



**ASSESSMENT OF THE PERFORMANCE AND OPERATIONAL
MODALITIES OF COMMUNITY FINANCIAL GROUPS IN
TANZANIA, EAST AFRICA**

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ABSTRACT

The relevance of community financial groups cannot be overemphasized as the need to enhance the accessibility of financial services to the rural poor deserves the highest priority. To reduce disparities with urban areas, easy access to the usage and experience of basic financial services such as insurance, savings and credit needs to be embraced. In 2008 the Bank of Tanzania requested Financial Sector Deepening Trust (FSDT) to support the development of the rural financial services strategy for Tanzania because of the importance of community development to the economy. A major challenge in effecting these obligations is service delivery, members' participation and difficulty in accessing group data. The operational modalities of these financial groups mainly center on how to get government and other non-governmental groups involved. This study therefore, seeks to assess the effectiveness and performance of community financial groups in the provision of services to members.

The study was conducted in Moshi municipal, Kilimanjaro region Tanzania, a case study of Kilimanjaro Village Community Bank Network Moshi. Data were collected using both quantitative and qualitative techniques which include the use of pre tested survey questionnaire, in-depth interview among management staffs of Kilimanjaro VICOBA Network (KIVINET). A sample frame of 5,200 members was identified from 520 groups and through the use of simple random sampling technique 350 members were selected for data collection using questionnaires.

The outcome of the study include; provision of detailed report on the performance of the group in providing financial and non-financial services to members, operational modality by getting government and other non-government organizations involved in rural financing and also easy access to credit at favorable interest rates. Most importantly recommendation will be proffered for use to guide policy makers in the future during policy implementation.

In view of this study the importance of community finance calls for a solid partnership between the government, non-government organizations, local communities and members of the groups.

Key words: Rural Finance, Partnership, Community, Development, Sustainability.

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ACRONYMS/ABBREVIATIONS

CESDEV	Centre for Sustainable Development
GDP	Gross Domestic Product
CFG	Community Financial Groups
VICOBA	Village Community Banks
KIVINET	Kilimanjaro Vicoba Network
FGD	Focus Group Discussions
FFI	Formal Financial Institutions
CBFO	Community Based Financial Organizations
NGO	Non-Governmental Organizations
USAID	United State Agency for International Development
MDP	Master's in Development Practice
EAC	East African Community
ROSCAS	Rotating Savings and Credit Association
MIVARF	Market Infrastructure Value Addition and Rural Finance
IFAD	International Fund for Agricultural Development
KPI	Key Performance Indicators
ASCA	Accumulating Savings and Credit Associations
VSLA	Village Savings Loan Association

CHAPTER ONE: INTRODUCTION

1.1 Background to the study

Community Financial Groups (CFG) represents the various forms of financial transactions, products, and services that individuals agree to participate in. Informal finance relies on both traditional and the modern approaches which involve a wide range of financial activities and practices that take place beyond the scope of a country's formalized financial institution and lie outside financial sector regulation. Finance is defined in terms of cash and cash-based accounts. CFGs often transact in non-cash stores of value as part of their operations. Strengthened financial intermediation can provide low income households with more consistent cash flow and better access to market opportunities.

The relevance of community financial groups cannot be overemphasized as the need to enhance the accessibility of financial services to the rural poor deserves the highest priority, to reduce disparities with urban areas, easy access to the usage and experience of basic financial services such as insurance, savings and credit needs to be embraced. Financial services are delivered to rural and low-income populations by organizations that exist along a continuum from formal to informal, high cost to low cost, and complex to less complex in terms of the need for professional management. Formal financial institutions (FFIs) are professional entities such as licensed banks or NBFIs that are regulated and supervised by a central authority. They include public and private commercial banks, state-owned agricultural and rural development banks, cooperative banks, microfinance banks, and special purpose financial institutions such as leasing, housing, and consumer finance companies. Informal providers of financial services include moneylenders, small shops, and input suppliers that provide goods on credit, as well as informal savings and credit groups. In between, stand the semi-formal institutions such as microfinance institutions operated by non-governmental organizations (NGOs), financial cooperatives, and community-based financial organizations (CBFOs). In 2008 the Bank of Tanzania requested Financial Sector Deepening Trust (FSDT) to support the development of the rural financial services strategy for Tanzania because of the importance of community development to the economy.

According to the report by International Funds for Agricultural Development (IFAD) it has worked on rural finance systems in more than 70 countries for over four decades and has invested over US\$3 billion in rural finance, the vast potential of rural finance to improve the livelihoods of rural people is one of the driving forces, but there is still much to be done, other financial institutions with like minds should work together.

According to the World Bank collection of development indicators, rural population (% of total population) in Tanzania was reported at 67.68 % in 2016, most of the inhabitants of rural communities are involved in farming with little or no basic education. A total of 53 commercial banks are currently operating in Tanzania, the highest number in the East Africa region but access to finance for agricultural sector remains under served, although considered as the backbone of national economy, agriculture accounts for over 25% of the national gross domestic product (GDP), over 27% of exports earnings, and 80% provider of jobs.

Access to financial services is important for poor people for the following reasons: (1) savings provides a cushion that enables people to cope with unexpected event, as well as to gather usefully large sums of money for investment in livelihood activities or payment of expenses such as school fees; (2) credit enables people to acquire income-producing and household assets; (3) insurance enables people to protect their assets against losses and to cover major medical expenses and loss of life; and (4) payment services enable people to send and receive remittances from family and friends, receive pensions and social benefits, and pay bills. In short, access to financial services enables people to better manage risk and take advantage of opportunities through access to useful lump sums, available in the right amount, at the right time, from a variety of financial instruments.

Village Community Bank (VICOBA) is a group-based MFI model designed to support viable income- generating activities for the poor, especially women excluded from the formal sector. VICOBA have been reported to benefit the poorer men and women in developing countries since their establishment. In Tanzania, VICOBA and other informal financial institutions have reached 27.9% of rural communities who were initially unsaved and have benefited the poorer group of people in developing countries who were initially termed as the “unbankables” by the formal microfinance setting. Through VICOBA, poor rural women and men have been able to save or

obtain loans to help them set up or improve business, invest in long term life needs such as health, education or deal with emergencies which lead to poverty reduction. (ILO, 2008). Also, VICOBA has empowered its members who are the sole owners in different skills such as governance, accountability, business management and have enhanced women's confidence and improved their status in the community.

1.2 Problem Statement

The challenges facing the performance and operational modality of community groups which are member based organizations have gone beyond finance and issues relating to funds, but include social elements. These factors vary in terms of performance which can be service delivery, member participation, and availability of products and members' satisfaction by getting desired results and the impact of the services enjoyed by members and the entire community as a whole. Service delivery which is the relationship between service providers and consumers of the services, one of its shortcomings is the fact that some communities generally agree that women should be the primary focus of service delivery, because it is believed that they are likely to default than men. This focus on women is questioned sometimes as this claim is yet to be proven in any substantial form. Also, it is always difficult accessing communities with high rate of conflicts. Also infrastructure and administrative capacity to deliver higher level services are often lacking.

Another aspect is getting members to participate. This can sometimes be limited as a result of unawareness, inadequate follow up and literacy level because most people are scared of the unknown. Promotion of community based financial groups often lead to improvement in household business and women empowerment.

Furthermore, when it comes to the reviewing the operational modality of these financial groups Government and Non-Governmental Organizations (NGO's) participation must be put into play as it has been discovered that it is a major challenge limiting the provision of operational practices and financial services to members in order to assist low income individuals who can't have access to commercial banks.

1.3 Justification of the study

The findings of the study brought to the fore, the reality of the contribution of VICOBA in alleviating poverty at the household level. It will help the Government of Tanzania to develop policies and regulations that will guide the favorable location for growth of financial institutions in Moshi Municipality. It's easier to know how respective financial groups operate by knowing their modes of operation and modalities; this is the reason for the implementation of Market Infrastructure Value Addition and Rural Finance Programme (MIVARF) with a goal to eradicate poverty in various rural communities in Tanzania. Also this programme is meant to assist the government in its ongoing reforms for rural financial services and to develop lasting solutions to some of the challenges faced by community financial groups.

1.4 Research questions

1. How effective and efficient is the performance of financial groups in the provision of services to members?
2. Does the participation of government and other non government organizations help regulate the operations of financial groups?
3. How well do members get involved in community based projects?

1.5 Objectives of the study

The broad objective of the study is to assess the performance and operational modality of community financial groups in Tanzania.

The specific objectives of the study are to:

1. assess the performance of community financial groups in provision of services to members.
2. identify the role of government and non-Governmental organizations in regulating the operations of financial groups.
3. improve members participation in community based project through sensitization.

1.5.1 Analysis of objective of the study

Analysis of objectives, data collection and method of analysis.

S/N	Objectives	Data Collection	Method of Analysis
1	To assess the performance of community financial groups in provision of services to members	Focus group discussion, key informant interview	Descriptive statistics (frequencies, percentages, charts and cross tabulation)
2	To identify the role of government and non-Governmental organizations in regulating the operations of financial groups	Questionnaire.	Means and inferential statistics (T-test).
3	To improve members participation in community based projects through sensitization	Focus group discussion, Key informant Interview and structured interview, Questionnaire.	Frequencies and percentages. Means and inferential statistics (chi-square test, ANOVA).

1.5 Research hypothesis

Hypothesis 1: There is no association between years spent on VICOBA and previous receipt of loan

Satisfied with benefits	76	218
Not satisfied with benefits	24	27
	Value	95% C.I
Chi-square (1 d.f.)	9.50	
Pr.-value	0.002	

Odds Ratio	0.39	0.2 – 0.8
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Hypothesis 2: There is no association between years spent on VICOBA and satisfaction with benefits

To determine the association between the period of membership on VICOBA and participants' satisfaction with benefits derived from being members of the group, the Chi-square test of independence was used, and the Odds-ratio was estimated.

The Chi-square test statistic gave a result of 9.5 at 1 degree of freedom thus, giving a p-value of 0.002. Thus, by implication, the p-value being less than 5% of significance level indicated that there is an association between period of membership and perception to satisfaction on benefits derived.

The odds-ratio value of 0.39 implied that participants who had spent more than 3 years with VICOBA are 40% less likely to be satisfied with their membership benefits, than those who had not spent more than 3 years.

Hypothesis 2 Results

	More than 3 years on VICOBA	Not more than 3 years on VICOBA
Satisfied with benefits	76	218
Not satisfied with benefits	24	27
	Value	95% C.I
Chi-square (1 d.f.)	9.50	
Pr.-value	0.002	
Odds Ratio	0.39	0.2 – 0.8

Hypothesis 3: There is no association between receipt of loan and satisfaction with benefits

To determine the association between the previous accessibility of loans and satisfaction with derived benefits, the Chi-square test of independence was used, and the Odds-ratio was estimated.

The Chi-square test statistic gave a result of 0.2, at 1 degree of freedom of; thus, giving a p-value of 0.65. Thus, by implication, the p-value being greater than 5% of significance level indicated that there is no significant association between participants' previous access to loans and satisfaction with benefits.

The odds-ratio value of 1.18 implied that participants who had received a loan offer from VICOBA are equally likely to be satisfied with their membership benefits as compared with those who had not received a loan offer before.

Hypothesis 3 Results

	Received Loan	Not Received Loan
Satisfied with benefits	233	61
Not satisfied with benefits	39	12
	Value	95% C.I
Chi-square (1 d.f.)	0.20	
Pr.-value	0.65	
Odds Ratio	1.18	0.5 – 2.5

1.7 Definition of concepts

- (1) Community Financial Groups: A community financial group can be defined as a financial institution that has a primary mission of community development, and servicing a target market, is a financial entity, provides development services, remains accountable to its community and is a non-governmental entity.

- (2) Kilimanjaro Vicoba Network (KIVINET): The Kilimanjaro Vicoba Network is an organization which is apolitical, non-religion, non-profit making, purely social-economical development organizations, which acts as an umbrella to Vicoba groups in Kilimanjaro. The mission of KIVINET is to build a community which is free from poverty, making a positive change in the lives of community dwellers through organized groups empowerment and provision of adequate capital.

- (3) Village Community Bank (VICOBA): This can be defined as a grass root based lending scheme with a focus on fostering participant's ability to innovate and manage viable income generation activities through entrepreneurship training among others. Its members are equipped with the knowledge of the meaning and importance of VICOBA group leadership committee, rules and regulations, conflict resolution skills, savings and credit operations guidelines. It plays an important role of enabling the poor save and access credit.

- (4) Rotating Savings and Credit Associations (ROSCA): ROSCAs are informal financial groups that keep little or no cash between meetings, they offer savings and loan products, and because ROSCAs do not keep cash between meetings they hardly keep records.

1.8 Plan of the study

ACTIVITY	MARCH 2018				APRIL 2018				MAY 2018			
	WK 1	WK 2	WK 3	WK 4	WK 1	WK 2	WK 3	WK 4	WK 1	WK 2	WK 3	WK 4
Data Collection												
Orientation Workshop												
Review of baseline study and formulation of research questionnaire and interview guide												
Conduct a pretest of the survey instrument												
Field Visit and Data collection from beneficiaries of the project												
Follow up surveys												
Report Development												
Coding and entry of data												
Data Analysis												
Report Writing												
Report Presentation												

CHAPTER TWO: THEORETICAL FRAMEWORK AND LITERATURE REVIEW

2.1 Review of theory

Theories of organization and performance change

Successful implementation of an organizational assessment requires a good understanding of the stage of development within which the organization finds itself. Organizations are quite diverse as social units: they come in many sizes, shapes and variations. Some organizations are old, others young. A young organization in a growth stage needs different types of support than a mature organization that is relatively stable. Similarly, organizations with an uncertain mandate are of a different nature than those whose mandates are clear. Organizational variations play a big role in understanding how to interpret the information from an organizations assessment

The themes of organizational change relates to the theories of individual and group change. According to Backer (2001), behavior is more likely to change if: the person forms a strong positive intention, or makes a commitment, to perform the behavior; there are no environmental constraints that make it impossible for the behavior to occur; the person possess the skills necessary to perform the behavior; the person perceives that the advantages of performing the behavior outweigh the disadvantages; the person perceives more normative pressure to perform the behavior than not to perform it; the person believes that performance of the behavior is more consistent than inconsistent with his or her self-image or that it does not violate personal standards; the person's emotional reaction to performing the behavior more positive than negative; and the person perceives that he or she has the ability to perform the behavior under a number of different circumstances.

Foundations wanting to encourage change at this level might work to reduce environmental constraints on changing particular behaviors, and/or try to alter the advantage/disadvantage calculus by attempting to strengthen normative pressures.

The study was focused on theory of organizational change, and provided further explanation of the roles and impacts of VICOBA in its performance and operations.

Community Financing Theory

The Role of Patient Capital in Sustainable Agriculture

Many farmers aspire to expand or establish new business segment that by nature of the start-up period involved don't generate immediate cash-flow. Take for example, a livestock farmer reclaiming exhausted fallow land for grazing beef cattle she needs to contribute capital towards considerable investment towards soil rehabilitation, pasture establishment and fencing installation. These practices are critical to the enterprise long term success, but might not produce positive cash flow for the first three years.

Typically, lending institutions are inherently limited in the ability to provide the farmer with patient, financing for improvement that don't generate immediate cash flow. They are also limited to making loans that are based on collateral and credit history. But in many cases, the farmer does not have the required collateral, matching equity, or credit history. Although alternative lending institutions such as Municipal loan fund and Community Development Financial Institution (CDFIs) have less stringent credit and collateral requirements, they still maintain minimum requirement for securing each loan. In some cases, agricultural lenders such as farm credit are flexible and can provide interest-only repayment periods or loan that take an honest look at the farmer's character, but for the most part they are not in the financial position to take on the risk necessary to provide patient-financial products. For the time being, community financing for farms can fill this gap.

The role of patient capital in sustainable agriculture can support the 'three legged stool of sustainability' provided economic resources as well as environmental and social support. Community members can often provide flexible financing and pay back arrangement such as revenue-based repayment or lower interest rate that provide a financial cushion for the farmer to implement environmental conservation or soil fertility building practices as first order of business. 'Repayment' can be specified to include certain social and environmental improvement such as returns. Theoretically, patient capital (by nature) waits for these longer time social or environmental improvement to 'payback' an investment overtime.

2.2 Review of Methodology

Institutional and Organizational Assessment Model

This model views the performance of an organization as a multidimensional idea, that is, as a balance between the effectiveness, relevance, efficiency and financial viability of the organization(see diagram below).The framework also set forth that organizational performance should be examined in relation to the organizations motivation, capacity and external environment, because of changes in their internal resources (financial, technological, human) and as a result of fundamental shift in the values within the organization which in turn affects the organizations climate, culture and ways of operating.



Source: International Development Resource Centre(IDRC) Website

2.3 Review of Empirical Studies

Assessment of IFGs in Tanzania

A recent study of insurance in Tanzania by Cenfri and Finmark Trust found that 1.9 per cent of the population, or about 400,000 people, have access to informal insurance, primarily health-related. They classify over 15million

Tanzanian adults (about 72 per cent) as hard to reach and observe that large aggregators like banks, employers and mobile networks will not be able to reach most of them. “Rather, insurers will have to find specific well-capacitated smaller aggregators.”

IFGs are delivering financial services to millions of Tanzanian households. In Tanzanian communities today, whether in urban or in remote rural areas, there are many IFGs: including Upatus, Kuzikanas, VICOBAs, VSLAs, and other varieties and hybrids. The deepening cash economy challenges IFGs to continue supplying more services, better, and with more features.

This pressure can push practices too far ahead of capabilities. Meanwhile IFG entrepreneurs face serious day-to-day operational problems, including record-keeping, meeting facilitation and management, and dispute resolution. Perhaps surprisingly, the problems of loan collection and cash management are viewed as less serious. If in Tanzania informal finance delivered through groups is seen as a form of financial inclusion—and a bridge to more formal financial inclusion—then a shift need to take place from propagating models to building a more integrated industry.

A Tanzanian in most communities today can join not just a funeral society but several and probably one or more varieties of engineered ASCAs as well. Also, the increase in the scope and complexity of community IFG sectors is such that many IFG leaders across the country today have much deeper experience than IFG leaders in their parents or grandparents generation. All of this has resulted in an increase in financial inclusion in Tanzania, in line with an expansion in the capacity of IFGs to meet demand—even while risk has increased with added complexity.

An Impact Study of the Village Savings and Loan Association (VSLA) Programme in Zanzibar, Tanzania

Microfinance makes capital available to low-income people who would not otherwise have access to financial services and is generally believed to be a cost-effective humanitarian intervention. However, the empirical evidence to confirm this hypothesis of an overall positive impact is limited.

While microfinance was originally focused on providing credit services to needy recipients, in the past ten years or so, microfinance practitioners have increasingly argued for the importance of offering and promoting savings for program participants. This study supports the conjecture by finding an overall positive impact of participating in the savings-based VSLA program. VSLA participants assert that saving in the home is almost impossible given the myriad of competing demands they face, and they consequently pronounce themselves very grateful for the opportunity to save. Saving has given most members the capacity to improve their livelihood and that of their families, independent of the benefits of borrowing from the VSLA (Conner Brannen, 2010).

In the VSLA program, savings also facilitates the loan function, which presents further opportunities to improve the overall well-being of the household. Furthermore, establishing the program around members' savings rather than injections of donor capital also helps to create a sense of program ownership for the members. This, in turn, helps to build self-confidence and a sense of community among members. It may also facilitate loan repayment by increasing members' sense of liability and responsibility within the group.

There is a widespread assumption that the sole role of microfinance is to promote development of microenterprises by providing essential capital. Clients theoretically use their loans only to invest in productive enterprises and use the ensuing cash flow to repay the loan. However, there are many other sources of potential benefits of program participation other than investments in productive capital. One such benefit is that of consumption smoothing. Majority of microfinance clients, including those from the VSLA program, are relatively poor and face a variety of

competing demands on their limited financial resources. Sometimes, additional funds are necessary to cope with major life-cycle events or emergencies, or to fund necessary housing improvements or education expenses.

The funds from VSLA program participation are used for a wide variety of consumption purposes, including purchasing food, paying for school fees, family celebrations, housing improvements and medical expenses. By supplying these funds when needed, the VSLA program enables members to maintain a steady level of consumption and prevents them from slipping into a more desperate level of debt and poverty, thereby improving their chances of eventually moving up the income ladder.

This study demonstrates the numerous benefits that may arise through the fulfillment of such basic needs, even with no change in household income. The lack of a dosage effect, suggests that the positive effects of the VSLA program are mediated by access to credit and savings, rather than income growth. In other words, the observed program benefits are a result of the increased ability to spend on different items rather than the capacity to spend more overall. Furthermore, contrary to previous assertions, investing in consumption has not prevented the VSLA program from achieving financial sustainability. Even though a sizeable proportion of members do not report productive investment as one of their top three uses of either source of funds, the program has had relatively few problems with loan repayment and the exit rate remains very low.

In conclusion, it appears that microfinance programmes should consider allowing, perhaps even encouraging, their clients to use the money to satisfy any of their household's basic needs, rather than limiting the use of funds to investment in income-generating activities.

CHAPTER THREE: METHODOLOGY

This took place between March 21 and May 12 and it involved field visits to different VICOBA groups in Moshi and Same respectively.

3.1 Study Area

The study was conducted in Moshi, a Tanzanian municipality with a population of 184,292 according to the 2012 national census. Moshi attained the status of a town in 1956, in 1988 it became a municipality under Tanzanian law. The region is divided administratively into 21 wards and subdivided into 60 hamlets. The municipality is in the Kilimanjaro Region and is situated on the lower slopes of Mount Kilimanjaro a dormant volcano that is the highest mountain in Africa. Many people from Chagga and Pre ethnic groups live in Moshi, which lies on the east-west of Arusha-Himo road connecting Arusha and Vio, Kenya. Just to the east of Moshi is the intersection with the north-south road connecting to Tanga and Dar es Salaam. Moshi is always considered the cleanest town in Tanzania. The municipality covers about 59 square kilometers (23 sq mi) and is the smallest municipality in Tanzania by area. The outskirts of Moshi are known for extensive farms of maize and beans, grown once per year during the long rainy season (known as “masika” in Kiswahili). In addition the Tanganyika planting Company operates a very large sugar cane plantation which is located 20 kilometers (12ml) south of Moshi.

Also, Same which is a town in northern Tanzania near the border with Kenya was visited along the course of the study for data collection from some VICOBA groups in the region. Same has about 25,794 inhabitants.



Figure 1.1: Map of Tanzania showing study area

Source: Geographical Information System

3.2 Research Design

The study employed survey research which data were collected from different respondents within the study area through survey questionnaires, Focus Group Discussions (FGD) and interviews. This design was used in other to minimize the chances of drawing incorrect inferences from the data, maximize reliability of data and to reduce bias to the nearest minimum. The data collected were both primary and secondary data involving qualitative and quantitative data. SPSS IBM 20 and MS Excel spreadsheet were used to analyze the data.

3.3 Study population

The population of the study comprised a total of 350 members of various VICOBA groups in Moshi Kilimanjaro region in Tanzania, mostly famers and traders, made up of about 295 women and 55 men.

3.4 Sampling Procedure

Stage 1: The purposive selection Of Uru district in Kilimanjaro region

Stage 2: The purposive selection of Same region

Stage 3: The purposive selection of Moshi municipal, Moshi rural

Stage 4: The random selection of 15 members in Makongoro group

Stage 5: The random selection of 22 members in Msambure group

Stage 6: The random selection of 12 members from Deeper life group

Stage 7: The purposive selection of staffs of KIVINET for indepth interview.

3.5 Sample size

A total of 350 respondents were selected upon which the sample was drawn from members of various VICOBA networks which are registered under KIVINET in Kilimanjaro region, each VICOBA group has about 30 members and there are more than 520 VICOBA networks in Kilimanjaro. A random sampling approach was used to select respondents from some of the groups, also some of the respondents provided general depiction on how VICOBA has helped increase in terms of operations and services provided. Respondents were also selected randomly from five VICOBA Networks in Same which is also registered under KIVINET and this made it easy for records to be accessed because of proper record keeping. Care was taken to ensure credibility of data and sources of data are cited.

3.6 Nature and source of data

Data were collected for the study through the assistance of (5) field enumerators recruited and trained in a day pre-field exercise and (2) graduates with university degrees and have a good knowledge of finance and also socio-economic and cultural characteristics of the study area. The

researcher and field enumerators rode on motorcycles to villages, group meetings and homes to administer questionnaires. Focus group discussions (FGD) were conducted in Same and Moshi with selected male and female members including leaders of the groups. Interviews were conducted with key informants that are members of the group using Key informant interview (KII) Guide. The data collection exercise was in April.

3.7 Method of data Collection

The data collected and used for this study cover both secondary and primary data sources and are both quantitative and qualitative. Primary data were collected from respondent which are members of various VICOBA networks which are registered under Kilimanjaro VICOBA Network (KIVINET) in Tanzania randomly selected using pre-tested questionnaires, one-on-one interview, focused group discussion and observations. Secondary were collected from journals, newsletters, baseline surveys and published works.

Quantitative data were collected from members of selected VICOBA groups using structured questionnaire and three item measured male and female socio-economic characteristics, income level, occupation etc. Focus group discussion guide, key informant interview guide were used in addition to structured questionnaire to obtain qualitative data from members covering socio cultural variables of male and female members. Photographs of respondents were taken using digital cameras, Global Positioning System (GPS) was used and also voice recorder was used in the course of interviewing respondents. The structured questionnaire was pretested before the commencement of the survey. Combined tools were used to obtain desirable data and validate respondents view and comments in order to ensure the credibility of the information provided.

3.8 Analytical Methods/Techniques

Collected data were analyzed using Statistical Package for Social Sciences (SPSS statistics IBM 20) and MS Excel spreadsheet. Collected data were collated, verified, coded and entered in data spreadsheet. Both qualitative and quantitative data were generated for the study and presented through combination of graphical and pictorial representations, cross tabulation. Descriptive (frequencies, percentages, ratios, means and standard deviation).

Data on objective 1, 2 and 3 were derived using questionnaire, conducting in depth interviews and analyzed using descriptive statistics (percentages, frequencies, means and standard deviation)

CHAPTER FOUR: RESULTS AND DISCUSSION

Section A: Socio Demographic and Demographic Implication

This section reveals the results of the general information obtained from the respondents who participated in the study. A total of 345 persons were successfully interviewed and their responses were analyzed.

The information on the age among the respondents shows that the least observed age was 20 years, while the highest was 75 years, with a mean age of 39 years and standard deviation of 12.4 among the respondents. Information collected on the monthly income of the participants shows that the lowest and highest earners recorded TS10,000 and TS1,500,000 respectively; with an average monthly income estimate of TS212,000.

Table 1: Descriptive Statistics on Socio-Economic Information

Characteristics	Min.	Max.	Mean	Std. Dev.
Age (Yrs.)	20	75	39.4	12.4
Monthly Income(TS)	10,000	1,500,000	211,739.3	219,766.9

Source: Field work

TS: Tanzanian Shilling

Table2

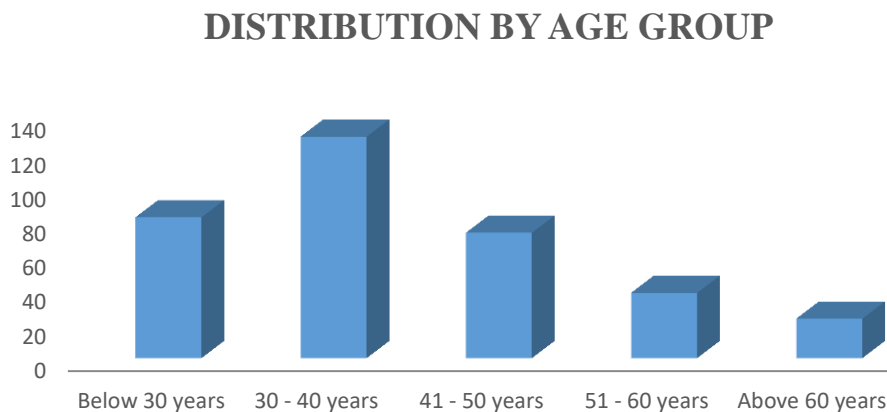
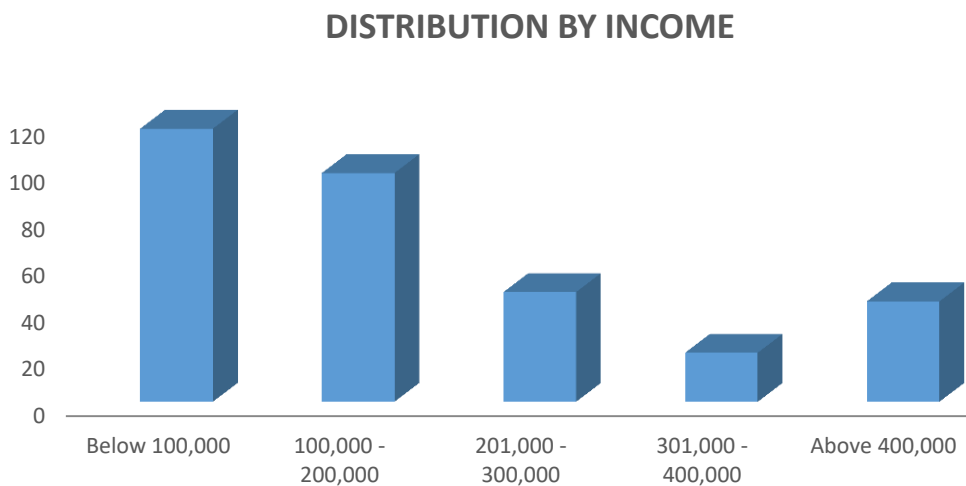


Table 2 displays the distribution of the participants according to their age group. It was revealed that only about 24% were “below 30 years” of age; about 37% were found to be in age group of “30 – 40 years”; about 21% belonged to the group of “41 – 50 years”; only about 11% were found in the age group “51 – 60 years”; lastly, not more than 7% were found to have ages “above 60 years”.

Table3



The distribution of the respondents by their gender shows that only about 23% were male, the remaining 77% were female participants. The distribution of the respondents by their marital status revealed that, only about 16% were single, up to 69% were reported to be married, about 8% reported to be separated, about 6% and 1% were found to be widowed and divorced respectively.

The distribution of the respondents by their occupation shows that about 8% were found to be unemployed, up to 41% indicated to be involved in farming, about 21% indicated to be into Civil Service, about 30% indicated they were into trading. The distribution of the participants by their level of education shows that not more than 2% indicated they had no formal education, about 11% indicated they had not completed primary education, up to 40% indicated they had only completed primary education, 14% indicated they had not completed secondary education, 28% reported they had completed secondary education, only 12% indicated they had undergone a post-secondary education.

Table 4: Categories of Respondents by Socio-Demographic Variable

Characteristics		Frequency	Percentage
Gender	Male	79	22.9
	Female	266	77.1
Marital Status	Single	54	15.7
	Married	238	69.0
	Separated	28	8.1
	Divorced	5	1.4
	Widowed	20	5.8
Occupation	Not employed	28	8.1
	Farming	143	41.4
	Civil servant	72	20.9
	Trading	102	29.6
Educational attainment	No basic Education	6	1.7
	Primary Education (not completed)	38	11.0
	Primary Education (completed)	117	33.9
	Secondary Education (not completed)	48	13.9
	Secondary Education (completed)	96	27.8
	Post-secondary Education	40	11.6

Source: Field work

RESULTS BASED ON OBJECTIVE ONE: ASSESSMENT OF PERFORMANCE OF COMMUNITY FINANCIAL GROUPS IN PROVISION OF SERVICES TO MEMBERS

The study sought to find out if the participants had membership in other financial groups; it was revealed that approximately 21% reported they participated in other groups, while about 79% indicated they did not belong to any other group.

Table 5: Responses on Participation in Other Groups

	Frequency	Percentage
Belonged to other group	71	20.6
No other group	274	79.4
Total	345	100.0

Source: Field work

The study also sought to find out since when had the participants been members of the VICOBA group. It was found that some participants had been members for as long as nine years, while some had been members for not up to a year in the group; the average period of membership was estimated to be about two and half years.

Table 6: Descriptive Statistics on Time Since Joining VICOBA

	Min.	Max.	Mean	Std. Dev.
Years Spent with VICOBA	0	9	2.4	2.0

Source: Field work

The categories of the participants by their period spent in the VICOBA group show that, about 71% had spent not more than three years, while about 29% had spent more than three years on the group.

Table 7: Categories of Time Since Joining VICOBA

	Frequency	Percentage
Not more than 3 years	245	71.0
More than 3 years	100	29.0
Total	345	100.0

Source: Field work

The participants were further asked if they had previously received loans from VICOBA. It was found that about 79% had received loans, while about 21% had not received loans from the group.

Table 8: Response on Access to Loan from VICOBA

	Frequency	Percentage
Received loan	272	78.8
Not received loan	73	21.2
Total	345	100.0

Source: Field work

Further enquiry among those who had received loan revealed that the interest rate capitalized on their loan offers was between 5% and 15%; with an average of 9% interest rate, and standard deviation of 3%.

Table 9: Interest Rate of Loan Received

	Min.	Max.	Mean	Std. Dev.
Interest Rate	5%	15%	9.0% ???	3.0%

Source: Field work

Further enquiry also showed that, among those who had received the loans from VICOBA, about 64% indicated the interest rate capitalized on them was favourable, while about 33% indicated the interest capitalized on them was not favorable, while about 3% did not indicate a response.

Table 10: Responses on Loan Received

	Frequency	Percentage
Rate was favourable	174	64.0
Rate was not favourable	90	33.1
No response	8	2.9
Total	272	100.0

Source: Field work

The participants who had received loans were also enquired of their purpose for taking the loan. Most of them, about 41%, indicated the loan received was used for business activities; about 19% indicated the loan taken was used on household expenses; about 17% indicated the loan received was used on farming practices; about 16% indicated they received the loans to foot medical fees; not more than 5% indicated they used their received loans for other reasons; while about 1% did not state their responses.

Table 11: Response on Use of Received Loan

	Frequency	Percentage
Farming	47	17.3
Household Expenses	52	19.1
Business	111	40.8
Medical Fee	45	16.5
Other Reasons	15	5.5
No Response	2	0.7
Total	272	100.0

Source: Field work

Further enquiry among the loan receivers on the means of paying back showed that, most of the loan receivers paid back with money from their husbands, as indicated by about 41% of them; about 33% indicated they paid back with income from their business activities; approximately 12% indicated they paid back using their salary; about 7% indicated to paid back with income from their farming earnings; only 6% did not indicate their responses.

Table 12: Response on Method of Payback

	Frequency	Percentage
Income from business	91	33.5
Income from farming	20	7.4
Salary	34	12.5
Money from husband	111	40.8
No response	16	5.9
Total	272	100.0

Source: Field work

The respondents were asked of their perception to the effectiveness of the VICOBA group. About 45% rated the effectiveness of the group to be very good; about 30% rated the group effectiveness to be good; while about 25% rated the effectiveness of the group to be merely average.

Table 13: Responses on the Effectiveness of The VICOBA Group

	Frequency	Percentage
Very Good	154	44.6
Good	103	29.9
Average	88	25.5
Total	345	100.0

Source: Field work

Further enquiry showed that up to 85% were satisfied with the benefits of their membership with VICOBA, while not more than 15% stated they were not satisfied with their benefits derived from being members of the group.

Table 14: Responses on Satisfaction with the Benefits of Membership with VICOBA

	Frequency	Percentage
Satisfied with the benefits	294	85.2
Not Satisfied with the benefits	51	14.8
Total	345	100.0

Source: Field work

The respondents also suggested services they would love to enjoy as part of their membership in the group. Majority (about 63%) stated they would love an increased access to loan; up to 24% suggested they would love a seminar or training; not more than 12% suggested they would love

to enjoy health insurance services. Other suggested services were formulation of group business and creation of agricultural projects.

Table 15: Responses on Suggested Services

	Frequency	Percentage
Seminar/Training	84	24.3
Increased access to loan	217	62.9
Health insurance	42	12.2
Group business	1	0.3
Agricultural projects	1	0.3
Total	345	100.0

Source: Field work

RESULTS BASED ON OBJECTIVE TWO: ROLE OF GOVERNMENT AND NON-GOVERNMENT ORGANIZATIONS IN REGULATING THE OPERATIONS OF FINANCIAL GROUPS

Enquiries were made on government's influence on the affairs of VICOBA groups. It Some 47.5% reported that government influenced the affairs of their groups.

Table 16: Responses on Influence of Government

	Frequency	Percentage
Government influence affairs	164	47.5
Government do not influence affairs	181	52.5
Total	345	100.0

Source: Field work

Further enquiry showed that about 9% rated the government influence to be very effective, while about 46% stated that government influence to be effective, while about 45% stated the influence of the government on their group was not effective.

Table 17: Responses on Effectiveness of Government Influence

	Frequency	Percentage
Very effective	30	8.7
Effective	159	46.1
Not effective	156	45.2
Total	345	100.0

Source: Field work

More enquiry on the study showed that about 56% stated there were other NGOs who contributed to their VICOBA groups, while about 44% stated they did not have NGO contributions in their groups.

Table 18: Responses on Contribution of NGOs to the VICOBA Groups

	Frequency	Percentage
Yes, they contribute	194	56.2
No, they do not contribute	151	43.8
Total	345	100.0

Source: Field work

The study also found that the most of the VICOBA participants perceived the performances of the NGOs as not good enough; about 32% rated the NGO performances to be good enough; while about 26% rated their performances to be very good.

Table 19: Responses on Performances of the NGOs

	Frequency	Percentage
Very Good	90	26.1
Good	110	31.9
Not Good	145	42.0
Total	345	100.0

Source: Field work

Both government and NGOs have been helpful towards the development of VICOBA as asserted by about 56% of the participants. Some 44% of the participants however, stated that both government and NGOs had not been helpful.

In specific terms, about 77%, indicated both government and NGOs have been helpful through the provision on education; 14% of these participants stated they have been helpful through conducting seminars and trainings; while the remaining 9% stated they have been helpful through provision of increased access to loans.

Table 20: Responses on Helpfulness of both Government and NGOs on Development of VICOBA

		Helpful on Development	Unhelpful on Development
Reasons	Increased access to loans	18 (9.4%)	-
	Provision on education	147 (76.6%)	-
	Conduct seminars and trainings	27 (14.0%)	-
	Not been any way helpful	-	153 (100%)
		192 (55.6%)	153 (44.4%)

Source: Field work

The participants suggested ways that the government can assist them. About 52%, suggested that the government should assist them towards reduced interest rate; up to 32% suggested the government should assist them towards provision of loans; 15% stated they should be assisted through government financing.

Table 21: Responses on Suggestions to Government Assistance

	Frequency	Percentage
Provisions of loans	112	32.5
Reduced interest rate	181	52.5
Finance	52	15.1
Total	345	100.0

Source: Field work

RESULT BASED ON OBJECTIVE THREE: ASSESSMENT OF MEMBERS PARTICIPATION IN COMMUNITY BASED PROJECTS

The study also carried out assessment of the VICOBA members' participatory activities in community based projects.

It was deduced that, across the VICOBA groups in the sampled areas, members were as few as 10 in some groups and as many as 70 in some groups; with an average of 34 persons per group.

Table 22: Descriptive Statistics on Number of Members in Group

	Min.	Max.	Mean	Std. Dev.
Members in Group	10	70	33.9	11.8

Source: Field work

Further enquiry was made as to how the current members of the VICOBA groups got new members in their various sub-groups. The mostly stated approach by 43% of the participants was through face-to-face engagement of the prospective members; another 43% stated they used information about the benefits to be derived in joining VICOBA; and lastly, only 14% indicated they employed the approach of talking to their friends.

Table 23: Responses on Technique to Getting New Members

	Frequency	Percentage
Face-to-face approach	149	43.2
Informing people of the benefits	148	42.9
Talking to friends	48	13.9
Total	345	100.0

Source: Field work

Also, about 77% of the participants indicated that the members of the VICOBA groups usually contributed to projects.

Table 24: Responses on Contribution of Group Members to Community Projects

	Frequency	Percentage
Members contribute to projects	265	76.8
Members do not contribute to projects	80	23.2
Total	345	100.0

Source: Field work

As stated by the interviewed participants, it was found that creation of group shops was the commonest extraneous benefits the members of VICOBA derived from their membership status, as indicated by 58% of the participants; 28% indicated they had other benefits through support from fellow group members; while about 14% indicated they had other benefits through sharing of ideas with fellow group members.

Table 25: Other Benefits for Members of the VICOBA Group

	Frequency	Percentage
Support from members	98	28.4
Group shops	199	57.7
Idea sharing	48	13.9
Total	345	100.0

Source: Field work

Findings also revealed that about 74% of the participants had the perception that there was a good form of relationship among group members; the remaining 26% indicated their perception that the level of relationship among group members was fair form of relationship.

Table 26: Responses on Relationship Among Group Members

	Frequency	Percentage
Good Relationship	254	73.6
Fair Relationship	91	26.4
Total	345	100.0

Source: Field work

The challenges faced by members of the VICOBA groups, as stated by 66% of the participants, was lateness to meeting appointments by members in the various sub-groups of VICOBA; 18% also stated failure of members to repay loans was a major challenge faced in their VICOBA groups; 12% indicated delay in disbursement of loans was also a major challenge faced; about 3% stated that misunderstanding among members was one of the challenges faced.

Table 27: Responses on Challenges Faced by Group Members

	Frequency	Percentage
Delay in disbursement of loans	31	11.7
Lateness to meeting appointments	177	66.5
Failure to repay loans	49	18.4
Misunderstanding among members	9	3.4
Total	266	100.0

Source: Field work

The study also enquired on the perception of members towards importance of training, insurance and exhibition. It was found that up to 84% indicated the training and insurance were very important; while about 15% rated them as merely important; not more than 1% indicated the training and insurance were not important.

Table 28: Responses on Importance of Training, Insurance and Exhibition

	Frequency	Percentage
Very Important	291	84.3
Important	50	14.5
Not Important	4	1.2
Total	345	100.0

Source: Field work

CHAPTER FIVE : SUMMARY,CONCLUSION AND RECOMMENDATIONS

5.1 Summary of findings

The demographic characteristics of members in various VICOBA groups (for example, Uru Distrit, Makongoro group,Msambure) in Moshi region in Tanzania covers both male and female members.The demography and socio-economic characteristics of farmers show variations in age, marital status,educational attainment and also indicated that majority of the farmers are married,adults and attained primary education.

VICOBA which was founded on the principles that loan are better than charity to interrupt poverty,members of the groups are involved in various activities in a bid to reduce the level of poverty in the community such as; exhibitions,seminars,entrepreneurship workshops(soup making, bead making) and health awareness programmes.Newly introduced is a shop where members contribte money to buy goods in wholesale price so that they can make more profit.Group heads are open to new ideas on how the objective of the group can be achieved. Response on access to loan by members of the groups shows that more than 78% have received loans and at a favourable rate.Loan received is mostly used for farming, pay medical bills and other household expenses.At least 85% of the respondents are satisfied with services provided by the groups to their members but there is still room for improvements as some members still request for reduced interest on loan.

Although community financial groups are non governmental organizations it is still expected that government should participate in helping members of rural communities and this can work better by embracing a win-win partnership between group heads and the government since both parties have a common goal which is eradicating poverty.

A major challenge faced by group members is default on the part of some members to pay back loan as this reduces the chances of other members and also lateness to meetings although a fine is charged for lateness.

5.2 Conclusion

Community Financial groups are delivering financial services to millions of Tanzanian communities, especially those in rural areas. Provision of finance and services to members has helped boost their trades, especially those involved in farming, during the course of this research KIVINET officials had been enlightened more on what members of various groups expect of them. Short comings should be improved upon and improvements should be made where necessary.

Although the results recorded show the commitment of members and all efforts made to eradicate poverty, however, adequate cooperation between group heads and members will make decision making easier and more effective. The interventions of the groups in areas of finance, trade fair, workshops and exhibitions which yield win-win partnership is relevant as a model for development.

Addressing the identified challenges, group members should be well-informed on the resultant effect on default to repay loan, due diligence is required in dealing with members as they know themselves better. Also it was observed that fine placed on lateness to meetings was too small and therefore, should be increased to discourage members from coming late.

There is still so much more that can be done to support the continued growth of various community financial groups.

5.3 Recommendation

The report recommends cooperation and partnership between members of community financial groups(CFG) and the government, as government involvement will go a long way to put certain things in order. In the course of the research it was observed that some communities lacked basic social amenities such as good roads, bore holes and medical facilities. Most of the respondents complained that the amount they spent on transportation to access the nearest hospital was not bearable. Also to achieve the groups' objective, group members must also be in agreement with group heads, comply with various rules and pay their respective dues as at when due.

Timely processing and disbursement of loans to group members should be improved on as members explained that most times, after application, it may take several months before loan was made available. Also, more youths should be encouraged to join VICOBA groups as most of the members are above 30 years. Through contributions and access to loan they can further their education and improve their standard of living.

Expansion in the number of CFGs in Tanzania should be supported and encouraged and there should be adequate support for the development of an association capable of representing its members' interest.

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APPENDICES



Adelusi Tolulope (Researcher)
and some members of Uru VICOBA group



Members of Same VICOBA Group



organised by KIVINET
for VICOBA members in Sia with Rahim Mushi
(field assistant)



Field assistant administering
questionnaire to VICOBA members

Exhibition