Volume 6 Issue Number 1 JUNE 2018

JOURNAL OF POLICY AND LEADERSHIP

ISSN 1821 – 8318 Centre for Policy and Leadership,
School of Public Administration and Management, Mzumbe University
P.O. Box 2, Mzumbe Morogoro, Tanzania
Tel. +255 023 2604380/1/3/4, Fax +255 023 2604382/2600671
E-mail: cepole@mzumbe.ac.tz; Website: www.mzumbe.ac.tz

ISSN 1821 – 8318 Centre for Policy and Leadership,
School of Public Administration and Management, Mzumbe University
P.O. Box 2, Mzumbe Morogoro, Tanzania
Tel. +255 023 2604380/1/3/4, Fax +255 023 2604382/2600671
E-mail: cepole@mzumbe.ac.tz: Website: www.mzumbe.ac.tz

JOURNAL OF POLICY AND LEADERSHIP

Centre for Policy and Leadership
School of Public Administration and Management

VOLUME 6 ISSUE NUMBER 1 JUNE 2018

Mzumbe University, Tanzania
ISSN 1821 - 8318

Centre for Policy and Leadership, School of Public Administration and Management, Mzumbe University.

CONTENTS

The Success of Village Community Banks in Improving Household Welfare in Kigamboni District, Dar es Salaam Region

Coretha Komba[1] and Samwel Benson[2]

Abstract

This study assessed the success of Village Community Banks VICOBA in improving household welfare in Kigamboni District. It utilised the sample of 85 respondents. The findings of the study revealed that it is easy to get loan from VICOBA and that borrowing from VICOBA is cheaper than borrowing from other financial institutions like commercial banks. The results from logistic regression model shows that marital status, average income from the business, use of borrowed loans, education, credit registrations, loan size, interest rate and household size influence the success of VICOBA in improving household welfare in Kigamboni District. Indeed, age of VICOBA members was found to be insignificant factors in explaining household welfare. The study also revealed that there increased misconceptions or stereotypical images connected to the scheme that VICOBA are special for women only. The study concludes that indigenous ownership; the needs of the time and lack of barriers determine the success of VICOBA towards improving household welfare. Consequently, the study offers several recommendations that aim towards improving household welfare through the use of VICOBA.

Keywords: Welfare, household welfare, VICOBA

[1]Coretha Komba is a female Tanzanian, currently working at a capacity of a Lecturer in Economics department at Mzumbe University in Tanzania, Dar es Salaam Campus College, P.O. Box 20266, Dar es Salaam, Tanzania. Phone: +255754343737; Email: c_komba@yahoo.com; CKomba@mzumbe.ac.tz

[2]Mr. Samwel Benson is an MPA graduate of Mzumbe University in Tanzania, Dar es Salaam Campus College, mentored and supervised by Dr. Coretha Komba

Introduction

International focus has nowadays been directed towards Microfinance finance institutions which provide financial services to the poor people and low-income earners. Different scholars have provided various arguments about Microfinance institutions as an important scheme for stimulating economic development and reducing poverty. Micro-finance services are believed to increase income of the people, initiate income generating activities including businesses and reduce economic related stress of the people. (Kihongo, 2005). Microfinance policy (2000) states that as part of initiative to eradicate poverty, microfinance services have become one of the important sources of fund to the poor particularly the urban communities for expansion of their businesses and productive activities (URT, 2000).The primary objective of all credit programs is to rise the living standard of beneficiaries and their families at large through improving beneficiaries' productive activities including their businesses (Basu & Srivastava, 2005).

Most of the poor people in Tanzania have limited access to services provided by formal financial institutions including banks and Saving and Credit Cooperative Societies (SACCOS). This is because the poor people are regarded as unbankable by these institutions due to the lack of immovable collaterals like land and houses. These poor people establish their informal associations called Village Community Banks (VICOBA). The main purpose of VICOBA is to meet group member's demand in terms of accessing loans for starting up or expanding their businesses and finally improving their family welfare. An assessment needs to be done about to what extent these informal associations like VICOBA contributes to enhancement of poor people's socio-economic status or improve households' welfare.

Despite all bank operations being managed by VICOBA members themselves and capacitated with trainings on group leadership, business operations, risk management and entrepreneurship skills, still their income generating activities including businesses are not sustainable. This is because of poor managerial skills and high cost of inputs (Cook & Nixson, 2000). Therefore, researcher found that there is gap between VICOBA and improvement of household's welfare, so the researcher intends to analyze the success of VICOBA on improvement of household's welfare. Various scholars recognize the contribution of VICOBA on improvement of member's welfare. Basu and Srivastava (2005) argued that the primary objective of financial institutions which provide loans to small business entrepreneurs is to improve the standard of living of the people through stimulating the growth of their income generating activities (IGAs). Though, contribution of VICOBA to the improvement of household welfare is hindered by access to finance and lack of training opportunities (Cook & Nixson, 2000).

Large commercial banks and other formal financial institutions in Tanzania, both in urban and rural areas usually marginalize poor people in provision of credits due to the strict and unfriendly conditions for credit acquisition including the requirement for having collaterals. According to Reed (2011), many Micro-Finance Institutions (MFIs) do not improve the living standard of poor people because alleviating poverty is not a priority among the objectives of many MFIs. This is what prompted the mushrooming of VICOBA in various cities and rural areas in the country (Kyessi & Furaha, 2010; Bakari et al., 2014). Also, Rutenge S.A (2016) conducted a study on assessing the contribution of VICOBA on household welfare in Kishapu district, he found that members of VICOBA reduce their income poverty through accessing loans at affordable interest rate. His study further witnessed that VICOBA members improved their welfare by accessing better shelter, medical services and increase household assests. As the contribution of VICOBA in improving household welfare seem to be deficient, the researcher thought to assess the same in Kigamboni District.

Literature Review

Research has been undertaken by various scholars around understanding the mode of operation of Village Community Banks (VICOBA), their success in improving household welfare and problems encounter by VICOBA's members. VICOBA consist of maximum of 30 people who meet at regular interval often once per week for the purpose of saving share in order to save shares and accessing loans. Also, there are democratically elected group leaders who work voluntarily. These leaders are chairperson of the group, secretary and one accountant for assisting in managing VICOBA's fund.

VICOBA's group members are divided into small sub – groups - of five people. The members in these sub–groups they guarantee each other in to access loans from VICOBA that means if one members default, other members who are responsible to pay back the loan. This is because group members act as referee to each other. Also, member's savings is considered to act as loan collateral that means savings of defaulted member can be used to compensate for the loan. VICOBA are not formal, that means are owned by the members because they are guided by their own formed regulations, procedures and by-laws. Financial lending under VICOBA is grounded in the way that individual should buy shares that will then determine the size of the loan he or she is able to take. Failure of repayment of one member will hence create the delay of the next member to take loan (BEE, 2007)

When analyzing the impact of lending in form of groups Northeast part of Thailand, Coleman (1999) revealed that providing credit to the poor people is not the best approach for helping them to improve their standard of living, that means people are poor not because of lacking or limited access to credit but just because of other factors like lack of knowledge for managing fund.

Another study was conducted in Asia and Pacific by Remenyi and Quinones (2000) who analyzed the impact of microfinance services towards poverty reduction. They revealed that people who have access to credit will always have higher income compared to those people with limited access to credit. For example, in Indonesia the rise in income on average per annum seem to be 12.9% for the people who borrow from VICOBA and microfinance institutions while 3% was the average increase in income per year for the people with limited or no access to credit.

Amin et al. (2003) conducted a study in Northern Bangladesh, Asia to assess whether poor people are able to access loans from VICOBA. Their results indicated that though micro credit programs have to some extent succeeded to help the poor people economically, the effectiveness of these programs is less or not satisfactory especially in those area where there is extreme poverty within the community.

The study conducted by Khan and Noreen (2012) on microfinance and women empowerment in Bahawalpur district, Pakistan indicated that microcredit programs should not only focus on increasing the amount of loan size but also there should be a focus on where the borrowed loans are directed, sometimes if borrowed loans are directed towards expansion of income generating activities they can bring tangible results in terms of improving household welfare. But if the borrowed loans are directed towards non-income generating activities there is possibility for those loans not to bring positive impacts to the community concerned. These scholars also argued that loans should be supplemented by training which will impart financial discipline among the borrowers.

Simanowitz and Walter (2002) conducted a study which aimed to analyze the contribution of microfinance towards achieving millennium Development Goals (MDGs) of United Nations (UN) of reducing poverty., their study revealed that if people have permanent sources of incomes, they may easily access essential needs like food, shelter, clothing and other needs such as education and health services. Also, their findings pointed out that microfinance always contribute to the rise of the income of poor people and raised income will be sensed through access to better nutrition, education and health services which is particularly felt by children. Micro credits play an important role in promoting gender equality, better working conditions, economic and social development of women (ILO, 2007).

Findings from Mayoux (1999) on micro finance and women's empowerment in Africa: Rethinking the 'best practice' pointed out that there is a need of rethinking of group's structures and functions in order to change the focus from perceiving groups simply as loans' based activities to find at methods of creating good social relations among group members. That means groups can develop their own empowerment strategies in such a way that can be used as forum for information exchange and mutual learning. Successful women entrepreneurs within the groups can share experience or skills with others. The sharing of skills can be done through training on voluntary basis or groups organize and pay for training. Microcredit is an important strategy for stimulating development at individual and national level due to the fact that it allows women to have economic power for making various economic decisions.

Also, the research done by Mayoux (1999) revealed that sustainable microcredit services empower women because of stimulating the growth of their micro-enterprise which finally may increase proportion of income which is under the women. Basically, microcredit empowers women by facilitating them get cash generated from their various small and medium enterprises. These small and medium enterprises increase the capacity of women to provide financial support to the families. This may consequently put women in the position of making various decisions at family level, community level and even at national level. Also, the improvement of economic status of women through various credit lending programs including VICOBA enable them to control the allocation of economic resources at family level.

Various studies have been conducted about VICOBA in Tanzania, one of the researchers who have done the research on VICOBA is Kuzilwa (1990) who analyzed the role played by VICOBA in initiating activities which generate income and came up with the conclusion that output of households increased due to their access to microcredit. The results indicated that access of people to credit is determined by performance of their small and medium enterprise. That is as the revenue collected from their income generating activities paves the way for owners of activities to access large amount of credit from various credit providing programs. The results also portrayed businesses which were owned by entrepreneurs who received business training were performing better than businesses of entrepreneurs who didn't receive training. It was further observed that those enterprises, whose owners received business training and advice performed better than those who did not receive training. He urged microcredit programs to be framed in such a way that many business entrepreneurs can secure loans.

Another research about VICOBA in Tanzania was conducted by Kihongo (2005), he conducted a study at Ukonga, Dar es salaam on the impact assessment of VICOBA and revealed that the provision of training focusing on some aspects like accounting keeping records, managing businesses and some other entrepreneurial knowledge succeeded to a large extent. Among other issues, training has smoothed the operation of VICOBA activities and expansion of economic activities owned by members of VICOBA for the purpose of generating income. The study also indicated that there is growth of micro-finance services in Tanzania whereby the number of people who are seeking and disbursed with loans has increased together with products and services offered.in terms of increased numbers, products and services offered though there are some challenges hindering the efforts towards alleviation of poverty. VICOBA member's projects are not stable due to limited capital which is invested in their businesses. Therefore, it becomes difficult for these members with insufficient amount of capital to compete with new business owners who own large capital in the same business.

Mkombe (2005) conducted a research about VICOBA in Matombo ward, Morogoro rural district. The results of the research indicated that that micro-finance may easily reduce poverty when supplemented with non- financial services like insurance. That means, for credits to bring the intended impacts of improving household welfare, there is a need to supplement those credits with training on fund and business management, capital formation techniques and abiding to internal regulations of banks.

Also, findings from Verhan (2012) who conducted a study in Arumeru district, Arusha on mushrooming of VICOBA in Tanzania indicated that members of the group have benefited as sole owners of banks by accessing soft loans, emergence loans and training. Ahlen (2012) who assessed the impact of VICOBA in Babati district, in Manyara, Tanzania revealed that micro credits have positive impacts on socio-economic status of urban poor household. Lushakuzi et al., (2017) analyzed Village Community Banks and member's business sustainability at Kunduchi ward in Kinondoni district, Dar es Salaam and came up with the conclusion that, for the business of VICOBA's members to flourish and operate smoothly under competitive environment, there is a need for provision of business skills and continuous intensive supervision.

Though VICOBA plays an important role in improving the welfare the members, various researchers have portrayed different challenges faced by members are very valuable to their members, different studies have revealed various problems encounter by members. The research conducted by Kihulya (2007) indicated that members of VICOBA face multiple of challenges like availability of small amount of loans, lack of business management training, short term repayment, high interest rate and sometimes prolonged procedures of credit acquisition. Findings from Rweyemamu et al. (2003) on assessing microfinance services in agricultural sector development indicated that high interest rate charged by microcredit programs are significant barriers to the economic improvement of poor individual members. Also, majority of respondents had the opinion that the amount of loans offered by microcredit programs is too small.

Description of Variable and Data Sources

The spread of Village Community Banks is throughout the country, but because of time and financial constraints, the research was conducted in Dar es salaam City, Kigamboni municipality in Tanzania mainland specifically in Vijibweni ward. Kigamboni district is among of the districts in Dar es Salaam city with a large number of people with access to VICOBA hence can provide the required information for the study. The chosen area of the study represents the other areas. Dar es Salaam is the Commercial City in Tanzania which is located in the eastern part of the country and is bordered by the Indian Ocean on the eastern side. The population of Dar es Salaam is more than five million people consisting of about 126 different ethnic groups from all over the country.

Closed- ended questions were applied in the process of gathering collecting information from respondents. This is the easiest method of data collection which helped the researcher to get the information in time from the field, through distributing printed papers to the respondents who were the members of VICOBA in Kigamboni District.

Some of the information which was collected through questionnaire includes demographic information of respondents like age, gender, marital status, household size. Other information is that connected to specific objectives of the researcher like information regarding awareness of Kigamboni households about VICOBA, regulation framework of VICOBA in issuing loans and how respondents use micro credit from VICOBA to expand their business.

Demographic Descriptive Analysis

This part covers the distribution of respondents by focusing on gender, age, marital status, education and employment status. It was important to find out demographic characteristics of respondents as these characteristics can affect participation of respondents in VICOBA. Demographic variables are important for classifying demographic data in statistics, census and survey.

The research wanted to examine the composition of gender in relation to VICOBA awareness and membership. The gender in this study represent male and female status of respondents as the criteria for joining VICOBA does not segregate people based on their gender status. The results of this study reveal that 91 per cent of the respondents who are the member of VICOBA are female and 9 per cent are men. These findings reveal that there are more female respondents than males. The findings also imply that women are more active members and participate highly in VICOBA than males. The findings are in agreement with Bakari et al. (2014) who argued that VICOBA model was formed specifically for women to improve their life. This is attributed to the fact that it is women who are much affected by poverty and hence women are more likely to seek out and embrace any activity that promise to lift them and their families out of poverty, VICOBA being one of them. This explains as to why there are more female members of VICOBA compared to male members. Also, these findings occur in the line of argument of Kihongo (2005) who argued that men are not interested to engage in VICOBA activities the process of getting loans takes long time and sometimes the loans provided are not sufficient to be as capital for starting of expanding businesses. Also, he argued that women have high ability of tolerating for the sake of fulfilling certain requirement, something which is not common to men. This capacity of tolerating enables them to wait for the requested loans in VICOBA and other financial institutions. It was also argued that Tanzanian Small and Medium Enterprises (SMEs) women have a tendency of saving more than men (Mkwizu, 1992). Therefore, the findings of this study confirm that majority of VICOBA members are female.

The structure of population basing on age shows that population is not static, that means it is changing with time. (URT,2006). The researcher wanted to examine the age category of respondents in relation to VICOBA membership. The findings of this study indicate that respondents were aged between 18 and 52 and 35 years on average. This means that most of VICOBA members were the youths who are actually energetic to efficiently engage in the VICOBA's activities like attending meetings and various training programs. This justifies that many people in the area of study were matured people within the active working age group. The youths are also capable to effectively engage in various economic activities like business in order to generate income and profit as well. The findings support the theory advocated by Malcopietro (1999) who argued that youths initiate a large percentage of sustainable micro-businesses. National Youth Development Policy (2007), youths are regarded as male or female between 15 to 35 years of age. From the results of the findings, suggests that most of VICOBA members are youths with greater concentration of females.

The study also examined the significance role of marital status in the realization and success of VICOBA in improving household welfare. The importance of marital status was also to identify the group which is mostly engaged in VICOBA by performing income generating activities compared to other group in the areas of study. Eighty-six (86) per cent of respondents were married while 14 per cent were not married. Married couples were participating more in VICOBA compared to un married may be due to the fact that married couples had many responsibilities that required money, such responsibilities are like paying school fees for their children and other family responsibilities like buying food. The results are cemented by arguments of various scholars including Katunzi (1999) who narrated marriage drives people to interact with others in social, economic and cultural activities.

Phillip and Abdillah (2003) observed that married people participate more in various community development activities perhaps due to the spirit of cooperation among themselves in the marriage as institution. These findings also support the possibility for success of group lending models as advocated by Grameen bank. It was found that married couples showed more commitment to repaying the loan due to the fact that, they have family responsibilities which bound them accountable to lead a successful life. From these findings, it can be confirmed that, the possibility for success and continuity of VICOBA would be in targeting married couples who present themselves with more commitment to loans from the scheme.

Education in this study represents academic qualification status of respondents. Criteria for joining VICOBA allow people with different levels of education status. Education is a good strategy for developing human skills, knowledge and liberating people out of poverty (URT, 1999). The researcher wanted to know the level of education of VICOBA members in order to analyze to what extent education is related to the success of VICOBA in improving household welfare in Kigamboni district. Normally education has positive influence on household's income and methodologies used in adapting to business skills. (Nkonya et al., 2004). From the field survey, it was identified that, members of VICOBA in Kigamboni district have different education qualification status as nearly 2.35 per cent of respondents had attained no formal education, 48.28 per cent attained primary education, and 36.47 per cent attained secondary education.

The rest completed certificate, diploma, advanced diploma and bachelor degree. The results of this research suggest that, the many people in the area of study had attained mainly primary and secondary education. These results are in line with Handley et al. (2009) who argued that education is an important aspect in terms of increasing the stock of human capital which can help to the income gap between rich and poor people and therefore putting grounds for sustainable economic growth and good governance.

The findings reveal that 12 per cent of respondents were employed in public and private sectors apart from engaging in VICOBA and business activities as well. About 88 per cent of them were not employed, they were only engaging in business activities.

Results of Logit Model and Discussion

Summary statistics of variables used in the Model

Table 4.1: Variables used in the model

Variables	Obs	Mean	Std. Dev.	Min	Max
Household Welfare	85	0.871	0.338	0	1
Interest Rates	85	0.965	0.186	0	1
Credit Regulations	85	0.824	0.383	0	1
Age	85	34.788	8.208	18	52
Marital status	85	0.859	0.350	0	1
Male	85	0.094	0.294	0	1
Use of borrowed loans	85	0.318	0.468	0	1
The Size of Loan	85	651764.7	820583.7	0	7500000
Household size	85	5.435	2.084	1	11
Income	85	200529.4	164465.3	30000	1000000
Education	85	0.918	0.294	0	1

Source: Data collected during survey (2018)

On average, the age of most VICOBA members was 34 years old. The minimum age was 18 years and the maximum age was 52 years old. This means that VICOBA groups constituted many youths who are energetic and capable of participating in VICOBA activities and in various income generating activities as well. The average loan size for every VICOBA member was Tsh 651,764 and the minimum loan size was zero while the maximum was Tsh 7500,000. The income of each VICOBA member was Tsh 200,529 on average, the minimum income was Tsh 30,000 while the maximum income was Tsh 1,000,0000. This implies that VICOBA groups consist members of different size of income. The household size of each VICOBA member was five people, the maximum size of household was 11 people while the minimum size was one person.

For the analysis to be carried on, the model went through various diagnostic tests to avoid making invalid statistical inferences if the assumptions of logistic regression are not met. The logistic regression requires the true conditional probabilities to be a logistic function of the independent variables; no omission of important variables; no inclusion of irrelevant variables; the independent variables are measured without error; the observations are independent and the independent variables are not linear combinations of each other. The following tests were conducted to check the reliability of the estimates.

Multicollinearity Test

Multicollinearity is a linear arrangement of two or more explanatory variables in the model and can have different effects on the model depending on the degree of multicollinearity. For example, it is difficult to find a unique estimate of regression coefficients with all the explanatory variables in the model when perfect multicollinearity occurs. Any relationship among the explanatory variables is a sign of multicollinearity; however sensible multicollinearity is not a problem. Severe multicollinearity causes the standard errors for the coefficients to be very large (inflated) and the estimated logistic regression coefficients are likely to be unpredictable.

Correlation analysis was conducted to identify if there are moderate or severe multicollinearity between variables. The correlation of 0.8 or above between two explanatory variables is a sign of severe multicollinearity. The result from Table 4.2 shows that there is no severe multicollinearity. Tolerance and **v**ariance Inflation factor (VIF) which is regularly used to measure the strength of the interrelationships among the variables were also examined. Tolerance is assign of the extent of multicollinearity that a regression analysis can tolerate and VIF is an indicator of the extent of the inflation of the standard error which might be caused by multicollinearity. If all of the clarifying variables are completely uncorrelated with each other, then both the tolerance and VIF are 1. If one variable is very closely related to another variable, the tolerance approaches to 0, and the VIF is very large. The result reveals that the tolerance is close to 1 and the mean VIF is 1.18 which is very small showing no multicollinearity problem.

Table 4.2: VIF and Tolerance

Variable	**VIF = 1/Tolerance**	**Tolerance**
Age	1.06	0.947
Education	1.2	0.831
Marital status	1.22	0.818
Interest rate	1.11	0.902
Household size	1.09	0.915
Credit regulations	1.22	0.820
Current loan size	1.26	0.800
Use of borrowed loans	1.17	0.851
Average monthly income	1.28	0.783
Mean VIF	**1.18**	

Source: Data collected during survey (2018)

Logistic Regression Model

The coefficients of the Logistic Regression Model are given in Table 4.5. The logistic regression model was used to assess the success of village community banks (VICOBA) in improving household welfare in Kigamboni district. The results of the logistic regression model disclose that R^2 which depict the goodness of fit of the model is 83%. This means that the model can explain the likelihood of occurrence of dependent variable given the independent variables employed in the model by 83% and the remaining 17 % being explained by the error term. This suggests that there may be other factors that can be used in assessing the success of VICOBA in improving household welfare in Kigamboni but these factors were not included in the model.

Table 4.3: Results from Logit Model

Explanatory Variables	**Coefficient**	**Marginal Effects (dy/dx)**
Constant	-84.338	
	[29.397]	
Age	0.049	0. 012
	[0.091]	[0.023]
Education #	4.072 ***	0.610***
	[1.049]	[0.185]
Marital status #	30.385***	0. 998***
	[3.414]	[0.001]
Interest rate #	-14.699***	- 0.799***
	[2.551]	[0.132]
Household size	-2.104***	- 0. 526***
	[0.497]	[0.124]
Credit regulations #	3.901***	0.542***
	[1.441]	[0.184]
Current loan size	3.309*	0.827*
	[1.736]	[0.435]
Use of borrowed loans #	-14.161***	- 0.763***
	[2.329]	[0.148]
Average monthly income	3.488***	0.872***
	[1.482]	[0.371]
Number of observations	**85**	
Log likelihood	**-8.832**	
Wald chi2(11)	**1108.19**	
Prob > chi2	**0.000**	
Pseudo R2	**0.831**	

Note:

•Dependent variable is household welfare

•Heteroskedasticity-robust standard errors in brackets; *, **, and *** imply 10%, 5% and 1% significance levels respectively.

•(#) dy/dx is for discrete change of dummy variable from 0 to 1

Education: Education of VICOBA members was found to have significant influence on improving household welfare at 1% level. This means that members of VICOBA who were educated were in a better position to improve their welfare through the scheme. Marginal effects side shows that education improves welfare of VICOBA members by 61%. These findings are supported by Reginar et al. (2012) who argued that, the level of education is important factor in coping with poverty and especially coping with risk and uncertainties in life. Education makes people to be inquisitive and improve communication skills (Dobbs and Hamiliton, 2007). Researchers do not have a common agreement on the effects of entrepreneur's education on access to credit. (Kimuyu and Omiti, 2000). Education improves the capacity of a person find skills and information that can be used to initiate various projects that can persuade credit providers to disburse loans. Firms which are owned by educated people are more likely grow fast because of the persuasive ability of the owners to the credit providers. This is because people with little access to education may tend not to copy with loan application procedures hence they may have disbursed with loans. Educated people are in better position of improving managerial skills their marketing techniques which may finally attract more customers or client. (Kumar 2005)

Marital status: The findings show that the coefficient of marital status is positive and statistically significant at 1% level. This implies there is positive relationship between marital status and household welfare. That means members of VICOBA who are married can easily improve their welfare through the program. The marginal effect side indicates that the possibility for marital status to improve household welfare is 99%. Since most of the married people are matured ones, the findings are in line with Kimuyu and Omiti (2000) who narrated that age associated with access to credits, that is older entrepreneurs are more likely to seek for credits than younger ones. Also, the study conducted in Kenya by Lore (2007) found that younger people have little tendency of applying for loans to various financial institutions than the aged people. This may be due to the reason that older entrepreneurs tend to possess more work experience, wealth, social capital and more experience with credit markets.

Interest rate: Interest rate was found to be statistically significant at 1% level and affect the household welfare because its coefficient was negative, implying that as interest rate increases, the welfare of VICOBA members decreases. Marginal effect shows that interest rate decreases household welfare of VICOBA members by 79%.

Household size: Findings shows that, the coefficient of household size was negative and statistically significant at 1% level**.** This implies that as family size of VICOBA members increases, their welfare decreases. The marginal effects results indicate that the increase of household size of VICOBA members decrease their welfare by 53%. This might be because of the increased financial burden of running various family issues like buying food and sending children to school.

Credit regulations: As the results show that the coefficient of credit regulation is positive and statistically significance at 1% level, this means that there is positive relationship between credit regulations and household welfare. The marginal effect side reveals that, credit regulations can improve welfare of VICOBA members by 54%. The results indicate that if regulations of accessing credits are friendly to VICOBA members hence allows the members to easily acquire credits; there is a possibility for members to improve their welfare through VICOBA. But if credit regulations are not friendly to the members, the chance for them to improve their welfare through VICOBA is minimized. The findings are line with arguments of some scholars like Kyess and Furaha (2010); Bakari et al. (2014) who argued that large banking and financial institutions in global south including Tanzania tend to segregate the urban and rural poor in providing credit services, the fact has prompted the mushrooming of VICOBA in cities and rural areas of global south. The results also concur with Marr and Tubaro (2011) who revealed that formal financial institutions exclude the urban and rural poor through their administrative procedures, terms and conditions, they also argued that around 56 per cent of population in Tanzania is lacking access to financial services hence the poor has opted for VICOBA to improve their life. Also, Manu (1998) explained that, shortage of fund is not a problem but the complex loan administrative systems by financial institutions which may sometimes tempt the intended beneficiaries to give up before they get loans.

Current loan size: The coefficient of current loan size was positive and statistically significant at 10% level. The marginal effects result show that loan size improves household welfare by 83%. Positive coefficient implies that there is direct relationship between loan size and household welfare. This means that members of VICOBA who can access large amount loan are in a better position of improving their welfare than those who borrow small amount of credits.

Use of borrowed loans: The results show that, the coefficient of use of borrowed loans was negative and statistically significant at 1% level. This implies that welfare of VICOBA members is decreased if they borrow credit for the use of other purposes like paying schools and purchasing home furniture instead of injecting the money into business in order to expand it. The marginal effect reveals that, the use of borrowed loans on other issues instead of directing into businesses may decrease the welfare of members of VICOBA by 76%.

Average monthly income from the business: The findings show that average monthly income generated by the business has great influence on the improvement of welfare of VICOBA members. The coefficient of income was positive and statistically significant at 5% level of significance. Positive coefficient implies that as income from the business increases, the welfare of VICOBA members is improved. The marginal effect results indicate that the increase of average income from the business may improve household welfare by 87%. Also, the size of business can be explained in terms of the capacity of employing many people, total sales per certain period of time, size of asset owned and the size of profit generated by the respective business. (David, 1987). Small business has little ability to face various economic instabilities of little diversification of portfolios. (Saito et al., 1981). The size of business is expected to influence the size of loan one can access because if the business is big owners can secure relatively large amount of loan as they can be in a position to repay the loan. The study conducted by (Henri-Ukoha et al., 2011; Onyeagocha et al., 2007) revealed that there is a direct relationship between the size of the business owned by loan beneficiaries and the trend of loan repayment. The findings also second the observation made by Bigsten et al. (2000) and Topalova (2004) who found that higher income generated by the business was associated with the amount of credits, this means that business entrepreneurs with high profit generating status can access credits of large size compared to entrepreneurs with small businesses. The European Commission (2003) has also identified poor business performance as one of the reason for SMEs failures to access credits.

Conclusion and policy implications

The study aimed at assessing the success of Village Community Banks (VICOBA) in improving household welfare in Kigamboni district. With the help of the research findings, it is right to conclude that VICOBA programs in Kigamboni district have benefited the members by disbursing with them the loans which are connected with friendly regulations and affordable interest rate. This has also helped the members to reduce their income poverty and consequently improvement of household welfare. It is also concluded that people in the study area had positive attitude towards VICOBA activities as 30% of respondents stated that many people in Kigamboni engage in VICOBA activities. Also, based on the regression analysis it can be further concluded that interest rate, credit regulations, average monthly income from the business, household size, education, use of borrowed loans, marital status and current loan size were significant determinants of house of the success of VICOBA in improving household welfare. Generally, it is concluded that VICOBA program has contributed significantly to the improvement of household welfare in Kigamboni district.

References

Ahlen, M. (2012) Rural member - based microfinance institutions. A field study assessing the impacts of SACCOS and VICOBA in Babati District, Manyara, Tanzania (Unpublished thesis). Souderton University.

Ahlin, C and Jiang, N (2008). Can Microcredit Bring Development? Journal of Development Economics, 86, 1-21

Amin et al., (2003)." Does microcredit reach the poor and Vulnerable"? Evidence from Northern Bangladesh. Journal of Development Economics, Vol. 70 (1)

Aryeetey, E (1995). Credit for Enterprise Development. Small Enterprise credit in West Africa, a joint British Council/ISSER publication, British council/ISSER, Accra

Bakardjieva, M (2003). Virtual Togetherness. The Journal of Media, Culture and Society, Vol. 25

Bakari, et al (2014). Mushrooming Village Community Banks in Tanzania. Is it real making a difference? 6 (2) pp. 127-135

Basu & Srivastava (2005). Exploring Possibilities. Microfinance and Rural credit access for the poor in India. Economic and Political weekly, Vole, 40 (17): 54-63

Basu et al (2004). Microfinance in Africa. Experience and lessons from selected African countries. International Monetary Fund (IMF). Working paper, No.WP/04/174

Bee, F. (2007). The role of saving and credit in the development of small holder agricultural production and food security; a paper presented at Morogoro/ Dodoma workshop, October 11-14

Business Dictionary (2013). Available at http; www; businessdictionary.com

Coleman, E. (1999). The impact of group lending in Northeast Thailand. Journal of Development Economics. Vol. 60 (1)

Delanty, G (2003). Community. Key ideas. Routledge, London. ISB9780415236867

Dobbs, M and Hamilton, R (2007). Small business growth: Recent evidence and new directions. International Journal entrepreneurial behavior and research, 13(5), 296 -322

Fisher and Sriram (2004). Organisation of Microfinance. Economic and political weekly 39 (14): 1475-1476

Hartaska, V and Nadolynyak, D (2008). An impact Analysis of Microfinance in Bosnia and Herzegovina. World Development 36(12), 2605-2619

Henry – Okoha at el.., (2011). Determinants of loan acquisition from the financial institutions by small scale farmers in Ohafia Agricultural zone of Abia state, South–east Nigeria. Journal of Development and Agricultural Economics 3 (2), 69-74

Hiatt, S.R and Woodworth, W.P (2006). Alleviating Poverty through Microfinance: Village Banking outcomes in Central America. The social science journal, 43, 471- 477

Hishigsuren, G (2004). Scaling up and Mission Drift: Can Microfinance institution maintain a poverty alleviation mission while scaling up? Unpublished PhD Dissertation, Southern New Hamphshire University. Available at: http://www.snhu.edu /files/pdf/Hishigsuren.pdf

Hornby, A.S (2008). Oxford Advanced Learner's Dictionary (Seventh Edition). Oxford University Press.

James, P (2006). Globalism, Nationalism, Tribalism. Bringing Theory Back In- Volume 2 of Towards a theory of Abstract Community. London: Sage Publications.

Karlan, D and Goldberg, N (2007). The impact of Microfinance: A review of methodological issues. Available at: http;//www.research.yale.edu/karlan/ downloads/WB_ Methodology_papp.er.final12.pdf

Kayunze, K (2001). Poverty, Nature, Measurement and Reduction. A development study reader. Development Study Institute. Sokoine University of Agriculture, Morogoro, Tanzania

Khan and Noreen (2012). Microfinance and Women Empowerment. Africa Journal of Business Management, Vol. 6 (12)

Khan, M.H (2000). Rural Poverty in developing countries. Finance &Development, Vol.37.No 4, pp 26-9

Kihongo, R. (2005). Impact assessment of Village Community Bank (VICOBA). A microfinance project, Ukonga Mazizini. Dissertation for award of MSc. Degree at Open University of Tanzania, Dar es salaam, Tanzania and Southern New Hampshire University

Kihulya, J. (2007) Enhancing accessibility and utilization of Microcredit among women and Youth in Arumeru district, Arusha. Dissertation submitted in partial fulfillment for the requirements for Master Degree of Community Development at Open University of Tanzania.

Kimuyu, P and Omiti, J (2000) "Institutional impediments to access to credit by Micro and Small-Scale Enterprises in Kenya". Institute of policy analysis and research discussion, paper No, DP/026, Nairobi.

Kothari, C (2004). Research Methodology. Methods and Techniques. New Delhi: New age Publishers.

Kumar, A (2005), “Enterprise size, financing patterns and credit constraints in Brazil: Analysis of data from investment climate assessment survey” World Bank working paper.

Kuzilwa, J. (1990). Credit needs for small business. The Tanzania Banker Journal issue NO. 9

Kyereboah-Coleman, A (2007). The impact of capital structure on the performance of Microfinance institutions. The journal of risk finance 8 (1), 56-71

Kyereboah-Coleman, A (2008). Outreach and profitability of Microfinance institutions: the role of governance. Journal of Economic studies 35(3), 236- 248

Kyessi, A & Furaha, G (2010). Access to housing finance by the urban poor. International Journal of Housing Markets and analysis 3 (3), pp 182-202

Ledgerwood, J (1999) Microfinance Handbook. Sustainable Banking with poor. An institutional and financial perspective, the World Bank, Washington DC

Lore, M (2007). “An evaluation of human capital factors that can enhance access to credit among retailers in Nairobi”. Unpublished project report submitted to united states international University- Africa. Nairobi.

Lushakuzi et al., (2017). Village Community Banks (VICOBA) and member’s business sustainability. International Journal of Business Marketing and Management. Vol.2

Marr, A and Tubaro, P (2011). Escape the low growth trap? Microfinance in Tanzania. Uk: The University of Greenwich.

Mayoux, L. (1999). Questioning Virtuous Spirals. Microfinance and Women Empowerment in Africa. Journal of International Development .11

Maziku, P (2007). Challenges facing Microfinance institution in Tanzania: Dissertation for award of MBA Degree at Sokoine University of Agriculture, Morogoro, Tanzania.

Mkombe, A. (2005). Evaluation of Village Community Bank groups in Matombo ward – Morogoro rural District. Dissertation award of MSc. Degree at Open University of Tanzania, Dar es salaam, Tanzania.

Mugend, M (2012). Research Methods Dictionary, Nairobi, Kenya. Applied Research and Training Service 63:248-252

Mwenda K.K and Muuka, G.N(2004). Towards Best Practices for finance institutional engagement in Africa rural areas: Selected Cases and Agenda for action. International Journal of Social Economics,31 (1), 143-158

Nyamsogoro, D.G (2010). Financial sustainability of rural Microfinance institution in Tanzania. PhD thesis, University of Greenwich, Australia

Ohajianya, D (2003). Demand for community Bank credit by small holder farmers in Imo state, Nigeria. Journal of sustainable Tropical Agricultural Research. Article 7, Volume 1, issue 2, page 83- 87

Otero, M (1999). Bringing Development Back into Microfinance. Journal of Microfinance, Vol1, No1,8-19

Reed, L (2011). State of Micro-credit campaign Report 2011. Microcredit summit Campaign, Washington, DC

Remenyi and Quinones (2000). Microfinance and Poverty alleviation. Case study from Asia and Pacific. New York 79 p, 131-134, 253-263,

Repoa (2012). Credit rationing for Small and Medium Scale Enterprises in Commercial loan market, Draft Report, Dar es salaam.

Rweyemamu et al., (2003). Assessing microfinance services in agricultural sector development. A case study of semi-formal financial institutions in Tanzania. Economic and Social Research Foundation.

Schreiner and Colombet (2001). From Urban to Rural: Lessons for Microfinance from Argentina. Development Policy Review, Vol 19, No 3, 339-354.

Schreiner, M (2000). Ways donors can help the evolution of sustainable Microfinance Organizations. Saving and Development, Vol.24, pp 423-37

SEDT (2010). Structure, Principle and Operating System of VICOBA.

Simanowitz and Walter (2002). Microfinance and Millennium Development Goals. Helping to Improve Donor Effectiveness in Microfinance. Donor brief

Stevenson, G (2006). What is a Village? Archived at the way back machine, Exploring British Village

Taylor, C (1984). Village and Farmstead: A history of Rural Settlement in England. Philip Wilson Publishers Ltd, London, Uk

URT (2000). National Microfinance Policy, Ministry of Finance. Government Printers, Dar es Salaam, Tanzania. 27pp.

URT (2005a). National Strategy for Growth and Reduction of Poverty. Vice Presidents' Office Government Printers, Dar es salaam, Tanzania

URT (2007). Poverty and Human Development Report. Ministry of Planning, Economy and empowering. Government Printers, Dar es salaam, Tanzania.

URT (2009). Village Community Banks in Tanzania. A real voice of the practicing poor

Verhan, P. (2012). Mushrooming Village Community Banks in Tanzania. Is it real making different? Community Development Training Institute, Arusha: Government printer