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List of Acronyms

VICOBA	Village Community Bank
ISS	Institute of Social Studies
FDGs	Focus Group Discussions
CARE	Cooperative for Assistance and Relief Everywhere
VSL	Village Savings and Loan Association
SEDIT	Social and Economic Development Initiative of Tanzania
TZS	Tanzanian Shillings

Abstract

The major purpose of this study was to examine the effect of Village Community Bank (VICOBA) on business outcome in Kigoma Municipal, Tanzania. The study adopted a cross-sectional research design to gather data from both VICOBA (Village Community Banks) members and non-members. The data collection process involved the use of structured questionnaires and semi-structured interviews with key informants. In the case of the study approach, a mixed-method approach was employed, encompassing both quantitative and qualitative methods where the qualitative data was collected through semi-structured interviews with key informants and focus group discussion, while quantitative data was gathered from households using structured questionnaires administered through surveys.

By using a cross-section data of 103 respondents comprising of 68 members and 35 non-members of VICOBA, 1 key informant and 3 FDGs in Kigoma Municipal, Tanzania, the data were obtained and used for analysis. The logistic regression analysis was done to examine the factors determining the participation in VICOBA, effect of VICOBA membership on business ownership and effect of VICOBA membership on saving at the Bank. The result suggests that the probability of the members to join VICOBA increases with awareness to VICOBA, female head of the family, Christian religious affiliation and main occupation (self-employment). The probability of members to own business increases with VICOBA membership, type of occupation (self-employment), female headed household and awareness to VICOBA. Also, the probability of saving at the bank increases with VICOBA membership while decreases with household size and engage in self-employment. The multivariate linear regression analysis was done to examine the effect of VICOBA on business income and amount of saving. The result indicated the positive relationship on VICOBA membership, female headed household and negative relationship with household size. The analysis on amount of saving, shown the positive relationship in official position, primary education, married individual and widowed.

The information gathered from key informants and Focus Group Discussions (FDGs) clarify on the various ways in which members benefit from their involvement in Village Community Banks (VICOBA) at the same time highlighting the problems VICOBA might face in reaching its goals. The result of this findings would be useful as it will raise awareness to the Government and other institutions involved with VICOBA and similar microfinance initiatives to integrate the VICOBA development agenda into the National Poverty Reduction Strategy, as well as review and improve microfinance policies and strategies to better support small businesses.

Relevance to Development Studies

Examining the effect of Village community Banks (VICOBA) on businesses holds paramount implication within the context of development studies. Village community banks, as the financial institution which is the community-driven, have the potential to serve as catalysts for economic development at the grassroots level, by empowering individuals to pool resources, access credit, and engage in entrepreneurial activities. These community-based microfinance encourage financial inclusion and economic flexibility within communities. As the study examine the extent to which participation in VICOBA influences business growth, income generation, and overall economic well-being at the village level, these dynamics not

only contributes to the academic discourse on community-based micro finance but also provides practical implications for policymakers, NGOs, and development practitioners aiming to improve the effectiveness of such micro-level financial institutions in fostering sustainable economic development.

Keywords

VICOBA, Microfinance, Household, business, Kigoma, Tanzania

Chapter 1

Introduction

Community banking is a form of empowerment-based economics that falls under the larger umbrella of micro-finance (Minsky,1993). Microfinance is a form of financial entity that is aimed at providing financial services to low-income individuals and micro-enterprises who typically lack access to traditional banking and related services. Micro-finance, chiefly, is focused on individuals' entrepreneurship, generally aiming to lift low-income or disadvantaged groups out of poverty and provide the means for them to prosper (Joshi,2004). Microfinance services typically include micro-credit, micro-insurance, and micro-savings. It is a powerful tool for poverty reduction, financial inclusion, and women's empowerment (Ka-beer, 2001; Yunus, 2007).

The idea of microfinance is firmly established in human history since informal savings and credit organizations have existed for generations. In Ghana, for example, "susus" are rotating savings clubs in which members take turns receiving a lump sum of money; In India, "chit funds" combine resources to provide loans or share interest among members "Tandas" in Mexico operate similar to "susus" but also involve group decision-making on investments. "Arisan" in Indonesia is another type of rotating saving club with socialization characteristics such as shared meals and entertainment. "Cheetu" is a form of informal lending found primarily among women entrepreneurs in Sri Lanka rural areas. Finally, the West African traditional investment scheme known as "Tontines and many other savings clubs and burial societies operating globally (Ardener,1964, Smets,2000). Each unique system demonstrates how people have come together throughout time to support one another financially while providing social bonds within their communities.

According to Armendariz and Morduch (2010), the current microfinance movement originated in the 1970s, when a number of development groups began experimenting with small-scale lending initiatives to help with the effort to alleviate poverty. The notion gained popularity in the 1980s, with the formation of organizations such as Bangladesh Grameen Bank with the effort from a social entrepreneur Muhammad Yunus. Yunus founded Grameen Bank in Bangladesh, the first microfinance institution in the world, offering credit and other financial services to the rural poor in Bangladesh.¹

¹ The Grameen Bank's goal was to provide small loans to entrepreneurs who were struggling due to a lack of credit. This effort was not a typical financial institution, but rather the beginning of a movement focused on empowering economically disadvantaged persons by providing them with uncomplicated capital access.

Yunus' vision for establishing such banks originated when he observed women in Bangladesh making bamboo furniture for hardly two cents a day. He was encouraged to take action and assist these entrepreneurial endeavours rather than allowing structural barriers in order to impede them. Yunus explored the formation of microcredit to elevate individuals with low resources, successfully offering skilled artisans a loan totalling \$27 under the group model technique, which was eventually returned and kept their business running ("Corporate Finance Institute," n.d.). Since then, the microfinance industry has grown and evolved, and there are now thousands of microfinance institutions worldwide, serving millions of clients.

In recent years, the concept of microfinance has gained popularity and it is considered as one of the means to promote sustainable economic growth, poverty reduction, and financial inclusion in developing countries. Microfinance institutions operate in various countries worldwide and have enabled millions of low-income individuals and micro-enterprises to access financial and social services (Armendáriz & Morduch, 2010).

One such country is Tanzania, with a unique micro-finance institution, referred to as The Village Community Bank. This is due to its unique features which includes community ownership and management, emphasis on social capital, flexibility and inclusiveness as well as cultural sensitivity. According to Kihongo (2005), the Village Community Bank in Tanzania was founded in the 2000s by the government in collaboration with the Social and Economic Development Initiative of Tanzania (SEDIT). Its commencement can be traced back to the Village Savings and Loan Association (VSLA) model known as the “Mata Masu Dubara (MMD) Model” which was implemented by the Cooperative for Assistance and Relief Everywhere (CARE) in Niger back in 1991. As reported by an article on Global Voices, VICOBA continues to inspire other countries across Africa as they seek to address economic challenges facing their communities (“Tanzanian Women's Savings and Loan Groups in Flux During COVID-19”, 2020).

The success of VICOBA in promoting financial inclusion has been attributed to its community-based approach, which encourage trust and accountability among members as they are usually formed by community members themselves, who pool their resources together to create a common fund for lending and savings activities (Mashigo & Kabir, 2016). The formation of VICOBA is usually initiated by community members who express a need for financial services in their area. The bank is located within the community, and its customers are primarily local villagers who are both debtors and creditors. It operates on a self-help basis, with members contributing money to create a fund that can be loaned out to members in need. This fund is managed by the committee, which ensures that loans are repaid on time and that interest rates are set at a reasonable amount (Mashigo & Kabir, 2016). VICOBA takes a more flexible approach by charging a more favourable interest rate of around 5% to 10% as compared to conventional microfinance which operate under commercial mindset and charge high interest rates ranging from 17% to 25% on their credit offerings which unaffordable for impoverished individuals, especially small business (Kihongo,2005).

According to Ahlén (2012, p.13), VICOBA as the financial model that operates in Tanzania and is implemented by different projects may have different names like HISA and WEKEZA. Despite different names, these groups function similarly and are commonly referred to as VICOBA within local communities. Each VICOBA group consists of up to 30 members who meet regularly to save shares and provide loans to one another. The groups are self-governing, defining their own regulations regarding interest rates, repayment periods, savings and loan limits, and money distribution frequency. The overall organization and operation of VICOBA groups remain similar across different villages and organizations.

Members determine the minimum and maximum savings by deciding on the value of one share, typically saving one to three shares per week. The saved money is kept in an iron box, usually stored in someone's home, but a bank account may be opened if the group accumulates a substantial amount. Loan amounts depend on the number of shares saved, usually two to three times the savings. VICOBA groups do not impose specific criteria on loan usage, but members are required to disclose their plan. Additionally, a social fund is established, with weekly contributions used for emergencies, education, health expenses, and operational costs (Ahlén ,2012, p.14).

Education and training on business and financial literacy play a crucial role in the VICOBA model. During the formation phase, an intensive training period focuses on group

management, banking operations, income-generating activities, business plans, and management techniques. However, training is often provided primarily to trainers and leaders rather than all group members.

One key distinction between the VICOBA model and the Grameen model, pioneered by Grameen Bank, is the utilization of interest rates. In the Grameen model, interest rates cover operational costs and are retained by the lender. In contrast, VICOBA groups utilize interest rates to increase their capital, enabling them to provide larger loans. At the end of the loan cycle, the interest rate, along with savings, is usually distributed among the members as a profit (Begasha. 2011)

1.1 Problem statement

Access to financial services is key to promoting household income and economic development. Financial services in Tanzania are provided by formal, semi-formal, and informal institutions such as commercial banks, community banks, and microfinance institutions. These entities offer various services including savings, loans, insurance, and training programs to support businesses as well as market assistance and consultation for their clients (Kessy & Urrio, 2006). In Tanzania, a significant proportion of the population faces limited access to formal financial services such as banks due to unfavourable conditions where the majority do not meet those conditions. This has caused many individuals and communities to rely on informal savings and credit associations to meet their financial needs. Among these community-based structures is the Village Community Bank (VICOBA) (Kihongo,2005). VICOBA was initiated as an informal structure to support savings and profit among low-income community members, especially women (Pelleberg, 2012). Microfinance through village community banks has grown in popularity over the years to reduce poverty and boost economic development in communities that lack access to traditional financial institutions (Nakabugo et al., 2021). Since its beginning, VICOBA has become an essential tool that enables rural communities to access basic financial services such as small loans and group savings accounts. Despite being an informal structure outside traditional banking systems, VICOBA promotes local economic development by providing much-needed capital resources for small businesses within Tanzanian communities (Kihongo,2005). It also encourages financial knowledge among members who receive training on proper money management practices leading towards sustainability across various aspects like healthcare costs or education costs. VICOBA offers services such as training, savings, fund transfer, and insurance, and it is a component of informal microfinance institutions (Robinson, 2001). The Contribution of Village Community Banks to boosting impoverished communities cannot be underestimated as it plays a crucial role in promoting financial inclusion and helping the communities to reach economic stability. In contrast to other microfinance, the unique members-driven model of village community bank has proven to be an effective means of reaching those who are highly in need, particularly in rural and semi-urban areas where access to formal financial institutions is very limited.

With its community-based approach, VICOBA has provided a means for low-income households to access basic financial services such as savings, credit, and insurance, which are essential for their economic development. However, the effectiveness of VICOBA in promoting business in Tanzania, particularly in Kigoma Municipal, needs further empirical assessment. This study seeks to fill this gap in the literature by looking on the contribution of VICOBA to the outcome the business in Kigoma Municipal and providing insights into the effectiveness of the VICOBA approach. The findings of this study will be valuable to policymakers, development practitioners, and researchers working on poverty reduction, financial inclusion, and microfinance initiatives in Tanzania.

1.2 Research aim, and questions

The primary goal of this study is to examine the effect of participation in Village Community Bank on business success for households in Kigoma Municipal, Tanzania.

1.2.1 Research Questions:

Accordingly, the current study revolves around the following research questions

1. What determines participation in VICOBA among households in Kigoma Municipal, Tanzania?
2. What is the effect of VICOBA membership on business income of member households in Kigoma Municipal, Tanzania?
3. What are the challenges faced by VICOBA members in utilizing the services provided by VICOBA in Kigoma Municipal, Tanzania?

1.3 Relevance and Justification of the Study

VICOBA as a microfinance initiative has become an important source of household finance in rural areas, and in the present day, microfinance is already an important sector representing millions of people in the world². Microfinance has demonstrated its ability to help close the gap by providing transitional support to people who need to improve their sources of income because the banking industry is outdated and unable to respond to rising societal requirements. A study conducted by Lucas & Akkaro, (2016) revealed that the microfinance sector is growing rapidly and becoming more organized. However, despite its widespread use, there is little research on the contribution of VICOBA to Business success in Tanzania. Therefore, assessing the effect of VICOBA membership on business success among households will provide a better understanding of the effectiveness and sustainability of this microfinance model. Understanding the role of VICOBA in providing accessible and affordable credit to small businesses can inform policymakers, development practitioners, and financial institutions on its potential for poverty reduction and economic empowerment at the household level.

Also, the study is relevant from a policy perspective as the Tanzanian government still promotes VICOBA as a tool for poverty reduction and rural development. According to Magali, (2021), the major purpose of VICOBA is to assist government efforts to increase the income of poor households and eliminate persistent poverty. Therefore, by examining the contribution of Village Community Bank to the business outcome will provide evidence-based recommendations for policymakers on how to improve Village Community Bank services to align with business environment.

² Microfinance institutions (MFIs) have shown significant growth over the past decade, lending hundreds of billions of dollars with an average annual growth rate of 11.5% in the last five years. The number of borrowers worldwide has steadily increased, with an average annual growth rate of 7% since 2012, totalling 139.9 million borrowers in 2018, compared to 98 million in 2009. Notably, 80% of these borrowers are women, and 65% are from rural areas. In 2018, MFIs managed an estimated credit portfolio of \$124.1 billion, marking an 8.5% growth compared to the previous year (“Global microfinance figures”, n.d).

Additionally, examining the determinants of participation in VICOBA among households in Kigoma Municipal will give an understanding of awareness, perception, and willingness to engage with VICOBA as a financial service provider. This knowledge is valuable for improving engagement strategies, building trust, and fostering financial inclusion. Furthermore, identifying and examining the challenges faced by VICOBA members in utilizing the services provided by VICOBA will help identify barriers and inform strategies for overcoming them.

Organization of the Paper

This research paper comprises five chapters. The first chapter introduces the study by highlighting the background of the study, problem statements, research aims and questions as well as relevance and justification of the study. The second chapter discusses the literature review by highlighting the key concepts, organization and operation of VICOBA, empirical literature review, as well as theoretical Perspectives on VICOBA's Influence on Income Generation. The third chapter discuss the details of the research methodology, outlining the data collection methods, sample selection, and data analysis techniques employed in this study. Chapter four discusses the findings of the study while chapter five concludes the paper by discussing the findings and providing recommendations to VICOBA as the community-based microfinance and other stakeholders to enhance its operation.

Chapter 2 LITERATURE REVIEW

2.1 Conceptualization of the key concepts.

2.1.1 Microfinance

Microfinance as defined by Otero (1999), refers to the provision of services, to individuals who are self-employed and belong to low income or very poor segments. According to Schreiner and Colombet (2001) microfinance aims to enhance the availability of deposits and loans for households that are typically overlooked by traditional banks. Hence microfinance refers to the provision of services like savings, loans and insurance to people living in both urban and rural areas who are unable to access these services from traditional financial institutions. Microfinance involves offering a range of services such as deposits, loans, money transfers and insurance products with the aim of supporting the financial needs of underprivileged households engaged in small businesses and micro enterprises. The goal of microfinance programs is to enhance the well-being of those who are struggling economically by encouraging investment in capital (Kihongo, 2005).

2.1.2 Microfinance and Microcredit

The terms microcredit and microfinance are often used interchangeably in the realm of literature. However, it is crucial to distinguish between these two as they have different meanings. According to Sinha (1998) "microcredit" specifically refers to small loans while "microfinance" encompasses a broader range of financial services provided by NGOs and Micro Finance Institutions (MFIs) in addition to loans. In essence microcredit is one component of microfinance that focuses on granting credit to the impoverished individuals, whereas microfinance extends its reach beyond credit by offering non-credit financial services such, as savings accounts, insurance options, pension schemes and payment facilitation.

2.1.3 Village Community Bank (VICOBA)

VICOBA represents grassroots-based lending scheme that aims to enhance the participants' ability to innovate and manage viable income-generating activities (Magali, 20021). Similar to other microfinance initiatives VICOBA specifically targets individuals from low-income communities encouraging them to develop saving habits while providing micro loans for the establishment of enterprises. As per SEDIT (2010) VICOBA schemes have demonstrated effectiveness in areas with minimal expenses making them easily integrate into other development projects and yielding positive outcomes within a short period of time. Consequently, it can be expected that poor households would benefit from accessing Micro Finance Institutions like VICOBA. In general, access to micro loans plays a crucial role in alleviating income poverty for those rural households who are unable to obtain credit from formal financial institutions due to the lack of collateral requirements.

2.2 Organization and operation of VICOBA

In Tanzania, the establishment and mechanisms of Village Community Banks (VICOBA) were initially influenced by a concept known as "Mata Maso Dubara" (MMD), from Niger, West Africa (Magali, 2021. Ahl'en. 2012) highlights that the idea of VICOBA was first introduced in Zanzibar before spreading across the United Republic of Tanzania with the aim of providing to the members innovative skills and income generating capabilities. VICOBA follows the joint liability lending (JL) model, whereby borrowers and group members bear responsibility for each other's debts thereby expanding access to loans, for all members involved (De Quidt et al., 2018). The effectiveness of Village Community Banks can be attributed to its distinct features and operational principles, which emphasize self-help initiatives, community capacity building, local resource mobilization, community ownership, shared leadership, transparent information sharing, voluntary accountability, and good governance. Additionally, VICOBA's ability to form small groups with limited membership - usually no more than 30 individuals - fosters effective collaboration and substantial economic growth within a short period. In VICOBA group's members meet regularly – typically on a weekly or monthly basis – to save shares in the bank and provide loans to fellow group members. Each group comprises a chairperson, a secretary, and an accountant along with other thirty members. To simplify loan applications procedures, the members are organized into sub-groups of five individuals who act as referees for each other by utilizing their savings and the sub-group system itself as collateral instead of relying on traditional assets (Ahlén, 2012).

VICOBA operates informally, without regulations from the government, allowing groups to establish their own rules and regulations. The groups collectively determine the minimum and maximum savings by deciding the value of a share. Members have the flexibility to choose the number of shares to save weekly, often with a maximum of three to five shares. These savings are stored in a secured location, usually an iron box in a member's home, or in a bank account. Loan amounts are determined by the shares accumulated, typically ranging from two to three times the savings. While there are no strict criteria for loan usage, borrowers are required to outline their planned utilization of the loan (Magesa et al., 2014).

2.2.1 The Institutional Framework of VICOBA

Ensuring Success and Accountability, the institutional framework of VICOBA comprises key roles and responsibilities that are instrumental in driving the group's success and the realization of its objectives. According to MZEE WA VICOBA, (2010), the Institutional framework of VICOBA is made up of a chairperson, secretary, treasury, money counters, key holders, and discipline masters. The chairperson oversees and supervises the group's management, ensuring the implementation of essential procedures related to share management, loan administration, discipline, and accountability among the group members. The secretary manages financial dealings with banks, ensures smooth banking operations, and maintains transaction records. The treasury has the responsibility to oversee the share collection, safeguarding credit kits, and managing the group's bank account. Money Counters validate funds collected from contributions, ensuring transparency and accountability. Key holders take the responsibility to secure credit kit keys and assist in their use during contribution activities. The discipline master ensures the members adherence to established rules and guidelines, fostering order and accountability within the group. Collectively, these roles play a pivotal role in the effective management of the VICOBA group, enabling smooth financial operations, discipline, and the overall well-being of the group. The VICOBA

scheme's effectiveness can be attributed to its unique characteristics and principles of operation, which prioritize self-help initiatives among members, capacity building within the community, mobilization of local resources, fostering community ownership and shared leadership, promoting transparency and effective information sharing, cultivating voluntary accountability among members, and enhancing good governance. Moreover, the scheme is known for forming strong groups with a limited number of members (between 25-30), allowing for efficient collaboration that leads to fund rising in a relatively short period. In principle, VICOBA scheme mainly focuses its attention on benefiting the vulnerable groups as compared to other lending scheme and micro-finance institutions, which focus on providing commercial services only.

2.2.2 Main Activities of VICOBA Group

According to Chipindi, (2017, p.6), in VICOBA groups, there are three primary activities that members engage in: saving, borrowing, and using group meetings for learning and community engagement.

a) Saving:

Within VICOBA, members participate in saving by allocating their funds into two distinct funds: the share fund and the community fund. Each week, members are allowed to purchase shares, typically ranging from one to five shares. When a member wishes to borrow, they can do so up to three times the value of the shares they own. It is advisable for members to reinvest their share fund along with any profits earned to facilitate the growth of this fund. The second fund is the community fund, where every group member is required to make weekly contributions. The group will determine the maximum amount that a member can borrow from this fund. These funds are utilized for providing emergency loans to members, who must repay the loan without any additional interest.

b) Borrowing:

The borrowing activity in VICOBA is divided into share-based loans and community-based loans. Share-based loans are typically used for projects and investments, while community-based loans are designated for emergency purposes.

c) Learning and Community Engagement:

VICOBA groups also serve as platforms for learning various subjects, including matters related to various religions, gender-based violence, HIV/AIDS awareness, good governance, and other important topics. Based on available statistics, the groups that engage in cross-cutting issues have proven to be more resilient and effective than those solely focused on saving and borrowing activities.

2.2.3 Profits distribution in VICOBA Groups

The allocation of year-end profits in VICOBA (Village Community Banks) is based on the number of shares held by each member. Profit distribution considers the shares owned by the respective member, regardless of how often they have borrowed or whether they have borrowed at all. VICOBA groups are not established with the primary objective of generating profit; instead, they are created to provide support, foster relationships, promote cooperation during times of hardship and joy, and acquire capital for initiating and developing businesses or income-generating projects for family welfare. Any profits realized serve as a motivational incentive for all shareholders (Chipindi, 2017, p.9).

2.2.4 Lending procedures

The VICOBA system encourages members to begin lending to each other starting from the fourth week since the formation of the group. This is due to the accumulation of a substantial amount of money within the group, and at this point, the group may not have successfully opened a bank account yet. Continuing to keep the money within the group, either in a cash box or a bank account, poses a risk to the security of the members' funds. However, it is advisable that funds are lent within the group at all times to reduce the risk associated with the investment of the members' funds. When funds are lent, among other things, they contribute to the circulation of money and uplift the group's fund (Chipindi, 2017, p.10).

In addition, the group is required to establish an insurance fund to address the challenges of a member's death and permanent disability. In the event of a member's demise with outstanding share dues within the group, the insurance fund will compensate for this debt, and by law their contributed shares, social fund, and other benefits entitled to the deceased member will be handed over to their beneficiaries. It is recommended that every borrower contributes two percent of their loan amount to the group's insurance fund, enabling the group to build this fund year by year. However, if a borrower passes away and their loan has already exceeded its repayment period, the insurance fund will not cover the debt. Instead, the remaining debt owed by the deceased member will be deducted from their benefits, which include shares, the social fund, and any remaining amount will be handed over to their beneficiaries (Chipindi, 2017, p.11).

2.2.5 Loan Repayment

Loans within VICOBA groups have different repayment timelines. The first loan for each member must be repaid within 3 months, the second loan can be borrowed and repaid within 6 months, and the third loan allows for repayment within one year. Extending the repayment period beyond this requires thorough assessment of members' ability to repay, an evaluation of the fund's cash flow if they borrow for a longer term, an examination of adherence to established rules and regulations, and an assessment of their ability to make timely repayments. Every borrower is obliged to make monthly loan payments, and those who fail to meet their monthly repayment amount will be subject to a two percent penalty on the outstanding loan (Chipindi, 2017, p.12).

If a borrower fails to repay the loan, the first step in the process will involve seizing their shares and social fund. If the debt remains unpaid, the co-signers (guarantors) will be held responsible for contributing the remaining amount either through collective fundraising or deduction of their shares. The guarantors are also having a mandate to sell the borrower's assets. The group will collaborate with the guarantors to track down the borrower and, if necessary, initiate legal proceedings against the defaulter. That individual will no longer be a member and if they wish to continue, they will need to apply just like a new member and be subject to acceptance. The acceptance rate for this member is forty to sixty percent. The group has the authority to reject their re-entry, as their behaviour could negatively influence others and potentially lead to the disintegration of the group (Chipindi, 2017, p.12).

2.2.6 Interest rate

Loan amounts vary depending on the loan duration. For a three-month loan, the group recommends lending to its members at an interest rate of 5%, for a six-month loan, its 10%, and for a one-year loan, the borrower is required to repay it with an interest rate of 15%. These interest rates are considered moderate and cannot be compared to the interest rates

charged by financial institutions and banks. Currently, the interest rates at financial institutions and banks start at 19% and can go up to as much as 30% to 50% per month for individual lenders (Chipindi, 2017, p.11).

2.3 Literature on Microfinance: Empirical evidence

Numerous studies have thoroughly investigated the influence of microfinance institutions in reducing poverty and fostering economic growth. Previous research conducted by various scholars (Alam & Azad, 2021; Kabeer, 2001; Rahman, 1999) has provided insight into the favorable outcomes associated with microfinance interventions. These studies have emphasized the significant contributions of microfinance in terms of supplementing income levels, promoting employment opportunities, and helping women's empowerment. The findings from these researchers emphasize the transformative potential of microfinance programs in bringing about socio-economic improvements at both individual and community levels. Furthermore, microfinance has been found to enhance financial flexibility and reduce vulnerability to economic shocks, contributing to long-term poverty reduction (Hulme & Mosley, 1996). The study done by Khandker, S. (2013), revealed that access to microfinance contributes to poverty reduction; especially for female participants; and to overall poverty reduction at the village level. Bakhtiari, (2006) argued that, due to its demonstrated efficacy in reducing poverty, microfinance can be viewed as a crucial component of an effective strategy for addressing poverty. In another study conducted by Audu and Achegbulu, (2011) examining the impact of microfinance on poverty reduction in Nigeria, it was discovered that microfinance has the capacity to effectively tackle material poverty. This refers to the tangible lack of goods and services as well as insufficient income required to obtain them. The research suggests that providing financial services to households who are excluded from accessing formal banking institutions can be an effective means of addressing their economic needs. Furthermore, the analysis of empirical research findings indicates that microfinance has the ability to effectively address poverty reduction, despite facing a range of obstacles. For instance, the notable example of the Indian Andhra Pradesh crisis highlights one specific challenge in this regard. Nonetheless, it is important to acknowledge that even in spite of these challenges, there are indications suggesting that microfinance can still play an important role in alleviating poverty (Mago, 2014). The study conducted by De Wet et al., (2012) reveals that microfinance initiatives in sub-Saharan Africa have varying degrees of positive impacts, which are not consistently observed across all cases. It should be noted that while microfinance is not a one-size-fits-all solution, it can also result in negative consequences. The researchers' analysis indicates a greater potential for positive outcomes from micro-savings compared to microcredit; however, these savings schemes do not directly lead to increased income generation. Furthermore, the effectiveness and impact of micro-savings programs are still relatively unexplored. There is currently limited evidence available regarding their overall benefits or detriments. According to Coetzee and Cross (2002), their study found that Community Banks in South Africa have a significant impact on increasing financial services for individuals living in poverty. The results of their study indicate that there has been observed an increase in the number of village banks, which operate as semi-formal institutions. This can be attributed to the provision of substantial funding and targeted support to facilitate the establishment of new banks and savings programs. Additionally, these institutions require sufficient time to mature and effectively provide credit services to their customers.

The challenges in scientifically testing the impact of microfinance have led to an increase in research using randomized evaluations to assess its effects. One such study from India by

Banerjee et al. (2010) argued that successful or indebted microfinance borrowers do not provide insight into the general effects of microfinance. This is because microfinance clients self-select to become borrowers, making it difficult to identify causal effects, as those who choose to join microfinance institutions may have different trajectories even without microfinance. To address this issue, Banerjee used randomization to introduce microcredit in one area of India while leaving another area without it. This allowed them to compare the two areas, with the only significant difference being access to microfinance. Their findings showed a significant impact on the number of new businesses started and the consumption of durable goods among people who already had businesses when the study began. However, they did not observe significant changes in average consumption or social outcomes such as women's empowerment, education, and health. They suggested that effects on these aspects might emerge later. Banerjee et al. found that the impact of microcredit is heterogeneous, and it may not be suitable for all households. Borrowing for daily consumption could increase welfare, but unsustainable borrowing practices could have the opposite effect. They emphasized that microcredit is not a "miracle" solution, but it does enable households to borrow, invest, and create or expand businesses.

2.4 Previous Studies on the Impact of VICOBA in Tanzania

Studies have demonstrated that initiatives like VICOBA, which provide access to financial services targeting marginalized individuals, can serve as a means for escaping poverty by enabling active participation in productive endeavors and establishing sustainable sources of livelihood (Ole Kinisa, 2019; Khandker, 2005). These studies have consistently demonstrated a direct correlation between participation in VICOBA and improved income generation. For instance, a study by Ahlén,(2012) conducted in Tanzania revealed a significant positive impact of VICOBA participation on household income. Moreover, another study carried out in Dodoma Region indicated that women who were empowered by VICOBA not only saved their earnings but also gained access to credit facilities and initiated entrepreneurial ventures. This evidence strongly supports the idea that VICOBA's provision of savings opportunities and credit services encourages entrepreneurship and facilitates increased incomes for its participants.

A study conducted by Ngalemwa (2013) investigated the extent to which Village Community Banks can contribute in reducing poverty in the Rufiji Delta region of Tanzania. For this research, a cross-sectional design was used and primary data analysis took place. The collection of primary data involved multiple methods such as questionnaires, focus group discussions, and interviews with key informants. Based on the findings of this study, it revealed that most members of VICOBA joined with the main objective of gaining access to credit, and they have confirmed that their expectations were fulfilled. Additionally, it has been noted that one significant obstacle faced by VICOBA members is their proximity or distance from markets, hindering their income-generating activities. The results indicated a positive attitude towards engaging in VICOBA activities in the studied area. Consequently, it is recommended that the government should adopt measures to extend the scope of this developmental strategy. This could involve reviewing microfinance policies with a focus on empowering and facilitating members to exert more authority and possess greater ownership over the program. By doing so, a larger number of individuals will have the opportunity to obtain benefits from their involvement in VICOBA initiatives.

Further, the study by Jasson (2014), titled "Increasing Women's Access to Credit through the Establishment of a Village Community Bank: A Case Study in Makulu Ward, Dodoma rural District" emphasizes the importance of access to credit for women. It found

that access to credit is essential for increasing the capital base of women engaged in micro-enterprises. Additionally, the study highlighted that entrepreneurship training is necessary for enabling women to effectively undertake income-generating activities. The researcher recommended various measures including advocacy campaigns targeting government, donor agencies, women themselves, and the community at large. These recommendations aim to achieve sustainable economic development within communities with active participation from both men and women.

2.4 Theoretical Perspectives on VICOBA's Influence on Income Generation

The impact of VICOBA on income generation can be understood through various theoretical perspectives. Theories of financial inclusion emphasize the importance of access to financial services in promoting economic opportunities and reducing poverty (Beck et al., 2007). VICOBA's provision of credit allows individuals to overcome capital constraints and invest in income-generating activities. The social capital theory suggests that VICOBA's community-based approach enhances social networks, trust, and cooperation, fostering economic development (Woolcock, 1998). Additionally, theories of entrepreneurship highlight the role of microfinance in stimulating entrepreneurial behaviour and fostering innovation, leading to income generation and economic growth (Schumpeter, 1934).

2.4.1 Entrepreneurship theory

The framework includes several key components, including the identification of potential opportunities, conducting thorough assessments to determine their viability, and ultimately deciding whether to take advantage of these opportunities. Beyond these fundamental aspects, the theory also encompasses ideas like embarking on self-employment through the start of a business venture, overseeing the daily activities of the enterprise, and evaluating its overall success.

The theory emphasizes four operational performance measures: survival, growth, profitability/income, and having an initial public offering. Survival refers to the continuation of entrepreneurial activity, whereas growth refers to an increase in the venture's sales and employment whereas Profitability refers to new surplus of revenue over cost (Shane, 2003). Entrepreneurs are able to take advantage of opportunities created by the external environment or institutions in order to establish or enhance their businesses, ultimately leading to improved well-being (Fotabong and Akanga, 2005; Shane, 2003). The ability of entrepreneurs to recognize and capitalize on these opportunities may vary. It is influenced by their access to information as well as their willingness to take risks, which is determined by their attitudes. The discovery of entrepreneurial opportunities is also affected by individual characteristics such as motivation, risk attitude, education and training background, career experience, age, and social status. The identification of entrepreneurial opportunities can be influenced by various factors in the business environment, including economic, financial, political, legal, and socio-cultural aspects. These factors may include the income level of the entrepreneur, availability of capital resources, stability within the political landscape, effectiveness of supervision measures in place, laws pertaining to private enterprise and property rights enforcement as well as personal motivations such as a desire for enhanced social status. In the process of entrepreneurship, evaluating identified opportunities is a critical step. Making appropriate decisions at this stage determines whether to pursue and capitalize on the opportunity. The decision to exploit an opportunity relies on the intentions of the entrepreneur,

with entrepreneurial decision-making being measured by these intentions that recognize potential entrepreneurial opportunities. Exploiting an opportunity also depends on factors such as education level, acquired skills or knowledge from work experience, social networks, and access to credit (Shane, 2003).

2.4.2 Grameen Model

In 1976, Professor Muhammad Yunus, the founder and Managing Director of Grameen Bank, developed the Grameen Model, which has since demonstrated its effectiveness. Presently, this model is implemented in over 250 branches of Grameen Bank across more than 100 nations (Yunus, 1999). The Grameen Model has served as a blueprint that has been adapted and customized extensively to suit the specific requirements of various local markets and customer bases. Consequently, numerous other microfinance models have evolved either as direct extensions or modifications of the original Grameen Model. In essence, a typical approach involves establishing a new microfinance institution branch in a village, staffed with Field Officer and trained personnel who have conducted prior research to assess the village's financial needs and the potential demand for services. The staff members of the microfinance institution (MFI) then extend their support to approximately 15 to 20 neighbouring villages, with the aim of raising awareness among the local underprivileged population about the opportunities offered by microfinance. They achieve this through interpersonal communication and personal guidance (Yunus and Allan, 2007). The lending procedure closely resembles the solidarity group approach, where groups of five people are formed. However, initially, only two members of the group are eligible to receive loans. The financial stability and profitability of Microfinance Institutions (MFIs) are assessed over a one-month period. The group's credibility is then determined based on the repayment performance of these first two individuals. If they demonstrate reliability by repaying their loans on time, the remaining group members become eligible for loans as well, as the group collectively guarantees the repayment of each member. As long as loans are consistently repaid correctly and promptly, the lending process continues in a cycle.

Chapter 3

Research Methods and Methodology

3.1 Introduction

This section outlines the methodologies and approaches utilized to gather and analyse the necessary data for addressing the research inquiries. It encompasses the study's research design, description of Study Area, target population, respondent sampling methods, data collection techniques, methods of data analysis, ethical considerations, and a plan outlining various research activities.

3.2 Research design

As mentioned by Borg et al. (2003), research design involves making deliberate choices about how data will be collected, measured, and analysed, which significantly affects the quality and reliability of the study's findings. Kothari (2004) similarly mentioned research design as a systematic framework that researchers rely on to methodically collect, quantify, and analyse data throughout their research process.

This study, conducted in August 2023, adopted a cross-sectional research design to gather data from both VICOBA (Village Community Banks) members and non-members. The data collection process involved the use of structured questionnaires and semi-structured interviews with key informants. These methods were chosen based on their alignment with the research questions, objectives, and the underlying research problem, allowing for a comprehensive investigation.

To ensure a holistic understanding, a mixed-method approach was employed, encompassing both quantitative and qualitative methods. Qualitative data was collected through semi-structured interviews with key informants, such as District Community Development Officers, Ward Executive Officers, and VICOBA leaders. The selection of these key informants was purposeful and convenient, as it aimed to identify individuals with a deep knowledge of the subject matter who were willing to participate, ensuring valuable understandings were obtained.

Quantitative primary data, on the other hand, was gathered from households using structured questionnaires administered through surveys. The choice of a cross-sectional survey design enabled the collection of data from various sources and cases at a single point in time, in line with the recommendations of Denscombe (2010). This design allowed for the simultaneous collection of both qualitative and quantitative data in a single phase, as highlighted by Terrell (2011).

Additionally, this study supplemented its primary data with secondary data obtained from various literature sources. This combination of research methods and data sources was carefully selected to address the research objectives effectively and comprehensively.

3.2 Description of Study Area

Kigoma Municipal, is located in the western part of Tanzania. It represents an economically modest region that relies on agriculture and trade-based activities. The region faces economic challenges, resulting in a relatively low per capita income estimated at Tzs. 360,000 (145USD). This can be attributed to the limited presence of cash crops, lack of industrial

infrastructure, and limited entrepreneurship opportunities (Kigoma/Ujiji Municipal Council, n.d). The local economy heavily depends on the fishing industry in Lake Tanganyika, involving both informal markets and small-scale agricultural activities. Key economic activities in the area encompass fishing, trading, small-scale agriculture, and small-scale industries. Peasants residing in the peri-urban areas engage in low-level agricultural activities, while middle and high-income earners are involved in fishing, small-scale industries, dairy production, and trading.

According to the National Bureau of Statistics (NBS, 2022), the municipality has a population of 232,388 people spread across 19 different wards. The district covers an area of 92.7 km² and is bordered by Uvinza District in the southeast and Kigoma District to the north. Lake Tanganyika surrounds the district on the west. The major ethnic group in Kigoma Municipal is the Ha, but there are also sizable populations of Wabembe, Wamanyema, Watongwe, Wavinza, Sukuma, and Haya. Further details on population distribution³

Kigoma Municipal was chosen for this study because it is one of Tanzania's least developed towns, with few projections for employment and a low per capita income. The district is a good place to look at how much the Village Community Bank (VICOBA) affect business because its economic operations are mainly small-scale and lack technical and entrepreneurial skills. The primary industries of the region's economy, including fishing, small-scale agriculture, and trading, present opportunities for VICOBA to play a significant role in assisting households with financial support. Additionally, there are many distinct ethnic groups represented in the research area's population, which may make it possible to assess how well VICOBA supports various diversified cultural groups.

3.3 Target Population

In the research study, a sample of Village Community (VICOBA) members, non-members, and key informants were selected to gather data. The selection of wards for data collection was based on their representation of the overall population distribution within the municipality. As defined by Cohen et al. (2017), a sample represented a selected portion of individuals or items that were indicative of the aggregate characteristics exhibited by the overall population being studied. To achieve this, a combination of purposive and random sampling techniques was employed. The selection of wards was done using a purposive sampling technique to ensure adequate representation. This technique took into account the population size and distribution of the wards in Kigoma Municipal. Wards with larger populations, such as Kibirizi, Gungu, Mwanga Kaskazini, and Katubuka, were included in the sample to capture the diversity of the municipality.

For the selection of participants, different strategies were applied based on the group they belonged to. Firstly, a random sampling technique was used to select both VICOBA members and non-members from the chosen wards, thus ensuring a representative sample that would provide diverse perspectives. Secondly, key informants with expertise in VICOBA and involvement in its activities were purposely selected using purposive sampling. This method aimed at including individuals with different perspectives and representing var-

³ Among the 19 wards, Kibirizi has the highest population with 36,661 residents, followed by Gungu with 30,395 residents. Mwanga Kaskazini and Katubuka have populations of 21,351 and 19,981 respectively. Other wards, such as Buzebazeba and Bangwe, have populations of 18,453 and 16,848. Buhanda is home to 16,308 residents, while Mwanga Kusini has 14,021 people. The remaining wards have smaller populations, ranging from 9,619 in Kagera to 1,776 in Kasingirima. (NBS, 2022)

ious organizations involved in VICOBA operations. These selected individuals offered valuable insights into their experiences regarding the impact of VICOBA on business as well as its challenges and overall effectiveness.

3.4 Sample size

The sample size refers to the number of items that are chosen from a population to represent the sample. It is determined by factors such as the type of research design, desired level of confidence, required accuracy and characteristics of the population. It should be noted that there is no one-size-fits-all approach for determining sample size (Kothari, 2004; Singh, 2006).

To determine the sample size for the survey, the Slovin's formula was used which is:

$$n = N / (1 + Ne^2).$$

Where: n represents the sample size, N denotes the total population, and e stands for the desired level of confidence.

Based on the Slovin's formula, we calculated the sample size for our study considering a 90% level of confidence and a projected population of 232,388 in the selected area:

$$n = (232,388) / (1 + 232,388 * (0.1)^2) = 100.$$

However, the study successfully conducted interviews with 103 respondents using structured questionnaires. Additionally, one key informant was interviewed and three focus groups consisting of 10 participants each was conducted.

3.5 Data Collection Methods

Structured questionnaires were administered to 68 VICOBA members and 35 non-members to gather quantitative data. Also, In-depth interview was conducted with Municipal Development Officer who is the key informant. This interview provided qualitative data and a deeper understanding of the role of VICOBA in improving or supporting the business, challenges faced by members, and potential strategies for improvement. Furthermore, three focus group discussion were conducted. FGDs were conducted with VICOBA members to explore their perceptions, experiences, and opinions regarding VICOBA's contribution to their business. FGDs will allow for group dynamics and interactions among participants, generating rich qualitative data on the topic. A focus group discussion involves a moderated conversation among 6-12 participants who freely and openly discuss a specific topic. This method is valuable for exploring attitudes, ideas, concepts, and perceptions related to various phenomena. It allows researchers to uncover nuanced issues that may not have been previously recognized (Gibbs, 1997).

3.6 Data Analysis:

The process of analysing data was categorized into two main approaches: qualitative data analysis and quantitative data analysis.

3.6.1 Qualitative data analysis

The qualitative data were analysed using thematic analysis to identify common themes and patterns. Thematic analysis was used to analyse data from interview transcripts to recognize patterns of frequent themes and sub-themes that corresponded with the research questions. Themes are patterns within qualitative data obtained during an in-depth interview with key informants, which were very significant to the narration of a phenomenon under investigation and were usually associated with the specific research questions (Creswell et al. 2004). Moreover, Bogdan & Biklen (1997), describe data analysis as an organized method that involved working with data, organizing and dividing them into manageable parts, synthesizing them, looking for patterns, determining what is significant and what could be learned, and deciding what to share with others.

3.6.2 Quantitative analysis

Quantitative data were analysed using descriptive and inferential statistics. The descriptive statistics such as mean, standard deviation, range, frequency, and percentages were used to explain the characteristics of the respondents while the inferential statistics employing a mean difference testis used to determine if there is a significant difference between the means of two groups: VICOBA members and non-members. In addition, we also use inferential statistics from a using marginal effects of a logistic regression and multivariate linear regression technique to estimate determinants of participation in VICOBA and the effect of VICOBA loans on business success respectively. We employ logistic regression for the first case since our outcome variable, participation in VICOBA is a dummy variable that takes the value 1 when an individual participates in VICOBA and 0 otherwise. The marginal effects after the logistic regression measure the marginal effect on the probability of participating in VICOBA.

To analyse the effect of VICOBA on business income, we apply a multiple regression analysis because our dependent variable, income generated from the business using loan from VICOBA, is a continuous (numerical) valued. The estimates from the multivariate linear regression model predict the value of the dependent variable based on the values of two or more independent variables (Uyanik & Guler, 2013). It is a statistical tool that allows researchers to examine how multiple independent variables are related to a dependent variable which allow for much more powerful and accurate predictions of the effects of independent variables on dependent variables (Polit, 2010).

3.6.2.3 Model specification

Determinants of participation in VICOBA

As discussed above, we employ a logistic regression model to estimate the determinants of participation in VICOBA.

We estimate the following model where we predict the probability that a household participates in VICOBA depends on various individual and household level factors:

$$p(VICOBA)_i = f(\beta_i X_i + u_i) \quad (1)$$

Where $p(VICOBA)_i$ is the outcome on the probability that a household participates in VICOBA scheme, X_i is a vector of individual and household level characteristics (including age, gender, education level, marital status, household size, savings, occupation, awareness of VICOBA, and business ownership) and u_i is the idiosyncratic error term.

Before passing to the multivariate regression models to predict the effect of VICOBA loan on business success using business income as an outcome and on amount of saving, we will estimate marginal effect after logit estimations on the probability of business ownership and having savings in banks. In both scenarios, models that are comparable to the one described under (1) will be used where VICOBA membership will be used as a predictor in addition to the variables captured under X_i .

The multivariate model for the outcomes of business income and saving amount is expressed as follows:

$$Y_i = \beta_0 + \beta_1 VICOBA_i + \beta_2 X_i + \varepsilon_i \quad (2)$$

Where:

Y_i = Revenue/monthly income generated from the business or amount of saving in a bank

$VICOBA_i$ = A binary variable for VICOBA membership/participation (=1 for participant and 0 for non-participant)

X_i = Individual and household level characteristics additionally including length of membership in VICOBA

ε_i = Error term, the unexplained variation in income.

We estimate variants of the Models outlined in (1) and (2).

3.7 Scope and limitations

This research presented a number of challenges that required careful consideration when conducting the research in a specific area. Firstly, the researcher had to take into consideration the language barriers as questionnaires were administered in English while respondents mainly communicated in Kiswahili or other vernacular languages depending on their tribal specifications. The researcher had to translate the questionnaires into local languages accurately in order to ensure reliable data collection.

Secondly, the study area is characterized by diverse economic activities such as agriculture and fisheries, and we expected availability of respondents during July-August - which happened to overlap with the harvest season for farmers. This caused difficulties in setting a meeting schedule. We overcame this challenge by making careful arrangements of appointments based on each individual respondent's availability through effective communication strategies such as sending prior information and requesting appointments accordingly.

3.8 Ethical Consideration

Ethical considerations are of paramount importance in any research project dealing with the community, and therefore the current study has no exception for that. Participants were assured that all information shared with researchers during interviews or data collection sessions would remain confidential. Open communication about the purpose of the study was also upheld by sharing openly with key informants and stakeholders. The purpose of the research was communicated openly to all key informants and stakeholders. Informed consent was obtained from all participants, and their confidentiality and anonymity were protected. Participants had the freedom to withdraw from the study at any time. Nevertheless,

before starting the research, the researcher contacted District, ward, village, and leaders depending on their protocol to obtain permission to conduct the research.

Chapter 4 FINDINGS AND DISCUSSION

4.1 Introduction

This chapter summarizes the findings of the study. It also analyses and examines the study findings. Tables, percentages, and statistical tests are used to summarize and convey data analysis. The analysis is based on primary data gathered from the field through questionnaires with VICOBA members, non-members, focus group discussions and key informant's interview. This study findings are divided into quantitative part presented with descriptive statics which summarize the quantitative data as well as inferential statistics. Also, Qualitative part presented with thematic analysis to identify key themes, patterns, and perspectives concerning the effect of VICOBA on business.

4.2 QUANTITATIVE FINDINGS:

Setting the stage for the analysis, Table 4.1 presents the characteristics of data used for the quantitative analysis.

Table 4.1: Description of variables

Variable	Definition	Mean (SD)	N
Interest variables			
VICOBA membership	Membership to VICOBA (1=Member)	0.66	103
Own business	Respondent owns business (1=Yes)	0.77	103
Saving	Respondent has saving in bank (1=Yes)	0.66	103
Business income	Income generated from businesses	360,250 (301,930)	80
Saving amount	Amount of saving in bank accounts	158,260 (148,390)	69
Covariates			
Male	Respondent's gender is male	0.47	103
Female	Respondent's gender is female	0.53	103
Age	Age in years	43.6 (15.0)	103
Household size	Number of household members	4.3 (2.8)	103
Household head - Female	Household head (1=Female head & 0 otherwise))	0.34	103
Education levels			
No formal education	Respondent has no education	0.43	100
Primary education	Respondent has primary education	0.15	100
Secondary education	Respondent has secondary education	0.25	100
Tertiary education	Respondent has tertiary education	0.17	100
Marital status			
Single	(1=Married and 0 otherwise)	0.48	103
Married	(1=Single and 0 otherwise)	0.30	103
Divorced	(1=Divorced and 0 otherwise)	0.08	103
Widowed	(1=Widowed and 0 otherwise)	0.14	103
Religion	(1=Christian and 0 otherwise)	0.44	103
Main occupation			
Self-employment	Respondent is self employed	0.68	103
Other employment	Respondent is in an employment other than self-employment	0.32	103
Participation in government assistance programs	(1= Participant and 0 otherwise)	0.22	101
Official position held	Any household member holds official position (1=Yes)	0.19	103
VICOBA Characteristics			
Awareness of VICOBA	Awareness of VICOBA (1=Fully aware)	0.83	103
VICOBA membership duration	Length of membership in VICOBA in years	3.9	69
Loan uptake	VICOBA loan uptake (1=Yes)	0.67	69
Purpose of loan	1=Loan taken for business working capital and 0 otherwise	0.55	47
Leadership position	Household/member has ever hold VICOBA leadership position (1=Yes)	0.12	98

Source: Own field Data, 2023

Table 4.1 provides an overview of the characteristics of the data used for quantitative analysis in the study. The variables of interest which is VICOBA membership is relatively common, with 66% of respondents being members. A significant proportion of respondents (77%) own businesses, and a similar percentage to VICOBA membership (66%) have savings in a bank. On average, business income is 360,250 Tanzanian shillings, while the mean saving amount is 158,260 Tanzanian shillings. Among the covariates, the gender distribution is almost balanced, with 47% males and 53% females. The average age is 43.6 years, and households have an average size of 4.3 members. Education levels vary, with 43% having no formal education and 15%, 25%, and 17% having primary, secondary, and tertiary education, respectively. Marital status shows a diverse distribution, with 48% single, 30% married, 8% divorced, and 14% widowed. About 44% of respondents identify as Christian. In terms of occupation, 68% are self-employed, and 32% are in other forms of employment. About 22% participate in government assistance programs, and 19% have a household member holding an official position. For VICOBA characteristics, respondents generally exhibit a high awareness of VICOBA (83%), with an average membership duration of 3.9 years. Loan uptake is common (67%), and more than half of the loans are taken for business working capital. Additionally, 12% of households or members have held VICOBA leadership positions.

4.2.1 What determines VICOBA membership?

Before examining the effects of VICOBA membership on business related outcomes, it is imperative to understand factors determining participation in VICOBA. Table 4.2 below provides a descriptive statistic of VICOBA membership.

Table 4.2: Descriptive statistics of VICOBA membership

Covariate	Membership to VICOBA		Difference (p-value)
	Member	Non-member	
Male	0.47	0.46	0.90
Age	45.1	40.6	0.14
Household size	4.4	4.1	0.69
Household head-Female	0.43	0.17	0.01
Education levels			
No formal education	0.52	0.26	0.01
Primary education	0.23	0.29	0.55
Secondary education	0.145	0.17	0.66
Tertiary education	0.11	0.28	0.02
Marital status			
Single	0.32	0.26	0.49
Married	0.38	0.65	0.01
Divorced	0.10	0.03	0.19
Widowed	0.20	0.06	0.07
Religion- Christian	0.47	0.37	0.34
Main occupation- Self employed	0.81	0.43	0.00
Participation in government assistance programs	0.29	0.09	0.02
Official position held	0.12	0.34	0.006
Awareness to VICOBA	0.97	0.57	0.000

Source: Own field Data, 2023

We conducted a t-test to see if there is significant mean difference for the covariates as shown in Table 4.2 above. The guiding null and alternative hypotheses are:

H₀: There is no difference in the mean of the covariate under consideration between member and non-members of village community Bank.

H_A: There is difference in the mean of the covariate under consideration between members and non-members of village community bank.

If P-value is less than 0.1, then we reject the null hypothesis and if greater than 0.1 we fail to reject the null hypothesis. The t-test conducted indicate that there are significance differences in several key variables. The null hypothesis was rejected for variables including head of household, education levels (non- formal and tertiary education), marital status (married individuals), main occupation, participation in government assistance programs, holding official positions, and awareness to VICOBA. On the other hand, variables such as gender, age, household size, religion, and certain education levels did not show significant differences, leading to the failure to reject the null hypothesis for these factors.

4.2.2 Determinants of VICOBA membership

A logistic regression analysis was carried out to predict the determinant of participation in VICOBA. This was done with dependent variable membership to VICOBA which represents members and non-members and several independent variables which includes gender, age, household size, head of the family, education, Marital status, main occupation, participation in government assistance program, holding official position and awareness to VICOBA as shown in the table below: The table below presents the marginal effects after logit estimates using the likelihood of membership as outcome variable.

Table 4.3: Determinants of VICOBA membership (marginal effects after logit)

Variable	Model 1	Model 2	Model 3
Gender	0.097 (0.092)	0.108 (0.097)	0.073 (0.086)
Age	0.005 (0.005)	0.004 (0.004)	0.001 (0.004)
Household size	0.006 (0.019)	0.006 (0.017)	0.005 (0.014)
Female headed household	0.161 (0.129)	0.204 (0.127)	0.341*** (0.126)
Secondary education	0.057 (0.146)	0.069 (0.147)	-0.009 (0.124)
Primary education	-0.142 (0.113)	-0.205* (0.124)	-0.107 (0.088)
Tertiary education	-0.061 (0.157)	-0.031 (0.194)	-0.235 (0.15)
Married	-0.139 (0.124)	-0.095 (0.13)	-0.002 (0.111)
Divorced	0.101 (0.202)	0.063 (0.198)	0.007 (0.166)
Widowed	-0.049 (0.191)	-0.067 (0.193)	-0.081 (0.17)
Religion - Christian	0.065 (0.088)	0.114 (0.091)	0.187** (0.095)
Main occupation – Self employed	0.312*** (0.104)	0.309** (0.131)	0.028 (0.133)
Assistance program		0.177 (0.139)	0.023 (0.108)
Official position		-0.02 (0.203)	0.187 (0.157)
Awareness to VICOBA			0.538*** (0.092)
N	100	98	98
Pseudo-R ²	0.2304	0.2544	0.4568

Standard errors in parentheses* p<0.10, ** p<0.05, *** p<0.01

Source: Own field Data, 2023

Looking at the most complete specification, Model 3, the key factors which determine membership to VICOBA include sex of head of household, religious affiliation and type of main occupation and awareness to VICOBA. Other variables such as age, gender, secondary education, tertiary education, official position and household size are not significant predictors of VICOBA membership.

Table 4.3 above show that female headed households have a positive relationship to participation of VICOBA and statistically significant at 1% level of significance with a magnitude of 0.341 keeping other factors constant. This implies that, for female headed household, their probability of participation in VICOBA increases by 34.1 percentage point. This can be related to the fact that, female headed household may face many challenges in accessing the formal financial institutions. VICOBA as the community-based microfinance and often informal, favour those who are excluded from formal financial institutions.

Religion also plays an important role in influencing participation to VICOBA. Table 3 shows that the effect of affiliation to Christian religion is positive and statistically significance at 5% level of significance with magnitude of (0.187) *ceteris paribus*. This implies that, an individual with Christian religion has 18.7 percentage points higher probability to participate in VICOBA as compared to an individual from other religions. This may be due to the cultural norms and value which limits the likelihood of participation for other religions. . For example, most of Muslims do not participate in financial institutions that provide loans with interests as this is seen as a practice against the religious teachings.

Type of occupation also seems to be a significant predictor of business ownership. As indicated in Table 4.3, self-employment is statistically significance at the 1% level of significance with a magnitude ranging from 0.312 (Model 1) to 0.309 (Model 3). This implies that on average, self-employed individual have 31 percentage points (most complete Model) higher probability to business membership than individuals with in other occupations after controlling other factors. The positive relationship between self-employment and participation in VICOBA is not surprising may be due as most sufficient to manage contributions of buying share within VICOBA and other contributions.

In addition, the awareness of VICOBA has a positive relationship to participation in VICOBA and the relationship is statistically significant at the 1% level of significance with magnitude of (0.538), indicating that on average those individuals with awareness on VICOBA are 53.8 percentage point more likely to participate in VICOBA compared to those with no awareness *ceteris paribus*. This is due to the fact that, people with awareness have more information on how to join and the benefits obtained from the financial institution than those who lack awareness

The remaining factors were found to be statistically insignificant in detecting the probability of participation in VICOBA.

4.2.3 Effect of VICOBA membership on business ownership

A logistic regression analysis was done to estimate the effect of VICOBA membership on business ownership. This was done taking business ownership as the dependent variable and several independent variables which includes VICOBA membership, gender, age, household

size, head of the family, education, marital status, main occupation, participation in government assistance program, holding official position and awareness of VICOBA. Table 4.4 presents the marginal effects after logit estimates using the likelihood of business ownership as the outcome variable.

Table 4.4: Effect on business ownership (marginal effects after logit)

Variable	Model 1	Model 2	Model 3
VICOBA membership	0.330*** (0.047)	0.187*** (0.052)	0.120* (0.063)
Gender (Male)		0.05 (0.064)	0.039 (0.062)
Age		0.004* (0.002)	0.003 (0.002)
Household size		-0.01 (0.009)	-0.009 (0.01)
Family head - Female		0.191* (0.113)	0.221* (0.118)
Secondary education		0.072 (0.098)	0.013 (0.098)
Primary education		-0.122 (0.09)	-0.102 (0.079)
Tertiary education		0.128 (0.097)	0.025 (0.102)
Married		0.026 (0.103)	0.035 (0.103)
Divorced		-0.191 (0.212)	-0.2 (0.219)
Widowed		-0.173 (0.121)	-0.188 (0.135)
Religion - Christian		-0.04 (0.065)	0.002 (0.064)
Main occupation – Self-employed		0.384*** (0.108)	0.293*** (0.098)
Assistance program		0.025 (0.085)	-0.01 (0.077)
Official position		0.061 (0.097)	0.012 (0.093)
Awareness to VICOBA			0.143** (0.066)
N	103	98	98
Pseudo-R ²	0.2035	0.4657	0.4786

Standard errors in parentheses * p<0.10, ** p<0.05, *** p<0.01

Source: Own field Data, 2023

Based on the complete analysis presented in table 4.4, the key variables which show a statistically significant effect on business ownership are VICOBA membership, age, female head, main occupation and awareness to VICOBA.

Table 4.4 above show that membership to VICOBA has positive relationship to business ownership and the relationship is statistically significance in all three models although with a reduction in magnitude and strength ranging from a magnitude of 0.330 and 1% level of significance in Model 1 to a magnitude of 0.120 and 10% level of significance in Model 3. This implies that, being a member of VICOBA is associated with 12 to 33 percentage points increase in the probability of business ownership. The positive effect of VICOBA membership on the likelihood of business ownership can be explained by the availability of initial capital made available through VICOBA to venture a new business.

Female headed household are more likely to report business ownership than male headed households. More specifically, female headed households are 22 percentage points more likely to report owning businesses than their male counterparts. The effect is significant at the 10% level of significance. It may well be that the type of businesses are small scale businesses that are usually owned by women.

Type of occupation also seems to be a significant predictor of business ownership. As indicated in Table 4.4, self-employment is statistically significance at the 1% level of significance with a magnitude ranging from 0.38 (Model 2) to 0.293 (Model 3). This implies that on average, self-employed individual have 29.3 percentage points (most complete Model) higher probability to own business than individuals with in other occupations after controlling for individual and household characteristics. The positive relationship between self-employment and business ownership is not surprising may be due as most of self-comes from business.

Furthermore, awareness of VICOBA has positive relationship to business ownership and the relationship is statistically significant at the 5% level of significance and a magnitude of 0.143. This indicates that individuals with VICOBA awareness are 14.3 percentage points more likely to report business ownership than those with no VICOBA awareness. This may be because those with VICOBA awareness may have more information through their network within VICOBA which business ventures available to engage. Other covariates did not show a statistically significant effect on business ownership.

4.2.4 Effect of VICOBA membership on saving at the bank

The logistic regression analysis carried out to estimate the effect of VICOBA membership on saving at banks used saving at banks as the dependent variable and various independent variables. The independent variables include VICOBA membership, gender, age, household size, sex of head of the household, education, marital status, main occupation, participation in government assistance program, holding official positions, and awareness of VICOBA. Table 4.5 below presents the marginal effects after logit estimates using the likelihood of saving at bank as an outcome variable.

Table 4. 5: Effect of VICOBA membership on saving at bank (marginal effects after logit)

Variable	Model 1	Model 2	Model 3
VICOBA membership	0.241*** (0.08)	0.421*** (0.099)	0.611*** (0.154)
Gender		-0.148 (0.117)	-0.137 (0.117)
Age		-0.001 (0.005)	-0.002 (0.005)
Household size		-0.063*** (0.022)	-0.062*** (0.022)
Head of the family -Female		0.135 (0.172)	0.082 (0.187)
Secondary education		-0.117 (0.153)	-0.131 (0.166)
Primary education		0.018 (0.123)	0.006 (0.122)
Tertiary education		0 (.)	0 (.)
Married		-0.066 (0.143)	-0.066 (0.148)
Divorced		-0.26 (0.257)	-0.216 (0.259)
Widowed		-0.084 (0.242)	-0.038 (0.255)
Religion - Christian		0.135 (0.108)	0.137 (0.098)
Main occupation – Self-employment		-0.399*** (0.137)	-0.407*** (0.151)
Assistance program		0.083 (0.155)	0.088 (0.147)
Official position		-0.227 (0.199)	-0.26 (0.213)
Awareness to VICOBA			-0.266 (0.171)
N	103	81	81
Pseudo-R ²	0.0535	0.3459	0.3646

Standard errors in parentheses * p<0.10, ** p<0.05, *** p<0.01

Source: Own field Data, 2023

Table 4.5 above show that VICOBA membership has positive relationship to saving at bank and it is statistically significance at the 1% level of significance and positive coefficients of 0.241, 0.421 and 0.611 in all the three models, Model 1, Model 2, and Model 3 respectively. This implies that, on average, being a member of VICOBA is associated with an increase in the probability of saving at the bank by 24.1, 42.1 and 61.1 percentage points respectively as compared to non-non-members and controlling for other factors.

This positive relationship may relate to the fact that VICOBA membership provides individuals with opportunities to get financial knowledge, discipline, and access to resources that encourage and facilitate saving behaviour. Also, being part of a community-based financial institution like VICOBA might enhance disposable income which has positive relationship with savings.

On the other hand, looking at the most complete model, Model 3, an increase in household size and engaging in self-employment show a negative relationship with saving at bank and the effects are strongly significant at the 1% level of significance. This implies that, after controlling for other individual and household characteristics, a one-member increase in household size is associated with a 6.2 percentage point decrease in the likelihood of saving at a bank on average while that for self-employment is 41 percentage points *ceteris paribus*. These results are not surprising as increase in household size comes with an increase in financial responsibility of providing for the additional household member and less resource (money) to save at the bank. Relatedly, potential reinvestment of capital generated from business for business expansion for self-employed businesses leaving no resources for saving. No other factors were found to have a statistically significant effect on the likelihood of saving at banks.

4.2.5 Effect of VICOBA membership on business income

A multivariate regression analysis was used to estimate the effect of VICOBA on business income by examining the relationship taking income generated from businesses as the dependent variable and VICOBA membership and other covariates as the independent variables:

Table 4.6: Effect of VICOBA membership on business income (OLS)

Variable	Model 1	Model 2	Model 3
VICOBA membership	166890.756** (80868.418)	179773.281*** (57414.771)	123670.248** (49891.689)
Gender		244362.314 (149145.835)	225426.053 (143549.303)
Age		2666.713 (3893.029)	2555.336 (3802.604)
Household size		-41079.727* (23714.05)	-41242.012* (23124.358)
Family head		426643.174* (213343.176)	451892.195** (218133.641)
Secondary education		-16245.645 (77816.322)	-2844.737 (73310.093)
Primary education		222841.855 (158004.496)	221671.519 (156629.308)
Tertiary education		-43092.25 (105270.811)	-85841.433 (109636.302)
Married		113300.185 (98005.92)	118262.658 (97394.32)
Divorced		50326.399 (106844.517)	22048.522 (112831.639)
widowed		-25625.778 (140867.065)	-56726.128 (147625.56)
Religion		72801.695 (61724.352)	81240.142 (62534.845)
Main occupation		-30187.369 (102580.964)	-121230.025 (128687.189)
Assistance program		-61690.34 (70307.362)	-71746.358 (71445.568)
Official position		176484.526 (109305.779)	87311.202 (134840.446)
Awareness to VICOBA			195028.828 (122373.872)
_cons	228823.529*** (71763.602)	-133088.329 (241040.099)	-169792.267 (253660.612)
N	80	75	75
Pseudo-R ²	0.0518	0.4113	0.4265

Standard errors in parentheses * p<0.10, ** p<0.05, *** p<0.01

Source: Own field Data, 2023

Based on the most complete analysis provided under Model 3 of Table 4.6, VICOBA membership, sex of the household head and household size seem to be the key variables which show an effect on business income.

More specifically, VICOBA membership shows a positive relationship with business income and this relationship is statistically significant across the three models. The magnitude ranges from 166,890 Tanzanian Shillings (simple bivariate result from Model 1) to 123,670 Tanzanian Shillings (multivariate result controlling for individual and household factors in Model 3). The effect is statistically significant at 5%, 1% and 5% level of significance across Model 1, Model 2, and Model 3 respectively that the results from all the models imply the positive and significant contribution of VICOBA membership to business income for members compared to non-members.

Looking at the most complete model, Model 3, we find a negative and statistically significant at the 10% level of significance effect of household size on business income. Specifically, we find an on average reduction effect of 41,242 Tanzanian Shillings on business income associated with a unit increase in the size of the household *ceteris paribus*. This negative relationship between business income and household size may be related to the increase in family responsibility which may limit individual's active involvement in business which results in reduction of business income. This may be due to the fact that, the time and attention required to manage a larger household may limit individuals from focusing on their business activities. Also, when the household size increases, they often need more resources (money) to expenditures on food, education, and healthcare. This can put a lot of strain on the family finances, leaving less money to invest in their business and use business income for consumption purposes consequently affecting business income.

On the contrary, female headed households show a positive effect on reported business income, an amount of more than 450,000 Tanzanian Shillings on average after controlling for the effect of individual and household factors. The effect is statistically significant at the 5% level of significance. This positive association between female headed households and business income directly follows from the significant association between female headed households and probability of business ownership showed earlier.

We didn't detect a statistically significant effect from other factors used in our models.

4.2.6 Effect of VICOBA membership on amount of saving

Once again, a multivariate regression model was used to estimate the effect of VICOBA membership on the amount of saving by examining the relationship considering amount of saving as the outcome variable and other independent variables which include membership to VICOBA, gender, age, household size, family head, education, marital status, religion, occupation, participation in assistance program, official position, and awareness of VICOBA as shown in Table 4.7 below.

Table 4.7: Effect of VICOBA membership on amount of saving (OLS)

Variable	Model 1	Model 2	Model 3
VICOBA membership	-51091.744 (41296.825)	57272.119 (64378.143)	26245.311 (76569.574)
Gender		26438 (36315.052)	31590.849 (36753.479)
Age		-404.986 (1734.061)	-233.398 (1676.145)
Household size		-5673.889 (8943.567)	-5181.973 (8669.609)
Head of the family		27434.515 (43044.337)	51779.956 (51389.738)
Primary education		75504.198 (51890.281)	86837.759* (50633.489)
Secondary education		-21512.931 (38189.145)	-19383.747 (37572.085)
Tertiary education		7331.663 (90983.93)	-31953.3 (80686.524)
Married		98001.113* (52890.315)	107687.953** (48952.225)
Divorced		158250.546* (89685.009)	147539.403 (88506.19)
Widowed		159846.763** (61043.005)	148564.875** (61712.273)
Religion		43660.782 (33777.853)	42980.616 (34078.308)
Main occupation		-9840.216 (45990.218)	-31812.832 (39278.119)
Assistance program		-81007.441** (30814.195)	-93072.157*** (32300.702)
Official position		191467.791*** (69417.647)	179366.283** (67766.527)
Awareness to VICOBA			84057.324 (62231.587)
Purpose of loan			
_cons	196764.706*** (35850.382)	-5603.471 (86679.464)	-51146.009 (96926.437)
N	69	64	64
Pseudo-R ²	0.0223	0.5965	0.6119

Standard errors in parentheses * p<0.10, ** p<0.05, *** p<0.01

Source: Own field Data, 2023

As shown in Model 3 of Table 4.7, a statistically significant effect on saving amount has been detected from primary education level, married and widowed individuals, participation in government assistance programs and the incidence of holding official positions. On average, individuals with primary education are likely to report an 86,837 Tanzanian Shillings more savings amount compared to those with no education after controlling for other individual and household factors in the model. The effect is statistically significant at the 10% level of significance. The result implies the increase in the motivation to save for the future by those with primary education as compared to those with no education.

On the contrary, married and widowed individuals are likely to report an increase in their amount of saving compared to single individuals. More specifically an on average increase in the amount of saving of 107.7 and 148.6 thousand Tanzanian Shillings are reported by married and widowed individuals respectively compared to single individuals *ceteris paribus*. Both effects are significant at the 10% level of significance. These effects can be associated to the forward-looking behaviour of married and widowed individuals as compared to single counterparts.

Notwithstanding the positive effect expected from participation in government assistance programs on amount of saving, our results presented from the most complete model (Model 3 of Table 4.7) show a negative association between participation in government assistance programs and amount of savings. The association is significant at the 1% level of significance. Continued reliance and dependency behaviour that develop as a consequence of participation in government assistance programs explain the negative effect.

On the opposite, official position shows a statistically significant relationship with saving amount. As shown in Model 3, the coefficient for official position is positive (179366.283) and statistically significant at the 5% level of significance, implying that, individuals holding official position save up to 179,366 Tanzanian shillings more than individuals who do not hold official position. The positive relationship between amount of saving and official position may be due to the fact that, holding an official position may provide access to additional financial incentives, rewards, and opportunities which in turn will create a stronger financial incentive for the member to save more.

In summary, the primary factors highlighted in this finding that determine participation in VICOBA encompass sex of the head of household, religious affiliation and type of main occupation. For VICOBA membership on saving at the bank, it has shown positive relationship with saving at the bank and negative relationship with household size and self-employment. On the side of business income it has shown the positive relationship with business income and negative relationship with household size. Furthermore, a statistically significant effect on saving amount has been detected from primary education level, married and widowed individuals, participation in government assistance programs and the incidence of holding official positions. Generally, the key variable which is VICOBA membership has shown the positive relationship in many aspects includes business ownership, saving at the bank as well as business income.

4.2.7 Factors Determining Acceptance of VICOBA

The current research also explored the reasons behind members' acceptance of VICOBA by investigating the factors influencing decisions to join the Village Community Bank. The findings provided in Table 4.8 reveal that a combination of convincing factors played an important role in their choices. The majority of respondents, accounting for 35.42%, were attracted to VICOBA due to its lower interest rates, implying the importance of affordability. Additionally, 27.08% accepted VICOBA due to flexible repayment terms as

a motivating factor, implying the personalized financial arrangements offered by VICOBA membership. Access to credit and loans attracted 14.58% of respondents, which implies the importance of financial access provided by VICOBA. The presence of a supportive community was mentioned by 20.83% of participants, demonstrating the social dimension of VICOBA innovation. Lastly, 2.08% mentioned trust in VICOBA management as a factor influencing their decision. These findings demonstrate that VICOBA’s innovative methods align with members’ requirements by addressing their financial needs, fostering a sense of community, and imparting trust in its offerings.

Table 4.8: Determinants of acceptance to VICOBA

Influence to join VICOBA	Freq.	Percent
Access to credit/loans	7	14.58
Flexible repayment terms	13	27.08
Lower interest rates	17	35.42
Supportive community	10	20.83
Trust in VICOBA management	1	2.08
Total	48	100.00

Source: Own field Data, 2023

4.2.8 Challenges Faced by VICOBA Members

The current research also identified a number of issues faced by members when using VICOBA services and these challenges varied among the respondents. As shown in Table 4.9, the most common concern mentioned by 43.75% of participants is lack of adequate financial literacy training provided for members. This indicates a need for improved training and support to help members to effectively manage their finances within the organization. 25% of the respondents pointed out that the loan application process is quite complex suggesting rooms for improvements in restructuring this aspect of VICOBA’s operations. Furthermore, almost a quarter of the members (22.92%) expressed limited access to credit/loans implying the importance of promoting inclusion within the organization. A smaller number of respondents (4.17%) raised concerns about transparency in how VICOBA operates indicating that increased openness could foster trust and confidence among its members. Lastly, a minority of respondents (2.08%) identified interest rates as an issue emphasizing the importance of ensuring fairness and affordability within the VICOBA program. These findings provide information that can help shape approaches to tackle these obstacles and improve the overall efficiency of VICOBA in assisting their members.

Table 4.9: Challenges faced by the members

Challenges	Freq.	Percent
Complex loan application process	12	25.00
High interest rates	1	2.08
Insufficient financial literacy training	21	43.75
Limited access to credit/loans	11	22.92
Lack of transparency in VICOBA operations	2	4.17
Others	1	2.08
Total	48	100.00

Source: Own field Data, 2023

4.3 QUALITATIVE FINDINGS

4.3.1 Focus group discussion

Focus group discussions were conducted with VICOBA members, aiming to explore their perceptions, experiences, and opinions regarding the effect of participation in VICOBA on business success for household in Kigoma municipal. These discussions allowed for dynamic interaction with the group members, so as to generate a rich qualitative data on the specified topic. Participants, representing various wards, revealed several key themes related to how VICOBA contributes to household income and supports local businesses.

Most of the participants emphasized that their primary and key motivation for participating in VICOBA was to get access to financial resources it provides so as to acquire capital to venture in the business. They highlighted that, the saving opportunities and the loan provided within VICOBA group has played an important role in helping them to initiate and expand their businesses. One participant, reflecting on this, remarked,

"Joining VICOBA was a game-changer for my family. It has helped in access to financial resources it provides. We can now take loans to invest in our small businesses and secure our household income to satisfy the basic needs" (Female, Group 1, Date: 11 August,2023).

Furthermore, another participant added that

"Financial and social inclusion is a significant motivation to participate in VICOBA. But I would also say that the sense of community and trust within VICOBA groups plays a big role. People feel supported and empowered when they work together to achieve common financial and social objectives" (Female, Group 1, Date: 11 August,2023).

Additionally, participants pointed out how VICOBA empowered them to diversify their income sources, as one participant noted:

"What I love about VICOBA is how it empowers us to diversify our income sources. I used the loans to establish a small ginger farm plot, and now I have an additional source of income, thanks to VICOBA" (Female, Group 3, Date: 16 August,2023).

The sense of community and trust within VICOBA groups emerged as a significant motivator, since the collaborative effort toward common financial and social objectives not only empowered participants but also fostered a deep sense of belonging

To increase VICOBA's uptake within the community, participants suggested the need for more awareness campaigns. Recommendations included leveraging local media, community events, and door-to-door visits to inform potential members about the benefits of joining VICOBA as noted from one of the participants.

"I think, most of people are aware on the existence of VICOBA, but I am not sure if they know the existing benefit of joining within VICOBA group" (Male, Group 2, Date: 14 August,2023).

Participants shared personal success stories during the discussion, highlighting how VICOBA loans had positively impacted their businesses as noted from one of the participants who said that:

"VICOBA provided me with a loan when I wanted to expand my small cosmetics shop. It helped me buy more inventory, and now my business is growing steadily" (Female, Group 3, Date: 16th, August,2023). Another participant said *"VICOBA also helped me invest in a sewing machine for my tailoring business. Without their support, I couldn't have afforded it, and now I take orders from all over the neighbourhood"* (Male, Group 2, Date: 14 August,2023).

However, some challenges also were raised by the participants during FDGs. Loan repayment schedules were identified as a major challenge, particularly during slow business months. Participants recommended the introduction of flexible repayment options to alleviate this issue as noted from one of the participants:

"One problem I have faced is paying back my loan on time. It is very difficult for a weekly repayment plan when my business doesn't make much profit in that week. This makes it hard to stick to the plan for repaying the loan. When my business has slow season, I struggle to come up with the money I owe according to the schedule we agreed upon. So, it would be helpful to have more flexible options for paying back the loan, especially during those low season of the business times" (Female, Group 3, Date: 16 August,2023)

Also, insufficient financial literacy training emerged as a major challenge faced by VICOBA members when it comes to effective utilization of its services. Many members expressed concerns about their limited understanding of essential financial concepts, which hindered their ability to manage their resources such as loan and dividends effectively. One member briefly articulated this issue, stating,

"The lack of financial literacy has far-reaching consequences for our members within VICOBA. It hinders our ability to set and achieve financial objectives, making it challenging to effectively utilize the services VICOBA provides. Consequently, a large number of members end up taking loans without proper planning. As a result, they encounter difficulties during the repayment phase, which in turn make them fail to pay a loan on time" (Female, Group 1, Date: 11 August,2023).

To address these challenges, participants proposed solutions such as offering flexible repayment options during difficult times (low season) and providing financial literacy training to improve members' understanding of loan terms and financial management as noted from one of the participants who said that:

"I think financial literacy training could also helpful in addressing some challenges we face. Many members may not fully understand the terms and conditions of the loans. Better education on financial management could reduce business failure rates" (Male, Group 1, Date: 11 August,2023).

To encourage more people to get involved with VICOBA, the participants came up with some ideas. They stressed the importance of raising awareness about the benefits of VICOBA through targeted campaigns supported by local leaders and influential community members, demonstrating the positive impacts of joining VICOBA. Another effective strategy they suggested was arranging community events, providing VICOBA members with a platform to share their personal success stories. By doing so, they could realistically demonstrate how VICOBA has significantly improved their livelihood. Sharing these success stories

could be an effective way to convince others to join VICOBA group and gain similar benefits.

In terms of enhancing VICOBA's effectiveness and efficiency, participants suggested some strategies for improvement. They first stressed the importance of sustaining member trust and the need for transparency in the handling of VICOBA finances, including clear accounting procedures and open communication regarding financial concerns. Secondly, they suggested giving VICOBA members and leaders intensive training and capacity-building programs that included financial literacy, entrepreneurial, leadership, and management abilities. These initiatives aim to empower members to make informed decisions and manage their funds effectively. Lastly, participants encouraged VICOBA groups to engage in networking with similar groups and microfinance institutions to share experiences and learn more from others, fostering improved practices and innovations in community banking as one of the participants said,

"I am here operating VICOBA for three years now, we don't know the way our neighbor in Kasulu operating. We need to get out and know what others are doing in order to gain more knowledge and improve our group operation" (Male, Group 2, Date: 14 August, 2023).

4.3.2 Key informant interview

In-depth interviews were conducted with Community Development Officer as the key informant. This interview provided qualitative data and a deeper understanding of the role of VICOBA in improving or supporting the business, challenges faced by members, and potential strategies for improvement

According to the key informant, who is a Community Development Officer, VICOBA in Kigoma Municipal has a long historical background since the early 2007s. He stated that, "VICOBA originally regarded as a community-based financial institution, aimed to empower local communities, especially those in rural areas, by providing access to financial services and enhancing their socio-economic status. This initiative originated from the collaborative efforts of community leaders and development organizations dedicated to alleviating poverty and promoting financial inclusion" in the region. Over time, VICOBA has evolved into a structured and sustainable microfinance model driven by the need for grassroots-level financial services and the aspiration to reduce poverty and stimulate economic growth in Kigoma Municipal.

The key informant emphasized that VICOBA plays a crucial role in supporting local businesses by facilitating access to affordable credit, providing financial training, and fostering a supportive community network. He mentioned,

"Members have the opportunity to secure loans for business investments, access savings and receive financial education to enhance their business skills."

The acceptance of VICOBA among households in Kigoma Municipal, according to the key informant, is influenced by various factors, including perceived benefits, trust in VICOBA group, recommendations from existing members, and the level of financial literacy in the community. They also noted that the convenience of accessing VICOBA branches and services contributes to its popularity.

To further enhance outreach and attract more participants, the key informant suggested that VICOBA should consider expanding its presence in underserved areas, conducting awareness campaigns to highlight its services and benefits, and collaborating with local community leaders and government agencies for support. Also, they mentioned technology integration such as mobile banking and digital financial tools to make VICOBA more accessible and convenient for participants as he noted,

“Nowadays, mobile banking services like M-Koba have emerged, allowing individuals to create groups and make financial contributions using their mobile phones without the need for physical meetings. We have been actively promoting the use of mobile phones for transactions and communication within VICOBA groups, encouraging members to embrace such convenient platforms”.

Regarding the impact of demographic and socioeconomic factors, the key informant reported, "Income level, education, and age influence the acceptance of VICOBA among households as noted from key informant,

“Household income play an important role in the acceptance of VICOBA among communities. Households with lower income levels may be more motivated to participate in VICOBA groups. This is because VICOBA provides a platform for them to access affordable financial services and savings opportunities that may not be readily available through traditional banking institutions.

Also, the key informant talked about, Social Networks as another factor that influence the acceptance of VICOBA among households. He said,

“Joining VICOBA groups often depends on connections and relationships within the community. Households that have ties to the community are more inclined to participate actively in VICOBA activities since trust and familiarity with other group members play a significant role, in motivating their involvement.”

The key informant also mentioned that there are numerous success stories demonstrating how VICOBA has positively impacted the income and livelihoods of households in Kigoma Municipal, enabling members to start and expand businesses, educate their children, and improve their living conditions through access to credit and financial education. He said “One of the interesting stories is about mama Salma. Mama Salma is one of the members of VICOBA group located in Kikungu street, Gungu Ward. She is one of the members of Village community bank group known as Twaweza. Before joining VICOBA group, she was struggling to sell vegetable as vegetable vendor. With the assistance of VICOBA, Mama Salma gained access to microloans and financial training. These resources proved to be a turning point in her life. She used the microloans to expand her business and transitioned from being a simple vegetable vendor to establishing a screen house. This innovative step allowed her to cultivate a wide variety of vegetables and supply them to other vegetable vendors in the region. Today, Mama Salma's hard work and determination have led to a significant improvement in her family's standard of living. Her children are now able to attend school and now she has one apartment of house for rent. Mama Salma's success story is just one among many in Kigoma, where VICOBA is making a wonderful impact.”

However, the key informant highlighted that VICOBA members also face challenges, including limited access to credit for specific activities, loan repayment difficulties, and governance and management issues within VICOBA groups. They noted, "External economic factors such as inflation can also affect members' ability to save and invest." To address these challenges, the key informant suggested that VICOBA should implement strategies such as enhancing financial training, improving loan management practices, and strengthening the governance structure of VICOBA groups. They emphasized that collaboration with government agencies and other development organizations could help tackle macroeconomic challenges that impact the financial stability of VICOBA members.

CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

In conclusion, this research has highlighted on the existing relationships between Participation in Village Community Bank (VICOBA) and different economic indicators in Kigoma Municipal, Tanzania. The findings from logistic regression analysis revealed that factors such as being part of a female-headed household, having a Christian religious affiliation, and possessing awareness of VICOBA positively influenced participation in VICOBA. Also, the study indicated that VICOBA membership has a positive relationship with business ownership, emphasizing its role in promoting entrepreneurship. Factors like main occupation and awareness of VICOBA has observed to contribute to the positive relationship with business ownership. Furthermore, the findings on the impact of VICOBA to saving behaviours indicated a positive association between VICOBA membership and saving at the bank. However, large household size found to have a negative relationship with saving at the bank indicating that the family having many members of the household save less. In the case business income, VICOBA membership found to have a positive correlation with income generated from the business suggesting that individual engaged in VICOBA is more likely to have higher business income than non-members. Additionally, household size indicated a negative relationship with business income, while being married demonstrated a positive association with business income. Also, the findings from multivariate regression analysis explored the relationship between VICOBA and the amount of saving, revealing that individuals in certain official positions tend to have higher levels of savings.

The findings from FDGs and Key informant interview demonstrate a positive impact of VICOBA credit and loans on business success among households in Kigoma Municipal. The access to financial resources provided by VICOBA has empowered household businesses, resulting in expansion, investment in new ventures, and improved overall financial stability. The provision of capital by VICOBA has facilitated the growth of businesses, boosted income levels, and enhanced economic prospects for participating households. Participants have emphasized that the availability of financial resources offered by VICOBA through loans and savings opportunities has allowed them to effectively initiate, expand, and diversify their businesses. Additionally, the strong sense of community and trust within the group motivates members to actively collaborate towards achieving shared financial goals. Furthermore, satisfaction of members with the repayment plan and services offered further emphasizes the success of VICOBA in meeting the financial needs of its members. Other key findings include a high level of awareness and participation in VICOBA, with the majority of members reporting positive impacts on their businesses.

However, challenges such as financial literacy gaps, complex loan application processes, and limited credit access need to be addressed to ensure the continued success and effectiveness of VICOBA. Other challenges identified by participants include difficulties in adhering to loan repayment schedules, especially during low season of the business as well as well as inflexible repayment options hinders effective utilization of VICOBA services.

5.1.1 Areas for Further Research

The study on the impact of VICOBA on business outcomes in Kigoma Municipal, Tanzania has found a positive effect of this community-based financial institution in many aspects of the business. However, it is important to note that the generalization of these results may not accurately reflect its effect across all businesses. Future studies should consider expanding their scope within Kigoma Municipal by exploring various neighborhoods to capture diverse business environments. Additionally, it is recommended that future research also includes other areas with different business environment(settings) to compare and assess variations in how VICOBA impacts businesses.

5.2 Recommendations:

Awareness Campaigns: To increase VICOBA uptake in the community, conduct awareness campaigns through various communication channels, such as local media, community events, and workshop by demonstrating the benefits of participation in VICOBA and telling the success stories from existing members.

Interfaith Collaboration Initiatives: Introduce policies that encourage interfaith collaboration within VICOBA initiatives. Establish forums, events, and outreach programs that actively involve leaders and members from both religious groups. By emphasizing shared values and the inclusive nature of VICOBA, can break down religious barriers and encourage more participation.

Integrated Family Planning and Economic Empowerment Programs: Implement policies that integrate family planning education and services within the community. This can involve collaboration between health and economic development sectors, to ensure that individuals and families receive a wide-range of support. By integrating family planning with financial education, individuals can make rational decisions about family size, leading to increased disposable income.

Financial Training: Providing comprehensive financial training should be given high priority for VICOBA members. Offering thorough training and capacity-building programs to VICOBA members and leaders, encompassing financial literacy, entrepreneurial, leadership, and management skills, will help them to make informed decisions and manage their funds effectively.

Networking and Knowledge Sharing: Encourage VICOBA groups to engage in networking with similar groups and microfinance institutions. This will facilitate the sharing of experiences, best practices, and innovations, which will help to improve VICOBA operation operations.

Government and Development Organization Collaboration: Collaborate with local government agencies and development organizations to address macroeconomic challenges that have an impact on VICOBA financial stability. This partnership can help mitigate external economic factors affecting members ability to save and invest.

Appendices

Questionnaires

PART A: QUESTIONNAIRE (Structured questionnaires were administered to VICOBA members and non-members to gather quantitative data)

Section 1: Demographic Information

1. Gender:
 - a) Male
 - b) Female
2. Age-----
3. Marital Status:
 - a) Single
 - b) Married
 - c) Divorced
 - d) Widowed
4. Educational Level:
 - a) No Formal Education
 - b) Primary Education
 - c) Secondary Education
 - d) Tertiary Education
5. Main Occupation:
 - a) Self-employed
 - b) Employed by an organization
 - c) Other (please specify)

SECTION 2: Social Economic Characteristics

Household Size:

6. How many people currently reside in your household, including yourself?.....
7. How has your household size changed in the last five years?
 - a) Yes
 - b) No
8. Who's the head of the family?
 - a) Father
 - b) Mother
 - c) Others (please specify)
9. What is your religious affiliation?
 - a) Muslim
 - b) Christian
 - c) Hindu
 - d) Budha
 - e) Pagan

f) Others (specify)

10. What is your location/Street of the household?.....

11. What is the approximate monthly income of your household (in Tanzanian Shillings)?

- a) 10000-100000
- b) 110000-200000
- c) 210000-300000
- d) 310000-400000
- e) 410000-500000
- f) 510000 and above

12. Do you currently own a business or enterprise?

- a) Yes
- b) No

13. If yes, what type of business do you operate?.....

14. What is the approximate monthly income generated from your business?

15. Are you currently holding any official positions in the government or public sector?

- a) Yes
- b) No

16. If yes, please specify your role and department.....

17. Do you have savings deposited in a formal bank account?

- a) Yes
- b) No

18. If yes, approximately how much do you save per month?.....Tshs.

19. Have you participated in any government or non-government assistance programs before?

- a) Yes
- b) No

20. If yes, please specify the program(s) you have participated in.

Section 3: VICOBA awareness

21. Are you or any household members aware of the existence and purpose of Village Community Banks (VICOBA)?

- a) Yes, I am fully aware.
- b) I have heard of it but am not entirely sure of its purpose.
- c) No, I have never heard of VICOBA before.

Section 4: VICOBA Participation

22. Are you or any household member currently a member of a Village Community Bank (VICOBA)?

- a) Yes
- b) No

23. If yes, how long have you/your household member been a member of VICOBA?
_____ years

24. If no, what are the reasons for not being a member of VICOBA?

- a) Lack of awareness
- b) Lack of trust in VICOBA
- c) Insufficient financial resources
- d) Other (please specify) _____

25. Have you or any household member ever participated in the leadership or management of VICOBA?

- a) Yes
- b) No

26. If yes, please specify the level of participation and the roles undertaken (e.g., committee member, treasurer, chairperson, etc.)

27. Are you a member of any other savings and credit association apart from VICOBA?

- a) Yes
- b) No

28. If yes, please specify the name of the association.....

Section 5: Effects of VICOBA Credit/Loans on Business Success (Only for VICOBA members)

29. Have you received credit/loans from VICOBA?

- a) Yes
- b) No

30. If yes, what was the purpose of the VICOBA credit/loan?

- a) Working capital for business operations
- b) Paying school fees
- c) Other (please specify): _____

31. How have VICOBA credit/loans affected the success of your business?

- a) Increased business revenue
- b) Expansion of business operations
- c) Improved business profitability
- d) Enhanced business stability
- e) Other (please specify): _____

32. What is/was your repayment plan for the VICOBA credit/loan

- a) Weekly
- b) Monthly
- c) Quarterly
- d) Other (please specify): _____

33. How would you rate the repayment plan offered by VICOBA

- a) Very poor
- b) Poor
- c) Neutral
- d) Good
- e) Excellent

Section 6: Factors Determining Acceptance of VICOBA (only VICOBA members)

34. What factors influenced your decision to join VICOBA?

- a) Access to credit/loans
- b) Lower interest rates
- c) Flexible repayment terms
- d) Supportive community
- e) Trust in VICOBA management

f) Other (please specify) _____

35. How satisfied are you with the services provided by VICOBA?

- a) Very satisfied
- b) Satisfied
- c) Neutral
- d) Dissatisfied
- e) Very dissatisfied

Section 7: Challenges Faced by VICOBA Members

36. What challenges have you faced in utilizing the services provided by VICOBA? (Select all that apply)

- a) Limited access to credit/loans
- b) High interest rates
- c) Complex loan application process
- d) Insufficient financial literacy training
- e) Lack of transparency in VICOBA operations
- f) Other (please specify) _____

37. How can VICOBA improve its services to better support your business needs?.....

Section 8: Additional Comments

38. Do you have any additional comments or suggestions regarding VICOBA and its impact on household income? (Open-ended)

THANK YOU FOR TAKING THE TIME TO COMPLETE THIS QUESTIONNAIRE.

PART B: KEY INFORMANTS INTERVIEW GUID (Open-ended Questions)

1. Can you provide a historical background of the establishment of VICOBA in Kigoma Municipal?
2. How did VICOBA evolve over time, and what were the primary motivations behind its creation?
3. Can you describe the role of VICOBA in improving or supporting businesses among households in Kigoma Municipal?
4. What factors do you think influence households' acceptance of VICOBA in Kigoma Municipal?
5. How do you think VICOBA can improve its outreach and attract more participants?
6. Are there any specific demographic or socioeconomic factors that influence the acceptance of VICOBA among households?
7. Can you share any success stories or examples of how VICOBA has positively impacted the income and livelihoods of households in Kigoma Municipal?
8. In your experience, what are the main challenges faced by VICOBA members in utilizing the services provided by VICOBA?
9. Based on your knowledge and expertise, what strategies or improvements could be implemented to address the challenges faced by VICOBA members?

PART C: FOCUS GROUP DISCUSSION (OPEN-ENDED QUESTIONS)

1. **What do you think motivates households to participate in VICOBA in Kigoma Municipal?**
2. In what ways could the uptake of VICOBA be improved among households in the Kigoma Municipal area?
3. Can you share any experiences or examples of how VICOBA has supported businesses within your community?
4. What challenges, if any, have you personally encountered as a VICOBA member in utilizing the services provided by VICOBA?
5. What recommendations or solutions do you propose to address the challenges faced by VICOBA members in Kigoma Municipal?
6. What strategies can be implemented to increase the participation and adoption of VICOBA (Village Community Banks) among members in Kigoma Municipal?
7. What can be done to increase the effectiveness and efficiency of VICOBA in Kigoma Municipal?

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