

**CONTRIBUTION OF VILLAGE COMMUNITY BANKS
(VICOBA) TO ECONOMIC DEVELOPMENT OF WOMEN IN
TANZANIA:A CASE OF DODOMA RESINDENTS**

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**CONTRIBUTION OF VILLAGE COMMUNITY BANKS
(VICOBA) TO ECONOMIC DEVELOPMENT OF WOMEN IN
TANZANIA: A CASE OF DODOMA**

By

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A Dissertation submitted in partial fulfillment of the requirements for Masters of
Business Administration at the University of Dodoma

The University of Dodoma

October, 2017

CERTIFICATION

The undersigned certifies that, he has read and hereby recommends for an acceptance by the University of Dodoma a dissertation entitled “**Contribution of Village Community Banks (VICOBA) To Economic Development of Women in Tanzania - A Case of Dodoma**” In Partial fulfillments of the requirements for a degree of Masters of Business Administration at the University of Dodoma

.....

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DEDICATION

I dedicate this work to Alex Ollotu and Mary Ramadhani.

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I thank the Almighty God for granting me strength to successfully complete this work and finally complete my Master in Business Administration (MBA). I extend my acknowledgements to those who sacrificed their time to see completion of this work. The following people assisted me in one way or the other in the process. Firstly, I would like to pay my all hearted thanks to almighty God, who kept me alive and strong up to this stage, my parents for upbringing moral during my studies, also my Office for financial support and allowing me to undertake my studies. I also thank University of Dodoma staff and management for allowing me to join the University and their support during my studies. I appreciate their efforts in making my research work successful.

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ABSTRACT

Village Community Banks (VICOBA) plays an important role of enabling poor women to save and access credit. The study aimed at assessing the contribution of VICOBA to the economic development and livelihood of women in Tanzania. The study was cross sectional research in design where by the 59 respondents were included. Primary data was collected by using questionnaires. The quantitative data was analyzed by Statistical Package for Social Sciences(SPSS). The results showed that most of the about half of respondents joined VICOBA because of getting capital for business and later savings. Good number of respondents appeal ease accessibility and join VICOBA for the purpose of improving life. The further revealed that findings from the study show that half of the respondents appealed that VICOBA helped the to own and run small business in town, others said the managed to pay school fees for the children and have improved living standards like buying plots and houses renovations, others had opened business like saloon and restaurant “food vending”. Data revealed that money for borrowing is accumulated from profit, members saving and member’s fines in case of breaching contract. Likewise, also the main challenge facing the operation of VICOBA was delays in the repayment of loans to many members were defaulters, low education of the members and funds embezzlement and unethical leaders. These results to majority of women join VICOBA due to approachable regulations and conditions for loan granting. There is a huge need to increase information and create more awareness of the important role that VICOBA play in the economy. This study recommends to the women they should active members of the VICOBA and abide in rules and regulations.

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LIST OF ABBREVIATIONS

BoT	Bank of Tanzania
IGAs	Income Generating Activities
ILO	International Labour Organisation
MCGE	Mercy Corps Global Envision
MMD	Mata Maso Dubara
NGOs	Non-Government Organisation
SACCOS	Saving and Credit Cooperative Societies
SEDA	Small Enterprise Development Agency
SEDIT	Social and Economic Development Initiation of Tanzania
SPSS	Statistical Package for Social Sciences
REPOA	Research on Poverty Alleviation
URT	United Republic of Tanzania
VICOBA	Village Community Bank

CHAPTER ONE

INTRODUCTION

1.1 Overview

This chapter gives an introduction to the study, it lays down issues pertaining to background of the study, statement of the research problem, research objectives and research questions, and it streams down showing the scope of the study then significance of the study in widening up knowledge to VICOBA stakeholders at large.

1.2 Background Information

Since ancient time the work of human aimed at improving human life. Man craft, trade, fishing, agriculture and business provided a way of living. People engaged in economic activities to produce goods and service either for consumption or for the purpose of trading so as can earn income which then used to purchase the goods and services of their needs.

Economic activities like business, trade, man craft and other production activities always require capital to be invested while the source of capital differ from one person to another also from one business to another. Other activities are financed by the owner himself, others by family members and other activities through loans and so on. When it comes to financing economic activities through loans particularly from commercial banks, number of challenges emerge which finally may make other people isolated from obtaining the loans. Challenges face individuals from obtaining loans from financial intermediaries particularly commercial banks are lack of collaterals, improper business record keeping and immature business. Regardless the

pace the undertaker of economic activity want to move, insufficiency of funds may limit the growth therefore it deemed necessary for other sources different from traditional commercial banks to step in to provide finance to the neglected ones. Microfinance has been serving as an alternative source to traditional commercial banks.

Microfinance refers to a movement that envisions the world in which low income households have permanent access to a range of high quality financial services to finance their income producing activities, build assets, stabilize consumption, and protect against risks (Basil *et al.*, 2013). Formal credit and savings institutions for the poor have been around for decades, providing customers who were traditionally neglected by commercial banks a way to obtain financial services through co-operatives and development finance institutions (Ngalemwa, 2013).

Microfinance institutions in Tanzania started to be established the first half of 1990's under the framework of liberalized economy in which the Government's financial sector reforms were made for the purpose of creating an effective and efficient financial system (Kasilo*etal.*, 2005; Banking and Financial Act of National Microfinance Policy, 2000). In this context, microfinance in Tanzania is relatively new and dominated by semiformal financial institutions which are surpassed by enormous demand for the Microfinance services. The emerging Microfinance institutions in Tanzania are aiming at addressing the financial needs of majority Tanzania population who are confronted with poverty situation. According to Mabere and Mtafikolo (1994) describe poverty as a standard of living where by individual live below a minimum acceptable level including minimum food, shelter,

health service, education and transport services. From the definitions of poverty, most Tanzanians are poor (Kasilo *et al.*, 2005).

Following its advantages, microfinance provides a way to break shackles of poverty as mentioned by Professor Muhamed Yunus a founder of Bangladesh Grameen bank that, when undertaking economic activities, poor households not only have the capability for loan repayments but, they also profit from the loans they borrow.

Chipindula and Mwanga (2015) citing Dobra (2011) describe microfinance as a means of giving access to financial services to as many poor people as possible, allowing them to use their capacities in favor of durable development. They further asserted that microfinance allows poorest actors to exploit their skills to become productive economic agents. When a small loan is granted to a micro entrepreneur, it is invested to generate an income, then a loan is repaid and an entrepreneur can access another loan which eventually increases the purchasing power as well as social recognition. Mercy Corps Global Envision (MCGE) (2009) add that micro-finance is one of the great success stories in the developing world in the last 30 years and is widely recognized as a just and sustainable solution in alleviating global poverty.

Despite the known importance of microfinance, still many communities particularly in developing economies face challenge of accessing credit from these institutions. This situations has limit people in the society graduating out of poverty and in fact women are more vulnerable. It has been revealed through number of studies that despite the fact that both men and women are confronted with poverty, the situation

is worse for the case of women if compared to men. Women have limited access to income, resources, education health care and nutrition. It has been revealed that about seventy (70%) of women in the world are poor (REPOA 2010: Khan, R.E.A. *et al.*, 2012; Jasson, 2014). Jackson 1998 add that urban and rural poor women and youth have been unable to access financial institutions to secure credit, also there have been too high collateral requirements in banks for micro and small enterprises to secure loans (Kuzilwa, 1997).

The formation of different microfinance institution such as FINCA, PRIDE, SACCOS, VSLAs, VICOBA, SEDA, and others seems as one of the ways which enable women entrepreneurs to overcome those challenges which are facing and hinder them to become entrepreneur or doing their entrepreneur activities, business by getting loans and increase their incomes. Further it enables clients to protect, diversify and increase their incomes, as well as to accumulate assets, reducing their vulnerability to income and consumption shocks (Abdul, 2010).

In Tanzania Village Community Banks were originally adopted from Niger, in West Africa, where they were popularly known as “Mata Maso Dubara” (MMD) (Akkida. *et al.*, 2014). The model was modified by Social and Economic Development Initiation of Tanzania (SEMIT) and was registered with the registrar of Societies, Ministry of Home Affairs in 31st January 2012 as Village Community Banks (VICOBA). VICOBA Microfinance Bank provides credit/loans and financial services to its VICOBA groups for agricultural tools, entrepreneurship, arts and craft, education loans, housing, energy, water, science, technology and communication and it was aimed for both rural and urban women.

According to SEDIT (2009) in Tanzania VICOBA is a grassroots' based lending model, which focuses on fostering participant's ability to innovate and manage viable income generating activities. Central to it, it is a 'Bank' where participants save and get loans. Participants are both owners and customers of the bank. They manage themselves all bank operations down there at the village/street level. SEDIT, CARE, and WCRP are three noted organizations participated in coining up VICOBA. Despite women being the most effective's member in VICOBA, however there are also some participation of few numbers of men who engaged in VICOBA.

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

The key holders are responsible for ensuring the safety of the keys of the credit kits 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 (SEDIT, 2010). Lastly, the discipline master role is that of

overseeing adherence to the rules of the groups. In addition to the above official, group trainers provide overall guidance to the group, and, in collaboration with the chairperson, ensure group cohesion which is important for the group's survival. Group members are required to attend weekly meetings as decided by the group. Moreover, every group has the cycle decided by the group of about 12-18 months.

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

2.2.3 History and Development of VICOBA in Tanzania

In Tanzania 'VICOBA' for Village Community Banks was coined in September 2002. SEDT, CARE and WCRP are major organizations that participated in coming up with the VICOBA concept and its acronyms. The background of the acronym is a CARE international model developed in Niger, West Africa in 1991 (URT, 2009). The model is popularly known as Mata Masu Dubara 'MMD' and is based on the Nigerian vernacular for women in a course to emancipate themselves from poverty. In Mozambique it is known as OPHIVELA, in Uganda known as JENGA and in Zanzibar is known as JOSACA all of which are CARE international found acronyms with modification suiting local demands. According to SEDT (2010) VICOBA is a

grass root based lending model, which focuses on fostering a participant's ability to innovate and manage viable income generating activities. The adoption of VICOBA is based on its suitability and effectiveness in catalyzing development initiatives (SEEDIT, 2010).

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

Furthermore, Poverty rate in Dodoma Municipality is estimated to be 25% according to Household Budget Survey (2007). The situation is even worse in rural areas as a result the Council puts much emphasis on poverty alleviation by trickling down the macroeconomic gains from different development partners to the community level so as to realize the wellbeing of residents of the Municipal.

Generally, people within the ward depend on various activities on order to earn income. Apart from the fact that there are people employed in formal sectors, majority are in informal sector. There are also small scale farmers, and some engage

in gardening, animal husbandry as well as conducting petty business. Other people works in informal sector and majority are women. Women are running petty businesses within and outside the hamlet in order to generate income. However, the common ones are food vending, tailoring, preparation of local beer mostly done by women, gardening and petty businesses i.e. selling vegetables. There are also shops alongside the road although most of them are said to be owned by men regardless the fact that a woman is one who deals with daily operations.

1.3 Problem Statement

Financial inclusion is crucial for reducing poverty and boosting shared prosperity. The poor benefit greatly from basic payments, savings, and insurance services. According to Fin-scope survey of 2013, Tanzania's financial services had reached 76 per cent of the population by 2013 from 44 per cent in 2009 largely because of introduction of agent banking and the entry of mobile telephone companies in financial services (Kihongo,2015). It is further added that, global Microscopic surveys show financial inclusion in Tanzania has deepened as a broad spectrum of institutions including banks, businesses, non-bank financial institutions and non-governmental organizations have all made successful attempts to reach out to incorporate underserved. Microfinance being a part of financial institutions broaden the sense of access to finance for both rural and urban women.

This study embarks on assessing the contribution of VICOBA to the economic development of women in Tanzania. VICOBA program offers beneficial services for low income people and the capacity of managing scarce household and entrepreneur resources more efficiently, protection against risks, provision for the future and

taking advantage of investment opportunities, for economic returns. The role of VICOBA in serving low and middle income earners in Tanzania cannot be emphasized. VICOBA are organized as key players in combating poverty, as result its roles and functions draw attention of several researchers who then conducted studies on the contribution of VICOBA microfinance to poverty reduction in the country. Kihongo (2015) conducted Impact Assessment of Village Community Bank (VICOBA); a Microfinance Project Ukonga Mazizini in Dar es Salaam, the study concluded that participants of VICOBA project are satisfied with the charged interest rates and the procedures of operations also found that there is effectiveness in the capacity building through various skills by provision of trainings ranging from simple accounting procedures, simple business management, and some entrepreneur skills as the part of VICOBA project operations. Also Ngalemwa (2013) conducted a study on the contribution of VICOBA to Income Poverty Alleviation in Rufiji Delta, the research found that members of VICOBA joined the scheme in order to access credit and they acknowledged to have benefited as per their expectations. Other studies are by Chipindula and Mwanga (2015) who assessed the role of Village Community Banks in Social Empowerment of Women within households in rural communities of Mtwara District in Tanzania and Jasson (2014) who assessed the increasing Women's Access to Credit through establishment of a VICOBAa case of Women at Makulu Ward Dodoma (R) District. In assessing the role of VICOBA to economic development, none of the study touches specifically the role of VICOBA in women economic development particularly in urban setting. The gist of this study therefore is to evaluate the extent and mechanism through which VICOBA helps to improve women's income in urban setting, because these microfinance institutions

provide financial services mainly to women and recommend the better ways that can benefit women when accessing financial services in the study area.

1.4 Objectives of the study

1.4.1 General objectives

The general objective of the study was to assess the contribution of VICOBA to the economic development and livelihood of women in Tanzania.

1.4.2 Specific objectives were to:

- i. Identify and document the factors influence the members to join VICOBA
- ii. Assess contribution of VICOBA to the economic development of women
- iii. Determine the source of capital fund accumulated by VICOBA to support beneficiary
- iv. Identify the main challenges facing VICOBA activities

1.4 Research Questions

The followings are the questions that were used to guide the research

- i. What are the factors influencing women to join VICOBA?
- ii. To what extent does VICOBA contribute to the economic development of women?
- iii. What are the sources of capital fund accumulated by VICOBA to support beneficiary?
- iv. What are the main challenges facing VICOBA activities?

1.5 Significance of the study

This study aspires to be a contribution on the rationale for economic development and empowerment of women through VICOBA in the urban areas. Much of the research on micro-finance focuses on a rural with the specific problems and possibilities that comes with it. With an increasing urbanization in which agricultural labor as the main source of income is changed into involving other and new sources of income, this study argues for the increased relevance of examining the prerequisites for women empowerment in urban areas within which the engagement in VICOBA assuming will increase in the future. Also this study will make an attempt to examine the complexity of different factors that either limit or create processes of economic development and empowerment of women in urban areas. This study aimed at bridging the current knowledge gap, and that the findings from the study could in some way help inform the policy formulation process and stakeholders dealing with urban poverty alleviation in designing better strategies and approaches to accelerate VICOBA to becoming more sustainable in Dodoma Municipal, and Tanzania at large.

1.6 Limitation of the study

The study encountered some limitations, these include questionnaires were not returned by respondents, this was expected at proposal stage hence increased sample size in order to remain with an acceptable sample size.. Other limitations of the study include; time, the time for conducting the research is not enough. Also another limit of the study is cost constraints; the budget is not enough since depend on the private budget due to the absence of financier.

1.7 Scope of the study

The study embarks on studying the contribution of VICOBA to the economic development of women. The study assesses women economic development in urban setting. The study was conducted in Dodoma urban to cover women who engaged in VICOBA. Data for the study was extracted from both primary and secondary sources, primary data will be obtained through use of questionnaires, observation and interviews while secondary data was obtained from websites and documentary reviews.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter gives out literature reviews; theoretical and empirical literature review. The chapter will be organized in three Sections, section 2.2 is theoretical review of the related literature; it comprises of definition of key terms and variables used in the study. Section 2.3 discusses empirical review of related works; also it discusses both works which conforms to hypothesis of the study and those which do not conform to. Finally Section 2.5 presents conceptual framework of the study.

2.2 Theoretical Literature Reviews

2.2.1 Conceptualization of the Key Concepts

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

VICOBA like any other microfinance scheme are saving and microfinance groups which target low income community members to encourage saving and provide access to micro loans for small enterprises development (SEDT, 2010). According to SEDT (2010) VICOBA schemes have proved to be very effective to the rural communities where they operate with very little cost, the scheme can easily be integrated to other development initiatives and give better results within a short period. Therefore, one would expect that poor households to benefit from access to Microfinance Institution such as the VICOBA. Generally, access to micro loans could be very essential in income poverty alleviation of those poor rural household that cannot access credit from the formal sector financial institutions such as Banks due to a lack of collaterals.

2.2.2 Financial Sector Reforms and Formation of Microfinance Institutions in Tanzania

The government of Tanzania has since 1961 been implementing financial sector reforms aimed at putting in place a competitive, efficient and effective financial system (Rubambey, 2002). According to Microned (2006) the principal elements of the financial sector reforms were liberalized of interest rates, the restructuring of state owned financial institutions, the establishment of private banks (both local and foreign owned). Strengthening of the Bank of Tanzania's role in regulating and supervising financial institutions and strengthening of saving and Credit Cooperative Societies (SACCOS) as grass root providers of financial services. Tanzania's 2000 National Microfinance Policy was established in order to guide the establishment and operations of Microfinance institutions (URT, 2000). According to URT (2000) it is clear that those social based Microfinance institutions such as SACCOS, NGO's

and other services providers were free to develop micro-finance services on the basis of their own internal objectives, whether profit, poverty alleviation, self-help or others motivations.

The above mentioned reforms started with the enactment of the Banking and Financial institution Act of 1991, which among other things, permitted the establishment of private sector owned banks and provided for a structure for regulations and supervision of the financial sector (World Bank, 2003). Reforms brought about recognition of the need for autonomy of the Central Bank, not only in the formulation of a monetary policy, but in regulation and supervision of the financial sector as well (Satta, 2000). The financial sector is headed by the central Bank of Tanzania (BoT), and is responsible for the regulation and supervision of financial institutions, including community and cooperative banks (URT, 2000).

2.2.3 VICOBA Intensive training

According to SEDIT (2010) the VICOBA scheme can be operated at a very low cost as it only involves purchase of a credit kit, writing materials and member's contribution for training costs where applicable. The implementation of VICOBA training methodology goes over four phases. These are introductory phase, intensive training phase, development phase and maturity phase (SEDT, 2010). All these phases have their objectives and time limit for execution by VICOBA trainers and all VICOBA members. Generally, introductory phase takes three weeks and its objectives is to identify client groups , explain to them the basic characteristics of VICOBA methodology and recruiting individuals into the program. The intensive training phase for four months normally aims at the objective is to enable group

members understand clearly how better to manage their group activities and provide business management skills that will enable them to select, plan and manage their income generating activities profitably. As regards the development phase which lasts four months or more, the objective is to assist the group to become self-governing. Lastly, the maturity phase which lasts for three months or more, is geared towards assisting the group to become independent from the project.

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

2.2.4 Comparison of VICOBA and other Microfinance Institutions

The basic fundamental difference between VICOBA and the other micro finance is mainly around beneficiaries of the interest charged (returns on investment) (Kihongo, 2005). For example, since convectional microfinance institutions are commercially oriented charging too high interest rates (17-25%) for their credit, hence it's unaffordable by the poor especially women. VICOBA charge low interest rates (5-10%) and this is normally decided by the members SEDIT (2010). In the other microfinance institutions 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 microfinance schemes to meet the social objectives of poverty alleviation as it extracts resources from the poor which would have otherwise been utilized to improve their welfare. According to Kihongo (2005) the VICOBA compared to other microfinance institutions, recycles this investment returns to enable participants take bigger loans in the future. At the end of each cycle the total returns in investment is distributed to each member as dividends according to each person's current share capital investment. Therefore, based on the above, members of VICOBA stand to benefit more as compared to accessing loans from formal financial institution which charge high interest rate. the interest to the loans, are set at 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 savings and investments.

2.2.5 Gender and VICOBA

According to Kihongo, 2005 most of the men do not want to join VICOBA because it takes a long time to start acquiring loans and loans are small, and others think they are women based projects. They argued that, women can tolerate during the waiting period of three months for training and saving because they can get support from others including their husbands. Although VICOBA is not only for women but seem women are more involved than men (Kihongo, 2005) this is also supported by SEDIT (2010) which point out that VICOBA funds are managed more by women than men.

The participation of more women in VICOBA, according to OI (2009), microfinance organizations make it a priority to serve the particular needs of women, since 70% of

all those living in extreme poverty are female. According to OI (2009), women are often excluded from education, the workplace, owning property and equal participation in politics and decision making. Therefore, microfinance schemes provide an opportunity to improve their circumstances and the lives of their children. Women are more preferred clients by microfinance institutions as they tend to be better borrowers.

ILO (1998) argues that microfinance can positively impacts on women's livelihood through, raising their income which helps them to better perform their reproductive role and caring for the family. Increased incomes also enhance their employment in micro enterprises and improving income generating activities, thus enhancing their self-confidence and status within the family as independent producers. SEDIT (2010) also observed that men have realized that women are given more chances in the community. The fact that many women are involved in micro- financing is quite encouraging. The economic empowerment of women means a better living in female headed households and even in those headed by men. Generally any increase in income means more cash available for household's consumption.

2.2.6 Theories of microfinance

Micro-finance is analyzed from two main theoretical perspectives, the financial system approach and the poverty lending approach (Robinson, 2001). The former concentrates on large scale outreach looking on who is able to pay back micro-loans and the later on poverty reduction through credit and often this provides complementary service such as entrepreneurial skills training, teaching of literacy, nutrition or food security and health services. The advocates of micro-finance model

have underlying assumptions that if loans are paid in time then this automatically translates to success of the project meaning that recipients targeted must be improving their lives; lifting themselves out of poverty and hence economic development of women. From the above observation this study adopted the poverty lending approach, on which clients are provided with loans and complementary service such as entrepreneurial skills to act as a tool to lift the poor from poverty.

Micro-finance schemes seem to be a convenient means of reducing income poverty in the country; this is based on the theory that the provision of small loans to the poor is an effective policy instrument in the fight against poverty (Wangwe, 2005). The improved access to finance and financial services creates income generating capacity which may enable the poor to access all the development requirements to get out of poverty and reduce their vulnerability to unexpected events (Nyamsogoro, 2010).

2.3 Empirical Literature Reviews

Ngalemwa (2013) conducted a study on the Contribution of Village Community Banks to Income Poverty Alleviation in Rufiji Delta. The study applied a cross-sectional research design and primary data was used in the analysis. Primary data was collected using a questionnaire, focus group discussions and key informant interviews. The research findings show that most of VICOBA members joined the scheme in order to access credit and they acknowledged to have benefited as per their expectations. The findings also show that, distance to markets hinders the progress of VICOBA members' income generating activities. Results further show that attitude towards VICOBA activities in the study area was favorable. The researcher then recommended the government should work out a modality to ensure

the increased coverage of this development model; by reviewing its microfinance policies that focuses on the freedom and ownership of the scheme by members themselves

The study by Coetzee and Cross (2003) on the role of Community Banks in South Africa on improving access to financial services for the poor come up with the conclusions; The semi-formal institution in the format of the village bank is experiencing a growth spurt due to financed and focused support of the facilitation of the formation of new banks and savings, institutions take their time towards maturity and the extension of credit. Also the study found that, formal community banks exist in South Africa, however the legal structure is still not adequately adjusted to ensure a good uptake of registration of these institutions.

Also Lambisia et al. (2016) conducted a study on the effect of Table Banking on Economic Empowerment of Self-Help Groups in Rongai Sub-County, Kenya. The study adopted descriptive research design and both descriptive and inferential statistics were used in the analysis. The study found the moderate strong, positive and statistically significant relationship between group cohesiveness and economic empowerment, the analysis further revealed a strong, positive and statistically significant relationship between group guarantee and economic empowerment. The study concluded that concluded that group cohesion was of utmost importance in economic empowerment.

Further, the study by Jasson (2014) entitled “Increasing Women’s Access to Credit through Establishment of a Village Community Bank: A Case of Women at Makulu Ward Dodoma (R) District”. The study find that it is important to level the needs in

and that access to credit is paramount important for increasing women's capital base for micro enterprise developments. Also the researcher found entrepreneurship training to be mandatory to enable women to effectively undertake the Income Generating Activities (IGAs). Addressing the recommendations to Government, Donor agencies, women and the community, the researcher recommended that in order to achieve sustainable community economic development by both men and women and make women's active involvement, the advocacy campaigns

De Wet et al. (2012). Conducted the study entitled "The Impact of Microfinance in Sub-Saharan Africa: A Systematic Review of the Evidence". The researchers found that microfinance in sub-Saharan Africa, it has modest but not uniform positive impacts and is not always viewed as a golden bullet, but indeed can cause harm. Their study data shows that micro-savings look more promising than that on micro-credit, as does the theory, but savings do not appear to increase income and finally that Micro-savings schemes are also newer and there is less evidence of its effectiveness (either positive or negative).

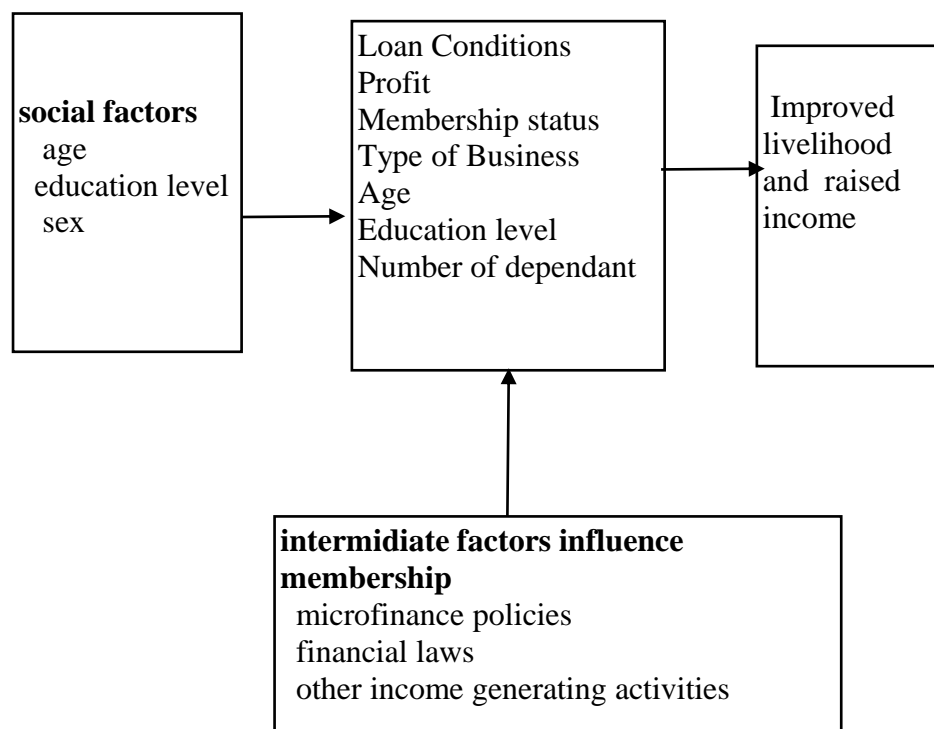
2.4 Conclusion from literature review

The review of different literature show a mixed evidences on the effect of Microfinances on economic development of women. Other studies shoes that VICOBA affects women's economic empowerment positively while other study shows microfinance can harm economic development and others show neutral effect of microfinance on economic development.

2.5 Conceptual Framework for the Study

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

Figure 2. 1: The Conceptual Framework



Source: SEDIT, 2010

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter introduces research methodology that was adopted by the study. This chapter covers research design, study population, sampling and sample size, Data collection methods, data processing and analysis.

3.2 Research Design

The study adopted a cross sectional research design; where by the data were collected at a single point period of time. Cross section design took the form of questionnaire survey, with participants selected by using random sampling process (Matthews, 2010). This research design is preferred to its simplicity and it allows determination of relationship between variables (Kothari, 2010). The research design is favorable in the situation of limited time and resources for the case of this study.

3.3 Study Area Profile

3.3.1 Location

Dodoma Municipality is located in the middle of the Country. It is bordered by Chamwino district in the East and Bahi district in the West. It lies between Latitudes 06.00° and 06.30° South, and Longitude 35.30° and 36.02° East. It is 456 kms to Dar es Salaam and 426 kms to Arusha.

3.3.2 Physical Characteristics

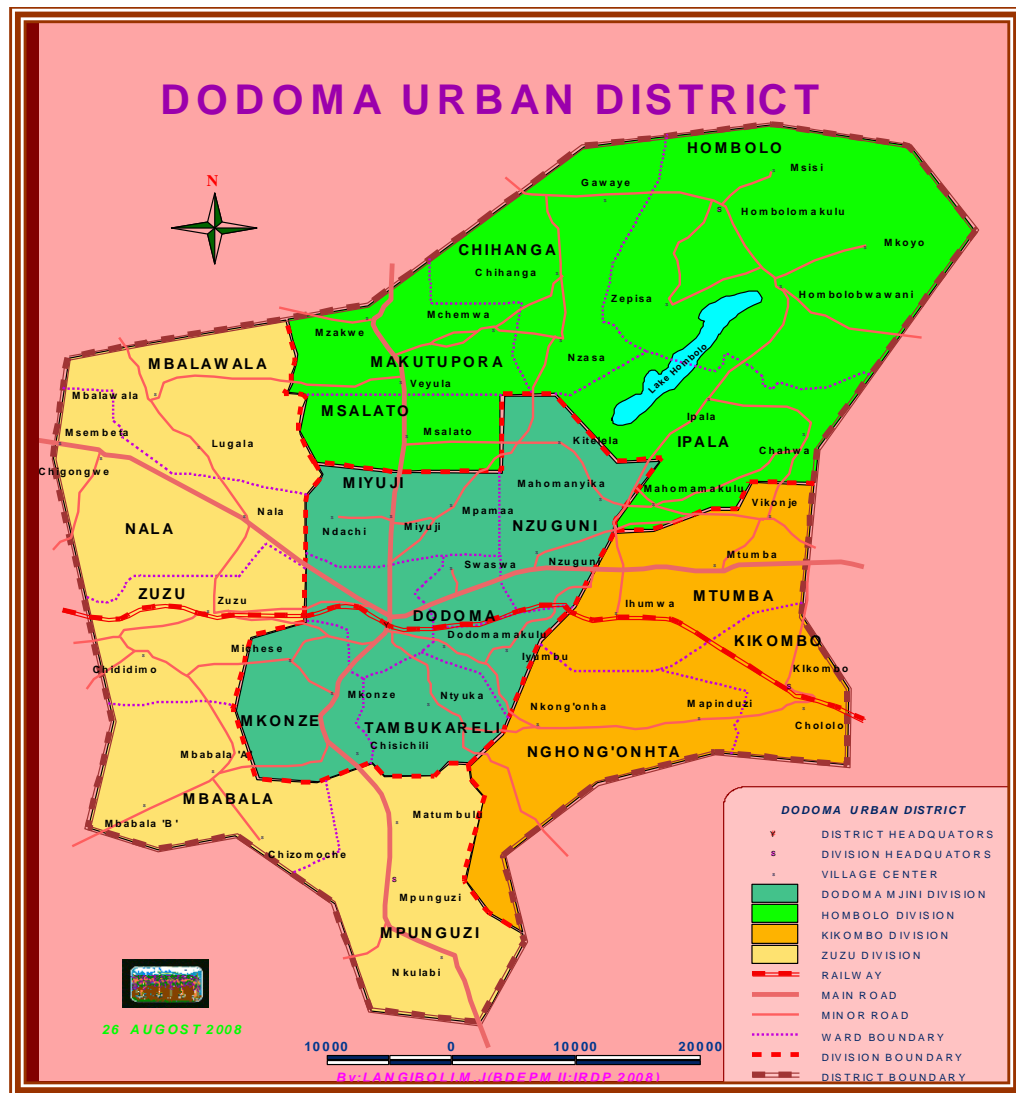
The Municipality covers an area of 2,769 square kms. It is characterized with both Urban and rural qualities. It stands on broad upland plateau with an altitude ranging

between 900-1000 meters above sea level, with beautiful stony hills such as Image, Isanga, Mkalama and Mlimwa. It experiences a long drought and short rainfall seasons. Due to unreliable rainfall, the area has scanty vegetation such as shrubs, grasses as well as conspicuous baobab and acacias trees.

3.3.3Population

According to the population and housing census of 2012, Dodoma District had 324,347 people of which male are 147,469 and females 166,878 with the population growth of 2.8%. The current projected population is 507,141 people whereby males are 250,769 and females 256,720. The number of households is 107,000. The target populations of this study will all population of Dodoma municipal council 410,956 people. Including 2054 male and 205428 female (NBS, 2012).

Figure 2. 2: Map of Dodoma Municipal Council showing the study area



Source: DMC Profile, 2010

3.4 Study Population

According to Crowl (1993) study population is defined as a group of study units which the researcher is interested in gathering the information from, as well as drawing conclusions on. The target populations will be women beneficiaries who are group members of VICOBA and Municipal staff.

3.5 Sample Size

Sampling is the process of selecting units (e.g. people, organizations) from a population of interest so that by studying the sample we may fairly generalize our results back to the population from which they were chosen (Trochim, 2005). The sample size included 59 respondents constituting six (6) staff from Dodoma Municipal Council (Community Development Officers and Street Chairpersons) will be involved.

The sample size was obtained by using Slovin's formula;

$$n = \frac{N}{(1 + Ne^2)}$$

Where;

n is Sample size

N is total population

e is the level of confidence.

From the projected population, the total population of the selected area was 410,956 and the level of confidence to be used is 95%. Therefore, following the Slovin's formula the sample size was: -

$$n = \frac{410956}{(1 + 410956 * 0.1^2)} = \frac{410956}{4109.56} = 100$$

However, the study managed to interview 50 respondents

3.6 Sampling Technique

Two sampling techniques were used; purposively and systematic random sampling.

3.6.1 Purposive Sampling

Purposive sampling is important for officials supervising VICOBA in the Municipal because they are the one with key information about guidelines and its performance. This technique was used to select key informants such as officials from Dodoma Municipal Council these officials including Community Development Officer (CDO), District Planning Officers (DPLO) and street chairperson. Purposive sampling technique enables the researcher to choose respondents basing on the fact that they have desirable characteristics related to the issue being studied (Kothari, 2004). Mentioned officers were selected by the virtual of their position because they are informed on VICOBA.

3.6.2 Systematic Random Sampling

Systematic sampling is a statistical method involving the selection of elements from an ordered sampling frame. The most common form of systematic sampling is an equal-probability method. In this approach, progression through the list is treated circularly, with a return to the top once the end of the list is passed. This technique will be used to select VICOBA members using the available list of members. The sampling starts by selecting an element from the list at random and then every k^{th} element in the frame is selected, where k , is the sampling interval (sometimes known as the skip). The researcher selected the first respondents randomly and skipped every 5 following individuals.

3.7 Data Collection Methods

The researcher considered both primary and secondary data sources whereby questionnaire, interview and observation were used to collect primary data while documentary review was used in collecting secondary data.

3.7.1 Questionnaire

The study used questionnaires to collect information from respondents with ample time to answer questions at their own. Questionnaires were provided to members.

3.7.2 Interview

The study used interview. Interview was conducted to officials and a few members who could not read and write. This was important to supplement information provided by key respondents.

3.7.3 Observation

The researcher visited few groups and business premises of some of women who are members of VICOBA to see the type and status of business they conduct.

3.7.4 Documentary

The researcher reviewed journals, publications, books, papers, presentations and articles, publication from internet and other supporting documents to collect secondary data. Other secondary data was collected from Municipal Council reports.

3.7.5 Focus Group Discussion

A focus group discussion is a discussion of 6-12 people guided by a facilitator, during which group members talk freely and spontaneously about a certain subject matter. The method is useful in exploring attitudes, ideas, concepts, and perceptions or feelings towards certain existing phenomenon and to draw out precise issues that may be unknown to the researcher (Gibbs, 1997). The researcher will employ this technique in order to draw upon respondent's attitudes, feelings, experience and reaction in a way which would not be feasible using other techniques..

3.8 Reliability

The researcher ensured reliability of data. According to Trochim (2006) reliability has to do with the quality of measurement. The researcher assessed the contribution of VICOBA to the economic development and livelihood of women in Tanzania. The researcher triangulated method to ensure collected data are reliable.

3.9 Validity

Validity refers to a quality of the research as whether it has measured what it was supposed to measure. The study used scientific tools including descriptive analysis, explanatory data analysis to test the collected data and ensure its validity.

3.10 Data Processing and Analysis

The study used both manual and computerized data processing techniques. The data processing activities such as coding, classification and tabulation were done by the help of Statistical Package for Social Sciences (SPSS). These helped to clean up and detect the errors and omissions. The appropriate analytical techniques such as

descriptive statistics (frequency, percentage, mean, mode and standard deviation) and statistical inference were applied so as to summarize data and test the significance of the differences in the opinions of the respondents.

3.11 Data Presentation

The collected data was presented using charts, graphs, statements and tables to simplify interpretation and discussion of the findings

CHAPTER FOUR

PRESENTATION OF THE FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the findings of the study. It also analyses and discusses the findings of the study. Data analysis is summarized and presented in tables, percentages and statistical tests. The analysis made is based on primary data gathered from the field through interviews with VICOBA members and leaders and the questionnaires from respondents which are the VICOBA members. The findings of this study are divided into descriptive findings and findings as per study objectives.

4.2 Social Economic Characteristics of Respondents

This section presents the background characteristics of the respondents; with the variability in their profiles. It has intended to explore the respondents' composition in terms of age, marital status, gender and the level of education.

4.2.1 Age of the respondents

Table 4.1 shows that 50% of the respondents were aged between 29-39 years, 26% were between 18-28 years, 22% were aged between 40-50 years and 2% were elders above 50 years. This may be due to the fact most the old people are inactive in production compared to the youth (Nanai, 1993). And also the law requires the VICOBA members should be above 18 years.

Table 4.1: Age of the Respondents

Age Category	Frequency	Percentage
18- 28	13	26.0
29-39	25	50.0
40- 50	11	22.0
above 50	1	2.0
Total	50	100.0

Source: Field Data, 2016

4.2.2 Gender of the respondents

Findings in Table 4.2 shows that 96% of the respondents were females where as 4% males. The data revealed VICOBA composed by female than males. This data implies that information collected involved both gender. This may be attributed by the fact that, VICOBA initially was formed to empower. However, the situation has started to change as males are now participating in VICOBA.

Table 4.2: Gender of the Respondents

Sex	Frequency	Percentage
Male	2	4
Female	48	96
Total	50	100

Source: Field Data, 2016

4.2.3 Education level of the respondents

The data reveals that about 48% of the respondents had attained primary school level as their highest level of education, 28% indicated that they had ordinary secondary level (O-Level) as their level of education, 8% of the interviewees with A-level as

their highest level of their education and 16% indicated that they don't have attended school (Table 4.3). Education is the most important factor development of the country, access to information, services (Nkurunziza, 2006). Also education tends to stimulate self-confidence and reliance. Education is used in the adoption of business skills and strategies. Education also has significant role in the land management and increase labor skills and knowledge (Nkonya *et al.*, 2004).

Table 4.3: Education Level of the Respondents

Education Level	Frequency	Percentage
Not aattended	08	16.0
Primary Education	24	48.0
O-Level Education	14	28.0
A-Level Education	04	8.0
Total	50	100.0

Source: Field Data, 2016

4.2.4 Marital Status

The researcher was interested to know the marital status of respondents so as to trace its influence on the participation in VICOBA and hence engage in entrepreneurship activities. Table 4.4 shows that 40% of respondents were married, whereas 20% were widowed/widower. Among the rest 24% were single while 16% were separated.

Table 4.4: Percentage of distribution of respondents by marital status

Age Category	Frequency	Percentage
Married	20	40.0
Single	12	24.0
Divorce/Separated	08	16.0
Widowed	10	20.0
Total	50	100.0

Source: Field Data (2016)

4.3 Factors that influence the members to join VICOBA

The researcher was interested to know the factors that influence women to join VICOBA in the study area. Respondents were asked to give their views towards factors influence member to join VICOBA as the illustrated in Table 4.5.

The findings in Table 4.5 revealed that, among the members who responded about 46% joined VICOBA because of getting capital for business and later savings. 25% appealed ease accessibility and 20% the join VICOBA for the purpose of improving life. They commented that, “once they get emergency case it is easier to get loan from VICOBA rather than other institutions like the bank”.

**Table 4.5: Respondents and Factors that influence the members to join
VICOBA**

Factors	Frequency	Percentage
Capital accumulation	23	46.0
Ease Accessible	13	25.0
Quick Loan Processing	04	9.0
To improve Living Standard	10	20.0
Total	50	100.0

Source: Field Data, 2016

4.4 Contribution of VICOBA to the Economic Development of Women

The findings from the study show that 44% of the respondents interviewed, said that the presence of VICOBA helped the to own and run small business in town, 24% said the managed to pay school fees for the children, 22% of the respondents said that they have improved living standards like buying plots and houses renovations, 4% had open the hair dressing saloons and 4% hand 18.6% of the respondents said the presence of VICOBA in the country helped them to open restaurant “*mgahawa*”.

The results had summarized below in Table 4.6.

Table 4.6: Percentage distribution on Contribution of VICOBA to the Economic Development of Women

Factors	Frequency	Percentage
Improve standard of living	11	22.0
Help in farming activities	01	2.0
Abel to own dressing saloon	02	4.0
Own restaurant	02	4.0
Paying school fees and medication expenses	12	24.0
Start small business	22	44
Total	50	100.0

Source: Field Data, 2016

4.5 Main Economic Activities Which Act As the Main Sources of Income for Women

The researcher interested to know the main activities as the main sources of income for your livelihood. The table 4.7 shows the varied household economic activities including the main ones are Agriculture (farming and livestock keeping) (44%), others (28%) were engaged in business and same 28% participated in artisan activities in town (handwork). Agriculture appeared to be one of the most income generating activities that attract people in the study area. Income generated from agriculture and business can be used to pay for education, health, transport and housing. VICOBA had significant contribution to the socio-economic development of people in Dodoma from the household to municipal levels in terms of income generation, food security, health, material wellbeing, employment and agricultural development.

Table 4.7: Percentage Distribution and Main Economic Activities

Factors	Frequency	Percentage
Agriculture (farming and livestock keeping)	22	44.0
Business	14	28.0
Artisan	14	28.0
Total	50	100.0

Source: Field Data, 2016

4.6 Source of Capital Accumulated By VICOBA to Support Beneficiary

Capital can be generated from members. VICOBA savings are of two types most commonly compulsory and voluntary savings. Compulsory saving is prior savings required from borrowers, which is obligatory for loan clients and seen as partial collateral. Voluntary saving involves depositing any amount with no obligation to do so as in compulsory saving. Any amount can be saved and can also be withdrawn at request.

Table 4.8 revealed that 50% of respondents appealed that saving is compulsory and other 50% said can be both compulsory and voluntary. Furthermore, regarding to trend of savings in the last twelve months respondents appealed significant increase.

Table 4.8: Source of Capital Fund Accumulated By VICOBA to Support Beneficiary

Particulars	Response	Frequency	Percent
Members Saving to VICOBA	Yes	100	100
	Total	100	100
Type of saving	Compulsory	25	50
	Voluntary	0	0
	Both compulsory and voluntary	25	50
	Total	100	100
Trend of savings in the last twelve months	Decreased	4	8
	Increased	40	80
	Remains the same	6	12
	Total	100	100
Total		50	100

Source: Field Data, 2016

4.7 Challenges facing VICOBA activities

Findings from study, the respondents were asked if they had faced any challenges, and the results were as follows; 90% of the respondents said that they faced different challenges in the operation of VICOBA and 10% said no as shown in the Table 4.9.

Table 4.9: Respondents Response and if there Challenges in VICOBA operations

Sex	Frequency	Percentage
Yes	45	90.0
No	05	10.0
Total	50	100

Source: Field Data, 2016

4.8 The Important Challenges Facing the VICOBA

The performance of VICOBA is hindered by many factors, from the findings from the study. The results were as summarized in the Table 4.10 below;

Table 4.10: Percentage Distribution of Respondents and Challenges Facing VICOBA

The important challenges	Frequency	Percentage
Delay in the repayment of loans	28	56.0
Low education level of the members	7	14.0
Low support from the government	4	8.0
No challenges	1	2.0
Funds embezzlement/Theft	10	20.0
Total	50	100

Source: Survey Data, 2016

From the table the results, the challenges include the following; delay in the repayment of loans (56%), also low education of the members (14%), and other said low support from the government (8%), other said no challenges (2%) and the most common problem facing most of the financial institutions and non- financial institutions, theft and funds embezzlement and un ethical leaders (20%). Findings further show that the members in the VICOBA at the end they get income as a result of some fines and contributions of the members.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 Introduction

In this final chapter, a conclusion of the results that came out in reference to the research questions is presented. This is followed by recommendation for the researcher in case of future research. The main objective of this study was to assess the contribution of VICOBA to the economic development of women in Tanzania. The study also had specific objectives, which were identify and document the factors influence the members to join VICOBA, assess social contribution of VICOBA to the economic development of women in Tanzania, determine the source of capital fund accumulated by VICOBA to support beneficiary and identify the main challenges facing VICOBA activities.

The presence of VICOBA has benefited many women to reduce the dependence and obtain the capital to engage in other small economic activities which help them to improve the living standard of their respectively family.

5.2 Conclusion

Micro finance sector can play a great role towards the economic development of women in Tanzania. VICOBA model being one of the micro lending, has ensured the women have been empowered enough through loans taken from VICOBA since they can use this loan to engage in other economic activities. From the findings of the study, VICOBA helped many women in establishing small business which enable them to get income. Also there is different between the women participate in

VICOBA operations and non- member of the VICOBA. The results shows that the women joined in VICOBA benefited a lot.

Also the study concluded that the main challenges facing the operations of VICOBA include theft. This due to the fact that most of the funds accumulated are kept in local methods like the funds accumulated are kept to the chairperson of the group. In such situation the theft can occur easily and the members get loss due to the loss of the money.

Another challenge facing VICOBA from the study is delay in the repayment of the loans taken by some members. This seemed to be the major problem too many group most the members do not repay the loans on time hence lead to create some difficulties to other members who need loans. Generally, it is concluded that the VICOBA scheme has contributed significantly to the economic development of women in Tanzania

5.3 Recommendations

Basing on the findings of this study the following are recommended;

- i. Government should ensure that the education is provided to the members so as to enable the members to perform their VICOBA members to perform their activities well and in a more efficient way, and this will attract more members to join in the VICOBA.
- ii. Also they are should laws and regulation to the leaders of VICOBA group who fraud the funds accumulated by the members. This laws will help to maintain the transparent and accountability among the leaders.

- iii. Leadership skills; also the stakeholders concerning with VICOBA they should provide leadership skills to the VICOBA leaders so that they can manage well the members and funds accumulated by the members.
- iv. There is need for VICOBA methodology or its mode of operation to be reviewed again in order to integrate some paramount and contextual phenomenon that are specific like rural communities .
- v. Municipal authorities should assign the responsibilities to the cooperatives, microfinance and community development officers to technically assist the VICOBA group members to properly manage their income generating activities, 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 to formal financial institutions.
- vi. The government should support all VICOBA implementing agencies to establish an umbrella at national level that will work as their networking platform for the purpose of increasing geographical coverage while protecting the authenticity of this unique development model of women.

5.4 Area for further studies

The study only covered the parts of Dodoma Municipality, 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 the economic development of women. Generally, the study only covered the contribution of VICOBA to the economic development of women.

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APPENDICES

Appendix 1: Questionnaire For Dodoma Urban's Women Involving In Village Community Banks (VICOBA)

Questionnaire number:

Dear Sir/Madam

My name is Alphonse Ollotu, I am undertaking a study entitled "Assessment of Village Community Banks (VICOBA) to Women Livelihood in Tanzania - A Case of Dodoma". The study is required as a part of my course to fulfill the requirement for award of Masters of Business Administration (MBA) at the University Of Dodoma. Study requires responses from VICOBA stakeholders particularly women from Dodoma Urban. I have prepared this questionnaire in order to obtain responses. It is my request you respond to this questionnaire as much probity as you can order to help me accomplish the study.

The required information will be treated with confidentially and will be only for academic purpose and not otherwise. I thank you in advance for your good cooperation, assistance, time and effort spent in the completion and return of the questionnaires. Kindly respond to the questions below with as much probity and transparency as possible.

Should have any concern at any time regarding this questionnaire, please do not hesitate to contact Mr. Alphonse Ollotu through +255 655 371 337 or through email: ollotualphonse.aa@gmail.com

Appendix 2: Comment from External Examiner

ISSUE	ACTION
Title	Dodoma residents
Abstract	Contains all important section and major result must be presented with quantitative data
Background	Revised accordingly and some stuff from literature were added Dodoma status quo about VICOBA were added
Statement of problem	Improved
Objectives	SMART
Significance of the Study	Well presented as required
Scope	Added
Definition	These are key words
Theoretical Literature review	Improved
Empirical studies	Revised and added
CFW	Revised
Hypothesis	No hypothesis There is research questions
Paradigm	Impliedly
Population	Stated
Unit of analysis	Individual
Variables	Explained
Data analysis	Descriptive analysis suffice for this study as it seeks to address contribution
Summary of data	Not important
Limitation	Shown
Further research	Revised
References	ALL ADDED