

# Assessment of the Impact of VICOBA in Poverty Alleviation: A Case of Babati Rural District

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## ABSTRACT

*The specific objectives of this study were; to assess the contribution of VICOBA on livelihood, to identify challenges associated in VICOBA, to identify the number of member benefits from VICOBA and suggest mechanisms to improve the delivery of VICOBA.*

*This study employed the qualitative research methods and techniques. The traditional quantitative research methods utilizing standardized research instruments such as highly structured questionnaires were not considered appropriate due to the low levels of education of the main category of respondent's namely local villagers. Nevertheless, some quantitative aspects were included in several instances.*

*Various instruments are available to the researchers for data collection and analysis. It is the researcher who decides the most appropriate instruments to use for data collection. While the positivist researcher is concerned with proving or disproving a hypothesis using scientific enquiry methods, the interpretive researcher is concerned with the context within which behaviour occurs*

*VICOBA have played a greater role in assisting people with low income and single parents' families. Livelihood has improves in the researched area as discussed in the findings. Members built houses, livestock keeping and paid for their children school fees. A lot can be said about VICOBA success.*

*The government should provide education to VICOBA members free of charge. This will enhance the growth of small business in the poor families. It should also try to dish some funds to these community banks so that they gain more capital. Experts from all corners of the country should be encouraged to train members of effectively use of their funds.*

## INDEX TERMS

VICOBA -stands for Village Community Banks

SACCOS -Savings and Credit Cooperative Societies

## INTRODUCTION

### Background Information

The history of Savings and Credit Cooperative Societies (SACCOS) is said to begin in the 19<sup>th</sup> Century in England and in mid-1800s in Germany as small business assistance (Mganga, 2007). In Tanzania, SACCOS goes as far back as the 21<sup>st</sup> Century where all

people areas where there was living among the African peasants reacting against unfair marketing and processing practices and political discrimination (Mtindya, 2007). SACCOS were narrowed to Village Community Banks (VICOBA).

Village Community Banks (VICOBA) is structured in such a way that poor people especially those in the rural areas, are organized in groups and trained in various skills so as to build up their capacity to fight against poverty. Mafuru B (2009). VICOBA holds a strong belief that even poor people have skills, capabilities and abilities which when unleashed and utilized effectively can help them to attain and improve their economic development and social welfare Alfan,H (2008).

The main aim of VICOBA in Tanzania is to assist those who do not have to possession. People in the villages have formed some groups and plan for what to do. For example, in Minjingu village in Babati district, people formed associations in which they get loans from village bank to run little shops, livestock keeping, milling machines and the like.

According to (Mwalugeni, 2008), the cooperative movement in Tanzania dates as far back as 1932 when coffee growers in Kilimanjaro established the first cooperative societies. The major aim of the societies at that time was to safeguard farmer's interest through availability of well-managed production and marketing activities, with fair prices for inputs and crops sold. In addition, the second aim was to promote Cooperation farmers in an attempt to help Tanganyika's politicians in their fighting for their independence. The same applies to VICOBA nowadays. It was established to safeguard the lives of low income people. These include jobless, peasants, small business making, and various associations and so on (Bakari, 2009).

#### **VICOBA in Africa**

Village Community Banks started in Africa specifically in Niger (Mbise, 2004). It operated through CARE International under the women group called "Matu Matu Dubara"(MMD), which means "Women in the Move". The main objective was to assist women on the separation problem. Niger women were left by their husband due to civil wars. The wars caused the family income to go down, lack of food/famine, rapping and unrest (Hadji, 2005).this incidence forced the Niger women to form groups for assisting themselves. Few years' later men were allowed to join the groups. The conditions to join were to have referees and also contribution. The higher you contribute the higher you borrow.

#### **VICOBA in Tanzania**

Village Community Banks in Tanzania started in Zanzibar in 2001 (Mbise, 2004).It was introduced to reduce poverty to widow (women without husbands) and increase family income. Women were living having family responsibilities like paying schools for their children, food, house rents and other social life. Some men ran away from their families, other were irresponsible and so forth. From Zanzibar VICOBA extended to Tanzania Mainland through Mtwara,Lindi and Rufiji district. Later on spread to all over the country.

#### **VICOBA in Babati**

Mbise, (2004) asserts that VICOBA introduced in Babati in 2002 as a proposal. VICOBA in Babati operated under other Non-Governmental Organization like Land Management Program (LAMP) and Farm Africa. Thirty (30) people under five (5) groups were organized for VICOBA training. They were trained short courses for planning, management, by-laws making and project selection. The groups made a study tour to Dar es Salaam in 2003.The purpose of this were to see how other community banks are operating. In Manyara region for example in Babati district there are now 200 groups with 800 million, Simanjiro 178 groups with 600 million and in Kiteto 160 groups with 500 million.

#### **Specific principle of VICOBA:**

VICOBA have five unique principles which include: membership, savings tailors loans, truth in leading and association with others (Mwangamila, 2000).

#### **Membership Principles:**

Membership policy should be to extend service to as many people as possible within the credit unions areas of operation, hence take in as many potential members as possible. However there are cases where credit unions may hesitate to admit to membership when a person;

- Has no purpose in mind other than to borrow money or did not want to become a member until an emergency had occurred and he couldn't get help from anywhere else.
- Membership policy should be to try to include every member of the family and not only the man of the household. This is important because:-
  - i. With development, it is more the housewife who knows from experience where household money needs to be spent.
  - ii. Many youngsters increasingly engage in petty business and therefore need some financial services. Indeed, helping young people on how to use their money wisely maybe a lifetime for them and a good investment for the future of the savings and credit cooperative movement.

Credit union membership should be as broad and inclusive as is legally possible. Thus, besides individual person, membership policy may include organizations of one kind or another. In Tanzania organization membership as laid down under paragraph 80 of the Cooperative Societies Rules 1991 includes: Local authorities, religious organization, labor organizations, charitable organizations or another credit unions. The member organization has only one vote like any other members.

#### **Problem Statement**

For the majority of Tanzanians, whose incomes are very low, access to financial services offers the possibility of managing scarce household and enterprise resources more efficiently. Other benefits include: protection against risks, provision for the future, unplanned spending, theft, and taking advantage of investment opportunities for economic returns. For households financial services allow higher standards of living to be achieved with the same resource base, while for enterprises and farmer's financial services can facilitate the pursuit of income growth.

Savings services are among the most beneficial financial services for low-income people. Nearly all households need to save to protect themselves against periods of low income or specific emergencies and to cover large anticipated expenses (like school fees). Enterprises also need to store the value they accumulate from their profits until they can invest them to earn a higher return. Moreover, savings in financial form provide funds for investment by others. Thus, savings services can have a very broad outreach and value.

VICOBA can perform some of the same services as savings and can allow enterprises and families to make some important investments sooner. Enterprises use credit as a source of short-term working capital and longer term investment capital. Households use it to meet consumption needs, particularly during periods when income flows are low, such as during the off-season before crops are harvested, and to make investments such as housing improvements.

Payments and other related services are also valuable to low-income people and to the residents and institutions in rural areas. Payments services can play an important supporting role in the overall profitability of the financial institutions that offer them. In short, VICOBA addresses the financial needs of major sectors of the Tanzania population. They are primarily facilitators rather than creators of the underlying economic opportunities that lead to widespread economic prosperity. VICOBA services are financial in nature. They differ materially from social welfare and resource transfer policies, although they can contribute to the reduction of poverty and improvement of income distribution.

### **Specific Research Objectives**

The specific objectives of this study were; to assess the contribution of VICOBA on livelihood, to identifies challenges associated in VICOBA, to identifies the number of member benefits from VICOBA and suggest mechanisms to improve the delivery of VICOBA

### **Conceptual Framework**

The conceptual framework interlinks Independent, dependent and intervening variables as depicted in figure below.

#### **Independent Variable**

This demonstrates the opportunities and services VICOBA offer that have bearing on performance (dependent variable). In the model VICOBA variable include financial services in the form of savings, loan, insurance; investment opportunities in the form of shares, proximity, member education and training, safety, liquidity, positive returns; sense of ownership and belonging, convenience and solidarity.

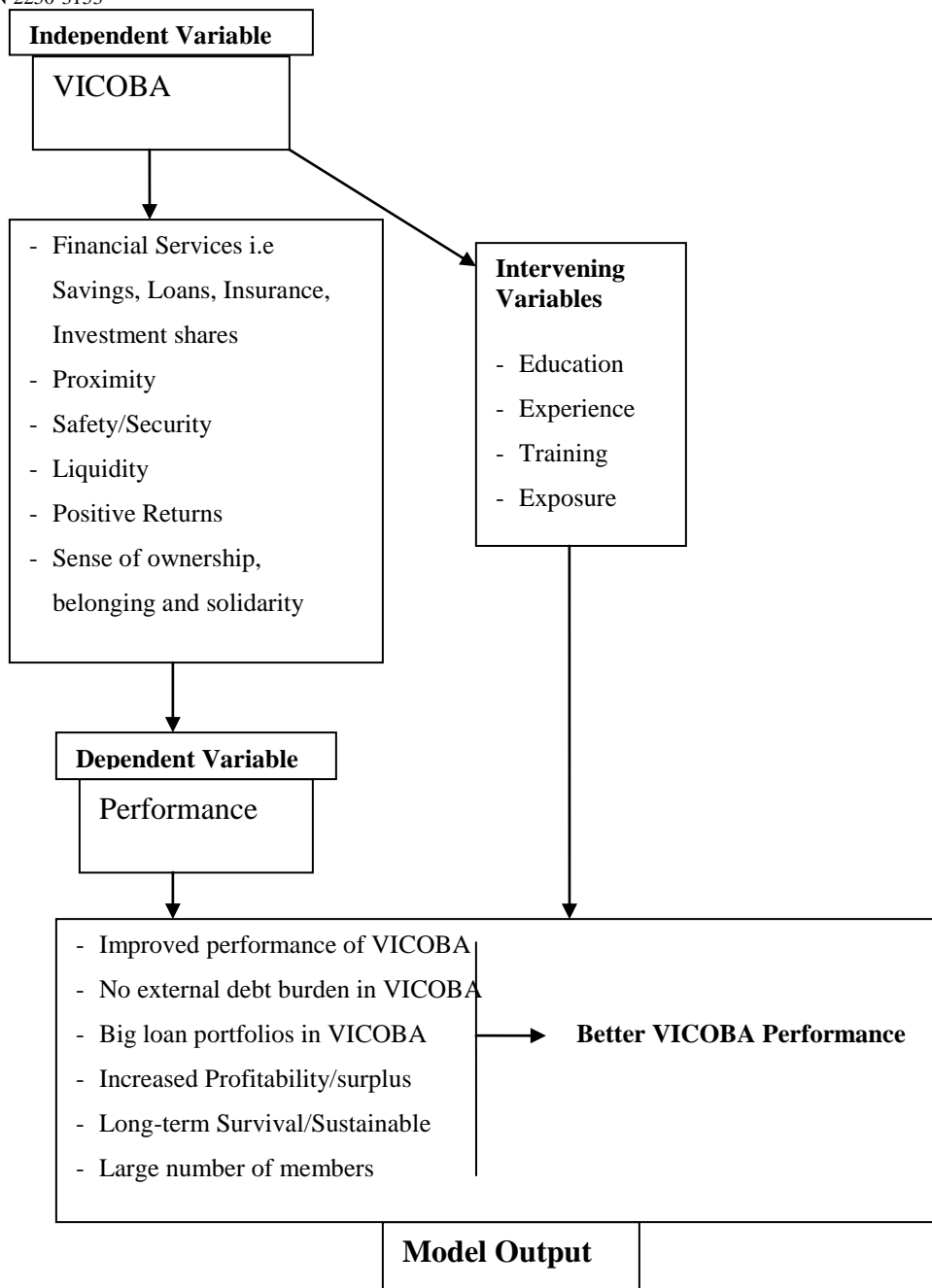
#### **Dependent Variable**

These attempt to depict the likely effects on VICOBA. Performance variables include growth, profitability, sustainability, survival and stability. It is expected that availability of these variables and its associated activities will enhance better performance of VICOBA.

#### **Intervening Variables**

These variables in the model attempt to portray that, whereas VICOBA activities mentioned above and termed as independent variables are expected to induce improved performance, they may not be the end in themselves. Other factors such as education level, experience and exposure of the management and staffs, political and general government policies may as well have an effect on the performance of VICOBA. Hence a provision of Socio-economic factors will be vital to form a comprehensive study that is multi-dimensional in nature.

In addition to the above, the VICOBA is a self-help development scheme guided by 'self-help' philosophy and aims fundamentally at increasing members' prosperity to save first prior to borrowing. This is apparently reflected in their name saving and credit as can clearly be seen in figure 1 below. Therefore, for the VICOBA to perform better it should motivate its members to save, increase shares, and allow them to borrow wisely.



## LITERATURE REVIEW

## THEORETICAL FRAMEWORK

SACCOS Performance in Tanzania which later led to establishment of VICOBA

There are over 1,400 Savings and Credit Co-operative Societies (SACCOS) in Mainland Tanzania with a total membership of 200,000, which is very small as compared to the population of the country. Most of them are urban-based, operating on the old traditional model, which is socially oriented. Their total deposits are estimated at Tshs 12 billion. They have been blamed for being weak in terms of record keeping, reporting, and governance. Despite this, SACCOS appear to be the most important institutions through which poverty can be addressed in Tanzania, partly because they operate at the grassroots level. It is on this basis that the government has lately formulated a number of strategies and policies to promote the VICOBA and the microfinance sector in general (Paschal 2004).

The overall performance of the VICOBA has been encouraging despite some of their inherent weaknesses. Nevertheless, in view of the important role of VICOBA in rural financial services in the Tanzanian context, it may be worthwhile to consider replicating the VICOBA' experiences in the framework of future pipeline activities. To this end, if VICOBA are to improve, continue and expand their role in rural financial services, they need to be supported through the provision of appropriate capacity building assistance, including training and members' education on savings and credit. This would enable them to upgrade their current level of management, resources, skills, accounting/financial knowledge, assets and overall operating procedures, which would in turn contribute to their sustainability, and make them more effective and efficient (Bibby, 2007 ).

By Jan 2001, there were 646 registered SACCOS of which 60% were in rural areas. The total shares and deposits of the 40% urban SACCOS outstripped that of the rural SACCOS, this demonstrates the extreme level of poverty of the rural poor, which mostly eke out on existence through small holder farming or small / micro enterprises, where as members of urban SACCOS are often salaried income earners. However, SACA, and SACCOS are often limited in terms of their capacity, access to capital outreach. There have also been weak linkages between the informal financial institutions and formal banking institutions (Randhawa and Gallardo, 2003).

In addition to that, all SACCOS offer deposit – taking facilities, loans and certain transactional facilities (payment facilities, debit orders, stop orders, money transfers, etc) but the operations of SACCOS and average deposit and loan sizes differ substantially depending on the SACCOS tend to be larger than those of community-based SACCOS as the urban members generally have a higher income than on village level. Similarly, the average loan and deposit of SACCOS with the MFC differs tremendously depending on the level of maturity of the SACCOS, number and type of members (Gerda, 2007).

Performance of SACCOS demonstrates the ability of SACCOS to manage their own finances by using services from different institution, depending on their needs at the time. The growth of SACCOS depends on paid – up share capital increase members deposits increase and outstanding loans to members. Also loan repayment performance of members should also be considered. Loan repayment should be strong with less than 1% of the outstanding loan portfolio in arrears. In order for the SACCOS to demonstrate growth, it should aim to expand its products and services (Gerda, 2007)

The researcher assessed the role of VICOBA in Babati District in Manyara Region based on the number of members, funds mobilization (paid –up shares + member's Deposit); Lending Activities (Loan Disbursed, capitalized interest, Total repayment, interest paid)VICOBA deposits with other Financial Institution, Loans taken by VICOBA from other Financial Institutions, and Repayment of those Loans.

### **School of thought in Co-Operative Theory**

Co-operation is not a system with a single clear cut ideology on which the cooperators of the world agree. There have been some

controversy as to whether:-

- Co-operative are an economic system of its own or
- Those co-operatives are part of other economic systems.

Co-operative theorists have differed over the (appropriate) answer to this question. Thus:-

- One group argues that in co-operatives, the profit motive is eliminated, thus differentiating them from capitalism.
- Contrary to (a) above, group argues that co-operatives do extend the profit motive to more people and in so doing; they indeed strengthen capitalism and thereby broaden its base of operation.

Both groups however agree that co-operation is only a means to an end. It is not an end in itself but a means to achieve a particular goal. But what this goal should be, differs and is expressed in four camps described / known as the co-operative schools of thought as follows:-

### **The Co-Operative Enterprise of Yardstick or Pace Makers' School or School of Modified Capitalism**

This school of thought has its historical basis in the liberalism and practical approaches of Herman Schulze-Delitzch and Friedrich-wilhelm Raiffeisen (Germany). According to this school of thought, capitalism i.e a competitive economic system is a legitimate mode of life. Co-operatives play only a supplementary role / part so that:-

- If an individual is strong enough economically, to manage a capitalist enterprise, such individual has no need of joining a co-operative. However,
- The economically weak should join forces (co-operate) to attain economic strength and thereby/by so doing, be able to enjoy the benefits of capitalism.

As a result, the aims of the co-operative movement are strictly economic, seeking to increase members' incomes. The primary objectives of the co-operative movement therefore are:-

- Advancement of members' economic interests and
- Protection and maintenance of the economic independence of members, by balancing economic weaknesses through pooling of resources there by achieving economies of scale

### **The Co-Operative Commonwealth School**

This school of thought has its theories emanating from the utopian socialists of the 19<sup>th</sup> Century – namely: Robert Owen (Britain), Charles Fourier (France) and the Rochdale Pioneers (Britain). Here, the long term objective is to eliminate the competitive capitalistic system and replace it by an economic system based upon mutual co-operation. It visualizes a form of Co-operatives are the dominate type of business organizations

Difficult though it has been to realize, this school of thought has shown the possibilities of having totally Co-operative type of Communities such as the Amish, Hutterite and Mennonites (USA and Canada) as well as the Kibbutz settlements in Israel.

### **The Socialist Co-operative School**

This school of thought is based upon Marxist – Leninist theory. According to this school of thought, Co-operatives are:-

- Essentially socialist institutions, oriented towards a left-wing ideology (socialism). As such, Co-operatives are public rather than private institutions, hence junior partners' of the state within a centrally planned (socialist) economy.
- Thus economic and social organization on of the working people.

Within this context, the state has commanding and final authority over all economic activities and co-operatives are only a sort of subsidiary to state enterprise. This school of thought has had a following in the (farmer) socialist countries and indeed in Tanzania especially the Arusha declaration.

### **The Co-Operative Sector School**

This school of thought strives some sort of a compromise between the preceding three schools of thought. It advocates that co-operative constitute a distinct economic sector-essentially different from capitalism (enterprise school) on one side, and public enterprise (socialist school) on the other side; but with some features of one and certain features of the other.

It advocates that:

- There should be a mixed economic system wherein co-operatives co-exist with both private business and public enterprise; and that;
- All three – co-operative, private and public enterprises, should complement on another to form a national economy.

This school of thought puts forward the following factors to back its theory:-

- No single system – private, co-operative or state / public has been able to build a perfect social order alone.
- Allowed to operate simultaneously the three methods of business will supplement one another, specializing where it is best
- With balanced co-existence of the three, there will be provision for a wide range of conditions and individual initiatives.

The researcher has explained all these principles because they have to be followed by SACCOS if it has to perform well. SACCOS has to bear all the principles for the better performance, but in reality some SACCOS do not follow these principles.

## **EMPERICAL STUDIES**

There are many challenges facing VICOBA including lack of education and skills among clients and staffs; lack of appropriate technology to reach to increasing number of customers; lack of appropriate strategies to achieve and maintain operational and financial sustainability over the long run; low capacity to provide tailor-made products and conduct research and development programmes; the government's intention to use VICOBA as a strategy for poverty reduction may jeopardize institutional best practices due to political pressures Gerda, (2007).

Mbise, (2004) studied about sustainability of the 3 VICOBA in Babati District namely Mwada, Mdori, Minjingu and Magugu. He identified sustainability indicators and concluded that in the three VICOBA studied he concluded that specific community, technical, financial and political sustainability plans have been established by members themselves so that their VICOBA continue providing quality financial products and services to the members. The findings of this study has assisted the researcher to identify sustainability indicators and paved the way to study the performance of these VICOBA.

An assessment on the effect of Grameen and BRAC programmes on eight indicators of women empowerment. Ability to make small purchases, ability to make larger purchases, involvement in major household decisions, relative freedom from domination by the family, political awareness, legal awareness, participation in public protest and participation in political campaign the methodology used was to compare villages where Grameen or BRAC were present, with villages where the two programmes were not. The study concluded that, on balance, access to credit had enabled women to negotiate within the household to improve their positions.

According to Kasilo (2005), the three studies on the Grameen Bank and BRAC as discussed above all used control groups/villages in their Methodology. But since there are difficulties inherent in finding perfect control groups/villages, their conclusions do not mean the end of the debate. They provoke the needs for further similar studies.

Another impact study done in 1988 compared the income of BRAC members with the baseline. The results showed 160% increase in real incomes, 84% increase in employment, and 153% increase in possession of assets.

Fundacion Carvajal Program (FCP) formed to assist micro-enterprises in Colombia took off in 1979. They laid emphasis on business training and education prior to giving credit. An evaluation of the impact of FCP suggested that average employment increased by approximately one – employee per micro – enterprise; family income tended to go up; and business income increased by 45% in



commerce and 57% in production.

The Kredit Investasi Kecil/Kredit Modal Perja Permanent (KIK/KMKP) was/is a government-sponsored credit Program for indigenous small – scale entrepreneurs in Indonesia. It was established in the early 1979s. By July 1987, 2.5million loans had been disbursed. An impact assessment basing on a sample of 70 small – scale enterprises found that the enterprises hired on average between 2.1 and 4.8 additional workers and acquired additional assets of between Rp 6.9million and Rp 16.2 million. The limitation in this study (and in similar ones) is the assumption that credit was the major determinant of the changes. The Badan Kredit Kecamatan (BKK) or sub district credit institution is a minimalist program in central Java – Indonesia. It predates the Grameen Bank and can claim a pioneer role in showing that the poor, particularly women, are bankable.

A study that sampled 662 clients, who had received an average of 13 consecutive loans from BKK, showed that 60% of the clients were women and 58% had little or no primary education. In terms of distribution by sector, it was found that 53% were in trade, 15% in agriculture 12% in services or repair crafts, 11% in handicrafts, and 7% in agricultural processing. The majority of respondents stated that a majority of BKK loans had a positive impact on the volume of materials purchases; on the variety of goods sold; on the number of customers; on sales volume, and on net profits. 50% stated that the loans had led them to additional employment. Basing on the impact assessment of this study it can be concluded that the extent of BKK real impact may be difficult to estimate.

An impact study on KUPEDES in 1990 found that at the time of their first loan 15/1% of borrowers fell below the poverty line; about 25% of borrowers were women; the enterprises employed an average of 3.4 employees and that the respondents had received three loans averaging US\$ 250/= each. Basing on the sample characteristics it can be said that one limitation of this study was that the sample was biased towards success full borrowers. The study further found that the income of borrowers grew at an average annual rate of over 20%. Total employment in borrower enterprises increased at 18/2 per annum; and that enterprise which borrowed more than the equivalent of US\$ 520, workers per enterprises increased from 3.4 to 5.6 Kasilo et al (2005).

According to Kashuliza, et al (1998) results of the Research on the role of Informal and Semi-formal Finance in Poverty Alleviation in Tanzania: Case of Iringa and Mbeya indicated that there is a significant difference between credit users and non-Credit users in relation to the farm size cultivated (of both food and cash crops in a season) and number of bags harvested. Credit users had consistently higher values for the above. However, the income from crop sales of Credit users was a bit significantly higher than non-credit users. The fact that Credit users show significantly higher crop yields and farm incomes than non-credit users, implies that the use of credit is playing a positive role in poverty alleviation.

## **THEORETICAL STUDIES**

VICOBA enable the users to cultivate large farm areas and to use farm inputs, which would otherwise be difficult to access. Furthermore, an improved crop harvest (yields) implies some improvement in the food security of borrower households in comparison to non-borrowers. Besides, it was learnt from the study that over 95% of farmers who use credit indicated that they had the following benefits from credit consumption: access to farm inputs for intensive agriculture and higher standard of living.

A study by Kasilo (2005) on the impact of Microfinance Programmes on Poverty Reduction in Tanzania in full where by three microfinance Institutions were studied – IFAS/SHERFSP, MEDA, and PRIDE found generally that they have managed to help their customers finance health, and primary and secondary education. However, the three institutions have not touched customers' expectations in all other dimensions of Poverty as operationally defined; to reduce housing and food problems, acquisition of adequate clothing materials, beddings, kitchenware, increasing savings, to name of few.

Anyelwisye (2007), in the study on the Impact of MFI on Poverty Reduction among Smallholder Farmers: Case of selected SACCOS in Dodoma Urban and Kongwa Districts observed that there was an insignificant difference in total Farm Size owned but transport assets between SACCOS Credit borrowers and Non-borrowers were Significant. Further, significant differences were noted between these two Categories with respect to Household's income, expenditure on basic needs, valuable assets, children's education and status and type of labor.

Mwakibasa (2007) asserts that who carried a study on an assessment of the impact of SACCOS towards Poverty Reduction found that members of the Madibira SACCOS – who were once wage earners Labourers but now Paddy farmers have managed to increase the yearly income from between Tshs. 720,000 – 1,440,000/ p. a (when employed) to between Tshs. 2.5million and 10/= million p. a. (when became Paddy growers).

Besides, these members of Madibira SACCOS, using the financial credits managed to improve their shelters from living in muddy and thatches roofed houses into houses made up of bricks roofed with corrugated iron sheets. Some beneficiaries of Madibira SACCOS opened shops, milling machines, Guest Houses, Restaurants and a few brought Minibuses for transportation of Passengers. On top of that member of Madibira SACCOS were able to meet costs involved in primary and Secondary Schools for their children, purchases equipment like T.V Sets, bicycles and Motorcycles.

Tisimi (2007) found that out of 40 respondents, 33 of them (82.5%) acknowledged to have benefited from MOCEMA SACCOS. They were able to solve their emergency problems, reduced vulnerability from risks, stabilized Consumption pattern, bought clothes, build houses, meet treatment needs, pay for school fees, save some of it for future use, obtain capital for small business and create employment.

Another Scholar called Mbise ,(2004) in his study on Role of VICOBA on Socio-Economic Development. Of Babati District observed that VICOBA borrowers were able to hire other people for farm activities and selling in their shops. It revealed that Non-borrowers who constituted 6.7% of all respondents were able to hire for those activities while to VICOBA borrowers (21.6%) of all respondents could do that. Also 58.7% of Non-borrowers were able to buy Pesticides contrary to 62.2% of borrowers. Besides, only 9.3% of Non-borrowers could buy Fertilizers for farm production while 18.9% of borrowers did.

Makombe et al, carrying a study on the credit scheme for productive Activities of women in Tanzania identified, among other things, that women had become empowered to some extent contrary to their husbands in many households. Forty six percent (46%) of the respondents said that the scheme had improved their living standard. On negative side, the study found that 59% of the micro – enterprises financed by the scheme was not sustainable Makombe et al as quoted by Kasilo et al (2005).

## **RESEARCH METHODOLOGY**

### **Research Approach**

This study employed the qualitative research methods and techniques. The traditional quantitative research methods utilizing standardized research instruments such as highly structured questionnaires were not considered appropriate due to the low levels of education of the main category of respondent's namely local villagers. Nevertheless, some quantitative aspects were included in several instances.

According to Denzin *et al* (2000) a qualitative research involves a research process in which the researcher studies a phenomenon in

its natural setting, and attempts to make sense of it or to interpret a phenomenon in terms of the meaning people bring to it. Qualitative research attempts to describe and interpret some human phenomena often in words of selected individuals (informants). It stresses on the socially constructed reality and the situational constraints that shape the inquiry.

The researcher in this approach is required to be clear about respondents' biases, pre-assumptions and interpretations. Some of the important characteristics of qualitative research, as outlined by Davis, (2000) include the phenomenological focus, studying experiences and behavior, the use of natural contexts that cannot be manipulated, and the need for a close rapport and trust between the researcher and the informants. Informants are allowed to tell their own stories and experiences rather than abstractions.

Qualitative approach is appropriate for discovering patterns, through looking closely at people's words, actions and records and examines the meaning, which emerges from the data after close observation, careful documentation, and thoughtful analysis of the research topic. Second, qualitative approach is adaptable to suit new conditions in its research design and data collection. The adaptability of this approach lies in the fact that its research design needs not to be thoroughly designated in advance as it is specified in quantitative research. This is because human behavior is not standardized; rather, it changes accordingly depending on the situation faced. The research, therefore, employed the qualitative approach to allow flexibility to modify the design and data collection methods. The approach was appropriate to the study particularly bearing in mind the level of education of the local communities from the four villages in Babati district.

### **Research Design**

Two common paradigms employed by social researchers in the search for truth include the positivist and interpretive paradigms. The positivist paradigm emerges from the idea that human behaviour is fundamentally governed by rules and should be investigated using scientific methods (Cohen et al. (2000). This is echoed by Johnson (1975) that positivism is firstly, "a complicated philosophy of science which focuses on the factual character of real world observations" and secondly, "a rigorous methodological programme, consisting of a set of formally rational cognitive procedures known as the scientific method". Within this paradigm, positivists use scientific methods to test hypotheses that are then verified by empirical testing. Positivists develop theory well before the research and use scientific enquiry to investigate this theory.

In contrast, the interpretive paradigm is concerned with individuals and endeavors to build theory that emerges from the data yielded from individuals' interpretations of the world around them (Cohen, 2000). The interpretive researcher uses the data from these interpretations to develop theory, which is then used to understand people's behaviour at different times and places. The interpretive paradigm sets the precedent for this research as it attempted to explore the human interpretations of their interactions with the environment and how it guided their understanding of the world around them.

A methodological approach that links well with the interpretive paradigm is the case study. According to Cohen et al (2000), case study "is a specific instance that is frequently designed to illustrate a more general principle". Yin (1988) provides a more technical definition as "an empirical enquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used".

Yin's definition highlights the issue of real-life context as the setting of the investigation where the investigator has little control over the events and multiple sources of evidence are essential to yield data required to illustrate a general principle or phenomenon

investigated. Like other research strategies, cases study “is a way of investigating an empirical topic by following a set of pre-specified procedures” (Yin 1988). It attempts to establish causes and effects and enables the researcher to observe effects of real people in real situations. Yin also emphasizes that case study employs various historical techniques of obtaining information but specifically uses direct observation and systematic interviewing which is not included in the historic techniques.

There are several types of case studies, and Merriam (1988 in Cohen et al., 2000) identifies three types of case studies as descriptive, interpretative (exploratory) and evaluative (explanatory). According to Merriam, descriptive case studies provide narrative accounts while interpretative case studies develop conceptual categories inductively in order to examine initial assumptions; and evaluative case studies attempt to provide explanation and judgment. Merriam also identifies four domains of case study as ethnography, historical, psychological and sociological. It is within the ethnographic domain that this research was conducted.

Ethnography is defined as the work of describing a culture and aims to understand another way of life (Spradley, 1980). This is further described by Brewer (2000 in Bell, 2005, p.16) as “the study of people in naturally occurring settings or fields by methods of data collection that capture their social meanings and ordinary activities”.

Ethnographic research is therefore, a “process involving methods of inquiry, an outcome and a resultant record of the inquiry” that attempts to “create as vivid a reconstruction as possible of the culture or groups being studied” (LeCompte *et al*, 1993). Ethnographic approaches are concerned more with description of a context rather than prediction (Cohen et al., 2000) and result in generalized views of situations or groups studied, thus allowing opportunities for comparison of the data yielded. The comparative nature of ethnographic research enables readers to make meaningful comparisons with similar or dissimilar groups.

The ethnographic approach was preferred for this study because it would enable the researcher to understand the indigenous people’s perceptions of their natural world on forest governance and the related forest practices. Although, the use of ethnographic in field work was very expensive to the researcher particularly interviewing people it was time consuming.

### The Sample of the Study

According to Cohen *et al* (2000), a sample is a selected portion of individuals or items that represent the aggregate of the population of the study. The sample of the study comprised of 2 district business officers, 16 VICOBA leaders, 320 members and 320 non members

Table 1: Composition of the Sample.

Category	Respondents
District Business Officer	1
VICOBA Leaders	16
Members	320
Non-Members	320
<b>Total</b>	<b>657</b>

### Sampling Techniques

Kothari, (2004) define sampling as a definite procedure of obtaining individuals or items to comprise the sample from a given

population (This study used purposive and Logical Quality Analysis Sampling (LQAS) techniques. Purposive sampling technique was used to select the district business officers, VICOBA leaders, members and nonmembers. They were selected by virtue of their positions. Logical Quality Analysis Sampling (LQAS) was employed to select number of VICOBA groups (Lucas, 2008). In this particular study a total number of VICOBA in Babati 200 (Source; District business officer).

### **Data Collection Methods**

Various instruments are available to the researchers for data collection and analysis. It is the researcher who decides the most appropriate instruments to use for data collection. While the positivist researcher is concerned with proving or disproving a hypothesis using scientific enquiry methods, the interpretive researcher is concerned with the context within which behaviour occurs (Cohen et al., 2000).

This focus on context is vital in that it provides the researcher with insight and understanding of people's behaviour and how this provides meaning for comparison of the events in the current context with what may occur at another location and time. Following the interpretive paradigm this study used interview, observation and documentary analysis as methods of collecting data.

### **Interview**

Interviews are interpretive research methods aimed at understanding and interpreting subjective views. An interview involves "an interchange of views between two or more people on a topic of mutual interest" (Kvale, 1996, p.14) through verbal interactions. According to Brenner et al (1985, p.3), an interview allows both parties to explore the meaning of the questions and answers involved. Interviews may be distinctively characterized by the process of seeking and supplying of information.

The purpose of the interview is to gather information in an attempt to find out what people know value or think. As a research tool, the interview is very flexible. It can deal with a variety of subject matter at different levels of detail or complexity (Brenner, Brown et al., 1985). The use of interviews in research signifies a move away from the traditional view that humans are subjects to be manipulated and towards regarding knowledge as generated between humans through conversations (Cohen et al., 2000). Humans are therefore seen as the central focus for knowledge production and that the social situation in which they exist provides the basis for the research data.

Interviews are various types including structured, unstructured, non directive and focused interview (Cohen *et al.*, 2000). In a structured interview, questions are prepared in advance and organized in a well defined format. This provides the researcher with very little room for alteration due to its close-ended status.

The unstructured interview, on the other hand is, more flexible as the questions are open-ended allowing for more freedom of expression. Non-directive interviews have minimal direction in which the interviewer has minimal control although the respondents have freedom of expressing themselves fully whenever they choose.

The fourth type of interview is focused interview, evolved from the non-directive interview in the search for more researcher control. It allows the researcher to exercise control over the interview process in guiding the respondent to respond within a focus or theme.

The choice of the type of interview is guided by the objective of the study undertaken. This study utilized the unstructured type of interview due to fact, unstructured interview give the researcher to ask a question bases on the response of respondent. Also was

preferable on the bases of ethnographic stance. The participants were informed of the objectives and procedures of the study.

### **Observation**

Observation is a vital feature of the ethnographic case study approach, as it allows the researcher to “collect live data from live situations” (Cohen *et al.*, 2000). It provides the researcher with the opportunity to accumulate rich data and develop an in-depth understanding of what goes on in the area. Observation works well with interviews as together they provide a greater understanding of the context investigated.

Primarily, participant’s observation in this particular study was used to observe the everyday activities in the selected VICOBA. In addition, participant’s observation was similarly employed to solicit current status of VICOBA. This method is important for observing things on the ground (direct observation) and collecting necessary primary data.

### **Focus Group Discussion**

A Focus Group discussions (FGDs) is a group discussion of approximately 6-12 persons guided by a researcher/facilitator, during which group members talk freely and spontaneous about a certain topic (Cohen *et al.*, 2005). FGD is a qualitative method purposely to obtain in-depth information on concepts, perception and ideas of group members. District business officers, VICOBA leaders and knowledgeable leaders were guided by the researcher to discuss the impacts of VICOBA in four selected villages.

### **Historical trend**

Historical trends analysis was done in collaboration with village business officers, members, nonmembers and leaders. The participants recalled major events within their VICOBA in chronological order and in a participatory manner. They generated information was recorded for latter cross checking and triangulation.

### **Transect walk.**

A transect walk is a tool for describing and showing the location and distribution of resources, features, landscape, main land uses along a given transect (UNDP, 2005). A transect was also used to assess VICOBA potential strength, weakness, opportunities and threats of VICOBA.

### **Documentary Review**

Documentary review refers to studying existing documents to obtain relevant data. Denscombe, (1998) maintains that review of records provides more insight into the phenomenon being studied by cross validation and augmenting evidence obtained from other sources. Moreover, it is asserted that documentary review provides a vast amount of information; it is cost effective and provides data that are permanent and available in a form that can be checked by others.

### **Validation of Research Instruments**

Validation of the research instruments is concerned with identifying ambiguities and unclear questions in order to make necessary corrections (Rea & Parker, 1997). No pilot study was done given the time and financial constraints which the researcher had. Nevertheless the researcher asked his fellow postgraduate students in business studies with experience in the governance stance, to review the research instruments critically focusing on the relevance, clarity, and coverage of items as per objectives. Finally, under the guidance of the supervisor, appropriate comments for correction and modification were made before embarking on data collection in the field.

### **Ethical Issues**

Ethical considerations were observed throughout the research process. Ethical issues relating to informed participant consent, confidentiality of participant responses, transcription of interviews, the reporting of findings, and securing of information were

adhered to. This research was undertaken according to the ethics guidelines and procedures outlined by the University of Dodoma. Interviews and observations were undertaken at the time and place convenient to the respondents.

### Data Analysis Procedure

Data analysis is a systematic process which involves working with data, organizing and breaking them into manageable units, synthesizing them, searching for patterns, discovering what is important and is learnt and deciding what to tell others (Bogdan and Bicklen, 1992). Qualitative data from interviews were subjected to content analysis whereby they were organized into categories of themes, interpreted, quantified where necessary and presented in the form of tables, figure or narrations. Qualitative data were computed into frequencies and percentages and presented into tables.

## RESULTS AND DISCUSSION

### Socio-demographic characteristics

Socio-economic characteristics, namely, gender, age, marital status, education level, residence duration and socio-economic activities of local communities of four villages of Magugu, Mwada, Mdori and Minjingu villages in Babati district are presented.

#### Gender, age distribution and marital status

About 60.3% of the respondents were males compared to 39.7% for females (Table 1). This balance in sex was chosen to include gender perspectives. Table 3 indicates age distribution of selected respondents. Respondents ageing between 18 to 33 years old were the majority (45.5%), followed by individuals aging 31 to 45 years old (36.2%) and 46 to 60 years old (12.3%). Respective ageing above 61 and above years old whom were minority (7%).

#### Literacy level

Table 3 shows results on education level. About 3.9% of respondents were educated compared to literate (69.9%) and 26.2% of respondents whom were illiterate.

Table 1: Gender of respondents

Sex status	Response	%
Male	181	60.3
Female	119	39.7
Total	300	100.0

Table 2: Age of respondents

Age group	Responses	%
18-30	137	45.5
31-45	109	36.2
46-60	37	12.3
>61	21	7
Total	300	100.0

Table 3: Literacy level of respondents from selected villages

<b>Literacy level</b>	<b>Responses</b>	<b>%</b>
Form Four and above	89	29.7
Standard Seven	111	37
Never been to school	100	33.3
<b>Total</b>	<b>300</b>	<b>100.0</b>

Table 4: Weekly Contribution of members

<b>Contribution Level (Weekly)</b>	<b>Responses</b>	<b>%</b>
1000 - 5000	100	33.3
6000-10000	91	30.3
11000-15000	74	24.7
16000 and above	35	11.7
<b>Total</b>	<b>300</b>	<b>100</b>

Table 5: Amount of loan offered to members

<b>Loan Level</b>	<b>Responses</b>	<b>%</b>
10000-100000	139	46.3
110000-200000	88	29.3
210000-300000	55	18.3
400000 and above	18	6
<b>Total</b>	<b>300</b>	<b>100</b>

### **Socio-economic activities**

Predominant socio-economic activities of Babati inhabitants are agriculture and agro-pastoralism represent main socio-economic activities. Other important socio-economic activities included formal employment, for example, primary school and secondary teachers, petty trade/business men/women and other entrepreneurs

### **Contribution Level.**

A VICOBA member seems to be of low income. This is due to the amount contributed. Table 4 shows that only 33.3% contribute less than 5000, 30.3% contribute below 10000, not only that but also 24.7% contribute less than 15000 and only 11.7% contribute above 16000. This shows that members are not rich. They are people from poor families.

### **Contribution of VICOBA on Livelihood in Babati District**

#### **Training facilitation**

The banks facilitated training for its members on planning on the nature of business to be conducted by the member, trace opportunities, threats and so on. Project management and selection is also trained by the banks.

#### **Business Skills**

Entrepreneurial skills were also taught by the banks. Professionals from that field are hired to equip members on business skills. For example, business professionals from The Open University of Tanzania Manyara centre are hired by the banks to equip members on this skill.



## **Agriculture**

VICOBA facilitated in providing loans to members. The member uses the loans to buy fertilizers, seeds, power tillers, pesticides, money maker pumps and other agricultural materials hence more harvests. The kind of agriculture that is used by the member is a modern one compared to the previous.

### **Modern houses**

Members built bricks and block houses covered by iron sheets for their families. Before that members were living in mud made houses. In tradition they are known as “tembe”.

### **Milling machines, generators and solar systems**

Members were provided milling machines for business. The purpose was to raise their life standards. Two (2) and above people are given the machine and also time to clear the loan. Through VICOBA members benefited to buy generator for domestic uses. A big area of the selected village has no power supply. Solar systems played the same role as generators.

### **Animal keeping**

New animal breeds were given to the members. The kind of breed produces more products compared to the local one. Bulls, dames and poultry were introduced to members. Some members are keeping poultry and these help them to earn a living.

## **Market business and Shops**

Members started to involve themselves in various businesses in markets and shops selling. Some of them buying beans, maize, goats and many other. They buy at cheap price and sell them with profit. For example they buy maize in Gallapo and sell in Mdori and Minjingu. One maize bag in Gallapo is sold for Tshs 35000 and sold in Minjingu for 60000 by June 2011.

## **Companionship**

Some people found friends in VICOBA. Some of them were lost their beloved like wives and husbands. So the place is now comfortable to them.

## **Challenges Facing VICOBA in Babati**

### **Clearance of loans**

It is found that loan clearance is a problem to some members. Some of them misuse the money and at the later stage fail to repay back the loan.

### **Training and low education**

Table 3 shows that 33.3% of the members have never been to school. So to train them on business education is difficult. Majority of them cannot read and write.

### **Technology (Computers)**

Computer literate are few among the members. This makes the work tiresome to the leaders and members. Computers are installed but only few people use them.

### **Availability of business professionals**

Manyara region is among the new regions in Tanzania. It was established in 2002. Higher learning institutions are not in the region. There is only one centre for the Open University of Tanzania. So this make professional scarce.

### **Big number of people compared to VICOBA**

After the non-members saw how the members are enjoying in VICOBA they decided to join the banks. This tendency made number of people to flock to VICOBA.

### **Geographical location**

Babati geographical location is not networked by the roads. There are some places which are not accessible. For example in Mwada village, to reach people around Lake Burunge is difficult. The transport from Mbuyuni to Lake Burunge is the use of bicycles and nowadays motorcycles (bodaboda).

#### **Members who are VICOBA beneficiaries**

Those who contribute more are given more loans. Table 4 shows that only 11.7% of the members contribute from Tshs 16000 weekly. Most people contribute from Tshs 1000.

#### **Mechanism to improve VICOBA delivery**

##### **Business training provision**

VICOBA employed own business experts so that as to facilitate effective training. The classes or venue are expected to build for training. Certificated will be offered to those who will attend.

##### **Creation of business opportunities**

VICOBA design the nature of business to be conducted by its member and advise on it. The helps the members to be able earn profit and make the project successful.

##### **Lowering of interest rates**

VICOBA only give 7% interest. This makes the members to improve in their day to day activities. Other financial institutions offer a 16% to 21%.

##### **Maintaining a number of VICOBA**

The leaders are trying to maintain the number of their banks so that to make them effective. 6 to 20 people form a group. The number is only increased when there is a strong need.

##### **To improve technology**

The leader introduced classes for computer training to those members who are in places which access electricity power. For example in Magugu township, Mwada, Mdori and Minjingu.

##### **Cooperation with government and other non-governmental organizations**

VICOBA leaders work together with government. They invite the district business officer to advise them on their issues. Not only are those but also non organization groups working with VICOBA in Babati. For example Land Management Programme (LAMP) and Farm Africa

## **CONCLUSION**

VICOBA have played a greater role in assisting people with low income and single parents' families. Livelihood has improves in the researched area as discussed in the findings. Members built houses, livestock keeping and paid for their children school fees. A lot can be said about VICOBA success.

## **RECOMMENDATIONS**

The government should provide education to VICOBA members free of charge. This will enhance the growth of small business in the poor families. It should also try to dish some funds to these community banks so that they gain more capital. Experts from all corners of the country should be encouraged to train members of effectively use of their funds.

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