

**THE CONTRIBUTION OF VILLAGE COMMUNITY BANKS TO INCOME
POVERTY ALLEVIATION IN RUFJI DELTA**

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE DEGREE OF MASTER OF ARTS IN RURAL
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ABSTRACT

Village Community Banks (VICOBA) play an important role of enabling the poor save and access credit. Specifically, the current study aimed at identifying factors influencing VICOBA activities in alleviation of income poverty; identifying major challenges facing community participation in VICOBA activities; examining the effectiveness of VICOBA in alleviation of income poverty and determination of the community's attitude towards VICOBA. The study used a cross-sectional research design whereby 188 respondents were randomly selected. Primary data was collected using a questionnaire, focus group discussions and key informant interviews. Quantitative data was analyzed using SPSS where means, frequencies and percentages were determined. In addition, a regression analysis was done to determine the contribution of the independent variables on alleviation of income poverty; t-test was also used to determine variation between groups. Results show that most of VICOBA members joined the scheme in order to access credit and they acknowledged to have benefited as per their expectations. Findings also show distance to markets hinders the progress of VICOBA members' income generating activities. Results further show that attitude towards VICOBA activities in the study area was favorable. Based on these findings it is recommended that the government work out a modality to ensure the increased coverage of this unique rural development model; by reviewing its microfinance policies that focuses on the freedom and ownership of the scheme by members themselves. This study recommends to the rural communities that they embrace the scheme in order to raise the necessary investment capital, acquire entrepreneurial knowledge and skills and start IGAs without having to rely on external support.

DECLARATION

I, Deborah, Mukungu-Ngalemwa, do hereby declare to the Senate of Sokoine University of Agriculture that this dissertation is my own original work done within the period of registration and that it has neither been submitted nor being concurrently submitted in any other institution.

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LIST OF ABBREVIATION

ADB	African Development Bank
BOT	Bank of Tanzania
CARE	Cooperative for Assistance and Relief Everywhere
CGAP	Consultative Group to Assist the Poor
DCDO	District Community Development Officer
DCO	District Cooperative Officer
DIIS	Danish Institute for International Studies
FGD	Focus Group Discussion
GDP	Gross Domestic Product
IGAs	Income Generating Activities
IIED	International Institute for Environment and Development
ILO	International Labor Organization
IMF	International Monetary Fund
JENGA	Joint Encouragement of Gainful Activities Project
JOSACA	Jozani Saving and Credit Association
MCGE	Mercy Corps Global Envision
MDG	Millennium Development Goals
MFI	Micro Finance Institutions
MKUKUTA	<i>Mkakati wa Kukuza Uchumi na Kuondoa Umasikini Tanzania</i>
MMD	Mata Masu Dubara (Hausa language of Niger).
NBS	National Bureau of Standards
NGOs	Non-Governmental Organizations
NSGRP	National Strategy for Economic Growth and Reduction of Poverty
OI	Opportunity International

PRIDE	Promotion of Rural Initiative and Development Enterprises
PRSP	Poverty Reduction Strategy Paper
RDC	Rufiji District Council
RUMAKI	Rufiji Mafia Kilwa
SACCOS	Savings and Credit Cooperatives Societies
SAP	Structural Adjustment Program
SEDIT	Social and Economic Development Initiatives
SPSS	Statistics Programme for Social Sciences
SUA	Sokoine University of Agriculture
Tshs	Tanzanian's shillings
UN	United National
UNDP	United National Development Programme
URT	United Republic of Tanzania
VICOBA	Village Community Bank
WCRP	World Conference Religious and Peace
WEO	Ward Executive Officer
WWF	World Wildlife Fund

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background Information

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

Micro-finance is one of the great success stories in the developing world in the last 30 years and is widely recognized as a just and sustainable solution in alleviating global poverty (MCGE, 2009). According to UNDP (2003), micro-finance is defined as a set of innovative and alternative financial service to the poor who do not have access to formal institutions. The origin of micro-finance is found in several places but, one of the popular micro-finance institution is the Bangladesh Grameen bank founded by Professor Muhamed Yunus in 1976 (Armendariz, 2010). According to Yunus poor households not only have the capability for loan repayments but, they also profit from the loans they borrow. Today, the micro-finance industry and the greater development community share the view that permanent poverty reduction requires addressing the multiple dimensions of poverty. For the international community, this means reaching specific Millennium Development Goals (MDGs) in education, women's empowerment, and health, among others. For micro-finance, this means viewing micro-finance as an essential element in

any country's financial system (MCGE, 2009). Though there has been progress in Tanzania's micro-finance sector in terms of number and products offered, some limitations are nonetheless still being observed and these hinder income poverty reduction (Mkombe, 2005).

The Village Community Banks (VICOBA) program in Tanzania was established by CARE in 2002 in order to overcome the above shortcomings and empower the poor to have their own MFIs, which meet their needs and can reduce income poverty (Mkombe, 2005). In this model, members of the group are the shareholders of their 'bank' and also the sole customers. Throughout the financial year each member invests share capital in the bank with periodic but regular agreed sums of money which also constitute their savings (Kihongo, 2005). The total contribution of all members plus an equivalent contribution (matching loan) from a micro-financing institution is then utilized as a revolving fund from which all members can borrow and use for income generating activities (IGAs) for an agreed period.

Kihongo (2005) argues that VICOBA, like any other micro-finance is suitable and effective in catalyzing developmental initiatives and that quite often they have proved to be sustainable when introduced into communities. Nonetheless, very few poor people have access to it. Generally, these schemes target poor people, who often live in remote areas with difficult access to financial institutions (SEMIT, 2010). However, URT (2009) shows that only 0.14% of the Tanzanian population had participated in VICOBA activities until December 2008. And it is also indicated that, the adoption and outspread of this model to various districts/projects is made through various development agencies (SEMIT, 2010). The VICOBA program offers beneficial financial services for low-income people and the capacity of managing scarce household and enterprise resources

more efficiently, protection against risks, provision for the future, and taking advantage of investment opportunities, for economic returns (URT, 2009). According to SEDIT (2008), the VICOBA scheme is a fully bottom up approach in terms of decision making, planning, implementation and ownership. This guarantees sustained economic evolution in line with National Strategy for Growth and Reduction of Poverty. Income poverty is a major cause of other types of poverty like food poverty, basic needs poverty, ill health and handicap poverty. And because of poverty or low income, people fail to utilize the other forces of production such as land, entrepreneurial skills and labour (Mkombe, 2005).

According to WWF (2005) the majority of Rufiji Delta residents are still underdeveloped and are classified as poor for many reasons including; failure to access quality primary and secondary education, failure to engage or lack of exposure to diversified IGAs apart from fishing that employs over 80% of the people and bound to superstitions beliefs, which according to many determines their fate/success. The objective of VICOBA in Rufiji Delta is to improve the living standard of coastal communities, by enabling them to have their own source of capital thus, enabling them to start up IGAs, hence contribute to poverty alleviation. Most households live a predominantly subsistence, hand-to-mouth lifestyle based on exploitation of marine resources, coconut and cashew nut production and subsistence agriculture (WWF, 2005).

In 2005, WWF initiated a five year programme, aimed at facilitating the development of coastal livelihoods through sustainable management of marine and coastal resources in the three coastal Districts of Rufiji, Mafia and Kilwa (RUMAKI). The RUMAKI Seascape programme main goal is: 'Improved socio-economic well-being of coastal Rufiji, Mafia and Kilwa communities through sustainable, participatory and equitable

utilization and protection of their marine and coastal resources. One aspect of the programme is to support the development of new small scale enterprises through improved access to financial services, especially access to credit. Lack of access to credit was widely identified by communities during the RUMAKI planning process as one of the main constraints to livelihood development (Robert *et al.*, 2008). The study area is under-privileged with regards to MFIs mainly because of the poor infrastructure especially transport as observed by the current study no MFIs were found in the area.

1.2 Problem Statement

Although micro-finance is basically meant for very poor persons, contradiction has been observed among micro-finance scholars; for example Reed (2011) shows that many MFIs do not move poor people out of poverty due to the fact that poverty alleviation is not a priority amongst the objectives of many MFIs. Moreover Begasha (2012) observed that micro-finance schemes alone cannot alleviate poverty, but can only contribute to the movement of poverty alleviation as one of the strategies. Nitch (2001) argues that only very few poor people have participated, this could mean that it is not an agenda in poverty issues. However, a study by Maziku (2007) observed that, currently there is a large number of micro-finance NGOs which provide financial service to the poor in Tanzania. Another study done by Armendariz and Morduch (2010) shows that micro-finance clients are negatively affected by the projects; the negative effect is translated here as overload of debts due to continuous borrowing. This is because most MFIs concentrate on the repayment rate and how their clients graduate from one level of loan to another without due consideration of the changes brought by their loans to the client's economic status. VICOBA's have spread to most of Tanzania, but outcome in relation to communities' poverty alleviation in quantitative and qualitative terms is still negligible (URT, 2009). Few studies in Tanzania have been carried out to gauge the impact of micro-finance on

poverty alleviation. Therefore, it was on this basis that the current study was undertaken aiming at adding onto knowledge on VICOBA and poverty alleviation.

1.3 Justification for the Study

Most financial institutions aim at savings mobilization in an attempt to 'teach the poor on how to save'. This has led to a new approach that considers micro-finance as an integral part of the overall financial system (Mkombe, 2005). This study will provide knowledge to the community on how microfinance helps them move out of poverty. However the study is in line with the Millennium Development Goals (MDGs) and the National Strategy for Growth and Reduction of Poverty (NSGRP) cluster I (Growth and reduction of income poverty). This study aimed at bridging the current knowledge gap, and that the findings from the study could in some way help inform the policy formulation process and stakeholders dealing with rural poverty alleviation in designing better strategies and approaches to accelerate VICOBA to becoming more sustainable in the Rufiji Delta, Coast Region and Tanzania at large.

1.4 Objectives of the study

1.4.1 Overall objective

The main objective of this study was to assess the contribution of the VICOBA in alleviation of income poverty in the Rufiji Delta.

1.4.2 Specific objectives

- i. To identify factors influencing VICOBA activities in alleviation of income poverty.
- ii. To identify major challenges facing community participation in VICOBA activities.
- iii. To examine the effectiveness of VICOBA in alleviation of income poverty.
- iv. To determine the community's attitude towards VICOBA activities.

1.5 Hypothesis

H₀: VICOBA do not contribute significantly to rural communities' income poverty alleviation.

H₁: VICOBA contribute significantly to rural communities' income poverty alleviation.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Conceptualization of Key Concepts

2.1.1 Micro-finance

Micro-finance is generally defined as the provision of a broad range of financial services such as deposits, loans payment services, money transfers and insurance products to the poor and low-income households, for their micro-enterprises and small businesses (OI, 2009). Such services enable them to raise their income levels and improve their living standards (Bangko, 2001). Generally, micro-finance programs are expected to improve the welfare of the poor women and men by impacting the economically active poor who would be helped to raise social welfare by promoting human capital investment (Kihongo, 2005). Different scholars (Thomas, 2001; Maziku, 2007; Reed, 2011; Begasha, 2012) have discussed micro-finance as a tool for the poor and low income earners towards poverty reduction and development strategy at various levels. However, many of them have a common consensus about various problems facing the field of micro-finance in the process of impacting the poor community.

VICOBA like any other micro-finance scheme are saving and micro-finance groups which target low income community members to encourage saving and provide access to micro-loans for small enterprises development (SEDIT, 2010). According to SEDIT (2010) VICOBA schemes have proved to be very effective to the rural communities where they operate with very little cost; the scheme can easily be integrated to other development initiatives and give better results within a short period. Therefore, one would expect that poor households to benefit from access to MFIs such as the VICOBA. Generally, access to micro loans could be very essential in income poverty alleviation of

those poor rural households that cannot access credit from the formal financial institutions such as Banks due to a lack of collaterals.

2.1.2 Poverty

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

According to Khan (2006) understanding poverty requires an examination of the economic and social context of the respective countries including institutions of the state, markets, communities and the households. Poverty leads to poor health with its associated cost and low productivity, poor education and wasted minds (Shah, 2004). Also poverty leads to miserable lives and crimes, unacceptable choices, such as educating one group over another or addressing causes of poverty at the expense of those presently in poverty (Bryceson, 2004).

According to URT (2007) poverty is described as a situation in which households are placed below a socially defined minimum level of well-being, usually manifested in hunger, sickness, powerlessness and illiteracy. However, poverty has been defined using

monetary and non-monetary measures of welfare because it is such a broad phenomenon. Monetary measures of poverty concentrate on income expenditure and consumption level. Non-monetary measure of poverty have two broad categories namely, basic needs which comprises of food, shelter or housing and clothing, and social service that includes access to health, education, water, sanitation and employment. Income poverty means low level of income that human being has in the society (Kayunze, 2001).

2.1.3 Poverty Alleviation

Poverty is undesirable condition that should be alleviated and eradicated (Kayunze and Kihyo, 2000). Therefore, poverty alleviation is conceived as a strategy for achieving a sustained increase in productivity and an integration of the poor into the process of growth (Hartmann, 2004). The government of Tanzania has been more concerned with poverty alleviation since independence (Johnson, 2003), therefore a number of strategies aiming at socio-economic growth and poverty reduction have been implemented including the National Strategy for Growth and Reduction of Poverty (NSGRP II) which is the second national organizing framework for putting the focus on poverty reduction high on the country's development agenda (URT, 2005a). In 2010 NSGRP II was launched to rally national efforts in accelerating poverty-reducing growth. It will also continue to put emphasis on mainstreaming cross cutting issues in sector strategies and LGAs development plans. Micro-finance schemes seem to be convenient means of reducing income poverty in the country; this is based on the theory that the provision of small loans to the poor is an effective policy instrument in the fight against poverty (Wangwe, 2005).

2.2 Poverty in the Tanzanian Context

Poverty in Tanzania is characterized by low income and expenditure, high mortality and morbidity, poor nutritional status, low educational attainment, vulnerability to external

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

2.3 Possible Causes of Poverty in Tanzania

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

In the mid-1980s, Tanzania embarked on an economic recovery programme under the IMF along with the World Bank-sponsored Structural Adjustment Program (SAPs). It was widely believed that stabilizing the economy would result in growth and would ultimately lead to poverty reduction (Rweyemamu, 2009). But some elements of adjustment appear to contribute to livelihood sustainability, whilst others have negative

effects. For example removal of subsidies and reduced expenditure may have a negative effect on the poor who may have to pay more for food and have access to fewer public services. Mkombe (2005) pointed out that cultural practices are given priority number one in household expenditure for example *Unyago* (female initiation-traditional training for young girls in preparation to motherhood), this also contributed very much to poverty.

2.4 Financial Sector Reforms and Formation of MFIs in Tanzania

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

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

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

2.5 History and Development of VICOBA in Tanzania

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

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

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

2.6 VICOBA Institutional Structure and Intensive Training

2.6.1 Institutional structure

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

The key holders are responsible for ensuring the safety of the keys of the credit kits (Plate 1) and opening and closing the kits during and after contribution exercise. The locked credit kit has three padlocks and three members are entrusted as key holders. It is done in this way to reduce the risk of one person opening the box without the permission of others (SEMIT, 2010). Lastly, the discipline master role is that of overseeing adherence to the rules of the groups. In addition to the above official, group trainers provide overall guidance to the group, and, in collaboration with the chairperson, ensure group cohesion which is important for the group's survival. Group members are required to attend weekly meetings as decided by the group. Moreover, every group has the cycle decided by the group of about 12-18 months. After a certain period funds

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



Plate 1: Credit kit used in VICOBA activities

Source: URT, 2009

2.6.2 Intensive training

According to SEMIT (2010) the VICOBA scheme can be operated at a very low cost as it only involves purchase of a credit kit, writing materials and member's contribution for training costs where applicable. The implementation of VICOBA training methodology goes over four phases. These are; introductory phase, Intensive training phase, Development phase and Maturity phase (SEMIT, 2010). All these phases have their

objectives and time limit for execution by VICOBA trainers and all VICOBA members. Generally, introductory phase takes three weeks and its objective is to identify client groups, explain to them the basic characteristics of the VICOBA methodology and recruiting individuals into the programme. The intensive training phase for four months normally aims at the objective is to enabling group members understand clearly how better to manage their group activities and provide business management skills that will enable them to select, plan and manage their IGAs profitably. As regards the development phase which lasts four months or more, the objective is to assist the group to become self-governing. Lastly, the maturity phase which lasts for three months or more, is geared towards assisting the group to become independent from the project.

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

2.7 The Status of VICOBA in Tanzania

VICOBA have spread almost too all parts of Tanzania since 2002 (Appendix 1), and there are 1876 groups operating with 56 280 members which is only 0.14% of the 41 048 532 (2002 census) million of Tanzanians (URT, 2009). Data shows that since 2006 approximately 30 billion Tshs has been collected from their own income as revolving fund for the groups (URT, 2009). The model is based on elements that promote creativity; ownership and sustainability of community invented income gaining activities that are also gender sensitive. A projection by SEDIT (2010) shows that it is 100% cost effective

to launch VICOBA project in Tanzania. However, only 0.4% of people surviving below poverty line have accessed the VICOBA facilities and as pointed earlier almost a negligible proportion of Tanzanians are served by the facility. By December 2010 Rufiji Delta had 22 registered groups with 550 members (WWF, 2011). Based on the above observation the micro-finance industry in Tanzania is still evolving and generally there has been an increasing trend in performance of the MFIs in Tanzania for both outreach and financial indicators since 2002.

2.8 A Comparison of VICOBA and Other Micro-Finance Institutions

The basic and fundamental difference between VICOBA and the other models of micro-finance is mainly around beneficiaries of the interest charged (returns on investment or capital booster) (Kihongo, 2005). For example, since conventional micro-finance institutions (MFIs) are commercially oriented charging too high interest rates (17-25%) for their credit, hence it's unaffordable by the poor. VICOBA charge low interest rates (5-10%) and this is normally decided by the members (SEMIT, 2010). In the other models as in all profit motivated financial institutions the interest is derived from the borrower and flows to the lender to meet operation costs such as salaries, cost of utilities and also investment returns. In this view, it reduces the capacity of the micro-finance schemes to meet the social objective of poverty alleviation as it extracts resources from the poor which would have otherwise been utilized to improve their welfare. According to Kihongo, (2005) the VICOBA model as compared to other MFIs, recycles this investment returns to enable participants take bigger loans in the future. At the end of each cycle the total returns in investments is distributed to each member as dividends according to each person's current share capital investment. Therefore, based on the above, members of VICOBA stand to benefit more as compared to accessing loans from formal financial institution which charge high interest rate. The interest rate to the loan, are set at a lower

rate, improving the capacity of the members to remain in the groups, and enable them to retain portion of earned incomes good enough to improve not only their life circumstances, but also (individual) savings and investments.

2.9 Micro-Finance Schemes and Poverty Alleviation

Studies by OI (2009) recognize the benefits of providing capital to people struggling to move out of poverty. Recent research by the Consultative Group to Assisting the Poor (CGAP) showed that the total amount managed by investment funds for micro-finance totaled over 11 billion dollars (CGAP, 2009). Another study done in Bangladesh in 2009 showed that 1.8 million micro-finance client households crossed the 1.25 dollar a day poverty line in the period between 1990 and 2008 (Reed, 2011). Based on these observations the rural poor in Tanzania may also benefit through credit provision by VICOBA move out of poverty. The VICOBA scheme is flexible in its implementation; it can accommodate other social and economic activities of the target communities such as promotion of local markets and production of goods, rehabilitation of health facilities, environmental conservation initiatives, strengthening education facilities, peace promotion initiatives or facilitation of timely acquisition of scarce or expensive productive inputs/equipment for poor communities (SEDIT, 2010). As compared to the traditional MFIs, which are commercially oriented charging too high interest rates (17-25%) for the poor to afford. The entire profit gained from loan interests is retained and part of it is used to cover high operation cost including transport cost and salaries of professional credit officers (SEDIT, 2010).

Kihongo (2005) points out that, strategies for poverty alleviation have been using micro-finance services as an important tool for intervention. Kihongo further argues that significant income and employment opportunities for the poor have been created through

the evolution of micro-finance services created in developing countries. Simanowitz, (2002) also agrees that micro-finance programs are among the most important interventions to reduce poverty in developing countries. The loans given by VICOBA are normally soft and affordable to the poor and are utilized to support IGAs that are carefully selected based on the market opportunities, appropriate technology and locally available resources (Kihongo, 2005). Luoga (2008) argues that micro and small scale enterprises in Tanzania have employed the biggest part of the urban population generating a high proportion of the GDP and contributing to foreign exchange earnings. Therefore, efforts need to be directed towards designing and establishing cheap and sustainable micro-financial lending systems/procedures which accommodate the poor.

Shoo (2001), in her study on the role of small-scale enterprises on poverty alleviation found that the majority of low-income earners agreed that the income generated from their participation in micro-financing lending schemes was spent on educating their children, and sometimes themselves. Some of the income was used to access health services. Thomas (2001) concluded that one of the benefits of micro-finance is that, lending increases more investment in housing and sanitation as a result of increased income to some borrowers. The above observations echo the importance of micro-finance from MFIs such as VICOBA. Therefore, if the poor are to join these institutions and abide by their regulations chances are high they may move out of poverty.

2.10 Gender and Micro-Finance

A survey conducted by Kihongo in 2005 revealed that most men do not want to join VICOBA because it takes a long time to start acquiring loans and the loans are small, and others think they are women based projects. They argued that, women can tolerate during the waiting period of three months for training and saving because they can get support

from others including their husbands. Therefore, although the VICOBA project is not gender biased Kihongo (2005), seems to suggest women are more involved than men. Kihongo's observation is echoed by SEDIT (2010) who point out that, there is a sense of strength among the women than men in managing funds from VICOBA.

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

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

2.11 Conclusion from the Literature Review

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

2.12 Theoretical Framework

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

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

2.13 Conceptual Framework for the Study

The conceptual framework (Fig.1) for this study is based on the assumption that VICOBA activities are influenced by several factors. The study assumed that factors like advertisement/promotion, political influences, entrepreneurial training, microfinance policies, will influence VICOBA procedures (saving, provision of loan, VICOBA training, loan repayment) directly, while availability of individual income has got an indirect relationship with VICOBA procedures. The framework shows a set of independent variables with a direct relationship with VICOBA procedures. In this study age, sex, education level, awareness, cultural belief are independent variables. The dependent variable is poverty alleviation, for which the current study sees as an increase individuals/households income.

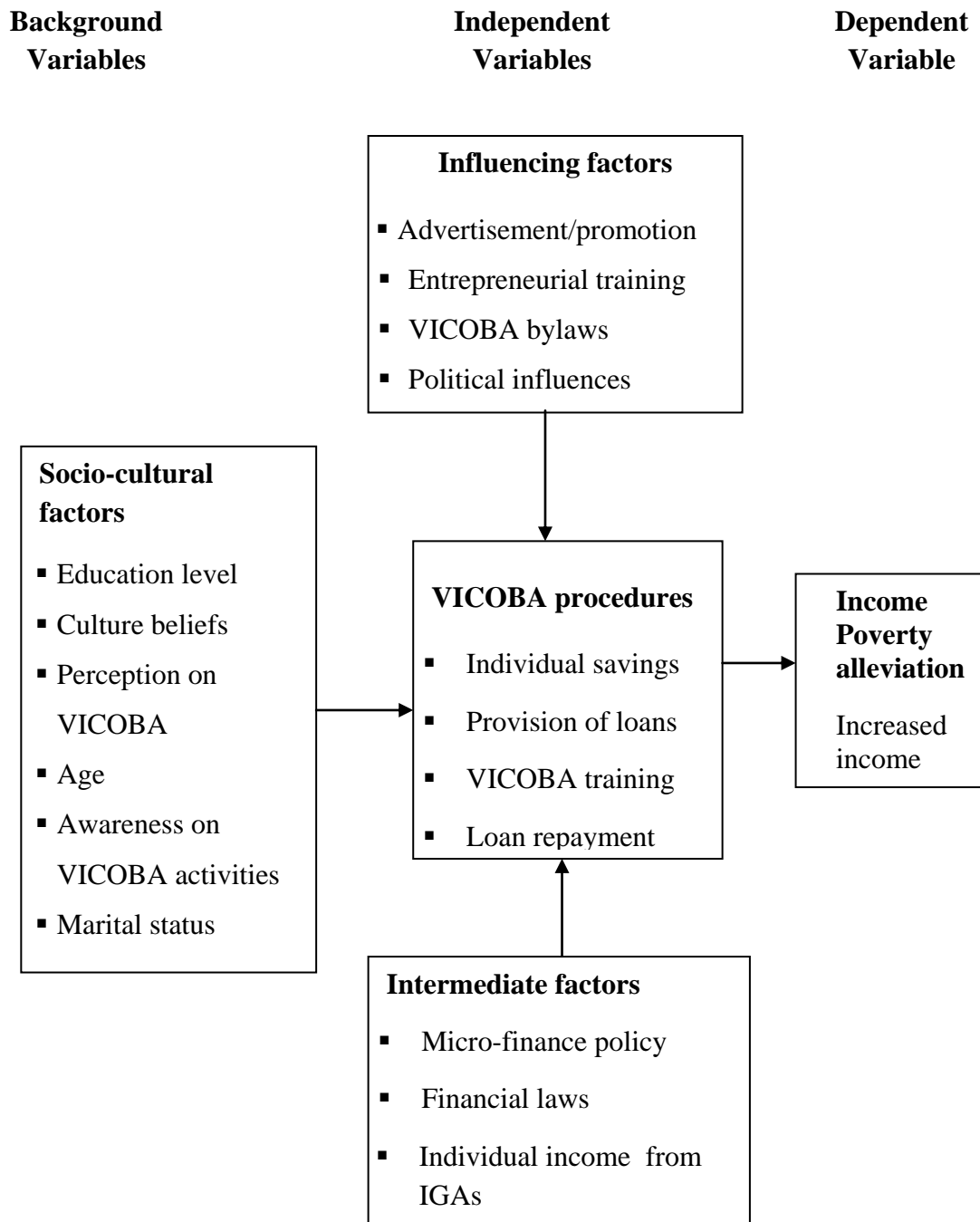


Figure 1: Conceptual framework for VICOBA and income poverty alleviation

CHAPTER THREE

3.0 METHODOLOGY

3.1 Description of the Study Area

The study was conducted in the Delta zone of Rufiji District Coast Region, Tanzania. The area was selected due to its economic status within the district. Transport systems have been identified as a problem for the social, economic and political situation in the area. Social interaction is limited and economic activities are minimal due to insufficient transport systems in the area. Water based transport is common in the delta area and in fact, only canoes and engine boats (engine boats are mainly used by government officials during supervision activities). This situation has led to economic backwardness in the region, (chairpersons Msala and Nyamisati village, personal communication, 2012). Additionally existing literature shows that no study of this kind has ever been conducted in the Rufiji delta zone since the introduction of VICOBA though a total of 22 VICOBA groups operate within the study area.

The district covers an area of 13 339 square Kilometers. According to the projection growth rate of 1.9% the district population was estimated to be 231 312 in 2009 (RDC, 2009). In the August 2012 population and household census, the district had a population of 217 274 people whereby 104 851 (48%) were males and 112 423 (52%) were females (URT, 2013). Geographically, the district is divided into three main zones namely the flood plain, the coast and the highland. The flood plain zone is mainly used for agricultural activities rather than human settlement (RDC, 2009). Rufiji delta and coastal zone extends from north to south about 75 km and stretches inland around 25 km in a roughly deltaic shape caused by the interaction of the river floods and the tides

(RDC, 2009). Three divisions are found in the Rufiji Delta, Kikale, Mbwera and Kibiti with a total of 29 villages.

This study concentrated mostly in the five wards of Maparoni, Kiongoroni, Salale, Mwambao and Mbuchi (Fig. 2). Administratively, the district is divided into six divisions, 27 wards and 98 registered villages. Utete town is the districts' headquarter and is situated some 219 km south of Dar es Salaam. Most of the population (95%) is engaged in agricultural production and fishing, the remaining 5% of the population are employees in the central government, local government (council) or private organizations. Major cash crops grown in the district include; cashew nuts, cotton and sesame. Food crops include maize, paddy, cassava, beans and different types of fruits. According to RDC (2009) the district's average per capital income is estimated to be 193 877 Tsh per year. The majority of villagers are Muslim with a few Christians who are mainly immigrants from other parts of Tanzania. The major ethnic group is '*Wandengereko*', other ethnic groups are '*Wanyagatwa*', these are mainly found in the Rufiji delta area, and '*Wamatumbi*' who are mainly found in the southern part of Rufiji around Kichi Mountain (RDC, 2009).

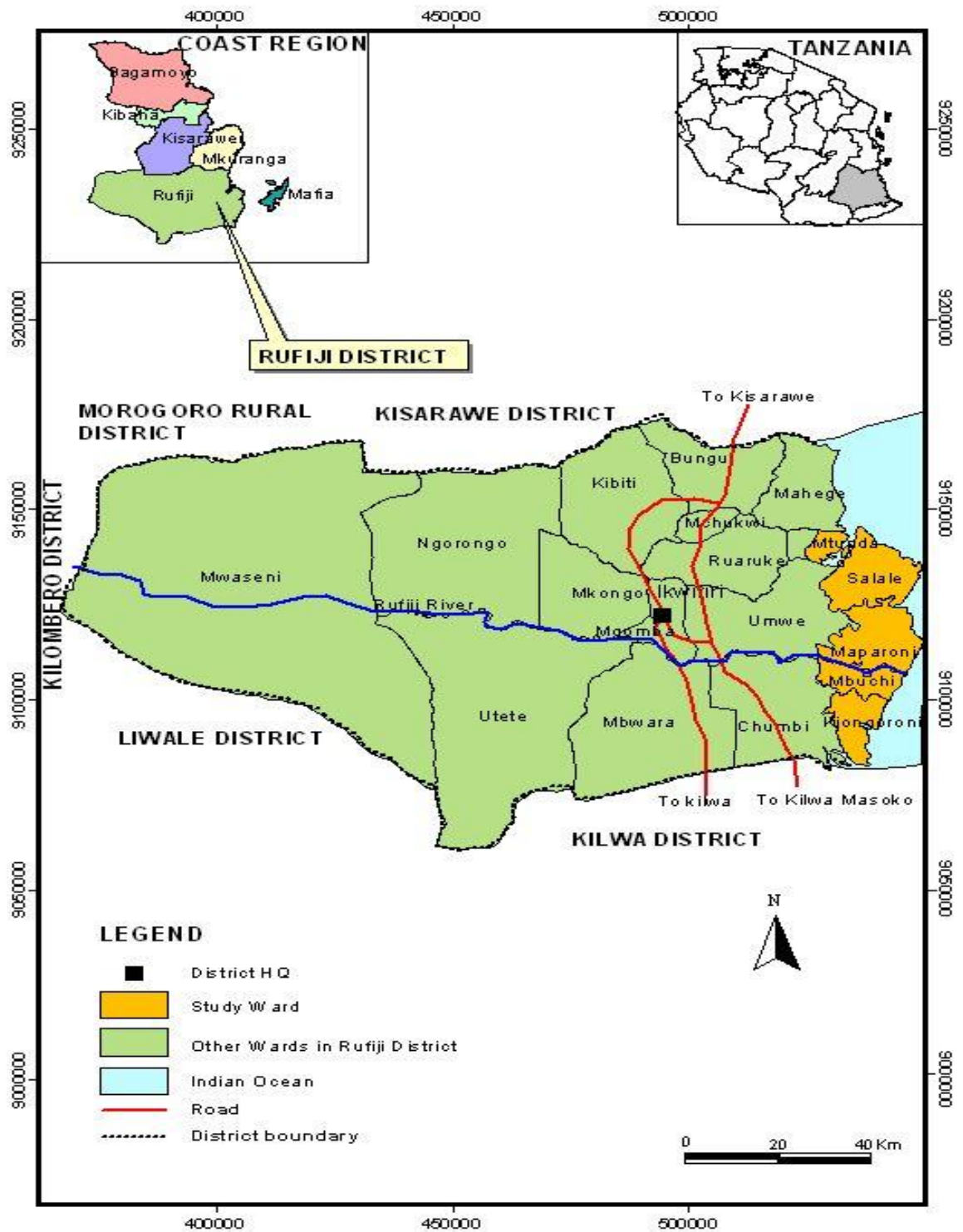


Figure 2: The Map of Rufiji District showing the study wards
 Source: GIS information centre SUA (2012)

3.2 Research Design

The study used a cross-sectional design, where data was collected at a single point in time. Cross-sectional design takes the form of questionnaire survey, with participants selected using random sampling processes (Matthews and Ross, 2010). This design was preferred as in addition to its simplicity it allows determination of relationship between variables (Kothari, 2010). The design is further considered favorable in situations of limited resources and time as was the case for the present study.

3.3 Study Population, Sampling and Sample Size

The population for this study comprised of all members of VICOBA groups (Appendix 3) and non-VICOBA members within the study area. A combination of purposive sampling (non-probability) and simple random sampling (probability) was used to select respondents. The selection was purposive because only those villages implementing VICOBA in delta area were picked for the next stage of sampling. By using the identified criteria village chairpersons from each village with the help of group chairpersons from each group, four respondents were randomly selected from each VICOBA group making a total of 88. In addition, 100 non-VICOBA members were also randomly selected from the four wards; this was done with the help of village chairpersons within the study area. Therefore, the study involved a total of 188 respondents. The choice of this sample size aimed at ensuring that sufficient numbers of respondents were included for meaningful analysis. Six key informants were purposively interviewed based on the position they held in relation to the proposed study, these were, the District Community Development Officer (DCDO), the District Cooperative Officer (DCO), three Ward Executive Officers (WEOs) from Maparoni, Kiongoroni and Salale, and Enterprise Coordinator from an NGO (WWF-RUMAKI) dealing with VICOBA.

3.4 Data Collection

To enable attainment of the study's general and specific objectives primary data was collected. Primary data in short refers to actual raw data that is collected by the researcher from subjects, objects or other units of measurement (Mugenda and Mugenda, 2012). Primary data for the study was collected using a structured questionnaire with open and close-ended questions (Appendix 4 and 5). The questions were closed-ended where by responses were provided for the respondent to tick the answers, or open-ended where by respondent provided his/her views. This type of questionnaire was used to standardize the type of data collected and the procedure used in collecting the data. According to Matthews and Ross (2010) this type of questionnaire can be used to effectively gather data from a large number of people or cases in the same way for all respondents and data are easy to code for analysis. Limitations including; limited access to in-depth experience and feelings; low response rate may result in biased sample and most effective with large sample.

The study used the questionnaire as the main instrument of data collection because large number of information can be collected from a large number of people within a short period and it was designed to make sure that the study's specific objectives were achieved. The questionnaires were designed to capture household demographic characteristics, all economic activities performed by VICOBA members' households and their corresponding contribution to households' income. The study also interviewed other authorities for background information. The key informants mentioned in sub-section 3.3 were interviewed using a checklist of questions (Appendix 8). These key informants were interviewed to obtain more information on benefits and potentials of VICOBA and its contribution to people's livelihood within the study area. Generally, it was essential to

collect primary data to ensure an accurate account from the grassroots level of the status of VICOBA scheme since its inauguration in the early 2000s.

The study also used secondary data which consist of records and documented reports containing useful information for this study. These were mainly used to supplement the information given by respondents during interviews because they are rarely sufficient and can save both money and time. Secondary data generally refers to general information on demographic facts and on livelihoods developments and poverty during the past five to ten years to provide a historical context for the study's findings (Mugenda and Mugenda, 2012). The information was obtained from different government offices and NGOs in the area which include VICOBA offices (Appendix 3) and statistical reports from the villages, Ward and Rufiji District Executive Director's offices.

Focus group discussions guided by a checklist (Appendix 6) were conducted to supplement the information obtained through the use of the questionnaires and the discussants were VICOBA and non-VICOBA members, influential people and other stakeholders from the study villages. The FGDs aimed at collecting information concerning socio-economic issues, population issues, poverty status, VICOBA procedures and VICOBA potentials. Generally, FGDs enable one to study people in a more natural conversation pattern than typically occurs in a one-to-one interview. Four FGDs were conducted in Jaja, Kiechuru, Kiasi and Nyamisati villages and the size ranged from eight to twelve members, a total of 40 individuals participated in the FGDs. According to Saunders *et al.* (2007), a typical focus group discussion involves four to twelve participants depending on the interviewer's skills and subject matter.

3.5 Data Analysis

Quantitative data collected using questionnaires was analyzed using the Statistical Package for Social Sciences (SPSS). Content analysis was used to analyze the information from key informants and the FGDs. Content analysis is a technique widely used in qualitative research to understand and interpret the content and internal feature of a written text (Mugenda and Mugenda, 2012). The main objective of content analysis is to determine the presence and meaning of certain themes, words, concepts, phrases, character and to quantify this presence in an objective manner. The components of semi structured interview which were held with key informants and FGDs were broken down into small meaningful units of information. This enabled the researcher to ascertain values and attitude of respondents. Descriptive statistics (frequencies, percentages and means) were determined using SPSS and results summarized in Tables. In testing the hypothesis a paired t-test was used to compare from what has been expected and what was observed from empirical study. A multiple regression was run to determine the effectiveness of VICOBA activities in income poverty alleviation. Likert scale were used to measure attitudes of the respondents for objective number four.

Regression model: $Y = \beta_0 + \beta_1 \times_1 + \beta_2 \times_2 + \beta_3 \times_3 + \beta_n \times_n \dots\dots\dots + e_i$

Where: Y = Income earned per month from VICOBA

$\times_1 =$ Sex

$\times_2 =$ Age

$\times_3 =$ Marital status

$\times_4 =$ Education level

$\times_5 =$ Number of children

$\times_6 =$ Economic activities of respondents

$\times_7 =$ Number of relatives

$\times_8 =$ Other source of income

$\beta_0 =$ Constant

$\beta_1 \dots \beta_n =$ Coefficients

$e_i =$ estimated error

3.6 Limitations of the Study

The study encountered limitations in relation to both primary and secondary data. As regard primary data, some of the information required needed memory recall of amount of capital owned before joining VICOBA. The exercise of recalling information proved to be quite challenging to some respondents and the data collected need to be taken with great caution. Smith and Thomas (2002), point out that, for a better understanding of the development process it is crucial that we capture the demographic and economic transitions of the past few decades, and the only realistic way to do this is to rely on recalling past events. The importance of recall data has also been pointed out by Gibson and Kim (2007) cited by Urassa (2010) that, retrospective surveys are mainly used as a substitute of longitudinal data which involve high costs and are of limited availability particularly in developing countries such as Tanzania. The current study tried to assist the respondents recall their capital before joining VICOBA by asking them about who gave them capital before VICOBA, this technique stimulate the respondents thinking far to name the person and the amount of money they received.

One of the questions in the questionnaire wanted to know if respondents knew the meaning of poverty, the majority didn't know the meaning of poverty although poverty has got no clear definition. Robinson (2004) argues that classification of the poor ranging between extreme poor and economic active poor is not very precise in a sense that households can move from one category to another over time. This could be seen as a

limitation for the current study as no one is assured as to what changes may occur over time.

Poor record keeping or lack of statistical data in the villages and district offices was another limitation. For example it was difficult to access other information from WWF/RUMAKI; in addition, there was no report from VICOBA groups at the district offices, therefore, making further verification of some details difficult. As a consequence of the above the study had to heavily rely on the secondary data shown in Appendix I and Appendix 3.

CHAPTER FOUR

4.0 RESULTS AND DISCUSSION

4.1 Respondent's Socio-Economic Characteristics

Table 1 shows the distribution of respondents according to their personal characteristics of age, sex, marital status and education level. Age is an important demographic variable and is a primary basis of demographic classification in vital statistics, censuses and surveys (URT, 2005b). Age structure of a population is a reflection of population dynamics in the past. Age affects the future growth of the population and its structure changes in the future (URT, 2006). Findings from the study (Table 1) show that over quarters (29.8%) of the respondents were born between 1971 and 1975, the mean age was 39 years, while only 2.1% were born before 1960. This shows that, all respondents were above the age of 18 years and they were capable of responding to questions accurately. This can be due to the fact that older people are less active in production and other activities as compared to more active young people (Nanai, 1993). Moreover most of the VICOBA's by laws requires member to be 18 years and above.

Most (58%) of the respondents were women and just over two fifths (42%) were men (Table 1). These results concur with Kihongo (2005) who observed that most men do not want to join VICOBA, because it takes a long time to start acquiring loans, the loans provided are not enough for business capital and others argue that they are woman based projects. According to Kihongo (2005) as pointed earlier in section 2.9 men argued that, women are more patient with the entire requirement including the waiting time needed to initially access the loan. Such patience is not very common among men. However, researchers and practitioners generally agree that the poorest of the poor particularly poor women are yet to benefit from micro-finance programs in most countries partly because

most MFIs do not offer products and services that are attractive to this category (Mkombe, 2005).

Education is regarded as a key to better opportunities for employment, accessibility to information, services and independent and correct actions with regard to survival and development (Nkurunziza, 2006). Furthermore, education tends to stimulate self confidence and self reliance. Moreover, education is important in adapting to business skills and strategies which will lead to improved household prospects. This is precisely because education normally has a significant influence on a household's income strategies, land management and labour use (Nkonya *et al.*, 2004). Table 1 summarizes results of respondents' education level and it shows that about half of the respondents (51.6%) had primary school education. About 22.3% of respondents had no formal education, and only 1.6% had Secondary school education. The results suggest that the majority of the respondents in the study area had modest level of education that is primary education; nonetheless this can enable them to adopt extension services packages which could enable them to adopt innovations. The results concur with Handley *et al.* (2009) who reported that education is an important parameter in relation to human capital which can be used to reduce inequality and poverty and also for laying the foundations for sustained economic growth, effective institutions and sound governance. According to Owen *et al.* (2005) being knowledgeable of something increases the ability to control ones livelihood.

The findings in Table 1 also indicate that, the respondents differed with regards to their marital status, where by just over a third (35.1%) of respondents were married, under a quarter (23.4%) were single, 19.1% were divorced, 17% were separated and 5.3% widowed. According to Maselle, (2009) marriage is a factor that is closely related to

poverty or welfare of households. Katunzi (1999) reported that marriage patterns play an important role in shaping social organizations as they associate with many socio-economic, cultural and demographic variables. Phillip and Abdillahi (2003) observed that married couples show a high level of participation in community development activities probably due to cooperation amongst them in the marriage institution and in the society. According to Cronin (2002), the diversity of respondents in the study area can help to get diverse information from people of different life experiences and knowledge. The higher proportion of the married couples within VICOBA members may suggest that they have big responsibilities to their families therefore, the need to join VICOBA so as to overcome the situation.

Table 1: Respondents' Socio-economic Characteristics (n=188)

Characteristic	Category	Frequency	Percentage
Respondents' year of birth	1985-1981	8	4.3
	1980-1976	48	25.5
	1975-1971	56	29.8
	1970-1966	49	26.1
	1965-1961	23	12.2
	Before 1960	4	2.1
Respondents' sex	Male	79	42.0
	Female	109	58.0
Respondents' education level	None	42	22.3
	Primary	97	51.6
	Secondary	3	1.6
	Adult education	37	19.7
	Others	9	4.8
Respondents' marital status	Married	66	35.1
	Not married	44	23.4
	Divorce	36	19.1
	Separation	32	17.0
	Widow	10	5.3

4.2 Factors Influencing VICOBA Activities in Alleviation of Income Poverty

Findings from the study show that just over a third (38.6%) of VICOBA members have been influenced to join VICOBA due to their need to get out of poverty (Table 2).

Respondents were further asked how they became aware of VICOBA activities, results in Table 2 indicate that about two thirds (64.8%) became aware through campaigns by WWF/RUMAKI, and 14.8% got information from villagers from nearby villages and 20.4% their own initiatives (listening to radio). According to Teneja (2006) sensitization of communities on development matters calls for use of a variety of information dissemination techniques. The results could also imply that if proper sensitization strategies are in place there is a room for changing the surveyed communities' attitudes towards VICOBA activities. As a consequence of change of attitude saving and credit opportunities may be seized by the poor hence enabling them set up IGAs or expand their current enterprises thus, poverty reduction.

Table 2: How Respondents' Become Aware of VICOBA Activities and What Influenced them to Join (n = 88)

Characteristic	Category	Frequency	Percent
Source of awareness of VICOBA activities	WWF/RUMAKI	57	64.8
	Other villagers	13	14.8
	Other source (radio, magazine)	18	20.4
What influenced respondents to join VICOBA/MFIs	Benefits other people have achieved due to VICOBA.	26	29.6
	Because many people have joined VICOBA.	28	31.8
	Need to get out of poverty.	34	38.6

4.3 Major Challenges Facing Communities Participating in VICOBA Activities

According to the study's findings challenges facing communities in relation to the involvement in VICOBA activities can be divided into two groups. First, those challenges facing performance of VICOBA activities and second, those influencing membership as narrated in sub-sections 4.3.1 and 4.3.2 respectively.

4.3.1 Challenges facing the performance of VICOBA activities

The performance of VICOBA is constrained by many factors. As shown in literature (Mkombe, 2005; Nyamsogoro, 2010; Begasha, 2012) these include; poor infrastructure, low education and cultural practices. The challenges faced by VICOBA's in the study area are presented in Table 3 below.

Table 3: Challenges Facing Performance of VICOBA Members in Their Activities (n=88)

Challenges	Frequency	Percent
Lack of market	33	37.5
Distance from town	42	47.7
Poor quality of the product for business	5	5.7
Lack of capital	7	8.0
Others(illiteracy, health)	1	1.1

During the study it was observed that most of the challenges facing performance of VICOBA are business oriented rather than to the VICOBA's per se. The challenges included; production of poor quality of product (5.7%) which in turn leads to lack of market which was pointed out by over a third (37.5%) of the VICOBA members interviewed. Distance from town was a challenge mentioned by about half (47.7%) this made respondents to perform poorly in their business as they have to spend more in business transaction hence lower profits. Some of the information from FGDs and key informants revealed some of the reasons for VICOBA's poor performance to be; poor infrastructure, as transport on water puts both the users and their goods (businesses) at great risk.

Table 3 also shows that 8% of the respondents saw lack of capital to invest in VICOBA as a major challenge. This was ascertained by the information from key informants which showed that VICOBA members and local communities were frequently limited by lack of

capital to invest in VICOBA activities. Respondents pointed out that sometimes they failed to meet some of the basic requirements such as medical costs, clothing, school fees for their children and food in case of food shortages because of the low income as shown in the quotation below;

“Our incomes are too low to meet the necessary basic needs and VICOBA activities, as VICOBA requires a member to manage a profitable small scale business and be able to repay the loan” (A 49 years old woman from Kiechuru village, interview held on 7/12/2012).

According to Begasha (2012) assessing the impact of the VICOBA project is difficulty in the sense that sometimes loans are borrowed as required following all the formalities but, not all the borrowed money is used for IGAs activities. According to VICOBA lending, loans borrowed should only be used for IGAs. The Village Community Banks lending model does not allow its members to take loans and spend on other things such as paying school fees. In several cases, VICOBA members would give false information especially if loans have been used on other things than agreed. Hulme and Mosley (1996) findings show that only non-poor households with an income above the poverty line can afford to borrow and benefit from taking loans. They further, point out that poor households end up having debts after receiving loans.

Findings from the study (Table 4) indicated that the majority (97.3%) of the respondents monthly income was less than 50 000 Tshs, only 2.7% had 50 000 Tshs or above. Study findings further show that about two thirds of the respondents (63.4%) had average incomes of between 5 000 - 10 000 Tshs per month. FGDs indicated that the annual incomes of the majority were smaller compared to their expenses. One member from

Nyamisati's FGD said, “*what we earn is hand to mouth, thus difficult to maintain income and expenditure records*”.

Table 4: Respondents' Average Monthly Income (n=188)

Variable	Income (Tsh)	Frequency	Percent
Income (Tsh) per month for respondents	5 000 - 0 000	119	63.4
	15 000 - 20 000	51	27.1
	30 000 - 40 000	13	6.8
	50 000 and above	5	2.7

Other challenges as explained by one of the key informants include; some members in VICOBAAs still focusing on donor support instead of internal capital generation. In addition, deceptive micro-finance models brought to them earlier gave rise to fear in relation to joining any other model including VICOBA. The Rufiji Delta's geographical location is remote and with very poor road infrastructure leading to high transportation costs of the VICOBA-IGA products. Another challenge which was explained by a key informant (VICOBA staff member) is lack of skilled manpower at the district level to undertake VICOBA evaluation and monitoring tasks.

According to Nyamsogoro (2010) geographical location and economic status may affect the number of poor clients served by an MFI. That is an area with relatively more poor people tends to have more MFIs clients. The reason for this could be the rich clients can have access to more alternative providers of financial services than the poor ones. Navajas *et al.* (2000) observed that different geographical locations would also mean different investment opportunities. According to Gonzalez-Vega, (1998) investment opportunities are important to generate repayment capacity. Moreover, Woller (2002) claims that it is expensive to deliver financial services to the poor in geographically isolated places, generally, improved infrastructures has been positively associated with

financial sustainability of MFIs. According to one of the key informants VICOBA staff member here observed that, community sensitization in organized public meetings can be one of the major tactics used to address some of the challenges mentioned above. According to Begasha (2012) early identification of these hindrances can potentially help in the development of deployment strategies to increase the rate of success.

4.3.2 Factors affecting membership of VICOBA

According to literature (Begasha, 2012; SEDIT 2010; URT 2009) membership and involvement in VICOBA activities is influenced by several factors. These include; thinking of the high rate of charges on loans, lack of collateral for the loan and deceptive models brought before by other projects to mention a few. Findings from the study (Table 5) showed that 21.3% of respondents did fishing, 10.1% of respondents were involved in cultural practices such as traditional dancing, ‘*jando*’ (male initiation ceremonies circumcision) and ‘*unyago*’ (female initiation which involves traditional training of young girls in preparation to motherhood) and others (9.0%) concentrate on political undertakings. About half (55.3%) of respondents explained that they saw VICOBA as important, nonetheless some other factors hindered them from active involvement in VICOBA activities. This observation was confirmed by one of the key informants (Salale Ward Executive Officer) who said; “*most people have understood the importance of VICOBA and are willing to subscribe into the scheme*”.

Table 5: Factors That Affect Membership/Joining VICOBA Activities (n=188)

Characteristics		Frequency	Percent
If VICOBA is priority to the community	Yes	104	55.3
	No	84	44.7
If no (Why are people not join VICOBA)	Concentrate on doing cultural practices like 'jando' and 'unyago'*	19	10.1
	Political undertaking	17	9.0
	Agriculture	8	4.3
	Fishing (Traditionally)	40	21.3

*Adulthood initiation ceremonies for girls and boys. Normally this is done to 12-14 year olds

In addition, to the challenges highlighted above, one of the VICOBA staff member interviewed as a key informant said, “*the reason why people were not joining VICOBA activities was low income and laziness, as they don't like attending meetings every week, they use most of their time participating in cultural activities like traditional dancing*”. However, findings by the study show that 21.3% of respondent are doing fishing practices and they do not see VICOBA as priority. The finding was confirmed by one of the key informant (VICOBA staff member) who said; “*Fishers seem to have no time for VICOBA because sea weather changes may make it difficult for them to comply with VICOBA rules and regulations*”.

Maya and Thomas (2007) argued that, based on cultural contexts different people define community participation in communal activities differently. This is echoed by Njau and Mruma (2004) who point out that community participation means involving people; men and women in the development process as active participants and not as passive recipients at all levels. Participation in group activities creates a sense of ownership, self-esteem and dignity and ensures sustainability and self help (Mkombe, 2005). Studies by Teneja (2006) suggest that lack of awareness is one of the barriers to effective community

participation. From these observations it shows that awareness is a key factor for effective participation and successful implementation of community activities including VICOBA activities.

4.4 Respondents Understanding of Income Poverty and its Causes

Development literature and micro-finance discourse classifies poor people into groups such as lower middle income, economically active poor and the extreme poor (Robinson, 2001). From the study about half (49.5%) of respondents didn't know the meaning of income poverty (Table 6). The results were confirmed by the following quotations:

"The poverty phenomena may not be easily understood by the victims unless clarified to them by another person/institution." (A 31years young man from Kiasi village interviewed on 6th January 2012).

"Since we don't have a different life style with which to gauge our living standards, we tend to embrace poverty believing it is our kind of divine destiny." (A 26 years old young woman from Pombwe village interviewed on 19th January 2012).

"Our upbringing coupled with illiteracy creates a falsified believe that, the so called poverty is part of our culture." (A 51 years old woman from Kiomboni village interviewed on 30th January 2012).

Table 6: Respondents' Understanding of Income Poverty and its Causes (n=188)

Characteristic		Frequency	Percent
Meaning of income poverty	Don't know	93	49.5
	Lack of capital	48	25.5
	Inability to get basic needs	30	16.0
	Inability to provide for the family	17	9.0
Causes of income poverty	Don't know	76	40.4
	Lack of education	32	17.0
	Diseases	26	13.8
	Lack of capital	39	20.7
	Large families	10	5.3
	Inheritance condition	5	2.7

Findings from the study (Table 6) show that 40.4% of the interviewed members did not know the major cause of income poverty. Nonetheless, their lack of understanding of causes of income poverty is not surprising as about half (49.5%) of the respondents did not know the meaning of income poverty. About 20.7% thought that a major cause of income poverty was lack of capital. Other causes mentioned included; lack of education and inheritance this was pointed out by 17% and 2.7% respectively. These results indicated that this community lacks exposure to basic social economic concepts like poverty. According to Mkombe (2005) income poverty is a state where one lacks a usual or socially acceptable amount of money or material possessions. According to the World Bank (2003), major causes of poverty in Tanzania include financial and monetary policies that do not support the leading economic sector of agriculture. In addition, Brons *et al.* (2007) argue that in order to understand poverty there is a need to look at external and internal vulnerability dimensions of households and the individual. Nonetheless, this lack of understanding observed by the study could be a hindrance to income poverty reduction strategies and also a challenge to rural poor participating in VICOBA activities. Generally, for a poor person to get out of poverty, she/he needs to admit he/she is poor then work a way out.

4.5 Extent to Which Various Factors Influenced VICOBA Activities

Various literatures (Shoo, 2001; Mkombe, 2005; Robert *et al.*, 2008; URT, 2009; SEDIT, 2010; Begasha, 2012), shows that, the extent of one's involvement in VICOBA activities can be influenced by several factors. Factors hindering involvement in VICOBA activities include; lack of access to credit, low interest rate on credit (loan), poverty and lack of entrepreneurial skills training. In order to determine the extent to which various socio-economic factors were responsible in the surveyed respondents involvement in VICOBA activities a regression model was run. Findings from the study (Table 7) show that some of the variables included in the model significantly affected respondent's involvement while others were not.

Table 7 further shows that only two variables out of eight in the analysis, that is, other sources of income apart from VICOBA was statistically significant ($p \leq 0.000$) with a β value of 0.915 and t-value of 30.168. Number of children was slightly significant (0.082) at the 0.1 level. The results suggest that the two variables had more impact than the others in regression model in relation to the contribution of VICOBA to income poverty alleviation. The remaining variables that included age, sex, marital status, education level, number of relative and economic activities of respondent were not statistically significant influencing VICOBA activities.

Table 7: Regression Analysis Results on Extent to Which Various Factors Influenced VICOBA Activities

Category	β – Beta	t-value	Sig
Sex of respondents (X_1)	0.000	-0.011	0.992
Age of respondents (X_2)	-0.035	-1.119	0.265
Marital status of respondents (X_3)	-0.025	-0.874	0.383
Education level of respondents (X_4)	-0.020	-0.697	0.486
Respondent's number of children (X_5)	0.052	1.752	0.082
Respondent's number of relatives (X_6)	-0.001	-0.045	0.964
Economic activities of respondent (X_7)	-0.038	-1.293	0.198
Other source of income (X_8)	0.915	30.168	0.000

Note: Adjusted $R^2 = 0.825$, F-value = 136.065, $p \leq 0.000$ significance

From regression a negative sign associated with β coefficient indicates that the concerned variable had a negative sign associated with the dependent variable. For example in Table 7, age (X_2), marital status (X_3), education level (X_4) respondents number of relative (X_6) and economic activities of respondents (X_7) cause decreases in income gained per month since their β values are associated with negative signs. By the same, the other variables increase income gained per month since they have positive signs.

The results in Table 7 further show the coefficient of determination (Adjusted R^2) which was 0.852. This implies that 85.2% of the variables used explain respondents involvement in VICOBA activities, the R^2 was significant at $p = 0.000$ ($p < 0.001$). The results in Table 7 suggest that if we knew nothing about our variables and guessed VICOBA had contributed in income poverty alleviation, we would be correct by 85.2% of the time. Therefore, reject the null hypothesis that VICOBA do not contribute to rural communities' income poverty alleviation. This means that the VICOBA activities had influence on income poverty alleviation. These results confirm the reasons mentioned by respondents' previously that lack of capital is a major reason for not joining VICOBA. These results are in agreement with Begasha (2012) who observed that, extra cash earned enables VICOBA recipients to save extra portions of the total income earned in the VICOBA and borrow large loans from the VICOBA.

4.6 Contribution of VICOBA to the Community

According to SEDIT (2010), VICOBA proved to be successful to encourage saving and provide micro-loan for IGAs in the rural communities. Observations from the current study from the respondents who were also VICOBA members pointed out that they have benefited from VICOBA (Table 8). Results from the study show that more than half (52%) of respondents who were VICOBA members have benefited by getting loans for

their IGAs. Access to the loans may lead them to improve their living conditions due to possibilities of increasing their incomes. For example, 16% were able to send their children to school. These results concur with Mkombe (2005) who observed that, savings facilities of micro-finance institutions (MFIs) reduce need to borrow from money lenders at high interest rates, and this enables purchase of productive assets and reduce distress of selling ones assets. Access to MFIs also improves allocation of resources, increases economic growth, and reduces household vulnerability to risks/external shocks. Lastly, they cause less volatility in household consumption (Anthony, 2005). Generally, literature (Thomas, 2001; Kihongo, 2005; Hiatt and Woodworth, 2006; Ahlin and Jiang, 2008; IO, 2009) has shown that loans provided by the VICOBA model can help the communities to stabilize and increase their incomes.

Table 8: Distribution of Respondents According to Benefits of VICOBA to the Community (n=88)

Characteristic		Frequency	Percent
Respondents benefited from VICOBA	Yes	88	100.0
	No	0	0.0
How respondents have benefited	Improve business	5	4.0
	Buying plots for farming	16	12.8
	Getting loan	65	52.0
	Sending children to school	20	16.0
	Others(solar power, fishing gear, medical expenses)	19	15.2

Note: The total for the frequency column is greater than 88 due to multiple responses.

According to Hiatt and Woodworth (2006) and Hartarska and Nadolnyak (2008) MFIs have helped the poor to increase buying and investing capability, alleviate micro-business funding constraint and uplift them onto a higher economic status. It is claimed that the social benefit arising from membership to MFIs are sometimes more important than the financial benefits (Robinson, 2001). According to Mkombe (2005) micro-finance can contribute to the development of the overall financial system through integration of financial markets. A study by Cull *et al.* (2006) revealed that, MFIs help to mobilize considerable resources required for economic development; moreover most of mature MFIs provide diverse products, such as housing loans and pension. However, Ahlin and Jiang, (2008), Hiatt and Woodworth (2006) suggest that micro-finance benefits can only be realized as long as the poor continue to be clients of MFIs.

4.7 The Significance of VICOBA to Income Poverty Alleviation

As pointed earlier (section 2.8) VICOBA, have been shown to be good in poverty alleviation. In testing the hypothesis a t-test was performed to confirm if income of respondents who had joined and those who had not were significantly different. Findings from the study (Appendix VII) showed that there is a difference between the mean of VICOBA members ($M = 8\,856.38$) and those non VICOBA members ($M = 4\,132.98$), that is mean difference of 4 723.4 with correlation of -0.812. The results were significant at the 5% level of significance ($p\text{-value} = 0.05$) study findings shows that VICOBA contributed significantly to rural communities' income poverty alleviation. These results concur with findings from URT (2009) it shows that, the poor and those living below the poverty line accept the model as a means to lift them out of poverty. Members in VICOBA are empowered not only in starting and managing of projects, but also in their ability to save, take loans and reimburse in time.

4.8 Attitude of Community towards VICOBA Activities

Attitude towards VICOBA activities among respondents were measured using Likert scale which had 5 statements during FGDs. The FGDs were carried out in the following villages with their respective numbers of people participated in each village; Jaja (9), Kiechuru (12), Kiasi (9) and Nyamisati (10). Every respondent was asked to indicate if he/she strongly disagreed (1), disagreed (2), was undecided (3), agreed (4) or strongly agree (5) with each item of the scale. The responses were grouped into three categories, strongly agree and agree were regrouped into agree; strongly disagree and disagree were regrouped into disagree while undecided was left to stand alone. A total of five (5) statements were constructed to show the frequency of attitudes towards VICOBA activities. The scores in disagree ranged from 10-29 points, undecided was accorded 30 points and agree ranged between 31 and 50 points.

Study results (Table 9) shows that, 29 (72.5%) of respondents had a favorable attitude towards VICOBA activities 6 (15%) had an unfavorable attitude and 5(12.5%) were neutral. Therefore, most of the respondents had positive attitude towards VICOBA activities. These results suggest that communities within the Rufiji delta are in acceptance of VICOBA and have hope they can be empowered economically hence, reduction of income poverty. Those who had neutral attitudes may be due to lack of awareness on VICOBA and what they can do to poverty alleviation. The results are consistent with those in Table 8 explained earlier, which indicate that the community members especially those VICOBA members had benefited from being members of VICOBA.

Table 9: Three Categories of Overall Attitude of FGDs Participants towards VICOBA Activities (n = 40)

Attitude scales	Frequency	Percentage
Favorable	29	72.5
Indifferent	5	12.5
Unfavorable	6	15.0

Observations from the study as presented in Table 10 show that most (95%) of the FGDs participants had the perception that people should join VICOBA to improve their living standards. The above observation concurs with what was reported by SEDIT (2008) that VICOBA is a scheme that can easily be accessed by all the poor at the grassroots level. According to the Rufiji DCDO (one of the key informants) VICOBA is a very good way of alleviating poverty. The informant said “*VICOBA is one of the practical schemes which after its sensitization and implementation contributes to livelihood improvement of the respective community.*” Table 10 shows that 75% of the FGDs discussants agreed that VICOBA is a very good way of alleviating poverty. According to SEDIT (2008) VICOBA is a project which is fully owned by the target communities; the management costs are all taken care of by group members alone under voluntary basis. In addition, the system involves less cost in its management activities. Based on this, it can be easy for VICOBA members to benefit as they are in control of their own destiny.

Table 10: Attitude of the Community towards VICOBA Activities (n= 40)

Statement	Agree	Undecided	Disagree
People should join VICOBA to improve their life standards.	38 (95)	2 (5)	0 (0)
VICOBA is a very good way of alleviating poverty in a society.	30 (75)	3 (7.5)	7 (17.5)
The Government should set a policy to force people join VICOBA activities in their areas.	2 (5)	6 (15)	32 (80)
VICOBA should be for women only because they show more interest.	29 (72.5)	0 (0)	11 (27.5)
The Government should provide funds for VICOBA to be sustainable in the future.	18 (45)	12 (30)	10 (25)

Note: Number in brackets refer to percentage of discussants in FGDs responding to the particular question.

Observations from the study further show that 80% of the FGDs participants did not agree with the idea that the government should force people to join VICOBA, they argued that joining VICOBA should be voluntary and not by force (Table 10). These observations were confirmed by the District Cooperative Officer (DCO) (one of the key informants) as shown in the quote below;

“Community members must be adequately sensitized so that they are well informed and allowed to willingly join the scheme to avoid unnecessary conflicts within the groups.”

According to Mkombe (2005) the participatory process which involves beneficiaries in every point of developing the project and the aspect of ownership is the only way to use in mobilizing VICOBA groups. Furthermore, Salale’s WEO (one of the key informants) argued that forcing people will amount to dictatorship as shown in the quotation below;

“Imposing the scheme to community members who are not well informed is going against their social/individual rights to make their developmental decisions”.

The WEOs argument was supported by FGDs participants as they said that *“respective local governments have to involve the community in the process of establishing VICOBA to ensure the scheme is well articulated and accepted”* FGDs held on February 2012. In addition, the government of Tanzania emphasis on the formation of VICOBA groups, by forming village community groups (UN, 2005). According to the UN (2005) many people can be supported quickly and in a very effective manner if they join MFIs such as VICOBA voluntarily.

Study findings (Table 10) also show that about three quarters (72.5%) of the respondents were in agreement with the statement that VICOBA should be for women only.

These results concur with observation from the groups' inventory; where it was found that, out of 22 groups in the study area (Appendix 3), three fifths (60%) of the members were women. Predominantly, women groups are self-help groups that have grown out of local circumstances to meet the specific needs of women. Women groups are organized to address day-to-day economic needs and constraints and to improve their household's well-being, as explained by a 42 years old woman from Mbuchi ward, as shown in the quote below;

“Women groups were established to address some prevailing social challenges for which such groups have always been sustainable since they were established based on common challenges”

The results are supported by findings by Kihongo (2005), who observed that most men do not want to join VICOBAAs due to many reasons as pointed earlier in section 2.9. Furthermore, he observed that, men dislike joining the groups because of the small loan amounts offered at the early stage. In addition, most men have superiority complex, they are not ready to mix up with women in order to access small loans although in real sense they are in need. The study further observed that about a quarter (27.5%) of the FGDs participants disagreed with the statement that VICOBA should be for women only. The above observation is supported by Mkombe (2005) who reported that most women are involved in small business like food vending, trading used clothes, selling bites like *'maandazi'* (buns made up of wheat flour) and *'vitumbua'* (a tea bite/snack made up of rice flour), these type of business are run with small capital and in unreliable premises where returns are not promising for them to be sustainable in groups. Moreover, micro-finance services have strengthened the social and human capital of the poor, men and women, at the household, enterprise, and community level (Mkombe, 2005). Therefore, VICOBA should be for both men and women as argued by participants from the FGDs.

Study results (Table 10) further showed that 45% of the FGDs participants agreed on the statement that the government should provide VICOBA with funds to help with their sustainability. The participants' argument is contrary to Kihongo's (2005) argument that, the government should recognize VICOBA and facilitate them with entrepreneurial skills as chorused in the NSGRP through sharing field gained experience periodically with stakeholders and not in giving funds. The current study observed that the formulation of VICOBA groups is based on individuals themselves; they formulate their own by-laws which do not give a chance or a room for the government to penetrate. Through interviews, one of the key informants (District Cooperative Officer) proposed that, VICOBA members should continue to collect money from themselves as government money is always given with restrictions, as further elaborated in the quotation below;

“Implementation of VICOBA does not encourage financial grants from government to avoid interest rate conditions that can be imposed to the scheme.”

The above observations and arguments concur with 25% of FGD participants who disagreed on the statement that the government should provide funds to VICOBA for sustainability of the group. Generally, the study is of the opinion that the government should facilitate VICOBA group members to access better working tools and reach targeted goal of poverty alleviation rather than to provide funds directly or indirectly. To stress the observation a 33 years old young man from Msala village said that;

“Principles that govern VICOBA operations discourages financial grants from government sources, since the two systems have different operational guidelines.”

CHAPTER FIVE

5.0 CONCLUSIONS AND RECOMMENDATIONS

Generally the main objective of the study was to assess the contribution of VICOBA to income poverty alleviation in Rufiji Delta. The study had specific objectives, which included identifying factors influencing VICOBA activities in alleviation of income poverty, to identify major challenges facing community participation in VICOBA activities, to examine the effectiveness of VICOBA in alleviation of income poverty and to determine the community's attitude towards VICOBA activities. The study found that there is poor subscription into VICOBA for some of the community members due to their engagement in small scale fishing activities which lead them to relatively low income. VICOBA have benefited people in reducing their income poverty by playing an important role in enabling the poor to save and access credits.

5.1 Conclusions

Micro-finance can play a great role in reducing poverty and vulnerability of the poor. VICOBA lending model is a unique and an effective tool for development of rural communities. Like many other micro-finance institutions, VICOBA help people start and manage IGAs, and also they are capacitated to save, take loans and reimburse in time. Based on study findings it can be concluded that people in the study area have benefited from VICOBA by getting loans which have helped them reduce their income poverty. It is also concluded that attitude towards VICOBA activities in the study area was favorable. Based on t-test results it is also concluded that there is a significant difference in income earned per month between VICOBA and non-VICOBA members.

It is further concluded on basis of the regression analysis that other sources of income and number of children were significantly related to respondents' alleviation of income poverty. It is further concluded that challenges facing implementation of VICOBA scheme are twofold; first, is the poor performance of VICOBA related IGAs and second are factors affecting subscription of new VICOBA group members. In addition, markets are situated mostly in town therefore, there was the marketing problem with regards to products generated the situation affect performance of VICOBA members IGAs. Lastly, it is concluded that poor subscription into VICOBA groups is due to the fact that majority of Rufiji Delta residents are engaged in fulltime fishing activities and most of them have relatively low incomes. Generally, it is concluded that the VICOBA scheme has contributed significantly to income poverty alleviation of the community where it has been implemented.

5.2 Recommendations

Based on the study findings the following are the recommended;

- (i) The Government should incorporate VICOBA development model into the National Poverty Reduction Strategy and also review cooperative and microfinance policies. Reviewing the Policies will bring on board the VICOBA guiding principles while maintaining autonomy and ownership of the scheme by members themselves.
- (ii) VICOBA as an effective and relatively new rural development model in Tanzania requires a comprehensive advocacy strategy so as to subscribe more members especially from the rural communities where there are still some misconceptions connected to the scheme.
- (iii) This study recommends to the rural communities that they embrace the scheme in order to raise the necessary investment capital, acquire entrepreneurial knowledge

and skills and start IGAs without having to rely on external support. Some villagers were not ready to join VICOBA fearing that is one of the deceptive schemes, so effective sensitization needs to be provided to the community.

- (iv) The Government should support all VICOBA implementing agencies to establish an umbrella institution at National level that will work as their networking platform for the purposes of increasing geographical coverage while protecting the authenticity of this unique development Model.
- (v) District authorities must assign responsibilities to the cooperative, microfinance and community development officers to technically assist the VICOBA group members to properly manage their IGAs, legal registration of their groups, networks and properties so as to have a legal status that may later stand as collateral in the process of securing credit facilities from formal financial institutions.
- (vi) There is a need for the VICOBA methodology or its mode of operation to be reviewed in order to integrate some paramount and contextual phenomenon that are area specific like coastal/marine, uplands, forestry, agricultural and pastoral rural communities.
- (vii) The potential of VICOBA is not only on credit but, also in other discipline like social aspect. These observations indicate that something needs to be done urgently to improve coverage and increase the number of Tanzanians to be served by VICOBA for their livelihood development.
- (viii) Based on these findings it is recommended that the government work out a modality to ensure the increased coverage of this unique rural development model.

5.3 Areas for Further Research

- (i) The study only covered the Rufiji delta zone, therefore, it is suggested that future studies should cover other areas with different geographical conditions to compare results and see if VICOBA can contribute to Income Poverty Alleviation. Generally, the study only covered the contribution of VICOBA to income poverty alleviation.
- (ii) More studies are needed to be carried out to investigate the impact/contribution of these groups to livelihood improvement of their members and surrounding communities.
- (iii) Further research is needed to capture the role played by social capital in VICOBA lending model.

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APPENDICES

Appendix 1: Areas of Tanzania where VICOBA are in operation

No	Location	Supporting agency	Groups
1	Arumeru		55
2	Babati	ORGUT-SEMIT	73
3	Bunda	ORGUT-SEMIT	60
4	Chunya		40
5	Dodoma		25
6	Handeni	ORGUT-SEMIT	70
7	Hanang	ORGUT-SEMIT	50
8	Ilala	SEMIT	48
9	Iringa Urban		10
10	Kigoma Rural	MEMP	40
11	Kilindi	ORGUT-SEMIT	45
12	Kilwa	WWF/RUMAKI	25
13	Kinondoni	BAKWATA	45
14	Kisarawe	WCRP	70
15	Kiteto	ORGUT-SEMIT	50
16	Kyela		95
17	Lindi Rural	LIWODET	20
18	Liwale	Mwalimu Nyerere Foundation	24
19	Loliondo	Loliondo Community Livelihood Support Project	12
20	Lushoto	CT/NED, MEPP	50
21	Mafia	WWF/RUMAKI	23
22	Magu	CARE	20
23	Makete	WWF	6
24	Marangu	FLORESTA	102
25	Masaki	UNDP, MoFEA/PED	28
26	Morogoro Rural	SADC and ITECO	10
27	Mbarali	WWF	12
28	Mbinga		30
29	Meatu		60
30	Mtwara Rural	WWF	20
31	Musoma Rural	ORGUT-SEMIT	44
32	Nachingwea	LIWODET, VPO/PED	10
33	Nanyumbu	UNDP, MoFEA	30
34	Newala	UNDP, MoFEA	46
35	Njombe	WWF	6
36	Rwangwa	LIWODET, VPO/PED	10
37	Rufiji	WWF/RUMAKI	16
38	Serengeti	ORGUT-SEMIT	42
39	Shinyanga		20
40	Simanjiro	ORGUT-SEMIT	71
41	Singida	SIDA	60
42	Songea		85
43	Tarime	ORGUT-SEMIT	83
44	Temeke		47
45	Tunduru	Mletele Sustainable Development Project	10
46	Ukerewe	ORGUT-SEMIT	68
Total			1876

Appendix 2: Explanation of variables and the measurement levels

Concept	Operational definition	Measurement level	Units
Microfinance	Provision of financial services to the poor	Ratio	Numbers
VICOBA activities	Provision of saving and credit to the group members	Ratio	Numbers
Savings	Investment in terms of money	Ratio	Numbers
Entrepreneurial skills	Respondent knowledge on doing business	Ordinal	1=less, 2=more
VICOBA training procedures	Actions for VICOBA standards	Ordinal	1=less, 2=more
Advertisement/promotion	Public notice about VICOBA	Ordinal	1=less, 2=more
Education level	Number of years spent in formal schooling	Ratio	Years
Age	Number of years since one was born	Ratio	Numbers
Perception	Personal observation on VICOBA activities	Nominal	1= good 2= not good
Awareness	Respondent knowledge on the existence and importance of VICOBA	Nominal	1=Aware 2=Not aware
Culture beliefs	Set of attitudes, value and practice of a group	Nominal	1=good, 2=not good
Income poverty	Low monetary value of an individual	Ratio	Tshs
Individual income level	Monetary value of earning of the respondents per month	Ratio	Tshs
Poverty alleviation	Increase in the monetary value of product and services per capita	Ratio	Tsh
Political influence	Political pressure related to VICOBA activities	Nominal	1=High, 2=low
Marital status	State of having a spouse around or away	Nominal	1=Married, 2=Single 3=Divorced/separated 4=Widow/widower
Increased IGA	Increased number of IGAs within the community.	Ratio	Numbers

Appendix 3: List of VICOBA group's members in Rufiji Delta and the amount of revolving funds

	Name of groups	Village	Members		Revolving funds Tshs
			Men	Women	
1	Simaya	Pombwe	11	18	16,846,450/=
2	Umoja	Pombwe	7	14	11,284,400/=
3	Sabrina	Pombwe	10	12	932,200/=
4	Bedeni	Jaja	10	15	12,935,700/=
5	Muungano	Jaja	11	14	12,613,900/=
6	Nianjema	Jaja	10	15	20,886,700/=
7	Tujitegemee	Kiechuru	10	18	893,600/=
8	Dima maendeleo	Kiechuru	10	16	13,446,800/=
9	Tuelewane	Mbwera east	10	17	13,111,880/=
10	Tupendane	Mbwera east	10	12	19,249,800/=
11	Tujikomboe	Mbwera west	7	17	13,074,700/=
12	Mshikamano	Mbwera west	8	19	15,367,200/=
13	Tusaidiane	Msala	8	14	1,977,200/=
14	Tushikamane	Msala	8	14	2,662,300/=
15	Yatakamoyo	Msala	7	15	2,132,400/=
16	Mkombozi	Kiasi	8	20	985,900/=
17	Amani	Kiasi	6	8	4,094,900/=
18	Mageuzi	Kiasi	11	5	3,894/=
19	Mshikamano	Nyamisati	12	18	10,002,300/=
20	Tujikomboe	Kiomboni	13	14	4,592,000/=
21	Ushirikiano	Kivinja A	5	17	6,281,000/=
22	Mulemawawene	Mchungu	13	15	7,492,300/=
	Total		205	312	216,172,824/=

Source: WWF 2011

Appendix 4: Questionnaire for VICOBA members

A. Introduction

Dear, Sir/Madam, I am, here for the research purpose on Contribution of Village Community Bank to income poverty alleviation in Rufiji Delta. All questions and all information's provided will strictly be treated confidentially. Thanks.

Questionnaire number Date

Name of interviewer:

Village.....`.....Division.....

Name of respondent.....

B. Background information

Please tick (v) where appropriate.

1. Sex of respondent. Female=1 Male=2
2. What is your age?
3. Marital status Single=1 Married=2 Divorce=3
Widow=4 Separated=5
4. Education level None =1 Adult = 2 Primary = 3
Secondary = 4 Others (specify) = 6
5. How many people live in your house?
6. How many children do you have?
7. Are they all schooling? Yes=1 No=2
8. If no, explain why?

C. Economic activities

9. What is your major economic activity? Farming = 1
Livestock keeping (specify) = 2
Both 1 and 2 = 3
Civil servant = 4
Non-farm business (specify) = 5
10. Which year did you start that activity?
11. If farming, what is the size of your plot?

E. VICOBA related aspect

12. Have you ever heard about VICOBA? Yes =1 No = 2
13. If yes, where?
14. What influence you to join the VICOBA?
15. How many members from your family are in VICOBA groups?

16. How many are you in a group?
17. How long have you been a VICOBA member?
18. Have you benefited from VICOBA? Yes =1 No = 2
19. If yes, how?
20. Is the VICOBA helpful to people with respect to social aspects that is education, health and culture? Yes = 1 No = 2
21. If yes, how?
22. If no, why?
23. Had you receive the loan from VICOBA as an individual or as a group?
Alone=1 Group=2
24. Are the terms/conditions of getting loans from VICOBA an obstacle to the people who want to secure loans? Yes = 1 No = 2
25. If yes, Why?
26. How much money did you as a member of VICOBA have to save to become eligible for borrowing?
27. Was there any collateral for the loan? Yes = 1 No =2
28. If yes, which ones?
29. How much money had you received individually as a loan? Tshs.....
30. What was the aim of the loan?
31. Was it enough for your business requirements?
More than enough=1 Enough=2
Not enough=3 Others (specify) =4
32. Have you ever used a portion of the loan for other activities?
Yes = 1 No = 2
33. What are the penalties given to loan beneficiaries for late repayment?
34. How do you plan to spend your dividends?
35. In what way does your partner benefit from your VICOBA membership?

F. Contribution of VICOBA to the community

36. What kind of micro enterprise do you have?
37. Did you have this business before or after you joined VICOBA and receive a loan? After =1 Before =2 Others (specify) =3
38. Did you get practical orientation or basic training before starting this project?
Yes =1 No =2
Little =3 Others (specify) =4
39. Would you like to borrow more than what you currently borrow?
Yes = 1 No = 2
40. If yes, why?
41. Can you recall of the amount of capital you have had before receiving the loan?
Yes = 1 No = 2
42. If yes how much?
43. How did you spend the profit from your business after getting loan?

44. Apart from VICOBA, do you have any other source of cash capital that may be giving you some more income? Yes = 1 No = 2
45. If yes, which ones?
46. What are the challenges facing your micro enterprise?

G. Attitude towards VICOBA

47. In your opinion do you think VICOBA is priority? Yes = 1 No = 2
48. If no, what were your priorities?
49. In your experience and understanding, do you see any improvement in your activities after joining and getting service from VICOBA?
50. Do you think credit has increased your total average profit per month?
Yes = 1 No = 2
51. If yes, How?
Very little = 1 Little = 2 Average = 3 Very much = 4
52. Can you tell me why other people are not joining VICOBA?
53. What is your opinion for those who do not pay loan in due time?

D. About income poverty

54. What do you understand by the term income poverty?
55. What is the most common indicator of income poverty?
56. What do you think are the causes of income poverty?
57. What is your average income level per month (Tshs)?
58. Do you think VICOBA has helped your household fight income poverty?

THANK YOU

Appendix 5: Questionnaire for Non-VICOBA members

A. Introduction

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

Questionnaire number.....Date

Name of interviewer

Village.....Division.....

Name of respondent

B. Background information

Please tick (v) where appropriate.

1. Sex of respondent. Female=1 Male=2
2. What is your age?
3. Marital status Single=1 Married=2
Divorce=3 Widow=4
Separated=5
4. Education level of respondent. Non=1 Adult = 2 Primary = 3
Secondary = 4 Others (specify) = 6

C. Household background

5. Household composition

S/N	Name	Date of birth	Sex	Relationship with respondent	Main occupation
1					
2					
3					
4					

6. Does your children schooling? Yes=1 No=2
7. If no, explain why?

D. Economic activities

8. What is your major economic activity?
Farming = 1 Livestock keeping (specify) = 2
Both 1 and 2 = 3 Civil servant = 4
Non-farm business (specify) = 5
9. Which year did you start that activity?
10. What is your average income level per month (Tshs) ?
11. Had you receive any loan from anywhere for the activities?
Yes = 1 No = 2
12. If yes, where?
13. If no, why?
14. Was it enough for your requirements? Yes = 1 No = 2
15. Can you recall of the amount of capital you have when starting this activity?
Yes = 1 Don't remember = 2
16. If yes, how much?
17. Where did you get capital? Friends = 1 Donor = 2 others (specify) = 3
18. How did you spend the profit from your business?
19. Does the income generated cover household basic needs? Yes = 1 No = 2
20. If yes, what are the basic needs?
a).....b).....

- c) d).....
- 21. If no, why?
- 22. What are the challenges facing your micro business?

E. About microfinance Institutions

- 23. Are you aware of existence of Microfinance institutions in your area?
Yes = 1 No = 2
- 24. If yes, mention some.
a)..... b).....
c)..... d).....
- 25. Do you have membership to any Microfinance institution? Yes = 1 No = 2
- 26. If yes, mention
a) b)
- c) d).....
- 27. If no, why?

F. About VICOBA

- 28. Have you ever heard about VICOBA? Yes =1 No = 2
- 29. If yes, where?
- 30. Do you think VICOBA can help in alleviate income poverty?
- 31. In your opinion do you think VICOBA is priority? Yes = 1 No = 2
- 32. If yes, why are you not a member?
- 33. If no, what were your priorities?
- 34. Can you tell me why are you not joining VICOBA?

G. Aspect of income poverty

- 35. What do you understand by the term income poverty?
- 36. What is the most common indicator of income poverty?
- 37. What do you think are the causes of income poverty?

THANK YOU FOR YOUR COOPERATION

Appendix 6: Check list for focus group discussion

Check list to be used in a research on the Contribution of VICOBA in income poverty alleviation in Rufiji delta. The information provided will be used in writing a Master's thesis.

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

Respondents View on VICOBA activities

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

THANK YOU VERY MUCH FOR YOUR COOPERATION.

Appendix 7: Checklist for VICOBA staff

Dear, Sir/Madam, I am here for the research purpose on the Contribution of Village Community Bank to income poverty alleviation in Rufiji Delta. All information's provided will strictly be treated confidentially. Thanks.

1. Please may I know your official title?
2. How many groups are you dealing with in the area?
3. What are major credit related problems?
4. Did the VICOBA members comply with the terms and conditions of credit?
5. Did they satisfy with the loan disbursed to them?
6. Please can I know the amount of the evolving fund and the total number of beneficiaries in your area? Amount.....
Total beneficiaries.....
7. To what extent has the VICOBA succeeded in your area so far?
Excellent = or > 75%,
Very good 70% -75%,
Good 60% - 69%,
Fair 50% - 59%,
Failure 50%,
NA = 0, Others = 1
8. What are the challenges you are facing on working with these VICOBA?
9. What are the opportunity do the VICOBA members have?
10. Do you think there is any potential for increasing number of VICOBA groups?
11. How can you describe the contribution of VICOBA to poverty alleviation strategies?
12. What are the constraints in monitoring and evaluation?
13. Is there any involved action or penalty for beneficiaries failing to repay their loan from VICOBA? Yes or no. If yes, what action involved?
14. In what way do these groups manage to encounter challenges from cultural and political issues?
15. What could be the reasons for some of the community members not joining the VICOBA groups?
16. From your experience, does VICOBA interfere with the community day to day activities?
17. Have you met your objectives to the community?
18. Do you think VICOBA can help in alleviate income poverty?

THANKS FOR YOUR TIME AND PARTICIPATION.

Appendix 8: Checklist for key informants

Dear, Sir/Madam, I am here for the research purpose on the Contribution of Village Community Bank to income poverty alleviation in Rufiji Delta. All information's provided will strictly be treated confidentially. Thanks.

1. Please may I know your official title?
2. Do you know the household Sources of incomes in your area?
3. How many VICOBA groups do you have in your area?
4. Please can I know the amount of the evolving fund and the total number of beneficiaries in your area? Amount.....
Total beneficiaries.....
5. To what extent has the VICOBA succeeded in your area so far?
Excellent = or > 75%,
Very good 70% -75%,
Good 60% - 69%,
Fair 50% - 59%,
Failure 50%,
NA = 0,
Others = 1
6. What are the challenges you are facing on working with these VICOBA?
7. What are the opportunity do the VICOBA members have?
8. Do you think there is any potential for increasing number of VICOBA groups?
9. How can you describe the contribution of VICOBA to poverty alleviation strategies?
10. What do you think are the consequences that occur as a result of VICOBA in your area?
11. In what way do these groups manage to encounter challenges from cultural and political issues?
12. The role of NGOs and other development agencies in the context of poverty alleviation in your area.
13. What could be the reasons for some of the community members not joining the VICOBA groups?
14. Do you think VICOBA can help in alleviate income poverty?

THANKS FOR YOUR TIME AND PARTICIPATION.

Appendix 9: Table of results for paired t-test for hypothesis testing

Category	Means difference	Std deviation	Df	t-value	Correlation	Sign.
*Respondents	4723.4	15723.482	187	4.119	-0.614	0.000

* VICOBA member and non VICOBA member respondents