo, 2005). The total contribution of all members plus an equivalent contribution (matching loan) from a micro-financing institution is then utilized as a revolving fund from which all members can borrow and use for income generating activities (IGAs) for an agreed period.

Kihongo (2005) argues that, VICOBA is suitable and effective in catalyzing developmental initiatives and that quite often are sustainable when introduced into communities. Nonetheless, very few poor people have access to it. Therefore, these schemes target poor people, who often live in remote areas with difficult access to financial institutions (SEDIT, 2010). However, URT (2009) shows that, only 0.14% of the Tanzanian population had participated in VICOBA activities until December 2008. The report further indicated that, the adoption and outspread of this model to various districts/projects is made through various development agencies (SEDIT, 2010).

The VICOBA program offers beneficial financial services to low-income people. It promotes capacity to manage scarce household and enterprise resources more efficiently and protection against risks. Finally, it improves provision of advantage of investment opportunities, for economic returns (URT, 2009). According to SEDIT (2008), the VICOBA scheme is a fully bottom up approach in terms of decision making, planning, implementation and ownership. This guarantees sustained economic evolution in line with National Strategy for Growth and Reduction of

Poverty. Income poverty is a major cause of other types of poverty like food poverty, basic needs poverty, ill health and handicap poverty. And because of poverty or low income, people fail to utilize the other forces of production such as land, entrepreneurial skills and labour (Mkombe, 2005).

According to the Social and Economic Development Initiatives of Tanzania (2008), VICOBA schemes were implemented in 19 regions in Tanzania mainland. VICOBA benefitted people in different ways as described below.

1.2.1 Economic Benefits

In the four LAMP districts of Kiteto, Babati, Simanjiro and Singida, VICOBA scheme has assisted communities not only with savings and credit but it have also built the capacity of the members to better manage their business and household incomes. By October 2006 there were 117 groups with 3,257 members (of which 2,050 were women). In total, these groups have issued loans in the amount of Tanzanian Shillings 155 million (US \$123,000), and had mobilized capital in the amount of Tanzanian Shillings 198 million (US\$.157, 000) whereby the repayment rate is nearly 100%.

VICOBA has another important strategic impact, that of cultivating the culture of saving: In the Lendanai Village in Simanjiro District, Mrs. Emiliana Kimaro, 43, mother of four, notes: “Now I have got money and I can save. I see this as a miracle in my life. I did not expect to get such a good life”. Some experts believe that it is savings (and not so much the credit) that open the door to the future. Credit and financial institutional intervention greatly enhance economic strength and eventually

breaks the vicious cycle of low income-low savings-low investments, for which most Africans and Tanzanians are acknowledged. Savings, according to URT, maintain consumption, particularly during periods when income flows are low, such as during the off-season before crops are harvested, and to make investments, such as housing improvements. VICOBA operations increase the all-year-round production and trading potential, as non-farm activities are at peak during the agricultural lean period.

1.2.2 Social Impacts

Besides raising and managing incomes, the program has long-term, strategic and transformative impact. According to Mr. Ngalla, who supervises VICOBA in Simanjiro district, women have been empowered and given greater voice in the management of the community dip project, in Loiborsiret village, in Simanjiro district. “Men have realised that when women are given chance they have great capacity to create development and changes in the community. Women have demonstrated that they can better handle community funds compared to men,” he remarked. “Most of the poor households have moved from mere subsistence and daily survival to planning for the future and investing in better nutrition, better housing and children’s health and education”, said Mr Saidi Mtoro, District Trade Officer and VICOBA supervisor, Singida district.

The reduction of rural poverty has been on the agenda of the Government and Non Government Organizations (NGOs) for a long time. One approach trying to improve the living standards of the rural poor household focusing on financial sector. This is through rural or pro-poor financial services such as the Village Community Bank

(VICOBA). Rural household's participation in the savings and credit schemes in respect of their welfare is a policy or program issue. It requires careful analysis in order to contribute to the debate of poverty reduction policy measures. Like National Strategy for Economic Growth and Reduction of Poverty (NSEGRP) and the Millennium Development Goals (MDGs) where eradication of extreme poverty and hunger are addressed.

PLACES WHERE VICOBA OPERATES IN TANZANIA

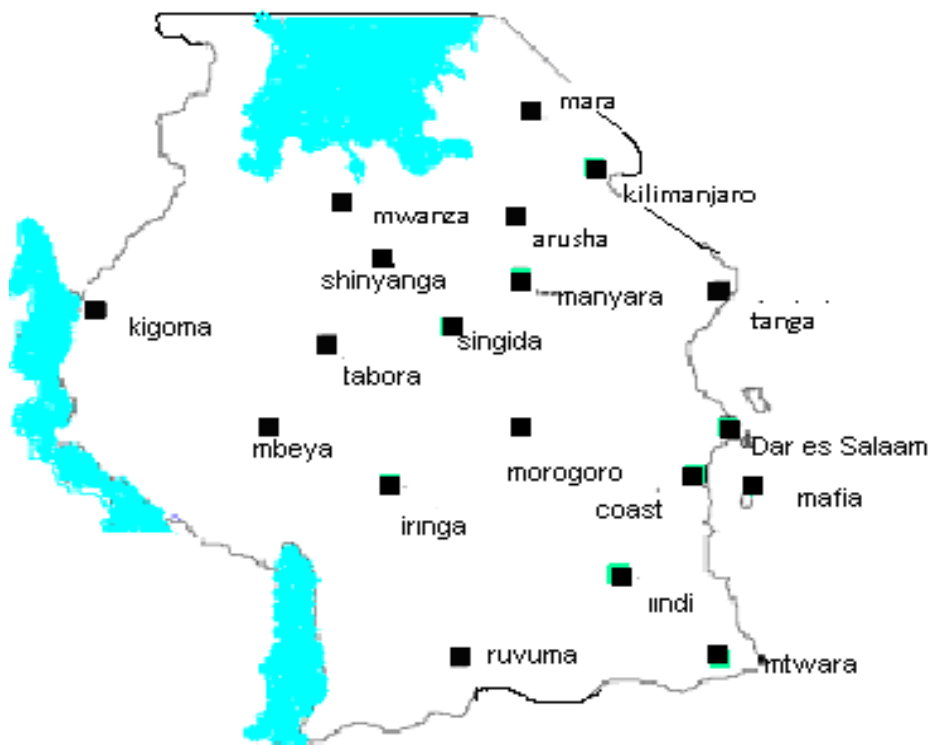


Figure 1. 1: Map shows VICOBA Distribution in Tanzania mainland

Source: URT Human Development Report (2014)

Kumar (2009) states that, self-help groups are formed across countries as an effective strategy for poverty alleviation. This refers to the sustainable increase in productivity and an integration of the poor into the process of growth (Hartmann, 2004). However, there are conflicting views about the impact of these informal groups

(savings schemes) as Schlaufer (2008) notes that, while the existence of the informal services highlights the general demand for financial services such as saving and loaning.

The services are usually not sufficient to seize economic opportunities such as loaning for income generation activities in rural areas to the full. On the other hand, Ferrara (2001) emphasizes that, people who do not have access to the formal labor market can often benefit from pooling resources and working in groups such as Village Community Banks. Therefore, this study assesses the informal savings schemes in Northern Western Tanzania – Kishapu District and its contribution to the welfare of households.

1.3 Description of the Saving and Credit Schemes in Kishapu District

In Kishapu District the 139 saving and credit schemes (District Development report 2014) are operated by the Kishapu District council in collaboration with the non-government organizations such as CARE and TCRS since 2007 (Kishapu district profile 2013). The two organizations promote grassroots economic development through the provision of materials support and training. CARE and Tanganyika Christian Refugee Service (TCRS) also provide free consultancy to poor people trying to establish income generating projects.

The target groups for VICOBA in Kishapu District are unemployed women and youths in groups. Credit from groups' saving is given only for production-oriented projects such as farming, animal husbandry and businesses done on a small scale and the target groups must access feasible projects in order to apply for loans (African Development Bank, 2010).

Loans provided by the VICOBA groups in Kishapu District carry 10% simple interest on the principal amount and no collateral is required for the loans. However, the concept of collateral exists in the VICOBA groups but is known as social collateral rather than financial or asset collateral. Social collateral entails group participation where the group is held jointly accountable for individual loaner for every loan provided. Every loan is disbursed upon a written application. Every loan application must indicate a maximum of two feasible income generating activities that the applicant is prepared to undertake (SEMIT, 2009).

It is also important to understand that, majority of loaners are illiterate, the applications are handled entirely by group's executive committee. The applicant needs only to sign the Loan Application Forms. The loan money and pass books for monitoring the loans are disbursed during group meetings and the time allowed between loan application and loan disbursement is seven (7) days. Loans must be put to use within seven (7) days and will be monitored by group members. However, the village community development officers or project staffs visit all projects and in cases of inappropriate use, remedial measures are taken (CARE 2009).

Further to this, repayments are done weekly and a loaner who repays a loan in full is given a repayment certificate and becomes entitled to a loan. Any member, after paying 50% of the loan in weekly installments can repay the balance in a lump-sum. On every loan 5% of the principal amount is deducted for the loaner's Group Development Fund, which is the property of the group and is a non-refundable when and if a member leaves the group for whatever reason. A member can obtain an interest free loan for consumption or investment from this Fund. The group is

responsible and manages the Fund but all decisions taken must be conveyed to the project staff (Haule, 2015).

Moreover, the five percent (5%) of the principal amount together with the annual interest must be paid into the Emergency Fund and this amount can be withdrawn by the loaner after repaying in full the loan taken. Another 5% of the principal amount together with the annual interest must be saved by every loaner. A member can withdraw up to 50% of this saving after repaying a previously taken loan in full. A full withdrawal can be done only if the member is leaving the credit scheme (SEDT, 2009 & Magesa, 2014).

1.4 Statement of the Problem

In Tanzania, the formal financial institutions like Banks, Saving and Credit Cooperative Societies (SACCOS) in most cases do not reach the rural poor. Therefore, people especially the poor plan their own mechanisms using locally formed associations or scheme that are self - initiated, self - managed, and locally registered or unregistered. The main aim is to meet group members' demand for financial services to improve their family welfare.

However, whether these mechanisms or schemes can considerably contribute to the enhancement of the poor people's socio-economic status is a matter that requires thorough assessment and analysis. It is not clear to what extent such informal associations for example Saving and Credit Schemes (SCS) can support the socio-economic or welfare of the households. Such saving and credit schemes are commonly known as the Village Community Bank (VICOBA) which are also

currently present in urban areas and mostly practiced by small business owners and civil servants.

Over almost a decade, households in Kishapu District, Shinyanga region have been involved in the informal savings schemes aiming at improving their socio-economic status like increasing their incomes (CARE Progress Report, 2013). Despite household participation in such schemes in Kishapu District, their incomes remain very low and with very poor standards of living among many households. Although micro-finance is meant for the very poor persons, contradictions have been observed among micro-finance scholars; for example Reed (2011) shows that, many Micro Finance Institutions (MFIs) do not move poor people out of poverty due to the fact that poverty alleviation is not a priority amongst the objectives of many Micro Finance Institutions. Moreover, Begasha (2012) observes that micro-finance schemes alone cannot alleviate poverty, but can only contribute to the movement of poverty alleviation amongst other strategies.

1.5 Research Objectives

1.5.1 General Objective

The overall objective of the study is to find out how the Village Community Bank (VICOBA) contributes to household's welfare in Kishapu district.

1.5.2 The Specific Objectives

The study specifically aimed to:

- (i) To identify the positive economic impact of VICOBA to households' welfare in Kishapu District.

- (ii) To examine how VICOBA alleviates income poverty among households in Kishapu District.
- (iii) To determine attitude of the community members towards VICOBA in Kishapu District.

1.6 Research Questions

The study was guided by the following research questions:

- (i) What are the impacts of VICOBA to the households in Kishapu District?
- (ii) How does VICOBA alleviate income poverty among households in Kishapu District?
- (iii) What are the communities' attitudes towards VICOBA in Kishapu District?

1.7 Significance of the Study

This study provides useful data, facts and insights of savings and credit schemes towards household welfare in Kishapu District. This study provides additional knowledge to development actors with regards to formal savings and credit schemes. Further, the study shares useful insights to policy makers to address policy issues relating to poverty alleviation. Besides, the findings of this study contribute to economic growth and development towards policy debates on the way household income can be improved. Lastly, this study acts as a guide to other researches in line with this area.

1.8 Scope of the Study

This study reached savings and credit groups operating in accordance to the core principles of Village Community Bank (VICOBA), focusing on VICOBA group

members and non VICOBA group members. Kishapu District was selected as the study area because it is one of the districts in Tanzania where VICOBA groups were firstly introduced by VICOBA trainers like CARE and TCRS (PMO-RALG, 2007) and secondly, the most households in the district are faced with very poor welfare conditions.

1.9 Justification of the Study

Most financial institutions aim at savings mobilization in an attempt to 'teach the poor how to save'. This has led to a new approach that considers micro-finance as an integral part of the overall financial system (Mkombe, 2005). This study informs the community on the importance of microfinance in poverty alleviation. However, this study is in line with the Sustainable Development Goals (SDGs) objective one, (End poverty in all its forms everywhere) and the National Strategy for Economic Growth and Reduction of Poverty (NSEGRP) 'Cluster I' (Growth and reduction of income poverty). This study aims to bridge the current knowledge gap, and that the findings from the study will help inform the policy formulation process and stakeholders dealing with rural poverty alleviation to design better strategies and approaches to accelerate VICOBA becoming more sustainable in Kishapu District and other districts of Tanzania.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews appropriate literature relevant to the study. This chapter evaluates reports of related studies on the selected phenomenon, which aims to describe, summarizes, evaluate and clarify the phenomenon under study. Apart from reviewing the same, the chapter also provides a theoretical framework for the study at hand. The chapter covers not only the relevant materials obtained from secondary sources but also the relationship between these materials and the nature and objectives of this study.

2.2 Definition of Terms

2.2.1 Microfinance

Microfinance, according to Otero (1999, p.8) is “the provision of financial services to low-income poor and very poor self-employed people”. These financial services according to Ledgerwood (1999) not only include savings and credit but also include other financial services such as insurance and payment services. Schreiner and Colombet (2001, p.339) define microfinance as “the attempt to improve access to small deposits and small loans for poor households neglected by banks.” Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector.

Generally, micro-finance programs are expected to improve the welfare of the poor women and men by impacting the economically active poor who would be helped to

raise social welfare by promoting human capital investment (Kihongo, 2005). Different scholars (Maziku, 2007; Thomas, 2001; Reed, 2011; Begasha, 2012) have discussed micro-finance as a tool for the poor and low income earners towards poverty reduction and development strategy at various levels. However, many of them have a common consensus about various problems facing the field of micro-finance in the process of impacting the poor community. According to my perspective, microfinance is a type banking service that is provided to low income individuals or groups who are not able to access to other financial services.

2.2.2 Microfinance and Microcredit

In the literature, the terms microcredit and microfinance are often used interchangeably, but it is important to highlight the difference between them because both terms are often confused. Sinha (1998, p.2) states “microcredit refers to small loans, whereas microfinance is appropriate where NGOs and Micro Finance Institutions (MFIs) supplement the loans with other financial services (savings and insurance)”. Therefore, microcredit is a component of microfinance in that it involves providing credit to the poor, but microfinance also involves additional non-credit financial services such as savings, insurance, pensions and payment services (Okiocredit, 2005).

2.2.3 Village Banking Model

Village bank model is community-managed credit and savings associations established by NGOs to provide access to financial services, build community self-help groups, and help members accumulate savings (Woodworth, 2006). They have

been in existence since the mid 1980s. They usually have 25 to 50 members who are low-income individuals seeking to improve their lives through self-employment activities. These members run the bank, elect their own officers, establish their own by-laws, distribute loans to individuals and collect payments and services (Grameen Bank, 2000a). The loans are backed by moral collateral; the promise that the group stands behind each loan (Global Development Research Centre, 2005). The sponsoring Micro Finance Institution lends loan capital to the village bank, who in turn lend to the members.

All members sign a loan agreement with the village bank to offer a collective guarantee. Members are usually requested to save twenty percent of the loan amount per cycle (Ledgerwood, 1999). Members' savings are tied to loan amounts and are used to finance new loans or collective income generating activities and so they stay within the village bank. No interest is paid on savings but members receive a share of profits from the village bank's re-lending activities. Many village banks target women predominantly. According to Hiatt (2006) "the model anticipates that female participation in village banks will enhance social status and intra-household bargaining power".

2.2.4 Village Community Bank (VICOBA)

A grassroots based lending scheme with a focus on fostering participant's ability to innovate and manage viable income generating activities (MoF, 2009). VICOBA like any other micro-finance scheme are saving and micro-finance groups which target low income community members to encourage saving and provide access to

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

2.2.5 Poverty

According to Pantazis, *et al.*, (2006) individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the types of diet, participate in the activities and have the living conditions and amenities which are customary, or are at least widely encouraged or approved, in the societies to which they belong. Their resources are so seriously below those commanded by the average individual or family that they are, in effect, excluded from ordinary living patterns, customs and activities.

Mugenda (2012) also explains poverty as the lack of resources and the necessary conditions required to meet the basic needs for a healthy living; it is basically having insufficient income to provide food, shelter and clothing needed to preserve health. Khan (2006) further explains, understanding poverty requires an examination of the economic and social context of the respective countries including institutions of the

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

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

Furthermore, United Republic of Tanzania (2005a) categorizes poverty into two major aspects; income poverty and the non-income poverty. Income poverty refers to a situation where a person or a portion of the population experiences a shortage of income to meet his/her or their basic needs. On the other hand non-income poverty is when a person or a portion of population experiences deprivation of social needs and services such as health services, education, water, sanitation, environmental care and decision making. Generally, poverty is a multi-dimensional problem, embedded in a

complex and interconnected political, economic, cultural, and ecological system (Littlefield *et al.*, 2003).

2.2.6 Poverty Alleviation

According to the 1997 Human Development Report (HDR) (UNDP, 1997); poverty is undesirable condition that should be alleviated and eradicated. Therefore, poverty alleviation is conceived as a strategy for achieving a sustained increase in productivity and an integration of the poor into the process of growth (Hartmann, 2004). Tanzania has been more concerned with poverty alleviation since independence (Johnson, 2003). Therefore, a number of strategies aiming at socio-economic growth and poverty reduction have been implemented including the National Strategy for Growth and Reduction of Poverty (NSGRP II) which is the second national organizing framework for putting the focus on poverty reduction high on the country's development agenda (URT, 2005a).

In 2010 NSGRP II was launched to rally national efforts in accelerating poverty-reducing growth. It will also continue to put emphasis on mainstreaming cross cutting issues in sector strategies and Local Government Authorities (LGA) development plans. Micro-finance schemes seem to be convenient means of reducing income poverty in the country; this is based on the theory that the provision of small loans to the poor is an effective policy instrument in the fight against poverty (Wangwe, 2005).

2.3 Review of the Empirical Literature

2.3.1 Poverty in the Tanzanian Context

Commonly used definitions of the term poverty in Tanzania depends on the location and social group, but poor people are generally characterized by communities as those who can only afford to eat one square meal a day or who have few or no possessions, can't afford health services and are often sick (Susanne, 2007). With reference from a participatory poverty assessment conducted ten years ago the local perceptions of individuals who are 'poor' were people that brought forth sympathy in others. They were seen as someone hard-working that had to sell his or her labor and who loses whatever he or she does. Local perceptions of the 'very poor' were people who were forced to depend on others and this was generally seen as a negative trait. These individuals included those who were lazy and irresponsible, but also disabled persons. When ranked, the causes of poverty were primarily linked to the inability to farm productively, and next related to poor health, followed by social problems such as drunkenness (Narayan, 1997).

This information sheds light on the diverse views that surround the causes of poverty and the way poverty is understood as more than just material scarcity. When Tanzanians talk of poverty they generally use the Kiswahili term *umaskini*. The term pertains to the broader meaning of poverty as social deprivation. It implies a lack of ability to utilize resources or lack of social capability, which according to Sen (1997) is "the lack of ability to take part in the life of the community, to participate in social activities, to have a sense of belonging in larger groups." This may be due to lack of skills, having a disability or other circumstances. *Umaskini* also implies that

someone is unfortunate and thus deserves pity. When one wants to express sympathy for any type of misfortune that affects an individual the exclamation “*mas-kini!*” is often used (Narayan, 1997). A term less commonly used than “*umaskini*” is “*ufukara*”, which refers more specifically to lack of income, or lack of one’s basic needs being fulfilled (*ibid*).

Poverty is particularly widespread in the rural areas, but is not insignificant in urban areas. There are also important regional differences in the levels and specific dimensions of poverty (ADB, 2005). In 2001, it was found that, more than one third of the Tanzanian population could not satisfy their basic needs and nearly 18% could not afford to attain food requirement for a healthy living (URT, 2002). Income poverty (basic needs and food poverty) was more in rural areas containing 83.4% of the poor in 2007 (URT, 2010), and it is largely a rural phenomenon of all the poor. Micro-finance institutions like VICOBA are considered as a tool for poverty alleviation through improving access to finance and financial services to the rural poor (*ibid*).

2.3.2 Root Causes of Poverty in Tanzania

According to the Tanzania Human Development Report by UNDP (2014); major causes of poverty in Tanzania include; fiscal and monetary policies that do not support the leading economic sector of agriculture. The poor performance of Tanzania’s agricultural sector has put a significant number of people in rural areas in a poor economic situation. In addition, the country’s adoption of socialism and self reliance as her development agenda, corruption and misallocation and use of the

government revenue, resulting in a decline in living conditions for most Tanzanians (Malunda, 2005).

Structural adjustment program is another cause of poverty in Tanzania (Shah, 2004). In the mid-1980s, Tanzania embarked on an economic recovery programme under the International Monetary Fund (IMF) with the World Bank-sponsored Structural Adjustment Program (SAPs). It was widely believed that stabilizing the economy would result in growth and would ultimately lead to poverty reduction (Rweyemamu, 2009). But some elements of adjustments appear to contribute to livelihood sustainability, whilst others have negative effects. For example removal of subsidies and reduced expenditure may have a negative effect on the poor who may have to pay more for food and have access to fewer public services.

A good indicator for this was provided by the UNDP's Human Development Index (HDI). As an aggregate of life expectancy, education, and income indices, HDI measures the level of human development in a country, ranging from 0 for low human development to 1 for high human development. With a HDI score of 0.488; Tanzania falls into the bottom quartile of countries with the lowest level of human development. Ranking at 159 out of 187 countries, the UNDP's Global Human Development Report for 2014 has therefore classified Tanzania as a low human development country.

2.3.3 Poverty and VICOBA as a Counter Measures in Kishapu District

According to CARE report (2009), the Village Community Bank schemes have been recognized an alternative means of boosting productivity capacities of communities.

People get loans of low interest, which enhance to establish and strengthen other income generating activities. The loaners are able to invest in agriculture, livestock keeping, handcrafting and small business for example small shop.

2.3.4 Financial Sector Reforms and Formation of MFIs in Tanzania

According to Randhawa (2003); the government of Tanzania has since 1961 been implementing financial sector reforms aimed at putting in place a competitive, efficient and effective financial systems. Microned (2006) continues to say the principal elements of the financial sector reforms were liberalization of interest rates, the restructuring of state owned financial institutions, the establishment of private banks (both local and foreign owned), strengthening of the Bank of Tanzania role in regulating and supervising financial institutions and strengthening of Saving and Credit Cooperative Societies (SACCOS) as a grass root providers of financial services. The Tanzania 2000 National Microfinance policy was established in order to guide the establishment and operations of MFIs (URT, 2000). URT (2000) states it is clear that those social based MFIs such as SACCOS, NGO's and other service providers were free to develop Micro-Finance services on the basis of their own internal objectives; whether profit, poverty alleviation, self help and other motivation. The reforms mentioned above started with the enactment of the Banking and Financial Institution Act of 1991, which among other things, permitted the establishment of private sector-owned banks and provided for a structure for regulation and supervision of the financial sector (World Bank, 2003). The reforms brought about recognition of the need for autonomy of the central bank, not only in the formulation of a monetary policy, but in the regulation and supervision of the

financial sector as well (Satta, 2000). The financial sector is headed by the central Bank of Tanzania (BOT), and is responsible for the regulation and supervision of formal financial institutions, including community and cooperative banks (URT, 2000).

Randhawa and Gallardo (2013) explain that, World Bank; the overall regulatory framework affected the ability of Micro Finance Institutions (MFIs) to become more market- oriented and integrated with the formal financial system. They became licensed for financial intermediaries to move down market to provide financial services for the poor. The study identified global best practices which might be adapted to the local context, and incorporated in operational support programs to institutional providers of microfinance services such that they are better able to provide their clients expanded access to financial services.

The financial sector reforms set in motion a decade ago included liberalizing interest rates, eliminating administrative credit allocation, strengthening Bank of Tanzania's role in regulating and supervising financial institutions, restructuring state-owned financial institutions, and allowing entry of private banks into the market. Despite progress in the financial reforms, access by large segments of the rural and urban population to financial services has remained stunted (Randhawa, 2003).

The Government in collaboration with the donor community, acted to facilitate microfinance development initiating a microfinance policy formulation process in 1996 with a nation-wide demand study, and the drafting of a National Microfinance

Policy document (World Bank, 2003). The Policy was discussed at a stakeholder meeting in May 1999, and gained approval in February 2001. The Policy articulates the vision and strategy for the development of a sustainable microfinance industry as an integral part of the financial sector, specifying the respective roles of the key stakeholders.

World Bank (2014) asserts that; Tanzania had a tiered but relatively new and shallow financial sector, consisting of 20 licensed banks and 11 non-bank financial institutions, and a 17.5% degree of monetization. Most bank branches are concentrated in Dar es Salaam, and only a few have a countrywide network that could be linked to the provision of microfinance services. Three commercial banks have entered into microfinance. The limited-license regional and rural banks are the only banks with head offices located outside Dar es Salaam, but none of these have branch offices and thus have limited outreach to microfinance clients in spite of the lower minimum capitalization required for the banking tier.

Furthermore, World Bank (2014) continues to explain; the principal providers of microfinance services are Savings and Credit Cooperatives (SACCOs) and several foreign donor-assisted NGOs. They have preceded the establishment of a microfinance-specific regulatory framework, operating in spite of significant difficulties in several key areas of limited access to external funds and the lack of skilled manpower with banking and financial competence. The regulatory frameworks for Micro Finance Institutions (MFIs) and Cooperative Financial

Institutions (CFIs) are still in process of being enacted into pertinent laws and corresponding implementing regulations.

There is need for a clearly defined strategy on how to integrate SACCOs and NGOs into the emerging microfinance regulatory framework, and what policy environment, resource and capacity requirements will be required not only by the institutions but also by the regulatory bodies. The gap between requirements for and the supply of manpower with financial skills for banking and microfinance operations is becoming increasingly more apparent as a major constraint to development of sustainable microfinance. Capacity constraints are a major issue, not only for providers of banking and microfinance services, but also for the regulatory agencies (BOT and the Cooperatives regulator). It is also important to understand why, in spite of the lower minimum capital requirements for special-license community banks; none of the larger microfinance organizations have taken steps toward transformation to licensed status.

2.3.5 History of VICOBA in Tanzania

Social and Economic Development Initiative of Tanzania (SEDIT) is a non-governmental, non-political, non-religious organization registered in Tanzania 2002. The NGO defined its position in MKUKUTA since 2002. Since then, it adopted a tool called; Village Community Banks (VICOBA). Since then the acronym “VICOBA” for Village Community Bank was agreed by other development actors in September 2002. The development actors included; SEDIT, CARE and WCRP as

the major organizations that participated in formulating the VICOBA concept and its acronym (Kihongo, 2005).

The background of the acronym is a CARE international model developed in Niger, West Africa in 1991 (URT, 2009). The model is popularly known as “*Mata Masu Dubara*” (MMD) and is based on the Nigerian vernacular for women in a course to emancipate themselves from poverty. In Mozambique it is known as OPHIVELLA, in Uganda JENGA and Zanzibar JOSACA all of which are CARE international found acronyms with modifications suiting local demands. SEDIT (2010) emphasizes VICOBA is a grassroots based lending model, which focuses on fostering a participants’ ability to innovate and manage viable income generating activities. The adoption of VICOBA is based on its suitability and effectiveness in catalyzing developmental initiatives.

The VICOBA model starts at the bottom with collateral groups of five members getting together by forces of social economic discipline and acceptability to form a large group of 30 people. The groups formed are then registered and facilitated to make their own bank and training activities schedule. Intensive training lasting for up to sixteen weeks is conducted. Skills in inter and intrapersonal discipline in production, saving, spending and behavioral transformation is provided in a proper way (URT, 2009). Based in the mode of operation, the micro-finance policy and poverty, VICOBA Scheme has proved to be a very effective to the rural communities where it operates with very little cost and can easily be integrated to other development initiatives and give better results within a short period (*ibid*).

2.3.6 VICOBA Structure and Capacity

SEDIT (2010) describes the internal institutional structure of VICOBA comprising the groups of 30 members each made up of the chairperson, secretary, treasurer, money counters, key holders and discipline master. Jointly, they ensure groups' survival and attainment of the goal. They carry out the overall supervision of the group in view of the procedures guiding management of shares, loan management, and discipline. The chairpersons' responsibility is to ensure the group is continuously united and the supervision of the groups' bank is the responsibility of the secretary. Collecting shares, preserving the credit kits and overseeing the functions of the groups' bank account remains to be the responsibility of the treasurer and the money counters who on a regular basis count money after receiving contributions from different group members.

Moreover, the key holders are responsible for the safety of the keys of the credit kits and are supposed to open and close the kits during and after contribution exercise. The locked credit kit has three padlocks and three members are entrusted as key holders. The keys are entrusted to three people in order to avoid the risk of one person opening the box without the permission of the others (SEDIT, 2010). Lastly, the discipline master's role is to ensure the group members adhere to the rules of the groups.

In addition to the above officials, the group trainers provide overall guidance to the group, and, in collaboration with the chairperson, ensure group cohesion, which is important for the groups' survival. Group members are required to attend weekly

meetings as decided by the group. Moreover, every group has the cycle decided by the group of about 12-18 months. After a certain period funds accumulated are pooled together for few individuals to get loans equivalent to the total contribution made.

At the end of the circle dividends are shared among group members, this is usually after twelve or fourteen months and the whole process of saving and borrowing starts again (SEDI, 2010). It is therefore important to understand that, the group leadership team in VICOBA is democratically elected from among the group members and serves voluntarily; this makes the leaders win the members' trust, respect and commitment to obeying their instructions. Moreover, the money they pay back to the group remains own (group) members money.

2.3.7 VICOBA and Micro-Finance Institutions

The basic and fundamental difference between VICOBA and the other models of micro-finance is mainly around beneficiaries of the interest charged (returns on investment or capital booster) (Kihongo, 2005). For example, since conventional micro-finance institutions (MFIs) are commercially oriented charging too high interest rates (17-25%) for their credit, hence it's unaffordable by the poor.

VICOBA charges low interest rates (5-10%) and this is normally decided by the members (CARE, 2010). In the other models as in all profit motivated financial institutions the interest is derived from the borrower and flows to the lender to meet operation costs such as salaries, cost of utilities and also investment returns. In this view, it reduces the capacity of the micro-finance schemes to meet the social objective of poverty alleviation as it extracts resources from the poor which would

have otherwise been utilized to improve their welfare. Kihongo, (2005) emphasizes that, the VICOBA model as compared to other MFIs, recycles this investment returns to enable participants take bigger loans in the future.

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

2.3.8 Gender Equity in Relation to VICOBA

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

The observation that women are more connected with VICOBA may not be that surprising. According to ILO (2009), micro-finance organizations make it a priority to serve the particular needs of women, since a surprising 70% of all those living in

extreme poverty are female. According OI (2009) women are often excluded from education, the workplace, owning property and equal participation in politics and decision making. Therefore, micro-finance schemes provide an opportunity to improve their circumstances and the lives of their children. In addition, women have become the preferred clients of MFIs, as they tend to be better borrowers.

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

2.4.1 The Relevance of Functionalism Theory in this Study

Micro-finance is analyzed from two main theoretical perspectives, the financial system approach and the poverty lending approach (Robinson, 2001). The former concentrates on large scale outreach looking on who is able to pay back micro-loans and the later on poverty reduction through credit and often this provides

complementary service such as entrepreneurial skills training, teaching of literacy, nutrition or food security and health services (Chipindi, 2014).

The advocates of micro-finance model have underlying assumptions that if loans are paid in time then this automatically translates to success of the project meaning that recipients targeted must be improving their lives; lifting themselves out of poverty (Wrenn, 2005). From the above observation this study adopted the poverty lending approach, on which clients are provided with loans and complementary service such as entrepreneurial skills to act as a tool to lift the poor from poverty (Carney, 1998).

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

2.5 Theoretical Review

Understanding the potential impact of financial services for households and economies, policy makers, practitioners, and funders have shifted their focus from

classic microfinance, the provision of financial services to the poor by specialized service providers, to financial inclusion, a state where both individuals and businesses have opportunities to access and the ability to use a diverse range of appropriate financial services that are responsibly and sustainably provided by formal financial institutions ((Karpowicz, 2014). This move reflects a growing recognition that microfinance is just one entry point among many for example, government-to-people payment schemes, small and medium enterprise finance achieving universal financial inclusion and its associated social and economic development goals (Burjorjee & Scola, 2015).

Burjorjee (2015); financial inclusion has three areas; access, use and quality. Access means physical proximity, affordability, and convenience. Use means financial capability and actual use, regularity, frequency and length of time used. Quality means adapted to clients needs, provided responsibility and sustainability.

The researcher will know at what level microfinance for example Village Community Bank (VICOBA) systems have an impact on the social and economic situation of the poor in research area. Moreover, understanding the microfinance institutions are sustainable in the long term and is there a trade-off between sustainability and outreach (Khumalo (2011).

2.6 Conceptual Framework

A conceptual framework is an analytical tool with several variations and contexts. It is used to make conceptual distinctions and organize ideas. Strong conceptual

frameworks capture something real and do this in a way that is easy to remember and apply (Robson, 2011).

The conceptual framework for this study is based on the assumption that VICOBA activities are influenced by several factors. The study assumed that factors like advertisement/promotion, political influences, entrepreneurial training, microfinance policies, influenced VICOBA procedures (saving, provision of loan, VICOBA training, loan repayment) directly, while availability of individual income has got an indirect relationship with VICOBA procedures.

The framework shows a set of independent variables with a direct relationship with VICOBA procedures. In this study age, sex, education level, awareness, cultural beliefs are independent variables. The dependent variable is poverty alleviation, for which the current study sees as an increase of individuals/households income.

Background	Independent variable	Dependent variable
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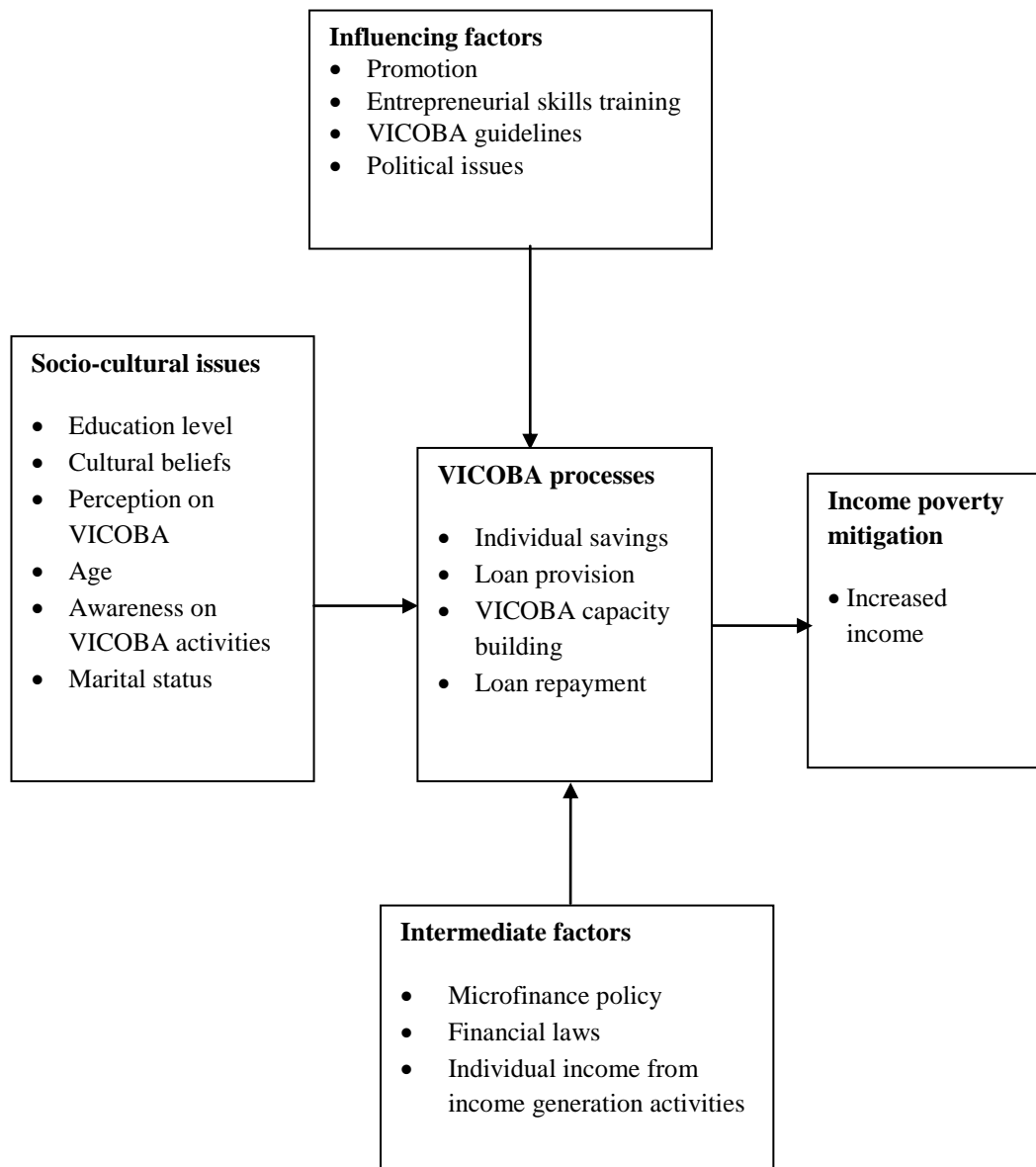


Figure 2.1: Conceptual Framework

Source: Ngalemwa, (2013)

2.7 Research Gap

A research gap is defined as a topic or area for which missing or insufficient information that limits the ability to reach a conclusion for a question (Stuart, 2002).

The study collected information relevant to contribution of the Village Community Bank (VICOBA) to the household welfare in Kishapu district. There was no research published to identify VICOBA contribution to household welfare in Kishapu

District. Therefore, the study provides an opportunity for different development stakeholders such as Government, Non Government Organization and community to realize how they can influence community to improve household welfare.

2.8 Summary

The chapter conceptualizes some of the key concepts of the study namely micro-finance and poverty. The chapter reviews some literature on micro-finance worldwide, financial sector reforms and formation of MFIs in Tanzania. The chapter also reviews the history and development of VICOBA in Tanzania and relationship between micro-finance scheme (including VICOBA) and poverty alleviation. The chapter concludes that, presence of micro-finance schemes have proved to be very effective to rural communities especially women. A general observation on VICOBA is that, it is a grass root based lending model intend to improving and managing viable IGAs.

In Tanzania VICOBA faces various constraints, these include; minimum coverage, low income and low number of participants. These observations indicate that, something needs to be done urgently to improve and increase the number of Tanzanians to be served by VICOBA in order to alleviate poverty.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers research design and methodology of the study. It entails area of study, research design, and target population, sampling procedures, research instruments, data collection and data analysis procedures. This section also ratifies the research instrument reliability and validity including ethics of the study.

3.2 Area of Study

The study was conducted in Kishapu District, specifically in Negezi division where two wards of Mwamashele and Ngofila were selected. The Selected wards are located at a distance of 65 kilometers from Shinyanga Municipality and 40 kilometers from Kishapu District headquarter (Kishapu District Profile, 2013). This study area was selected because many people from the chosen wards are engaged in VICOBA as their main financial system that help them reduce income poverty.

VICOBA activities in the selected area have been supported by the Non-Government organizations such as TCRS and CARE in collaboration with district council (Kishapu District Development Report, 2014). Therefore, this study aimed to assess the contribution of VICOBA on the household welfare in Kishapu District.

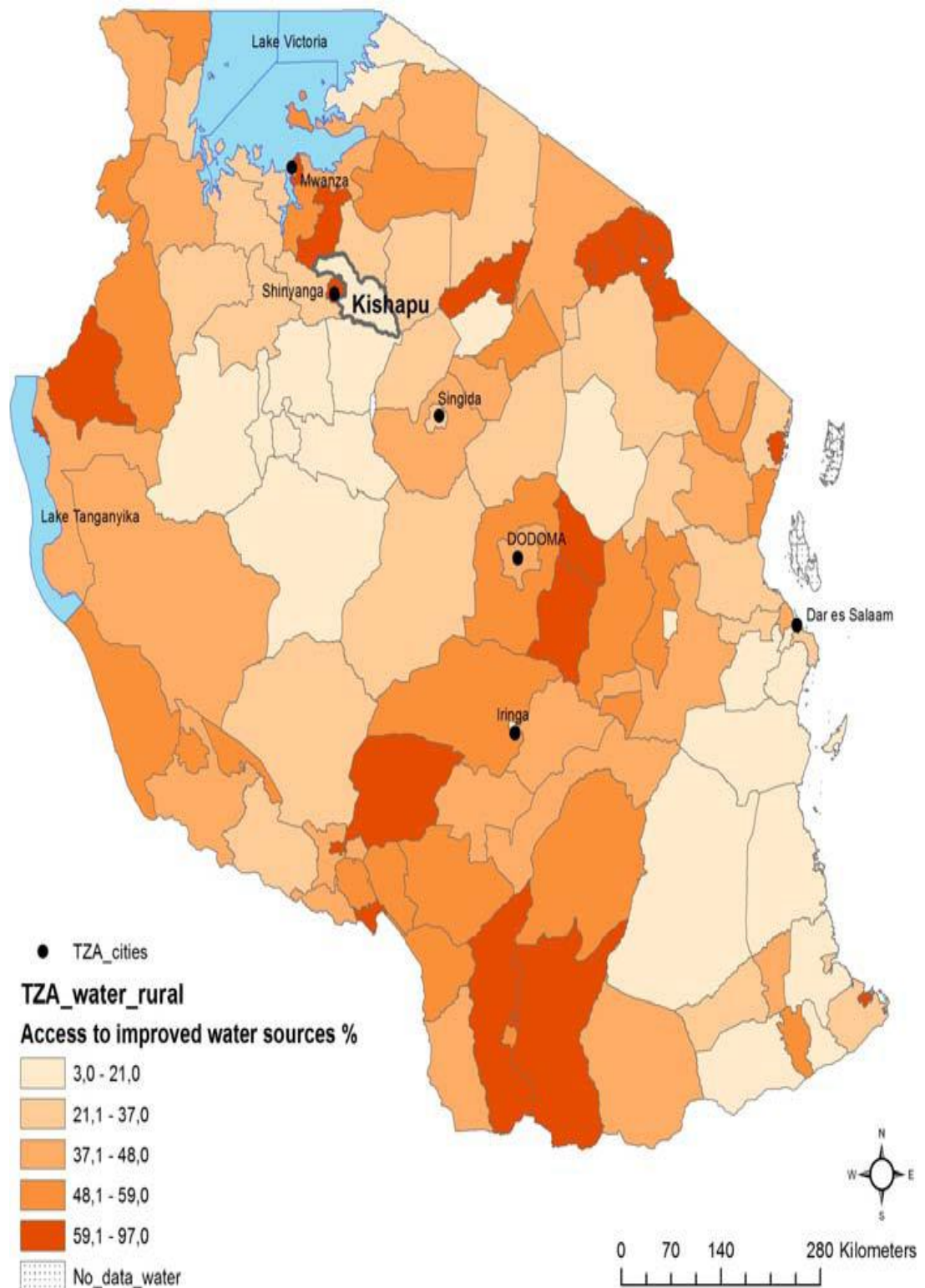


Figure 3.1: Map of Tanzania showing Location of Kishapu District

Source: Kishapu District Profile (2013)

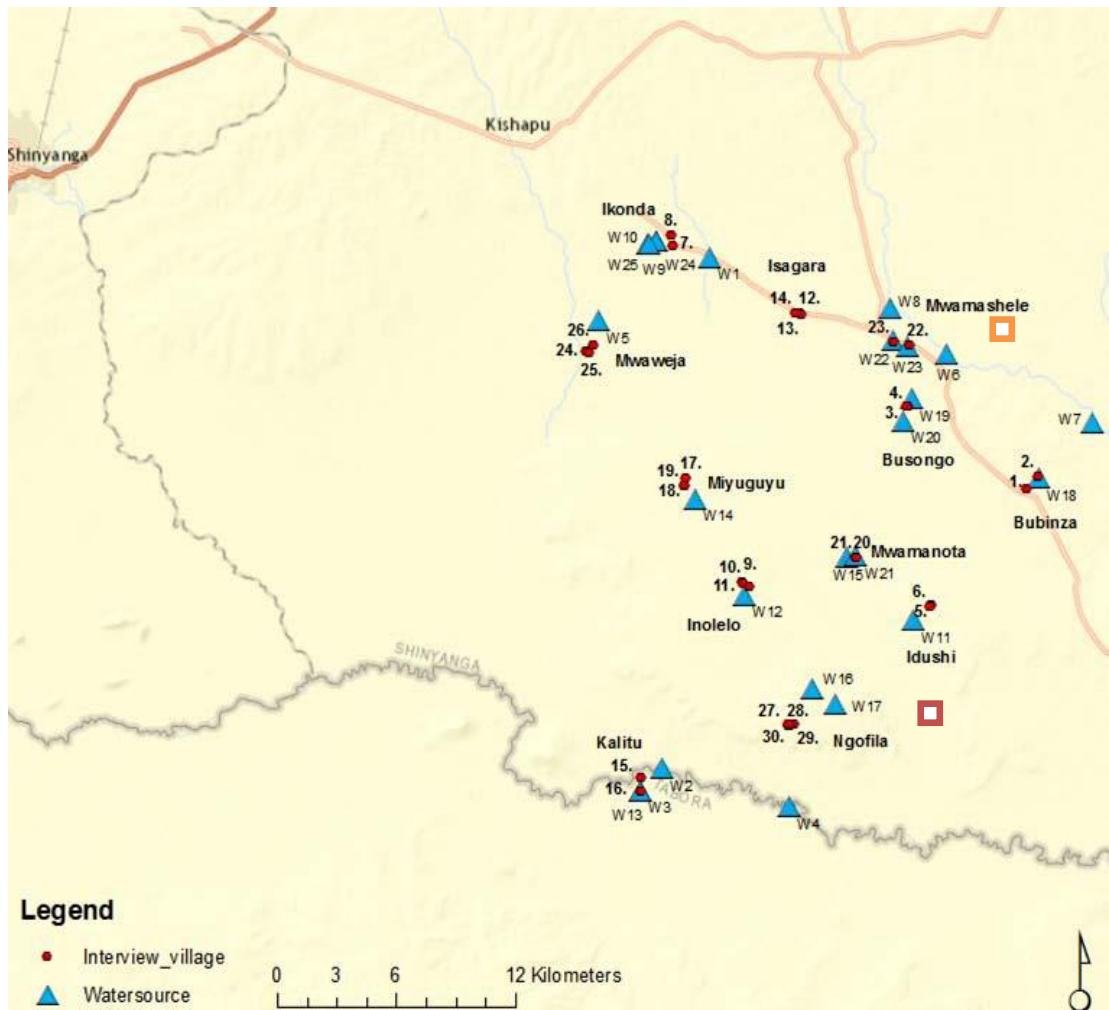


Figure 3.2: Sketch Map showing Study Wards

Source: Hyövälti Thesis (2003)

Key:

□ Study wards

3.3 Research Design

Research design can be said to be an arrangement of conditions for the collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure (Rwegoshora, 2006). The study used a cross-sectional design, where data was collected at a single point in time. The data collected from

the individuals aim to answer research questions of the study. Cross-sectional was employed because the information that was to be gathered has to determine what is going on in the study are regarding VICOBA.

According to Chris Olsen (2001), cross-sectional design was used to examine one variable in different groups that are similar in all other characteristics. Cross-sectional design involves using different groups of people who differ in the variable of interest but share other characteristics, such as socioeconomic status, educational background, and ethnicity. Cross sectional design takes the form of both questionnaire and qualitative survey, with participants selected using random sampling processes (Matthews and Ross, 2010). This design was preferred as in addition to its simplicity as it allows determination of relationship between variables (Kothari, 2010). The design further considered favorable in situations of limited resources and time.

3.4 Target Population

Bless et al., (2007) refer population as a set of element that the research focuses upon and to which the results obtained by testing the samples should be generalized. The population of this study included VICOBA members and non-VICOBA members found in the selected wards of Mwamashele and Ngofila. A population is generally a large collection of individuals or objects that is the focus of a scientific query (sampling technique (<http://explorable.com/s>)).

However, due to the large sizes of populations, the researcher often cannot test every individual in the population because it is too expensive and time-consuming. A

research population is also known as a well-defined collection of individuals or objects known to have similar characteristics. All individuals or objects within a certain population usually have a common, binding characteristic or trait. Usually, the description of the population and the common binding characteristic of its members are the same.

3.5 Sample Size

Sample size refer to the number of items to be selected from the universe to constitute sample (Kothari, 2004). Technically the size of the sample depends on the type of research design being used, desire level of confidence in the result the amount of accuracy wanted and the characteristics of the population of interest. Thus, it is important to note that there is no single best way that be used to determine sample size (Singh, 2006).

The sample size for the study comprised 75 members of VICOBA (5 % of group members) and 25 non-VICOBA members (1% of non group members) within the study area and 6 key informants. Therefore, the study involved a total of 106 respondents. The choice of this sample size aims at ensuring that sufficient numbers of respondents are included for meaningful analysis.

A combination of purposive sampling (non-probability) and simple random sampling (probability) employed to select respondents. The selection was purposive because only those wards implementing VICOBA in selected division picked for the next stage of sampling (Kishapu district report 2014). By using the identified criteria village leader (Village Executive Officer) from each village with the help of group

chairpersons from each group, at least 5 respondents were randomly selected from 15VICOBA group to make a total of 75 respondents. In addition, 25 non-VICOBA members were randomly selected from the two wards.

The quantitative approach was used to pick respondents in the mentioned villages. This was achieved in collaboration with Village Executive Officer within the study area. The selection was gender sensitive to maintain equal representation of female and male. The gender sensitive will help the researcher to raise awareness of gender equality concerns (Sharma, 2014).

Six (6) key informants were purposively interviewed basing on the position they held in relation to the proposed study, these were, the District Community Development Officer (DCDO), the District Cooperative Officer (DCO), two Ward Executive Officers (WEOs) of the selected wards. Additionally, the two Field Officers from TCRS (an NGO supporting the VICOBA) were involved.

3.6 Sampling Procedures

Sampling procedure is a process or technique of choosing a sub-group from a population to participate in the study; it is the process of selecting a number of individuals for a study in such a way that the individuals selected represent the large group from which they were selected (Ogula, 2005). They include probability and non probability sampling.

3.6.1 Sample

A sample is a part of population, which is studied in order to make conclusion about the whole population. Actually during research execution, sample is obtained from

the target population and sampling frame. The target population is one, which includes all units for which the information is required.

For the target population to be operational, a sampling frame has to be prepared. Sampling frame is the set of all cases from which the sample is actually selected. It should be noted that a sampling frame is not a sample; rather it is the operational definition of the population that provides the basis for sampling (Rwegoshara, 2006).

3.6.2 Sampling Design

Kumar (2014) explains that the main aim of qualitative enquiries is to explore diversity; sample size and sampling strategy do not play a significant role in the selection of a sample. Sampling method refers to the rules and procedures by which some elements of the population are included in the sample. Some common sampling methods are simple random sampling. If selected carefully, diversity can be extensively and accurately described because of information obtained even from one individual.

All non-probability sampling designs, purposive, judgmental, expert and accidental can be used in qualitative research, with two differences: in quantitative studies, you collect information from a predetermined number of people. Nevertheless, in qualitative research, you do not have sample size in mind; instead you collect data until you have reached the saturation point. Therefore, this study focused sample size that could provide the needed information for the study regarding VICOBA in Kishapu District.

3.6.2.1 Simple Random Sampling

This Method used to select 2 wards out to 6 wards where VICOBA groups exist. Method involved listing the names of respective ward on a piece of paper, mixed in a box, pick one-piece paper at a time to select 2 wards. This method avoided bias and gave all wards an equal chance to be included in a sample.

3.6.2.2 Systematic Sampling Method

It was applied to choose sample elements of 100 respondents who interviewed from two wards of Mwamashele and Ngofila where 50 people from each ward interviewed.

3.6.2.3 Purposive Sampling

Non-probability sampling technique in which a researcher selected participants considered as being typical of the wider population and who would give special information. 6 respondents obtained by this technique included District Cooperative Officer, District Community Development Officer, 2 Ward Executive Officers and 2 Officers of the Non-Government Organization operating in research wards.

3.7 Data Sources

The study obtained its data from two major sources of data namely primary and secondary sources.

3.7.1 Primary Data

Primary data is information gathered directly from respondents through questionnaire, interview guide, focused group discussions, observation and experimental studies, (Kombo and Tromp, 2006).

3.7.2 Secondary Data

Secondary data are not data collected directly by the user nor specifically for the user, analysis of published material or information from internal sources that can be documented or electronically stored information, they often referred to as desk research, (Kombo and Tromp, 2006).

3.8 Research Instruments

To achieve the study's general and specific objectives both primary and secondary data were gathered. Primary data refers to actual raw data that is collected by the researcher from subjects, objects or other units of measurement (Mugenda and Mugenda, 2012). Secondary data are not data collected directly by the user nor specifically for the user, analysis of published material or information from internal sources that can be documented or electronically stored information, they often referred to as desk research, (Kombo and Tromp, 2006).

3.8.1 Interview Method

The purpose of the interview method was to explore the views, experiences, beliefs and/or motivations of individuals regarding how Village Community Bank (VICOBA) has impacted their lives. It aimed to find out in deep understanding of qualitative benefits rather than quantitative benefits. Interview was, therefore, most appropriate where little was already known about VICOBA and the detailed insights was required from individual participants.

3.8.2 Questionnaire

Is a formatted set of questions drawn up to meet the objectives of the study (Gina, 2014)? That, they are also, economical on the grounds that, they can supply a

considerable amount of research data at a relatively low cost in terms of materials, time and money. They can also be used to collect data from diverse and large of people within a short period. The questionnaire was categorized into three; 22 questionnaires for VICOBA group members, 20 questionnaires for non-VICOBA group members and 12 questionnaires for key informants. The questionnaires were designed to align specific objectives of the study. To make questionnaires clearer and applicable; were translated into Kiswahili to efficient use in the field.

3.8.3 Documentary Sources

The researcher was able to read different publications such as District council reports, Non-Government Organization's report, village councils meeting minutes and VICOBA groups' meeting minutes which contain record and evidence about VICOBA.

3.8.4 Observation

Observational research is a social research technique that involves the direct observation of phenomena in their natural setting (Hays, 2000). According to Barbara Kawulich (2005); observation research can be defined as the systematic process of recording the behavioral patterns of people, objects and occurrences without questioning or communicating with them. During the study, the issues observed by the researcher include; behavior and physical actions, verbal behavior, expressive behavior, spatial relations and locations, temporal patterns, physical objects and verbal or pictorial records. Observation was employed during group discussions and interview with aid of the annexed checklist designed by the researcher.

3.8.5 Focus Group Discussion

Group discussion provides a platform for a group of people to share their perceptions, opinions, beliefs, and attitudes towards a condition that affect their lives (Green, 2000). This study adopted this method because of its flexibility to find out unexpected issues as they arise in the discussion. Also, the results of this method have high strength because the method is widely understood and the findings are realistic. Furthermore, focus groups are cheap, provide quick results and the sample size can be increased by allowing more people to be interviewed at the same time (Morgan, 1997).

Focus group discussion was held with VICOBA group members and non-VICOBA group members where by the respondents split into 13 small groups having 5 to 8 people. The discussion was held in small groups so that to maintain communication and create environment whereby everyone in the group participates fully. However, the VICOBA group members were not mixed with non-VICOBA members so as to create freedom during discussion.

3.8 Data Processing and Analysis

Data processing refers to the computation of various percentages coefficients, by applying various well-defined statistical formulas (Kothari 1997). Data analysis; Ahuja (2001) describes analysis as the ordering of data into constituent part in order to obtain answers to research questions. Guba and Lincoln (1994) described data analysis as being a systematic process involving working with data, organizing them and dividing them into small Manageable parts. Quantitative data was collected using questionnaires and analyzed through the use of a computer program known as

Statistical Package for Social Sciences (SPSS) version 20. Content analysis was used to analyze the information from key informants and the FGDs. Content analysis is a technique widely used in qualitative research to understand and interpret the content and internal feature of a written text (Abede and Kapenga, 2001; Mugenda and Mugenda, 2012). The main objective of content analysis was to determine the presence and meaning of certain themes, words, concepts, phrases, character and to quantify this presence in an objective manner.

The components of semi structured interviews from the key informants and FGDs was broken down into small meaningful units of information. This enabled the researcher to ascertain values and attitude of respondents. Descriptive statistics (frequencies, percentages and means) was determined by using SPSS and results were summarized in tables (Mathers *et al.*, 2007). To test the suggestion a paired t-test was used to compare from what is expected and what was observed from empirical study. A multiple regression was run to determine the effectiveness of VICOBA activities in income poverty alleviation.

3.9 Instrument Reliability and Validity

3.9.1 Validity

Validity refers to how well a test measures what it is supposed to measure (Phelan, 2005-6). To ensure validity of data instrument developed under close guidance of the supervision, pre tested of the questions with District Departments of Cooperative and Community Development and ward leaders. It was very important to identify unclear questions in the instruments and be able to re-align to the objective.

3.9.2 Reliability

Reliability is the degree to which an assessment tool produces stable and consistent results (Wren, 2005). The reliability was guaranteed by carrying out a pre –test of the questionnaire in a pilot study with participants from targeted population their comments were incorporated in the final version. Reliability refers to the repeatability of findings. If the study were to be done a second time, would it yield the same results?

3.10 Ethical Consideration

Conducting research that is ethical requires a commitment that lasts not only through the life of the research project but also afterwards, at the dissemination stage and even beyond. Clearance was obtained from Open University of Tanzania Ethical Board before commencement of the study. Thereafter, the Kishapu District Council Authorities granted its permission of undertaking this study. Informed consents obtained from all respondents before the interviews in which none of the respondents refused to participate in focus group discussion. Strict confidentiality was granted to respondents and participants had liberty to withdraw at any stage.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents research findings and discussions on the contribution of VICOBA to the household welfare in Kishapu District. This research was guided by a cross-sectional design that provided precise and valid information of the collected data. Furthermore, this study used the following tools that helped to generate the findings. The tools include questionnaires, focus group discussions and key informant interviews. This chapter therefore addresses the three key research questions as discussed in chapter one. The research findings of the research questions and the discussions are presented here below.

4.2 Respondent's Demographic Information

This part shall cover the distribution of respondents according to their personal characteristics of sex, age, marital status, education level and occupation. The demographic variables are a primary basis for demographic classification in vital statistics, censuses and surveys (URT, 2005b).

4.2.1 Sex Distribution among Respondents

The findings of this study as shown in Figure 4.1 reveal (52%) of the respondents were women and (48%) were men who are members of the VICOBA. These findings concur with Kihongo (2005) who observes that, most men do not want to join VICOBA, because it takes a long time to acquire loans, the loans provided are not enough for business capital and others argue that, VICOBA is woman based project.

Kihongo(2005) further points that, men argue that, women are more patient with the entire requirements including the time they need to wait to access the loan. Such patience is not very common among men.

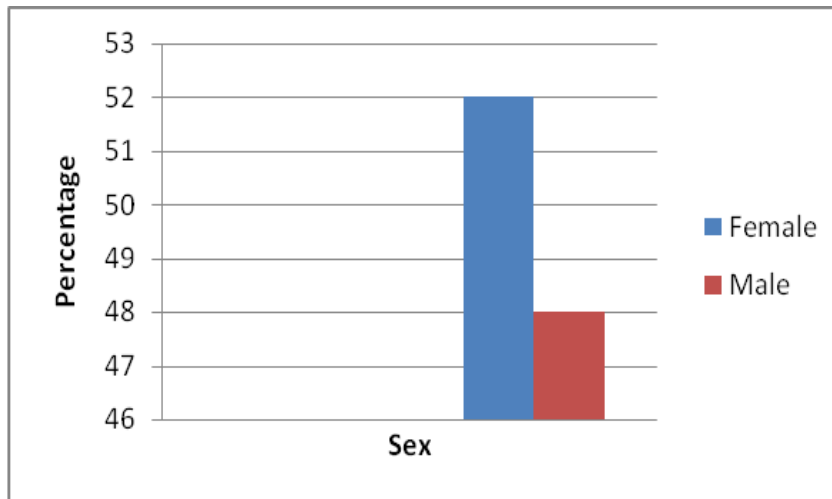


Figure 4.1: Sex Distribution among Respondents

Source: Research data (2016)

4.2.2 Age Distribution among Respondents

Age structure of a population is a reflection of population dynamics in the past. Age affects the future growth of the population and its structure changes in the future (URT, 2006). Findings from this study shown in Figure 4.2 indicate that, (43%) of the respondents were born between 1979 and 1988; the mean age was 33 years, while only (7 %) were born before 1958. This shows that, all respondents were above the age of 18 years and they were capable of responding to questions accurately.

On the other hand, the findings may also denote that, (43%) of the respondents age group are in the very active productive age that requires them to acquire capital to assist them to reduce income poverty in the households (Nanai, 1993).

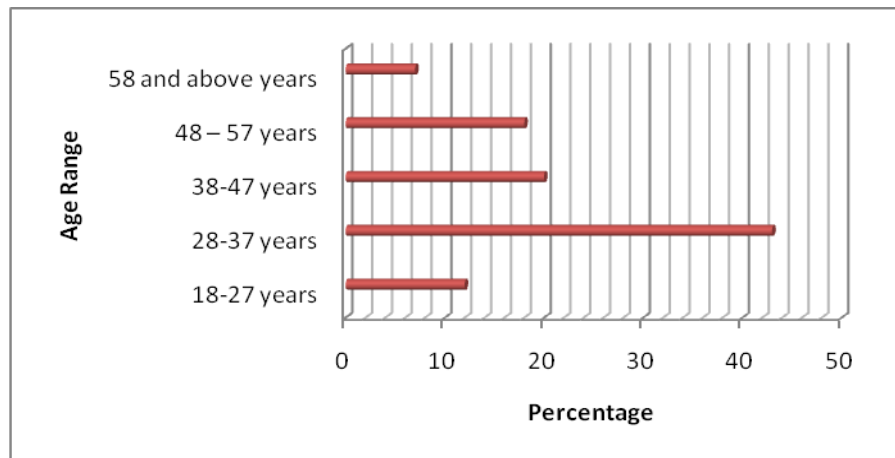


Figure 4.2: Age Distribution among Respondents

Source: Research Data (2016)

4.2.3 Marital Status among Respondents

The findings of this study (Figure 4.3) indicate that, the respondents differed with regards to their marital status, whereby just over a third (68%) of respondents were married, (12%) were single, (7%) were divorced, (10%) were separated and (3%) widowed. These findings are supported by the arguments of different scholars who assert that, marriage is a factor that is closely related to poverty or welfare of households (Maselle, 2009). Furthermore, Katunzi (1999) reports that, marriage patterns play an important role in shaping social organizations as they associate with many socio-economic, cultural and demographic variables. Phillip and Abdillahi (2003) on the other hand observe that, married couples show a high level of participation in community development activities probably due to cooperation amongst them in the marriage institution and in the society. The findings of this study (Figure 4.3) therefore suggest that, the higher proportion of the married couples within VICOBA members shows the responsibilities present in their families therefore, the need to join VICOBA in order to overcome life challenges especially income poverty in the family.

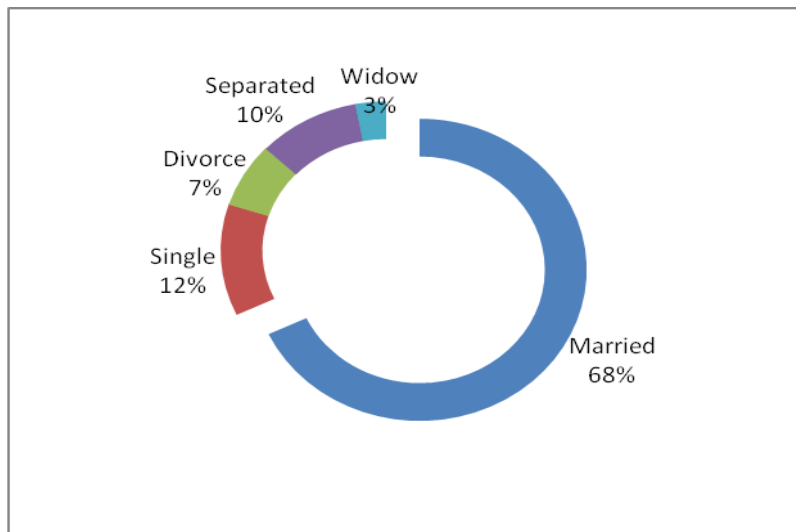


Figure 4.3: Marital Status among Respondents

Source: Research data (2016)

4.2.4 Education among Respondents

Education is regarded as a key to better opportunities for employment, accessibility to information, services and independent and correct actions with regard to survival and development (Nkurunzinza, 2006). Furthermore, education tends to stimulate self-confidence and self reliance. Moreover, education is important in adapting to business skills and strategies, which will lead to improve household prospects. This is precisely because education normally has a significant influence on a household's income strategies, land management and labor use (Nkonya *et al.*, 2004).

Figure 4.4 summarizes findings of respondents' education level where over a half of the respondents (61%) had primary school education. About (15%) of respondents had no formal education, only (18%) had Secondary school education and only (6%) attended college. These findings suggest that, the majority of the respondents in the study area had modest level of education that is primary education; nonetheless this can enable them to adopt extension services packages, which could enable them to

adopt innovations. These findings are further supported by Handley *et al.*, (2009) who emphasize education is an important parameter in relation to human capital which can be used to reduce inequality and poverty and also for laying the foundations for sustained economic growth, effective institutions and sound governance. On the other hand, Owen *et al.*, (2005) state being knowledgeable of something increases the ability to control ones livelihood.

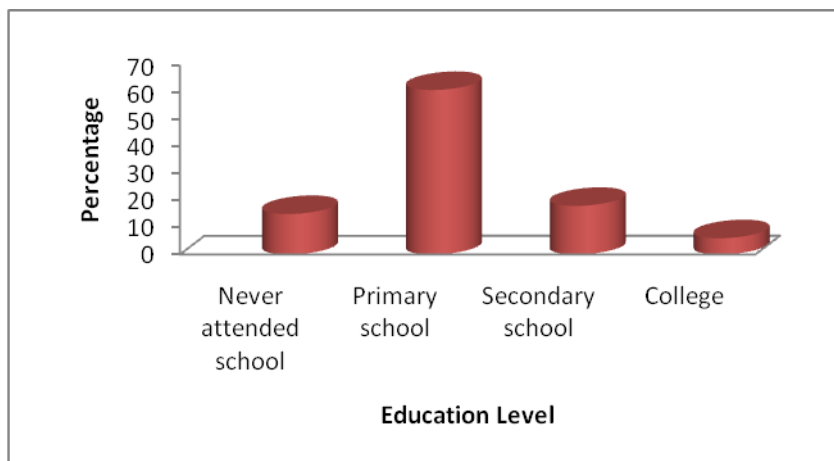


Figure 4.4: Education among Respondents

Source: Research Data (2016)

4.2.5 Occupation among Respondents

Occupation is major determinant of the welfare of the group members. VICOBA members should have an activity where the loan received could be invested. Investment is very important to enhance the loaner to repay the loan with low interest. Figure 4.5 indicates the occupation of respondents whereby almost a half of respondents (43%) are farmers, 28% are livestock keepers, small business (13%), civil servants is (5%) and others such as transportation and laborers (5%). These findings reveal the scheme emphasizes on capacity building of its members in order to improve performance of their activities. Normally, before the onset of the

VICOBA business operations, members attend capacity building training courses on basic savings & credit skills and business Selection. Additionally, proportional sharing of revenue generated from loan interests and other group activities encourages further investment among the individual members into long-term activities into long term activities (Wrenn, 2005).

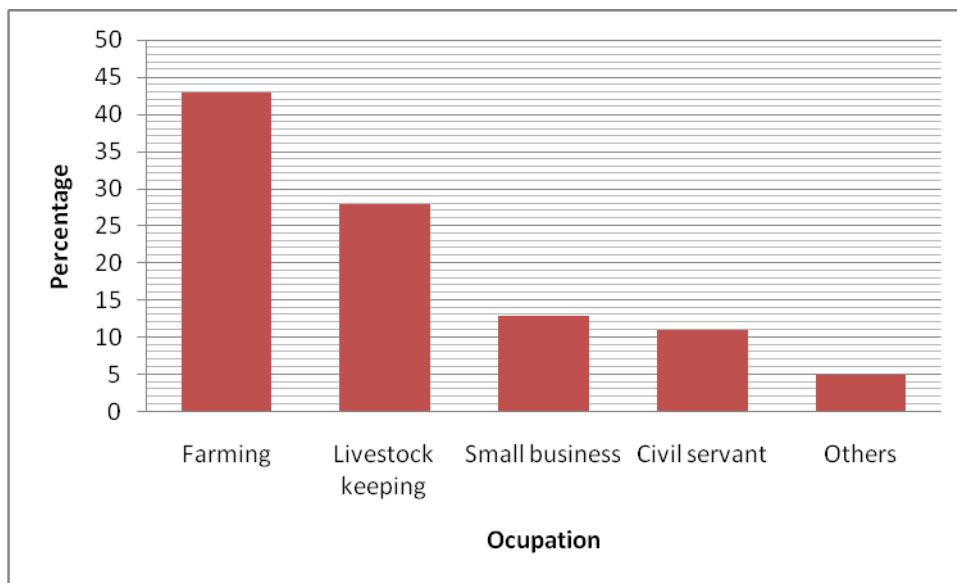


Figure 4.5: Occupation among Respondents

Source: Research Data (2016)

4.3 The Benefit of VICOBA to Household Members

This question intended to assess the benefits that household members accrue from VICOBA. The respondents were asked to state the benefits the households get by being involved into VICOBA activities. The findings from the field as shown in Figure 4.6 indicate; (16%) respondents said they benefited meeting education cost for their children, (23%) improved their houses (shelter), (11%) medical expenses, (7%) increases agricultural production, (7%) social interaction improvement, (15%) increased household assets and (21%) obviously being non-VICOBA group members said they do not know the VICOBA benefits.

Herinely Chipindula (2015) in the research conducted in Mtwara Region, the findings showed that VICOBA led to social empowerment of group members by increasing their self-esteem through increased respect, building a sense of social-worth and enabling them and their families to overcome disgrace.

Furthermore, it led to the increase in self-efficacy through allowing acquisition of resources, changing roles, increased confidence, improved communication between couples, building a sense of community, transforming gender relations and increased ability to solve marital problems. Results substantiate a need to formalize and harmonize the existing VICOBA models so that people can discover their potentials and use them effectively to overcome different social problem. The findings of the study relate with theory of the functionalist theory which argues that every piece of society is interdependent and contributes to the functioning of society as a whole unit (Crossman, 2016). If the functionalist theory is correct and everyone understands how each segment functions within the unit of society, then it breeds stability, prosperity, order and productivity. According to the findings, in Kishapu District VICOBA members have fulfilled their roles and responsibilities at family where they fulfill family necessities.

During Focus Group Discussion, some VICOBA members testified the benefit they get from VICOBA schemes. For example; one woman from Kasi Mpya Group in Ngofila village said;

“....I have benefited a lot being a member of VICOBA. I get loans of affordable interest and invest in small business. The small business has enhanced me to renovate my house. My family is protected from disturbance by rainfall and

sunshine. Thanks VICOPA, I advice other community members to join into VICOPA so that they can improve their wellbeing.....”

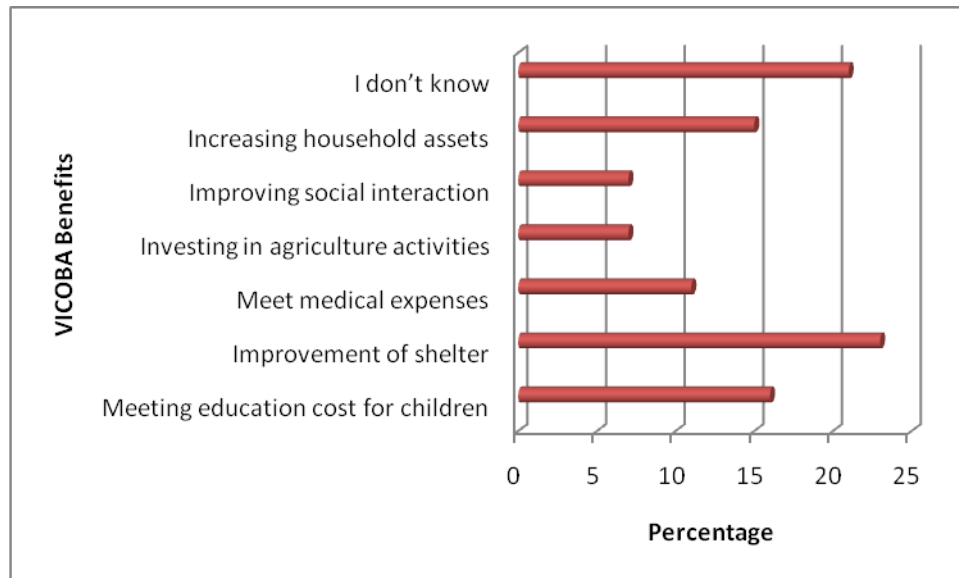


Figure 4.6: The Benefit of VICOPA to Household Members

Source: Research data (2016)

Another women from Kalitu village testified saying that:

“.....I have gained confidence from trainings and meetings which are conducted within group. Additionally, I have afforded to send my son and girl to secondary school and fulfilled school requirements such as buying uniforms, books and transport for them to and from school as they school in day school. This is a result of investing in agriculture where I cultivated cotton and sunflower. She added; “.....I am happy, I was able to repay the loan in time and remained with my own capital...”

4.4 The Contribution of VICOPA to Income Poverty Alleviation

Findings from this study show that VICOPA members have been influenced to join VICOPA due to their need to get out of poverty (Figure 4.7). The intention of this

question was to find out the way VICOBA can alleviate income poverty. The respondents had different answers although they were more or less similar focusing to minimize income poverty. The findings from this study show that, (28%) of respondents joined VICOBA expecting to receive low interest rates loans.

Other respondents (22%) explained that VICOBA alleviates poverty by creating entrepreneurship opportunities. A similar (10 %) of respondents said joining into VICOBA builds bonds within groups and improve fund management at household levels. Other (11%) of respondents explained VICOBA minimizes the burden of loosing family resources by mortgage and the remaining (19%) of the respondents said they don't know how VICOBA alleviates income poverty since they are non VICOBA members.

According to Chipindula and Mwanga(2015), through provision of soft loans, VICOBA provides financial capacity to its members and as a result when used properly enable them to have an access to capital for investment, owning assets and house facilities. Ahlen (2012) argued that loans acquired by VICOBA members were not only taken to make big investments, but were also important for members to be able to plan, control and diversify their economy, and be less dependent on harvesting times.

The study revealed that VICOBA capacitated its members not only to access financial resources but also to acquire other assets for life transformation. It was argued by both VICOBA and Non-VICOBA members that several economic changes occurred to VICOBA members. Several changes associated with VICOBA

included being able to build and repair houses, opening up new businesses and expanding the existed one, buying home utensils, paying school fees, and buying iron sheets (Research data, 2016).

One VICOBA member from Manonga group in Kalitu village testified that:

“.....VICOBA has enhanced most of group members including me to get loans of low interest. After joining into VICOBA, I received loan of Tzs. 200,000/= which enhanced me to invest in livestock where I purchased 4 goats and took them into market selling them at Tzs. 240,000/= which means one goat was bought Tzs 50,000/= and sold at 60,000/=” He added, *“...I normally do this business once a week. It enhances me to pay loan and remaining with cash capital for maintain small business....”*

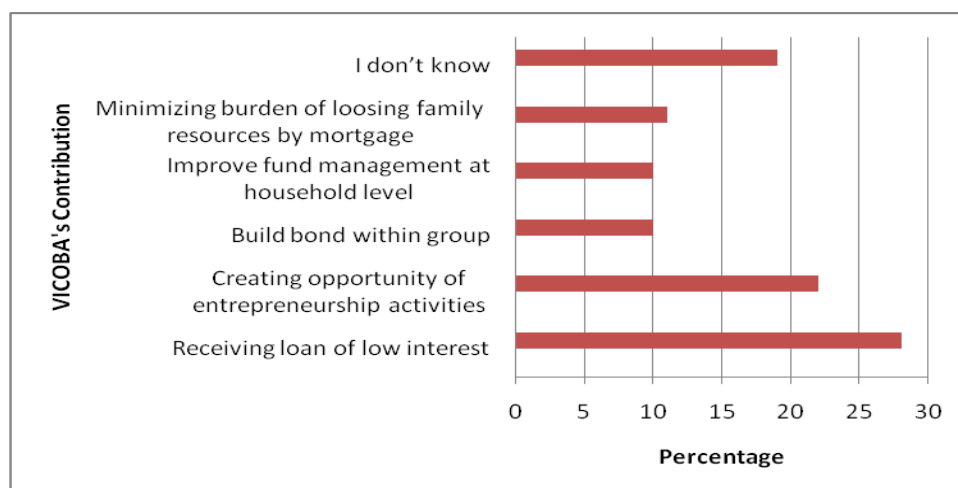


Figure 4.7: The Contribution of VICOBA to Income Poverty Alleviation

Source: Research Data (2016)

4.5 Challenges Faced by VICOBA Groups

The researcher was aware that VICOBA face many challenges and it was the researcher's intention to understand such challenges. A number of challenges facing

VICOBA have been highlighted by different scholars including; poor infrastructure, low education and cultural practices (Mkombe, 2005; Nyamsogoro, 2010; Begasha, 2012). This study found a similar state of affair facing VICOBA group members as indicated in Figure 4.8.

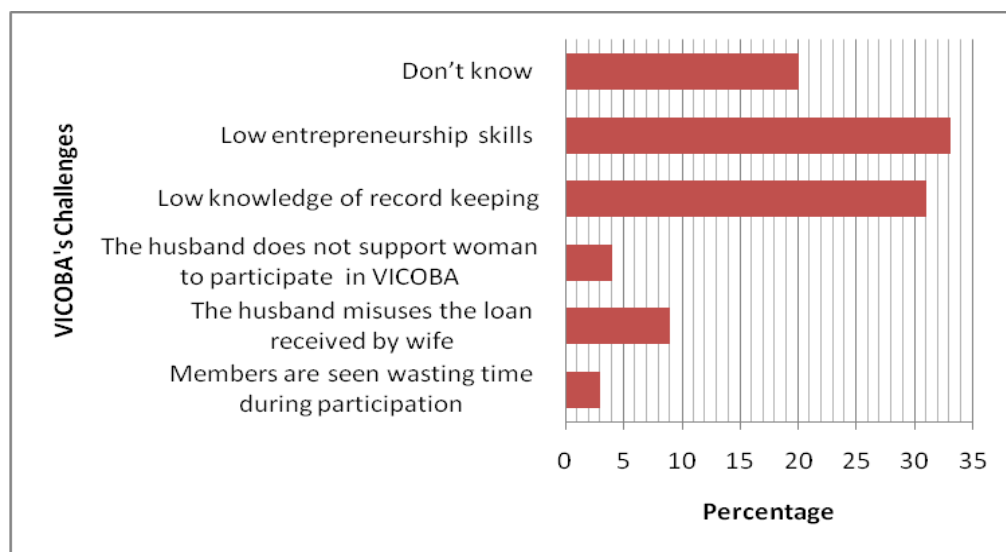


Figure 4.8: Challenges Faced by VICOBA Groups

Source: Research Data (2016)

The findings of this study (Figure 4.8) observed that most of the challenges facing performance of VICOBA are both business and socially related. Business oriented challenges included entrepreneurship skills (33%) and recording keeping (31%). The social challenges included; group members being wasting time (3%), husbands do not support their wives enroll in VICOBA activities (4%) and 9% husbands misuse loans received by their wives. The non VICOBA members (20%) interviewed were not aware of the challenges faced by VICOBA members. Information from non-VICOBA members and key informants revealed some of the reasons for VICOBA's poor performance is due to low capital and entrepreneurship skills.

4.6 Sustainability of the VICOBA

This study wanted to gather information with regards to the opinions of the respondents towards the sustainability of VICOBA activities in their local areas. The findings of this study (Figure 4.9) captured the following views which when taken into account shall ensure the sustainability of VICOBA. The views indicate that, (31%) of respondents believe more training on VICOBA management is crucial. Other respondents (24%) need more materials and financial supports, similar respondents (24%) also believe awareness should be created to men so that they support women in VICOBA activities. The other (6%) need legal aid for VICOBA activities as registration and the remaining (15%) are not aware the way VICOBA can be sustainable as they were non-VICOBA members.

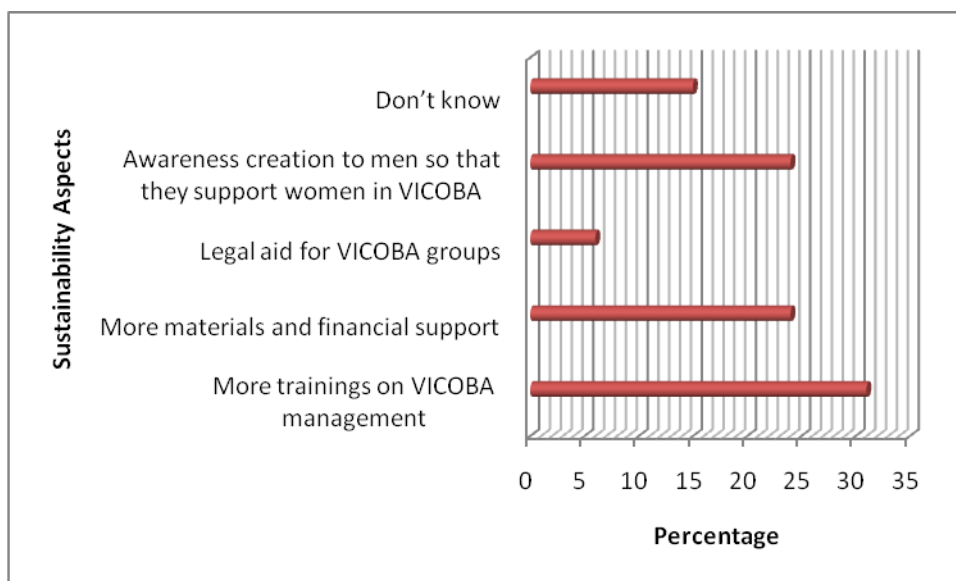


Figure 4.9: Sustainability of the VICOBA

Source: Research Data (2016)

4.7 Community's Attitude towards VICOBA Activities

The Attitude towards VICOBA activities among respondents was measured using Likert scale which had 5 statements during FGDs. Every respondent was asked to

indicate if he/she strongly disagreed (1), disagreed (2), was undecided (3), agreed (4) or strongly agree (5) with each item of the scale. The responses were grouped into three categories, strongly agree and agree were regrouped into agree; strongly disagree and disagree were regrouped into disagree while undecided was left to stand alone. A total of five (5) statements were constructed to show the frequency of attitudes towards VICOBA activities.

The scores were ranked as follows; disagree ranged from 10-29 points, undecided was accorded 30 points and agree ranged between 31 and 50 points. The findings of this study (Figure 4.10) in the surveys also show that, (72.5%) of respondents had a favorable attitude towards VICOBA activities while (15%) had an unfavorable attitude and the rest respondents (12.5%) were neutral. These findings suggest that, communities in Kishapu District accept VICOBA and believe they can be empowered economically to reduce income poverty in their households.

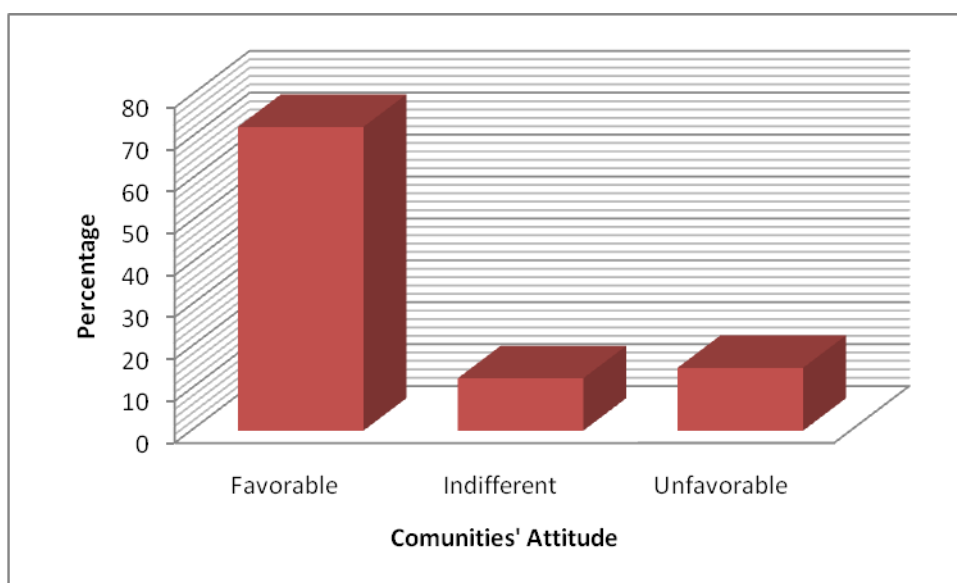


Figure 4.10: Community's Attitude towards VICOBA Activities

Source: Research Data (2016)

On the other hand, the respondents with neutral attitudes are not aware of VICOBA and its contribution to poverty alleviation. The finding also corresponds to those in Figure 4.7 explained earlier, which indicate that community members especially the VICOBA members benefit from being members of VICOBA.

The findings of this study revealed that, people should join VICOBA to improve their living standards. A similar state of affair is affirmed by SEDIT (2008) emphasizing that VICOBA is a scheme that can easily be accessed by all the poor at the grassroots level. During a key informants interviews many respondents were of the opinion that VICOBA are a better strategy that help the poor come out of abject poverty to middle income earners. A Ward Executive Officer from Ngofila in the Key Informants Interview said:

“...respective local governments have to encourage the community members to establish VICOBA to ensure peoples’ financial capacity is improved....” (Interview with WEO in Ngofila Ward, June 2016).

Moreover, in the interview with the District Cooperative Officer it was noted that, VICOBA members should continue to contribute money from themselves as government money is always given with restrictions. A further elaboration was given by the District Cooperative Officer as follows:

“.....Implementation of VICOBA does not encourage financial grants from government to avoid higher interest rate conditions that can be imposed to the scheme.....” (Interview with DCO in Kishapu District, June 2016).

Generally, the study is of the opinion that, the government should facilitate VICOBA group members to access better working tools and reach targeted goal of poverty alleviation rather than providing funds directly or indirectly. To stress the observation a Field Officer working with organization that supports VICOBA during a Key Informants Interview in Kishapu District said that:

“.....Principles that govern VICOBA operations discourages financial grants from government sources, since the two systems have different operational guidelines.....” (Interview with TCRS’s Field Officer in Kishapu District, June 2016).

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 Introduction

Generally, the main objective of the study was to assess the contribution of VICOBA on Households' welfare in Kishapu District. The study had specific objectives, which included identifying the impact of VICOBA to rural household's income, to examine the contribution of VICOBA in alleviation of income poverty and to determine the community's attitude towards VICOBA activities. The findings of this study reveal that, many community members have subscribed into VICOBA and accrued a lot of benefits impacting their lives positively.

This study for instance witnessed and found out the way VICOBA members reduced their income poverty by accessing credits at affordable interests. Furthermore, the members have been able to create opportunities for entrepreneurship activities, social cohesion amongst one another, improve fund management at household level and minimize the burden of unnecessary losses due to family resources mortgage. The study further found out VICOBA group members improved their household welfare by educating their children, improving shelter, medication, increasing household assets and social cohesion.

5.2 Conclusions

VICOBA plays a great role in reducing poverty and vulnerability of the poor. VICOBA lending model is a unique and an effective tool for development of rural communities. Like many other micro-finance institutions, VICOBA helps people

start and manage IGAs, and also they are capacitated to save, take loans and reimburse on time. Based on this study finding, it can be concluded that, people in the study area have benefited from VICOBA by getting loans, which have helped them reduce their income poverty. It is also concluded that, attitude towards VICOBA activities in the study area is favorable. Based on these results it is also concluded that, there is a significant difference in income earned per month between VICOBA and non-VICOBA members.

It is further concluded that, challenges facing implementation of VICOBA scheme include; low skills of bookkeeping (record keeping) and low entrepreneurship skills. In addition, in some cases husbands misuses loans received by their wives and some husbands do not support their wives in relation to VICOBA activities. Generally, it is concluded that, VICOBA scheme has contributed significantly to rural households' welfare where it has been implemented.

5.3 Recommendations

Based on the study findings the following are the recommended:

5.3.1 Recommendation to the Government

- (i) District authorities must assign responsibilities to the cooperative, microfinance and community development officers to technically assist the VICOBA group members to properly manage their entrepreneurial (income generation activities), facilitate legal registration of their groups, networks and properties so as to have a legal status that may later stand as collateral in the process of securing credit facilities from formal financial institutions.

- (ii) The Government should support VICOBA supporting agencies to establish an umbrella institution at district and region level that will work as their networking platform for the purposes of increasing geographical coverage while protecting the authenticity of this unique development model.
- (iii) While the findings presented in this paper are based on the survey conducted in Kishapu District specifically in two wards of Mwamashele and Ngofila using cross-sectional approach, it cannot be generalized for the entire Region or Country. Therefore another study using the same approach need to be conducted to find out whether the same can be observed in other wards and districts so as to generalize the findings.

5.3.2 Recommendation to the Local Community

This study recommends to the rural communities to embrace the scheme in order to increase the necessary investment capital, acquire entrepreneurial knowledge and skills and start IGAs without having to rely on external support. Group members had minimal record keeping and entrepreneurial skills and they demanded materials and financial support.

5.3.3 Recommendation to VICOBA

- (i) VICOBA as an effective rural development model in Tanzania requires a comprehensive advocacy and gender strategy so as to subscribe more men especially from the rural communities where there are still some misconceptions connected to the scheme.

- (ii) There is a need for the VICOBA methodology or its mode of operation to be reviewed in order to integrate some paramount and contextual phenomenon that is area specific like water and environment management practices.
- (iii) There is a need for reviewing the term “VICOBA” so that its meaning becomes clear to group members and non-group members. It was noted that most of group members could not define the word properly.

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APPENDICES

Appendix 1: Questionnaire for VICOBA Members

A. Introduction

Dear, Sir/Madam, I am, here for the research purpose on Contribution of Village Community Bank on Household welfare in Kishapu District. All questions and all information provided will strictly be treated confidentially. Thanks.

Name of interviewer:

Ward.....`.....Division.....

Name of respondent.....

B. Background information

Please tick (v) where appropriate.

1. Sex of respondent. Female=1 Male=2

2. What is your age?

a) 18-27

b) 28-37 ()

c) 38 -47

d) 58 and above

3. Marital status Single=1 Married=2 Divorce-3

Widow=4 Separated=5

4. Education level

Never attended =1 ()

Primary school = 2

Secondary school =3

College = 4

5. How many people live in your house?

a) 1-5

b) 6 -10 ()

c) 11-15

d) Above

C. Occupation

9. What is your major economic activity?

Farming = 1

Livestock keeping = 2

Small business = 3

Civil servant = 4

Others = 5

E. VICوبا related aspect

10. Have you ever heard about VICوبا? Yes =1 No = 2

11. How many members from your family are in VICوبا groups?

a) 1-5 members

b) 6 -10 members ()

c) Above

12. How many of you in a group?.....

a) 15-20

b) 21-30 ()

c) 31 and above

F. Contribution of VICOBA to household welfare

13 What are the benefits your family gets from VICOBA?

14. What do you understand by the term income poverty?

15. What is the most common indicator of income poverty?

H. Attitude towards VICOBA

16. In your opinion do you think VICOBA is priority? Yes = 1 No = 2

17. If no, what were your priorities?

18. In your experience and understanding, do you see any improvement in your activities after joining and getting service from VICOBA?

19. Do you think credit has increased your total average income per month?

20. How VICOBA alleviate poverty?

21. What are challenges facing household during participating in VICOBA?

22. What is your opinion for the sustainability of VICOBA?

Appendix 2: Questionnaire for Non-VICOBA Members

A. Introduction

Dear, Sir/Madam, I am here for the research purpose. All questions and all information provided will strictly be treated confidentially. Thanks.

Questionnaire number.....Date

Name of interviewer

Ward.....Division.....

Name of respondent

B. Background information

Please tick (v) where appropriate.

1. Sex of respondent. Female=1 Male=2

2. What is your age?

a) 18-27

b) 28-37 ()

c) 38 -47

d) 58 and above

3. Marital status Single=1 Married=2 Divorce-3

Widow=4 Separated=5

4. Education level

Never attended =1 ()

Primary school = 2

Secondary school =3

College = 4

5. How many people live in your house?

a) 1-5

b) 6 -10 ()

c) 11-15

d) Above

D. Occupation

9. What is your major economic activity?

Farming = 1

Livestock keeping = 2

Small business = 3

Civil servant = 4

Others = 5

E. About VICOBA

10. Have you ever heard about VICOBA? Yes =1 No = 2

11. If yes, where?

12. Do you think VICOBA can help in alleviate income poverty? Yes =1 No= 2

13. In your opinion do you think VICOBA is priority? Yes = 1 No = 2

14. If yes, why are you not a member?
14. If no, what were your priorities?
16. Can you tell me why are you not joining VICOBA?
17. What do you think are challenges facing VICOBA groups?

F. Aspect of income poverty

18. What do you understand by the term income poverty?
19. What is the most common indicator of income poverty?
20. What do you think are the causes of income poverty?

Appendix 3: Questionnaire for Key Informants

Dear, Sir/Madam, I am here for the research purpose on the Contribution of Village Community Bank to household welfares in Kishapu district. All information provided will strictly be treated confidentially. Thanks.

1. Please may I know your official title?
2. Do you know the household Sources of incomes in your area?
3. How many VICOBA groups do you have in your area?

Total beneficiaries.....

4. To what extent has the VICOBA succeeded in your area so far?

Excellent = or > 75%,

Very good 70% -75%,

Good 60% - 69%,

Fair 50% - 59%,

Failure 50%,

NA = 0,

Others = 1

5. What are the challenges you are facing on working with these VICOBA?
6. What are the opportunity do the VICOBA members have?
7. How can you describe the contribution of VICOBA to poverty alleviation strategies?
8. What do you think are the consequences that occur as a result of VICOBA in your area?

9. What could be the reasons for some of the community members not joining the VICOBA groups?
10. Do you think VICOBA can help in alleviate income poverty?
11. What do you think are challenges facing household during participation in VICOBA?
12. What is your opinion for sustainability of VICOBA activities?

Appendix 4: Check List for Focus Group Discussion

Check list to be used in a research on the Contribution of VICOBA in household welfare

1. What are the major economic activities in your area?
2. Which of the above mentioned economic activities are the most important and why?
3. What kind of household is regarded as being poor/rich in this village?
4. What is the status of poverty in your area?
5. How would you describe income poverty in your area?
6. What is your general view of VICOBA activities in your area?
7. Does VICOBA in your area have the potential of in improving household welfare?
8. Are there any community initiated actions to address VICOBA issues? If none why?
9. When you compare men and women who participate most in VICOBA activities?
10. On what items do most households spend their income from VICOBA?
11. Do you think VICOBA activities could interfere with community culture and beliefs?
12. What are the procedures for joining VICOBA groups?
13. What problems do VICOBA members encounter in VICOBA procedures?
14. What is definition of a poor person in your community?
15. How can the poor in your area get out of their poverty?

16. Based on your personal view indicate your reaction to the following

Statements:-

Respondents View on VICOBA activities

Criteria	Strongly agree	Agree	Can't decide	Disagree	Strongly disagree
People should join VICOBA to improve their life standards					
VICOBA is a very good way of alleviating poverty in a society					
The government should set a policy to force people to join into VICOBA in their area					
VICOBA should be for women only because they show more interest.					
The government should provide funds for VICOBA to be sustainable in the future					