THE IMPACT OF MICROFINANCE INSTITUTIONS ON RURAL LIVELIHOODS: THE CASE OF VILLAGE COMMUNITY BANKS IN BUNDA DISTRICT – TANZANIA

BY

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ABSTRACT

This research examined the impact of microfinance institutions on rural livelihoods particularly in the case of Village Community Banks (VICOBA) in Bunda District – Tanzania. The overall objective of the research was to engender information that would help improve performance of the VICOBAs and livelihoods of the rural communities in Bunda District. Specifically, this research identified the socio-economic factors that determined participation in the VICOBA schemes, assessed the impact of VICOBA schemes on the livelihoods of the beneficiaries and lastly, identified the problems facing the schemes in the study area. A total of 130 randomly selected heads of households consisting of 65 VICOBA beneficiaries and 65 non-beneficiaries were interviewed using a semi-structured questionnaire supplemented by focus group discussions, key informants and participant observations. Results indicated that age and total number of dependants were the main socio-economic factors that determined participation in VICOBA. It was also found out, in this research, that there was a significant improvement in livelihoods among participating households compared to non-participating households in terms of micro entrepreneur assets. Moreover, the research found that VICOBA schemes were constrained with institutional problems like limited working capital, lack of entrepreneurship skills, lack of security of deposits, poor financial record keeping and lack of linkage with formal microfinance institutions. Based on these findings, the research recommends that the government and other stakeholders should create a regulatory framework enabling the community based microfinance services, like VICOBA, to reach more marginalized rural communities so that they might improve their well-being through financial services and other diversified products. Furthermore, the VICOBA groups should be capacitated in terms of training, financial support and working facilities, in order to improve their efficiency and effectiveness in serving the poor in rural areas.

DECLARATION

I, SAID JUMA MADITTO, do hereby declare to the Senate of Sokoine University of Agriculture that, this dissertation is my own original work, and that it has neither been nor concurrently being submitted for a degree award in any other Institution.

12 . 06 . 2012.

Said Juma Maditto — Date

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The above declaration is confirmed by

13 . 6 . 2012

for Dr. Reuben Mpuya Joseph Kadigi — Date

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To the lovely memory of my late grandmother, Kundi Jifungo Sayida and sister Lucy Lugalila Maditto. May the Almighty God rest their Souls in Peace, AMEN.

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LIST OF ABBREVIATIONS

ADB	Asian Development Bank
BDC	Bunda District Council
BLUE	Best Linear Unbiased Estimator
BRI	Bank Rakyat Indonesia
CDVMs	Categorical Dependent Variable Models
CP	Conceptual Framework
DDP	District Development Programme
DESCI	Dedebit Savings and Credit Institution
DFID	Department for International Development
FGD	Focus Group Discussion
FINCA	Foundation for International Community Assistance
IFAD	International Food and Agricultural Development
LHS	Left-Hand-Side
MFI	Microfinance Institution
ML	Maximum Likelihood
MMD	Mata- Masu-Dubara
NGO	Non Government Organization
OLS	Ordinary Least Square
PRIDE	Promotion for Rural Initiatives and Development Enterprises
RHS	Right-Hand-Side
SACAs	Savings and Credit Associations
SACCOS	Savings and Credit Cooperative Societies
SEDA	Small Enterprise Development Agency
SEDIT	Social and Economic Development Initiatives of Tanzania
SIDA	Swedish International Development Agency

SLF	Sustainable Livelihood Framework
SML	Share Microfinance Limited
SNAL	SUA National Agricultural Library
SSA	Sub Saharan Africa
TShs	Tanzania Shillings
UNDP	United Nation Development Programme
URT	United Republic of Tanzania
USD	United States Dollar
VICOBA	Village Community Bank

CHAPTER ONE

1.0 Introduction

This chapter presents the background information on the impact of microfinance institutions VICOBA on the livelihood in the study area. The chapter covers the definitions of microfinance, types of microfinance, access to financial services by the poor rural communities, the DDP Programme in Bunda District, history of Village Community Bank in Tanzania, problem statement and justification, objectives of the study, the research hypothesis and organization of the study.

1.1 Background Information

Celarié *et al.* (2005) defined microfinance as a set of financial services on a small scale, such as credit, savings, insurance and remittances, offered to people that are excluded from formal bank financial services. Microfinance has become a diverse and growing industry. The popularity of the current microfinance industry evolved from the success of the works of Yunus Mohammed with the Grameen Bank, and the innovation in village banking by Bank Rakyat Indonesia (BRI) (Lwako, 2006).

Microfinance institutions (MFIs) throughout the developing world provide small loans to the poor so that they might fight poverty. For example, studies by Tiruneh (2006), Matovu (2006), Bee (2007), Oommen (2008) and Sapkota, (2008) reported that there was a significant improvement in the life of rural poor communities as a result of microfinance.

In spite of their continuous growth, MFIs are diverse in their outlook and legal forms. These differences have led to the classification of microfinance into various typologies. For example, Adams (1994) and IFAD (2001) have classified microfinance based on regulations as follows: (i) formal MFIs regulated by financial authorities of the state (or its appointed agent), (ii) semi-formal MFIs under the control of their registering authorities and (iii) informal MFIs that are controlled by customary laws and peer pressure.

Another study by Staschen (1999) cited in Lwako (2006) classified MFIs into three broad categories depending on the source of funds as follows; (i) NGOs that use other peoples' money (grants and concessionary loans from donors) to fund their social goal-oriented lending business, (ii) community savings and credit groups and village banks that use members' money to grant loans to members exclusively and (iii) Government credit institutions that use public money to finance their lending business.

Kashuliza *et al.* (1998) asserted that informal financial services refer to all transactions, loans and deposits that take place outside the regulated monetary system or the formal financial system, while formal financial markets are establishments such as banks that are regulated and specialized in such transactions as accepting deposits and granting credit. The term semi-formal MFI is used to refer to the middle part of the continuum (between formal and informal). These semi-formal MFIs are partially regulated by the government through registration, licensing and supervision, and they may have some linkages with the formal financial system. In Tanzania semi-formal MFIs include Savings and Credit Co-operative Societies (SACCOS), Savings and Credit Associations (SACAs) and some Non-governmental Financial Organizations (Financial NGOs of FiNGOs) like PRIDE, BayPort, SEDA and FINCA, etc. (Kashuliza *et al.*, 1998 and Thillairajah, 1994). These semi-formal microfinance are authorised to provide finance services but are not allowed to mobilise savings from non-members.

In either of the two categories of classifications presented by Adam (1994) and IFAD (2001) and Staschen (1999) (depending on regulation and sources of funds), the Village Community Bank (VICOBA), in this study, was considered to be semi-formal MFIs as contended by Srnec, *et al.* (2008) whose transactions, loans and deposits take place outside the regulated monetary system or the formal financial system and uses members' money to grant loans to members exclusively.

Access to financial services by low-income earners, in the above types of MFIs, has been constrained by different factors. Fernando (2007) argued that even though some MFIs have extended poor households' access to financial services, access problems remain significant due to capacity issues. A significant proportion of these MFIs serving the low-income earners are financially unsustainable, heavily subsidy-dependent and poorly performing institutions.

It is further argued by Oduro (2010) that the formal MFI limits its coverage in rural economy due to the problems of adverse selection and moral hazard. For example, adverse selection arises because, in the absence of perfect information about the borrower, an increase in interest rates encourages borrowers with the most risky projects, and hence least likely to repay, while those with the least risky projects cease to borrow. On the other hand, moral hazard occurs basically because projects have identical mean returns but different degrees of risk, and lenders are unable to discern the borrowers' actions. An increase in interest rates negatively affects the borrowers by reducing their incentive to take actions conducive to loan repayment which leads to the possibility of credit rationing.

Despite the fact that informal MFIs are important microfinance insurer where an individual and households can borrow from friends and relatives in cash or in kind, and purchase can be made in credit (Oduro, 2010), it charges high interest rates (Virtue, 2008) and supply mainly short-term credit than semi-formal and formal sources (ADB, 2000).

With continuous emphasis being placed on delivery of microfinance services to the rural population, it is important to focus on semi-formal MFIs that are filling the gaps left by both the informal and formal MFIs supporting agricultural sector development of the rural poor (Wangwe and Lwakatare, 2004). This is due to the fact that semi-formal MFIs like VICOBA are flexible, self-replicating and remain self-autonomous when linked to other financial institutions (Lee, 2006). Beside these merits of semi-formal microfinance over formal and informal MFIs this research tries to cover the gap as to the extent to which VICOBA has improved the livelihoods of the rural communities and what their constraints are.

Microfinance, however is not the only objective for many semi-formal MFIs like VICOBA. Often, microfinance is integrated with other activities or it is just an entry point to implement other activities (UNDP, 1996). In addition, semi-formal MFIs programmes focus on saving mobilisation. Also, the credit component of most semi-formal MFIs are often operated in remote areas and focused on providing small short-term loans with regular instalment repayments.

In recognising the importance of financial services to small and medium enterprises, during the year 2000 the Government of Tanzania developed the National Microfinance Policy in line with the overall financial reforms which were initiated in 1991 (URT, 2000). The policy views microfinance not only as an effective tool for poverty alleviation, but also as an important supporter in that direction. To enable the policy to work effectively, the Government has created an enabling environment by simplifying the conditions for registering MFIs to serve Tanzanians.

The distribution and concentration of microfinance activities in Tanzania are skewed in favour of the urban areas leaving the rural areas underserved (Randhawa and Gallardo 2003). Furthermore, it has been reported that only 10% of Tanzanians have access to the formal financial services, 3% has access to semi-formal MFIs, 33% have access to informal associations and 54% are basically excluded in any kind of financial services (Singili, 2007). This signifies vital demand for microfinance services in Tanzania particularly in the rural areas, which are prone to high risks and costs.

According to URT (2005), Bunda District was listed as one of the poorest District in Tanzania mainland with 67.7% of her people living below the poverty line of 1USD per day and with limited access to financial services. This has drawn the attention of different development practitioners such as government, donors, NGOs, International organizations and religious based organizations to launch development projects which are intended to address the issue of poverty in the District.

The government of Tanzania has used different approaches to address the issue, which include, among others, the implementation of area-based programme like District Development Programme (DDP) which started in 2002 under the support of SIDA (Carlsen and Nazal, 2008). The DDP programme was operating in three Districts of Bunda, Serengeti and Ukerewe. The aim of the DDP was to capacitate the Districts to deliver demand-driven socio- economic services, through participatory planning and capacity building, as well as to empower the communities to generate household income to improve their livelihoods and break the cycle of poverty (Carlsen and Nazal, 2008).

The DDP introduced a number of VICOBAs in 2007 and they were thought to have an immediate positive impact on livelihood of poor people (Carlsen and Nazal, 2008). Since then there has been a continuation and extension of the VICOBA programme developed by the Swedish consulting company (ORGUT) and the Tanzanian NGO namely the "Social and Economic Development Initiatives of Tanzania (SEDIT)".

VICOBAs are grass root based lending schemes with a focus on fostering participant's ability to innovate and manage viable income generating activities through, among others, facilitation of entrepreneurship training (SEDIT, 2009). Historically the concept of VICOBA was innovated in 1991 by the CARE International in Niger (West Africa) following the successful implementation of the *Mata-Masu-Dubara* (MMD) model, which means "*Women on the Move*" (SEDIT, 2009). The model was later exported to Zimbabwe, Mozambique Uganda and Eritrea. It was later modified and adapted in Tanzania mainland by SEDIT in 2002.

Unlike other formal, semi and informal microfinance institutions operating in Tanzania, VICOBAs have the following unique features: bottom-up approach in decision making, planning, implementation and ownership. They are cost-effective in terms of management since they are fully owned by the target communities and managed under voluntary basis. In addition, there are no leakages of money out of their system, they are easily replicable and can easily be accessed by the poor people (SEDIT, 2009).

1.2 Problem Statement and Justification

Supported by SIDA in 2007, the District Development Programme (DDP) introduced 20 VICOBAs in Bunda District. These were expected to serve as the best alternative source of financial services for low income earners in rural areas and hence enable them improve their livelihoods (Carlsen and Nazal, 2008). Since 2007, when the first 20 VICOBAs were introduced to date (2010), there are more than 90 VICOBAs operating in the District. These are facilitated by the ORGUT-SEDIT programme following the phase out of DDP in 2008 (BDC, 2010). An important question however remains and this relates to whether the VICOBA schemes have helped the rural communities in Bunda District to move out of poverty or not and if yes to what extent?

Most importantly is the fact that despite the magnificent increase in number of VICOBA in Bunda District and elsewhere in Tanzania, little has been done to assess the impact of microfinance institutions and specifically the impact of VICOBAs on the livelihoods of the rural poor. This study was therefore an attempt to fill this gap. The study assessed the impact of VICOBA on the livelihood of the rural communities in the study area. The findings from this study are intended to inform different stakeholders in the rural microfinance sector including the government, NGOs, donors, international organizations and the community on issues and strategies to be adopted in order to improve the performance of the VICOBA schemes.

1.3 Objectives of the Study

1.3.1 General objective

The overall objective of the study was to generate information that would help in improving the performance of VICOBAs and livelihoods of the rural communities in Bunda District.

1.3.2 Specific objectives

a) To identify the socio-economic factors that determine participation in the VICOBA schemes.

b) To assess the impact of VICOBA scheme on the livelihoods of the beneficiaries.

c) To identify the problems facing the schemes in the study area.

1.4 Research Hypotheses

a) Age of the head of household, sex, level of education, marital status, total number of dependants and estimated net annual income of the household are the major socio-economic factors that determine participation in VICOBA.

b) VICOBA members have improved their livelihoods compared to non-VICOBA members.

1.5 Organization of the Study

This study is organized in five chapters. The first chapter presents the background information, problem statement and justification, objectives of the study and research hypotheses. Chapter two reviews related literature from different sources and places to address the subject matter at hand, the third chapter dwells on the research methodology on how primary and secondary data were processed and analyzed for discussion. Chapter four covers the results and discussion while the conclusion, recommendations and area for further studies is discussed in chapter five.

CHAPTER TWO

2.0 Literature Review

2.1 Sustainable Livelihood Framework (SLF) and Microfinance

The relationship between poverty and access to financial services is probably best explained by the theory of Sustainable Livelihoods Framework (SLF) as advanced by many authors (Ashley and Carney (1999); Scoones (1998); DFID (2001) cited by Bee (2007). The framework relates the cause of poverty to household's access to resources (financial resources inclusive) and their diverse livelihoods strategies. As Ashley and Carney (1999) argue, SLF has evolved over years as perceptions on poverty reduction, how people live and inclusion of structural and institutional issues have been changing.

Sustainable livelihoods approaches (SLAs) are in essence conceptual and analytical frameworks (plus an associated toolbox of techniques) that try to capture the dynamics of poverty and well-being, and have their roots in past work in areas such as farming systems analysis and participatory appraisal (Gilling *et al.*, 2001). A commonly-used definition of the term 'livelihoods' was coined by Chambers and Conway (1992) to refer to a livelihood that comprises the capabilities, assets (stores, resources, claims and access) and activities required for a means of living; a livelihood is sustainable which can cope with and recover from stress and shocks, maintain or enhance its capabilities and assets, and provide sustainable livelihood opportunities for the next generation: and which contributes net benefits to other livelihoods at the local and global levels and in the short and long term.

According to Nagarajan (2006), the term livelihood is a means of support, something that provides income to live on, especially paid work to secure the necessities of life. Livelihood activities are economic activities that people know, own and undertake to earn income todav and into the future. whereas. sustainable livelihood is one which can cope with, and recover from stresses and shocks and maintain or enhance its assets and capabilities while not undermining the existing resource base.

Ellis (2000) defined livelihood as comprising the assets (natural, physical, human, financial and social capital), the activities and access to these (mediated by institutions and social relation) that, together, determined the living gained by an individual or household. A fundamental characteristic of livelihoods in developing countries is the ability to adopt in order to survive. This study has adopted the definitions offered by Chambers and Conway (1992) as presented above.

Livelihood activities may vary from one area to another and even among households in the same location (Krantz, 2001). Under SLF, the analysis of poverty and its reduction strategies goes deeper into the understanding of the nature of households' activities and sources of vulnerability they encounter. Following the sustainable livelihoods framework approach, it is clear that poor people do not only lack income; but also face inadequate food, poor shelter and access to education and health (Bee, 2007). In this context, they are therefore, vulnerable to ill-health, economic displacement and natural disasters. Furthermore, they are also prone to government policies, regulations and actions to which they are powerless to influence its decisions. The livelihoods approach helps to analyse how the poor people improve their livelihoods by strengthening five basic assets namely natural, social, physical, human and financial and structure and policies (Nagarajan, 2006).

Microfinance is considered as an important component in the SLF since it can be used to convert other micro entrepreneur assets. Abafita (2003), in supporting the above argument, noted that the beneficiary's livelihood is expected to improve because of participation in credit schemes provided that the loan is utilized effectively on activities that are income generating. The choice of the household's livelihood strategies are therefore, influenced by socio-economic factors, the household's level of assets; their access to resources (natural, physical, financial, human and social capital); and the structure and processes within which they operate (Bee, 2007).

Studies that used the livelihood framework have employed both qualitative and quantitative research components (Ponte, 2000; Rutasitara, 2002; Ellis and Mdoe, 2003). The qualitative component is regarded as appropriate for addressing social and institutional context of people's livelihoods and changing livelihood circumstances at community level. The quantitative component addresses assets, activities, and income and vulnerability factors at household level (Hospes *et al.,* 2002). Quantitative method was used in this study to address the impact of VICOBA at household level. According to Rutasitara (2002), quantitative information on household income and wealth in the form of assets, land and capital are useful in addressing livelihood patterns.

Although the terms livelihood and income are not the same, they are nevertheless inextricably related because the composition and the level of individual or household income at a given point in time is the most direct and measurable outcome of the livelihood process (Ellis, 2000). The present study therefore considered borrowers' household income as a proxy for their livelihoods. Income comprises both cash and in-kind contributions to the material welfare of the individual or household, deriving from a set of livelihood activities in which members are engaged. The cash earnings component of income includes items like crops or livestock sales, wages, rents and remittances.

The in-kind component of income refers to consumption of own farm produce, payments in kind such as food, and transfers or exchange of consumption items that occur between households within rural communities or between urban and rural households. Within rural communities different individuals possess different potential access to alternative activities, and therefore different income sources (such as farm income, off-farm income and non-farm income), conveying varying impacts on poverty and income distribution (Mwankemwa, 2004). Total household income is disaggregated into different categories of income resources or activities, which reflect different features of resources required to generate them, their seasonality, accessibility to them depending on assets and skills, and their location either nearby or remote (Ellis, 2000; Ellis and Mdoe, 2003).

Some comparative studies of microfinance avoid calculation of income impact on poverty alleviation and other variables (Mwankemwa, 2004). Such studies consider the fact that the small loans being made are in itself a proof that the poor are being reached and the fact that loans are being repaid is a proof that income has increased (Yaqup, 1998; Seibel and Parhusip, 1998). The present study aimed at quantifying the impact of credit on borrowers' income, with the assumption that the increased income of the VICOBA members will in turn improve the rural livelihoods of the poor communities.

It is also necessary to pinpoint the role that credit plays to borrowers, but this requires baseline information where comparison can be made. The baseline might enable one to know what would have happened in the absence of credit services. This approach has its limitations like respondents not giving accurate information of loan use if they actually diverted their loan, difficulty in knowing whether an increase in income is due to the credit or not, etc (Abafita, 2003). Furthermore, this approach is costly, time consuming and if project objectives have changed in the course of time the original baseline data may give inappropriate or irrelevant picture of the pre-project situation. Johnson and Rogaly (1997) offered an answer to this problem when they claimed that for a quantitative analysis, a control group is required. This can be done by including the non-beneficiaries as the control group and to use recall to make comparisons with how things were before the intervention. Therefore this study has adopted the "with" and "without" approach between VICOBA and non-VICOBA members to compare the assets ownership and their vulnerability to poverty.

2.2 Previous Studies on the Impact of Microfinance Project

In general, impact assessment studies have become an increasingly important aspect of development activity as agencies, and particularly donors, have sought to ensure that the funds are well spent (Tiruneh, 2006). Impact studies have been associated with a greater focus on the outcomes of interventions, rather than inputs and outputs (Tiruneh, 2006), hence, a number of impact studies on the performance of microfinance projects have been undertaken in recent years, with different approaches and results.

A study conducted by Hulme and Mosley (1996) to compare the households which had received credit and households which had not received credit found that the better-off the borrower, the greater the increase in income from a micro-enterprise. Borrowers who already have assets and skills are able to make better use of credit. The poorest are less able to take risks or use credit to increase their income (Hulme and Mosley, 1996) this was due to the fact that they were unable to meet some conditions like collateral requirements.

Another study conducted by Rao and Bavaiah (2005) on the impact of microfinance on household income and employment in India shows positive impact on poverty reduction. Microfinance had helped poor women to enter into new economic activities and increase their income significantly. The study also showed that Share Microfinance Limited (SML) had contributed from 58% to 90% of the women's total income. Furthermore, Christopher (2000) cited in Rao and Bavaiah (2005) concludes that MFIs have an important role in integrating microfinance with overall operation of improving livelihoods of women, especially in education and health.

Ruben and Clercx (2003) argue that credit provision performs critical functions for reinforcing the resilience of rural livelihoods in rural areas which are not served by formal MFIs. Furthermore, they argue that the provision of rural credit and savings services has created favourable conditions for adoption of the Quezungual Agro-forestry system, contributed to higher and more stable cereal yields and reduced labour demands in agriculture. Thus, access to rural finance reinforces food security and enables income diversification as a precondition for subsequent in-depth investment.

Likewise, Asmelash (2003) also indicates that the overall household income of clients who were borrowing frequently had increased than the overall household income of the new clients in both urban and rural areas. The results of analysis in this study suggest that the Debit, Credit and Savings Institution (DECSI) had a positive impact on diversification of income sources for clients into other economic activities. Frequent borrowers had better houses and had increased their asset ownership. They had improved their ability to pay for educational and medical services than those of non-participants. Frequent borrowers have achieved better diet improvement, obtained job opportunities and participated more in the decision- making processes than the non-participants. Similar conclusions are drawn by Tassew (2005) in a micro-credit income diversification case study in central Tigray, who argues that microfinance interventions have positive impacts on the livelihoods of the rural poor.

In their study on the impact of credits on marginalized groups of the rural communities such as young households and rural landless households, as well as urban house-renting households using a case study of DECSI in the Tigray regional state in Ethiopia, Borchgrevik *et al.* (2005) show that the programme had positive impacts on the livelihoods of the target population. The programme beneficiaries improved their asset ownership, income, consumption as well as food security, and became less vulnerable to shocks.

Another impact study on Specialized Financial and Promotional Institute (SFPI) by Jimbed Consult Company (2001) in Ethiopia shows that SFPI resulted in significant improvements in household income and savings. The findings also show positive impacts of the microfinance intervention at the enterprise level through enterprise expansion, addition of new products, improvement of the quality of products and improving management skills and reduction of production costs.

2.3 Participation in Credit Programmes

The study carried out in Punjap by Satish (2005) identified characteristics that distinguished commercial bank and cooperative sector borrowers. The differences in characteristics were discussed in terms of land ownership, ownership of physical assets, farm expenditure, technology adoption, ownership of financial assets and non-farm and subsidiary agricultural employment. It was found that cooperative borrowers were mainly small and marginalized farmers with limited physical assets. Bank borrowers on the other hand, were mainly commercial farmers who owned larger landholdings with higher amount of financial assets.

Other studies by Okunde (2007) and Gockowski and Ndoumbe (2004) reported that age was negatively affecting participation of heads of households in credit programmes, because as age increases the less someone is likely access to credit. Oni *et al.* (2005) found that the majority of the poultry farmers were educated and that nearly all of the respondents were in their active working age. He concluded that the level of farmers' education, farmers' income, age of respondents and flock size were both determinants for participating in credit programme. It was furthermore argued by Enete, *et al.* (2005) and Matshe and Young (2004) that individual characteristics (such as age, gender and formal education) and household or farm characteristics (e.g. the size of the household farm, productive assets, remittances and the agricultural terms of trade) influence the decision of the household members to participate in labour market.

A study by Atieno, (2001), on formal and informal institutions' lending policies and access to credit by small-scale enterprises in Kenya hypothesized approximate weekly and monthly incomes, monthly sales revenue, and value of land owned to have an influence on participation in credit market. This was based on the assumption that credit use was a decision making process whereby those who chose not to use credit due to lack of demand for it were assumed to be not constrained, while those who did not use credit because they were denied access were assumed to be credit constrained. Atieno (2001) did a comparison of these three groups and found that there was no significant difference between them. Furthermore, a study conducted by Mutatina (2008) found that the number of active family members and the off-farm income generating activities were the main socio-economic factors that discriminated credit borrowers from non-credit borrowers.

Since the objective of microfinance is to allow the poor and low income people to access credit, higher rates of participation ought to be observed. But, a contrast exists between the expectation and the realization of the objective; leading to lower rate of credit participation (Togba, 2009). Most studies reviewed above analyze this as credit rationing and they study the household's behavior under this situation, and other authors explain that the credit products do not meet the demand for credit by households. So the current study took into account the presence of socio-economic factors of potential borrowers that determined participation in MFIs and in particular VICOBA.

2.4 Theoretical and Conceptual Framework

2.4.1 Theoretical framework

There have been different arguments as far as the role of financial sector in economic growth is concerned. But the common argument is that the financial sector leads and enhances economic growth (Levine, 1997). The underlying principle behind this argument is that financial intermediation facilitates the accumulation of monetary assets which facilitate efficiency in resource allocation and the productivity of factor inputs. Some economists argue that economic growth and financial development are jointly determined while others assert that the financial sector hurts economic growth (Woller and Woodworth, 2001).

According to Morduch (1999), there is a hope that by providing financial services to low-income households, poverty will be alleviated and economic and social structures can be transformed fundamentally. It is argued that the infusion of credit creates opportunities for self-employment for poor borrowers and that this, in turn, augments their income and leads to increased consumption and investment (Khan, 2008). Continued access to credit and the process of increased investment will lead to capital accumulation. This theory suggests that provision of financial services through successive loans, the "poor" borrower will gradually climb out of poverty (Khan, 2008).

The theory underlines the need for promoting microfinance institutions that will serve as the best alternative source of financial services for the poor rural communities. This is due to the fact that there is a reluctance of many commercial financial intermediaries, such as banks, to advance relatively small loans to large numbers of poor people. Poor people are often unable to provide the types of collateral required by banks such as deeds for property; they may be illiterate and unable to complete the application forms; the distance to the nearest bank may be too far for them to travel both to complete the application forms as well as to make regular repayments; the size of loans required by poor people and the costs incurred in analysing and processing such loan applications may make them economically unattractive to banks; or poor people may be unemployed or without a regular or verifiable sources of income.

2.4.2 Conceptual framework (CF) for the study

The conceptual framework for this study (Fig.1) draws on a number of livelihood frameworks including the Sustainable Livelihood Framework (SLF) by DFID, CARE's Livelihood Model, the UNDP's Livelihood Model (Krantz, 2001).

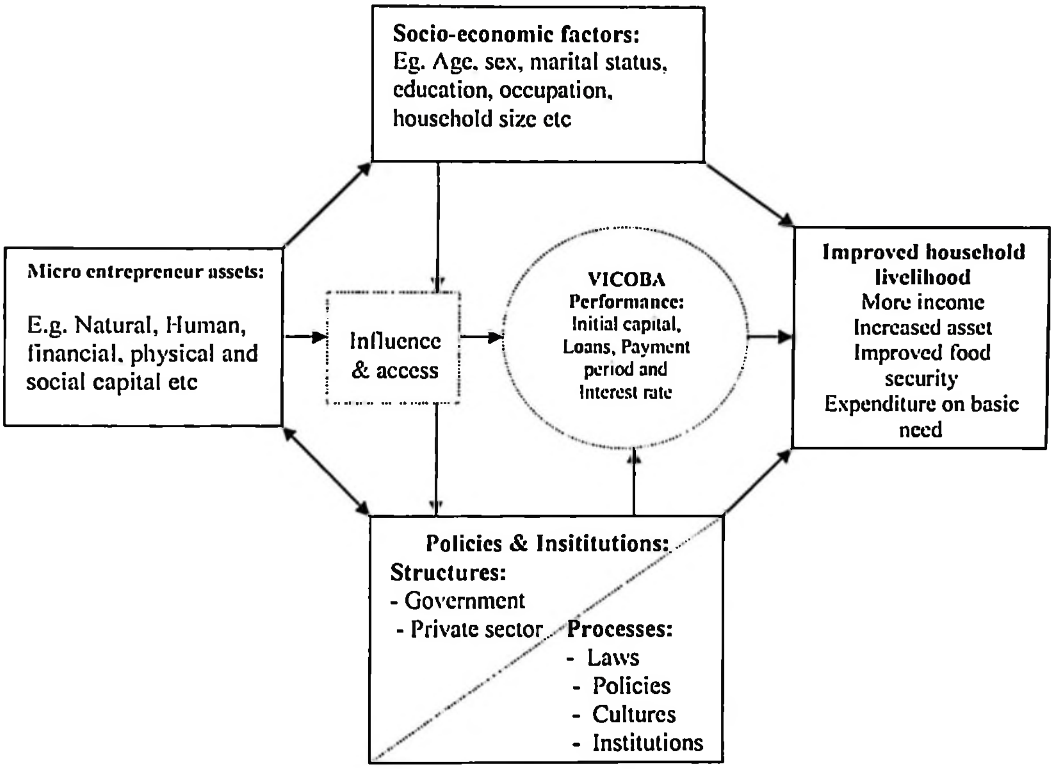

Figure 1: The Conceptual Framework for the Study (Modified from: Krantz, 2001)

This study followed the modified theoretical framework of the sustainable livelihood approach that focuses on the influence of the process of VICOBA that affects how poor rural people create and protect their livelihood for themselves and their households. The performance of VICOBAs and their consequential impacts on livelihood is determined by an array of both endogenous and exogenous factors (including various micro entrepreneur assets, socio-economic and policies and institutions). All of these influence the strategies that the household employ to shape their well-being.

CHAPTER THREE

3.0 Research Methodology

3.1 The Study Area

3.1.1 Location

Bunda District is located in the southern end of Mara region, about 65 kms from the regional headquarters (Musoma). The District lies between $01^0 30'$ and $2^0 45'$ South of the Equator and between $33^0 39'$ and $34^0 05'$ East of Greenwich (Chuwa, 2008). The District shares borders with Serengeti District on the East, Musoma Rural District on the North, Magu and Bariadi Districts on the South and Ukerewe District is located on the Western side of the District. Bunda District has a total surface area of 3,088 km^2, out of which the land area is 2,888 Km^2 most of which is plain land with a good number of steep and stony hills, valleys and escarpments, and 200 km^2 of water which is mostly Lake Victoria (Chuwa, 2008).

3.1.2 Human population and socio-economic activities

According to the 2002 Population and Housing Census, the District had 258,930 people compared to 190,386 inhabitants of 1988 population census, indicating an increase of 68,544 people (36%) during the intercensal period (URT, 2003). The agricultural sector ranked first with the selling of annual crops being the first source of income of the rural agricultural households in the District, followed by tree/forest resources, off-farm income, permanent crop farming, livestock keeping/herding, fishing /hunting and remittance from close relatives such as sons and daughters. The place was selected because it was one of the Districts which were supported by the SIDA to establish Village Community Banks (VICOBA) in 2007, before the SEDIT took over after the phase out of DDP in 2008.

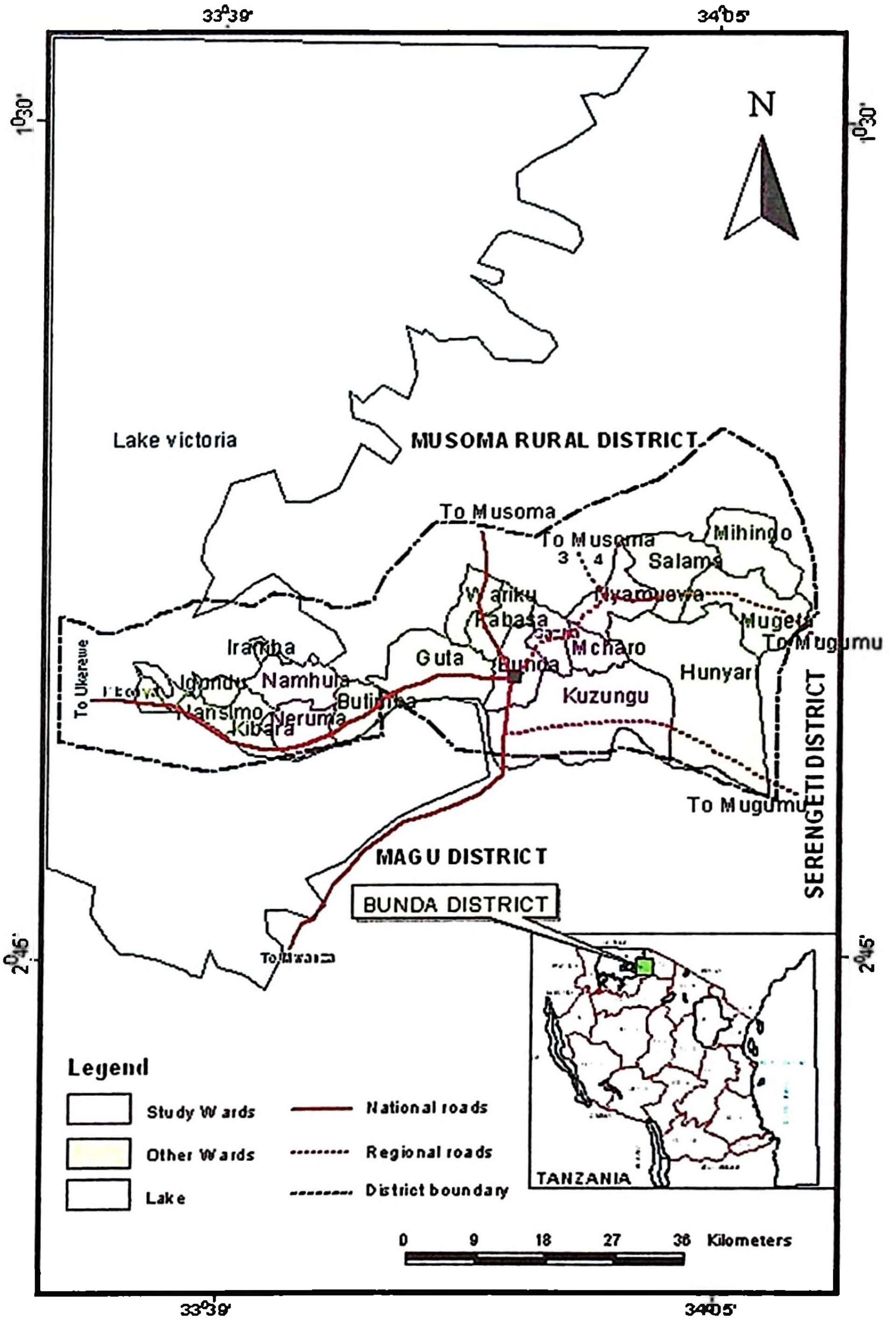

Figure 2: The Map of Bunda District Showing the Study Area.
Source: GIS SUA

3.2 Research Design

The research design used in this study was a cross sectional one done at a single point in time. A cross sectional survey research design is useful in obtaining quantitative information, and the method is suitable for a descriptive study as well as for determination of relationships between and among variables (Bailey, 1998).

Impacts of any intervention can be measured using; the "with" and "without" approach, where data are collected by employing cross-sectional research design. The other one is the "before" and "after" approach, where data are collected at two different times (Anywelwisye, 2007). This study has used the "with" and "without" approach due to unavailability of baseline information.

3.3 Sampling Techniques

Both, probability sampling technique using simple random sampling and non-probability sampling technique were used to collect primary data in this study.

The study was conducted in seven wards namely Neruma, Sazira, Namhula, Bunda, Kunzugu, Mcharo and Nyamuswa from which a total number of 28 VICOBA were randomly selected. The sample size of 130 heads of households (65 VICOBA members in 28 VICOBA and 65 non-VICOBA members) were involved in this study. This sample was reported by Matata *et al.* (2001) who contended that above 80 respondents are adequate for most socio-economic studies in Sub Saharan Africa (SSA).

3.4 Nature and Source of Data

Both primary data and secondary data were used in this study. Secondary data were obtained from different reports, research findings, journals, CD-ROM and books from different libraries such as SNAL and Bunda District Council archives. Primary data were collected through semi structured interviews with household members participating in VICOBA, and those not participating in VICOBA, using the questionnaires, observation, focused group discussion and checklist as will be discussed in part 3.5 of this research.

3.5 Data Collection Technique and Tools

The primary data were obtained by applying the following research techniques:

3.5.1 Household survey

A semi-structured interview was prepared to collect information from both VICOBA and non-VICOBA members. There were 130 interviewees (65 VICOBA members and 65 non-VICOBA members) who were randomly selected from the study area. The household survey was aimed to get basic household information including general information, production and input data, housing and household assets and membership information (see Appendix 1). The questionnaire focused on the changes of livelihood assets of the member group after joining VICOBA. It also identified how the poor non-VICOBA members had built up their livelihood assets. The semi structured interview was also conducted to four groups of VICOBA leaders (see Appendix 2) including *Hiyari ya Moyo* of Nyamuswa, *Mkombozi 'A'* of Nyatwali, *Amani* of Neruma and *Muungano* of Neruma VICOBA groups for the purpose of exploring information on VICOBA; VICOBA operations, services offered by VICOBA and credit availability and sustainability.

3.5.2 Focused group discussion (FGD)

This was used to obtain information regarding the people's perception and operations of VICOBA schemes. There were two FGDs each with five members selected from 2 VICOBA groups namely *Mkombozi 'B'* of Nyatwali and *SHIMWATA* of Bunda Town. The FGD was intended to examine how the group members perceived the VICOBA scheme, how they operated VICOBA and the benefits acquired from VICOBA. The FGD was used to clarify what pattern of activities were responsible to a certain group, how they acquired and repaid the loans from their groups and how they used loans to invest in assets for future (see Appendix 3).

3.5.3 Observation

This was used to obtain information about household assets, infrastructure, environmental and productive conditions of both VICOBA and non-VICOBA members. Observation of the participation of group members in different activities such as their participation in group meetings, decision making and achievements was done.

3.5.4 Key informant interview

This was aimed to provide the basic as well as special events in the research. In this study participants included the VICOBA executive committee, VICOBA officials at the District level and VICOBA training coordinators. Key informants were sampled purposively on the basis of their information (see Appendix 4).

3.6 Data Analysis Techniques

To assess the impact of microfinance institutions on rural livelihood in the study area data were analalyzed using the Statistical Package for Social Sciences (SPSS) and LIMDEP computer programmes. Guided by the specific objectives set before, a number of analytical methods were used in the study including econometric model using the binary logistic model and the descriptive statistical analysis which involved; frequencies, means, standard deviations, percentages and the independent sample t-test.

3.6.1 Binary logistic model

Since participation of the household in VICOBAs in the study was on voluntary basis, it was hypothesized that the participating households had been influenced by socio-economic factors. This model was used to identify the factors that determined participation in the VICOBA schemes (objective number 1). The sampled households were classified into participants and non-participants in the VICOBA scheme. With particular reference of participation to VICOBA, the dependent variable assumed two values that is "1" if the household was participating in VICOBA and "0" if not. The model has been used in several other studies to determine the decision of the household to participate in credit programme (see Pitt and Khandker 1998; Morduch 1998; Rozelle *et al.,* 1999; Zhao 1999; Li *et al.,* 2004; Nguyen 2007).

The binary logistic regression procedure empowers one to select the predictive model for dichotomous dependent variables. It describes the relationship between a dichotomous response variable and a set of explanatory variables which can be continuous or categorical (Sarkar *et al.*, 2009). The logistic model, as a non-linear regression model, is a special case of generalized linear model methodology where the assumptions of normality and constant variance of residuals are not required (Sarkar *et al.*, 2009). The logistic model is widely used and has many desirable properties, such as it assumes the best fitting model to describe the relationship between the dichotomous (say 1 and 0) characteristic of interest (response variable) and a set of explanatory variables (Sarkar *et al.*, 2009). The following were the hypothesized relationships between each variable and the decision to participate in VICOBA:

i) Age

Age of the respondent was considered as one of the factors determining the participation of the household in VICOBA because physical strength of the respondent, among other factors, depends on the age, which determines the performance and participation in income generating activities. Shah *et al.* (2008) contended that there is a negative relationship between the age of household and access to credit for a household. This means that if the age of household head increases there is a significant decrease in the participation to credit programme. On the other hand, young partcipants might not be involved in some activities due to lack of experience, less security and socio-economic circumstances (Yazdani and Gunjal, 1998).

ii) Sex

The former beneficiaries of the VICOBA (by then MMD model) by CARE International in Niger were the numbers of poor and illiterate rural women who had no access to quality savings and credit services (Allen, 2002). This was stirred up by the belief among many microfinance specialists that females are better payers than male borrowers, taking into consideration their being more entrepreneurial that results from assuming more responsibilities in the internal affairs of a household (Abafita, 2003). Furthermore, it is argued that participation and access of women to microcredit increases consumption (Pitt and Khandker, 1996), improves nutritional level and enhances aspiration for children's education in the household (Panjaitan-Drioadisuryo and Cloud, 1999) and contributes to the reduction of household poverty (Chowdhury *et al.*, 2005). Since this scheme was adopted by SEDIT in early 2000s from CARE International, it was hypothesized that the main participants of the scheme could be women as it was intended by the founder of the scheme. Therefore, sex was considered to be a discriminant factor among the participants of VICOBA.

iii) Education

Education level of the participant household was considered as a socio-economic factor which had negative effects on VICOBA participation. Household heads possessing higher education level were unlikely to participate fully because higher education may help the head of household to easily find a paid job (Shah *et al.* 2008). Contrarly to the above arguement by Shah *et al.* (2008), Kashuliza and Kydd (1996) hypothesized that farmers with better knowledge on the role of innovations, credit and credit procedures are more likely to be users of savings and credit services than those without education, who might be ignorant or sceptical to use financial services. Thus households' education level was hypothesized to descriminate VICOBA members from non-VICOBA members.

iv) Marital status

Marital status could influence the sectoral choice of a member in a household to participate in VICOBA schemes. In African culture, the responsibility of taking care of the household is left to the head of household. In this case the study hypothesized that married heads of the households could be participating in VICOBA than unmarried heads\ of households.

v) Total number of dependants

Large household size is believed to be a burden to the household head or bread winner, hence, the decision of adopting credit as an alternative for producing more to feed household members may be adopted. Having a bigger family, *ceteris paribus*: increases the demand for loans, because per capita income is smaller for big households (Shah *et al.*, 2008). A large family was likely to expect a large flow of income in the future as the children grow up and begin to work, thus they were likely to demand more credit from VICOBA.

vi) Estimated household net annual income

The estimated net annual income of the household was considered as one of the factors which could influence the decision of the household to either participate in VICOBA or not. Income is a key variable observed by the lenders. Depending on the flow of revenue, households can get credit or not. Although, the collateral (physical assets) is not required for some microfinance credit programmes like VICOBA, income is considered as wealth for the households (Togba, 2009). The household's wealth includes the endowment such as land and housing. On the other hand, as income from both farm and off-farm activities increases, it increases farmers' confidence not to participate in VICOBA. Therefore, such income reflects capacity to finance their spending by themselves. hence as household income increased, the probability to borrow is expected to decrease (Shah *et al.*, 2008).

The above hypothesized socio-economic factors were subject in the following binary logistic model:

$$Yij = X'ij\beta + \varepsilon ij$$

Yij = A dummy variable showing the decision of the ij household to participate in VICOBA (VICOBA member = 1, 0 = Not a member).

$X'ij$ = Independent socio-economic factors that determine the household ij to participate in VICOBA (age, level of education, sex (1 = male, 0 = female), marital status, total number of dependants, and estimated annual income of the respondents).

β = Estimated parameter.

εij = Error term.

3.6.2 The "with" and "without" approach

Objective number two was analyzed by employing the parametric analysis using an independent samples t-test to assess whether the means of two groups are statistically different from each other between the VICOBA and non-VICOBA members, since the inception of VICOBA schemes. Moreover, the approach was used because of the unavailability of baseline information regarding the livelihood of the marginalized rural communities. Objective number three was analyzed using the descriptive statistical analysis such as frequencies, means and percentages to summarize the problems facing the VICOBA in the study area. The Chi-square test was also used to test if VICOBA members had improved their livelihoods compared to non-VICOBA members. The Chi-square test was done by comparing the expected counts from the observed ones so as to make inference on the null hypotheses.

3.7 Limitation of the Study

Most of the respondents did not keep records of their annual income, monthly expenditure on consumable goods and services and frequencies at which certain foods were eaten by the households. Consequently, some of the data provided depended on the individual's memory, thus, they may be just estimations of the average from the respondent's point of view.

The other limitations of the study were time and financial constraints. Likewise the unavailability of baseline data before the implementation of the programme affected the data collection exercise because respondents were not able to recall the situations before joining the VICOBA scheme. To address this problem, the study used the "with" and "without" approach to measure the impact of microfinance institutions on rural livelihoods. However, the researcher strongly believes that despite the above shortcomings, the study will contribute substantially to the understanding of the impact of MFIs, specifically, VICOBAs on the rural livelihoods.

CHAPTER FOUR

4.0 Results and Discussion

4.1 The Socio-economic Characteristics of the Heads of Households

A summary of socio-economic characteristics of the heads of household in the study area were presented in Table 1- Table 5. These socio-economic characteristics were sex, educational level, marital status, age of respondents and total number of dependants.

4.1.1 Sex of respondents

According to the data presented in Table 1, 43.1% of the interviewed heads of households were male and 56.9% were female VICOBA members while 58.5% males and 41.5% of females non-VICOBA. Results also show that the proportion of female VICOBA members was larger than the males probably because women were largely practicing off-farm income generation activities such as petty business, cooking vendor and cloth. This forced them to look for loans from VICOBA in order to operate their business ventures.

Table 1: Sex of the respondents

Variable	Characteristics	Freq. VICOBA members (n=65)	% VICOBA members (n=65)	Freq. Non-VICOBA members (n=65)	% Non-VICOBA members (n=65)
Sex	Male	28	43.1	38	58.5
	Female	37	56.9	27	41.5

4.1.2 Age of the respondent

The mean age of the whole sample was about 43 years with the minimum and maximum being 20 and 75 respectively. The mean age of the VICOBA members was 43 years while that of non-VICOBA members was 41 years. This implies that respondents were mature people, active and able to play a significant role in improving their rural livelihood. The mean age of 43 was a proof that as age increases participants accumulated and acquired experience, practical and professional wisdom which made it easier for them to participate in VICOBA.

Table 2: Age of respondents (years)

Variable	Characteristics	Freq. VICOBA members (n=65)	% VICOBA members (n=65)	Freq. Non-VICOBA members (n=65)	% Non-VICOBA members (n=65)
Age of respondents (Years)	20-30	7	10.8	12	18.5
	31-40	24	36.9	19	29.2
	41-50	21	32.3	23	35.4
	51-60	6	9.2	10	15.4
	Above 60	7	10.8	1	1.5

Age of respondent: Minimum = 20 Maximum = 75 Mean = 43.75

4.1.3 Education level of the respondents

Most of the non-VICOBA members (83%) had attained primary education compared to the VICOBA members (71%), 3 % and 12% of non-VICOBA members' had attained secondary and post secondary education respectively with 18% attaining secondary education. Furthermore, results in Table 3 below show that about 11% of VICOBA members and about 2% of non-VICOBA members had not attended formal schooling.

Table 3: Education level of the respondents

Variable	Characteristics	Freq. VICOBA members (n=65)	% VICOBA members (n=65)	Freq. Non-VICOBA members (n=65)	% Non-VICOBA members (n=65)
Education level	Non formal education	7	10.8	1	1.5
	Primary education	46	70.8	54	83.1
	Secondary education	12	18.4	2	3.1
	Above secondary education	0	0	8	12.3

When the above results in Table 3 were subjected to t-test as summarised in Table 4 it was found that the means difference of the two groups were statistically insignificant, implying that lack of educational opportunity was one of the most powerful determinants of poverty and was strongly correlated with income inequality (Assefa, 2004) and probably that is why Bunda District was listed by URT (2005) as one of the poorest Districts in Tanzania mainland.

Table 4: Comparison of the educational status of the study population

Educational status	Mean	Std. deviation	Calc T-value
VICOBA members (n=65)	2.06	0.556	1.819^{ns}
Non-VICOBA members (n=65)	2.26	0.691	

ns Not significant

4.1.4 Marital status

The results summarised in Table 5 show that 80% of the VICOBA members and 72% of the non-VICOBA members were married. This implies that a larger proportion of the heads of households in the surveyed area were married and matures people and can participate effectively in income generating activities hence portraying the typical characteristics of many rural areas like Bunda District.

Table 5: Marital status of the respondents

Variable	Characteristics	Freq. VICOBA members (n=65)	% VICOBA members (n=65)	Freq. Non-VICOBA members (n=65)	% Non-VICOBA members (n=65)
Marital status	Single	3	4.6	14	21.5
	Married	52	80.0	47	72.3
	Widower	6	9.2	1	1.5
	Divorced	4	6.2	3	4.6

4.1.5 Household size

The household composition which was considered in the study involved people living together and share resources held in common such as accommodation, farmland and foodstuffs. Table 6 below shows that 3.1% of the VICOBA members had between one to three people, 53.8% had between four to seven and 43.1% had eight and above people; while 6.2% of the non-VICOBA members had between one to three people, 60.0% had between four to seven people and 33.8% had eight and above people. The average household size for both VICOBA and non-VICOBA members was 6.1 people. Both groups (VICOBA and non-VICOBA members) were using family labour in income generation activities (see section 4.3 of this study)

Table 6: Total number of members in the household

Variable	Characteristics	Freq. VICOBA members (n=65)	% VICOBA members (n=65)	Freq. Non-VICOBA members (n=65)	% Non-VICOBA members (n=65)
Total number of members in the household	< 3	2	3.1	4	6.2
	4-7	35	53.8	39	60.0
	>7	28	43.1	22	33.8
Household size:	Minimum = 2		Maximum =12		Mean = 6.1

4.2. Major Sources of Income

Table 7 shows the major sources of income and off-farm business activities in the study area. Discussion on these two sources of income was divided into two categories basing on two assumptions that first, some activities were seasonal and others were not and second, others had direct impact on the mainstay of the household and others not. The study divided these sources of income into farming activities (crop production, livestock keeping and fishing), and off-farm activities (including business, wage and salary employment).

4.2.1 Estimated net annual income from farm activities

Results show that salary employment, crop production, livestock keeping and fishing formed the first category of source of income where some activities were done seasonally, such as crop production and fishing while livestock keeping, to some extent, was considered as permanent. Fortunately, both of them shared the second assumption that they had direct impact on the mainstay of the household in the study area. Total annual incomes from salary employment, the sales of crop and animals and animal products from these sources were quantified and subjected onto independent samples t-test to test for significant difference between the two groups as shown in Table 7 below. Results in Table 7 imply that VICOBA members were able to increase their net annual income by investing the credit from VICOBA into these productive ventures.

Table 7: Estimated net annual income from farm activities (TShs)

Income from farm activities	Mean	Std. deviation	Calc T-value
VICOBA members (n = 65)	542169.23	563341.941	2.993***
Non-VICOBA members (n = 65)	283815.38	408533.769	

*** Significant at p<0.1

4.2.2 Estimated income from off-farm activities

Off-farm activities in rural areas are among the means of diversifying their livelihoods and reduce risks associated with agricultural activities (Mutatina, 2008). Household members in the study area were found to be involved in off-farm activities such as brick making, masonry, carpentry, tailoring, food vendors, petty business, casual labour. These activities were placed on the group of off-farm activities due to the fact that they were not seasonal, and had no direct impact on the mainstay of the household. Incomes from these sources were calculated and analyzed using the independent samples t-test to check the significant difference between VICOBA and non-VICOBA members as shown in Table 8.

Table 8: Estimated income from off-farm activities (TShs)

Income from off-farm activities	Mean	Std. deviation	Calc T-value
VICOBA members (n = 65)	329892.3	920022.437	1.024***
Non-VICOBA members (n = 65)	210307.8	200373.400	

*** Significant at p<0.1

Results presented in Table 7 above, show that VICOBA members have more and reliable income compared to non-VICOBA members due to the fact that off-farm activities are not seasonal. Respondents mentioned that the allocation of capital resources to off-farm income generating activities resulted into more considerable returns compared to when capital was allocated to farming activities, simply because its returns can be realized within a short period of time than farming. Therefore off-farm income generating activities were either meant to buffer risks and uncertainties associated with agriculture and/or as the source of money for weekly contributions in their VICOBA.

4.3 Source of Labour

Both non-VICOBA and VICOBA members were depending on family labour, hired labour and both family and hired labour which accounted for about 57% and 40%, 16% and 15% and 27% and 48% respectively (Table 9). This implies that VICOBA members did not use the accessed credit from the VICOBA for intensive laborious activities like agricultural activities, hence, most of their credits were directed into business which they were supervising themselves.

Table 9: Sources of farm labour

Characteristics	Freq. VICOBA members (n=65)	% VICOBA members (n=65)	Freq. VICOBA members (n=65)	% Non-VICOBA members (n = 65)
Type of labour employed				
Family labour	24	36.9	37	56.9
Hired labour	10	15.4	10	15.8
Both	31	47.7	18	27.3

4.4 Socio-economic Factors that Determined Participation in VICOBA

Participation in VICOBA in the study area was considered to be categorical (the decision to participated in VICOBA) which could be determined by a number of socio-economic factors (independent variables) such as age of the respondent. marital status. occupation, household position, education of the respondents, total number of dependants, value of assets owned and estimated net annual income of the respondents. The analysis of the factors determining participation in VICOBA was done using the LIMDEP computer programme which is frequently used to analyze cross sectional data (Greene, 1998).

Since the decision to participate in VICOBA presented in the results in Table 10 below was a categorical one, then the Ordinary Least Square (OLS) method could no longer produce the Best Linear Unbiased Estimator (BLUE) hence the Categorical Dependent Variable Models (CDVMs) which adopt the Maximum Likelihood (ML) method was used than the OLS method which uses the Moment Based method (Park 2008). The ML method is said to be strong over OLS method due to the following reasons; One, it is consistent in the sense that as the sample size increases, the ML estimate tends in probability to be true parameter value, Two, it is asymptotically normal in the sense that they are large sample approximations to the sampling variance of the ML estimates, and lastly, efficiency: in a way, the ML estimators will have smaller (asymptotic) variance than other consistent estimators (Park 2008). In CDVMs, the Left-Hand-Side (LHS) variable was used to determine, properly, the level of measurement and data generation process while the Right-Hand-Side (RHS) were generalized as interval, ordinal and dummy, and was analyzed using binomial logistic models (Park, 2009).

Table 10: Regression results on socio-economic factors for participation in VICOBA

Variable	Coeff.	S.E	Wald	P[|Z|>z]	Exp(B)
Age	0.356E-01	0.020	3.026	0.0537*	1.036
Sex	0.496E-02	0.646	0.000	0.9931	1.005
Educ	-0.436378	0.442	0.976	0.3233	0.646
Marista	-0.132172	0.309	0.183	0.6404	0.876
Depend	-0.142665	0.082	3.008	0.0506*	0.867
EstimaInc	0.132E-05	0.000	2.228	0.1772	1.000
Constant	-0.903010	1.975	0.209	0.6683	0.405

*Significant at $p<0.05$, Log likelihood function = -75.031, Restricted Log Likelihood function = -90.105, N= 130 (n1=65, n0=65)

Results of binomial logistic regression presented in Table 10 show that among the six hypothesized socio-economic factors, only two (age and total number of dependants) were found to be statistically significant in explaining the decision of the household member to participate in VICOBA at $p<0.05$ level. Basing on the above results in Table 10, both Log Likelihood function (-75.031) and Restricted Log Likelihood function (-90.105) were found to be negative which is normal for models with discrete dependent variables (Greene, 1998). Basing on this result the ML method met key assumptions (i.e. consistent, asymptotically normal and efficient) to explain the decision of the members to participate in VICOBA.

Age of the respondent was found to influence an individual to participate in VICOBA scheme. The results presented in Table 10 show that getting older had a positive effect on the likelihood of participating in VICOBA scheme. Every increase in age of the respondent increases the odds of participation in VICOBA being 1 by $e^{0.356E-01}$ which would result to the likelihood of participating in VICOBA by Exp(B) of 1.036 (i.e. 3.6%). This result differ with that reported by Lehnert (2004) and Nguyen (2007) but are consistent with Swain (2001) and Vigano (1993); studies which claimed that the increase in age, accumulated experience, practical and professional wisdom of the household increased its income generating capability and hence demanded more credit to explore capabilities or to spend on consumption.

The results in Table 10 show that increase in the total number of dependants negatively affected the decision of the head household to participate in VICOBA by $e^{-0.142665}$.The increase in total number of dependant was decreasing the decision of the head of household to participate in VICOBA by Exp(B) of 0.867 (i.e.13.3%). This result was inconsistent with the assumption that bigger family, *ceteris paribus* increase the demand for loans, because per capita income is smaller for big households (Shah *et al.*, 2008). The possible reason for this inconsistent might be attributed by the fact that families with large number of dependants were used as main source of labour in income generation activities hence no need of hiring labour using the credit from VICOBA. The negative influence of the household size on credit programme was also reported by Kashuliza (1993) and Vigano (1993) studies which contended that large families tend to divert the accessed loans hence affecting repayment.

4.5 Financial Asset

4.5.1 Credit information on VICOBA members

Poor people need financial products in form of loans, savings and insurance to smooth out their household cash flow, deal with emergencies and other unforeseen requirements of cash, and augment income through investment in a gainful way (Rutherford, 1995). Table 11 shows the benefits for joining VICOBA scheme in the area. The result shows that about 40% of the participants benefited from saving and getting credit. The other two reasons were to get entrepreneurship skills and social interactions which accounted for 30% each. The findings presented in Table 11 imply that the participating households in the study area have learnt the financial discipline of saving and/or applying credit. Furthermore, the respondents have benefited from the entrepreneurship skills which have helped them to invest in short term productive business such as petty business, food vendors, tailoring and others of their alike using their credit obtained from VICOBA. Social interaction in this study was considered as social capital which Togba (2009) defined as the norms and networks that enable people to act collectively. This social interaction has helped participating households to solve the problem of asymmetric information among participants hence ensuring social sustainability of VICOBA.

Table 11: Benefits of VICOBA scheme

Reasons for joining	Freq. VICOBA members (n=65)	% of responses
Saving and applying loans	25	40
To get entrepreneurship skills	20	30
Social interactions	20	30

Following the household survey conducted to VICOBA members and VICOBA leaders about 86% VICOBA members applied for credit worthy TShs 58 256 100 from their VICOBA to fund different activities while 13.8% did not apply for credit and the main reason was limited share '*HISA*' to enable them become eligible for credit (Table 12). VICOBA members were eligible for credit (if needed) depending on the amount of *HISA* a member possessed, acceptability by his/her pressure group who act as guarantor "social collateral" and lastly the time since the member joined the group.

Table 12: Application for credit from the VICOBA

Variable	Response	Freq. VICOBA members (n=65)	%
	Yes	56	86.2
Have you applied for credit	No	9	13.8

Among the respondents interviewed about 71% applied for credit for the purpose of establishing and/or expanding their business and 3% used for farming activities (Table 13). The study also found that 6% applied for credit to meet medical expenses for their family members; about 5% of respondent used their credit to meet educational expenses with 2% of respondents used the credit to build houses. About 14% of the respondents did not apply for credit. Business was considered as one among the off-farm activities (Table 13). Therefore investing in business helped the borrowers to repay their loans, start new or expand their economic activities within a short period of time than other activities like farming.

Table 13: The economic activity undertaken using the applied credit from VICOBA

Purpose	Freq. VICOBA members (n=65)	%
Petty Business	46	70.8
Health	4	6.2
Education	3	4.6
Farm activities	2	3.1
Building house	1	1.5
None	9	13.8

Apart from VICOBA, respondents were asked if they had other sources of credit. In responding to this about 6% applied loan from SACCOS, 4% from NMB bank and 2% from FINCA while 88% didn't apply for loan from other financial institutions (Table 14). This implies that most respondents were unable to meet conditions for accessing loans from these MFIs which insisted on collateral requirements and well prepared business plans. Moreover, MFIs like NMB bank and FINCA were offering their services in urban areas leaving the marginalized poor rural communities not served.

Table 14: Other sources of credit

Variable	Response	Name of the source	Freq. VICOBA members (n=65)	%
	Yes	SACCOS	4	6.2
Have you applied for		NMB Bank	3	4.6
credit from other		FINCA	1	1.5
sources	No	None	57	87.7

4.5.2 Credit information on non-VICOBA members

Since the study was a comparative one, non-VICOBA members within the area of study were asked if they were aware of the VICOBA schemes, how they knew, why they didn't join and their source of credit. The result shows that about 74% respondents recognized the presence of VICOBAs in their area while 26% were unaware of the scheme (Table 15). Awareness of VICOBA implies that even though there was high diffusion of information about the presence of VICOBA in the study area, non-VICOBA members did not join VICOBA for various reasons. They did not join VICOBA due to the fact they had not yet realized the potentials of VICOBA in their area as the scheme had been in their place recently (2007) and probably lack of education on VICOBA operations, and short of time and money for weekly meetings/contributions.

Table 15: Presence of VICOBA in their area

Variable	Response	Freq. (n=65)	%
Aware of the VICOBA	Yes	48	73.8
	No	17	26.2

Access to financial services for rural poor communities in Tanzania, still acted as a major limiting factor for the poor to move out of poverty. Results presented in Table 16 shows that about 77% of respondents did not apply credit from other MFIs while about 23% acquired their credit from NGOs, SACCOS, Bank and moneylenders. This implies that non-VICOBA members suffered the same setbacks in accessing financial services from these MFIs, as it was the case of VICOBA members.

Table 16: Sources of credit for non-VICOBA members

Variable	Response	Name of the source	Freq. (n=65)	%
	Yes	NGOs	6	9.2
Have you		SACCOS	4	6.2
applied for		Bank	3	4.6
credit from		Moneylender	2	3.1
other sources	No	None	50	76.9

4.6 Physical Capital Assets

Physical assets at household level encompass productive assets and assets for living. While assets for living help people meet their needs in daily living, productive assets contribute to generating income. In the study the physical assets which were considered included house and household facilities. A comparison using the independent sample t-test between the VICOBA and non-VICOBA members in terms of ownership, number and value, was used to categorize the two groups.

4.6.1 House ownership and housing materials

Respondents were asked to indicate ownership and type of materials used to construct their house(s). Materials used were classified as either poor or good depending on the materials used to construct walls, floor, roof as well as the type of toilet that the households were using. During the survey it was observed that about 97% of VICOBA members owned house(s) as compared to 91% of non-VICOBA members. On the other hand, the study found that 9 % of non-VICOBA members did not own house as compared to 3% of VICOBA members (Table 17). The results show that there was no significant difference between the two groups because the scheme has only three years since it came into operation in the study area.

Table 17: House ownership

Variable	Characteristics	VICOBA members (n=65)		Non-VICOBA members (n=65)	
		Freq.	%	Freq.	%
Ownership	Yes	63	96.9	59	90.8
of house	No	2	3.1	6	9.2

The types of housing materials used by both groups were subjected to independent samples t-test for comparison. The results in Table 18 show that there was a significant different between VICOBA members and non-VICOBA members' house quality in terms of type of floor and roof. This implies that being a member and able to apply for credit, the participating households were able to renovate their houses by putting cement floor and aluminium sheets than non-VICOBA members. Even though the type of wall between the two groups was insignificantly different, houses were built using the heated bricks than bricks made of cement due to high price of cement.

Table 18: Housing facilities

Variable	Category	Mean	Std. deviation	Calc T-value
Type of wall	VICOBA members (n=65)	3.42	0.788	1.648^{ns}
	Non-VICOBA members (n=65)	3.12	1.193	
Type of floor	VICOBA members (n=65)	1.62	0.550	1.150***
	Non-VICOBA members (n=65)	1.49	0.664	
Type of roof	VICOBA members (n=65)	1.65	0.891	1.997**
	Non-VICOBA members (n=65)	1.37	0.675	
Type of toilet	VICOBA members (n=65)	2.09	0341	0.479^{ns}
	Non-VICOBA members (n=65)	2.06	0.390	

** Significant at $p<0.05$, *** Significant at $p<0.1$ and ^{ns} Not significant

4.6.2 Estimated value of household assets

Household assets are among the component of the household physical capital asset that can be used to measure livelihood improvement. The comparison of mean estimated value of household assets, presented in Table 19 below, shows insignificant difference between the two groups. These results are inconsistent with studies by Kamuzora (2001), Mohammed (2003) and Mutatina (2008) which claimed that possession of valued household assets were the result of credit facility. The possible reason for this inconsistence was caused by small credit (ranging from TShs. 30 000 to 1 000 000) which, members had been getting from VICOBA. This is due to the fact that the running capital (money) for VICOBA depends solely on members' contributions.

Table 19: Estimated total values of household assets

Respondents	Mean	Std. deviation	Calc. T-value
VICOBA members (n = 65)	396307.68	440306.425	0.889[ns]
Non-VICOBA (n = 65)	311384.62	643372.163	

[ns] Not significant.

4.6.3 Livestock ownership

The respondents were asked to mention the type of livestock they owned and for what purpose. The result in Table 18 shows that about 77% of VICOBA members keep livestock as compared to 71% of non-VICOBA. Likewise, about 29% of non-VICOBA members and 23% of VICOBA members were not keeping livestock. These results were subjected on independent sample t-test to compare the means of the two groups, and it was found that there was significant difference among the two groups at $p<0.01$. VICOBA members were considering livestock as a source of income and that is why they were participating in the schemes than non-VICOBA members. Additionally, entrepreneurship trainings they were receiving in the VICOBA had helped them realize the potential of keeping livestock as the source of income and that they could use them as collateral in accessing credit in their groups.

Table 20: Ownership of livestock

Variable	Mean	Std. deviation	Calc. T-Value
VICOBA members (n=65)	3.03	1.767	0.497*
Non-VICOBA members (n= 65)	2.86	2.098	

* Significant at $p<0.01$

Results presented in Table 21 also show that about 32% of the households kept sheep and goats, 27% poultry, cattle, sheep and goats, 15% cattle and about 26% did not keep any livestock. Households in the study area mentioned keeping sheep, goats and poultry was economically viable simply because they are easy to feed, needs small land and certainly safe from animal theft, considering that Mara Region is leading in cattle theft in the Country.

Table 21: Livestock kept by respondents

Type of livestock	Freq. VICOBA members (n=65)	% VICOBA member (n=65)	Freq. Non-VICOBA members (n=65)	% Non-VICOBA member (n=65)	Freq. Average (n=130)	% Average (n=130)
Cattle	7	11.5	12	19.2	20	15.3
Shoats	22	33.8	19	29.2	41	31.5
Both	21	31.5	15	22.4	35	27.0
None	15	23.2	19	29.2	34	26.2

4.6.5 Water sources

Table 22 below shows the water sources in the study area where about 50% of the respondents were using drilled well as their main source of water, 22% of households were accessing tape water and 30% using water from various sources such as rivers, natural spring water and Lake Victoria.

Table 22: Access to water sources

Type of livestock	Freq. VICOBA members (n=65)	% VICOBA member (n=65)	Freq. Non-VICOBA members (n=65)	% Non-VICOBA member(n=65)	Freq. Average (n=130)	% Average (n=130)
Tape water	15	23.1	16	25.1	27	22.1
Drilled well	28	43.1	32	48.5	66	50.8
Other sources	22	33.8	17	26.4	37	30.1

The above results were subject to independent samples t-test for comparison (Table 23) where it was found that there was no any significant difference between the two groups. This was due to the fact that households were using communal sources of water. Therefore, the presence of these sources of water in the study area did not discriminate VICOBA and non-VICOBA members from accessing and using them.

Table 23: Comparison of water sources

Variable	Mean	Std. deviation	Calc. T-Value
VICOBA members (n=65)	2.11	0.753	0.477^{ns}
Non-VICOBA members (n= 65)	2.05	0.717	

^{ns} Not significant

4.7 Human and Social Capital Assets

Human capital was considered to be one of the most important assets. It included education, skills, health and type of meals that make people resourceful in a variety of situations: that enabled them to protect themselves against vulnerability to risks and shocks (Mutatina, 2008). Social assets allowed people to rely on mutual trust, mutual obligations, honesty, reciprocity, mutual respect and mutual help. The transaction cost of doing businesses with people one could trust is considered to be lower than the people one distrusts (Mutatina, 2008). In addition social assets allow people to develop mutual support and reciprocity-based systems that pool resources and allow them to better manage risks. Therefore, this research was interested in looking at these aspects of livelihood; if there was improvement as result of implementation of VICOBA.

4.7.1 Children's education status

Information on education attainment of the children from the sampled households was obtained by asking the number of children schooling and the type of school they were attending. Schools were categorized into two major categories namely public and private. Education has been identified as the most important tool in providing people with the basic knowledge, skills and the competencies to improve their quality of life at all levels of development (Rutherford, 2006). Respondent were asked the total education expenses they incurred, such as uniforms, footwear, food, transportation cost, books, and special levies towards furniture replacement, computer acquisition and school buildings for their kids attending public or private schools. When the results were subjected on t-test for comparison, the study found that statistically there was no significant different between the two groups. This result indicates that both groups were still depending on public school due to the high cost charged by private schools.

Table 24: Education status of children

School attending	Std deviation	Calc. T-Value
Public schools		0.33^{ns}
VICOBA member (n=65)	1.648	
Non-VICOBA members (n=65)	2.047	
Private schools		0.248^{ns}
VICOBA member (n=65)	0.632	
Non-VICOBA members (n=65)	0.776	

^{ns} Not significant

4.7.2 Access to health facilities

Accesses to health services can be used to explain the well-being of an individual since healthy and productive members are an important asset in household production activities. The health status of people determines their quality of life, level of productivity and longevity. Respondents were asked if they had a sick person in last 12 months, the type of health services they accessed and source of money to meet medical expenses. The results presented in Table 25 show that both aspects which were measured were not significantly different between VICOBA members and non-VICOBA members.

Therefore, access to health facilities could not be used to discriminate VICOBA and non-VICOBA members because both respondents were accessing health services from the nearest source.

Table 25: Access to health services

Variable	Characteristics of respondents	Std. deviation	Calc. T-Value
Sick person in last 12 months			8.166[ns]
	VICOBA members (n=65)	0.425	
	Non-VICOBA members (n=65)	0.391	
Type of health facilities			1.043[ns]
	VICOBA members (n=65)	0.849	
	Non-VICOBA members (n=65)	0996	
Source of money for treatment			5.005[ns]
	VICOBA members (n=65)	2.360	
	Non-VICOBA members (n=65)	2.082	

[ns] Not significant

4.7.3 Type of meals

Nutrition status of the respondents was measured in terms of the number and type of meals taken in the household. Households in the two groups took two meals in a day and the preferable type of meal taken frequently was ugali+dagaa/vegetable. When the means of the two groups were compared, it was found that they were insignificantly different. A similar result was reported by Chuwa (2008) which found that 78.9% of the Bunda residents were taking two meals per day.

Table 26: Comparisons on nutritional status of respondents

Variable	Characteristics of respondents	Std. deviation	Calc. T-Value
Number of meals in a day			0.849[ns]
	VICOBA members (n=65)	0.504	
	Non-VICOBA members (n=65)	0.529	
Type of meal taken frequently			0.351[ns]
	VICOBA members (n=65)	1.091	
	Non-VICOBA members (n=65)	1.205	

[ns] Not significant

4.7.4 Membership in social organization

Generally, most studies concur that the role of the social capital on the group lending schemes like VICOBA is to reduce the asymmetric information problems as well as influencing the credit programme participation (Togba, 2009). Joining VICOBA groups has benefited the households above and beyond allowing them access to financial services. The group solidarity that has often developed through the members working together has helped members learn from each other. Some had learnt the importance of savings, others said they learnt how to manage their daily household expenditure and some said that they had learnt how to plan and be innovative. Other VICOBA members said they now know other members and they are also known – an important asset in the often anonymous urban environment.

Social capital as one of the livelihood asset has been used to overcome many of the problems associated with asymmetric information in credit markets (e.g., adverse selection and moral hazard). Social cohesion among the members has been improved since VICOBA were formed by small groups called pressure group of five to form a 20 - 30 VICOBA members scheme. On top of it VICOBA members were accessing loans from their VICOBA using the social collateral provided by these pressure groups as their guarantors. This result is consistent with the study by Cocoman *et al.*, (2009) which found that due to the inability of many individuals to meet the financial and physical asset requirements, MFIs have created products reliant on social collateral, i.e., the formation of groups through which loans were disbursed.

4.8 Expenditure on Basic Needs

Expenditure on basic needs to meet well-being from the primary and secondary sources of income was considered as a sign of economic stability. Respondents were asked to estimate how much they spend on education, clothing, health, food and other expenditure in month. The results presented in Table 27 depict that there was a statistically significant difference at p< 0.01 between the two groups on expenditure for food. This results implies that VICOBA members were spending much on food hence they were able to feed their household without any difficulties. while other needs like clothes. education. health and other expenditure were insignificantly different between the two groups.

Table 27: Estimated expenditure on basic needs in a month

Expenditure	Mean (TShs)	Std. deviation	Calc. T-Value
Clothing			0.926^{ns}
VICOBA members (n=65)	24.338.46	43,963.50	
Non-VICOBA member (n=65)	29.738.46	16.731.59	
Education			0.287^{ns}
VICOBA members (n=65)	37.261.54	68,238.27	
Non-VICOBA member (n=65)	40,592.31	64,202.74	
Food expenditure			0.952*
VICOBA members (n=65)	39,553.85	49,159.51	
Non-VICOBA member (n=65)	32,723.08	30,442.70	
Health expenditure			0.251^{ns}
VICOBA members (n=65)	11.684.62	13.764.08	
Non-VICOBA member (n=65)	12.300.00	16,547.94	
Other expenditure			0.858^{ns}
VICOBA members (n=65)	3,615.38	16,310.17	
Non-VICOBA member (n=64)	5,687.50	10,570.81	

* Significant at p<0.01, ^{ns} Not significant

4.9 Problems Facing VICOBA Scheme in the Study Area

Participating households and key informant were asked to mention the problems which impinged the performance of VICOBA in improving the livelihoods of the beneficiaries. Table 28 below shows these problems which were considered as institutional problems.

Table 28: Problems facing VICOBA in the study area

Problem	Freq.VICOBA members (n=65)	%
Small working capital	22	34.7
Lack of entrepreneurship skills	20	30
Lack of security for deposits	13	21.3
Poor financial record keeping	7	10
Lack of linkage with formal MFIs	3	4

The small working capital account, for about 35% was mentioned as the main problem hindering the performance of VICOBA in the study area. It was found that the 28 surveyed VICOBAs in the study had small working capital (ranging from TShs. 200 000 to 10 000 000) which could not allow their members to apply for large loans. Similar findings were reported by Cocoman *et al.* (2009) who found that limited capital accumulation hindered poor women and men in Ngarenaro from acquiring large loans.

Lack of entrepreneurship skills among the participating households was reported by respondents to be the second major problem experienced by VICOBA. Most participants (30%) in VICOBA lack entrepreneurial skills which could help the run profitable micro enterprises using the credit from VICOBA. It was anticipated that, if the participating households could run profitable micro enterprises as a result of skills acquired from VICOBA trainings, many households could join the schemes hence improve their working capital through weekly contributions and interest rates paid from acquired loans.

Lack of security for deposits was accounted for 21% of the reported problems. This problem affected VICOBA groups which were far from NMB bank in town. In other areas, like Nyamuswa, Neruma and Masahunga villages, VICOBA groups were depositing their money in the nearest SACCOs. A similar problem was reported by Cocoman *et al.* (2009), who found that lack of security for deposits was discouraging people to deposit their money in VICOBA.

Poor financial record keeping was another setback for efficient and effective performance of VICOBA in improving the livelihoods of its clients. All 28 survey VICOBAs groups did not have financial experts, hence, there was no any standardized financial record keeping. Absence of proper financial records affected monitoring and supervision hence even the information which was available at the District VICOBA coordinator's office was not sufficient to meet the standardized financial record keeping as per Cooperative Act. 20 of 2003.

The last problem which affected the performance of VICOBA in the study area was lack of linkage between VICOBA and formal MFIs. Despite the fact that the Agricultural Sector Development Strategy ought to spearhead the link between informal and semi formal MFIs, and the formal MFIs so that many smallholder farmers can be served, to date, there exists no regulatory framework for fostering the process. Cocoman *et al.* (2009), found that lack of link with the formal MFIs limits the ability of the VICOBA to expand their services.

4.10 Summary of the Research Findings

Based on the research findings presented in this chapter, the research found that among the six hypothesized socio-economic factors that determined participation in VICOBA, only age and total number of dependants were the main determinant for the head of household to participate in VICOBA. This could be explained by two reasons; One: adults had compelled decision to join the VICOBA scheme for the purpose of accessing loans from the group and invest in income generation activities so that, in turn, they could improve their well-being. Two: having a large number of dependants negatively affected the decision of heads of households to participate in VICOBA schemes simply because they were able to employ the household members for income generation activities.

Among the five micro entrepreneurial assets which the study was comparing between the VICOBA members and non-VICOBA members as to whether there was a significant difference as a result of the implementation of VICOBA, only three assets were distinguishing these two groups. These were financial asset (net annual income and income from off-farm), physical assets (housing materials-type of floor and roof) and social asset (group cohesion). Moreover, it was found that there was a statistically significant difference in terms of expenditure on basic needs like food where VICOBA members were spending much as compared to Non-VICOBA members.

Lastly, the research found that the VICOBA scheme was facing institutional problems such as small working capital; lack of entrepreneurship skills; lack of security for deposits; poor financial record keeping and lack of linkage with formal MFIs.

CHAPTER FIVE

5.0 Conclusion and Recommendations

5.1 Conclusion

Basing on the above findings presented in Chapter Four, there was insufficient evidence at $p<0.05$ to support the claim that age of the head of household, sex, level of education, marital status, total number of dependants and estimated net annual income of the households were the major socio-economic factors that determined participation in VICOBA. Therefore the participating households realized the potentials of VICOBA schemes in their area through improvements in micro entrepreneurial assets such as financial, physical and social assets regardless of the institutional problems that constrained the VICOBA schemes in serving their clients.

5.2 Recommendations

The research recommends the following, in order to improve the performance of VICOBA and the livelihoods of the rural communities in Bunda District:-

i) In order for a greater population, particularly the poor rural people, to have access to financial services, they should be sensitized to form VICOBA in their areas where they can access related services easily. According to the findings, education and awareness campaigns should focus much on adults who have shown interests in joining VICOBA schemes. This can be done using different approaches such as adult learning programmes, government meetings and political gatherings.

ii) So to help the hundreds of thousands of rural communities improve their livelihoods, this research recommends that the government and other stakeholders should consider to use the community based financial services like VICOBA which is owned by the beneficiaries themselves. This have been evidenced through improvement in the micro entrepreneurial assets such financial, physical and social among the participating households than non-participating members. Presence of such cohesive groups like VICOBA, which are based on mutual trust among the participating households, ensures efficacy and sustainability. Therefore, Government and other stakeholders should create conducive environment through the establishment of a regulatory framework for the operation of community based financial services, which will enable them provide diversified products and services to suit their environment.

iii) Since the VICOBA scheme in the study area were constrained with the institutional problems, the research recommends that ORGUT-SEDIT and the Bunda District Council should focus on building institutional capacity for the VICOBA schemes (training and working facilities); this can help to strengthen the groups hence ensure efficiency and effectiveness in serving their clients.

5.3 Area for Further Study

The purpose of this research was to generate information that would help in improving the performance of VICOBA and the livelihoods of the rural communities in Bunda District. Therefore, the research recommends the following area for further studies:- Development of standardized operational guidelines for implementation of VICOBA in Tanzania.

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APPENDICES

Appendix 1 : Questionnaire for VICOBA and Non-VICOBA members

Dear Respondent,

You have been selected to provide some information on this research entitled "Impact of Microfinance Institutions on Rural Livelihood: The case of Village Community Banks in Bunda -Tanzania". We would appreciate if you share with us your experiences on the subject, by answering the following questions freely and honestly. Your answers to these questions will remain strictly confidential and will be used for research only and not otherwise.

A. GENERAL INFORMATION

1	Date	
2	Name of the interviewer	
3	Name of the VICOBA	
4	Location	
5	Name of the interviewee	
6	Sex	1) Male 2) Female
7	Age	
8	Occupation	
9	Position in the household	1) Household head 2) Others (specify)
10	Marital status	1) Single 2) Married 3) Widower 4) Divorced
11	Education level	1) Non-formal 2) STD VII 3) Form IV 4) Above
12	What is the total number of dependants in the household	
13	Number of children schooling at present	1) Public schools .... 2) Private schools ....
14	Number of child not in school	
15	Who pays the school fees four your children	

16. What is your major source of income ....

17. Mention other sources of income.

i)..

ii)..

B. PRODUCTION AND INPUT USE DATA

18. Do you own land for agricultural purposes? Yes = 1, No = 2

19. If Yes, what is the total farm size .... And what is the actual farm size in use ....

20. If No, do you rent? Yes = 1, No = 2. If Yes, what is total farm size...........

21. Indicate the type of labour employed in farm work.

i) Family labour ( )

ii) Hired labour ( )

iii) Others (specify) ....

22. If you hired labour, how many labourers worked on your farm in the last cropping seasons?

23. What amount of the above farm produce did you sell last season?

No	Crop	Unit of measure	Quantity produced	Quantity sold	Quantity consumed	Price/unit
1						
2						
3						

24. Indicate income estimate realized from off-farm sources/activities as you mentioned on question number 15.

No	Activities or sources	Estimated income (Tshs)
1		
2		
3		
4		

25. Do you keep livestock? Yes = 1, No = 2

26. If Yes, what type of livestock do you keep?

i) Cattle ii) Shoats iii) Poultry iv) Pigs v) Others.........

27. What is the purpose for keeping livestock?

i) To get income ii) To get food iii)To diversify income iv)Hobby v) Inherited vi) Tradition vii) Lack of job viii) Others

C. HOUSING AND ASSETS

28. Tick the appropriate one regarding the housing you have.

Type of the wall	1. Mud + wood + thatch 2. Wood + mud + cement 3. Bricks (heated bricks) 4. Bricks (non-heated bricks) 5. Stone + cement
Type of the floor	1. Mud floor 2. Cemented floor
Type of roof	1. Aluminium sheet 2. Grass thatched 3. Thatch mud
Type of toilets	1. None 2. Pit hole toilets 3. Modern type
Water type	1. Tape water 2. Drilled well 3. River water

29. Type of assets present in the household.

Item	Type of assets	Number	Value
Transportation	1. Motor car 2. Motor bike 3. Bicycle		
News media	1. Radio 2. TV		
House assets	1. Tables 2. Chairs 3. Sofa sets 4. Wardrobe		
Kitchen facilities	1. Local stone stove 2. Charcoal cooker 3. Modern charcoal stove 4. Electric cooker 5. Refrigerators		
Farm implements	1. Tractor 2. Ox cart 3. Ox plough 4. Hand hoe 5. Machetes 6. Bush knives 7. Sickles 8. Axes		

30. Name the assets you were able to purchase last season.............................

31. Do you think there have been any improvements in your standard of living? Yes= 1,No =2

32. Do you have access to health services? Yes = 1, No =

33. Did you get any sick person in your family last year? Yes =1. No = 2

34. Did you get treatment for the patient/ Yes=1, No= 2

35. If Yes, which type of health services?

i) Traditional services ( )

ii) Public services ( )

iii) Private services ( )

36. Where did you get money for treatment?

i) Selling livestock ( )

ii) Selling crops ( )

iii) Borrowing from friends ( )

iv) Borrowing from other institutions ( )

v) Others ....

37. What was your estimated expenditure on clothing, education, health services and food per month?

Item	Value (Tshs)
Clothing	
Education	
Food	
Health services	
Others (Specify)	

38. Number of meals in a day

i) One meal ( )

ii) Two meals ( )

iii) Three meals ( )

iv) Four meals ( )

v) Others ( )

39. Which type of the meal do you take frequently.......................................

D) MEMBERSHIP INFORMATION

40. Are you a VICOBA member? Yes=1, No=2

41. If Yes, when did you join VICOBA?

....

42. If No, why? Give reason(s)

....

43. What motivated you to join VICOBA? Mention the reasons.

i)..

ii)..

44. Did you apply for credit last season? Yes = 1, No = 2

45. If Yes, where and how much did you get? ....

46. How did you use the loan?

i) Purchasing food ( )

ii) Farm activities ( )

iii) Business. ( )

iv) Building house ( )

v) Others (specify) ....

47. Did you experience any delay in loan disbursement? Yes = 1, No =2

48. If Yes, what was the major problem encountered in obtaining credit from the VICOBA? ....

48. Did you incur any cost in obtaining the loan? Yes = 1, No = 2

49. If Yes, what cost did you incur? ....

50. Did you use the credit obtained from VICOBA for the purpose acquired? Yes = 1, No = 2

51. If No, why? ....

52. Did you obtain credit from other sources? Yes = 1, No = 2

53. If Yes, mention the sources of credit? ....

54. Do you think your income position has changed since you join VICOBA scheme? Yes= 1, No = 2

55. If Yes, what do you think is the reason for improvement? ....

56. Are you satisfied with the VICOBA scheme? Yes = 1, No = 2

57. If No, explain. ....

58. What should be done to improve the VICOBA scheme? ....

THANK YOU VERY MUCH AND BE BLESSED!!!

Appendix 2: Questionnaire for VICOBA leaders

Dear VICOBA leaders.

You have been selected to provide some information on this research entitled "Impact of Microfinance Institutions on Rural Livelihood: The case of Village Community Banks in Bunda -Tanzania". We would appreciate if you share with us your experiences on the subject, by answering the following questions freely and honestly. Your answers to these questions will remain strictly confidential and will be used for research only and not otherwise.

A. VICOBA GENERAL INFORMATION

Date	
Name of the interviewer	
Name of the VICOBA	
Location	

B. VICOBA OPERATIONS

1. When did your VICOBA started? ....
2. What are the Objectives for establishing VICOBA?
   i)...
   ii)..
3. Please may I know the total number of the founder members? ....
4. Who is responsible for overall operations of the VICOBA?
   i) All members
   ii) Leaders
   iii) Others (specify) ....
5. Do you get any assistance from other stakeholders (NGOs. Government. CBOs etc) to run your VICOBA? Yes = 1. No = 2
6. If Yes, what kind of assistance?
   i) Financial support ( )
   ii) Technical support ( )
   iii) Capacity building support (Training) ( )
   iv) Others
   (specify)...

7. How often do they assist you?
    i. Every day ( )
    ii. Every week ( )
    iii. Every month ( )
    iv. Every year ( )
    v. Others (specify) ....
8. Please, can you mention this/these stakeholder(s)?
    i. District council ( )
    ii. Financial institutions (eg banks, Saccos) ( )
    iii. NGOs ( )
    iv. Others (Specify) ....
9. Is there any contract between your VICOBA and your members? Yes = 2, No = 2
10. If **Yes**, what kind of contracts exists between the VICOBA and the members? Explain. ....
11. What measures/actions are taken to ensure money safety/security?
    i) Employ security guard ( )
    ii) Own security ( )
    iii) Bank money in nearest Saccos/Bank ( )
    iv) Others (Specify) ....

C. SERVICES OFFERED BY VICOBA

12. How many members does your VICOBA serve? ....
13. Do you serve also none VICOBA members? Yes = 1, No = 2
14. If **Yes**, how many non-members do you serve? ....
15. How many members do you target to serve? ....
16. What type of services does your VICOBA offer?
    iv) Entrepreneurship training ( )
    v) Social services ( )
    iv) Others (Specify)..
17. Do you have the IGAs supported by your VICOBA? Yes = 1, No = 2
18. If Yes, what type of that IGAs? ....
19. When did it start?..
20. How much does it worth? ....
21. Does your VICOBA have any future plans? Yes = 1 No = 2

22. If Yes. mention them.

    i)..

    ii)...

23. If No, why? ....

24. What technical assistance do you provide to you members?

    i)..

    ii)...

D. CREDIT VIABILITY AND SUSTAINABILITY

25. Mention the source of initial capital investment?

No	Source	Amount (Tshs)
1		
2		
3		

26. Was there any fund/grant to subsidize the capital investment? Yes = 1, No = 2

27. If Yes, name the source of funding and the amount obtained?

No	Source	Amount (Tshs)
1		
2		
3		

28. What criteria are used to determine credit disbursement to the members?

    i)..

    ii)...

29. Is there any collateral requirement for borrowers? Yes = 1. No = 2

30. If Yes, mention them ....

31. If No, what modalities do you use? ....

32. Are you charged any interest on the loan secured from VICOBA?...................

33. If Yes, how much are you charged?...

34. Mention the credit repayment modalities used to ensure effective repayments?

    i)..

    ii)...

35. What incentives are used to encourage more savings to the VICOBA?

    i)..

    ii)

36. Is the VICOBA charged of any kind of tax? Explain. ....
37. Do you think your VICOBA will prosper without any donor grants? ....
38. What do you think ought to be improved in the overall operations of VICOBA?

    i)...

    ii)..

THANK YOU VERY MUCH AND BE BLESSED!!!

Appendix 3: Checklist for Focus Group Discussion

1) Feelings of working with mixed group (men & women) in VICOBA.
2) Mutual understanding among the group members.
3) Cooperation among the group members.
4) Areas of involvement in VICOBA.
5) Division of work among group members.
6) Role of men and women within a group.
7) Frequency of meetings.
8) Easy to get loan from VICOBA.
9) Difficulties in loan repayment.
10) Any problems in VICOBA.
11) Benefits from VICOBA
12) Utilization of the credit and its benefits.
13) Importance of VICOBA for local people.
14) Changes within oneself after joining VICOBA.
15) Level of satisfaction from the involvement in VICOBA.
16) Suggestions for further effective operation of VICOBA.

THANK YOU VERY MUCH AND BE BLESSED!!!

Appendix 4: Checklist for Key informant

1) Idea about the member's interest in joining this group.

2) Attitude among the members towards this programme.

3) Benefits from the programme to the group members.

4) Utilization of knowledge and training provided through VICOBA.

5) Effectiveness of women's vs men involvement in this programme.

6) Performance of Male and female in VICOBA groups

7) Management of VICOBA

8) Relation of VICOBA and other stakeholders

9) Your view point on increasing number of VICOBA.

10) Amount of loan.

11) Loan disbursement pattern.

12) Interest rate.

13) Repayment rate.

14) Areas of investment and its effectiveness.

15) Any problem in VICOBA.

16) Suggestions/Recommendations for further effective operation of VICOBA.

THANK YOU VERY MUCH AND BE BLESSED!!!