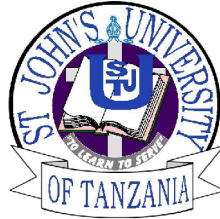


**ST JOHN'S UNIVERSITY OF TANZANIA**



**MASTER'S OF SCIENCE IN FINANCE**

**IMPACT OF VILLAGE COMMUNITY BANKS (VICOBA) LOANS IN IMPROVING  
SMALLHOLDER FARMERS' INCOME IN KITETO DISTRICT IN TANZANIA**

**MHANDO GODFREY DASTAN**

**M. 2014/5088**

**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS  
FOR THE AWARD OF MASTER'S OF SCIENCE IN FINANCE OF THE ST JOHN'S  
UNIVERSITY OF TANZANIA**

**2017**

## **COPYRIGHT STATEMENT**

All rights reserved, no part of this work covered by the copyright hereon may be reproduced, stored in any retrieval form, or transmitted or used in any form or by any means, whether electronic, mechanical, photocopying, recording or otherwise without the prior written permission of the author or the St. Johns' University of Tanzania.

© 2017 St. John's University of Tanzania and Mhando Godfrey Dastan.

## DECLARATION

I, Godfrey Dastan Mhando, declare that this is my original work and has never been submitted for any award of Degree or Diploma in any other University in Tanzania or Overseas. Where the work of others has been used, acknowledgement has been made thereof.

Signature: .....

Date: .....

## CERTIFICATION

I, the undersigned certify that has read and hereby recommend for acceptance by the St. John's University of Tanzania a dissertation entitled "*Impacts of Village Community Banks (VICOBA) Loans in Improving Smallholder Farmers' Income in Kiteto District, Tanzania*" in partial fulfilment of the requirements for the Master of Science in Finance (MSc. Finance) of the St. John's University of Tanzania. This dissertation has not been presented in any Higher Learning Institution in or outside Tanzania.

.....

Dr. BATIMO D. SEBYIGA

(Supervisor)

Date .....

## **DEDICATION**

To my father Dastan Mhando and Mother Evelyn Mhando who always supported and encouraged me, and prayed for me for my successful. To my lovely wife Janeth G. Mlaki and my children Jacquelline, Godson and Joshua. for their endurance during the whole period of my study at the St. John University of Tanzania.

May the Almighty God bless you all!

## TABLE OF CONTENTS

<b>COPYRIGHT STATEMENT</b> .....	<b>i</b>
<b>DECLARATION</b> .....	<b>ii</b>
<b>CERTIFICATION</b> .....	<b>iii</b>
<b>DEDICATION</b> .....	<b>iv</b>
<b>TABLE OF CONTENTS</b> .....	<b>v</b>
<b>LIST OF FIGURES</b> .....	<b>viii</b>
<b>LIST OF TABLES</b> .....	<b>ix</b>
<b>ACKNOWLEDGEMENT</b> .....	<b>x</b>
<b>LIST OF ABBREVIATIONS</b> .....	<b>xi</b>
<b>ABSTRACT</b> .....	<b>xii</b>
<b>CHAPTER ONE</b> .....	<b>1</b>
<b>INTRODUCTION</b> .....	<b>1</b>
1.1 Overview.....	1
1.2 Background to the study Problem.....	1
1.3 Statement of the Study Problem.....	4
1.4 Objectives of the Study.....	4
1.4.1 General objectives.....	4
1.4.2 Specific objectives.....	4
1.5 Research Questions.....	5
1.6 Significance of the Study.....	5
1.7 Scope of the Study.....	5
1.8 Summary.....	5
1.9 Organisation of the Thesis.....	6
<b>CHAPTER TWO</b> .....	<b>7</b>
<b>LITERATURE REVIEW</b> .....	<b>7</b>
2.1 Overview.....	7
2.2 Theoretical Review.....	7
2.2.1 Definition of terms and concepts used in this study.....	7
2.2.1.1 Microfinance.....	7
2.2.1.2 Microcredit.....	7
2.2.1.3 Microfinance Institution.....	7
2.2.1.4 Smallholder Farmers.....	8
2.2.1.5 Village Community Banks (VICOBA).....	8
2.2.1.6 Poverty Reduction.....	8
2.2.2 Transaction Cost Theory.....	8
2.2.3 The Theory of Empowerment.....	9
2.2.3.1 Poverty Alleviation Model.....	10
2.2.3.2 Financial Sustainability Model.....	10
2.2.4 The Theory of Empowerment.....	12
2.2.4.1 Poverty Alleviation Model.....	12

2.3 Empirical Review.....	14
2.3.1 Origin and Geographical Coverage of VICOBA in Tanzania .....	14
2.3.2 Organisation and foundation of VICOBA.....	15
2.3.3 Differentiating VICOBA from SACCOS and other microfinance institutions .....	15
2.3.4 Strength of VICOBA.....	17
2.3.5 Contribution of VICOBA in Improving Smallholder Farmers' Income .....	17
2.3.6 Perception of the Community toward VICOBA .....	18
2.3.7 The extent VICOBA contributes to the Access of Micro Loans.....	19
2.3.8 Contribution of VICOBA's Micro-Credit to Smallholder Farmers.....	20
2.3.9 Challenges Encountered by Smallholder Farmers during Borrowing Process .....	22
2.4 Sustainable Livelihoods Framework .....	23
2.4.1 Policies and Regulatory Framework.....	24
2.5 The Current Perspectives on Rural Finance .....	28
2.6 Conceptual Framework .....	29
2.7 Rural Financing and Agriculture in Tanzania .....	30
2.7.1 Rural Financial Development and Economic Growth .....	33
2.8 Research Gap .....	34
2.9 Summary.....	34
<b>CHAPTER THREE .....</b>	<b>35</b>
<b>RESEARCH METHODOLOGY .....</b>	<b>35</b>
3.1 Overview .....	35
3.2 The study area and its characteristics .....	35
3.3 Selection of wards .....	36
3.4 Research Design.....	36
3.5 Research Approach.....	36
3.6 Types of Data and Data Collection Tools .....	36
3.7 Data Collection Tools .....	36
3.7.1 Questionnaire .....	36
3.7.2 Questionnaire Pre-testing .....	37
3.7.3 Focus Group Discussions (FGDs).....	37
3.7.4 Document Review.....	37
3.8 Sampling Techniques.....	37
3.8.1 Target population and sampling frame .....	37
3.8.2 Unit of analysis .....	37
3.8.3 Sample Size.....	38
3.8.4 Sampling.....	38
3.8.5 Selection of Key Informants (KIs).....	38
3.9 Data Analysis .....	39
3.9.1 Qualitative Analysis.....	39
3.9.2 Quantitative Analysis .....	39
Econometric Model Specification .....	39
3.10 Ethical Consideration.....	40

3.11 Concerns for Validity and Reliability .....	40
3.11.1 Validity .....	40
3.11.2 Reliability .....	40
3.12 Overall limitation of the Study .....	41
3.13 Summary.....	41
<b>CHAPTER FOUR .....</b>	<b>42</b>
<b>RESULTS AND DISCUSSION .....</b>	<b>42</b>
4.1 Overview .....	42
4.2 Social and Characteristics Features of Smallholders Farmers.....	42
4.2.1 Distribution of Respondents' Sex .....	43
4.2.2 Distribution of Respondents Age.....	44
4.2.3 Education Levels of Respondents.....	45
4.2.4 Marital Status of Respondents .....	47
4.2.5 Occupation of Respondents .....	48
4.2.6 Status of Paid Employment.....	48
4.2.7 Business Activities of the Respondents.....	50
4.2.9 Business Experience of Respondents.....	51
4.3 Perception of Smallholder Farmers toward VICOBA Loan Services .....	52
4.4 Contribution of VICOBA to Access of Micro Loans among Smallholder Farmers...	63
4.5 The Influence of VICOBA to Income of Smallholder Farmers .....	66
4.7 Challenges Facing Smallholder Farmers in Accessing VICOBA Loans .....	69
4.8 Summary.....	72
<b>CHAPTER FIVE .....</b>	<b>73</b>
<b>CONCLUSION AND RECOMMENDATIONS .....</b>	<b>73</b>
5.1 Overview .....	73
5.2 Summary of the Findings.....	73
5.3 Conclusion .....	73
5.4 Recommendations .....	74
5.5 Contribution of This Study to Existing Knowledge.....	75
5.6 Areas for Further Research .....	75
5.7 Summary.....	76
<b>REFERENCES .....</b>	<b>77</b>
<b>APPENDICES .....</b>	<b>91</b>
Appendix A: Questionnaire for the Smallholder Farmers who are Beneficiaries of Vicoba in Kiteto District, Manyara Region.....	91
Appendix B: Interview Guide for Key Informants .....	96
Appendix C: Approval Letter for Data Collection.....	97

## LIST OF FIGURES

Figure 2.1: Financial suitability Model .....	11
Figure 2.2: Poverty Alleviation Model .....	13
Figure 2.3: Links between Macroeconomic Policy and Household Income .....	26
Figure 2.4: Conceptual Model of impact of VICOBA loans in improving Smallholder Farmers income.....	29
Figure 3.1: Map of Kiteto District.....	35
Figure 4.1: Distribution of Respondents Sex.....	43
Figure 4.2: Distribution of Respondents' Education Level .....	46
Figure 4.3: Efficiency of VICOBA in provision of loans.....	64

## LIST OF TABLES

Table 4.1: Sex distribution of Respondent who Access micro loan .....	44
Table 4.2: Respondents' age distribution .....	45
Table 4.3: Cross table on Level of education and Access of VICOBA loans .....	46
Table 4.4: Marital status of respondents .....	47
Table 4.5: Occupations of respondents by sex .....	48
Table 4.6: Distribution of the employed respondents by marital status .....	49
Table 4.7: Distribution of the employed respondents by education levels.....	49
Table 4.8: Business Size and Loan Amount Accessed .....	50
Table 4.9: Types of Businesses activities of respondents .....	50
Table 4.10: Experience in income generating activity (Business Experience) .....	52
Table 4.11: Perception of smallholder farmers toward VICOBA loan services .....	54
Table 4.12: Cross reference of business size and frequency of accessing loan .....	55
Table 4.13: Cross reference of age with smallholder farmers perception toward VICOBA .....	56
Table 4.14: Cross reference of sex with smallholder farmers perception toward VICOBA .....	58
Table 4.15: Cross reference of business experience with perception toward VICOBA....	59
Table 4.16: Cross reference of household size with smallholder farmers perception toward VICOBA .....	60
Table 4.17: Cross reference of education level with smallholder farmers perception toward VICOBA .....	62
Table 4.18: Accessibility of VICOBA loan to smallholder farmers.....	65
Table 4.19: Econometric results on impact of VICOBA on smallholder farmers' household income.....	67
Table 4.20: Partial Correlation of Total smallholder farmers Income and Access to Microfinance .....	68
Table 4.21: Smallholder farmers' accessibility to micro-credit .....	70
Table 4.22: Challenges facing smallholder farmers to access VICOBA Loans.....	71

## **ACKNOWLEDGEMENT**

I wish to extend my sincere thanks and gratitude to all people who helped me in one way or another during the whole period of my study. Special thanks go to my supervisor, Dr. Batimo Sebyiga for his excellent requisite guidance, advice, constructive criticisms, encouragement and support from the very beginning of this work to its end.

I would also like to acknowledge the contribution from various VICOBA at Kiteto, in Manyara region for without their support, my work would have faced a serious obstacle in finding literature and some crucial documents. These institutions are FINCA Tanzania Ltd, BRAC Tanzania, ECLOF, Pride Tanzania, SEDA, Equity Bank and National the Microfinance Bank (NMB), just to mention a few. Consumer Managers, Loan Officers and Branch Managers supported my work by providing me with necessary information for this study, thanks to them. Also thanks should go to smallholder farmers in Kiteto District for accepting and providing enough information to accomplish this study.

Moreover, I wouldn't forget to acknowledge the contribution from my family members, my fellow MSc in Finance students, course lecturers and members of staff at St. John's University of Tanzania for the assistance they offered to me during the whole period of study, which paved the way for the successful completion of this research report. Lastly, in a special way, I thank Mr. Lundal Yohana my research assistant for typing and setting this work to its completion. However, I remain solely responsible for any errors and omissions that may be found in this dissertation.

## LIST OF ABBREVIATIONS

BOT	Bank of Tanzania
BRAC	Building Resources Across Communities
CB	Credit Beneficiaries
CGAP	Consultative Group to Assist the Poor
DFID	Department for International Development
DFID	Department for International Development
ECLOF	Ecumenical Church Loan Fund
EEA	Empowerment Enterprises of Africa
FGD	Focus Group Discussions
FINCA	Foundation for International Community Assistance
FIs	Financial Institutions
IGAs	Income Generating Activities
ILO	International Labour Organisation
KIIs	Key Informants Interviews
KIs	Key Informants
KWFT	Kenya Women Finance Trust
LAMP	Land and Agricultural Management Programme
LSE	Least Square Estimate
MFIs	Microfinance Institutions
MMD	Mata Maso Dubara
MSE	Micro and Small Enterprises
NBS	National Bureau of Statistics
NCB	Non-Credit Beneficiaries
NEC	National Electoral Commission
NGOs	Non-Governmental Organisations
NMB	National Microfinance Bank
NMP	National Micro-Finance Policy
ROSCAs	Rotating Savings and Credit Association (ROSCAs),
SACCOS	Savings and Credit Co-operative Society
SEDA	Small Enterprise Development Agency
SEDIT	Social and Economic Development Initiatives
SIDA	Small Industries Development Agency
SME	Small and Medium Enterprises
SPSS	Statistical Package for the Social Sciences
SSA	Sub Saharan Africa
TZS	Tanzanian Shillings
URT	United Republic of Tanzania
VICOBA	Village Community Banks
VSLA	Village Savings and Loan Associations

## **ABSTRACT**

The major objective of this study was to investigate the impact of VICOBA Loans in improving smallholder farmers' income in Kiteto District, Manyara Region. Specifically the study intended to examine (i) community's perception towards VICOBA loan services, (ii) The extent that VICOBA has contributed to the access of micro loans among smallholder households, (iii) Contribution of VICOBA in smallholders' households' income among VICOBA members, and (iv) Challenges facing smallholder farmers on access of micro loans from VICOBA.

The study involved 100 smallholder farmers who had accessed VICOBA loans. It employed a cross sectional survey design with a mixed research approach. Data were collected from smallholder farmers using a questionnaire and from KIs using an interviews guide. Secondary data were solicited from document analysis. Data were coded, entered in SPSS version 21 for analysis, cleaned, and results were presented in tables, figures and graphs.

The study revealed that smallholder farmers were also involved in different economic activities such as food crops, garments and restaurants. Moreover, cross tabulation of individual and characteristics against smallholder farmers' perception toward VICOBA have show weak significant difference between individual characteristics and their perception. These differences lies on their age, experience in business, household size, business size, marital status, paid employment and education level. In addition to that, the study found that VICOBA were efficient in provision of loan services. Also the study show that, there was no enough knowledge from members of VICOBA on how to perform well in farming due to saving and access of soft loans which improves their production and increase their income.

However, the study concludes that, although loan provided by VICOBA had no influence on smallholder farmers' income, But it has improved their livelihood and helps them out of extreme poverty. The study recommended that the Government need to incorporate VICOBA development model into the National Poverty Reduction Strategy and also review cooperative and microfinance policies.

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Overview**

This chapter comprises the overview of the study, background to the study problem, statement of the Study problem, general objective of the study, specific objectives, and the research questions, significance of study and definition of key terms used in this study.

### **1.2 Background to the study Problem**

Globally, microfinance arose in the 1980s as a response to doubts about the capacity of the states or governments to deliver subsidized or cheap credits to poor communities (Haji, 2013; Okiocredit, 2005). During the 1970s, the government provided subsidized credits to low income households because the government and donors assumed that the poor required cheap credits at lower interest rates. This was looked at as a way to promoting socio-economic development and agricultural production by smallholder farmers. In providing these micro credits, donors set up credit unions that were inspired by the Raiffeisen model (Raiffeisen, 1864) developed in Germany in 1864 (Haule, 2015; Lucas and Akkaro, 2016). The focus of these co-operative financial institutions was mostly on savings mobilization in an attempt to teach poor farmers how to save (Robinson, 2001). It is now successfully being implemented by schemes throughout the world; in Asia, Pacific, Africa, Latin America, Eastern and Western Europe (DFS, 2007). Microfinance today is already represented by a dynamic sector. With the banking sector antiquated and unable to respond to emerging needs, microfinance has proved capable of filling the gap by providing transitional support for people needing to enhance their own livelihood. The microfinance sector thus continues to expand and become highly structured (Robinson, 2001; Lucas and Akkaro, 2016). Microfinance institutions have been reported to benefit the poorer men and women in developing countries since their establishment

However, empirical literature is full of inconsistent views on the impact of microfinance on household welfare (Sengupta and Aubuchon, 2008; Ebimobowei, Sophia, and Wisdom, 2012 Okurut, 2014). Evidence by some scholars suggests that microfinance has a positive and significant impact on household welfare. The studies of Parvin, (2012), Agnello and Caramia, (2013), Mago and Cephas, (2014) and Gerli, (2015) showed that microfinance interventions have a vital influence in reducing income poverty and improve standard of living.

Moreover, microfinance can help to minimize the vulnerability to economic risk because it can help the poor to diversify their incomes, make up physical, human and social assets (Austin, 2011), re-establish the base of household in terms of income and assets,

particularly after economic shocks and smooth the consumption (Kiiru, 2007; Mago and Mago, 2013; Arouri et al., 2014). On the other hand, another school of thought observed that microfinance has no significant impact on household welfare on account of the high interest rates charged by microfinance institutions, the small loan amounts and the short repayment periods (Diagne and Zeller, 2001; Okurut and Bategeka, 2006; Banerjee et al., 2013 and Okurut et al., 2014), and in some cases borrowers were reported to have been trapped in vicious cycle of debt (Bateman and Chang, 2010).

Saving and credit societies were found to be important to Tanzania since independence. In 1961 the government of Tanganyika pointed out major three development enemies of the country including ignorance, disease and poverty (Nyerere, 1968). Unfortunately, all these enemies were found relatively more prominent in the rural areas than in urban part (Haule, 2015). It therefore directed the efforts of the government to the rural areas. These efforts have been done through establishment of micro cooperatives like Village Community Bank (VICOBA) which are microfinance Institutions with self-help groups.

The VICOBA model was formed specifically to economically empower the poor to enhance their livelihood strategies (Bakari et al. 2014). Members decide themselves who is to join them in the five units groups (collateral or pressure groups) and which unit group should join each other to make a VICOBA group of 30 members. The members come together and register, set days, place and time for meetings. The groups also establish group rules and regulations, agree on the amount of money or resources to be contributed as savings/shares and seek support form VICOBA which has limited coverage and planned on how they can go about the problems they are facing (SEDT, 2008; Kitomari and Abwe, 2016).

Members of VICOBA command all group operations in their own way. They contribute their shares and social protection amounts on weekly basis. After 14 to 16 weeks of training, they take loans to support already identified relevant and realistic projects. For the first few months they take short term loans of three months. Later when they have gained competency in entrepreneurship skills they take long term loans of six months. Each loan is returned to the group basket with added value. This kind of operations, as it is in many other microfinance institutions, is highly praised to reach many unreached poor and facilitate their access to financial services, and hence improves livelihood activities of millions of urban and rural households. Despite this, still most of VICOBA fail and collapse at the infant stage while they have same goals and objectives.

In Tanzania, VICOBA was originally adopted from Niger, in West Africa, where they were popularly known and adopted as “Mata Maso Dubara” (MMD) which roughly translates as ‘women on the move’ (Lucas and Akkaro, 2016). The MMD model was initiated in Tanzania in 2000 with the aim of empowering less privileged people in both urban and rural settings. This lending model was firstly introduced in Zanzibar through CARE Tanzania, in year 2000 and later adopted by other conservation and community livelihood support projects in Pemba Island and Tanzania mainland. Village Community Bank in Tanzania has reached the grassroots communities as from scope survey done in 2011. The survey revealed that, up to 27.9% of the rural communities who were initially unserved became served by informal financial institutions such as VICOBA, Rotating Savings and Credit Association (ROSCAs), and Village Savings and Loan Associations (VSLAs) (URT, 2009; Lucas and Akkaro, 2016).

The main aim of forming VICOBA was to unite the small holder farmers and those people with low income who are majority in Tanzania (Wangwe, 2004; URT, 2009; Manongi, 2013) and most of them found in rural areas (Ahlen, 2012; Haji, 2013; Girabi and Mwakaje, 2013). The main objective of this project is to support government efforts to raise the income of citizens and eliminating poverty (Grant et al., 2002; Magali, 2013). Through VICOBA, the group members are expected to save and share the financial and technical resources. .

Village community banks started in Kiteto in 2008, initiated by SEDIT and Orgut through a project called Land and Agricultural Management Programme (LAMP). The SEDIT created VICOBA groups containing 25 to 30 members for each group, who were provided with trainings to build capacity of members to manage their projects (SEMIT, 2008). There are more than 80 VICOBA groups in Kiteto with 2209 members and a total capital of 539,313,487 TZS by 2011 (SEMIT, 2011). For a long-time, provision of micro credit services to smallholder farmers have been hindered by lack of collaterals for small farmers (Magali, 2013). Most smallholder farmers nowadays have village banks from which members borrow small loans (SEMIT 2008; SEMIT, 2011). Therefore if the smallholder farmers especially members of the village bank, had accessed small loans and had been provided with training in business skills they will be able to utilize the loans efficiently and increase their agricultural production and hence income. However, most smallholder farmers have been constrained with low production and low income (Haule, 2015) though the area is endowed with enough fertile arable land, diverse climatic zones and plenty of water sources (Hillbur and IITA, 2013).

Therefore, this study was intended to fill the gap by analysing the impact of VICOBA in improving access to microcredit among smallholder farmers of Kiteto District Council in Manyara region.

### **1.3 Statement of the Study Problem**

There is much about Microfinance (VICOBA) in Tanzania, however, the impact of VICOBA Loans in improving smallholders' farmers' income is not yet organized. Evidence shows that microfinance (VICOBA) in rural areas is increasing (Ahlen, 2012) from 3.3% in 1996 to 7.2% in 2003 (Semboja, 2004), slowed down then picked up to 11.3% in 2009 (BOT, 2009). Despite efforts of micro financing, more people are still living with poverty in the rural areas. In Tanzania over 80% of 17 million people who live below poverty line are in the rural (Wangwe and Lwakatare, 2004; EEA, 2009). The main aims of VICOBA are to unite the rural people and enable them save and share financial and technical resources to improve the social and economic status of the members. In this line of thinking, VICOBA enables members to get soft loans by paying small interest rate which is taken as income to the group members. However, it is difficult for VICOBA members to access sufficient loans for buying agricultural inputs (DFS, 2007). However, studies show that VICOBA are helpful to the community both socially and economically (Kihongo, 2005; Mkombe 2005; Haule 2015).

Therefore, as the contribution of VICOBA in wellbeing among small holder farmers remain deficient, this study analyses the VICOBA's impact on improving access to micro loans on the improvement of income of smallholder farmer's at Kiteto District in Manyara region in order to fill this gap in knowledge and improve microfinance institutions, VICOBA, and their operations.

### **1.4 Objectives of the Study**

#### **1.4.1 General objectives**

The main objective of this study is to investigate the impact of VICOBA loans in improving income of smallholder farmers in Kiteto District, Manyara Region.

#### **1.4.2 Specific objectives**

- i. To examine community perception towards VICOBA loan services
- ii. To assess the extent to which VICOBA has contributed to the access of micro loans among smallholder households.
- iii. To determine the contribution of VICOBA in smallholder farmers' income among VICOBA members.
- iv. Explore the challenges facing smallholder farmers during borrowing from VICOBA.

### **1.5 Research Questions**

- i. What is the perception of community towards VICOBA?
- ii. To what extent VICOBA contributes to access of micro-credits among smallholder households?
- iii. What is the contribution of VICOBA in smallholders' household income among VICOBA members?
- iv. What are the challenges facing smallholders during borrowing from VICOBA?

### **1.6 Significance of the Study**

The findings of the study contribute to knowledge on the importance of engaging in VICOBA. The findings of the study also inform both governmental and nongovernmental institutions on better techniques of operating VICOBA, also the research findings will be beneficial to Kiteto District Council to enable them provide useful information for ongoing operations of VICOBA in the district. Also the study findings increase awareness to community and other stakeholders available in the area on the situation of VICOBA that can increase positive action towards strengthening the group. The current study is useful to cooperatives officers, community development officers and other agents of change of rural communities. Furthermore, the findings provide useful knowledge to policy makers and other implementers on the contribution of VICOBA in relation to the wellbeing of smallholder farmers.

### **1.7 Scope of the Study**

This study was conducted in Kiteto District. It concentrated on the contribution of Village Community Banks in improving access to micro loans among smallholder farmers in the district. It specifically looked on peoples' perception toward VICOBA; the extent that VICOBA has contributed to the access of micro loans among smallholder farmers, the contribution of VICOBA in smallholder farmer's income among VICOBA members and the challenges facing smallholder farmers among VICOBA members. Respondents were drawn from within the District especially VICOBA members.

### **1.8 Summary**

This chapter explained how VICOBA are implemented in order to improve the smallholder farmer's income. Moreover, the chapter discussed the importance, advantages and disadvantages of VICOBA and the challenges facing smallholder farmers during the access micro credit.

### **1.9 Organisation of the Thesis**

This thesis is organized into five chapters, with chapter one providing the background information, statement of the problem, study objectives and significance. In addition, it delineates the study limitation and describes the organization of the thesis. The second chapter concentrates on theoretical issues underpinning the rural finance in developing countries. It reviews the relevant literature, and provides a conceptual framework for analysis of rural finance. Moreover, the chapter discusses the development of the financial sector in historical context. The chapter also discusses issues of regulation and supervision of the commercial banks and financial institutions. On the other hand, the third chapter presents a profile of the study area and describes the study methodology. Chapter four provides the analysis of the financial structure under the market economy and its impact on rural livelihoods. Finally, chapter five presents summary and main conclusions of the study. In addition, it identifies policy recommendations and areas for further research.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Overview**

This chapter consists literature review of relevant information reviewed to the study which includes theoretical and empirical literature review, conceptual frame work, definition of key terms and concepts which were used in this study.

#### **2.2 Theoretical Review**

##### ***2.2.1 Definition of terms and concepts used in this study***

###### ***2.2.1.1 Microfinance***

Microfinance, according to Otero (1999, p.8) is “the provision of financial services to low-income poor and very poor self-employed people”. These financial services according to Ledgerwood (1999) generally include savings and credit but can also include other financial services such as insurance and payment services. Schreiner and Colombet (2001, p.339) define microfinance as “the attempt to improve access to small deposits and small loans for poor households neglected by banks.” Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector.

###### ***2.2.1.2 Microcredit***

Sometimes, the terms microcredit and microfinance are often used interchangeably, but it is important to highlight the difference between them because both terms are often confused. Sinha (1998, p.2) states “microcredit refers to small loans, whereas microfinance is appropriate where non-governmental organisations (NGOs) and MFIs supplement the loans with other financial services (savings, insurance, etc)”. Therefore microcredit is a component of microfinance in that it involves providing credit to the poor, but microfinance also involves additional non-credit financial services such as savings, insurance, pensions and payment services (Okiocredit, 2005). In this study, the concept of microcredit will be limited only to small loans given to smallholder farmers

###### ***2.2.1.3 Microfinance Institution***

The definition of a microfinance institution is also wide, CGAP defines it as “an organization that provides financial services to the poor” (CGAP 2012), but furthermore it is also common that MFIs provide non-financial services like social intermediation, for example training and education about finance, cooperatives and group formation (Ledgerwood 1999:1, Bee 2007:153).

#### **2.2.1.4 Smallholder Farmers**

Smallholder farmers are defined as farmers cultivating average farm sizes of between 0.9 hectares and 3.0 hectares using traditional cultivation methods with only 10 % average use of a tractor and production is determined by rainfall (Haule, 2015). Tanzania depends on agriculture, which is predominantly smallholder and subsistence in nature, marked by backward technology and low use of modern inputs.

#### **2.2.1.5 Village Community Banks (VICOBA)**

According to ORGUT-SEDIT (2008) phrase “Village Community Banks” (VICOBA) are referred to informal village based savings and credit group which are mainly based on lending scheme with a focus on fostering participant’ s ability to innovate and manage viable income generating activities through entrepreneurship training in this study, therefore (VICOBA) are taken as a unity of people who have voluntarily decided to put their resources together in a same pool in order to solve their common and individual socio-economic problems.

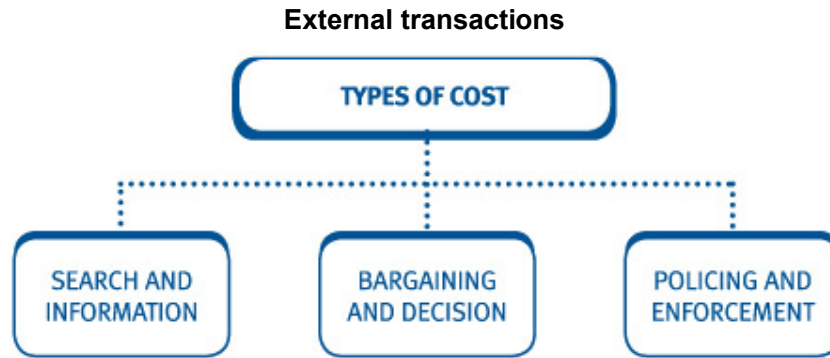
#### **2.2.1.6 Poverty Reduction**

Poverty reduction is a set of measures, both economic and humanitarian, that are intended to permanently lift people out of poverty (The Concise Oxford Dictionary of Current English, 1982).

### **2.2.2 Transaction Cost Theory**

The theoretical frame work for this study was based on transaction cost theory. Transaction cost approach to the theory of the firm was created by Ronald Coase (1937) in his article, the transaction cost can be conceptualized as a financial cost incurred in credit delivery. Transaction cost theory is a part of corporate governance and agency theory. It is based on the principle that costs will arise when you get someone else to do something for you .e.g. directors to run the business.

Transaction cost theory is an alternative variant of the agency understanding of governance assumptions. It describes governance frameworks as being based on the net effects of internal and external transactions, rather than as contractual relationships outside the firm (i.e. with shareholders).



**Sources:** Own formulation based on Literature review

From the above figure show transaction costs, which occur when dealing with another external party, it include (i) Search and information costs: to find the supplier. (ii) Bargaining and decision costs: to purchase the component. (iii) Policing and enforcement costs: to monitor quality IFAC (2012).

In VICOBA borrower and the lender bear some costs which is relevant to the Transaction theory as stated above, in the figure above it show that there cost of searching and information, bargaining and decision, policing and enforcement. during and after the disbursement of loan. The cost incurred by the lender include; cost of searching for funds to loan, cost of designing credit contracts, cost of screening borrowers, assessing project feasibility, cost of scrutinizing loan application, cost of providing credit training to staff and borrowers, and the cost of monitoring and putting into effect loan contracts.

On the other hand, the borrowers that is micro and small enterprises (MSEs) forth is case may incur cost rang in from cost associated in screening group member (group borrowing), cost of forming a group, cost of negotiating with the lender, cost of filling paper work, transportation to and from the financial institution, cost of time spent on project appraisal and cost of attending meetings, etc (Bhatt and Shui-Yan, 1998). The parties involved in a project determine the transaction cost rate. They have the sole responsibility to reduce the risk they may come across (Swiglit, 1990). This theory is relevant to this study, based on the cost incurred when VICOBA are formed and their business run.

### ***2.2.3 The Theory of Empowerment***

Empowerment theory states that an ongoing change is a process that involves self determination through the making of choices that can improve a person's wellbeing (Kabeer, 2005; Mosedale, 2005). Poor people's economic empowerment should be defined as "having access to and control over the means to make a living sustainable and

on long term basis, and receiving the material benefits of this access and control (Carr 2000, and Mosedale 2005). It has been argued that for a poverty reduction, intervention like microfinance to engender change, it should contribute to the poor's sense of independence, rather than simply meeting survival needs" (Kabeer, 2005). This may enable the poor to make choices that act against structures or individuals that draw back the pursuit of their interests and potentials. Relevant to this study, the theory of empowerment provided the analytical tools to examine how smallholder farmers' access to microfinance programmes and their participation in income generating activities have served them.

Power play is ever-present in daily household relationships but power is most of the time concealed making it quite difficult to isolate for exploration (Kabeer, 2005). Hence, a person may be dispossessed of power without being conscious of it. Empowerment can be said to be an ongoing change process that involves self determination through the making of choices that can improve a person's wellbeing (Kabeer, 2005; Mosedale, 2005). Theory is applicable at case study in the sense that VICOBA became an influence in improvement income of smallholder farmers at Kiteto district. Model which explain the theory are explained below.

#### ***2.2.3.1 Poverty Alleviation Model***

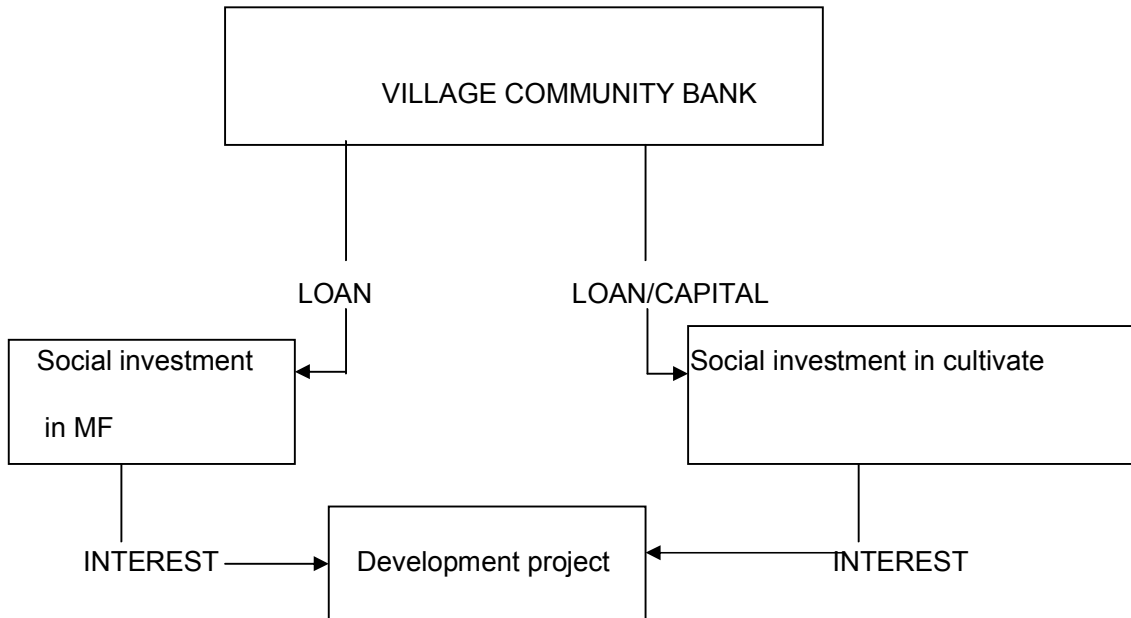
This theory focused on developing sustainable livelihoods, community development and the provision of social services. The main targets for poverty alleviation model are the smallholder poor and poorest farmers. Based on poverty reduction, development pioneers have argued for more smallholder farmers to be involved in microfinance programmes because poverty is not only higher among rural communities but that they bear greater responsibility for the welfare of the country for food and raw material production (Mayoux 2002). Usually, the provision of microfinance to the poor or poorest is for consumption and productive activities (Nourse 2002). Therefore, subsidized microfinance schemes are therefore viewed as crucial in order to help more smallholder poor farmers to meet their consumption and productive needs. These models underpin the policies and programmes of different MFIs and their outcomes on participants.

#### ***2.2.3.2 Financial Sustainability Model***

With regard to financial sustainability paradigm, Mayoux (2002) noted that microfinance for empowerment has an individualistic focus. Therefore, the goal of any empowerment intervention should expand individual choices for self-reliance. The financial sustainability model assumes that a smallholder farmer's access to microfinance schemes automatically increases their economic power and well-being, which eventually leads to their social and economic empowerment. At the microfinance institutional level, the financial sustainability model focuses on profitability and financial self-sustainability. For

the MFIs to attain their financial sustainability goals, they target mainly the un-bankable poor but not the poorest. Again, in order to maximize profits the VICOBA use a group methodology to reach out to smallholder farmers in order to reduce the cost of programme delivery.

**Figure 2.1: Financial suitability Model**



The financial suitability model show how VICOBA runs social initiative in the following three areas the micro loan programme for developing small business initiatives on a personal level. Financing companies that through their businesses generate a significant improvement in their Social environment, support projects. The financing of projects is currently achieved using the Foundation’s own funds, donations from friendly companies and the yields from the two funds. Our aim is to increase the size of the funds so that the yield on them is enough to finance all the projects in which we are involved, therefore guaranteeing the long-term financial sustainability of the VICOBA.

The econometric model was used to measure the impact of VICOBA on smallholder farmer’s income. Regression model is expressed as follows:

$$Q = f (X_1, X_2, X_3, X_4,)$$

$$Q = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4 + b_5 X_5 + b_6 X_6 + u$$

$$Q = a + i \sum X + u$$

Where: Q = output in from farm (Kgs/acre)

a = constant

b<sub>1</sub>- b<sub>6</sub> = coefficients to be estimated.

X = Inputs) Include loans, capital, interest

#### **2.2.4 The Theory of Empowerment**

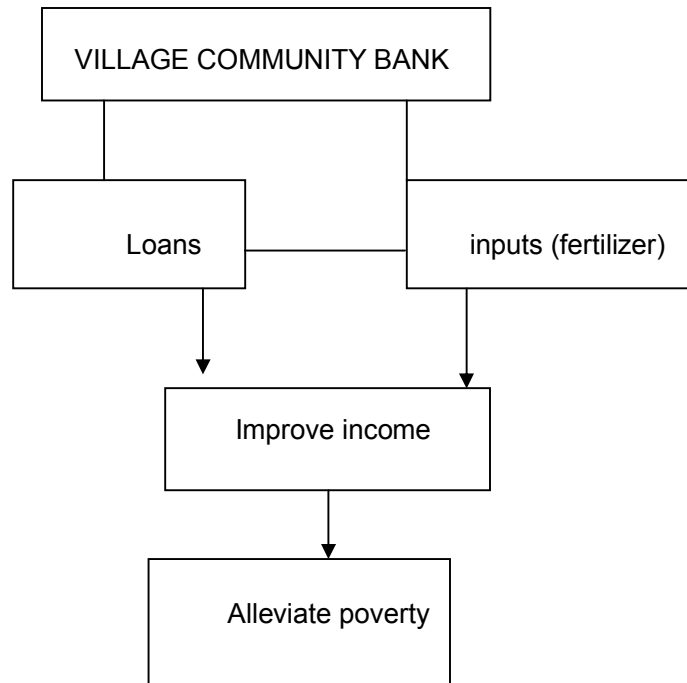
Empowerment theory states that an ongoing change is a process that involves self determination through the making of choices that can improve a person's wellbeing (Kabeer, 2005; Mosedale, 2005). Poor people's economic empowerment should be defined as "having access to and control over the means to make a living sustainable and on long term basis, and receiving the material benefits of this access and control (Carr 2000, and Mosedale 2005). It has been argued that for a poverty reduction, intervention like microfinance to engender change, it should contribute to the poor's sense of independence, rather than simply meeting survival needs" (Kabeer, 2005). This may enable the poor to make choices that act against structures or individuals that draw back the pursuit of their interests and potentials. Relevant to this study, the theory of empowerment provided the analytical tools to examine how smallholder farmers' access to microfinance programmes and their participation in income generating activities have served them.

Power play is ever-present in daily household relationships but power is most of the time concealed making it quite difficult to isolate for exploration (Kabeer, 2005). Hence, a person may be dispossessed of power without being conscious of it. Empowerment can be said to be an ongoing change process that involves self determination through the making of choices that can improve a person's wellbeing (Kabeer, 2005; Mosedale, 2005). Theory is applicable at case study in the sense that VICOBA became an influence in improvement income of smallholder farmers at Kiteto district. Model which explain the theory are explained below.

##### **2.2.4.1 Poverty Alleviation Model**

This model focused on developing sustainable livelihoods, community development and the provision of social services. The main targets for poverty alleviation model are bases on smallholder farmers, Based on poverty reduction, development pioneers have argued for more smallholder farmers to be involved in microfinance programmes because poverty is not only higher among rural communities but that they bear greater responsibility for the welfare of the country for food and raw material production (Mayoux 2002). Usually, the provision of microfinance to the smallholder farmer is for consumption and productive activities (Nourse 2002). Therefore, subsidized microfinance schemes are therefore viewed as crucial in order to help more smallholder farmers to meet their consumption and productive needs. These models underpin the policies and programmes of different MFIs and their outcomes on participants.

**Figure 2.2: Poverty Alleviation Model**



**Sources:** Masterson & Auren (2006)

The model explains how VICOBA'S loans improve income as well as alleviate poverty, relevant to this study. VICOBA Issued a loan which used to buy some inputs such as fertilizers which lead to high production, hence improve income and alleviate poverty.

The econometric model was used to measure the impact of VICOBA on smallholder farmer's income. Regression model is expressed as follows:

$$Q = f (X_1, X_2, )$$

$$Q = a + b_1 X_1 + b_2 X_2 + u$$

$$Q = a + i \Sigma X + u$$

Where: Q = output in from farm (Kgs/acre)

a = constant

$b_1 - b_6$  = coefficients to be estimated.

$X_1$  = Inputs (fertilizer, seeds, pesticide  $X_2$  = loans

## **2.3 Empirical Review**

### **2.3.1 Origin and Geographical Coverage of VICOBA in Tanzania**

SEDIT, CARE and WCRP can be referred to as the pioneers that introduced the VICOBA concept and its acronym in September 2002 and borrowed from the experience of CARE international in Niger, West Africa in 1991. The model is popularly known as “*Mata Masu Dubara*”(MMD) and is based on the Hausa dialect or vernacular for women in a course to emancipate themselves from poverty. In Mozambique it is known as OPHIVELLA, in Uganda JENGA and Zanzibar JOSACA all of which are CARE international found acronyms with modifications suiting local demands (Kihongo 2005; URT, 2009; Ngalema 2013). There is evidence that VICOBA concept was firstly introduced in Zanzibar before spread to other parts of the United Republic of Tanzania (Ahlen, 2012).

The adoption of VICOBA is based on its suitability and effectiveness in catalyzing developmental initiatives (Ngalema 2013). The VICOBA model starts at the bottom with collateral groups of five members getting together by forces of social economic discipline and acceptability to form a large group of 30 people. The groups formed are then registered and facilitated to make their own bank and training activities schedule. Intensive training lasting for up to sixteen weeks is conducted. Skills in inter and intrapersonal discipline in production, saving, spending and behavioural transformation is provided in a proper way (URT, 2009). Based in the mode of operation, the micro-finance policy and poverty, VICOBA Scheme has proved to be a very effective to the low income communities where it operates with very little cost and can easily be integrated to other development initiatives and give better results within a short period (Ngalema 2013).

Since its inception, VICOBA concept is now adopted in every corner of the country, and it is reported that there are more than 1876 groups operating with 280members(URT,2009). Data shows that since 2006 approximately 30 billion TZS has been collected from their own income as revolving fund for the groups (URT, 2009; Ngalema 2013). The model is based on elements that promote creativity; ownership and sustainability of community invented income gaining activities that are also gender sensitive. A projection by SEDIT (2010) shows that it is 100% cost effective to launch VICOBA project in Tanzania. However, only 0.4% of people surviving below poverty line have accessed the VICOBA facilities and as pointed earlier almost a negligible proportion of Tanzanians are served by the facility. Based on the above observation the micro-finance industry in Tanzania is still evolving and generally, there has been on increasing trend in performance of the VICOBA in Tanzania for both outreach and financial indicators since 2002 (Ngalema 2013).

### **2.3.2 Organisation and foundation of VICOBA**

The internal group structure of the groups is made of 30 members each, including the chairperson, secretary, treasurer, money counters, key holders and discipline master. Jointly, they ensure groups survival and attainment of the goal. They carry out the overall supervision of the group in view of the procedures guiding management of shares, loan management, and discipline. The chairperson's responsibility is to ensure joint of the group while the supervision of the group's bank is responsibility of the secretary. Collection of the shares, custody of the credit kits and overseeing the functions of the group's bank account, the treasury and money counters they count money after collection from different contributions. The key holders are responsible for ensuring the safety of the keys of the credit kits and opening and closing the kits during and after contribution exercise. The locked credit kit has three padlocks and three members are entrusted as key holders. It is done in this way to reduce the risk of one person opening the box without the permission of others (SEDT, 2010; Ngalema 2013). Lastly, the discipline master role is that of overseeing adherence to the rules of the groups.

In addition to the above official, group trainers provide overall guidance to the group, and, in collaboration with the chairperson, ensure group cohesion which is important for the group's survival. Group members are required to attend weekly meetings as decided by the group. Moreover, every group has the cycle decided by the group of about 12-18 months. After a certain period funds accumulated are pooled together for few individuals to get loans equivalent to the total contribution made. At the end of the circle dividends are shared among group members, this is usually after twelve or fourteen months and the whole process of saving and borrowing starts again (SEDT, 2010; Ngalema 2013). Therefore, the group leadership team in VICOBA is democratically elected from among the group members and serves voluntarily; this makes the leaders win the members' trust, respect and commitment to obeying their instructions. Moreover, what they plough back to the group remains own (group) members money.

### **2.3.3 Differentiating VICOBA from SACCOS and other microfinance institutions**

There are different types or forms of microfinance suppliers and their main dissimilarity lays in the legal structure. All microfinance institutions can be divided into *formal, semi-formal and informal categories*. Both formal and semi-formal institutions are registered and subject to banking laws, regulations and procedures, unlike the informal institutions which are not under any law at all and not registered. Among semi-formal MFIs are credit unions and cooperative banks, savings and credit cooperatives, i.e. SACCOS, and sometimes NGOs, while self-help groups, local moneylenders, NGOs and rotating savings and credit associations (ROSCAS) are informal MFIs (Ahlen, 2012).

Kihongo (2005) underlines that; the vital dissimilarity between VICOBA and SACCOS or other forms of microfinance is mainly around beneficiaries of the interest charged (returns on investment or capital booster). VICOBA charges low interest rates of 5-10% and this is normally decided by the members, while traditional micro-finance institutions (MFIs) are commercially oriented charging high interest rates (17-25%) for their credit, hence unaffordable by the poor (SEDI, 2010; Ahlen 2012; Ngalema 2013). In the other forms as in all profit motivated financial institutions the interest is derived from the borrower and flows to the lender to meet operation costs such as salaries, cost of utilities and also investment returns. In this view, it reduces the capacity of the micro-finance schemes to meet the social objective of poverty alleviation as it extracts resources from the poor which would have otherwise been utilized to improve their welfare.

Moreover, Begasha (2011:23) adds that the main difference between the VICOBA model and the well-known Grameen model is how they use the interest rate. In Grameen model the interest rate goes to the lender to cover operational costs while in VICOBA the interest rate is to increase the capital to be able to provide bigger loans and at the end of the circle the interest rate is usually divided between the members together with savings and give the members a profit. Kihongo (2005) observe that VICOBA model as compared to other MFIs, recycles this investment returns to enable participants take bigger loans in the future. At the end of each cycle the total returns in investments is distributed to each member as dividends according to each person's current share capital investment.

Therefore, against this above background, members of VICOBA stand to benefit more as compared to accessing loans from formal financial institution which charge high interest rate. The interest rate to the loan, are set at a lower rate, improving the capacity of the members to remain in the groups, and enable them to retain portion of earned incomes good enough to improve not only their life circumstances, but also (individual) savings and investments. VICOBAs are groups of maximum 30 people that meet regularly, usually once per week, to save shares in the VICOBA and give loans to the members. Among the 30 people there is one chairperson, one secretary and one accountant. The members within the group are divided into sub-groups of five people to work as each other referees when someone wants to take a loan, which together with the savings works as a collateral instead of other assets. VICOBAs are, as mentioned above, informal and not regulated or controlled in any governmental act or policy and the VICOBAs form their own rules and regulations.

### **2.3.4 Strength of VICOBA**

- i. VICOBA is a financial entity which is fully owned by the target communities. The management costs are all taken care of by group members alone under voluntary basis. It is less cost in its management activities.
- ii. VICOBA is a scheme that can easily be accessed by all the poor at the grassroots. Unlike SACCOS in which some of those below poverty line fails to qualify as shareholders. In VICOBA it is different because share values are planned by group members themselves.
- iii. VICOBA scheme can be used to address other social evils such as Diseases and environmental destruction.
- iv. VICOBA scheme is fully down-top (or bottom-up) in terms of decision making, planning, implementation and ownership. This guarantees sustained economic evolution in line with MKUKUTA strategy.

### **2.3.5 Contribution of VICOBA in Improving Smallholder Farmers' Income**

At a national level an adequate level of income is a necessary condition for poverty reduction but it is not sufficient to ensure access to food for all people at all times. Access to food is governed by income and purchasing power. This exists for strategies at household levels to improve their livelihood. The effectiveness of rural microfinance institutions (RFIs) in reducing poverty can be accessed through three criteria. Coverage of the poor and financial needs fair access for disadvantaged group e.g. women and landless, financial viability and long-run sustainability (Zeller *et al.*, 1996). Research conducted by India's Integrated Rural Development showed great success of VICOBA in increasing the income of large numbers to stallholder farmers' households. Also, Hossain (1998) found out that more than 90% of the Grameen Bank (GB) rural clientele enjoys a living standard that is higher than prior to participation in the Grameen Bank. In the Grameen Bank members had a 40% higher income than comparable population groups in non-Grameen Bank villages.

Another financial innovation practised in Zimbabwe by Savings Foundation of Zimbabwe found out collective savings mobilisation and agricultural productivity of its clientele. A part of the group members' accumulated savings is converted into its productive inputs that are bulk-ordered through the foundation. About 97% of the group members were poor rural women. Under the foundation they can acquire new skills, improved housing and become financially more independent (Berger, 1989: World Bank 1990). Improved agriculture productivity and financial liquidity is crucial to enhance smallholder farmers' welfare. Other studies conducted in Mali, Gambia and ACCION international in Latin

America had demonstrated the potential contribution of the RFIs in raising the productivity and income of the poor in the rural areas.

### ***2.3.6 Perception of the Community toward VICOBA***

Worldwide, academicians and clients view microfinance as a paradigm shift and ray of hope for poor (Gilal, 2011). Microfinance institutions are able to make significantly positive impact on the poverty level of their clients (Roy, 2014). Now day's people's outlooks are changing towards borrowing for their livelihood activities. Before 20th century people hesitated to borrow money for his/her own purpose. According to Roy (2014), found out that community perception about microfinance is good as they see VICOBA as their engine out of poverty and oppression. It also finds out that microfinance plays significant role in their life. The study also covers the perception of females which is extremely contrary to males in terms of "in what ways microfinance helps them".

Additionally, Long (2009) examined perceptions of microfinance within the community of those who work with or are influenced in some way by microfinance institutions in Yaounde Cameroon. Furthermore, the project focuses on the ways in which these perceptions affect the institutions, the actions of the institutions amidst and in response to these perceptions, and to what extent these actions have a positive effect on the community and the firms themselves. Also the study examined to a certain degree the relationship between the two main goals of category two and category three microfinance firms: specifically, the fulfilment of social goals such as poverty alleviation and financial success. He found that the community has positive attitude toward MFIs as the tool to lift poor from hopeless situation. Responding to these perceptions MFIs extend their services and increases the depth of their outreach to the poorer.

According to Ugiagbe (2014), community in Nigeria perceive VICOBA negatively. He found this when conducted a survey study of the perception of the services of micro finance institutions by the female service users in south-south, Nigeria. The study examines the perceptions of the services of the micro finance Institutions by the service users, and how the services of MFIs affect businesses of the beneficiaries of the micro credit loans. The result reveals that the poor services and attitude of officials of MFIs and other problems like the regressive tax regimes, harsh economic climate and patriarchy are negatively affecting the business ventures of the loan beneficiaries. The beneficiaries are groaning under the burden of loan. This study is applicable in the context of social policy development at this time when social services delivery is not only poor but at dismal level. It is critical to social work practice in the context of advocacy, empowerment programs, facilitating and initiating service delivery and Community organizing by social workers that will enhance the war against poverty and other social impediments in Nigeria.

Moreover, De Goey (2012) conducted a study in Dar es Salaam, Tanzania “social impact of microfinance: what changes in well-being are perceived by women group borrowers after obtaining a group loan?”. The perspectives of four women groups from the Dar es Salaam Region, Tanzania were included in understanding the local definition of well-being, the developments in their lives and the changes in well-being they have perceived. The results show that the group loans may contribute to positive changes in the well-being of women, but these changes cannot be attributed to the loans alone. The changes in well-being caused by the loan intertwine with other factors like group dynamics and family life; therefore the results need to be interpreted considering the specific context. Furthermore, the results show that the changes in well-being are not necessarily related to an increase in income, thus contesting the assumptions on which microfinance is based.

### **2.3.7 The extent VICOBA contributes to the Access of Micro Loans**

Research about VICOBA is enormous worldwide. Some researchers propose that VICOBA improves smallholder poor farmer’s access to micro loan in the rural areas (Mosley, 2011; Mago and Cephas, 2014; Gerli (2015). However, there is also no shortage of studies that curses MFIs (Banerjee *et al.*, 2013 and Okurut *et al.*, 2014). For instance, Amin (2003), found that while microcredit is successful in reaching the poor, it is less successful in reaching the vulnerable, especially the group most prone to destitution (the vulnerable poor). They concluded that the access of micro-credit to smallholder farmers in Bangladesh is not as efficient as expected due to huge reforms of the financial sector.

Also, AGRA-FISFAP (2015) conducted a study in three African countries and found that across SSA agriculture is a critical sector that contributes 20–30% of GDP, employs 60–85% of the population, yet usually attracts less than 5% of domestic lending. The vast majority of smallholder farmers have difficulty obtaining appropriately structured financial services to meet their needs, which comprise a combination of short-term working capital, medium-term equipment financing, and longer-term capital investments, savings products, and risk management products. VICOBA have tried to smooth the situation but still the problem persist (SEMIT, 2011).

In Tanzania several studies has been done on microfinance institutions service, one of the researcher who have done research on MFI service is Chijoriga (2008) who evaluated the performance and financial sustainability of MFIs in Tanzania, in terms of the overall institutional and organizational strength, client outreach, and operational and financial performance. It was observed that, although client outreach is increasing, with branches opening in almost all regions of the Tanzanian mainland, still MFIs activities remain in and around urban areas. According to Tanzania National Council for Financial Inclusion (2016), the level of informal financial access in the rural areas is 8.5 percent compared to

23 percent in the urban areas and totally excluded rural population is 60 percent compared to 45 percent in urban areas. Moreover, according to the geospatial census of financial access points conducted in 2012, and based on latest population census only 30% of the Tanzanian population live and transact within a 5km distance of a financial access points.

On the contrary, Anyelwisye (2007), found that VICOBA play a significant role in improving the conditions of smallholder farmers. This is because they not only help the smallholder farmers accessing financial services and invest in income generating activities but also they enable such individuals to solve fundamental problems in their families. Additionally, Ngalemwa (2013) aimed at identifying factors influencing VICOBA activities in alleviation of income poverty; identifying major challenges facing community participation in VICOBA activities; examining the effectiveness of VICOBA in alleviation of income poverty and determination of the community's attitude towards VICOBA. Results show that most of VICOBA members joined the scheme in order to access credit and they acknowledged to have benefited as per their expectations. Also Dean (2011), Todaro and Smith (2012) Okibo and Makanga (2014), Sengupta and Aubuchon (2008), Ebimobowei, Sophia, and Wisdom (2012) and Okurut (2014) found the similar results.

### ***2.3.8 Contribution of VICOBA's Micro-Credit to Smallholder Farmers***

According to Mosley (1999), microfinance makes a considerable contribution to the reduction of poverty through its impact on income and also has a positive impact on asset level. But the mechanism through which poverty reduction works varies between institutions. Generally, institution that give, on average, smaller loans reduce poverty much more by lifting borrowers above the poverty line, whilst institutions giving larger loans reduce it much more by expanding the demand for labour amongst poor people.

Nichols (2004) used a case study approach to investigate the impact of microfinance up on the lives of the smallholder poor famers in the rural China and found that the participation of smallholder farmers in MFI program had led to positive impact in their life. Their income have increased, spending on educational and health have increased hence improved their standard of living and also women have benefited out of this program. There were visible sign of higher wealth level within the village.

In additional to that, Gyamfi and Ampofo (2014) examined the effect of microfinance credit on community farmers in the Upper Denkyira East Municipality of Ghana. The study used the mixed approach research technique. Both qualitative and quantitative research methods were used for the study. The study established that the interest rates are high for the community smallholder farmers to deal with and farmers were negatively affected by the high interest rates being charged by the banks. The study concluded that

microfinance credit has made a significant effect on the economic life of community smallholder farmers to increase their farms and yields.

Moreover, Hulme and Mosley (1998) found evidence of a trade-off between reaching the very poor smallholder farmers and having substantial impact on household income. They found that MFIs programmes that targeted higher-income households (those near the poverty level) had a greater impact on smallholder farmer income. Those below the poverty line were not helped much and the very poorest were somewhat negatively affected. The poorest tended to be more averse to risk-taking. They also used their loans for working capital or to maintain consumption levels rather than for fixed capital or improved technology. Since, micro credit programmes typically require loan repayment on a weekly basis; some critics argue that repayment comes from selling assets rather than from profits of micro-enterprises.

There have been considerable studies in Tanzania that targeted to find out the impact of microfinance on poverty alleviation in Tanzania (Kessy and Urio, 2006; Mhunzi, 2012). A study conducted by Girabi and Mwakaje (2013) with the objective to investigate the impact of microfinance on agricultural productivity by smallholder farmers in Tanzania the case study of Iramba District. A total of 98 respondents were selected randomly from credit beneficiaries (CB) and non-credit beneficiaries (NCB). The collected data were analyzed through descriptive statistics and multiple regression analysis. Findings revealed that, CB realized high agricultural productivity compared to the NCB respondents. This is partly because the CB was relatively better in accessing markets for agricultural commodities, use of inputs and adoption of improved farming technologies. The major factors hindering smallholder farmers' access to credit were reported to be lack of information, inadequate credit supply, high interest rates and defaulting.

Similarly, a study by Ahlen (2012), shows that VICOBA and SACCOS have positive impacts on smallholder farmers' socio-economic situation. The results show that it helps to meet consumption needs, pay school fees, run small businesses, increase and diversify the income and the majority also believes that it can be a useful tool for poverty reduction. However, it doesn't lead to poverty reduction automatically, it depends on how the loans are used and this study identifies several obstacles for SACCOS and VICOBA to be more effective and contribute more to poverty reduction. The main obstacles found are low repayment status, lack of capital and lack of education in both entrepreneurship and how these VICOBA operate. Anyelwisye (2007) conducted a study in Dodoma Rural and Kongwa districts both from Dodoma region and the number of respondents was 160. This study aimed at examining the impact of VICOBA Loans in improving income to smallholder farmers. The paper focused on VICOBA beneficiaries to know whether the credit provided have helped them to improve their income and the extent to which that

has been done. The findings revealed that the micro credits have impacted the activities and lives of beneficiaries in several positive ways as follows; owning valuable assets, household expenditure on basic needs, incomes from farm and off-farm activities, and house ownership, toilets and utilities.

### **2.3.9 Challenges Encountered by Smallholder Farmers during Borrowing Process**

According to Fatchamps (1997), small entrepreneurs cannot invest in new equipment and machinery, and it becomes difficult to reach out to new markets and products. He further contends that without financial assistance, they cannot cope with temporary cash flow problems, and are thus slowed down in their desire to innovate and expand. The general perception is that access to external finance is critical for poor entrepreneurs, who may never have funds proportional to their ambitions. They also lack collateral, good reference, ability to repay the loan and insufficient income.

It has been widely accepted that without financial assistance, smallholder farmers cannot cope with temporary cash flow problems, and are thus slowed down in their desire to innovate and expand. The general perception is that access to external finance is critical for poor entrepreneurs, who may never have funds proportional to their ambitions. They also lack collateral, good reference, ability to repay the loan and insufficient income (Malamsha and Kimaro, 2014). Moreover, Denanyoh *et al.*, (2013) examined challenges faced by rural entrepreneurs in sourcing micro finance in Ghana. A total of 120 respondents were interviewed out of which 80 and 40 entrepreneurs from Kumasi and Sunyani respectively using convenience sampling. The results confirmed that rural entrepreneurs in Kumasi and Sunyani markets are faced with the challenges in accessing loans from microfinance institutions.

Girabi and Mwakaje (2013) investigated the impact of microfinance on agricultural productivity by smallholder farmers in Tanzania a case study of Iramba District. Findings revealed that the major factors hindering smallholder farmers' access to credit were reported to be lack of information, inadequate credit supply, high interest rates and defaulting. Generally, most cited smallholder farmers challenges of accessing micro loans are; long procedures involved in application and long processing, delay in loan disbursement, requirement that a member must have accumulated savings too many requirements, lack of security/ collateral, requirement that one must be a member of a group first, and high cost of acquiring loan, duration of loan, small amounts of loans (Gedion *et al.*, 2015). Also, Kato and Kratzer (2013) found similar results.

In addition, Rweyemamu *et al.* (2003), evaluated the performance and constrains facing semi-formal financial institutions in providing micro-credit in Mbeya and Mwanza regions. The primary data were collected through a formal survey of 222 farmers participating in

the Agriculture Development Programme in Mbozi and the Mwanza Women Development Association in Ukerewe. They found that interest rate is a significant barrier to the borrowing. Also the borrowers cited other problems like lengthy credit procurement procedures and the amount disbursed being inadequate. On the side of institutions, Mbeya and Mwanza credit programme experienced repayment rates, especially in the early years of operation, with farmers citing poor crop yields, low producer prices and untimely acquisition of loans as reasons for non-repayment.

#### **2.4 Sustainable Livelihoods Framework**

This theory states the relationship between smallholder farmer's income and access to financial services, the theory of Sustainable Livelihoods Framework explained by many authors (Ashley and Carney, 1999; DfID, 2001). Building on the preceding theoretical context, the use of the sustainable livelihoods framework (SLF), as applied by a number of research and development organizations, helps in addressing some of the weaknesses inherent in the agricultural credit paradigm. The framework relates the causes of low income to households' access to resources and their diverse livelihoods strategies. The framework evolved over years as perceptions on income poverty reduction, how poor people live, and inclusion of structural and institutional issues were changing (Ashley and Carney, 1999:1-7). This theory is relevant to the study on impacts of smallholder farmers in improving income which was conducted at Kiteto district.

Today, the concept of household livelihoods has become popular in the development literature (Bee, 2007). Livelihood activities may vary from one area to another and even among households in the same location. Under the 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 face (Haule, 2015). The uniqueness of the sustainable livelihoods framework is that it negates the traditional perception of poverty that is based on income considerations. Following the sustainable livelihoods approach, it is clear that poor people do not only lack income alone but face inadequate food, poor shelter, and lack access to education and health (Bee, 2007). In this context, they are vulnerable to ill-health, economic displacement, and natural disasters (Ashley and Carney, 1999:47; Meyer, 2001:2). However, income is the most fundamental measure of poverty alleviation among the poor smallholder farmers (Anyelwisye, 2007; Haule, 2015).

The choice of households' income strategies are, therefore, influenced by the households' level of assets; their access to resources (natural resources, physical capital, financial capital, human capital, and social capital); and the structures and processes within which they operate (Bee, 2007). According to SLF, poor households' access to financial services – such as savings facilities, credit and insurance, build up their productive assets and hence improve productivity (Anyelwisye, 2007; Ngalemwa, 2013).

This new line of argumentation on poverty reduction considers financial capital as playing multiple roles in development. The premises behind this thinking are that development of the financial market is an important element in any country's economic growth (Bee, 2007). Access to financial services unleashes the economic potential to a greater proportion of the population who are in most cases bankable but underserved (SEDI, 2010; Ahlen 2012; Ngalema 2013).

In addition, formation of new enterprises and modernization of the existing ones is also facilitated through a functioning financial market (Bee, 2007). In this context households increase their opportunities for achieving sustainable livelihoods, and reduction in their vulnerability status (Anyelwisye, 2007; Kimaro and Abwe, 2016). The access to financial services increases the levels of incomes, expands households' assets base and improves food security (Bee, 2007; Girabi and Mwakaje, 2013; Ngalemwa, 2013; Haule, 2015).

According to Meyer (2001:3-4) access to financial services can bring impact on food security in three ways. First, through an improved income generating method as loans provides relief in the short run. Secondly, a household's access to finance reduces the costs of self-insurance and hence induces changes in the household's asset base and level of liabilities. Consequently, "precautionary savings" in the form of non-productive assets, which are held to cushion adverse shocks such as illness, and bad weather, is made available for productive investments. Thirdly, credit enhances consumption. According to Meyer (2001:4): formal credit, savings and insurance services may help households' smooth consumption so they use fewer traditional methods, which are often inefficient and bind households into unproductive social relationships that discourage savings and wealth accumulation.

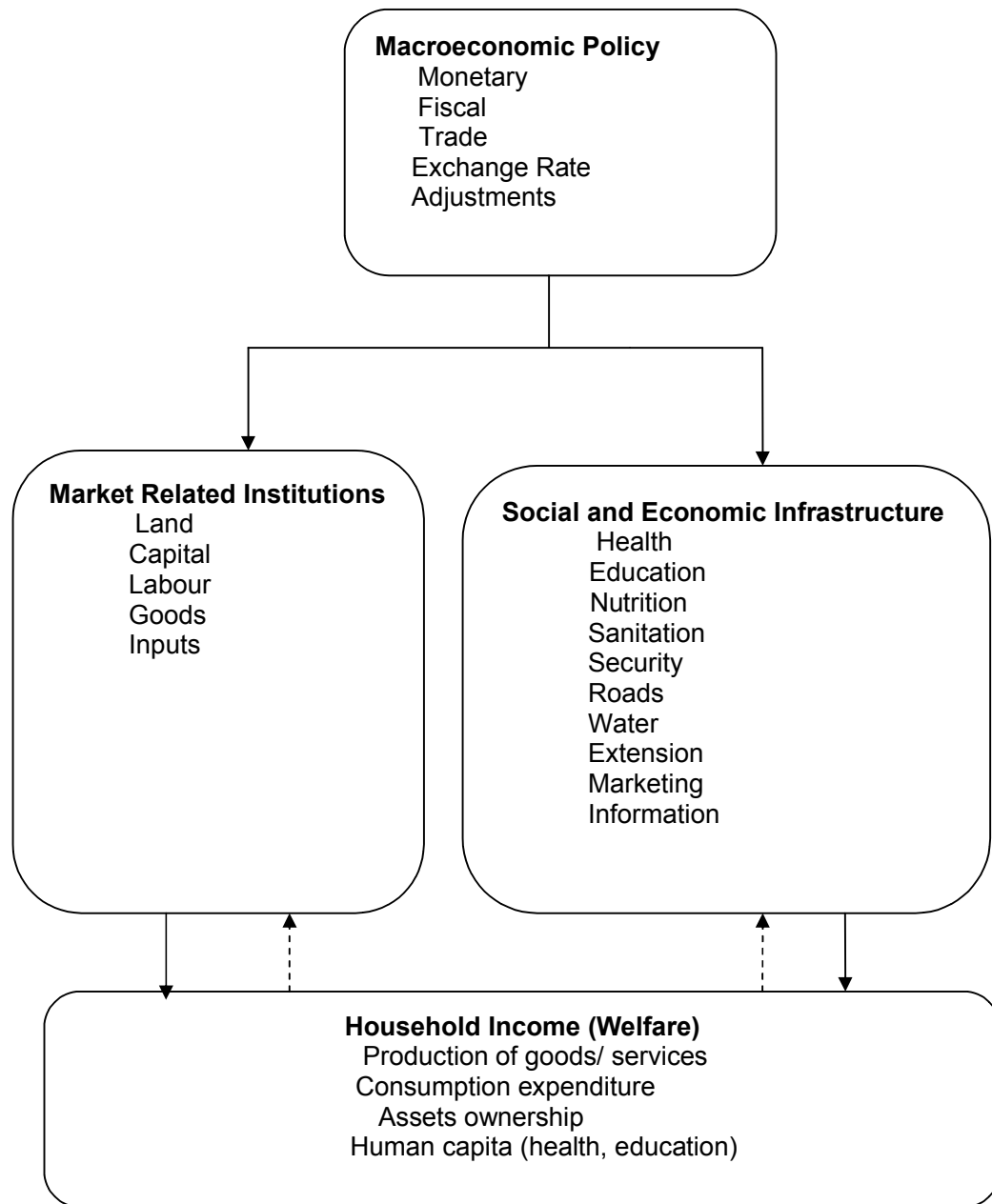
#### ***2.4.1 Policies and Regulatory Framework***

Rural Financial Markets (RFMs) is a new perspective that evolved out of the narrowly focused agricultural credit (Bee, 2007; Ngalemwa, 2013). Most governments in the developing countries have over years attempted to influence the functioning of the financial markets through policies and regulatory framework. There are justifications for such interventions, but these are associated with advantages and disadvantages. However, what is important is how the public policies affect or influence the behaviour, attitude and welfare of the rural population that can be observed in the way they respond to changes in policies (Haule, 2015). The changes in poverty at household level is influenced by a set of factors, both policy and non-policy determinants (Bee, 2007). However, there are controversies on the degree of influence of these factors on changes in the levels of poverty (Rutasitara, 2002:11). There are two set of policies, which can have effect on the household's welfare. These are macro-economic policies and sectoral policies.

According to Rutasitara (2002:11-14) the macro-economic policies include financial sector policy, fiscal and monetary, trade, labour and income policies. Sectoral policies are more focused on specific sectors such as agriculture, industry, tourism, finance, education and health. Sectoral policies are established in order to attain the desired outcomes of macro policies. Figure 2.1 show in details the possible links between macro-economic policy and household income. According to the figure, macro-economic policies influences market related institutions, as well as social and economic infrastructure and these in turn influence the household's welfare levels through a variety of market based incentives such as: incomes, access to finance, economic and social services. Although, these effects are well understood, there are no standard empirical models that have been established to unravel all interactions and effects at national and sectoral levels.

However, the relationships elaborated in figure 2.1 above, help in understanding how households and rural firms respond to policy changes in terms of complying, reallocation of resources, and the degree of vulnerability. Assessing the behaviour of rural households and firms over period can assist in understanding the way they behave in relation to policy changes.

**Figure 2.3: Links between Macroeconomic Policy and Household Income**



**Source:** *Rutasitara (2002)*

Thus, an attempt is made to review various reforms programmes and how these influence rural household's incomes. In most developing countries, governments have attempted to develop their economies in order to reduce poverty among their people by, among other things, regulating the financial sector, administering subsidized and targeted credit mostly through public financial institutions. According to many observers, such practices ignored domestic resource mobilization, informal financial systems, and neglected the viability of financial institutions (Bee, 1997; Wenner, 2001:1). In the financial sector, government

interventions through policy and regulatory guidelines has been criticised by different experts (Hanning & Wisniwski, 1999; Yaron, 1997). In their view inappropriate policy and regulatory framework tend to repress financial system and hence impede financial intermediation. Certain government interventions such as setting interest rate ceilings, minimum reserve requirements, and excessive market entry restrictions are likely to constrain credit provisions and savings mobilizations in a financial market.

However, in most literature, some degree of regulation and a conducive policy environment is recommended (Anywelwisy, 2007; Haule, 2015) so as to create a financial system that operates following the principles of “best practices“. There are two types of prudential regulatory frameworks, namely:

- (i) Preventive regulations which provide for appropriate incentives to reduce moral hazards. In other words these types of regulations focus on protecting the country's financial system by preventing failure of any financial institution, and
- (ii) Protective regulations which serve to protect depositors in emergency cases when a financial institution gets into trouble.

There are also non-prudential regulations which deal with the conduct of business, such as enabling the formation and protection of micro lending institutions, protecting consumers, preventing fraud and financial crimes, policies with respect to interest rates, taxes, and accounting systems.

For the semi-formal financial institutions such as financial NGOs certain level of regulation is called for. According to Hanning & Wisniwski (1999) it is practicable to have certain minimum banking standards that befit the microfinance system without major effects on the larger country's macro-economic variables. For instance the use of forced savings practised by some non-deposit taking NGOs, are some of the innovations under the best practices. Risk management is another issue for considerations. These could be mitigated through insurance schemes, and/or considering operations of lender of last resort facility for short term financial support for solvent and sound financial institutions suffering from a temporary liquidity shortages.

In the case of informal financial institutions, self-regulation seems to be working, especially in the co-operative system (Bee, 2007). However, experiences have shown that as these institutions grow, there are possibilities for them to fail to self-regulate their own operations especially when divergence of interests occurs between borrowers and depositors (Girabi and Mwakaje, 13). These may be reduced through member empowerment through training, encouraging such informal financial institutions to establish own network or create a peer monitoring system. A radical move is to transform

these into formal financial institutions so as to allow for growth through a formal regulatory framework.

On the other hand, the development of an appropriate financial system regulatory framework calls for an integrated financial system analysis/approach that is holistic/comprehensive and full of trials and errors. It involves a painstaking process that is not only time consuming but costly. In this regard, researches and advisory services need to go hand in hand with rural peoples' empowerment processes.

## **2.5 The Current Perspectives on Rural Finance**

Financial market liberalization has not been very effective in improving the functioning of financial markets due to the fact that the constraints to market development are not simply policy-induced but have structural and institutional origins as well (Bee, 2007). As a result these weaknesses must be addressed in an integrated manner and not policy reforms alone. This means that the problem of how to reach out the majority of the poor rural households who constitute potential savers and borrowers is yet adequately addressed (Rweyemamu et al., 2003; Kyessi, 2010). The literature on the economic theory on financial markets is growing. Although, the dominant thinking was on market failure to provide financial services on a cost-effective way, there is emerging new line of thinking that goes beyond the simple paradigm of competitive equilibrium that suggests a new theoretical foundation for policy intervention in order to correct the market failures (Bee, 2007). The role of the government in financial markets has been questioned seriously in most studies. However, the need for interventions in the markets was justified by persistence market failures.

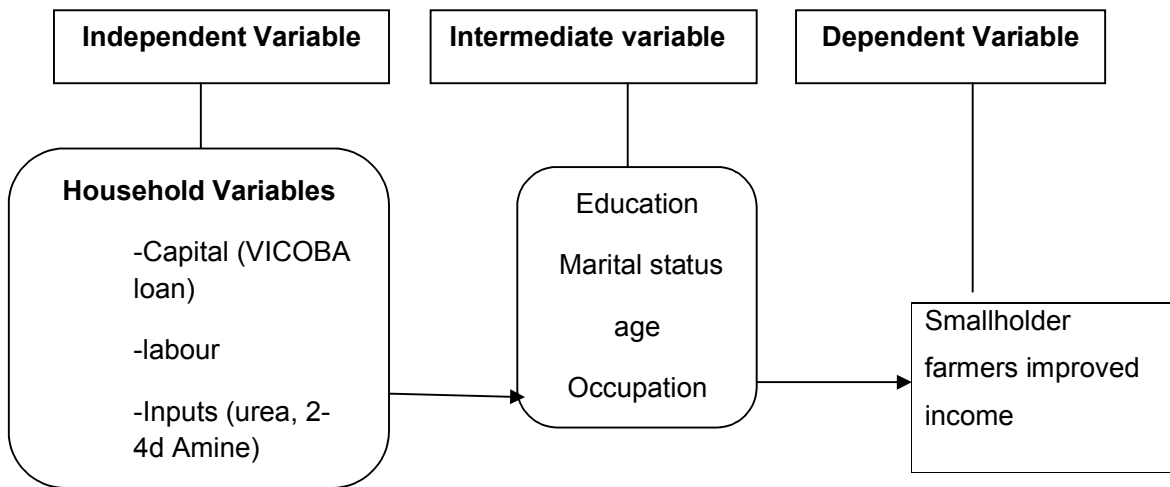
The current perceptive stands are on two pillars. One, liberalization of financial markets allows market forces to take their course. The second pillar is that propagated by the Ohio State University group (also shared by others such as Jackelene and Rhyne, 1991; Hoff and Stieglitz, 1990), government interventions should be limited to few cases where genuine market failures have been spotted. The idea is to correct the market imperfections observed so as to support it to perform well. Economies moving from centrally planned to market based demand an efficient financial sector, which calls for a lesser government role. Markets for productive factors such as land, labour, capital, and farm inputs (fertilizers, seeds, farm machinery, and infrastructure) must be functioning smoothly to support the development of the private sector. These need to be directed and managed somehow by the government, at least in the medium term.

Another emerging debate in rural financial services is the question of outreach. Outreach is a key factor in the process of market development and integration. Outreach can be defined in terms of wide, depth, and quality. According to Kimei (1987:18) financial widening involves the growth in the number of actors in the financial market: savers, borrowers/investors, and financial intermediaries. The financial lengthening is concerned with the growth in number of types of financial instruments (products) offered by financial institutions. Financial deepening is a growth of total financial assets offered by the sector relative to growth in national wealth. The presumption is that greater financial deepening increases aggregate income and accelerates economic growth. The growth of total assets from financial deepening help smallholder farmers in Kiteto to buy inputs such as Tractor, chemicals, fertilizers which used in order to increase agriculture production as well as increase income. In addition, the quality of outreach is important so as to act as an incentive. Quality of outreach is reflected in terms of loan administration costs, it falls in a financial deepening as a financial assets interms of money.

## 2.6 Conceptual Framework

A conceptual framework guides research, determines what data to be measured, and what statistical relationships will be looked for (Kombo and Tromp, 2006).

**Figure 2.4: Conceptual Model of impact of VICOBA loans in improving Smallholder Farmers income**



**Source:** Own formulation based on Literature Review, 2017

From the literature review, There are independent variable such as capital as sources from VICOBA loans, input bought such as fertilizer, chemicals for improvement of agriculture, technology, and hired labour, The intermediate variable include education, age, occupation, and sex, The dependent variable is income, It is clear that from the conceptual frame work verified that in some cases smallholder farmers can improve their production as well as income by acquire micro loans from MFIs such as VICOBA.

The loan which acquired used to buy improved seeds, fertilizers, and hire labour, under assumptions that there good market condition, good agricultural policy, stable economic condition, constant consumer test and preferences, enough rainfall, favourable market input, hence lead to the improvements of smallholder farmer's income.

The econometric model was used to measure the impact of VICOBA on smallholder farmer's income. Regression model is expressed as follows:

$$Q = f(X_1, X_2, X_3, X_4, X_5, X_6)$$

$$Q = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4 + b_5 X_5 + b_6 X_6 + u$$

$$Q = a + \sum X + u$$

Where: Q = output in from farm (Kgs/acre)

a = constant

b<sub>1</sub>- b<sub>6</sub> = coefficients to be estimated.

X<sub>1</sub> = Inputs (fertilizer, seeds, pesticides)

X<sub>2</sub> = Technology (tractor, ox-plough and hand hoe)

X<sub>3</sub> = Hired labour

X<sub>4</sub> = Famer's household size

X<sub>5</sub> = Land

X<sub>6</sub> = Education level

u = error term

## 2.7 Rural Financing and Agriculture in Tanzania

Tanzania is among the developing countries categorized as the poorest country in the world with a GDP per capita of US \$ 321 (URT, 2006:21). The country is made up of Tanganyika and Zanzibar - two sovereign states that united in 1964 to form the present United Republic of Tanzania. Historically, Tanganyika was ruled by the Germans from 1891 to 1920, but after their defeat in World War I, Tanganyika was from 1920 to 1961 put under the British protection by the United Nations. Administratively, Tanzania is divided into twenty six regions, of which twenty one are on the mainland and five in the Islands of Zanzibar. According to the national population census in 2002, Tanzania had a total population of 34,569,232 growing at an average rate of 2.9% per annum (URT, 2003:2-3). Based on this growth rate, the country's population is projected at 36,321,000 people by the end of 2005.

Like in most other developing countries, the degree of rural households' access to financial services in Tanzania is significantly low. According to a study commissioned by the Bank of Tanzania (1997:2-10) the unmet demand for rural financial services by formal financial institutions was significantly high, thus forcing rural households to rely on informal financial services by 82%. Of those operating bank accounts, they only saved

12% of their total savings. In addition, about 94% of the total households were willing to borrow if there were available resources and appropriate products and delivery methodologies. A follow up survey conducted in 2002 revealed that only between 6%-8% of the total rural credit demands were met by the existing formal financial institutions (IFAD, 2002:19; URT, 2002:15).

Agriculture forms the key sector in rural economy upon which rural households depend for their livelihoods. However, most studies reveal that with the liberalization of the financial sector, financing of this main sector declined precariously (Moshi, 2003; Bee, 1997). According to Moshi (2003:15) liberalization of the financial sector and subsequent privatization, led to a significant decrease in commercial bank lending to agriculture from 12% of the total domestic lending volume in 1996 to 6% in 1999. Furthermore, the share of commercial bank loans for agricultural marketing fell from 19.7% of the total in 1995 to 0.8% in 1999. However, liberalization of the financial sector increased actors in the financial market and improved business efficiency through enhanced competition. The number of commercial banks, for instance increased from two in 1991 to 23 by 2004. Other types of financial institutions emerged, which include non-bank financial institutions, microfinance institutions, development banks, bureau de change, and capital markets with one stock exchange characterized by few brokers/dealers (BoT, 2006).

Governments, donors and policy analyst are all concerned with the state of poverty in the world. It is a wide consensus now that rural households' access to financial services opens up productive opportunities, creates jobs, and builds up assets base. This is a new development paradigm that is built on market principles. Access to financial services unleashes economic potential to a greater proportion of the population, who are in most cases bankable but underserved. In this context, access to financial services enables rural households to improve their livelihoods. Rural households demand variety of financial products that include savings facilities, credit, insurance and provident funds, lease, means of payments and transfer services. Whereas availability of well-managed savings facilities enable households to build up funds for future investment, and/or consumption; access to credit augments own financial resources. Rural households are expected to obtain these various financial products through the Rural Financial Markets (RFMs). RFMs may be classified into two operationally different sub-sectors, but serve the same purpose namely formal and informal financial markets.

According to Kashuliza, Hella, Magayane and Mvena (1998), Ngalema (2013) and Kitomari and Abwe (2016), 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.

In addition to these two sub-systems, there are few financial institutions that are partially regulated through registration or licensing, which, are in some literature referred to as semi-formal finance. In Tanzania such institutions include Savings and Credit Co-operative Societies (SACCOS), Savings and Credit Associations (SACAs) and some Non-governmental Financial Organizations (Financial NGOs or FiNGOs) (Kashuliza, *et. al.* 1998; Kitomari and Abwe, 2016). Rural Financial Markets (RFMs) in the developing countries are generally underdeveloped (Bee, 1996:38; Jafferis, 1995; Kihongo, 2005; Okibo and Makanga, 2014; Haule, 2015).

As a result, the majority of the rural people have inadequate access to formal financial services (Ngalemwa, 2013; Haule, 2015; Kitomari and Abwe, 2016). In Sub-Saharan Africa for example, the bank density ratio is between 100,000 and 420,000 inhabitants per bank branch, while in other developing economies of Latin America and Asia the situation is relatively better off in that there are 8,000 to 30,000 inhabitants per bank branch (Kashuliza, *et. al.*, 1998:1). Various studies have attempted to explain the reasons for the underdevelopment of the RFMs in the developing countries (Kashuliza, *et.al*, 1998; Jafferis, 1995). However, Jafferis (1995:346-347) attributes this partly to the smallness of the developing countries' economies, which make it difficult for a broad - based development of financial markets.

Kashuliza (1994:34) points out three reasons for the underdevelopment of RFMs. First, the developing countries' economies are agriculture based and, therefore, much of the capital formation that takes place in the sector come mainly from land and labour rather than from capital obtained from financial intermediaries. Second, as also expounded by Jafferis (1995:346-347), the development of the financial markets were state-dominated, forced to provide agricultural credit mainly for farm inputs and implement, and provide support to the development of rural infrastructure at subsidised interest rates. Third, the smallness of markets in LDCs inhibits opportunities for profitable investment by financial institutions in the rural sector.

In their attempts to correct the underdevelopment in the financial markets, most governments in the developing countries intervened substantially in the financial markets through the establishment of commercial banks, development banks, cooperatives, and specialized credit agencies. The justification for intervention is varied and ranges from the need for governments to influence and direct economic development to their desire to improve households' welfare by managing allocation of financial resources. However, experiences show that state interventions went beyond managing the formal financial institutions. According to Moll (1989:6-7) government development policies also involved setting interest rates, determination of foreign exchange rates, allocation of credit to priority areas/sectors, and even at times managing credit recovery.

### **2.7.1 Rural Financial Development and Economic Growth**

Development analysts and practitioners have all along been interested in the contribution of finance to the development process (Bee, 2007). Among the early contributors to this debate is Lewis (1955) who came up with an idea of a two-way relationship between financial development and economic growth. According to Kirkpatrick and Green (2002:207) this theory postulates that financial markets develop as a result of economic growth, which in turn stimulates the growth of real economy. This thinking attracted many researches and analysis in order to (i) test empirically the causal relationship between finance and development, and (ii) understand the functions of the financial system in the development process (Levine, Loayza, & Beck, 2000; World Bank, 2001).

Traditionally, poverty was perceived as a problem of people earning low income, which lead them to consume too little to attain the minimum socially determined standard of living, and owning too few assets to protect themselves against future uncertainties (Haule, 2015). Most empirical studies measured poverty levels in terms of income, consumption or expenditure levels (Bee, 2007). Following this line of argument, most poverty reduction strategies focused on employment creation, skills development, and redistribution of assets from rich to poor (Meyer, 2001:1-2). Consequently, government sponsored poverty reduction programmes included packages that involved the widely discredited targeted credit, and technological packages. However, poverty is a complex and multidimensional phenomenon, which requires a holistic analytical approach (Bee, 2007).

Poverty is about material deprivation reflected through low food consumption, and poor housing condition; low human development resulting from inadequate education, poor health and nutritional status; lack of voice and ability to influence decisions; and acute state of vulnerability to adverse shocks such as illness, economic crimes, and natural disasters. Since majority of population in developing countries live in rural areas and depend mainly on agriculture, poverty reduction in these countries depends on agricultural revolution (URT, 2010). Consequently, the literature on supply-led approach to agricultural credit dominated development debates during the Green Revolution era of the 1960s through 1970s (Meyer and Nagarajan, 2000).

During this period the emphasis was on agricultural credit rather than rural finance. Agricultural credit was envisaged to lead to an increased production and raise income, allowing for improved consumption and savings, hence facilitating more investment (URT, 2010). It is, however, important to note that access to financial services cannot on its own be a panacea to all poor peoples' problems. It is because of this fact that the debate on rural finance has now shifted towards markets paradigm, where the cause of low income

is attributed to failure of markets. Stiglitz (1994), for instance contends that the imperfect financial markets in developing countries inhibit poor peoples' access to financial services

## **2.8 Research Gap**

The findings reviewed from difference Literature review; the research gap can be suggested that VICOBA Loans has no significant effect on improving smallholder farmer's income. Most of the reasons are loans secured from VICOBA are small amount compared to the cost of farming in Kiteto District which including high cost of hiring land per acre is about 100000TZS to 200000TZS, chemical, fertilizers. Also the period of repayment of loans are short which ranges three months to six, The good Production depends on fertility soil and enough rainfall.

However, VICOBA Loans in Kiteto District help smallholder farmers to fulfil their expenditure including use loan on buying of food, pay school fees and buy assets.

## **2.9 Summary**

Chapter two summarises the theoretical analysis which related to the same Research, This chapter explain the importance's and efficiency performance of microfinance institutions in micro-credit provision to smallholder farmers and how helps in improving their income Recently, due to rapid growth of financial markets and financial innovations, it has become more important to measure the efficiency of microfinance institutions. the contributions of VICOBA to the smallholder farmers expected to facilitate the economic development of the country. The chapter reviews past studies on a contribution of VICOBA to the reduction of poverty through its impact on income and also on asset level, the challenges clients encountered during borrowing process, these include high interest rate, lack of collateral and short period repayment of loan. Lastly, the theory was used to develop conceptual framework which guided a researcher toward assessing the impact of VICOBA loan to the income of smallholder farmers in Kiteto.

## CHAPTER THREE RESEARCH METHODOLOGY

### 3.1 Overview

This chapter explains the methodological procedures used to collect relevant data for the research problem articulated in chapter one. Moreover, it focuses on the research design, the geographical study area, the target population, sample and the sampling techniques. It also includes description of the methods which was used to collect data, and the procedure for data analysis.

### 3.2 The study area and its characteristics

Kiteto District is located to the South East of Manyara region at 04°55'00"S 37°00'00" E 5.867°S 36.849°E. Kiteto District is one of the six districts of the Manyara region of Tanzania. Kiteto District is bordered to the north by Simanjiro district, to the east by Tanga region, to the south by Kongwa and Chamwino districts, and to the west by Chamwino and Chemba districts. Its administrative seat is the town of Kibaya. According to the 2002 Tanzania National Census, the population of the Kiteto District was 152,757 (NBS, 2002). It nearly doubled in 2012 when Tanzania National Census recorded a population of 244, 669 (NBS, 2012).

The district's main economic activities are agriculture and livestock keeping. The District is growing very fast in terms of highly agriculture activities engaged by the people and a lot of micro financial institutions to serve the rapid growing population. The District is purposively selected for this study because smallholder farmers have been served by VICOBA since 2008 although there smallholder farmer's wellbeing is still in jeopardy (Ahlen, 2012). Moreover, Kiteto is one of the few districts in Tanzania where VICOBA is performing well (SEdit, 2011).

**Figure 3.1: Map of Manyara Region (Kiteto District)**



### **3.3 Selection of wards**

Administratively, Kiteto is made up of 23 wards (National Electoral Commission (NEC) of Tanzania, 2015). For this study, five wards which have been served by VICOBA since its adoption was surveyed. These wards are; Dosidosi, Matui, Engusero, Ndiringishi and Loolera.

### **3.4 Research Design**

The study adopted a cross-sectional survey design, because data were collected from different smallholder farmers; analysis and interpretation were conducted in a single point in time. Cross-sectional design allows the researcher to get data from multiple cases at the given point in time so as to analyse relationship across number of variables of interest (Mann, 2003). In this study, the relationship of different variables were analysed to verify their influence on improvement smallholder farmers' income. Also, this design has the ability to deal with both qualitative and quantitative data collected simultaneously in a single phase (Blanche, et al., 2006; Terrell, 2011). The data collected through survey design can also be used to generalize the findings from sample of responses to the population (Creswell, 2003).

### **3.5 Research Approach**

The study employed a mixed method approach where by both quantitative and qualitative methods were applied in an approach where by quantitative method dominated the study and qualitative methods were used to help explaining quantitative findings (Steckler *et al.*, 1992; Clark and Creswell, 2001; Creswell, 2014). The reason for using this approach is to describe systematically and accurately the situation in the area of the study about the impact of VICOBA on smallholder farmers' income.

### **3.6 Types of Data and Data Collection Tools**

Both primary and secondary data were collected. Quantitative Primary data were collected from smallholder farmers using a structured questionnaire which was administered by the interviewer. Moreover, qualitative primary data were collected from Key Informants (KIs) using interview guide and from households using checklist through focus group discussion (FGD). On the other hand, the secondary data were collected by reviewing different documents on VICOBA's in connection to income poverty reduction of smallholder farmers.

### **3.7 Data Collection Tools**

#### **3.7.1 Questionnaire**

Interviewer administered questionnaire were employed to the sampled smallholder farmers. Outline of information to be gathered through a questionnaire which helped in the analysis of the impact of VICOBA on small farmers income are such that; use of

improved inputs, use fertilizers, hiring of excess labour, adoption of mechanisation, microcredit acquisition, household size, household assets, education level and age, This method employed the use of one research assistant in order to quickly facilitate data collection process from households. A researcher was chosen an assistant who is familiar with VICOBA operations not only to simplify the training process but also to insure accurate data collection.

### ***3.7.2 Questionnaire Pre-testing***

The questionnaire was pre-tested by the author to five (5) respondents to assess its usefulness to measure the study objectives. Questionnaire pre-testing allows the researcher to assess the average interview time, relevance of questions to be asked and how easy the questions can be understood by the respondents (Kothari, 2004).

### ***3.7.3 Focus Group Discussions (FGDs)***

FGDs was guided by a checklist and each group comprised of 12 discussion members including both men and women smallholder farmers. FGD used to gather information which might be less easily accessible during KIIs and questionnaire survey. Participants were asked for their consent to use voice recorder in order to capture all information. In cases the consent is not granted, only notes were taken as the discussion proceeds. FGD was conducted until saturation of information was reached.

### ***3.7.4 Document Review***

Literature were accessed from archives, books, other sources of materials such as websites, published works such as dissertations/thesis, government publications, articles from different journals and research papers. The literature helped the researcher to come up with a strong research concept and also to fill knowledge gaps.

## **3.8 Sampling Techniques**

### ***3.8.1 Target population and sampling frame***

Target population in this study is all smallholder farmers who are members of VICOBA in Kiteto District. A sampling frame of this study comprises of all smallholder farmers who have been benefiting from VICOBA micro-credits for at least a year. Therefore a sample size was drawn from this frame. Within the population of 1624 smallholder farmers, 100 sample size of smallholder farmers drawn.

### ***3.8.2 Unit of analysis***

A unit analysis is defined as the addressed key factors a researcher sets out to investigate and comes back in the end of the study with evaluated knowledge about it (Kyessi, 2010). This study treated smallholder farmers as a unity of analysis. Other community change agents dealing with VICOBA were treated as key informants.

### **3.8.3 Sample Size**

According to VICOBA registers, Kiteto District has a total number of 2209 VICOBA members that are benefited with the micro loan services (SEMIT, 2011). Among them smallholder farmers are around 1624 (Kiteto District Report, 2016). The sample size of smallholder farmers to be surveyed was obtained by using the formula:  $n = N / (1 + Ne^2)$ . Where  $n$  = Sample size,  $N$  = Total number of smallholder farmers with certain characteristics,  $e$  = precision factor coefficient (5%),  $n = (1624) / 1 + (1624) (0.05)^2 = 248$ .

Therefore the total sample size for smallholder farmers required to be studied was 248. However, due to resource constraint only 100 smallholder farmers were surveyed. This sample size is considered partly for statistical reasons and partly for logistical considerations (Kothari, 2004). Statistically, the sample size is large enough to study and make generalisations about the population. Logistically, this sample size is considered proportionate of the population under study (Creswell, 2014). Moreover; participatory methods were used to involve more people in FGDs, whereby few key informants among 100 interviewed

### **3.8.4 Sampling**

Both probability and non-probability sampling were used in selecting a sample. A multi-stage sampling was appropriate procedure to be adopted considering the nature of the study. The multi-stage procedure was a three - stage, purposive and randomized sampling approach. The three stages involved selection of: firstly, a District and wards to be studied; secondly, beneficial smallholder farmers and thirdly, smallholder farmers to be surveyed.

In the first stage, the Kiteto District and the wards have been purposively selected for their concentrated VICOBA activities while the District face frequent famine disasters. In the second stage, purposive sampling as a non-probability sampling method was used to select microcredit beneficiaries' i.e. smallholder farmers who have benefited from VICOBA services in a period not less than a year. Then a comprehensive list of beneficiaries was developed. Thereafter, a third stage was to employ a simple random sampling to select a smallholder farmer that was included in a sample.

### **3.8.5 Selection of Key Informants (KIs)**

KIs are defined as opinion leaders or informed opinion holders (Powell, 1999). Thus, purposive sampling was employed to select the following KIs: - District officials, ward officials, MFIs (especially VICOBA leaders and trainers) workers and village leaders as put forward by Onwuegbuzie and Leech (2007) that in purposive and convenience sampling, researcher chooses individuals that are conveniently available, knowledgeable on a topic under scrutiny and willing to participate in the study.

### **3.9 Data Analysis**

#### **3.9.1 Qualitative Analysis**

Thematic analysis was used to analyze interview transcripts, relevant document and observation notes in order to identify patterns of recurring themes and sub-themes in line with the research questions. According to Lacey et al. (2001), thematic analysis is the most common form of analysis in qualitative research as it emphasizes pinpointing, examining, and recording patterns (or "themes") within data. Themes are patterns across data sets that are important to the description of a phenomenon and are associated to a specific research question. Procedures for analyzing qualitative data was informed by the works of Lacey et al. (2001) and Creswell et al. (2004) as follows: (i) Audio-recorded interviews were transcribed exactly to generate interview transcripts (ii) Then transcripts were read several times in order to get a sense of the entire data set and interesting phrases and concepts were noted (iii) Codes were assigned to specific meanings or themes in the textual data (iv) As new perspectives emerge, close related codes were sorted and merged into themes (v) Based on the research questions, findings were discussed using actual quotes in relation to the theoretical and empirical literature as well as conceptual framework. SPSS software were used for analysis.

#### **3.9.2 Quantitative Analysis**

Data to be collected through structured household questionnaires were summarized and coded. After coding, data is entered into SPSS software for analysis. Statistical package for social sciences (SPSS) computer programme version 17.0 and Microsoft excel 2007 was employed in data analysis. A descriptive statistical analysis was used in exploring the data for distribution of responses, cross tabulation analysis and central tendencies. Specifically, the multi regression model was used in the analysis of the quantitative data in which, t-test analysis was used to test the model goodness of fit. According to Hair *et al.* (2006), the most widely used level of significance is 0.05 (or 5%). Therefore, Least Square Estimate (LSE) at 5% level of significance was referred while making decisions of testing all variables of this study.

#### **Econometric Model Specification**

##### **(a) Regression model**

The econometric model was used to measure the impact of VICOBA on smallholder farmer's income. Regression model is expressed as follows:

$$Q = f (X_1, X_2, X_3, X_4, X_5, X_6)$$

$$Q = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4 + b_5 X_5 + b_6 X_6 + u$$

$$Q = a + \sum X + u$$

Where: Q = output in from farm (Kgs/acre)

a = constant

$b_1$ -  $b_6$  = coefficients to be estimated.

$X_1$  = Inputs (fertilizer, seeds, pesticides)

$X_2$  = Technology (tractor, ox-plough and handhoe)

$X_3$  = Hired labour

$X_4$  = Famer's household size

$X_5$  = Land

$X_6$  = Education level

$u$  = error term,

This link to the conceptual model in Page 25 by categories Dependent variables includes inputs (fertilizers, seeds, technology, hired labour, and independent variable which is output (production)).

### **3.10 Ethical Consideration**

In fulfilling ethical requirements, researcher acquired research clearances from relevant authorities as well as informed consent from respondents. To ensure confidentiality, codes or pseudonyms were used instead of the authentic names of the respondents. Key informants were asked for their consent for the use of voice recorder during interviews.

### **3.11 Concerns for Validity and Reliability**

#### **3.11.1 Validity**

Validity refers to the accuracy of measurement (Sullivan, 2011). According to Cohen et al., (2000), Validity of instrument is a process of establishing documentary evidence which provides high degree of accuracy. Thus, validity is concerned with whether our research is believable and true and whether it is evaluating what it is supposed or purports to evaluate (Zohrabi, 2013). In this study validity was achieved by pre-testing instruments of data collection and training research assistants until they are well equipped and until language, wording and tools are able to capture validity of data to be collected. Moreover validity was attained by applying probability sampling in selecting respondents for the study and sharing ideas with other researchers and research supervisors; this strengthened the research findings and interpretations.

#### **3.11.2 Reliability**

Reliability deals with consistency, dependability and explicability of the results obtained from a piece of research (Nunan, 1999). In this study, this was achieved by the use of mixed data collection methods that can complement one another. This helped to minimize the weaknesses of any single approach and increase the reliability of data collection. Reliability was also attained by testing the same data using different research instruments including crosstabs and frequencies to see if data produces the same results.

### **3.12 Overall limitation of the Study**

This research was be affected by different limitations such as;

- i. Data availability problems; the researcher anticipates difficulties in accessing the targeted respondents especially during this time of the year as they were busy with farming activities and some of them tend to move to the farms which are located far away from the study area.
- ii. Language problems; the researcher expect to face the problems in interviewing the respondents and getting questionnaires filled. Some famers do not speak good Swahili let alone English. So the researcher must hire a translator who knows local language.
- iii. Insufficient fund; the researcher also faced problems in getting sufficient fund to undertake broader investigation. Fund for undertake a survey in different cases on the same research problem was not enough.
- iv. Inadequate time limit; the researcher also encountered the problem of the shortage of time during the process of conducting this study. The shortage of time limited the sample size and time for observation.

### **3.13 Summary**

Chapter three is about research methodology, it consists of research design where the researcher used cross sectional survey design, research approached using both quantitative and qualitative methods. Also the researcher provided the description of the study area in which the research was conducted, Tools of data collection methods which the researcher used in her research included interviews (FGD), questionnaires and document review so as to collect various types of data which were both primary and secondary data, sampling techniques are jotted down such as non probabilistic purposive sampling and simple random sampling to select respondents. The sample size selection is also explained which the researcher selected among smallholder farmers who are beneficiaries of micro credit given by VICOBA in Kiteto District.

Moreover, the researcher ensures the reliability of data collected from smallholder farmers who are beneficiaries of micro credit given by VICOBA in Kiteto District, also the researcher ensures the validity of data to be collected through interviews, questionnaire and by reviewing all research documents of the interest, and lastly the researcher outlines how data is going to be managed and analyzed. Moreover, the researcher analyzed the overall limitations of the whole study or research.

## **CHAPTER FOUR**

### **RESULTS AND DISCUSSION**

#### **4.1 Overview**

Chapter four presents research findings regarding the impacts of village community banks (VICOBA) loans in improving of smallholder's household income in Kiteto District in Tanzania. The chapter is divided into five sections. The first section gives the general characteristics of respondents. Such as age, gender, education level, occupation and household size. Section two presents community's attitude about VICOBA loan services for rising smallholder farmers income in Kiteto district. Section three presents the extent that VICOBA has contributed to the access of micro loans among smallholder farmers. Section four presents the contribution of VICOBA in rising smallholders' income among VICOBA members. Section five contains Explore the challenges facing smallholder farmers during borrowing from VICOBA.

The study involved a total of 100 respondents where by all of them were smallholder farmers. The questionnaires were distributed randomly to 100 respondents namely; smallholders who had accessed micro-credit from a VICOBA for at least a year. The key informants were interviewed using an interview guide and the type of information from the interviewees was on the general procedures of loan provisions, capacity of VICOBAs to give loan, time taken from application of loan until a smallholder gets a loan and the requirements for eligibility to be given a loan. The main objective of the study was to analyse the impacts of VICOBA loans in rising income among smallholders' households in Kiteto District, Manyara region, Tanzania.

A total of 100 questionnaires were distributed during the data collection process and all 100 questionnaires were returned with 100% response rate. Each questionnaire was inspected for the purpose of detecting errors as well as cleaning before being coded and entered in the SPSS software for analysis. The process of inspection was done in two ways; during the data collection in the field as well as during the process of coding the data. In the field, the data were inspected in order to detect the most obtrusive omissions and inaccuracies. All 100 questionnaires were being properly filled and contained complete answers and they were all usable. This amount of questionnaires was considered excellent for the subsequent analysis as Onwuegbuzie and Leech (2007) and Creswell (2014) postulated that questionnaires should provide proper quality of research information.

#### **4.2 Social and Characteristics Features of Smallholders Farmers**

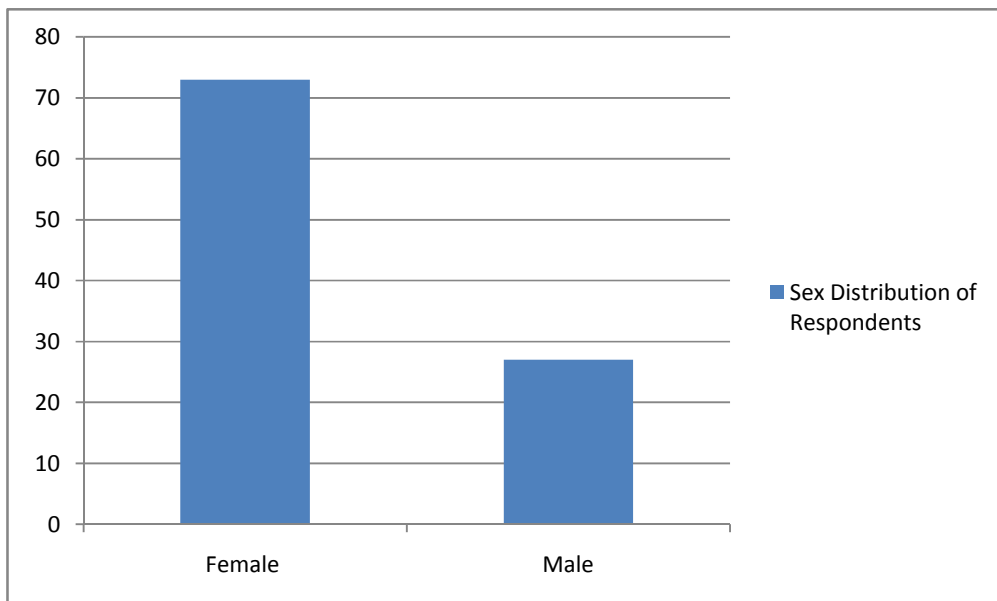
In any research which deals with individuals, knowing the characteristics of respondents is very important and is significant for the researcher to know the kind of people he/she is dealing up with. Apart from knowing the number of samples from different smallholder

farmers, in this study a set of personal characteristics namely; The smallholders' sex, age, marital status, education level, experience in farming, Occupation or Income Generating Activity (IGA), loan size, occupation, household size and number of dependants were examined due to their importance when evaluating how VICOBA loan has improved smallholders' household income.

#### 4.2.1 Distribution of Respondents' Sex

Many microfinance institutions particularly those that serve the poorer clients in the villages purport to have a social mission. Their purported goal is to help in the fight against poverty by empowering households to raise their incomes and improve their standards of living. The general nature and the extent of poverty in society has been described as engendered, and some researchers and policy makers describe poverty as having a "woman's face" (Kiiru, 2007). This is because empirical studies have shown that many more women than men tend to be more economically disadvantaged (McFerson, 2010; Sigalla and Carney, 2012; Ledgerwood et al., 2013; Ugiagbe, 2014). In their mission to reduce household poverty and also as confirmed by this study, micro credit institutions target more women than men (Harns, 2007). Some microfinance institutions have decided to exclusively lend to women (Kiiru, 2007) such as Kenya Women Finance Trust (KWFT). Seventy percent of the world's poor are women (Handley, Higgins, Sharma, Bird and Cammack, 2009). Women form the largest percent of members in microfinance as identified by Harns (2007). Yet traditionally women have been disadvantaged in access to credit and other financial services.

Figure 4.1: Distribution of Respondents Sex



**Table 4.1: Sex distribution of Respondent who Access micro loan**

Total number of respondents	Male	Female
100	27(27%)	73(73%)

Not only is lending to women believed to have an overall greater impact on household welfare in terms of nutrition and education, but also women have been found to be better payers (Godquin 2004; Aghion et al., 2007; Malamsha and Emanuel, 2014). Lending to women is therefore believed to contribute not only to alleviating household poverty and improving human capital formation, but it is also efficient in terms of sustaining microfinance institutions by ensuring good repayment rates (Yunus and Weber, 2007; Ledgerwood et al., 2013; Malamsha and Emanuel, 2014). Consequently, in this study 73 % (n=73) of the randomly sampled smallholder borrowers were females while 27% (n=27) were males. In some microfinance institutions like the Grameen Bank which is the biggest microfinance institution in the developing countries in terms of outreach, 96% of their clients are women (Yunus and Weber, 2007; Kiiru, 2007). The difference in the clients' gender proportions between the Grameen Bank and this study sample could be explained by the socioeconomic and cultural context that determine group formations and access to loans.

#### **4.2.2 Distribution of Respondents Age**

The age structure of the population in a country provides a picture of the level of age dependency in the economy and also serves as a determinant for measuring economic activity of the population. It also gives an indication of the level of awareness and responsibility within the populace. Older people have level of maturity in that sense age becomes more important to examine the response. The ages of the respondents interviewed reflect a high rate of the population who are economically active. Total of 100 smallholders were surveyed using a questionnaire. All surveyed smallholders have been accessing loan for more than a year period of time. The smallholders were divided into four age groups where by 24% (n=24) were between 25-34 years, 30% (n=30) were between 35-44 years and 34% (n=34) were between 45-54 and 12% (n=12) were above 54 years respectively. The minimum age was 25 and the maximum age was 62 years. The mean age was 40 years. This implies that the majority of clients involved were still economically active. Therefore, the findings of this study affirmed that majority of smallholders fall mainly into the economically active age group of 26-54 years. Outside this spectrum were a few (12%) above 55 years old.

**Table 4.2: Respondents' age distribution**

<b>Age in years</b>	<b>Frequency</b>	<b>Percentage (%)</b>
25-34	24	24.0
35-44	30	30.0
45-54	34	34.0
55+	12	12.0
<b>Total</b>	<b>100</b>	<b>100.0</b>

The findings of this study are in line with the study done by Haule (2015) who found that most of the respondents were aged between 26-33 which is productive age to number of economic activities including rice production. Moreover, Ablorh (2011) who found out that most of the women entrepreneurs in Accra Ghana were in their active age (ages of 36-45) and had potential for growth and development for empowerment. That is, the dynamic, enterprising, risk taking and working class age. They have the potential to grow their savings and investment and consequently support themselves, the company and the economy at large. Also the findings of this study corroborate with the findings of Kagine (2013) in her study on microfinance institutions and women economic empowerment in Mbeya city, found out that majority of women entrepreneurs were aged between 36-45. Moreover, the results from a study conducted by Adu-Gyamfi and Ampofo (2014) indicate that the older people with 50 years and above benefited much due to the reason that they have collateral and also they are settled compared to youth group.

#### **4.2.3 Education Levels of Respondents**

According to Adu-Gyamfi and Ampofo (2014), Kanoni (2015) and Bwamwojo (2013), education is one of the most important features that might have an effect on the person's mind-set and the way of looking and understanding any socio-economic phenomena. In a way, the response of an individual is likely to be determined by his educational status and therefore it becomes imperative to know the educational background of the respondents. Education level of respondents was considered in this study so as to determine whether smallholder's level of agricultural and business understanding has an influence to their engagement in their income generating activities.

This study however, as for education, the majority about 42.00% (n=42) and 32.00% (n=32) of smallholders' had primary and ordinary level secondary school education (i.e. form four) respectively. This implies that most of the smallholder farmers have no enough knowledge for farm management skills. As majority possess standard seven educations, translations of policies and regulation as well as agricultural innovation to new competitive products in the market are very minimal. However, in case of form four education, this level is probably sufficient to successfully run and operate a farm land and or a business

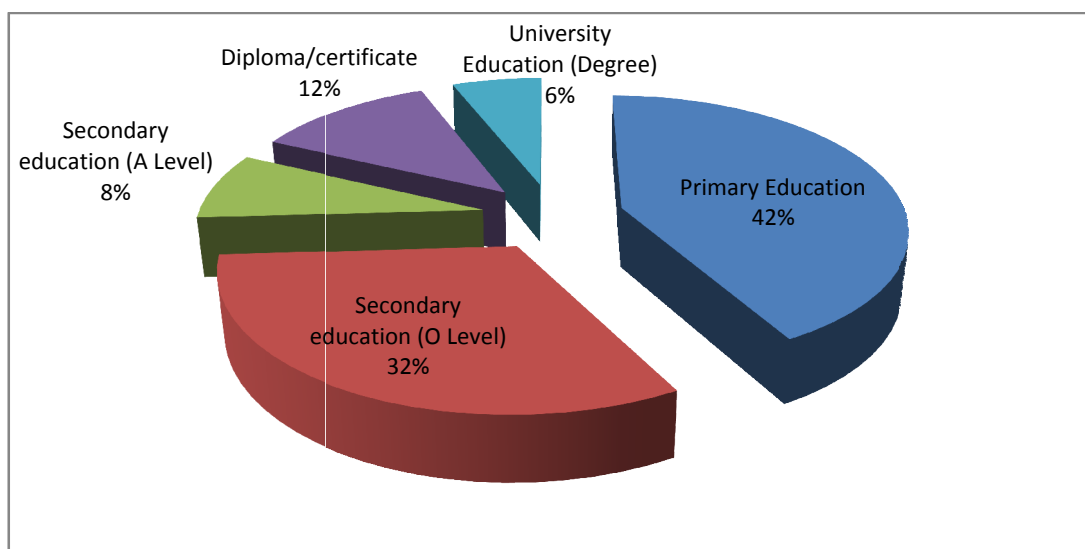
enterprise. Moreover, around 08.00% (n=08) of surveyed smallholders possess advanced level secondary school education in different combinations of subjects.

Consequently, 12.00% (n=12) have college education whereby five smallholders possess diploma and seven were certificate holders. All of these are employees of government and private organisations. Accordingly, six percent (n=06) possess university education whereby two respondents have masters degree and the remaining four possess bachelor degree in education. Education level is a very important variables in studying the decision making process of smallholder farmers and ability to take and assimilate risk. Many studies found that education level help in making rational decision for the proper agricultural practices.

**Table 4.3: Cross table on Level of education and Access of VICOBA loans**

Education Level of respondent	Total number of Respondent	VICOBA Loans Access	VICOBA loans Not Access
Primary education	42	42(42%)	00(00%)
Secondary O'Level	32	32(32%)	00(00%)
Secondary A'level	12	12(12%)	00(00%)
Diploma/Certificate	08	08(8%)	00(00%)
University education degree	06	06(6%)	00(00%)

**Figure 4.2: Distribution of Respondents' Education Level**



The results are supported by Regnar et al. (2002) who established that, the level of education is an important factor in coping with poverty and particularly coping with risk and uncertainties related to agricultural production. Regnar considered the ultimate objective of education is to increase labour productivity for smallholder farmers and thus

very important for their ability to utilize efficiently the advice and information offered by the extension officers and other development agents. These results were also found by Mdoe and Macha (2002), Haule (2015), Mazengo (2011), and Daniel (2007).

**4.2.4 Marital Status of Respondents**

Marital status reflects a person’s level of commitment, responsibility and mobility among other factors. Knowledge about the marital status of smallholders’ farmers was necessary to ascertain their level of commitment and responsibilities to themselves, their families and to society as a whole. In general, people who are married have high financial and social responsibilities to meet.

Among the smallholder farmers, 84.00% (n=84) were married while 16.00% (n=16) were not married and among unmarried 37% (n=37) were single moms and dads. This means that both married and un-married smallholder farmers were engaged in agriculture and micro and small enterprises due to the fact that smallholder farmers are now empowered for self reliance. These findings are in line with the study by Ablorh (2011) who affirmed that married smallholder farmers in small and medium enterprises (SME’s) take the greater share of the study, have responsibility towards taking care of their various homes and hence this category needs financial liberation. Moreover, Some MFIs operators believe lending to unmarried smallholder farmers could be risky. The event of marriage could lead to change of locality or profession, and a possibility of default”. Therefore, VICOBA have the role to play in influencing the increase of household income of smallholder farmers in Kiteto District by targeting their loans to especially women.

**Table 4.4: Marital status of respondents**

<b>Marital status</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Married	84	84
Un-married	16	16
<b>Total</b>	<b>100</b>	<b>100</b>

The married dominated the respondent’s base in implying that, they (married) have various source of capital, own some asserts for collateral and their social network is much larger compared to unmarried ones. Also they have difficulties and many responsibilities to get involved in the asset development or enterprising through business than the single ones. They are more concerned about getting employed, through self-employment to support their husbands or wives in order to solve financial difficulties around their families. These findings are supported by findings from the household budget survey of 2007. The household budget survey of 2007 show that 59.7% of the adults aged fifteen years and above were married while 28.2% were single. In Tanzania by 2007, widowed were 6.2% while 5.8 were divorced.

Moreover, the observation made during field work found that, married couples were participating more in VICOBA compared to unmarried, simply because they had a lot to do that required money, such activities like paying school fees for their children and other home use. When asked on how she uses the money which she obtained from VICOBA, one respondent said that the money which she got from VICOBA was used to pay school fees for her children, buy agricultural inputs mainly seeds and home use like buying food. Consequently, what they produce do not suffice selling as members mainly produce for subsistence use only.

#### **4.2.5 Occupation of Respondents**

The results in Table 4.5 shows that 100.0% of respondents were farmers of whom 27% were male and 73% were female. Otherwise, 36.0% of respondents were involved in business, from which 7.0% were male and 29.0% were female. Moreover, up to 40.0% were employed and 00.00% of respondents are involved in other activities such as local arts. The results shows that all of the respondents were farmers by occupation and among them have extra activities such as business and some are engaged in paid employment. The findings are also supported by fact that about (77.9%) male and (22.1%) female of rural population own farm as observed by Census (2002).

**Table 4.5: Occupations of respondents by sex**

Occupation	Sex		Total
	Male	Female	
Farming	27 (27.0%)	73 (73.0%)	100 (100.0%)
Business	07 (07.0%)	29 (29.0%)	36 (36.0%)
Paid employment	08 (05.0%)	32 (32.0%)	40 (40.0%)
Others	00 (00.00%)	00 (00.00%)	00 (00.00%)

#### **4.2.6 Status of Paid Employment**

The financial liberation improves quality of life as determined by an individual's paid employment and the incomes derived from it (Bee, 2007). Paid employment of an individual also reflect the way an individual socializes in a particular fashion which in turn reflects the pattern of behaviours and level of understanding of particular phenomenon. In other words the person's response to a problem is possible determined by the type of occupation an individual is engaged in and that's why variable paid employment was investigated in this study. The results in table 4.5 shows that 40.00% (n=40) are employed which means 60.00% (n=60) are not employed.

**Table 4.6: Distribution of the employed respondents by marital status**

Marital status	Employed respondents	
	Frequency	Percentage
Married	33	75.0
Un-married	07	25.0
<b>Total</b>	<b>40</b>	<b>100</b>

Moreover, among the employed, 82.50% are married while only 17.50% are unmarried. This result is in line with what Haule (2015) found that the married couples are more concerned about getting employed, through self-employment to support their husbands or wives in order to solve financial difficulties around their families. Again, these findings are supported by findings from the household budget survey of 2007 which shows that 59.7% of the adults aged fifteen years and above were married while 28.2% were single. In Tanzania by 2007, widowed were 6.2% while 5.8 were divorced.

**Table 4.7: Distribution of the employed respondents by education levels**

Education level	Respondents		
	Total respondents	Employed Frequencies and percentage	Not employed Frequencies and percentages
Primary education	42	00(00%)	42(42%)
O-level education	32	14(43.75%)	18(56.25%)
A-level education	08	08(100%)	0(0%)
Dip/certificate	12	12(100%)	0(0%)
Degree	06	06(100%)	0(0%)

Moreover, education level has impact on individual employability in the society. As this study found that smallholder farmers with degree, diploma, certificate and advanced secondary school education were all (100.00%) employed. Twenty four of them are teachers, nine nurses, five village executive officers and two were ward executives. Also, Mdoe and Macha (2002), Haule (2015), Mazengo (2011), and Daniel (2007) found similar results.

#### 4.2.7 Business Activities of the Respondents

Business activities of smallholder farmers were considered in this study to determine their multiple means of earning a living. Smallholders were asked to mention the type of enterprises they were running. The results in table 4.8 indicate that 36.00%; (n=36) were engaged in business activities besides being farmers. Among them 77.77% (n=28) were in small scale category who had loans ranging between 100,000 TZS to 1 million TZS (see figure 4.3). Most of these farmers in small scale category run businesses such as garments, food and cash crops, restaurant and agribusiness. On the other hand, about 22.33.00% (n=08) were in a medium scale category with loans of up to 5.00 million TZS. Smallholders in the latter category apart from buying agricultural inputs used their loans for running bar and whole sale businesses. In terms of gender, it has been observed that most women smallholder farmers were engaged in garments, bar and restaurant businesses while men were engaged in selling crops.

**Table 4.8: Business Size and Loan Amount Accessed**

<b>Business type</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Loan amount accessed</b>
Small enterprises	28	77.77	100 000-1.0 Million
Medium enterprises	08	22.33	Up to 5.0 Million

These results are in line with ILO (2003) that women entrepreneurs experience upward mobility in terms of formalization, employment growth and size of business established in a given period of time, for supplementing incomes, or enjoyment of the work they are doing by using existing competencies. Also, Kasango (2014), in his study on contribution of women enterprises in job creation to female youth in Singida urban found that 10% of women were involved in trading sector including owning wholesale shops, bar and restaurant.

**Table 4.9: Types of Businesses activities of respondents**

<b>Type of business</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Garments	08	22.33
Food and cash crops	05	13.88
Bar	04	11.11
Restaurant	12	33.33
wholesale	07	19.44
<b>Total</b>	<b>36</b>	<b>100</b>

Some supply soft drinks and alcoholic beverages on a retail and wholesale basis. On the other hand, some of them involved in selling cosmetics, foodstuffs, plastic wares and kitchen utensils on retail and wholesale basis. Moreover, the findings by Kasango (2014) indicated that 25.5 % were involved in business venture including catering services, restaurants, snack shops and bakeries, dressmaking, hairdressing, food and cash crop processing such as sunflower oil processing whereas 32.7 % of them were in processing entrepreneurial sector like preservation of fish by smoking, drying or salting. The interviews with the women revealed that they buy fish from the fishermen and preserve it by smoking, sun-drying or salting.

On the other hand, Kasango (2014) observed that, 10.9 % were involved in manufacturing sector including handicraft making earrings, assorted bead making and pottery making, soap, detergent, cosmetics and shampoo production. Moreover, 17.3 % were involved in industry sector such fabrics, for example the batik, and tie and dye making. The involved in these ventures are innovative and have the abilities and skills to blend different colors to produce beautiful fabric. Finally, 3.6% of the respondents involved in service sector especially education sector including niche markets in the area of pre-schools (childcare), vocational schools which cater for school drop-outs, who otherwise would be on the streets without any skills.

Contrary to this, the study conforms to a study conducted by Ismail (2016) at Kibaigwa international maize market found that male farmers are mostly involved in business of selling food as well as cash crops. In general, the majority entrepreneurs get involved in small businesses, and this may be attributed by the fact that, they require low start up cost, low technical skills and also the businesses fetches many customers and they are easy to obtain low materials in the area of operation.

#### **4.2.9 Business Experience of Respondents**

The study found that most of smallholder farmers 69.44.00% (n=25) at Kiteto District have business experiences of six to 20 years where by 37.44% (n=13) have six to 10 years experience in business and 32.00% (n=12) possess 11 to 20 years experience. A smallholder farmer with more than six years experience is far better in handling business activities and is likely to work efficiently than a newly one. The findings of the study is similar to what Haule (2015) found in Morogoro. Also, the study is in line with entrepreneurship readiness curve. According to entrepreneurship readiness curve the period between 20 and 32 years is a time for rapid increase in experience, competence and self-confidence while the period between age 32 and 43 years is the time of rapid increase in the financial and other assets shift in values to encompass other areas in addition career, therefore, given those presuppositions.

**Table 4.10: Experience in income generating activity (Business Experience)**

Experience in years	Frequency	Percentage
01-05	05	13.89
06-10	13	36.11
11-20	14	38.39
21+	04	11.11
<b>Total</b>	<b>36</b>	<b>100</b>

#### **4.3 Perception of Smallholder Farmers toward VICOBA Loan Services**

Village community banks have lately been criticized by many clients and well wishers for not delivering on their earlier promise and expectations. So based on that a livelihoods framework developed by the Department for International Development (DFID), was used to measure the perceptions of the impact of the VICOBA, by focusing on the capital assets of smallholder farmers. Impact on the financial capital (household income), physical capital (household assets), human capital (health and education), natural capital (access to land and to water) and social capital (networking, support base) of smallholder farmers was assessed so that the overall impact on smallholder farmers' livelihoods could be ascertained. The findings of the study are based on this analysis of impact on each of the five livelihood capital assets of surveyed smallholder farmers. The findings of the study shows that 66.00% (n=66) of all smallholder farmers access micro loan occasionally which is not more than twice a year while about 34.00% (n=34) of smallholder farmers said they access micro loans frequently which is more than three times a year.

According to Yunus (1999), Kessy and Urio (2006) and Kato and Kratzer (2013), the intention of the existence of VICOBA have found to be disadvantaged. Similarly, this study found that VICOBA at Kiteto District aim at helping the smallholder farmers in improving their income. This was confirmed by 92.00% (n=92) of surveyed smallholder farmers who said that VICOBA are helpful to them. However, 08.00% (n=08) of smallholder farmers pointed out that VICOBA haven't helped them at all since started using their financial services. On the other hand, when asked to agree to the extent that VICOBA have helped them, 46% (n=46) strongly agreed that VICOBA are helpful to them and 44.00% (n=44) agreed that VICOBA are helpful in rising their income. Contrary to that, 06.00% (n=06) disagreed that VICOBA are helpful and 02.00% (n=02) strongly disagreed. Furthermore, the study found that 02.00% (n=02) smallholder farmers are not sure of whether VICOBA have impact on their income and businesses or not. When asked if they will recommend a friend a relative to VICOBA services 88% of smallholder

farmers said yes they will recommend other as feel proud to served by VICOBA. On the contrary, 12% said they will not recommend anyone to access VICOBA services.

Moreover, about the ways in which VICOBA has helped smallholder farmers in Kiteto district, the study found that financial capital in terms of household income and business capital of about 92.00% (n=92) smallholder farmers have increased. This finding is similar to what Denanyoh et al. (2013) and Gedion et al. (2015) found. Not only that but also VICOBA have helped smallholder farmers in different ways such that poverty reduction 84.00% (n=84), to acquire physical capital such as household assets 69.00% (n=69), to raise human capital in terms of affording better health facilities and to pay for children education 71.00% (n=71). Also, about 64.00% (n=64) of smallholder farmers said that VICOBA have helped them acquire land by giving them the ability to pay for the land something which they hadn't before. Lastly but not least, VICOBA have impacted Kiteto smallholder farmer's social standpoint by connecting them with not only farmers in other parts of Kiteto but also farmers from other parts of Manyara region as well as the whole country. These networks enabled smallholder farmers to interact both socially but also economically in a broader area. This finding has been confirmed by 78.00% (n=78) of surveyed smallholder farmers in Kiteto district. These results are in line with what Wrenn (2007) found.

Whether VICOBA is the best way to increase income or not is not answered in this thesis, but it concludes that it can be one useful tool, though several things can be improved in many of the VICOBA subject of this study in order to work more effectively and contribute to improving household income to a larger extent. This study shows a general agreement among the interviewed smallholder farmers that even though it does not lead directly to increasing their income these member-based MFIs are helpful and this might indicate, in accordance with some of the earlier research, that they are needed to help people not to become more and deeper stuck in poverty. VICOBA is not only positive or negative, for example it depends on how are operating, on the knowledge among the members and how investments are made. This study indicates that microfinance is not the only way and cannot alone lead to improvement of smallholder farmers' income.

**Table 4.11: Perception of smallholder farmers toward VICOBA loan services**

Question	Category	Frequency	Percentage (%)
How often do you access micro-loans in a year?	Occasionally	66	66.0
	Frequently	34	34.0
Are VICOBA helpful to you?	Yes	92	92.0
	No	08	08.0
If they are, how have they helped you?	Increase financial capital	92	92.0
	Decrease poverty	84	84.0
	Increase physical capita	69	69.0
	Increase human capital	71	71.0
	Improve social capital	78	78.0
	Increase natural capital	64	64.0
	Do you agree VICOBA are helpful to you?	Strongly agree	46
	Agree	44	44.0
	I don't know	02	02.0
	Disagree	06	06.0
	Strongly disagree	02	02.0
How has VICOBA impacted your life?	Positively	92	92.0
	Negatively	08	08.0
Can you recommend a friend or relative to borrow from VICOBA?	Yes	88	88.0
	No	12	12.0

On the other hand, the study cross referenced respondents business size and how often they access loans and it was found that 42.86% (n=12) of smallholder farmers who own small firms accessed loans so frequently and 100.00% (n=08) of smallholder farmers are in medium size businesses did the same. This phenomenon has described by differences

business volume as per investment and turnover which influences the ability of a business to repay loans. The medium sized businesses have greater volume of business and their level of investment provide them with ability to repay their loans than small businesses. Also, similar results were reported by Nawai and Shariff (2010) and (2013); Ochung (2013), Njangiru, Maingi and Muathe (2014) and Haule (2015).

**Table 4.12: Cross reference of business size and frequency of accessing loan**

Business Size	Total respondents by business size	Frequency of Accessing loan			
		Loan accessed occasionally		Loan accessed frequently	
		Frequency	Percentage	Frequency	Percentage
Small enterprise	28	16	57.14	12	42.86
Medium enterprise	08	00	00.00	08	100

Moreover, the study cross tabulated smallholder farmers characteristics with their perceptions of VICOBA to find how variations in sex, age, household size, marital status, paid employment, education level and possession of business can have a different outlook on VICOBA. The analysis revealed that age of respondents, their educational level, the number of children they have and experience in IGAs are major determinants of their views, perception and satisfaction of the micro credit scheme and by implication the nature of impact the loan has on them.

For the case of age groups, during cross referencing a researcher categorises them in two groups: young smallholders aged between 26-45 years and old smallholders aged 46 years and above. On question of how often smallholder farmers access loans for their use, there was a significant difference between the views of younger and older smallholder farmers. The findings show that 77.77% (n=42) of young smallholder farmers access loans occasionally while 52.17% (n=24) of older smallholder farmers did access loans occasionally. On the other hand, 47.73% (n=22) of older smallholder farmers accessed loans frequently while only 22.33% of younger smallholder farmers accessed loans frequently. The immense experience in agricultural activities as well as in business is the factor which contributed to older smallholder farmers to accessed loans so frequently (Bwamwojo, 2013; Kanoni, 2015). Moreover, the old farmers have enough assets to use as collateral than the young ones. The fact here is with experienced old smallholder farmers were able to take loan and repay in time as a result they were able to take loans frequently. This was confirmed during KIIs with MFI officials. Furthermore, Roy (2014) and Ugiagbe (2014) established similar results.

**Table 4.13: Cross reference of age with smallholder farmers perception toward VICOBA**

Question	Response	Age groups			
		26-44		45+	
		Frequency	Percentage	Frequency	Percentage
How often do you access loan?	Occasionally	42	77.77	24	52.17
	Frequently	12	22.33	22	47.73
	Total	54	100.0	46	100.0
Are VICOBA helpful to you?	Yes	48	88.88	44	95.65
	No	06	11.12	02	04.35
	Total	54	100.0	46	100.0
Can you recommend a friend or relative to VICOBA loan?	Yes	44	81.48	44	95.65
	No	10	18.52	02	04.35
	Total	54	100.0	46	100.0
How have VICOBA impacted your life?	Positive	48	88.88	44	95.65
	Negative	06	11.12	02	04.35
	<b>Total</b>	<b>54</b>	<b>100.0</b>	<b>46</b>	<b>100</b>

Moreover, on the question of whether VICOBA are helpful to them, there was no significant difference between the views of the younger and older smallholder farmers. For example 88.88 (n=48) of younger smallholder farmers said Yes that VICOBA are helpful to them, while 44 (95.65%) of older smallholder farmers also said Yes to the question of whether VICOBA are helpful. Similarly, De Goey (2012) and Roy (2014), found out that community perception about microfinance is good as they see VICOBA as their engine out of poverty and oppression. They further pointed out that microfinance plays significant role in smallholder farmers' life. On the contrary, 11.12% (n=06) of younger farmers said that VICOBA are not helpful at all, while 04.35% (n=02) of older respondents also said that VICOBA are not there to help at all. A look at the chi square value ( $\chi^2 = (N = 100, df = 2) = .063, PC .553$ ), shows that the perception of the respondents on the questions of whether MFI are not there to help was not affected by their age or experiences in life.

In addition to that, there is again no significant difference among young and old smallholder farmers on the question about whether they will recommend a friend or a relative to VICOBA loan. The results of this study shows that 81.48% (n=48) of younger and 95.65% (n=44) of older smallholder farmers agreed that they will recommend a friend or a relative to acquire loan from VICOBA. Also, when asked VICOBA loan have impacted their lives 88.88% (n=48) of young and 95.65% (n=44) of old smallholder farmers pointed out that VICOBA have positive effect in their lives. On the contrary, 11.12% (n=06) of younger smallholder farmers and 04.35%( n=02) of older smallholder farmers said that VICOBA are not helpful to them and have impacted negatively in their lives. Chi square value at test to this ( $\chi^2 = (N = 100, df = 2 = .184, PC .356)$ ). In line with the study, Long (2009) found that the community in Yaoundé Cameroon has positive attitude toward VICOBA as the tool to lift the poor from destitute situation. Responding to these perceptions VICOBA extended their services and increases the depth of their outreach to the poorer. The similar results were found by Roy (2014) and Gilal, (2011). Moreover, De Goey (2012) conducted a study in Dar es Salaam, Tanzania and found that the VICOBA contributed to positive changes in the well-being of community.

Moreover, the study uncovers the perception of females which is extremely contrary to males in terms of “in what ways VICOBA helps them (Ahlen, 2012). Contrary to that, the study has found that there is no significant difference between women and men smallholder farmers perception regarding to impact of VICOBA in their income. The study found that about 55.55% (n=15) of male and 69.89% (n=51) of female smallholder farmers have accessed loans occasionally while 44.45% and 30.11% of male and female smallholder farmers accessed loan frequently. Consequently, these loans has positive impact to 96.30% (n=26) of male smallholder famers and 90.41% (n=66) of female smallholder farmers. Due to this the smallholder farmers are happy to recommend their friends and relatives to acquire loans from VICOBA. This is confirmed by 92.59% (n=25) of male smallholder farmers and 91.78% (n=67) of female smallholder farmers. When asked they are ready to recommend the friends they said that VICOBA are helpful and they want to share the good thing with friends and relatives. Also, Roy (2014), Ugiagbe (2014), Gilal, (2011) and Long (2009) found similar results.

**Table 4.14: Cross reference of sex with smallholder farmers perception toward VICOBA**

Question	Response	Sex			
		Male		Female	
		Frequency	Percentage	Frequency	Percentage
How often do you access loan?	Occasionally	15	55.55	51	69.89
	Frequently	12	44.45	22	30.11
Total		27	100.0	73	100.0
Are VICOBA helpful to you?	Yes	25	92.59	67	91.78
	No	02	07.41	06	08.22
Total		27	100.0	73	100.0
Can you recommend a friend or relative to VICOBA loan?	Yes	25	92.59	67	91.78
	No	02	07.41	06	08.22
Total		27	100.0	73	100.0
How have VICOBA impacted your life?	Positive	26	96.30	66	90.41
	Negative	01	11.12	07	09.59
<b>Total</b>		<b>27</b>	<b>100.0</b>	<b>73</b>	<b>100</b>

In case of business experience, smallholder farmers with more than six years experience are far better in handling business activities and are efficient than farmers with experience of less than six years. Therefore, perception of a respondent toward VICOBA who is less experienced in business engagements can be different from a respondent with more experience (Roy, 2014). Therefore, conforming to the view that more experienced business persons tend to positively tilt their views in favour of the micro credit scheme, this study found that 93.55% (n=29) and 20.00% (n=01) of smallholder farmers with more than six years experience and smallholder farmers with less than six years experience have been frequently (more than two times) accessed loans respectively. Also, there is a significant difference between smallholder farmers with less than six years experience and those with more than six years experience about the question of whether VICOBA are helpful to them. Findings shows that 96.78% (n=30) of smallholder farmers with more than six years experience said that VICOBA are there to help as contrasted by 60% (n=03) of smallholder farmers with less than six years experience in business. Also, Roy (2014), Ugiagbe (2014), Gilal, (2011) and Long (2009) found similar results.

**Table 4.15: Cross reference of business experience with perception toward VICOBA**

Question	Response	Business experience			
		≤05 years		≥06 years	
		Frequency	Percentage	Frequency	Percentage
How often do you access loan?	Occasionally	04	80.00	02	06.45
	Frequently	01	20.00	29	93.55
	Total	05	100.0	31	100.0
Are VICOBA helpful to you?	Yes	03	60.0	30	96.78
	No	02	40.0	01	03.22
	Total	05	100.0	31	100.0
Can you recommend a friend or relative to VICOBA loan?	Yes	03	60.0	30	96.78
	No	02	40.0	01	03.22
	Total	05	100.0	31	100.0
How have VICOBA impacted your life?	Positive	04	80.00	29	93.55
	Negative	01	20.00	02	06.45
	<b>Total</b>	<b>05</b>	<b>100.0</b>	<b>31</b>	<b>100</b>

Again, on the question about how VICOBA have impacted their lives, 93.55% of smallholder farmers with more than six years said that VICOBA have positively impacted their lives while 80.00% of respondents with less than six years experience did the same. Similarly, about 20.00% of respondents with less than six years experience claimed that VICOBA have impacted their lives in a negative way as contrasted by 06.45% of smallholder farmers with more than six years. Also Roy (2014) found similar results. As to whether smallholder farmers will recommend their relatives and friend to VICOBA loans, the study found that 60% of smallholder farmers with less than six years experience were ready to recommend friends and relative to VICOBA loan while 96.78% of respondents with more than six years experience said will do the same. On the contrary, 40% of respondents with less than six years experience said that cannot recommend a friend or relative to VICOBA loans as opposed by 03.22% of respondents with more than six years experience.

In case of household size and smallholder farmers perception toward VICOBA, the cross tabulation shows that there is significant difference between respondents large family and small family. The study found that 65.83% (n=24) of respondents with 0–3 children said that they access loan so frequently while 17.54 (n=10) of respondents who have four and more children pointed out the same. On the other side, 82.46% of respondents with four and more dependants accessed loan occasionally while only 44.17% of respondents with less than three dependants accesses loan occasionally. The chi square values of the analysis attest to this ( $\chi^2 = (N = 100, df = 2) = 4.825, PC .011$ ). This value shows that there is a significant difference between the smallholder farmers with three or less children and smallholder farmers with more than four children.

Moreover, the study found that 100% (n=43) of small farmers who have not more than three dependants said that VICOBA loans have positively impacted their lives while of all respondents with four children and above 85.17% (n=49) said the loans have positively impacted their lives. Low response of respondents with more dependants is due to the fact that reason the burden of sponsoring the four or more children in school coupled with other sundry expenses on food, housing, health and clothing amongst others may have given their businesses and financial standing a serious beating and a negative impact. That is why due to the burden of caring for large family VICOBA loan seems to negatively affect their ability to rise their income. As a result, they accessed loans less frequently.

**Table 4.16: Cross reference of household size with smallholder farmers perception toward VICOBA**

Question	Response	Household size (number of dependants)			
		≤03		≥04	
		Frequency	Percentage	Frequency	Percentage
How often do you access loan?	Occasionally	19	44.17	47	82.46
	Frequently	24	65.83	10	17.54
	Total	43	100.0	57	100.0
Are VICOBA helpful to you?	Yes	41	95.35	51	89.47
	No	02	04.65	06	10.53
	Total	43	100.0	57	100.0
Can you recommend a friend or relative to VICOBA loan?	Yes	41	95.35	51	89.74
	No	02	04.65	06	10.53
	Total	43	100.0	57	100.0
How have VICOBA impacted your life?	Positive	43	100.00	49	85.97
	Negative	00	00.00	08	14.03
	<b>Total</b>	<b>43</b>	<b>100.0</b>	<b>57</b>	<b>100</b>

Moreover, level of education was also cross tabulated against small holder farmers perceptions. The investigation of the respondents view whether VICOBA are helpful or not. Education wise the five groups were reduced to three; primary, secondary (O and A-Level secondary education) and tertiary (certificate, diploma and degree). The results of the study shows that 88.11% (n=37) of the respondents with primary education said yes VICOBA are helpful to them. The similar view is shared by respondents with secondary education as well as respondents with tertiary education as 92.50 (n=37) and 100 (n=18) provided a similar observation. In terms of how often they access VICOBA loans; there is a slight difference between respondents. About 80.95% and 87.50 of those with primary and secondary education respectively said that they access loans occasionally while 61.11% (n=11) of respondents with tertiary education do the same. This might contributed to the fact that respondents with tertiary education can easily repay their loans because they depend on multiple sources of income such as paid employment and business. Similar results were found by Yunus and Weber (2007), Haule (2015), Kanoni (2015), Roy (2014).

Similarly, smallholder farmers with secondary education 88.24% (n=31), advanced secondary education 84.62% (n=11), Diploma and or Certificate 81.82% (n=09) and University education 100% (n=06) said yes that VICOBA are there to help them. On the question of whether VICOBA has positively or negatively impacted their lives, 26 (72.22%) and 26 (76.47%) of respondents with primary and ordinary level secondary education said that VICOBA have impacted their lives positively. Moreover, 85.71% (n=37) of smallholder famers with primary education, 97.50%(n=39) who possess secondary education and 94.44% (n=17) of respondents with a tertiary education agreed that VICOBA has been helpful to their lives and so they have positive impact. This shows that levels of education have no significant difference in the perception of the respondents. Chi square value of analysis attests to this  $\chi^2 = (N = 100, df = 2) = 09.865$ , PC .001.

**Table 4.17: Cross reference of education level with smallholder farmers perception toward VICOBA**

<b>Question</b>	<b>Response</b>	<b>Question</b>	<b>Response</b>	<b>Question</b>
How often do you	Occasionally	34(80.95 %)	35(87.50%)	11(61.11%)
access loan?	Frequently	08(19.05%)	05(12.5%)	07(38.89%)
Total		42 (100.0%)	40 (100.0%)	18 (100.0%)
Are VICOBA helpful	Yes	37(88.11%)	37(92.50%)	18(100.00%)
to you?	No	05(11.89%)	03(07.50%)	0(00.00%)
Total		42 (100.0%)	40 (100.0%)	18 (100.0%)
Can you	Yes	37(88.11%)	36(90.00%)	15(83.33%)
recommend a friend	No	05(11.89%)	04(10.00%)	03(17.67%)
to VICOBA loan?				
Total		42 (100.0%)	40 (100.0%)	18 (100.0%)
How has VICOBA	Positive	36(85.71%)	39(97.50%)	17(94.44%)
impacted your life?	Negative	06(14.29%)	01(02.50%)	01(05.56%)
Total		42 (100.0%)	40 (100.0%)	18 (100.0%)

Moreover, the study investigated the perception of married respondents which is contrary to unmarried in the ways VICOBA helps them (Bee, 2007; Manongi, 2013; Ngalemwa, 2013; Kanoni, 2015). As expected the study found that there is a greater significant difference between married smallholder famers and unmarried smallholder farmers' perception on the subject of the impact of VICOBA in their income generating activities. The study found that about 85.55% of married smallholder farmers and 49.89% of unmarried smallholder farmers have accessed loans occasionally while 14.45% and 50.11% of married and unmarried smallholder farmers accessed loan frequently. This must be attributed by responsibilities married farmers have than unmarried. Also, the married are favoured by the VICOBA due to the security purposes that they are less mobile compared to unmarried and so they are not denied to access loan.

Consequently, these loans have positive impact to 96.30% of married smallholder famers and 90.41% of unmarried smallholder farmers. Due to this the smallholder farmers are happy to recommend their friends and relatives to acquire loans from VICOBA. This is confirmed by 94.59% of married smallholder farmers and 93.98% of unmarried smallholder farmers. These results are shared by Roy (2014), Ugiagbe (2014), Gilal, (2011) and Long (2009) who found similar results.

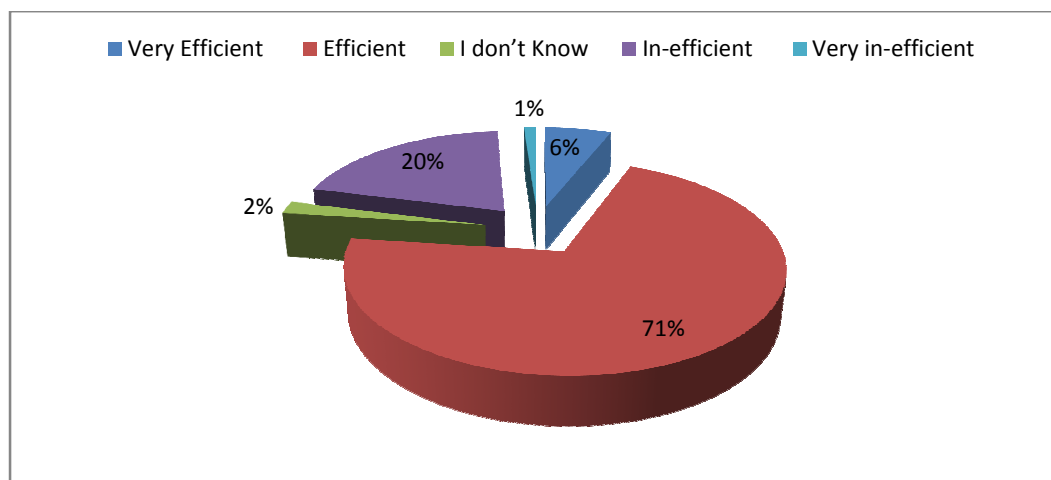
For the cross reference of paid employment and smallholders perceptions, the study found that respondents who possess a paid employment see VICOBA differently. On question of how often smallholder farmers access loans for their use, there was a significant difference between the views of respondents who are in a paid employment and smallholder farmers who are not. The findings show that 87.77% of employed smallholder farmers access loans occasionally while 47.17% of unemployed smallholder farmers did access loans occasionally. On the other hand, 52.73% of unemployed smallholder farmers accessed loans frequently while only 12.33% of employed smallholder farmers accessed loans frequently. The immense knowledge and experience in agricultural activities as well as in business is the factor which contributed to employed smallholder farmers to accessed loans so frequently (Bwamwojo, 2013; Kanoni, 2015). Moreover, the employed smallholder farmers have enough assets to use as collateral (such as salary) than the unemployed ones. This was confirmed during KIIs with MFI officials. Furthermore, Roy (2014) and Ugiagbe (2014) established similar results.

In general, the analysis revealed that age of respondents, their educational status, the number of times they have accessed the loans for business ventures and the number of their children are major determinants of their views perception and satisfaction of the micro credit scheme and by implication the nature of impact the loan has on them. Experience matters a lot here as evidence by the older respondents and those have accessed the loan more than twice all tend to positively tilt their views in favour of the micro credit scheme. While the burden of caring for large family seems to negatively affect the impact the loan has on their lives.

#### **4.4 Contribution of VICOBA to Access of Micro Loans among Smallholder Farmers**

Access to VICOBA loans was found to be moderately better as it take around three weeks for a smallholder farmer to get a loan. However, respondents were further asked to provide their perception on the effectiveness of VICOBA in giving loans. The ability in providing loans was ordered from very efficient, efficient, i don't know, in-efficient and very in-efficient. The results indicated that majority of smallholder farmers 77.00 % (n=77) whereby 71% (n=71) perceived that loan provision services was efficient and 06% (n=06). This finding is in line with Rweyemamu (2003) and Kessy and Urjo (2006) who found that VICOBA in Tanzania are the fastest growing financial institutions (FIs) and the best in industry to serve the poor and disadvantaged groups within the society. Contrary to that is Chijoriga (2008) who without doubt found that FIs in Tanzania are not efficient.

**Figure 4.3: Efficiency of VICOBA in provision of loans**



The formal and informal financial institutions aim at eradicating poverty by ensuring community people have access to capital for the purpose of improving their economic activities such as agriculture and commerce (Cabon, 2002). It is believed that microfinance enables smallholder farmers to easily access credit facilities without collateral (IFAD, 2003a). In 2007, more than 100 million of the world's poorest families received a microloan worldwide (Daley, 2009). Generally, access to microloans could be very essential in income poverty alleviation of those poor rural households that cannot access credit from the formal financial institutions such as banks due to a lack of collaterals. The establishment of microfinance institutions was thus important as they can provide loans to the active poor people with soft conditions that take into consideration the need and capacity of the poor. As part of the solution, different organizations have assisted people in formation of informal/formal groups and associations like SACCOS and VICOBA program (MoFEA, 2009).

The improved access to finance and financial services creates income-generating capacity which may enable the poor to access all the development requirements to get out of poverty and reduce their vulnerability to unexpected events (Nyamsogoro, 2010). Financial institutions should ideally provide low-cost and accessible channels for transfer of remittances, which are crucial to the coping strategies of many rural households (Orozco, 2003). VICOBA like any other micro-finance scheme are saving and micro-finance groups which target low-income community members to encourage saving and provide access to micro-loans for small enterprises development (SEDIT, 2010). Results show that most of VICOBA members joined the scheme in order to access credit and they acknowledged to have benefited as per their expectations. About 74.0% (n=74) said yes they access VICOBA loans from their areas where they live and about 92.0% (n=92) agreed that they have benefited from VICOBA loans.

**Table 4.18: Accessibility of VICOBA loan to smallholder farmers**

Question	Response	Frequency	Percentage (%)
Do you access VICOBA loan at your area?	Yes	74	74.0
	No	26	26.0
Before VICOBA, where did you access loans?	SACCOS	23	23.0
	Bank	02	02.0
	NGO	48	48.0
	Other	27	27.0
Was it easy for you to join VICOBA and became a member?	Strongly agree	24	24.0
	Agree	51	51.0
	I don't know	00	00.0
	Disagree	23	23.0
To what extent do you think VICOBA has improved access to loan?	Strongly disagree	02	02.0
	Strongly improved	16	16.0
	Improved	77	77.0
	I don't know	00	00.0
	Un-improved	07	07.0
Have you benefitted with VICOBA loans?	Strongly un-improved	00	00.0
	Yes	92	92.0
	No	08	08.0

Moreover, the results of the study shows that before VICOBA were established in Kiteto District most smallholder farmers, 48.0% (n=48), were accessing loan from financial institutions registered as NGOs. Others accessed loan from SACCOS, 23.0% (n=23) and 02.0% (n=02) from commercial banks. Furthermore, the study found that smallholder farmers accessed loans from other means such as self financing and lending from relatives, friends and from individual lenders. These results are in line with Ahlen (2012), Ngalemwa (2013), Jason (2014) and Haule (2015). On the contrary, Skees (2003), Von Pischke (2003), Robert *et al.* (2008), Ledgerwood (2009) and Nyamsogoro (2010) found that it is difficult for VICOBA members to access sufficient loans for buying agricultural inputs. Rural entrepreneurs therefore find it difficult to access funds and have to rely largely on self-financing when they want to invest (Haule, 2015).

Regarding the easiness to join VICOBA and became a member, 24.0% (n=24) of smallholder farmers strongly agreed that it was easy for them to join VICOBA and 51.0% (n=51) agreed that it was easy to join VICOBA and become a member. On the contrary, about 25% (n=25) of which 23.0% (n=23) said that they don't agree it was easy for them to join VICOBA while 02.0% (n=02) said that they strongly disagree. This is because joining VICOBA sometimes is difficult because smallholder farmers are scattered in deep

village locations where it is impractical to reach them. Not only that but also, most smallholder farmers are poor such that are not attracting to VICOBA.

In addition to that, as to what extent VICOBA has improved access to loan, 16.0% (n=16) said that VICOBA has strongly improved smallholder farmers' access to loan. Also, 77.0% (n=77) of smallholder farmers pointed out that VICOBA have improved the access of loan. On the other hand, about 07.0% (n=07) said that VICOBA have not improved the accessibility of loan to smallholder farmers. These results are shared by Borode, (2011), Ngalemwa (2013) and Jason (2014) who found that VICOBA have benefited smallholder farmers in reducing their income poverty by playing an important role in enabling the poor to save and access credits. On the contrary, Nyamsogoro (2010) found that smallholder farmers often have little access to credit and savings service even if they are able to save. They can't provide collateral for credit and are therefore often not even served by financial institutions (Nyamsogoro, 2010).

#### **4.5 The Influence of VICOBA to Income of Smallholder Farmers**

The impact of VICOBA loan on smallholder farmer's income was estimated using linear multiple regression model and the econometric results are presented in table 4.19. The F-statistic which measures the overall significance of the estimated parameters is statistically significant ( $\text{Prob} > F = 0.0000$ ), which implies that the estimated parameters are not jointly equal to zero; hence it is a good model. The R-squared of 0.4002 and adjusted R-squared of 0.3649 are consistent with collected cross sectional data.

The econometric model was used to analyse the third specific objective of the study 'To determine the contribution of VICOBA loan in smallholder farmer's income among VICOBA members'. In the model, smallholder farmers' income was used as a proxy for smallholder farmer's income and was the dependent variable. Land ownership was captured as a dummy (=1 if land is owned by a farmer, 0 = otherwise). Empirical results suggest that VICOBA loan has no significant effect on smallholder farmers' income. This result is in line with what De Goey (2012); Nkya (2006); Okurut and Bategeka (2006); Maleko et al. (2013); Banerjee et al (2013); Coleman (1999) and Mushi (2004) found in their studies conducted both within and outside Tanzania. Moreover, the partial correlation of smallholder farmers' income and VICOBA loan adjusting for the effects respondent individual characteristics and household characteristics was estimated and the results suggest that it was statistically insignificant with p-value = 0.8456 as shown in table 4.20). The partial correlation results are consistent with the regression model results which suggest that VICOBA has no significant effect on smallholder farmers' income.

**Table 4.19: Econometric results on impact of VICOBA on smallholder farmers' household income**

<b>Dependent Variable: smallholder farmers' household Income</b>				
<b>Independent Variables</b>	<b>Coefficient</b>	<b>t-value</b>	<b>p-value</b>	<b>Significance level</b>
Household size	-0.0314	0.10	0.911	
VICOBA loan	-0.0782	0.55	0.574	
Education level	0.7400	3.69	0.000	0.01
Technology	0.0651	3.19	0.002	0.01
Inputs	0.0417	0.08	0.930	
Land ownership	-0.0840	0.51	0.629	
Paid employment	0.7010	2.76	0.059	0.01
Constant	5.7646	3.49	0.002	0.01
Number of observation	100			
F (5,95)	11.02			
Prob>F	0.0000			
R –squared	0.4102			
Adjusted R- squared	0.3802			

The insignificance of the coefficient of the land dummy may be accounted for by the terms of hiring land in Kiteto. The fees for hiring land in Kiteto is higher than other places in Manyara region and is the second for higher land fee preceded by Moshi in Kilimanjaro region. The charge for hiring an acre is standing between 100,000 TZS to 200,000 depending on the position/location of the land and its fertility. The payments are on yearly basis but since smallholder farmers depend on rain for their agricultural activities this amount are extremely high. In addition to that, the loan amounts smallholders secure from VICOBA are also small on average and are used mainly for consumption smoothing as opposed to productive investment that can lead to substantial increases in income flows to the households. Interest rate is so high too. So, high interest rates on VICOBA loans and given the size of loans, smallholders are likely to found themselves in a poverty trap of creating a vicious cycle of debt. This is mostly attributed among the borrowers, especially in the event that they are conditioned to borrow more loans to pay off earlier loans, hence may lead to worsening of their income.

Therefore, these results call for a regulatory framework for interest rates charged and land hiring fees for agricultural purposes so as to enhance smallholder farmers income and ultimately their household welfare. However, these results are in sharp contrast to Okurut et al. (2013); Nichols (2004) and Gedion et al. (2015) who in their study reported that VICOBA loans have a positive and significant effect on poor's income and hence welfare.

**Table 4.20: Partial Correlation of Total smallholder farmers Income and Access to Microfinance**

Variable	Partial correlation	Semi partial correlation	Partial correlation squared	Semi partial correlation squared	p-value
Smallholder farmers size	0.0529	0.0500	0.0030	0.0023	0.5222
VICOBA Loan	0.0140	0.0129	0.0002	0.0002	0.8456
Number of dependants	-0.0989	-0.0929	0.0099	0.0090	0.2290
Education level	0.0666	0.0637	0.0050	0.0040	0.4122
Married	0.0710	0.0666	0.0050	0.0044	0.3884
Unmarried	-0.1466	-0.1380	0.0214	0.0190	0.0740
Sex	-0.0190	-0.0177	0.0004	0.0003	0.8181
Business experience	-0.0289	-0.0272	0.0007	0.0007	0.7254
Household assets	0.1930	0.1826	0.0372	0.0342	0.0176
Age	-0.1030	-0.0966	0.0103	0.0092	0.2120
Paid employment	0.1053	0.0981	0.0109	0.0096	0.2032
Type of business	-0.0082	-0.0073	0.0001	0.0001	0.9263

Education level has a positive and significant effect on smallholder farmers income at 0.01 level of significance. This result is consistent with expectations because education enhances human capital development which increases its productivity, thereby increasing the income earning potential which increases smallholder farmers welfare.

Also, Ifelunini and Wosowei (2012) found education level has positive impact on income of the poor. Therefore, the current government policy initiatives of improving the quality of education must go a long way in enhancing smallholder farmers' welfare. In addition to that, paid employment has a positive and significant effect on income of smallholder farmers at 1 percent significance level. The policy implication of this result is that continuous creation of employment opportunities in the public and private sectors is very critical in improving farmers' income. The current government policy initiatives of diversifying the economy are in the right direction of creating more employment opportunities.

Apart from education and employment, also the technologies that farmers use in their agricultural production have a positive and significant effect on smallholder farmers' income at 1 percent significance level. The findings are in line with what Mushi (2000), Mdoe and Macha (2002) and Haule (2015) found. The intuition is that smallholder farmer's assets can boost the productivity of the farmers, hence lead to increased smallholder farmers household income. In addition, the creditworthiness of the smallholder farmers is enhanced by paid employment which increases their likelihood to borrow more for productive investment.

#### **4.7 Challenges Facing Smallholder Farmers in Accessing VICOBA Loans**

The study also investigated the challenges facing smallholder farmers in accessing VICOBA financial services. The smallholder farmers said that loan availability is good. Between the surveyed smallholder farmers, 68% (n=68) pointed out that loan is available while 32% (n=32) of smallholder farmers said that loan in availability is low. On the other hand, no one said loan availability is very low neither is highly available. This research concludes that the VICOBA loan is moderately available. These findings corroborate with the findings by Malamsha and Kimaro (2014) who found that without financial assistance, small farmers and artisanal fishermen cannot cope with temporary cash flow problems, and are thus slowed down in their desire to innovate and expand. The general perception is that access to external finance is critical for smallholder farmers, who may never have funds proportional to their ambitions. They also lack collateral, good reference, ability to repay the loan and insufficient income.

**Table 4.21: Smallholder farmers' accessibility to micro-credit**

<b>Are micro loans available to you?</b>	<b>Frequency</b>	<b>Percentage (%)</b>
i. Highly available	00	00.
ii. Available	68	68
iii. I don't know	00	00
iv. Un-available	32	32
v. Very un-available	00	00
<b>Total</b>	<b>100</b>	<b>100</b>

In addition, Rweyemamu *et al.* (2003), evaluated the performance and constrains facing MFIs in providing micro-credit in Mbeya and Mwanza regions. The primary data were collected through a formal survey of 222 farmers participating in the Agriculture Development Programme in Mbozi and the Mwanza Women Development Association in Ukerewe. In the analysis of their study the interest rates were found to be a significant barrier to the borrowing decision. Also farmers cited other problems like lengthy credit procurement procedures and the amount disbursed being in adequate and untimely acquisition of loans as reasons for non-repayment. According to Denanyoh *et al.* (2013), Kato and Kratzer (2013); Malamsha and Kimaro (2014) and Gedion *et al.* (2015), the challenges faced by smallholder farmers in accessing VICOBA loans are such that long procedures involved in application and long processing, delay in loan disbursement, requirement that a member must have accumulated savings, lack of security/ collateral, requirement that one must be a member of a group first, and high cost of acquiring loan.

In case of loan procedures, the study shows that about 62% (n=62) of all surveyed respondents said that long procedures in application and processing of loan is among challenges facing smallholder farmers in accessing VICOBA loans. They have to go through a lengthy procedure in order to access loan. Also, lack of collaterals was mentioned by 78% (n=78) as the leading challenge facing small holder farmers in accessing loans. The lack of collateral is however been smoothed by group lending where by all member groups must know each other and the group is liable when a member default. But still sometimes group member might need an assurance from members in case of default their savings remains safe. Among the conditions is that of possession of immovable assets and households valuables. It was mentioned that, for a client to obtain loan of a given amount they should have assets that are immovable and that can be easily sold out so as to recover the debts in case of customer's default.

Moreover, the study found that licensing and tax were mentioned by 63% (n=63) of smallholder farmers as one among the major challenges facing them in an attempt to access loan from VICOBA. Licensing and tax problem may be due to bureaucratic procedural and cost involved in processing, license tax and renewing license, a reason to

why some entrepreneurs tend to avoid/evade payment of taxes and/or business registration/licensing. It is a challenge to government authority concerned with provision of licenses to revisit rules and regulations to cope with trade and economic liberalization. Another big challenge mentioned by 78% (n=78) of smallholder farmers in accessing loan was found to be membership to groups registered by a VICOBA it is necessary to be a member in a registered group so that a farmer can be eligible to access VICOBA loan.

High interest rates was mentioned by 83% (n=83) of smallholder farmers as a very big challenge to access loan from VICOBA. Most of VICOBA charged higher rate of interest for the amount of loans they acquired. The study found that VICOBA charges an interest rate of about 10% to 30% per month. Also, the study found that 72% (n=72) of smallholder farmers agreed that delays in providing loan is also a very intriguing challenge in accessing loans. During the survey it was found that in order for smallholder farmer to secure loan must wait for not less than 21 days. It was observed that 21 days are too many because if a farmer requests a loan for agricultural it will be too late in case of short rainfall. Thus smallholder farmers require reduction in the bureaucracy of securing loans. In addition to that, 53% (n=53) of smallholder farmers said that deposition of savings in VICOBA is also a challenge. Usually, a smallholder farmer is required to deposit some agreed amount of money in the VICOBA in order to be eligible for a loan. But due to the poor financial capacity of smallholder farmers this requirement was found to impede their access to loan.

**Table 4.22: Challenges facing smallholder farmers to access VICOBA Loans**

<b>What are the challenges in accessing a loan from the VICOBA</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Licensing and tax	63	63.0
High interest rates	83	83
Difficult in joining VICOBA	78	78.0
Lack of physical collaterals	69	69.0
Delays in loan provision	72	72.0
Small amount of loan to poor	68	68
Market competition	42	42.0
Rental charges	38	38.0
Long procedures in application and processing of loan	62	62.0
Accumulation of savings in VICOBA	53	53.0
Improper use of loan	55	55

The study also analysed market competition smallholder farmers face from other farmers and business persons, the results show that 42% (n=42) of small holder farmers experienced the stiff market competition. Basically these farmers are mainly those who possess and run business enterprises. Market competition is present because, many smallholder farmers engage themselves in these enterprises to earn income that will assist to improve their livelihood and so most of them tend to imitate what others are doing. As a result smallholder farmers profit falls and hence inability to repay loans. Subsequently, about 55% (n=55) of respondents said lack of proper use of loans is also a challenge while 38% (n=38) pointed out that that the rental charges are also major problems to client's businesses. The rental charges where the business enterprises are located was high, a problem which results into reduced income to the enterprise.

#### **4.8 Summary**

The study involved 100 smallholder farmers both women and men in Kiteto. It was found that all 100 smallholder farmers were engaged in agriculture productions and some of them were also engaged in business ventures. Also, the study found that the smallholder farmers were involved in different economic activities and the main ones included crop and food selling, garments, bar and restaurants and whole sales. Those businesses were in small and medium size. In addition, The perception of smallholder farmers toward VICOBA loans services, from the Cross table 4.11 it has show that 92% said that VICOBA are helpful to them, while 8% smallholder farmers pointed out that VICOBA haven't helped them. The contribution of VICOBA to access micro loans among smallholder farmers it indicated that majority of smallholder farmers 71.00% perceived loans provision is very efficient 20%efficient,1% they don't know, 2% in efficient,6% very in efficient figure 4.3. Apart from Contribution of VICOBA loans to the smallholder farmers after analysis the result suggest that it was statistically insignificant with p-value=0.8456 as shown in the table 4.20, the partial correlation results are consistent with the regression model result which suggest that VICOBA has no effect on smallholder farmers income. Finally the challenges facing smallholder farmers in access VICOBA loans, the findings from the table 4.22 indicated that 62% said that long procedure in application and processing loans, 78% said lack of collateral and other challenges are high interest rate.

## **CHAPTER FIVE**

### **CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Overview**

In this chapter a researcher presents a summary of the study, major findings of the study, conclusions and important recommendations as per the study findings.

#### **5.2 Summary of the Findings**

The major purpose of this study was to investigate the impact of VICOBA on improving smallholder farmer's income in Kiteto District, Manyara Region. The study revealed that smallholder farmers despite of engaging in agricultural activities were also involved in different economic activities such as crop selling, food, garments and restaurants. Also, majority of smallholder farmers were in small scale businesses. Moreover, the cross tabulation of individual and household characteristics against smallholder farmers' perception toward VICOBA show weak significant difference between individual personal characteristics and their perception. These difference lies on the differences in their age, experience in business, household (family) size, business size, marital status, paid employment and education level. In addition to that, the study found that VICOBA were efficient in provision of loan services in terms of their breadth and depth of outreach. In general, smallholder farmers claimed that are satisfied with loan services they receive despite the fact that the amount of loan is small and loan processing take too long.

On the other hand, the empirical results of the study put forward that the VICOBA loan has no significant effect on smallholder farmers' income given statistical with p-value 0.8456 as shown in the table 4.18, also partial correlation result are consistent with the regression model result with suggest that VICOBA has no significant effect on smallholder farmers where by f-test is 0.000. On the contrary, educational level of smallholder farmers, education level and being in a paid employment were seen to have positive and significant effect on smallholder farmers' income. Moreover, the study found that VICOBA loan services to smallholder farmers are accessible despite the many challenges. Additionally, interest rate, collateral, delays in provision of loan, small amount of loans and licensing and tax were found to be major constraints in accessing loan. Moreover, in case of contribution of VICOBA in accessibility of loan to smallholder farmers the study found that VICOBA influenced the accessibility of loan to rural population.

#### **5.3 Conclusion**

The study concludes that, although loan provided by VICOBA had no influence on smallholder farmers' income, it has however improved their livelihood and helps them out of extreme poverty. Therefore, VICOBA loan have contributed in reduction of poverty in Kiteto District although it hasn't raised the smallholder's income.

#### **5.4 Recommendations**

Based on the study findings the following are the recommended;

- i. The Government needed to incorporate VICOBA development model into the National Poverty Reduction Strategy and also review cooperative and microfinance policies. Reviewing the Policies will bring on board the VICOBA guiding principles while maintaining autonomy and ownership of the scheme by members themselves.
- ii. VICOBA as an effective and relatively new rural development model in Tanzania requires a comprehensive advocacy strategy so as to subscribe more members especially from the rural communities where there are still some misconceptions connected to the scheme.
- iii. This study recommends to the rural communities that they embrace the scheme in order to raise the necessary investment capital, acquire entrepreneurial knowledge and skills and start IGAs without having to rely on external support. Some villagers were not ready to join VICOBA fearing that is one of the deceptive schemes, so effective sensitization needs to be provided to the community.
- iv. The Government required supporting all VICOBA implementing agencies to establish an umbrella institution at National level that will work as their networking platform for the purposes of increasing geographical coverage while protecting the authenticity of this unique development Model.
- v. District authorities must assign responsibilities to the cooperative, microfinance and community development officers to technically assist the VICOBA group members to properly manage their IGAs, legal registration of their groups, networks and properties so as to have a legal status that may later stand as collateral in the process of securing credit facilities from formal financial institutions.
- vi. There is a need for the VICOBA methodology or its mode of operation to be reviewed in order to integrate some paramount and contextual phenomenon that are area specific like coastal/marine, uplands, forestry, agricultural and pastoral rural communities.
- vii. The potential of VICOBA is not only on credit but, also in other discipline like social aspect. These observations indicate that something needs to be done urgently to improve coverage and increase the number of Tanzanians to be served by VICOBA for their livelihood development.

- viii. Based on these findings it is recommended that the government work out a modality to ensure the increased coverage of this unique rural development model.
- ix. The need for VICOBA to accept less demanding collaterals to give clients more confidence in securing loans that will lead to increased per capita income and material assets, and improved smallholder farmers and household livelihood.
- x. Lowering of interest rates charged to give smallholder farmers' ability to borrow more and more and other people to access on the same service.
- xi. The need to reduce bureaucracy in loan applications to give customers more opportunity to run the business and repay their loans without affecting their businesses.
- xii. The need for the government authority concerned with provision of licenses and tax assessment to revisit rules and regulations to cope with trade and economic liberalization.

#### **5.5 Contribution of This Study to Existing Knowledge**

- i. It help society as a whole to understand what is VICOBA and how it operates
- ii. Easy formulation of policy concern about VICOBA.
- iii. Come up with a solution on the challenges facing VICOBA on access of loans

#### **5.6 Areas for Further Research**

Further research should be carried out to determine:

- (i) The strategies that will make VICOBA to be instrumental in alleviating poverty and/or promoting local people social-economic development in Tanzania.
- (ii) The extent to which VICOBA have supported and facilitated social economic development to their clients in Tanzania.
- (iii) More studies are needed to be carried out to investigate the impact/contribution of these groups to livelihood improvement of their members and surrounding communities.
- (iv) Further research is needed to capture the role played by social capital in VICOBA lending model
- (v) The study only covered the Kiteto District, therefore, it is suggested that future studies should cover other areas with different geographical conditions to compare results and see if VICOBA can contribute to Income increase. Generally, the study only covered the contribution of VICOBA to rise the smallholder farmers' income

## **5.7 Summary**

Conclusion and recommendations of the study has established that, VICOBA loans have greater impact to the livelihood of the smallholder farmers, loan accessed boosts their welfare. The researcher has recommended that, there is a need for VICOBA to improve its operation, rules and regulation to give smallholder farmers more confident in securing loans, lowering of interest rates, to reduce bureaucracy in provision of loan and the need for the government authority concerned with provision of licenses and tax assessment to revisit rules and regulations to cope with trade and economic liberalization. Also, the researcher recommends that the Government should incorporate VICOBA development model into the National Poverty Reduction Strategy. Also VICOBA is effective and relatively new rural development model, Government should support VICOBA on operating its activities. Furthermore, the researcher has disclosed the area of the further research: The strategies that will make VICOBA to be instrumental in alleviating poverty and/or promoting local people social-economic development in Tanzania.

## REFERENCES

- Ablorh, W. (2011). *Microfinance and Socio-Economic Empowerment of Women: A Case of Opportunity International Savings and Loans Clients*. Unpublished M. A. Dissertation, Kwame Nkrumah University of Science and Technology, Accra-Ghana
- Abuzeid, F. (2009) . Foreign Aid and the "Big Push" Theory: Lessons from Sub-Saharan Africa . *Stanford Journal of International Relations*, Vol. XI, No. 1
- Addae-Korankye, A. (2014). Causes of Poverty in Africa: A Review of Literature. *American International Journal of Social Science*, Vol. 3, No. 7; December 2014
- Adu-Gyamfi, E. and Ampofo, K. A. (2014). A Study of Effects of Microfinance Credit on Community Farmers in Upper Denkyira East Municipality of Ghana. *Journal of Agriculture and Environmental Sciences*, Vol. 3, No. 1, pp. 67-88
- Agnello, F. and Caramia, I. (2013). 4th European Microfinance Award: Microfinance for Food Security. Number 6, June 2013
- AGRA FISFAP (2015): Assessment of Financial Services Landscape for Smallholder Farmers in Ghana, Kenya, and Tanzania: Final Report, 2015
- Ahlén, m. (2012). *Rural Member-Based Microfinance Institutions: A Field Study Assessing the Impacts of SACCOS and VICOBA in Babati District, Tanzania*. Södertörn University, School of Life Sciences
- Ahlen, M., 2012. *Rural Member-Based Microfinance Institutions*.
- Anyelwisye, B. (2007). *Impact of Microfinance Institutions on Poverty Reduction Among Smallholder Farmers: Case of Selected SACCOS in Dodoma Urban and Kongwa Districts*. A Dissertation Submitted in Partial Fulfilment of the Requirements for the Degree of Master of Science in Agricultural Economics Of Sokoine University of Agriculture. Morogoro, Tanzania
- Armendariz, B. and Morduch, J. (2010). *The Economics of Microfinance* (2nd Edition). MIT Press, Cambridge. 62pp.
- Arouri, M., Ben Youssef, A., Durairaj, V., Dahmani, M., and Mungomba, N. (2014). *Microfinance: a powerful tool for human development in Africa*, in "One Billion People, One Billion Opportunities" Soucat, A., and Mthuli, N. (eds) (Chapter 26), African Development Bank. Tunis.
- Ashley, C, & Carney, D.1999. *Sustainable Livelihoods: Lessons from Early Experience*. London: DFID.
- Bakari, V., Magesa, R. & Akidda, S. (2014). Mushrooming Village Community Banks in Tanzania : *Is it really making a difference ?*, 6(2), pp.127–135.
- Banerjee, A., Duflo, E., Glennerster, R., and Kinnan, C. (2013). "The Miracle of Microfinance? Evidence from a Randomized Evaluation"

- Bank of Tanzania. (1997). *Demand for Rural Finance Services in Tanzania. A Study undertaken by K-Rep for the Bank of Tanzania*. Dar es Salaam: Bank of Tanzania.
- Bank of Tanzania. 2006. *Economic Bulletin for the Quarter Ended March, 2006 XXXVII* (5).
- Bateau, N. (2016). *The Impact of microfinance on poverty reduction in Rwanda from 2005-2014: Case of Vison Hope*. Being a Research Proposal written in the Department of Economy submitted to the College of Business and Economy in Partial fulfillment of the Bachelor Degree in Economics Science at the University of Rwanda
- Bateman M. and Chang H. (2010). *"The Microfinance Illusion"* <http://www.econ.cam.ac.uk/faculty/chang/pubs/Microfinance.pdf> (Accessed on 3rd February 2017)
- Bee, F. K. (2007). *Rural Financial Markets in Tanzania: An Analysis of Access to Financial Services in Babati District, Manyara Region*. Submitted in Accordance With the Requirements for the Degree of Doctor of Literature and Philosophy in the Subject Development Studies at the University of South Africa
- Bee, FK. 1997. Financial Sector Reform and its impact on the Financing of AMCOs in Tanzania. *Tushirikiane: Journal of Co-operative Studies*. Moshi: Cooperative College Moshi.
- Begasha, N. (2012). *Microcredit-VICOBA optimistic and pessimistic view from smallholder farmers on the microcredit lending model*. Dissertation for Award of MSc Degree at Uppsala University, Sweden, 58pp.
- Berger, M. (1989). Giving women credit: The strengths and limitations of credit as a tool for alleviating poverty. *Journal of World development* 17( 7): 1017-1032.
- Bhatt and Shui-Yan, (1998). The Problem of Transaction cost on group-based micro lending: an institutional perspective. *World Development*, vol.32.4, pp. 623-637.
- Blanche, M. T., Durrheim, K. and Painter, D. (2006). *Research in practice: Applied methods for the social sciences*. Juta and Company Ltd.
- Borode, M (2011). Empowering Women through Credit Facilities for sustainable Development in Developing countries. *International Journal of Vocation and Technical Education Vol. 3(4)*.
- Bwamwojo, G.G. (2013). *Member-Based Micro-Finance Institutions and Reduction: A Case of Chamwino District in Dodoma Region*. A Dissertation Submitted in Partial Fulfilment of the Requirement for the Degree of Master in Business Administration (MBA-Finance) of The Open University Of Tanzania
- Carbon, (2002). *"Financial and Monetary Aspects in the process of economic Recovery"*. A case of Mozambique In *Africa Review of Money Finance and Bankin* Edited by Main A Felie, Tambusi, Milan. pp 28-56.

- Carbon, (2002). "Financial and Monetary Aspects in the process of economic Recovery". A case of Mozambique In Africa Review of Money Finance and Bankin Edited by Main A Felie, Tambusi, Milan. pp 28-56.
- Censu, ( 2002). *Population Census Survey of Tanzania*. Government Printers.
- CGAP -Consultative Group to Assist the Poor (2012e) *What Is a Microfinance Institution (MFI)?* Available: <<http://www.cgap.org/p/site/c/template.rc/1.26.1308/>> [2012-05-10]
- Chijoriga, M. (2008). "The performance and sustainability of MFIs in Tanzania", *The Australian Journal of development studies*, Vol. XVI, No. 3, 275-301
- Clark, V. P. and Creswell, J. W. (2011). Designing and conducting mixed methods research. *vol, 3*, 93-94.
- Coase, R. (1960) "The problem of Social cost" *Journal of Law and Economics* 3, p.1-44.
- Cohen, L., Marion, L. and Morrison, K. (2000). *Research Methods in Education, 5th Edition*. Routledge Falmers.
- Coleman, B.C. (1999). *The Impact of Group Lending in North East Thailand*, Journal of Development Economics, Vol 60.
- Cresswell,J. (2009). *Research Design: Qualitative, Quantitative and Mixed Method*
- Creswell, J. W. (2014). *Research design: Qualitative, quantitative, and mixed methods approaches*: Sage.
- Creswell, J. W., Fetters, M. D. and Ivankova, N. V. (2004).Designing a mixed methods study in primary care.*The Annals of Family Medicine*, 2(1), 7-12.
- Creswell, J.W. (2003), *Research Design, Qualitative, Quantitative and Mixed Approach*. (2<sup>nd</sup>ed), Sage publication. London.
- Daley, H., S., (2009). *State of the microcredit summit campaign report*. Washington, DC: Microcredit Summit Campaign.
- Daniel, Y. (2007). *Cost Reduction Strategies in Sunflower Processing; A Case of Nembu Oil Mill*. Unpublished Masters Dissertation, Sokoine University of Agriculture.
- De Goey, H. (2012). The Social Impact of Microfinance: What Changes in Well-Being are Perceived by Women Group Borrowers after Obtaining a Group Loan?; *A participatory rural appraisal in Dar es Salaam Region, Tanzania*. Master Thesis E, in Sustainable Development .Uppsala University, Department of Earth Sciences
- Dean, D. (2011). Saving and the microfinance institution portfolio: bridging the gap between the needs of the poor and the capability of the institution. *International Journal of Enterprise Development and Microfinance*, 22(1):118-133.

- Denanyoh, R., Adjei, K. and Owus, E. S. (2013). Challenges Faced by Women Entrepreneurs in Sourcing Micro Finance in Ghana; Evidence from Kumasi and Sunyani Markets. *International Journal of Innovative Research and Development*, Vol 02 No. 03, ISSN 2278 – 0211
- Department for International Development - DfID, UK. 2001. *Sustainable Livelihoods Guidance Sheets*. London: DfID
- DFS (2007). *“Village Saving and Loans Association; Experience from Zanzibar, Financial Sector Development Project (FSDP- Uganda), DFID&DFS, Nairobi-Kenya.*
- Diagne, A. and M. Zeller (2001), “Access to Credit and its Impact in Malawi” Research Report No. 116 Washington, D.C., USA: International Food Policy Research Institute (IFPRI). Amin (2003). “Does microcredit reach the poor and vulnerable?” Evidence from northern Bangladesh, *Journal of Development Economics*, Vol. 70 (1).
- Diagne, A. and Zeller M., (2001). *Access to Credit and its impacts in Malawi*, Research Report No.116 Washington DC, USA: International Food Policy.
- Dorleitner, G., Leidl, M. & Priberny, C., 2013. Explaining Failures of Microfinance Institutions. *SSRN Electronic Journal*. Available at: <http://www.ssrn.com/abstract=2316680>.
- Ebimobowei, A., Sophia, J.M. & Wisdom, S. (2012). An analysis of microfinance and poverty reduction in Bayelsa State of Nigeria. *Arabian Journal of Business and Management Review*, 1(7):38-57.
- EEA- Empowerment Enterprises of Africa (2009). *A Business Plan for Starting a Microfinance Institution in Tanzania*. Dar es Salaam, Tanzania.
- Fatchamp, M. (1997), “Trade Credit in Zimbabwean Manufacturing”, *World Development*, 22 Vol. 25, No. 5.
- Fosu, A.K. (2010). Growth, Inequality, and Poverty Reduction in Developing Countries: Recent Global Evidence. *CSAE Working Paper WPS/2011-07*
- Gedion, O., Oyugi, D.M. and Munyithya, E. W. (2015). Effects of Women Enterprise Fund Loan on Women Entrepreneurs a Survey of Small and Medium Enterprises in Eldoret Town, Kenya. *International Journal of Business and Social Science Vol. 6, No. 12*
- Gerli, B. (2015). *Microfinance and food security IFAD's experiences in empowering rural women*. Fondazione Giordano dell' Amore -Improving Financial Inclusion of Smallholder Farmers. October 15th and 16th, 2015 Milan, Italy
- Gilal, F.G. (2011). *Perceptions towards Microfinance in Pakistan* [www.ijbms.org](http://www.ijbms.org)
- Girabi, F. and Mwakaje, A.E.G. (2013). Impact of Microfinance on Smallholder Farm Productivity in Tanzania: The Case of Iramba District. *Asian Economic and Financial Review*, 3(2):227-242

- Godquin, M. (2004). Microfinance Repayment Performance in Bangladesh: How to Improve the Allocation of Loans by MFIs. *World Development* 32 (11): 1909–1926.
- Grant, W.J., High, C. and Allen, (2002). *Successful financial intermediation in Rural Sahel*; an Article for CARE- Nigers Mata Masu Dubara (MMD) project.
- Greene, W. H. (2008). The econometric approach to efficiency analysis. *The measurement of productive efficiency and productivity growth*, 92-250.
- Gujarati, D. (2014). *Econometrics by example*. Palgrave Macmillan.
- Haji, Y.H (2013). *The Contribution of Microfinance Institutions to Poverty Reduction at South Districtin Zanzibar*
- Handley, G., Higginsm K., Sharma, B., Bird, K. and Cammack, D. (2009).Poverty and poverty reduction in sub-Saharan Africa: An overview of the issues. Overseas Development Institute, *Working Paper 299*
- Hanning, A. & Wisniwski, S. 1999. Editors. *Challenges of Micro savings Mobilization. Concepts and Views from the field*. Eschborn: BMZ & GTZ GmbH.
- Harns, S. D. (2007). *State of Microcredit Summit Campaign Report. Washington D C 20002 USA*. 72pp. <http://www/promujer.org/publication/our-publication-4-pdf-En-SOCRO7-Eng.pdf>
- Haule, A. L. (2015). *Contribution of Village Community Banks in Household Rice Production: A Case of Morogoro District*. A Dissertation Submitted to the Institute of Development Studies in Partial Fulfilment of the Requirements for award of the Master of Science in Development Policy (MSc. DP) Degree of Mzumbe University
- Hulme, D. and Mosley, P. (1998). Micro enterprise finance is there any conflict growth and poverty alleviation? *World Development Journal* 26 (5): 783-790
- IFAD, (2003). Transforming rural institutions in order to reach millennium development goal. *Discussion paper*.
- ILO, International Labour Organisation. (2002). *Jobs, gender and small enterprises in Africa. Preliminary report. Women entrepreneurs in Tanzania by University of Dar es Salaam, Entrepreneurship Centre*. Geneva: International Labour Office.
- International Fund for Agricultural Development - IFAD. 2002b. *Main Report: Country Programme Evaluation of the United Republic of Tanzania*. Rome: IFAD.
- Ismail, J. I. (2016). *Factors Influencing Farmers' Decision Making to Participate in Markets*. Unpublished PHD Thesis, Mzumbe University, Morogoro, Tanzania.
- Jackelene, RH, & Rhyne, E.1991. Towards a more Market-Oriented Approach to Credit and Savings for the Poor. *Small Enterprise Development*, 2(4) pp 4-20.
- Jafferis, KR 1995. The Development of Stock Markets in Sub-Saharan Africa. *The South African Journal of Economics*. pp 346-363.

- Kanoni, R.G. (2015). *The Role and Effects of Micro Finance Institutions Loan on Women Micro and Small Enterprises: A Case Study of Women Micro Enterprises in Kigoma, Tanzania*. A Dissertation Submitted in Partial Fulfilment for the Requirements of the Degree of Master of Project Management of the open University of Tanzania
- Kashuliza, AK, Hella, P, Magayane, FT & Mvena, ZSK. 1998. *The Role of Informal and Semi-formal finance in Poverty Alleviation in Tanzania: Results of a field study in two regions*. REPOA Research Report No. 98.1.
- Kashuliza, AK. 1993. Perceptions and Role of Informal Rural Finance in Developing Countries: The Example of Tanzania. *Journal of Rural Studies* 9 (2).
- Kashuliza, AK. 1994. Rural Credit in Tanzania: An Analysis of Policy and Operational problems in financing smallholder Agriculture. Unpublished PhD. Dissertation, University of London.
- Kato, M. P. and Kratzer, J. (2013). Empowering Women through Microfinance: Evidence from Tanzania. *ACRN Journal of Entrepreneurship Perspectives Vol. 2, Issue 1, p. 31-59, Feb. 2013*.
- Kessy, S.A and Urio, F (2006). *The Contribution of Microfinance Institutions to Poverty Reduction in Tanzania*, Research Report No. 06.3 – REPOA, Mkuki na Nyota Publishers, Dar es Salaam.
- Kihongo, R. M. (2005) *Impact Assessment of Village Community Bank (VICOBA), a Microfinance Project Ukonga Mazizini*. Master's Thesis. The Open University of Tanzania and Southern New Hampshire University.
- Kihongo, R.M., 2005. *IMPACT ASSESSMENT OF VILLAGE COMMUNITY BANK (VICOBA), A MICROFINANCE PROJECT UKONGA MAZIZINI*.
- Kiiru, J,M.M. (2007). *The Impact of Microfinance on Rural Poor Households' Income and Vulnerability to Poverty: Case Study Of Makueni District, Kenya*
- Kimei, CS 1987. *Tanzania's Financial Experience in the Post-War Period*. Uppsala: Acta Univ. Ups. Studia Oeconomica Upsaliensia.
- Kirkpatrick, C, & Green, C. 2002. Finance and Development: An Overview of the Issues. *Journal of International Development*, 14(12).
- Kironde, J. M Lusugga (2002). "Improving the Low-Income's Access to public services". Through Micro-finance lending, the Tanzanian experience, a paper presented at the video Conference at DLC, IFM Dar-es-Salaam Tanzania.
- Kitomari, J.S. and Abwe, F. G. (2016). Failure and Collapse of Village Community Banks in Tanzania: Some Findings from Meru District in Arusha Region. *General Education Journal; Vol. 6; 1 Issue 1; Pages 46-67*
- Kombo D.K & Tromp D.L.A (2006). *Proposal and Thesis Writing: an Introduction*. Paulines Publications Africa, Nairobi.

- Kothari, C. (2004). *Research Methodology, Methods and Techniques*. New Delhi, Walley Eastern Limited.
- Kothari, C. R. (2012). *Research Methodology and Techniques*. New Age International (P) Limited, New Delhi, India
- Kothari, C.R. (2004), *Research Methodology, Methods and Techniques*, New Heshi: Wishwa Prakashan
- Kothari, C.R., 2004. *Research Methodology, Methods and Techniques*. New Delhi: New Age International P Limited.
- Krejcie, R. V., and Morgan, D. W. (1970). Determining Sample Size for Research Activities. *Educational and Psychological Measurement*, 30, 607-610
- Kyessi, A. & Furaha, G., 2010. Access to housing finance by the urban poor. *International Journal of Housing Markets and Analysis*, 3(3), pp.182–202.
- Kyessi, A. & Furaha, G., 2010. Access to housing finance by the urban poor. *International Journal of Housing Markets and Analysis*, 3(3), pp.182–202.
- Kyessi, A. (2010). Access to housing finance by the urban poor: The case of WAT-SACCOS in Dar es Salaam, Tanzania. *International Journal of Housing Markets and Analysis*, Vol. 3 No. 3, 2010, pp. 182-202, Emerald Group Publishing Limited.
- Kyessi, A. And Furaha, G. (2010). Access to housing finance by the urban poor: The case of WAT-SACCOS in Dar es Salaam, Tanzania. *International Journal of Housing Markets and Analysis*, Vol. 3 No. 3, 2010, pp. 182- 202, Emerald Group Publishing Limited
- Kyessi, A. G. (2002). *Community participation in urban infrastructure provision: servicing informal settlements in Dar es Salaam, Tanzania*. University of Dortmund. Faculty of spatial planning. SPRING centre.
- Lacey, A. and Luff, D. (2001). *Qualitative data analysis*. Sheffield: Trent Focus. pp. 320-357.
- Ledgerwood, J. (1999) *Sustainable Banking with the poor: An institutional and Financial Perspective*. Washington, D.C: The World Bank.
- Ledgerwood, J. (1999). *Microfinance Handbook: an Institutional and Financial Perspective*. Washington DC: The World Bank
- Ledgerwood, J. (2013). *The New Microfinance Handbook: A financial market system perspective*. The World Bank, Washington, D.C.
- Ledgerwood, J., Earne, J. and Nelson, C. (2013). *The new Microfinance Handbook: A Financial Market Systems Perspective*. Green Press Initiative., New York D.C. 504pp.
- Levine, R, Loayza, N, & Beck, T. 2000. Financial Intermediation and growth: Causality and Causes. *Monetary Economics* 46 pp 31-77.

- Lewis, WA 1955. *The Theory of Economic Growth*. London: George & Unwin
- Long, I. (2009), "Perceptions of Microfinance in Cameroon: A Case Study of UNICS, Yaoundé". *Independent Study Project (ISP) Collection*. Paper 729.
- Lucas, J. and Akarro, R.R.J.(2016). Some Factors Associated with Operations of Village Community Banks (VICOBA) for Poverty Alleviation in Tanzania A Case of Ilala District, Tanzania. *International journal of management and economics Invention*. Volume 2 issue 09 pp 748-758
- Magali, J. J. (2013). Factors Affecting Credit Default Risks for Rural Savings and Credit Cooperative Society (SACCOS) in Tanzania. *European Journal of Business and Mngement*.Vol.5, No. 32, 2013.
- Mago, Stephen and Mago, Shamiso (2013). Asset-Building and Microfinance: An Econometric Analysis. *Mediterranean Journal of Social Sciences Vol 4 No 3 September 2013*
- Malamsha, K.C.T. and Emanuel, K. E. (2014). Women Loan Repayment Rate: Evidence From Selected Microfinance Institutions, Moshi Municipality. *Journal of Co-operative and Business Studies (JCBS)*, Vol. 2, Issue No. 1, ISSN 0856-9037
- Maleko, G.N, Basili S.A. Liheta, Deogratius Aikaruwa, Angelina Lukas, and Gerald A. Sumari (2013). Women Participation in Microfinance Institutions of Tanzania: The Case of Savings and Credit Co-operative Societies (SACCOS). *Journal of Business Administration and Education* ISSN 2201-2958 Volume 4, Number 2, 2013, 139-175
- Mann, C. J. (2003). Observational research methods. Research design II: cohort, cross sectional and case-control studies. *Emergency Medicine Journal*, 20(1), 54-60.
- Manongi, M. (2013). *Impact of Microfinance Institutions in Development of Textile Industries in Tanzania: The Case of Pride Tanzania*. A Dissertation Submitted in Partial Fulfillment of the Requirement for the Degree of Master of Business Administration f the Open University of Tanzania
- Mayoux, L. (2002). Microfinance and women's empowerment: Rethinking 'best practice'. *Development Bulletin*, 57, 76–81
- Mazengo, R. (2011). *Assessment of the Effectiveness and Sustainability of Household Food Insecurity Coping Strategies in Chamwino District Dodoma Region*. A Dissertation Submitted in Partial Fulfillment of the Requirements for The Degree of Master of Science in Agricultural Education and Extension of Sokoine University of Agriculture. Morogoro, Tanzania.
- McFerson, HM (2010). Poverty among Women in SSA: A Review of Selected Issues. *Journal of International Women's Studies*. Volume 11, Issue 4
- Meyer, RL. & Nagarajan, G. 2000. *Rural Financial Markets in Asia: Policies, Paradigms, and Performance*. Hong Kong: Oxford University Press.

- Meyer, RL. 2001. *Microfinance, Poverty Alleviation, and Improving Food Security: Implications for India*. Columbus: The Ohio State University.
- Mhunzi, O., 2012. *The role of microfinance institutions in poverty alleviation: The case of Dar-es-Salaam region, Tanzania*. LAP LAMBERT Academic Publishing. ISBN-10: 3843390657.
- Mia, M.B. and Ramage, M. (2011). IT project management in developing countries: approaches and factors affecting success in the microfinance sector of Bangladesh. In: *6th International Research Workshop on IT Project Management (IRWITPM)*, 4 December 2011, Shanghai, China.
- Mkombe, A. D. (2005). *Evaluation of village community bank groups in Matombo Ward-Morogoro Rural District*. Dissertation for Award of MSc Degree at Open University of Tanzania Southern New Hampshire, University, Dar es Salaam, Tanzania, 81pp.
- MoFEA/PED | Ministry of Finance and Economic Affairs / Poverty Eradication Department (2009) *Village Community Bank (VICOBA) in Tanzania: a real voice of the practicing poor*. Documentation Report.
- Moll, HAJ. 1989. *Farmers and Finance: Experience with institutional savings and credit in West Java*. Wageningen: Wageningen Agricultural University.
- Moshi, H. (2003). *Agriculture Credit Financing Systems: Problems, Prospects, and the way forward*. Mimeo. Dar es Salaam: University of Dar es Salaam.
- Mushi, D.R. (2004). *An assessment of conflict between clients and management perception as a factor limiting sustainability of MFIs* MBA thesis, university of Dar es salaam.
- Mutesasira, L. 1999. *Use and Impact of Savings among the Poor in Tanzania*. Kampala: MicroSave Africa.
- National Bureau of Statistics. *Census 2002*. Retrieved 21 July 2016.
- National Bureau of Statistics. *Census 2012*. Retrieved 21 July 2016
- National Electoral Commission (NEC) of Tanzania (2015). *Majimbo na Kata "Constituents and Wards"* Retrieved 28 December 2016
- Nawai, N. & Shariff, M. N. M. (2013). Loan Repayment Problems in Microfinance Programs that use Individual Lending Approach: A Qualitative Analysis. *Journal of Transformative Entrepreneurship*, 1(2), 93- 99
- Nawai, N. and Shariff, M.N.M. (2010). Determinants of Repayment Performance in Microcredit Programs: A Review of Literature. *International Journal of Business & Social Science*, 1, 152-161.
- Ngalema, 2013. *the Contribution of Village Community Banks To Income*.
- Ngalemwa, D.M. (2013). *The Contribution of Village Community Banks to Income Poverty Alleviation in Rufiji Delta*. A Dissertation Submitted in Partial Fulfilment of the

Requirements for the Degree of Master of Arts in Rural Development of Sokoine University of Agriculture. Morogoro, Tanzania.

- Nichols (2004), Nichols, S., *A Case Study Analysis of the Impacts of Microfinance Upon the Lives of the Poor in Rural China*, RMIT University, Melbourne, 2000.
- Nichols, S. A. (2004). *Case Study Analysis of the Impacts of Microfinance Upon the Lives of the Poor in Rural China*, RMIT University, Melbourne, 2000.
- Nkya, S.V. (2006). *The analysis of the sustainability of microfinance institutions*, MBA thesis, university of Dar es salaam.
- Nunan, D. (1999). *Research methods in language learning*. Cambridge: CUP.
- Nyamsogoro, G. D. (2010). *Financial sustainability of rural microfinance institutions (MFIs) in Tanzania*. Thesis for Award of PhD Degree at University of Greenwich, 310pp.
- Nyerere, JK. 1968. Socialism and Rural Development, in *Freedom and Socialism*, edited by JK Nyerere. Dar es Salaam: Oxford University Press.
- Ochung, K. O. (2013). Factors Affecting Loan Repayment among Customers of Commercial Banks in Kenya: A Case of Barclays Bank of Kenya, Nairobi County. *Unpublished Project*. University of Nairobi
- Odhoro, A. and Kombo, D. (2002), *Research Methods*, Nairobi: Kenyatta University, Institute of of St. Paul. Nairobi GPO (Paulines Publications Africa. Open Learning
- Okibo B. W.and Makanga, N. (2014). Effects of micro finance institutions on poverty reduction in Kenya. *International Journal of Current Research and academic Review, Vol 2 No. 2 pp.76-95*
- Okibo, B.W and Makanga, N. (2014). Effects of micro finance institutions on poverty reduction in Kenya. *International journal of current research and academic review, Volume-2 Number 2 (February-2014) pp.76-95*
- Okurut F.N. and Bategeka L. (2006): "The Impact of Microfinance on the Welfare of the Poor in Uganda. *Journal of Social and Economic Policy*, Vol. 3(1):59-74.
- Okurut, F.N., Kagiso, M., Ama, N.O., Okurut, M.L. (2014). The Impact of Microfinance on Household Welfare in Botswana. *Botswana Journal of Economics* Vol 12, No 1 (2014)
- Okurut, F.N., Kagiso, M., Ama, N.O., Okurut, M.L. (2014). The Impact of Microfinance on Household Welfare in Botswana. *Botswana Journal of Economics* Vol 12, No 1 (2014)
- Aghion, B. A. D. Armedariz B. and Morduch, J. (2007). *Economics of Microfinance*.MIT Press. 346pp
- Onwuegbuzie, A. J. and Leech, N. L. (2007). Sampling designs in qualitative research: Making the sampling process more public. *The qualitative report*, 12(2), 238-254.

- Orozco, M. (2003). Rural finance innovation case study. Remittances, the rule sector and policy operations in Latin America. *Paper presented at broadening Access and strengthening in put market system-coll (BASIS-CRSP) Conference*. 2-4 June 2003, Washington D.C. USA. pp30-61.
- Orozco, M. (2003). Rural finance innovation case study. Remittances, the rule sector and policy operations in Latin America. *Paper presented at broadening Access and strengthening in put market system-coll (BASIS CRSP) Conference*. 2-4 June 2003, Washington D.C. USA. pp30 – 61.
- Otero, M. (1999). Binging Back Development in Microfinance, *Journal of Microfinance*, Vol. 1, No 1, pp. 1-19.
- Powell, L. (1999). Conducting Key Informant and Focus Group Interviews Mountain States Group. *Inc., Boise*.
- Randhawa, B. & Gallardo, J. (2003) Microfinance Regulation in Tanzania: Implications for Development and Performance of the Industry. *Africa Region Working Paper Series No. 51*. June 2003. World Bank.
- Robert, W., Altemius, M. and James, R. (2008). *Microfinance and Environmental Sustainability at Selected Site*. Tanzania and Kenya. 22pp.
- Robinson, M. (2001). *The Microfinance Revolution: Sustainable finance for the Poor*. The World Bank.
- Roy, R. (2014). A Study On The Perception Of Microfinance, Among Rural People Of Kamrup DistrictOf Assam. *International Journal of Research in Management and Business Studies*. Vol. 1 Issue 4
- Roy, R. (2014). A Study On The Perception Of Microfinance, Among Rural People Of Kamrup DistrictOf Assam. *International Journal of Research in Management & Business Studies (IJRMBS 2014) Vol. 1 Issue 4 Oct. - Dec. 2014*
- Rutasitara, L. 2002. *Economic Policy and Rural Poverty in Tanzania: A survey of Three Regions*. Dar es Salaam: *REPOA Research Report No. 02.1: Mkuki na Nyota Publishers*
- Rweyemamu D.C; Kimaro M.P. and Urassa O. M. (2003). “Assessing Micro-Finance Services in Agricultural Sector Development” 1ggA Case Study of Semi-Formal Financial Institutions in Tanzania” *Economic and Social Research Foundation*.
- Rweyemamu, R.M ( 2003). *In Search of Women’s Human Rights: How to Capture ‘Living’ Customary Law in Tanzania*, In Chachage, S.L and Mbilinyi, M. Against NeoLiberalism-Gender, Democracy and Development, Dar es Salaam: E & D Limited, pp 50-57
- Saunders, M. N. K., Lewis, P., and Thornhill, A. (2007). *Research Methods for Business Students*. Harlow, England Financial Times/Prentice Hall.

- SEDIT (2008). A tool for community emancipation from poverty “MKUKUTA”. In: *National Policy Dialogue on MKUKUTA, per Annual Consultative Meeting*. 19 – 21 November 2008, Blue Pearl Hotel, Ubungo Plaza, Dar es Salaam, Tanzania. 11pp.
- SEDIT (2010). *Structure principle and operation system of VICOBA lending scheme*. <http://www.seditvicoba.or.tz>] site visited on 11/01/2011.
- Semboja, J. (2004). *Rural Credit and Poverty Reduction: Paper Prepared for the 3<sup>rd</sup> Annual Conference on Micro Finance to be Held From 15-17 March 2004 at AIC Arusha*
- Sengupta, R. & Aubuchon, P. (2008). *The Microfinance Revolution: An Overview. Federal Reserve Bank of St. Louis Review*, January/February 2008, 90(1).
- Sigalla, R.J and Carney, S. (2012). Poverty reduction through entrepreneurship: microcredit, learning and ambivalence amongst women in urban Tanzania. *International Journal of Educational Development* .
- Siwale, J. & Ritchie, J. (2013). Accounting for microfinance failure: insights from Zambia. *International Journal of Critical Accounting*, 5(6), p.641. Available at: <http://www.inderscience.com/link.php?id=59017>.
- Steckler, A., Orville, K., Eng, E. and Dawson, L. (1992). Summary of a Formative Evaluation of PATCH. *Journal of Health Education*, 23(3), 174-178
- Stiglitz, T. (1994). The role of State in Financial Markets. *Proceedings of the World Bank Annual Conference and Development Economics, 1993*. Washington DC: World Bank. pp.19-52.
- Suleiman, A.S. (2006), *The Business Entrepreneur; Entrepreneurial Development, Small and Medium Enterprises*, 2nd Edition, Entrepreneurship Academy Publishing, Kadun
- Sullivan, G. M. (2011). A Primer on the Validity of Assessment Instruments. *Journal of graduate medical education*, 3(2), 119-120
- Tanzania National Council for Financial Inclusion (2016). *National Financial Inclusion Framework. A Public- Private Stakeholder’s Initiatives 2014-2016*
- Tejada, J. J. and Punzalan, J. R. B. (2012). On the Misuse of Slovin’s Formula. *The Philippine Statistician*, 61(1), 129-136.
- Terrel, S. (2011). Mixed – methods Research Methodologies. *The Qualitative Report*, 17 (1), pp. 254 – 280.
- The United Republic of Tanzania (2009). *Village Community Bank (VICOBA) in Tanzania*. Ministry of Finance and Economic Affairs/Poverty Eradication Department
- Todaro, M.P. & Smith, S.C. (2012). *Economic Development*. 11th edition, Pearson Education Inc.

- Tseggai, I. (2006). *'Foreign Aid: A Poison Pill or a Panacea for Progress.'* Paper presented at the annual meeting of the International Studies Association, San Diego, ca, March 22.
- Ugiagbe, E. O. (2014). A Survey of the Perception of the Services of Micro Finance Institutions by the Female Service Users in Benin City, South-South, Nigeria. *International Journal of Finance & Banking Studies*, Vol.3 No.2, 2014 ISSN: 2147-4486
- United Republic of Tanzania. 2002b. *Household Budget Survey*. Dar es Salaam: National Bureau of Statistics.
- United Republic of Tanzania. 2003b. *2002 Population and Housing Census: General Report*. Dar es Salaam: Central Census Office/National Bureau of Statistics/President's Office Planning and Privatization.
- United Republic of Tanzania. 2006b. *Tanzania in Figures 2005*. National Bureau of Statistics /Ministry of Planning, Economy and Empowerment. Dar es Salaam: Government Printer.
- URT (2010) Tanzania Gender Indicators Booklet 2010: Ministry of Finance and Economic Affairs, Poverty Eradication and Economic Empowerment Division, *REPOA*
- URT, 2009. *Village Community Bank (VICOBA) in Tanzania: a real voice of the practicing poor*. MoFEA/PED Ministry of Finance and Economic Affairs / Poverty Eradication Department (2009). Documentation Report
- Von Pischke, J. D (2003). The evolution institutional issues in rural finance; outreach, risk and sustainability. *Journal of America Review* 7: 39-57.
- Wangwe, S. 2004. "The Future of Rural Finance in Tanzania: Innovations in Rural
- Wangwe, S., & Lwakatare, M. (2004, March). Innovation in rural finance in Tanzania. In *Third Annual Conference on Micro-finance held from 15th to 17th March*.
- Wenner, M. 2001. *Rural Finance Strategy*. Sustainable Development Department, Washington DC: Inter-American Bank.
- World Bank, (1990). *Poverty in Developing Country*. Oxford University Press York New. USA. 130pp.
- World Bank. 2001a. *Finance for Growth: Policy Choices in a Volatile World*. World Bank Policy Research Report. New York: Oxford University Press.
- Wrenn, E. (2007). Perception of the Impact of Microfinance on Livelihood Security: Research and Perspectives on Development Practice. Kimmage Development Studies Centre.
- Yaron, J. 1997. How to Assess Performance of Development Finance Institutions in *Microfinance for the Poor* edited by Hartmut Schneider. Paris: OECD.

- Yunus, M. (1999). The Grameen Bank,. *Scientific American*, Vol. 281, No. 5, p. 114-119
- Yunus, M. and Weber, K. (2007). Creating a world without poverty: Social business and the future of capitalism. *The Microcredit Revolution*, p. 43-76. Public Affairs, USA
- Zeller, M., A. Diagne and C. Mataya, 1998. Market access by smallholder farmers in Malawi: Implications for technology adoption, agricultural productivity and crop income. *Agricultural Economics*, 19(1-2): 219-229.
- Zohrabi, M. (2013).Mixed method research: Instruments, validity, reliability and reporting findings. *Theory and Practice in Language Studies*, 3 (2). 254-262.

## APPENDICES

### Appendix A: Questionnaire for the Smallholder Farmers who are Beneficiaries of Vicoba in Kiteto District, Manyara Region

#### INTRODUCTION:

Dear interviewee;

You are kindly requested to answer the set of questions below giving relevant details. They are purely meant for academic purpose. Your contribution toward smooth realization of the intended purpose is highly appreciated and any inconveniences that may arise are highly regretted.

#### SECTION A: RESPONDENTS PERSONAL INFORMATION/ GENERAL PROFILE

##### I. Age

- (a) 25-34 (     )
- (b) 35-44 (     )
- (c) 45-54 (     )
- (D) 55+ (     )

##### II. Sex

- a) Male (     )
- b) Female (     )

##### III. Main Occupation

- a) Farming (     )
- b) Business (     )
- c) Others (     )

##### IV. Type of your business.....

##### V. Size of business

- a) Small
- b) Medium

##### VI. Marital status

- a) Married
- b) Not Married

- VII. Education level
- a) Primary education
  - b) Secondary O level
  - c) Secondary A level
  - d) Diploma/Certificate
  - e) University education (Degree)
- V. Experience in business
- a) 01-05
  - b) 06-10
  - c) 11-20
  - d) 21+
- VI. Number of children
- a) 0-3
  - b) 4+
- VII. Employed in paid jobs
- a) Yes
  - b) No

**SECTION B: ATTITUDE/PERCEPTION OF SMALLHOLDER FARMERS IN KITETO DISTRICT TOWARD VICOBA**

- I. The following are questions that measure perception of smallholder farmer toward VICOBA. Tick what categories that you think describes best your opinion

<b>Question</b>	<b>Category</b>
How often do you access micro-loans in a year?	Occasionally
	Frequently
Are VICOBA helpful to you?	Yes
	No
If they are, how have they helped you?	Increase financial capital
	Decrease poverty
	Increase physical capita
	Increase human capital
	Improve social capital
Do you agree VICOBA are helpful to you?	Increase natural capital
	Strongly agree
	Agree
	I don't know
	Disagree
How has VICOBA impacted your life?	Strongly disagree
	Positively
Can you recommend a friend or relative to borrow from VICOBA?	Negatively
	Yes
	No

**SECTION C: CONTRIBUTION OF VICOBA TO ACCESS OF MICRO LOANS AMONG  
SMALLHOLDER FARMERS IN KITETO DISTRICT, MANYARA REGION**

I. How do you rate the VICOBA effectiveness in provision of financial services?

- a) Strongly efficient ( )
- b) Efficient ( )
- c) I DONT KNOW
- d) In-efficient ( )
- e) Strongly in-efficient ( )

II. Answer this question by a tick at a response which you describes you well in connection with the VICOBA loan services

Question	Response
Do you access VICOBA loan at your area?	Yes
	No
Before VICOBA, where did you access loans?	SACCOS
	Bank
	NGO
	Other
Was it easy for you to join VICOBA and became a member?	Strongly agree
	Agree
	I don't know
	Disagree
	Strongly disagree
To what extent do you think VICOBA has improved access to loan?	Strongly improved
	Improved
	I don't know
	Un-improved
	Strongly un-improved
Have you benefitted with VICOBA loans?	Yes
	No

III. Are the poorest people access the loans provided by your VICOBA?

- a) Yes
- b) No

IV. Do you AGREE that VICOBA breadth of outreach is good in Kiteto district?

- a) Strongly agree( )
- b) Agree ( )
- c) I don't know ( )
- d) Disagree ( )
- e) Strongly disagree ( )

- V. How do you rank the depth of outreach of VICOBA in Kiteto district?
- a) Very deep ( )
  - b) Deep ( )
  - c) I don't know ( )
  - d) Shallow ( )
  - e) Very shallow ( )

- VI. How long does it take to secure the loan since you send your application?
- a) 10-20 days ( )
  - b) 21-30 days ( )
  - c) 31+ days ( )

- VII. Are you satisfied with the provided VICOBA loan services?
- a) Yes ( )
  - b) No ( )

**SECTION D: THE INFLUENCE OF VICOBA TO INCREASE OF SMALLHOLDER FARMERS' HOUSEHOLD INCOME IN KITETO DISTRICT, MANYARA REGION**

- I. What is the intended use of the loan?
- a) Consumption ( )
  - b) Business ( )
  - c) Both ( )
- II. Estimate your income before joining VICOBA ..... TZS
- III. Now estimate your income after joining VICOBA .....TZS
- IV. How many people depend on you for their wellbeing? .....
- V. Technology
- a) Tractor
  - b) Ox plough
  - c) Hand hoe
- VI. Types of inputs you use in your farm (tick what you use)
- a) Fertilisers
  - b) Pesticides
  - c) Seeds
  - d) Insecticides

VII. Do you own land you are farming?

- a) Yes
- b) No

VIII. Do you own any asset?

- a) Yes ( )
- b) No ( )

**SECTION E: CHALLENGES FACING SMALLHOLDER FARMERS IN ACCESSING  
VICOBA LOANS**

I. Are micro-credit available to you?

- a) Highly available ( )
- b) Available ( )
- c) I don't know ( )
- d) Un-available ( )
- e) Very un-available ( )

II. Tick an appropriate challenges that you face in accessing micro-credit from  
VICOBA.

S/No	What challenges do you face in accessing a loan from VICOBA?	Tick
1	Long procedures in application and processing of loan	
2	Accumulation of savings in VICOBA	
3	Difficult joining VICOBA	
4	Lack of physical collaterals	
5	High interest rates	
6	Lack of borrowing skills	
7	Delays in loan provision	
8	Small amount of loan to poor	
9	Licensing and tax	
10	Market competition	
11	Lack of entrepreneurial skills	
12	Rental charges	
13	Improper use of loan	

**THANK YOU FOR YOUR TIME  
GOD BLESS YOU**

## **Appendix B: Interview Guide for Key Informants**

- i. Can you briefly explain the requirements for VICOBA to be able to access loan in your Institution?
- ii. Briefly explain the procedures a VICOBA has to follow to get a loan?
- iii. How long in average does it to take to complete the procedures and get loan?
- iv. What do you say about the amount of loan ad type of their business? Are they compatible?
- v. Do you think loans help them alleviate their social and economic situation?
- vi. What are likely problems VICOBA encounter in accessing loans?

## Appendix C: Approval Letter for Data Collection

### ST JOHN'S UNIVERSITY OF TANZANIA

Directorate of Research, Consultancy and  
Postgraduate Studies

Tel: +255 26-2390044  
Fax: +255 26-2390025  
Website: [www.sjut.ac.tz](http://www.sjut.ac.tz)



PO Box 47  
DODOMA  
Tanzania

Date: 20.03.2017

#### TO WHOM IT MAY CONCERN

#### Graduate Student's Research Clearance

This letter serves to introduce GODFREY D. MHANDO (Registration Number M. 2014/5088), who is a bona fide student of St John's University of Tanzania in the Faculty of Commerce and Business.

He is currently in the research stage of his Masters studies and is required to collect data. He has already obtained ethical clearance from SJUT Internal Review Committee/

His approved research topic is:

#### **IMPACTS OF VILLAGE COMMUNITY BANK LOANS ON RISE OF HOUSEHOLD INCOME**

I request that you grant this student all possible assistance to facilitate the completion of her research study.

Should you need further clarification please contact my office.

I wish to thank you for your kind assistance for this student.

Yours sincerely

A handwritten signature in purple ink, appearing to read 'F. Bwagalilo', written over a horizontal line.

Dr F. Bwagalilo  
Ag, Director of Graduate Studies  
Email [fbwagalilo@sjut.ac.tz](mailto:fbwagalilo@sjut.ac.tz)