

Factors Influencing Contribution Of Members In Achieving Sustainability Of Village Community Bank's Services in Newala District, Tanzania

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ABSTRACT: *In the past three decades the microfinance has been tremendously developed in rural and urban areas, but most of microfinance institutions are not delivering sustainable microfinance services. This study is centred on determining factors influencing sustainability of Village Community Bank (VICOBA). This study used case study research design. Six VICOBA groups were involved in Newala district and data collection was undertaken using questionnaire, key informant interview and documentary reviews. A total of seventy two VICOBA members were involved in the study.*

The study found that members of VICOBA need essential microfinance services. The findings show that VICOBA is member based institution where its members are responsible to ensure its sustainability. There are different actors who are involved in operations of VICOBA including the government, donors particularly Lindi and Mtwara Agribusiness Support (LIMAS) in the study area. The study has found that sustainability of VICOBA groups is determined by four key factors which are members' income generating activities, shares and loans provided by the group, leadership and accountability and members' education. The study recommends that members should be accountable in their VICOBA groups and dependence from donors support should be at minimal and self-sustenance should be the motive.

Key words: *Microfinance, Sustainability, Village Community Bank*

1.0 INTRODUCTION

Provision of micro financial services to the active poor people has been recognized to be a means of changing their status through improving access to financial services in the past three decades. Billions of people are served by informal microfinance. However the majority of informal microfinance institutions (MFIs) are not "sustainable". Sustainability is equated with financial self-sufficiency. Most of MFIs are able to operate without covering their costs due to grants and gifts from governments and other donors (James and Gray, 2004). In India, member based microfinance mostly depends on member's capability to be sustainable. Members run their

groups effectively and spend their time in group's activities.

In Africa, microfinance institutions vary as the continent itself. Collective approaches have been used, ranging from traditional group-based systems, to specialized lending by banks and funded by international non-governmental organisations (SEMIT, 2014; Olomola, 2002). Sub Saharan Africa (SSA) is characterized by its heavy dependence on foreign savings, for supporting microfinance in performing its services. Ledgerwood (2013) insists that in spite of several decades of significance investment in

microfinance, its distribution remains low and is uneven, the ownership and governance are critical determinants of successful financial service providers. Ondoro and Omena (2012) argue that when properly harnessed and supported, microfinance can scale-up beyond the micro-level.

In East Africa, Saving and Credit Cooperatives Societies (SACCOs), Accumulation Savings and Credit Associations (ASCAs) and village savings and loans Association (VSLA) are members based microfinance institutions. The provision of sustainability in microfinance services is determined by contributions of members in their groups. Members are focal sources of group funds. More than half of the total funding for financial services to members is generated from members' savings and share capital contributions (Scholer, 2011).

In Tanzania, Village Community Banks (VICOBA) are informal members based drawn from Care International. SEDIT (2014) says VICOBA are informal voluntary groups consisting of 25 to 30 individuals. For the first time VICOBA started to operate in 2001. They are established for the purpose of mobilizing savings for lending back to group members. The fundamental nature of running VICOBA is based on the operation system based on rotation or cycle.

In Mtwara, Lindi and Mtwara Agribusiness Support (LIMAS) and Local Government Authority (LGA) facilitated formulation and operation of VICOBA groups in Newala District. LIMAS and LGA joined their efforts to deliver capacity building and effective measures to ensure VICOBA groups are mature and self-operated but VICOBA services are lowly performing. Conflicts among members, failing to attend weekly group meetings and loan repayment to VICOBA members have never been dealt with properly by members so as to increase sustainability of VICOBA services.

Despite the capacity building to members of VICOBA by LIMAS and LGA, the contributions of members to sustainability of VICOBA services remain low. Thirty one (31%) of loan capital was behind repayment schedule. Conflicts among members are common of which 35% of VICOBA

conflicts are caused by poor accountability of members (LIMAS, 2013). The critical question here is if VICOBA were established to provide microfinance services to members, what are contributions of members in sustainability of VICOBA services?

Through savings and borrowing more, they could improve value to sustainability of VICOBA. By attending weekly group meetings and other services they could contribute more to sustainability of VICOBA services. Thus, which key factors can make members to contribute to VICOBA sustainability remains an important research question. This calls for serious rethink in VICOBA policy. Some probable reasons can be based on formation procedures factors, member's education, leadership and accountability, income generating activities of the members, shares and donors' interference. The effect is that most of VICOBA groups remain informal and offering services which are not sustainable. It is on the ground of this argument that this study set to assess the determinants for sustainability of village community bank services in Newala district.

The main objective of this study is to assess factors influencing the contribution of members into sustainability of microfinance services. Specifically this is to determine practices of VICOBA services provision to members; examine VICOBA member's responsibilities; and analyze factors influencing contribution of members in achieving sustainability of VICOBA services.

2.0 LITERATURE REVIEW

Microfinance is a type of banking services provided to low income people or groups who otherwise would lack a means of gaining financial services. Ledgerwood (2013) says microfinance is a provision of financial services to poor or low income clients neglected by commercial banks. Orrick *et al.*, (2012), say microfinance take in a form of cooperatives, Village banks, Local or International NGOs and programme set up by International organisations. Commercial banks diverge from serving low income people or poor people because it is too expensive to prepare loans fit for poor people. Poor people need very small

loans, unlike few rich people who may demand big loans and the majority are found in urban areas commercial bank canter. The demand of poor people can be served by Village Community Banks (VICOBA).

The acronym VICOBA stands for Village Community Bank which are rural based and are financial in nature. The word 'bank' is actually a loose term because a VICOBA group is essentially a Savings and Credit Association (SACAs) incorporating indigenous financial institutional system with modern financial institutional. Pure VICOBA is formed by a group of people who range between 25–30 people who trust each other (SEDT, 2014). VICOBA funds are members based on effectively mobilisation of their little resources. The operation of VICOBA fall under the control of members, where members are active, VICOBA are found to be a savior or helper to cater for the needs of the people on financial issues and social matters such as education and health. In order members to participate effectively in VICOBA activities, they must buy shares before they can take loans to conduct income generating activity.

Sustainability in this study is used as the availability of long term financial services from informal microfinance institution framed and utilised by members in a way that it meet members' demands or expectation at agreed manners in term of time, size, type of product and operation environment. It is the ability of an organization to meet its goals or target over long term. The informal microfinances mobilises few savings and are not financially self-sufficient. They are dependent on the wishes of donors and governments for their future existence (Zeller and Mayer, 2002). Members are supposed to work hard and maintain trust in their groups for sake of serving their members. The sustainability of microfinance refers to provision of small and realistic financial service from the institution like groups and individual which operate for long time but more useful to users or members aiming of improving their status of lives, it should concentrated in the availability of long-lasting services which are self-sufficient generated by members of groups. SEDT (2014) says the sustainability of microfinance is contributed by

effectiveness of the members on overall operation of small amount of savings and loans services to members. Sustainability of microfinance services can relate to organizational, managerial, and financial aspects (Kimando *et al.*, 2012). The poorest whom are strongly neglected by commercial are the resourcefulness of VICOBA, hence need sustainable microfinance services because if will be unsustainable, they can help the low income people at the present but in the future will not because they will gone, So to maintain sustainable microfinance the VICOBA members required to joins their effort in order to longer term services. In this situation, accountability of VICOBA members is a core in achieving provision of saving and lending services for long time to its clients or members. SEDT (2014) articulate that the sustainability of VICOBA services, depend on the presences of 25 to 30 members, selecting each other from the same villages or hamlets, based on matching individual behaviours. In rural areas the majority of members are farmers, living in rural areas where the main economic activities are agriculture, animal keeping; operating kiosks and other manual works. Generally their demands and activities are nearly similar. In Newala Members depended agricultural for buying shares and paying other VICOBA costs.

This study is guided by the Grameen model, found by Mhammad Yunus (1976) in Bangladesh. This model used to provide micro loan to active poor people who were neglected by commercial banks because of lack of collateral (Yunus, 1999). Through Grameen model, poor active people proved that they can borrow and be able to return to owners. The model found that poor active people all over the world are able to produce or initiate small productive activity which would start at small level but later on become individual or family level from initial capital which might come from individual person, groups or institution. Grameen model has been tested in many countries and it proved and found to be successful to many countries. Today more than 250 outlets and more than 100 countries around the world are practicing Grameen model.

According to Yunus (2010), Grameen model started as group of 30 sisters in 1983. The group

was started by using drafted laws purposely. The same to VICOBA groups start with 25 to 30 members, with a drafted constitution and members who are belong to same nature or environment as well as economic position. Grameen model insists saving and lending to members. According to Yunus poor lended money were successfully repaid. The Grameen model is applied into the study because members of VICOBA are given loans from the group and are successfully paying back to groups. It is their nature that all members should pay back the loan before closing and making some evaluation of their members towards what they are contributing to make groups going on and everlasting. Grameen model insist that building of active poor people with a notion or concept of ownership of the bank that is VICOBA, psychologically enable members to save more and taking the loans from their banks and returning it to the groups because everyone has the mentality of owning the bank. This idea minimized the risk of failing to repay the loans once you are assigned it and built a spirit of saving in their groups for sake of meeting their household needs.

VICOBA groups are formulated in a way that members are strictly active in group's activities in their groups but also outside of group environment. It is basically argued that every members is responsible towards development of his or her groups in this case, members are committed to work hard, searching share by using different way some are engaging to agricultural, retailers shops, carpentry, labour power activities. In almost 90% of development of VICOBA groups are performed by members. Members of the groups ensure required security of the group assets, provision of appropriate information for sake of the favour of the groups as well as collateral to qualified members. SEDIT (2014) loans given by VICOBA group are normally soft and affordable to the poor and are utilised to support IGAs that are carefully selected based on the demand of individual member, appropriate technology and locally available resources. Money accumulated used in future as initial group capital, Member save their money for not less than the first 3-4 months of the new cycle, then lending to group members start (SEdit, 2014). Saving in

VICOBA counted as core or pillar of presence of VICOBA. First thing which members do in their weekly meetings are saving, members serve as many as they can, it is advised that members save or buy shares many in order to gain big profit during closing the circle but throughout the circle members having many share is a good position of accessing big loan. Compare to one having small shares.

A study done on sustainability of self-help group (SHG) in India (Jennifer *at el.*, 2007) found that members of microfinance are joining groups in order to get loans and other services such as livelihood support, skills and training where groups provide skills training, credit is mentioned as an additional need. They found that members of informal microfinance are too attracted by services offered by their institution, but the loan was found as the main services. The same need were found by Kambuga, 2014 in Newala, that members of VICOBA needs loans though the loans they are accessing is very small, Members of VICOBA they still needs more loans to support their enterprisers because they are living with their dependents.

A study done on how do microfinance member based organisations successfully serve the rural people. Show that member-based organisations face critical challenges to establish sustainable microfinance institutions. Major reason was due to lack of strong governance of their organisations. They found that members are capable to maintain good governance in their organisations but they lack education to meet that responsibility (Perilleux *et al.*, 2012).

In Newala, a study done by Kambuga (2014) on contribution of VICOBA in supporting the Most Vulnerable Children (MVCs) found that members of VICOBA save money for improvement of their livelihood but also they were also supporting MVCs, who are left by their parents who died from HIV /AIDS, insist that members of VICOBA are very carefully in expenditures. Through weekly savings and accumulated funds members of VICOBA contributed in supporting MVCs. The study shows poor people associate with a lot of problems. They are the ones failing to provide sufficient needs to their children.

A study in Bangladesh, shows that members of Grameen group run small business. A single Grameen lady reaches 200 households per day and, although illiterate, has been trained to deliver message to their customers (Yunus, 2010). In the loan recovery follow up, women Self Help Groups (SHGs) members of 10 to 20 members are collecting saving and providing loans to members.

A study done in Kenya on the factors affecting sustainability of microfinance institution found that financial regulations, number of clients served, financial coverage and volume of credit discharged were the factors that highly affected the sustainability of microfinance institutions (Kimando *et al* .,2012).They indicate that in micro finance, sustainability can be considered at several levels of institutional, group, and individual and can relate to organisational, managerial, and financial aspects.

A study done in Njombe on Training of VICOBA members, found that members have many problems, study found that groups faced various problems which include inadequate entrepreneurship skills, inadequate capital to expand the business, poverty, high prices of agriculture inputs, high Local authority taxes and lack of ready market for some of their products. It is recommended that various stakeholders are needed to address the VICOBA group problems mentioned above. Despite of various study done on sustainability of microfinance institutions sustainability of VICOBA services is still questionable. Loans are seen as the main need while effort of creating it is not explained, governing of group is core element for ensuring that groups operate for long periods, solution for challenges facing VICOBA are not members based but for other stakeholders. Therefore there is need to conduct a study on assessing contribution of members to sustainability of VICOBA services.

The conceptual framework of this study based on assessing the contribution of members in sustainability of VICOBA services (Figure 1). The conceptual framework of this study provides a situation in which VICOBA members are providing their inputs to the sustainable functioning of VICOBA and results into

sustainable services. In other words, the members are the owners and managers of the VICOBA, because what they benefit from VICOBA is largely determined by the size of the inputs they provide including shares, leadership and the use of the loans in income generating activities.

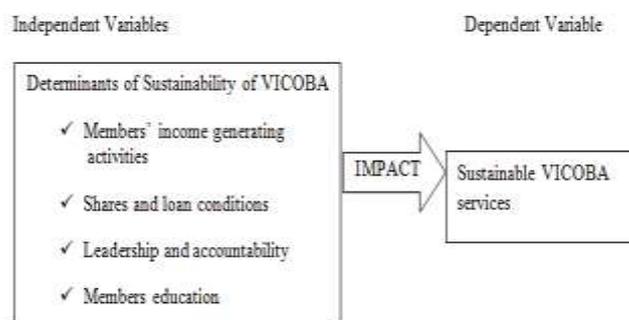


Figure 1: Conceptual Framework of VICOBA

Source: Researcher's construction (2014)

In case of the study area, members are taken as unit of analysis in ensuring the sustainability of VICOBA services. Thus, the sustainability of VICOBA is dictated by the members' income generating activities, shares and loan conditions, leadership and accountability and members' education. The sustainability is assessed by the quality of services they access, leadership of the group and members commitment to work and serve for the group so that they can benefit from it. Thus the sustainability of VICOBA is determined by dependent variables as indicated in Figure 1.

3.0 RESEARCH METHODOLOGY

3.1 Description of the Study Area

Newala is among six districts of Mtwara region; it is located between 390° and 400° East and Latitude 100° and 110° south of the equator. According to National census of 2012, the district has a total population of 205,492 peoples, among them, male are 95,018 and female are 110,474. The average household size is 3.5 persons which is below the national average of 4.8 persons per household. Neighbouring districts are Masasi to the West and Tandahimba in the East. In the North the district is bordered by Lindi Region while in the south is Ruvuma River which is a boundary with the Republic of Mozambique (Figure 2).

The study conducted in Newala district due to contribution of donors efforts like LIMAS which started from 2010/2011 also Local Government Authority in collaboration of community had invested on VICOBA, they provided essential materials resources and capacity building to community to initiate and operate VICOBA; however the sustainability of VICOBA services is not yet appreciated which justified the reason for undertaking this study. The main economic activities of the district are agricultural, animal keeping and poultry production. Main crops are cashew nuts, maize and cassava. The cashew nut is a major cash crop and the main sources of

income of the district. Most of the population of Newala is dealing with agricultural activities. The mainly food crops are maize and cassava. 90% of Newala population depend on agricultural activities for daily consumption and household investments. Cashew nuts production is the basis of VICOBA formation. After the harvest season money circulation increase and the microfinance clients have capacity of saving and loan taking increases unlike during cultivation season where farmers use saved money for buying agricultural inputs. The map of the district is provided in the Figure 2.

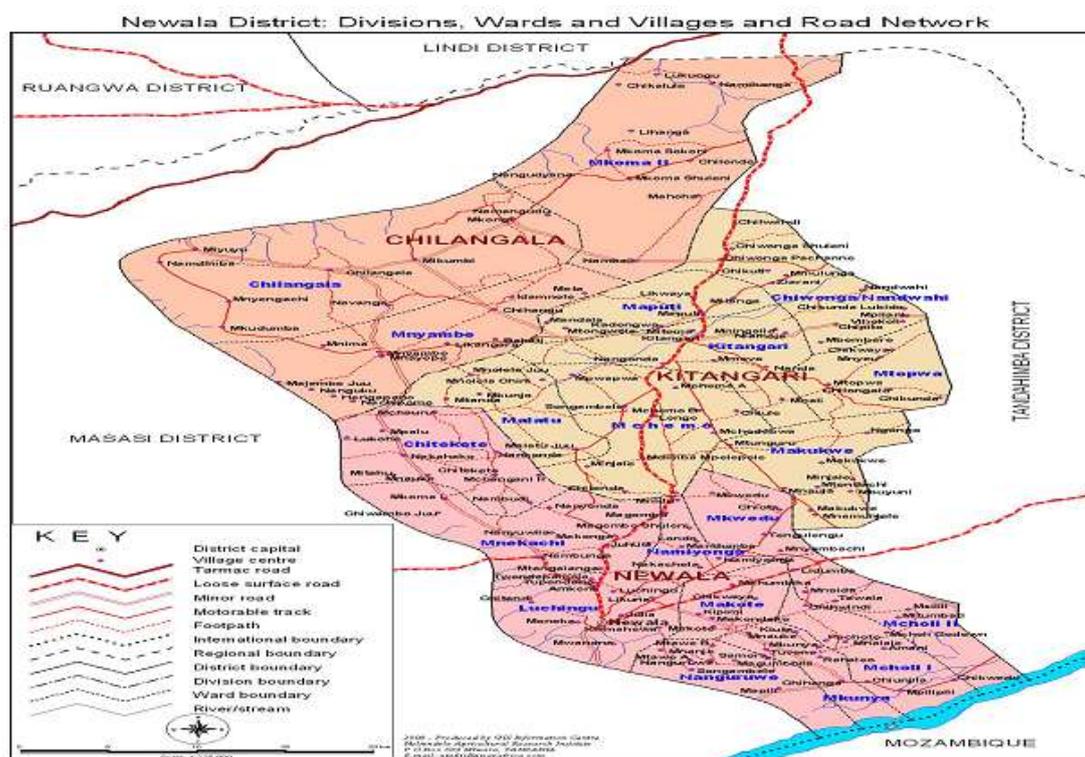


Figure 2: Map of Newala District

Source: Newala District Council Land and Township Planning 2014

3.2 Research Design

According to Kothari (2004), define research design as formal procedure for data collection and analysis which is intended to offer accurately the research objective. Research design is very important in any study as it results to systematic data collection and analysis. The study employed the case study design; the case study per se gives deep analysis of a single unit (Malamsha, 2001). Its empirical inquiry investigates contemporary phenomenon in depth within its real life situation (Yin, 2009). The study is a descriptive and logical in nature on contribution of members in sustainability provision of micro savings services and micro loans to VICOBA 'members. Six groups from three wards selected and used as a unit of the study. The design used in this study allows studying members' contribution in depth and allowing researcher to go further in understanding the operational environment of the VICOBA.

3.3 Sampling Procedures

The study involved the Village Community Banks (VICOBA) members, VICOBA facilitators and District Community Development Officer (DCDO) and Community Development Officer (CDO). The sample frame for this study comprised of six VICOBA from three wards (Kitangiri, Chilangala and Mtunguru). The overall memberships of VICOBA in the district are 603 and the selected VICOBA had a population of 87 members who formed the sample frame of the study. Moreover, community development officers, district community development officer, village facilitating officers were approached as key informants.

The researcher used two techniques of sampling; purposive and simple random. The purposive sampling techniques were deployed to sample the community development officers, district community development officer and village facilitating officers. Simple random sampling technique was used to get the respondents from the wards. Moreover the wards were purposively selected to include Kitangiri, Chilangala and Mtunguru. Key informants, were purposefully selected because are well informed and have an understanding of the research problem and central phenomenon in the study (Creswell, 2007).

A sample size of the study was 72 VICOBA members of VICOBA selected by using random sampling methods; all members were given equal chance of being selected from groups' attendance and groups were selected from Wards VICOBA groups' lists. All women and male were given equal chance to participate in the study in order to get fair information from male and female members. The 7 key informants were 3 CDOs and 3 Village Community facilitators (VCFs) involved as VICOBA trainers in the study areas. District VICOBA coordinator participated because is the overall in charge in VICOBA groups in the District. The total sample size comprised of 79 respondents.

The sample size was calculated using the Slovenes formula of sampling in the selected VICOBA groups.

From the formula: $n = N / (1 + Ne^2) = 87 / (1 + 87 * 0.05^2) = 72$.

Where: N= Sample frame,

n= sample size

e= confidence level (0.05)

3.4 Data Collection Procedures

Data were collected from different sources. The primary data were collected from the interview with the respondents. Secondary data were collected from District Office and Project Office, VICOBA groups' documents. Primary data were collected from group members of VICOBA. The researcher also attended the meeting physically and conducted interviews with members. This also involved observing operation of VICOBA' activities like procedures of providing loans to members, collection of loans, observing deadline and rate of returning loans to group. Secondary data of the study was obtained from different sources such by reviewing previous research publications related to the study and different reports of District reports and LIMAS project.

Data collection refers to the gathering information to prove some facts (Kombo and Tromp, 2006). The study employed Interviews (that is face to face), personal observations, Administer written questionnaires, focus group discussion (FGD) and used Documentary materials from the VICOBA members and key informants.

3.5 Data Analysis Procedures

Quantitative data were edited, coded, summarized and analysed by using Statistical Package for Social Science (SPSS) tool. The qualitative data was analysed by using narration methods and quantitative data were analysed by using descriptive statistics. The descriptive statistic was used to analyse and present data for objective one and two. For objective three, factors influencing the sustainability of VICOBA services was analysed by using multiple regression model.

Regression is able to estimate the coefficients of the linear equation, involving one or more independent variables, which best predicted the value of the dependent variable. Regression method was thus used due to its ability to test the nature of influence of independent variables on a dependent variable. This is what a correlation analysis cannot provide as compared to a regression analysis. Having considered that, multiple regression analysis was used as the approach to analyse the data. The regression model was as follows:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Where:

Y = Sustainable services of VICOBA

β_0 = Constant Term

$\beta_1, \beta_2, \beta_3$ and β_4 = Beta coefficient

X₁= Members' income generating activities

X₂= Shares and loan conditions

X₃= Leadership and accountability

X₄= Members education

ε = Error term

4.0 RESULTS AND DISCUSSIONS

4.1 Services Provided by VICOBA to the Members

Savings for low income people means diverging consumption of their little money from daily experienced such as entertainments. The three Likert used to check the extent the savings is a requirement to members. The study found that member's saving services is critical for sustaining VICOBA. 58.3% of respondents' very important, 31.9% low importance and 9.7% were neutral. This indicates that savings is among services needed for low income people. The 58.3% of respondents in the study areas want to save their small amount they accumulate at the village from their small enterprises.

Savings in VICOBA is demanded by the majority because they have failed to keep the money in their pockets because of their economic position, and the size of money generated through labour power. The 31.9% of respondents saving to them was low importance because they get support from their relatives, friends and others as remittance from their children living in town. Table 1 below shows the response of members on savings needs among members.

Table 1: Members perception on importance of savings services

Respondents	Frequency (n=72)	Percent
Very important	42	58.3
Low importance	23	31.9
Neutral	7	9.7

Annual savings ability of VICOBA group

The study found that the annual groups saving were not able to meet requirement of members. Table 5 shows that two groups (33.3%) accumulated six million to seven million, also three million to four million 16.6% accumulated four to five million, as well as accumulated seven million and above, while 16.7% members were accumulated three million to four million. This indicates that accumulation of savings is insufficient to VICOBA groups leads to common believe that all informal groups are the same, they face

similar challenges, Lema (2011) shows that VICOBA members lack capital. Group saving accumulation are insufficient to meet members need in their groups, saving distribution in the study area revealed that, the highest annual group accumulation is only seven Million, when distributed equally among the members particularly for group of 30 members every members could gain about 233,000 Tanzanian shillings, amount of money accumulated annually. In sufficient capital accumulation led to unsustainable of capital flows hence affect members' household income generation. The Table 2 in the next page shows annual group saving accumulation.

Table 2: VICOBA group average annual savings

Name of group	Savings (Tshs)	Frequency N=6	Percent
Jiungeni and Upendo	3,000,000 - 4,000,000	2	33.3
Niamoja	4,000,000 - 5000,000	1	16.6
Umoja and Amani	6,000,000 - 7000,000	2	33.3
Amanani	7,000,000 and above	1	16.6

The study found that 56% of respondents needed further entrepreneurship training, while 16% were satisfied. This indicates that though members joined VICOBA groups, lacks basic entrepreneurship skills. This is supported by Grameen model who asserted that entrepreneurship was by no means a rare quality to poor people. If entrepreneurial trainings will not be improved, savings will remain very low and the sustainability of VICOBA will not be achieved by members. Therefore, 56% of respondents revealed that further entrepreneurs' trainings needed in order to improve their IGA as well as savings capacity. In relation to this study, Lema (2001) finds VICOBA in Njombe town had similar training needs, the training was based on records keeping, income and expenditures, calculating profits and loss and using profit from the business. Findings indicated that his respondents had similar entrepreneurship skills. The 16% of respondents are only few members who had some entrepreneurial skills attained from other institution such as SHGs, Women Development Funds (WDF) groups before joining to VICOBA groups.

VICOBA provide financial services for the variety of needs of its members among them being education loans for sending their children to school. The interview with the respondents revealed that members take loans to finance the education needs of their children. Upon ranking the importance of education, they gave opinions that, education services is very important as pointed out by 39% of respondents, other respondents said that it is slightly important (22%), and 11% of respondents were neutral. This implies that VICOBA provide variety of services hence work as multipurpose tool.

All members save money in social fund particularly for education and health problems. In rural areas, despite the Government providing free primary education and a small amount of funds in secondary schools, low income people still fail to meet school expenses needed to be covered in the community school. It further implies that instead of members use money for improvement and more investment in family enterprises, use for solving education problem hence difficult to attain sustainable VICOBA services. This finding supported by (Bakari, Magesa and Akiddas, 2014) that, VICOBA helped members to invest in long term needs such as education and health or deal with emergencies. One interviewed member, from Amani group in Chilangala said:

"I am not worried about my daughter who has been selected to join a Ward secondary school this year. Though I live without husband, I will take loans from social fund in our group and I will buy all items mentioned in the joining instruction".

Despite of 39% of members argued that education is very important; it is difficult to providing sustainable services to members, because education service is not demanded by members for members but for their children who are non-members of VICOBA. The Table 3 in the next page shows the response of members on requirement of education services.

Table 3: Education in VICOBA

Response	Frequency (n=72)	Percent
Very important	39.0	54.2
Slight important	22.0	30.5
Neutral	11.0	15.2

About 44% of respondents lack market information of their crops and 38% of respondents depend on local markets to generate family income. It is fact that members of VICOBA in rural areas depend on agricultural products to earn their daily needs as well as saving in weekly meetings. This indicates that agricultural activities are the only main source of income for rural people. The absence of reliable markets and poor infrastructures leads to the Members opt to join into VICOBA, specifically in order to be connected to crops buyers. In the study area, found that most of pigeon peas are produced in Chillanga, while in Kitangari and Mtunguru are producing Cashew nuts. Therefore members of VICOBA at Mtunguru and Kitangari, needs market for processed cashew nuts as they are against warehousing receipts system (WHRS) of selling their cashew nuts, The Cashew nuts buyers normally don't pay them on time but also payment is made by instalment. This discourages borrowing and repayment of loans to the groups.

During the interview, one respondent, 52 years old living with his 2 wives, said, *"I am happy being of members of VICOBA because this agricultural season our harvest which previous we experiencing selling retail at Ndanda town Masasi. This time a buyer called The Export Trading Company of Mtwara will come and take our pigeon peas stock ready for export and the groups has opened account at (Cooperative and Rural Development Bank) CRDB limited."* (19th March 2015).

One of the key services of financial institutions is the provision of credit services and this is not an exception to VICOBA. The finding shows that most of the individuals join VICOBA for the purpose of saving and later on acquiring loan. The likelihood of the members to join VICOBA for the purpose of acquiring loan revealed that 33.3% showed that they extremely desired for loan, moreover, 27.8% showed that they were likely aspiring for loan when they joined VICOBA, however, 25.0% were neutral, and 13.9% indicated that they were unlikely to obtain loan from VICOBA (Table 4). This indicates it is fact that demand of loans to members is still high as 33.3% of respondent show that they extremely likelihood loans services.

Table 4: Likelihood of members acquiring loans in VICOBA

Members response	Frequency (n=72)	Percent
Extremely likelihood	24	33.3
Unlikely	10	13.9
Neutral	18	25.0
Likelihood	20	27.8

The similar result showed in Arusha that members of VICOBA needs soft loans the 96 % of respondent needed loans (Bakari, Magesa and Akiddas, 2014). It further means that though members have small or family enterprises enable them to get money for initial saving at their groups. They still need more loans for improving their family enterprises.

The similar demanded found by Amnaay (2014) VICOBA join other microfinance institutions, in order to borrow money he further support that multiple borrowing leads to members failing to pay back the loans to group. SEDIT (2014) in the beginning of providing loans to members, those who had more than one family enterprises were required to select one which will be supported by loans from the group. The running more many IGAs do not provide evidence of return the loan to the groups. Sometimes hinders sustainability

services due to divergence of loan to another IGA unlike to the one in application form, but also the management of individual project is not guaranteed.

SEDIT [Social and Economic Development Initiative of Tanzania] is a non-governmental, non-political, non-religious organization which was registered to the Registrar of Societies under Ministry of Home Affairs on 23rd February 2005 with Registration number SO 13048. The NGO has adopted a tool called; Village Community Banks (VICOBA). A grassroots based lending scheme with a focus on fostering participant's ability to innovate and manage viable income generating activities through entrepreneurship training among others.

SEDIT provides technical skills to group members through a training period of fourteen to sixteen months. In it members are equipped with knowledge on the meaning and importance of a VICOBA group, meaning and importance of VICOBA group leadership committee, rules and regulations, conflict resolution skills, saving and credit operations guidelines, any cross cutting issues relevant to each particular community such as HIV/AIDS and finally entrepreneurship skills.

The Table 5 shows the roles of LIMAS in sustainability of the VICOBA. The project provided material and capacity building to VICOBA groups. The process of introducing VICOBA has been administered by the LIMAS. The result shows that 27.8% was capacity building of members of VICOBA and provision of training materials in the groups like operating kits, Iron box, recording keeping books. These materials were effectively provided during the formation of the groups. About 22.2% provided support to Village Community Facilitators to train the group's members. The LIMAS project searching related training to the members and these included conducting study tours, and exchange visits between VICOBA of Liwale and Newala district. Identifying and searching for business opportunities were one of the roles of LIMAS which was pointed out by 41.6% of the respondents. Group establishment need to be supervised and about 8.3% of the respondents argued that LIMAS played this role effectively. The project also contributed on formulation and expansion of members' income generation activities by involving members to Conservation agricultural. Table 5 shows role of LIMAS in supporting VICOBA.

Table 5: Role of LIMAS in supporting VICOBA

Roles	Responses* (72)	Percent
Capacity building of members	20	27.8%
Supporting searching of business opportunities such as attending trade fairs	30	41.6%
Supporting VCFs allowances	16	22.2%
Supervision of groups	6	08.3%

*Roles are based on multiple response analysis as LIMAS engage in more than one support

One of the interviewed member revealed that; *some members had never arrived to Dar es Salaam, but LIMAS supported members to attend National trade fare in Dares es salaam, and zonal and National business exhibition.* Other respondents from the group said that; *the selected members attended the trade fair and various study tours which were supported by accommodation and transport and meals. Members did Business and all profit obtained were directed to members.*

The donors has influence in microfinance but its sustainability of the members based groups have to centered more on members ability. Donor are not always exist in the community, when they change their interest and VICOBA group will shake because members run their activities by expecting to get information, fund and other materials from the project or donors.

The member based microfinance institutions operate on the grass root level where commercial banks and registered microfinance institution are not willing and able to operate because the nature of the people economy and infrastructures. The study found that The LGA have played a remarkable role in sustainability

of the groups by linking its staff to impart skills to group members. The group connected to Community Development Department, where by every ward assigned one trained CDO on VICOBA operation, to work with Ward level VICOBA, also Agriculture fields Officers and Ward Executive Officers ensure the community that group are operating legally and peace and harmony are maintained by members outside the group environment. Local Government as stakeholder of VICOBA get group monthly reports. Through interview one of the members revealed that;

The Community Development officer said that they participate in VICOBA groups to encourage and enable members run their activities properly, participating in solving any difficulty which arises in the groups especially at infant phase of the group. Likely, when any difficulty and special task done in VICOBA group they are based on inviting Local Authority to see how they solve their complaints in the groups and in new or at the closing of the circles normally invites government staffs to help them to come across some mathematical calculation for individual shares or savings of members.

The study found that 44% of respondents were not at all satisfied while 28% were slightly satisfied. However, the 44% of the respondents' showed that are not satisfied at all by VICOBA services, these are some time join to other informal groups to widen the possibility of accessing more financial services. Table 6 below shows response of members on whether the services they get satisfied their requirement in VICOBA, though collateral and their level of savings limit accesses to financial services.

Table 6: Satisfaction of the VICOBA services

Response of members	Frequency (n=72)	Percent
Slightly satisfied	28	38.9
Not at all satisfied	44	61.1

Hence difficulty to achieve sustainable services in their group, Savings and loans services were firstly mentioned by members to be insufficient they depended on the effective income generation activities. "Interview respondents said Loan is not sufficient to meet members' need, you may have shares allow borrowing more but due to low saving in the groups, you will not get what you expected to borrow. 17th March 2015"

4.2 Members' Responsibilities in VICOBA

The functions of VICOBA rely on the commitment of the members to serve their institution and to make sure that it is working for them. Being a member based association, members are expected to play crucial roles in running their organisation. Based on this ground, the findings show that 33.3% of respondents indicated that members are responsible on sensitizing their fellows to buy shares or savings, 27.8% indicated that members need to ensure the security of the group properties and 25.5% indicated that members need to make follow up on loan repayment while only 13.9% indicated that members have the obligation to make sure that the laws are implemented (Table 7). This indicates that members join VICOBA groups knows that savings are only their main responsibility. All members assured that on the weekly meeting has money for saving.

Table 7: Distribution of members' responsibility in VICOBA

Types of Responsibilities	Frequency (n=72)	Percent
Sensitise buying shares	24	33.3
Abiding with by-laws	10	13.9
Loan follow-up	18	25.0
Ensuring security of group assets	20	27.8

Every one struggles to find money for saving at weekly meeting, members have strategy to encourages each other to save or buy share in the group in the weekly meetings, If on member group does not have money for buying shares in a particular day, members donates to her. The donated money will be return to all members supported him or her to save at least single share and money for social fund, members said the borrowed money returned in the week day. This implies that effectiveness of VICOBA groups should not focus on savings aspect only. SEDIT (2014) supports that effectiveness of the VICOBA based on voluntary accountability of individuals among the members, ownership and shared leadership as well as community capacity on building local resources mobilization.

Effective functioning of VICOBA requires that members understand their roles and responsibilities and be in a position to act accordingly. Since the VICOBA are supported by the donors and the government, then to ensure its sustainability, the members need to take active roles and maintain it when the donors withdraw their hand. To find out the members understanding of their roles to ensure the sustainability of VICOBA, they were asked whether they are responsible or the donors. The results showed varied reactions as presented in Table 8 where 52.8% said members and donors are responsible for the sustainability of VICOBA, 34.7% said the donors are responsible to ensure the sustainability of the group while 6.9% pointed out the members alone, on the other hand 5.6% mentioned that trainers and group leaders are almost responsible for ensuring group sustainability.

This indicates that although members meet every week, majority still assumes that long life and self-sufficient services from their group will come from outside rather than from inside or among members themselves. The study also shows that establishing group with a support from donors has impact in sustainability when donors are absent. Presence of donor contribution in one way or another made members to join to VICOBA not only to work for the group but to benefit from the groups.

Table 8: Responsible for Sustainable of VICOBA

Responsible organ for ensuring sustainability of VICOBA	Frequency (n=72)	Percent
Members and donors	38	52.8
Members alone	25	34.7
Donors alone	4	5.6
Others	5	6.9

The individual responsibility of members of VICOBA starts from the willingness of members in IGAs participation at the households. The finding shows that 47.2 % of members strongly agreed, 13.7% disagreed while 11.1% neither agree nor disagree. This indicates that performance of VICOBA has direct link with household production. While VICOBA is formed by members who know one another then, transparency of individual's IGA must be known to all or to a small group of five people who guarantee one another on loan process.

Through interviews, members agreed that responsible to work hard in a week days in a family microenterprises falls under the family ownership. They said that though are getting money from VICOBA but their family enterprises have not improved. Some members fail to agree because no big change has seen compared to savings and lump sum individual received in the closing of a circle.

Sustainability in VICOBA groups in the study area is differently viewed by the respondents, ranging from 29.2% who indicated that sustainability is achieved through savings, 26.4% who thought that increase in membership is necessary, while 25.0% were of the leadership that the establishment of VICOBA projects will enhance group participation and hence sustainability, and 19.4% wanted to use group business established (Table 9).

Table 9: Members' involvement in VICOBA

Respondents	Frequency(n=72)	Percent
Savings	21	29.2
Establish group business	14	19.4
Increasing new members	19	26.4
Establish group projects	18	25.0
Total	72	100.0

The profit of this line of argument is indicated in Table 10. This means that all VICOBA groups are aware on saving activities in the groups on a weekly meeting, sustainability of VICOBA groups will be achieved by determined saving rate of groups and availability of money in the group were guarantee of established of group projects. URT (2001) insists that participation by clients in some instances is a fundamental principal of governance structure of microfinance institution. At least every member recognizes the fact that effective member participation in VICOBA is a necessary for sustainability. SEDIT (2014) shows that sustainability of VICOBA depends of effective capacity building of 25 to 30 well members trained and known each other.

The strong ideal of being members of VICOBA is to have activities to do in order to get money for saving in the weekly meetings. The focus group discussion revealed that members of VICOBA are performing similar activities. Many respondents pointed out that they process cashew nuts and sell to retailers. However in Njombe, Lema (2011) found that members of VICOBA are doing petty cash business as source of money for weekly savings in the groups.

The same findings are supported by Kambuga (2013) that members of VICOBA are doing petty business to get money for improving their families. This implies that it is difficulty to attain sustain services because members are doing similar income generating activities hence in remote areas limit local markets because no anyone buying one another products. In limited markets of their products members of VICOBA are operating at small profits. Many respondents are of the feeling that they are involved in VICOBA in order to get just enough income for their families.

4.3 Factors Influencing Sustainability of VICOBA

In this study, a multiple regression analysis was conducted to test relationship among variables (independent) on sustainable competitive advantage. The research used statistical package for social sciences (SPSS Version 20.0) to code, enter and compute the measurements of the multiple regressions. Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (sustainability of VICOBA services) that is explained by all the four independent variables (members' income generating activities, shares and loan conditions, leadership and accountability and members' education).

Table 10: Model Summary

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	0.893	0.7974	0.744		0.4645

Table 10 shows the model summary. The four independent variables that were studied, explain only 79.7% of the sustainability of VICOBA services to the members as represented by the R^2 . This therefore means that other factors not studied in this research contribute 21.1% of the sustainability of VICOBA.

Table 11: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.453	3	1.267	7.623	0.0214
	Residual	9.313	98	2.327		
	Total	3.565	101			

Table 11 shows ANOVA. The significance value is 0.0214 which is less than 0.05 thus the model is statistically significant in predicting how members' income generating activities, shares and loan conditions, leadership and accountability and members' education influences sustainability of VICOBA services. The F critical at 5% level of significance was 3.23. Since F calculated is greater than the F critical (value = 7.623), this shows that the overall model was significant.

Table 12: Coefficient of determination

Model	Unstandardized coefficients		Standardized coefficients		
	B	Std. Error	Beta	t	Sig.
Constant	1.142	1.335		1.615	0.359
Members' income generating activities	0.896	0.223	0.167	4.423	0.0209
Shares and loan conditions	0.857	0.241	0.076	3.752	0.0217
Leadership and accountability	0.813	0.233	0.186	3.867	0.0224
Members' education	0.787	0.147	0.199	3.547	0.0239

Multiple regression analysis was conducted as to determine the relationship between sustainability of VICOBA and the four variables. As per the SPSS generated table above, the equation ($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$) becomes:

$$Y = 1.142 + 0.891X_1 + 0.857X_2 + 0.813X_3 + 0.787X_4$$

Table 12 shows coefficient of determination. The regression equation above has established that taking all factors into account (members' income generating activities, shares and loan conditions, leadership and accountability and members' education) constant at zero, VICOBA sustainability will be 1.142. The findings presented also shows that taking all other independent variables at zero, a unit increase in members' income generating activities will lead to a 0.891 increase in sustainability of VICOBA; a unit increase in shares will lead to a 0.857 increase in sustainability of VICOBA; a unit increase in leadership and accountability will lead to a 0.813 increase in sustainability of VICOBA

and a unit increase in members' education will lead to a 0.787 increase in sustainability.

This infers that members' income generating activities contribute most to the sustainability of VICOBA followed by shares. At 5% level of significance and 95% level of confidence, members' income generating activities had a 0.0209 level of significance; shares and loan conditions showed a 0.0217 level of significance; leadership and accountability showed a 0.0224 level of significance and members' education showed a 0.0239 level of significance hence the most significant factor is members' income generating activities.

The regression results above indicate that there is a positive relationship between the four independent variables with the dependent variable. These results are in line with previous studies. For example (Amnaay, 2014), viewed income generating activities and levels of education of the members as among the key determinants of sustainability of member based financial institutions. Further, Nandhi (2010) in his contribution to indicate how leadership and accountability impacts on competitiveness of member based microfinance institutions, indicated that performance of MFIs varies markedly in terms of leadership quality, existence of knowledgeable members in financial matters.

5.0 CONCLUSIONS AND RECOMMENDATIONS

The main objective of this study was to assess contribution of members in sustainability of microfinance services, while specific objectives were to identify sustainable VICOBA services required by members. Evaluate responsibilities of VICOBA members in achieving sustainable services for their groups and analyse factors influencing members of VICOBA to achieve sustainable services to groups. Basing on the findings it was concluded that VICOBA members were benefiting from their groups by getting savings, loans, education and training. It was concluded that VICOBA members join groups in order to get loans and savings. Loans and savings were found to be the major microfinance services to members. Members also joins VICOBA not only for partly but because the methods was more improved unlike in ROSCAS ,SHGs and other lending model, even though groups operate without office premises. VICOBA groups keep data for their members and even in case of death of a member the heirs are known. Finally it is concluded that factors influencing VICOBA members to achieve sustainable services include loans provision and repayments, security and weekly meetings, VICOBA members have ability of accumulating savings. These contributions have impact on loans, meeting attendance and loan collateral on the group. The VICOBA members are the main pillar of sustainability of microfinance services in their groups. The members 'contribution enables VICOBA group to

have power and means to satisfy members' needs particularly funds, training and moral needs. The members have great influence on the sustainability of VICOBA groups. Loans services attract many people hence provision of loan should be done with great care to avoid misunderstandings on VICOBA lose faith.

Basing on the findings it is recommended to VICOBA and their members that, members should be trained frequently and those joining VICOBA group for the first time should attend 14 to 16 week intensive training. The training reviews should be permanent. Training reviews will enable members joining the group after the first 16 intensive training to capture material given to the founders of the groups. In addition, the VICOBA members should have clear and viable income generating activities. IGA determine the ability of buying shares in the groups, competency IGA will enable the groups to be sustainable. VICOBA members should be responsible to achieve groups' sustainability. Individual responsibilities of members have a big contribution on the availability and efficiencies of needed services among the members. On top of that members should make sure that all group debtors are settled in a ways that does not harm members, but attracting those who are outsides of groups and VICOBA groups should provide viable services. To achieve this, all members should be responsible in saving activities, for sake of gaining reasonable capital funds. Furthermore VICOBA members should be attached to some government development project for the sake of strengthens there sources and widen their experiences. Finally members should prepare themselves from the beginning to operate their groups when donors 'withdraw. Donors should not use groups as a ways of implementing major project but they have to support the group for the benefits of VICOBA members or community. Also donors should involve Local Government and Community in preparation and searching for VICOBA material in order to create experience to LGA and community in case of absence of or withdraw of the Donors.

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