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Original Article

### Self-Help Groups and Poverty Reduction among Rural Women in Tanzania: A Case of VICOBA

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#### Keywords:

*Self-Help Groups,  
VICOBA,  
Poverty Reduction,  
Rural Communities,  
Loan Repayment.*

This paper focuses on the effectiveness of the Village Community Banks (VICOBA) as a self-help group (SHG) model in reducing poverty among rural women in Tanzania. Given its widespread presence in both urban and rural areas, the study aims to understand VICOBA's operation and its impact on rural women. The research is based on primary data collected through face-to-face interviews with 60 rural women in the Mbozi District, divided equally between members and non-members of SHGs. The study used mixed methods of both qualitative and quantitative methods; the study found that while SHGs positively affect participants' income and asset ownership, the changes are gradual and often insufficient to lift them above the poverty line. Key challenges include a lack of external financing and business training, delayed loan repayments, small loan amounts, insecure cash handling, and distrust among leaders. Non-members cited distrust and inability to afford mandatory weekly shares as reasons for not joining. The paper recommends formalizing VICOBA to enhance its effectiveness, thereby securing financial benefits for members and attracting donor support, especially in rural areas where poverty is prevalent. Collaboration between formal financial institutions, NGOs, and SHGs could improve access to better loans and income-generating activities. Building community trust is crucial for fighting poverty locally and nationally.

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**INTRODUCTION**

Worldwide there is a significant improvement in the reduction of extreme poverty, in 2011; there was 14.5 percent of the world's population who were extremely poor this means one billion people down from 18.6 percent of the world's population in 2008 which was equivalent to 1.25 billion people (World Bank 2015). Still, there is a need to continue putting efforts into poverty alleviation strategies to help save the lives of the poor, who die because of hunger every day. It is estimated that 3.1 billion children die each year from hunger before they reach five years (Bhutta et al. 2013). However, there is a hope that the international commitment through the new sustainable development goals on ending extreme poverty starting from 2015 to 2030 will enable to building of the bridge of the unfinished Millennium Development Goals agenda that ended in 2015 and gave room for Sustainable Development Goals (SDGs).

Worldwide, women are of majority poor accounting for 70 percent of the world's 1.3 billion poor populations who live in the equivalent of less than US \$1 (ILO N.d; Khan and Noreen 2012). In Tanzania, about 60 percent of women live in absolute poverty (Ministry of Community Development 2016; Kato and Kratzer 2013:32). In developing countries, most women usually are the caretaker of families, involving themselves in activities like farming for food production, grinding grains, does the cooking responsibility, collecting firewood, fetching water, taking care of children and sick persons as well as elderly people. These are not easy tasks. Movement for gender equality is very important because, when women have equal access to education, and participate fully in business

and economic decision-making, it will be a driving force against poverty. Gaining equal rights for women will improve their access to education and other important resources such as health facilities, land, employment and financial resources and gain power in deciding matters affecting their lives. An increase in women's earning power/capacity will translate into better opportunities for poverty reduction efforts by enhancing children's well-being by impacting their education and hence creating a society of educated persons and breaking the cycle of poverty for upcoming generations (UNDP, 2016).

In Tanzania, rural women are usually the major victims of poverty than their counterparty men; this is because most women in rural areas have less education and so women have limited access to formal employment. Women's lack of control/ownership over resources like land impacts women towards poverty. Women hold only 25 percent of agricultural land in rural areas and even the size of hectares is lower compared to that of what men own (FAO N.d) consequently, women cannot access credit services due to a lack of collateral through which credit institutions should look. Tanzania's customary Law has affected women so much as they are not allowed to inherit clan land which is the source of collateral, and since most credit institutions are male-dominated (patriarchal). Even when women may access the credit facilities they cannot be granted full advantage (Mukangara and Koda 1997). This state of affairs has contributed to the need for the introduction of Self-Help Groups where women can access financial services without cumbersome procedures.

Self Help Groups are defined by ILO Cambodia, as groups of 10 to 20 women or men who gather and set up a common fund for credit giving among members that helps to improve their livelihood conditions. “The fund is owned by the group and consists of the savings of the members. The fund is used to make short-term loans with interest to members. The profit of the fund (i.e. the interest on loans plus fines) is divided among the members of the group at the end of the year” (2006:4). Access to financial services in Tanzania is categorized under three groups, those who are excluded, informal and formal financial providers. Informal financial providers are defined as “Access to and use of financial services from non-formal financial institutions” (Tanzania National Council for Financial Inclusion N.d: 2). The non-formal financial providers are comprised of; informal savings and loan groups as well as Rotation Savings and Credit Associations (ROSCAS), these savings and loan groups are the Self-Help Groups.

Self-groups (SHGs) are regarded as the best model to lift women out of poverty as it encourages women to come together in a group with a common affinity to pool their resources and distribute them among group participants as credits with smaller affordable interest rates. The interest becomes the profit for the group to scale up. SHGs have now become among the fast-growing and well-known methods used in improving the access of microfinance to the poor population. This means SHGs operate as minute savings and credit cooperatives. “Currently these SHGs reach an estimated 100 million clients and this number has grown dramatically in recent years; active plans will nearly double this number by 2017” (Greaney, Kaboski and Leemput 2015: 1). The group model acts as collateral to the group member where they use to trust each other and have an access to financial resources without cumbersome procedures like formal financial providers which need customers to have collateral and fulfil other requirements.

Women are poor because of a lack of access to various economic opportunities and resources such as “credit, land ownership and inheritance, lack of access to education and support services and their minimal participation in the decision-making process” (UN Women 1995:35). With this problem, to ensure women’s welfare and better livelihood it is very important that women are helped to access these important economic resources to improve their conditions. Therefore, the Beijing Platform for Actions urges governments to ensure proper strategies to enhance women’s access to economic resources including financial resources, which can be provided through SHGs as providers of financial services.

The Beijing platform for action as a global commitment to the improvement of women's situations on various issues including the economic well-being of women put forward the issue of women and poverty as one among 12 critical areas of concern by the national and international community to consider for women’s advancement. Under the consideration of women and poverty critical areas, the Beijing Platform for Actions (BPA) asserted the strategic objectives to succumb to poverty among women. The 4<sup>th</sup> strategic objective includes the following; to “review, adopt and maintain macroeconomic policies and development strategies that address the needs and efforts of women in poverty; to revise laws and administrative practices to ensure women's equal rights and access to economic resources; to provide women’s access to savings and credit mechanisms and institutions and to develop gender-based methodologies and conduct research to address the feminization of poverty” (UN Women 1995: 36, 41 and 42). The government is required to support the links between financial institutions including informal financial services providers such as SHGs and NGOs and to assist innovative lending procedures by integrating credit with women’s services including training, especially for women residing in rural areas (UN Women, 1995).

A number of studies have shown the impact of SHGs on poverty reduction, whereby among the success factors include the ability and possibilities for women to have access to financial resources through loans that enabled them to start small businesses as an income-generating activity (IGAs) like opening shops, keeping livestock and others. After joining SHGs, women were able to get loans from formal banking institutions as the group model acted as collateral; they were also able to improve household nutrition, access to health care, send children to school, and cope during the time of emergencies (Blay 2011; Kim 2013; Flynn 2013). While there are more than the above-stated testimonies (the upcoming literature review will reveal) regarding the impact of Self-Help Groups on poverty reduction, Tanzania like many other developing countries continues to experience an upsurge of poverty among the majority of women especially those who live in remote rural areas, whereas countrywide, 60 percent of women live in absolute poverty (Kato and Kratzer 2013:32). This situation raises a number of questions; how does Self Help Groups play a role in reducing poverty among rural women in Tanzania? What are the challenges and limitations facing SHGs on poverty reduction among rural women? Why some women do not choose to join SHGs to improve their income? What is the most determining factor for women's choice to join SHGs? a) Individual factors? b) Structural factors? c) Cultural factors? This calls for the present study to explore how SHGs in Tanzania contribute to the improvement and well-being of women members and their families and hence poverty reduction.

This study is guided by a **theory of poverty** caused by individual deficiencies (Bradshaw 2006) explains that the poverty situation is caused by an individual himself/herself through poor selection of investment methods as well as laziness/not working harder to get out of the poverty situation. This theory has been claimed by neo-classical economics that an individual seems to be the source towards

own poverty, therefore, the individual is required to put efforts to make the best use of their own self and well-being by better choices and investments. "When some people choose the short-term and low-payoff returns, economic theory holds the individual largely responsible for their individual choices, for example, to forego college education or other training that will lead to better-paying jobs in the future" (Bradshaw 2006:6).

This theory of individual deficiency calls for self-help efforts that women can make as a sign of self (individual) efforts in trying to achieve economic well-being and get out of poverty. Through self-help women's groups, women may access social ties that may enable them to have mutual aid and have access to resources and income to invest in various income-generating activities and hence earn an income and improve their own well-being. Women in the SHGs are able to pull even their families out of poverty by investing in children's education, improving household nutrition status and helping invest in the ownership of various assets. Flynn asserts that the "people" -centred development must be given special attention rather than fulfilling the needs of the poor. The development process should begin from inside the individual; if an individual has no inspiration from within then the efforts to promote the change will not be sustainable for that individual (2013:15).

The study therefore attempted to examine how Tanzanian women's choice to join self-help groups as an investment method and to access financial services contributes to the improvement of their well-being and that of their families and hence poverty reduction. However, the study goes beyond assessing women who are non-participants in SHGs and seeks to find the reasons for not being interested in joining the SHGs. Hence the goal of this study is 4-folds: It identifies: (1) how SHGs have improved women's condition; (2) the challenges and limitations of SHGs on poverty reduction among women in rural areas; (3) reasons why some women do not prefer to join SHGs as an investment method

for poverty reduction; and (4) most determining factors for women's choice to join SHGs.

## MATERIALS AND METHODS

This study was carried out in Mbozi District which is among the four districts in a newly formed Songwe Region. Mbozi District covers an area of 3,404 square Kilometers and it is administratively divided into 4 divisions, 29 wards, 2 town authorities, and 125 villages with 610 hamlets (Mbozi District Council 2015). However, this study concentrated typically at one village called Lumbila in the Ruanda ward, Lumbila village was selected to represent other villages because these women engage mostly in the coffee farming activity that makes them formulate VICOBA to secure funds for farm inputs, as it is shown in the findings of this study as a proof to be chosen (see Table 5) that most of the loans taken from VICOBA were used for farming activity. Geographically, the district is basically divided into one main agroecological zone; the high Plateau. Its landscape is characterized by several hills with rivers and valuable valleys for irrigation purposes (Mbozi District Council 2015).

The majority of the population (90%) is engaged in agricultural production while the remaining 10% are employees in the central government, local government (council) or private organizations. The major cash crops grown in the district include; coffee and Sunflower whereas food crops grown are maize, cassava, beans and different types of fruits. The major famously known ethnic group in the area is Wanyiha. Other ethnic groups are, Wandali, Wawanda, Wanyakyusa, Walambya, Wamalila and Wasafwa (Mbozi District Council 2012). Secondary data were obtained from government reports on VICOBA such as the 2009 survey done by the Tanzania Ministry of Finance, Poverty Eradication Department and other sources including journal articles and other studies related to self-help groups in Tanzania. Primary data were collected through face-to-face interviews using an interview guide from 5 different VICOBA groups at Lumbila

village, in Ruanda ward in Songwe region. The groups from which respondents were selected and agreed willingly to participate in the interview included Upendo, Tupendane, Umoja, Tushikamane and Amani, this made up a total of 30 respondents. Another interview involved 30 individual women who are non-participants of SHG residing in the same village. The reason was to identify factors preventing these women from joining SHG as an investment method for poverty reduction. This makes an overall total number of 60 respondents who participated in this study, all being women members and non-members of SHGs.

## Research Design

This study employed a mixed method research design where qualitative research design is defined as a "systematic, subjective approach used to describe life experiences and give them meaning" (Keele 2011:44). The qualitative research design was used as the study aimed to understand, discover, and clarify situations including feelings and attitudes of women towards Self Help Groups. For example, when conducting interviews, women were asked why they didn't join the SHGs. Their responses were; lack of trust and low income. These responses enable the author to explain the difficulties women face and the obstacles that prevent them from joining SHGs. Hence recommendations can be easily made for the government to improve SHGs especially VICOBA's case. Likewise, the quantitative method is the collection and analysis of numerical data to answer scientific research questions (Rana, Luna Gutierrez and Oldroyd, 2021) as was used by this study to categorise respondents' income levels before and after joining VICOBA, numbers of assets owned by respondents after joining and percentage and frequencies of activities spent through loans accessed from VICOBA.

## Study Population, Sampling and Sample Size

This study was carried out in the Songwe Region in the Mbozi District in one village called Lumbila.

The study population involved in this study were rural women, both members and non-members of SHGs specifically VICOBA. Purposive sampling was used to obtain the sample size of 60 women including 30 members and 30 non-members of VICOBA to represent other villagers. This sample size was assumed to be sufficient based on the fact that most women in the villages are quite busy with farming activity, reaching them is one of the limitations of the study including readiness to participate. Also, this sample size of 60 exceeds the minimum sample size as per the law of the Central Limit Theorem which validates a sample size of 30 or more to be approximately normal regardless of the original population distribution and assumed to be reliable for statistical inferences (Ganti, 2024). In addition “there is no universal agreement and it remains controversial as to what number designates a small sample size. Some researchers consider a sample of  $n = 30$  to be “small” while others use  $n = 20$  or  $n = 10$  to distinguish a small sample size”. (Ying Cao et al, 2024)

Purposive sampling is one of the methods commonly used in qualitative research whereby respondents for the study are chosen by non-random technique. In this method, it is the researcher who decides what is required to be known and finds individuals who are able and willing to provide the needed information (Etikan, Musa and Alkassim 2016). It is a useful method to be applied when the researcher has limited resources such as time, money and labour force.

This study used this method by purposively choosing one of the villages in Ruanda ward that

represents Tanzania rural settlement in the Songwe Region where the sample was selected by adhering to the willingness of the participants. With the help of the Ruanda Ward Agricultural Extension Officer, the currently present VICOBA groups were identified and a total of 5 SHGs/VICOBA were selected by means of a simple random sampling technique. The groups selected to participate in the study were namely; Amani, Tupendane, Upendo, Umoja and Tushikamane. The same technique was applied to get the women who were non-participants of VICOBA. The data were collected through face-to-face interviews with participants using a semi-structured interview guide. Usually, semi-structured interview guides contain both open-ended and closed-ended questions. Sometimes, discussions may deviate from the interview guide and it is, therefore, important to tape-record interviews and later copy these tapes for analysis. Semi-structured interviews usually provide the respondents with the freedom to communicate their ideas in their own requisites (Cohen and Crabtree, 2006).

## RESULTS AND DISCUSSION

### Socio-demographic Characteristics of Respondents

The study found that among 60 interviewed respondents, 36 women were married which accounts for 60% of the total women interviewed both participants and non-participants of SHGs, whereas 11 women were single (18%) and 13 women interviewed were widows (22%). See the results in Table 1 below.

**Table 1. Respondents' Marital Status**

Marital status	Non-participant	%	Participants	%	Total	%
Married	18	60	18	60	36	60
Single	7	23	4	13	11	18
Widow	5	17	8	27	13	22
<b>Total</b>	<b>30</b>	<b>100</b>	<b>30</b>	<b>100</b>	<b>60</b>	<b>100</b>

### Age Characteristics of Respondents

Majorities (25%) of participants were aged 51 years and above, while 18.5% were in the age range of 32-35. Likewise, 16.7% of respondents were aged 36-40, while 15% and 13.3% were in the age range of

26-30 and 21-25, respectively. Meanwhile, 10% were aged 41-45 and 1.7% were in the range of 46-30 years (Table 3). These results show that the majority of participants are working age, hence the SHG participants are striving to be in groups to try to find financial resources to make their lives.

**Table 2. Respondents' Age**

Age group	Non-participants	%	Participants	%	Total	%
21-25	6	20	2	6.6	8	13.3
26-30	6	20	3	10.0	9	15
31-35	5	17	6	20.0	11	18.3
36-40	5	17	5	16.7	10	16.7
41-45	1	3	5	16.7	6	10
46-50	1	3	0	0	1	1.7
51+	6	20	9	30	15	25
<b>Total</b>	<b>30</b>	<b>100</b>	<b>30</b>	<b>100</b>	<b>60</b>	<b>100</b>

### Respondents' Education Level

The majority of respondents (82%) had only attended primary school; whereas only 5% had secondary education. On the other hand, (13%) of interviewees had never been to school at all. These findings show that females have more obstacles that hinder them from accessing education than their counterparts males. Gender bias and discrimination, boys' preference and early marriage for girls inhibit their access to education. This state of affairs is worsened in Tanzania because the laws do not provide full protection to a girl child. For instance, the Marriage Act of 1971 allows girls to get married at the age of 15 under their parents' discretion and it is supported by customary law, while boys can marry at 18 years when they are already adults (TAWLA 2014; Child Marriage Fact Sheet 2014). This deprives girls' right to education because as

soon as they marry, they are prone to early pregnancies and other family responsibilities. "Child marriage in Tanzania occurs more frequently among girls who are the least educated, poorest and living in rural areas" (Child Marriage Fact Sheet 2014). This is why the majority of women in Tanzania do not have access to secondary education, and studies show that access to secondary education by females in Tanzania accounts for only 33% (CARE International 2015). From this information, it can be inferred that most women in rural areas are poor and less educated and hence they are more likely not to be employed in decent jobs, necessitating them to engage in self-help programs as an option to lift their lives out of poverty. However, some of these women have not joined self-help groups due to factors that are discussed in the forthcoming sections.

**Table 3. Respondents' Education Level**

Level of education	Non-participants	%	Participants	%	Total	%
Not attended	3	10	5	17	8	13
Primary	25	83	24	80	49	82
Secondary	2	7	1	3	3	5
<b>Total</b>	<b>30</b>	<b>100</b>	<b>30</b>	<b>100</b>	<b>60</b>	<b>100</b>

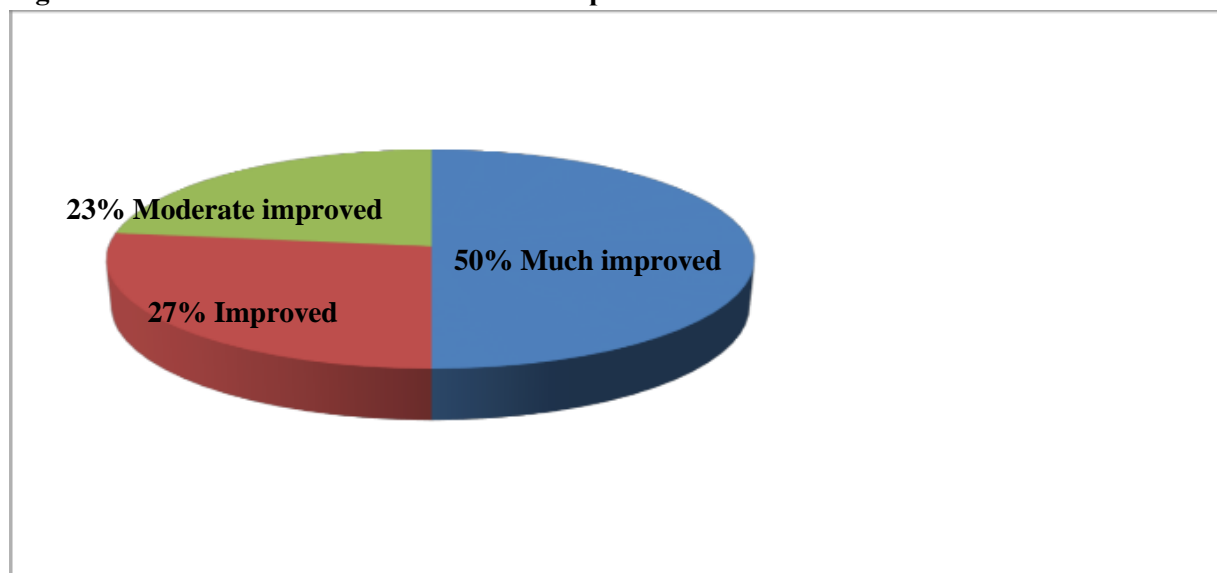
## Impact of VICOBA on Women's Economic Status

### *Improvement on Income*

Through savings and credit SHGs project women are able to access financial services. The SHGs enable them to save and take loans for various development activities. Findings from this study

show that VICOBA helped to improve the income of women participants. From Figure 1 below, 50 percent of respondent said through VICOBA, their income was much improved, whereas 27 percent said it has improved and 23 percent declared that VICOBA has moderately improved their income. From these results, it is evident that SHGs have an impact on the incomes of the participants enabling them to improve their ability to meet their needs.

**Figure 1. The Influence of VICOBA on Participants' Income.**



### *Influence of VICOBA on Assets Ownership*

The findings show that VICOBA has influenced women to own assets, respondents who are participants of SHGs said VICOBA enabled them to own assets after they joined. From the results, about 30% of women own goats, 16.7% own land (plots) and another 16.7% own poultry. Meanwhile, 16.7% of respondents had not yet acquired any new assets since they joined VICOBA. Others own radio (3.3%), house (3.3%), pigs (3.3%), and business premises (3.3%) (Table 5). These findings indicate that women's participation in SHGs influences asset ownership. However, asset ownership is minimal as some did not acquire since they joined SHGs. Similar findings were revealed by Swain and

Varghese (2008:1) that SHGs had an impact on assets creation by participants, but their results showed that the longer the membership in SHGs the more positive are the impacts on assets creation, “with longer participation in SHGs, members move away from pure agriculture as an income source towards other sources such as livestock income”. Women's access to loans through SHGs facilitates participants' ownership of assets which guarantees the wellbeing of the women and their families because they act as insurance. In times of emergency or needs participants can sell out the assets she has to earn a living or surmount the emergent situation. Also, asset ownership provides possibilities for women to fund their children's school fees and other important necessities.

**Table 4. Respondent's Assets Owned after Joined VICOBA**

Assets Owned	Frequency	Percentage
Goats	9	30
Plot	5	16.7
Poultry	5	16.7
None	5	16.7
Capital	2	6.7
House	1	3.3
Building of the business	1	3.3
Radio	1	3.3
Pigs	1	3.3
<b>Total</b>	<b>30</b>	<b>100</b>

**How Respondents Spent Loans from VICOBA**

Women participants of SHGs have the opportunity to access loans through the savings they contribute each week in their groups. Results revealed that most of the respondents used their loans to fund farming activities (43%) while others invested in their businesses (37%). This enabled women to

boost their income-generating activities as well as agricultural production to enhance household food security. Likewise, 10% of respondents used the loan for their children's education by paying school fees and other supplies, 3% spent the loan on health and food, and 7% used it on other things including clothing (Table 5).

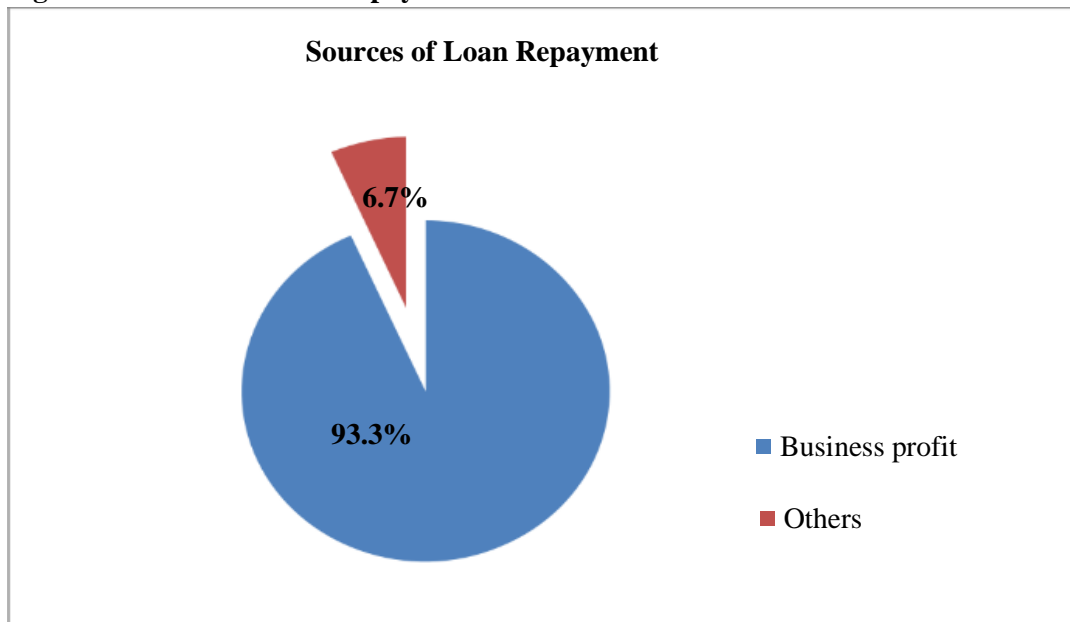
**Table 5. How Respondents Spent Loans from VICOBA**

Activities spent mostly by the loan	Frequency	Percentage
Farming	13	43
Investment in business	11	37
Education	3	10
Health and food	1	3
Other uses	2	7
<b>Total</b>	<b>30</b>	<b>100</b>

**Sources of Loan Repayment by VICOBA Participants**

When respondents were asked how they make money for loan repayment, most of the women (93.3%) mentioned business profit. These findings explain that VICOBA participants own income-generating activities (IGA) and they repay their loans through profits that they make. Also, having income-generating activities facilitates women's participation in SHGs since they need to contribute their shares weekly as well as repay the loans.

However, not the entire loan from SHGs is invested in businesses but it also helps women acquire some assets and spend on other important family needs. About 6.7% of respondents mentioned that they repay their loans from other sources apart from business profit such as selling off the assets they own like domestic animals they keep. This happens when the profit from businesses is not big enough to recuperate the loan. Though the majority of respondents still depend on their businesses' profit to repay their loans, few tend to sell their assets when had no alternative to pay back the loans.

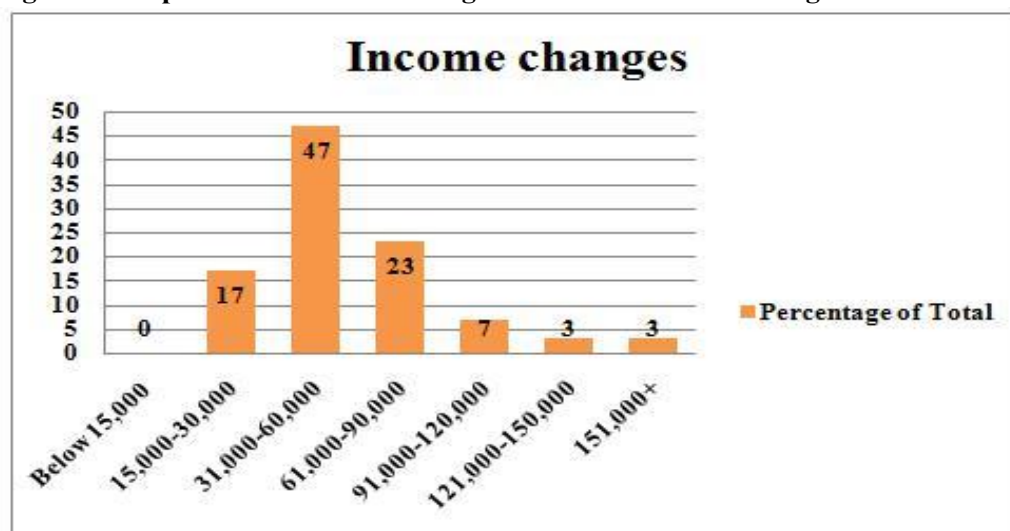
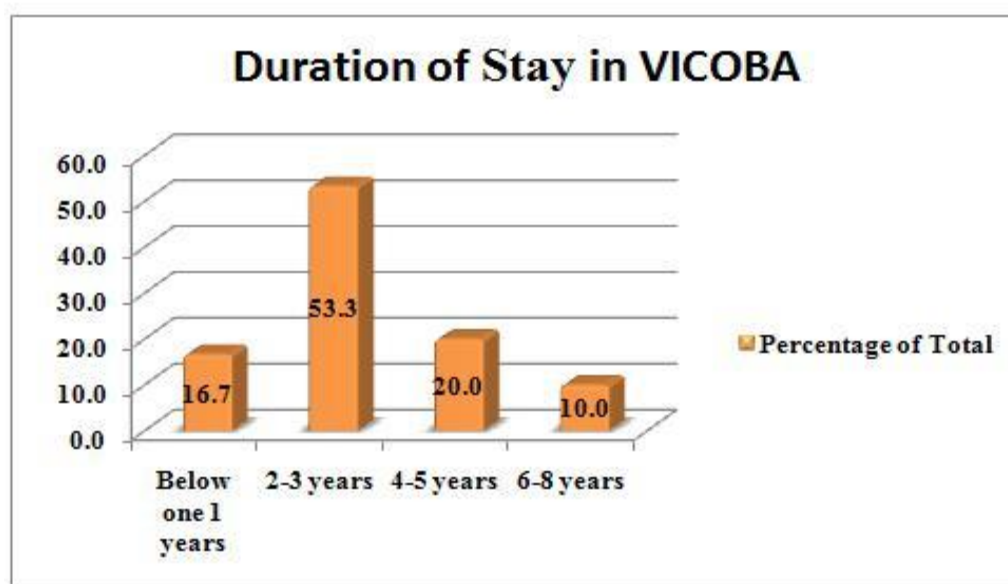
**Figure 2. Sources of Loan Repayment**

### **Respondents' Income Changes Before and After Joining SHG/VICOBA**

The study revealed that there was an income change for all respondents after joining the SHGs/VICOBA. The majority of the SHG participants (47%) said their income increased from the range of 31,000 Tshs to 60,000 Tshs (14-27 US\$), while 23% of respondents had an increase of income from 61,000 to 90,000 Tshs (28-41.8 US \$). However, these changes are regarded to be small as the majority of respondents are still under the poverty line based on their income when calculated per day even after joining SHGs. Nonetheless, its impact on income changes cannot be disregarded. These findings indicate that being a member of SHGs determines an individual's increase in income as participants are able to make a profit from their businesses financed through loans taken from the group. In addition, membership in SHGs facilitates saving little by little, accumulating cash.

At the end of the year, participants distribute among themselves the profit they have accumulated for the whole year through interest from loan repayments.

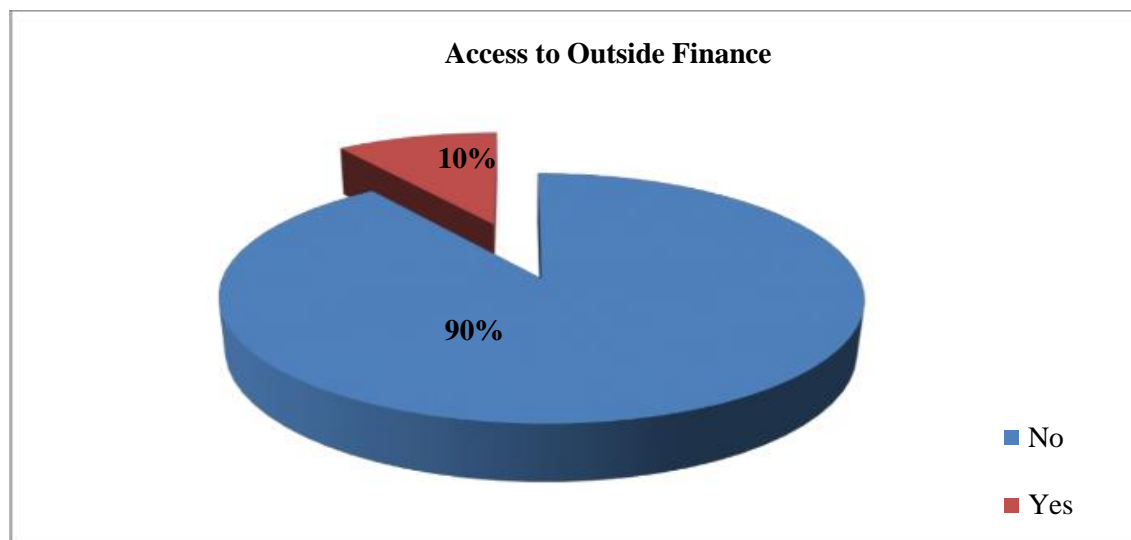
Some groups tend to distribute their savings as well, at the end of the year and re-start the group with the newly agreed shares as a start-up fund. However, the majority of these changes were brought up within a period of 2-3 years according to the respondents' time of stay in the group. 53.3% of respondents said they are members of VICOBA in the time between 2-3 years, followed by 20% of respondents who are members of VICOBA for the period between 4-5 years, 10% between 6-8 years as well as those below one year which accounted for 16.7%. These changes may be regarded as slow changes compared to the duration of stay, therefore much of the improvement needs to be done to strengthen the impact of these SHGs. Figures 3 and 4 represent participants' income changes and duration of stay in VICOBA respectively.

**Figure 3. Respondents' Income Changes Before and After Joining VIC.****Figure 4. Respondents' Duration of Stay in VICOBA**

### Access to Outside Financing by the Group

Survey results revealed majority of VICOBA participants (90%) did not have access to outside financing, which means they were totally dependent on their own/self-financing. Unlike SHGs in India where the majority of SHGs are linked to the formal banks making them successful in reaching the poor (Reddy and Malik 2011), Tanzania rural women through their SHGs in this case have no access to

formal banks where they could get better loans. Many studies show that SHGs have a significant impact in enhancing the development of not only women but also men in rural areas who are participants of SHGs. For instance, studies by NABARD 2002, and Chandran and Sandhya 2013 indicated that the SHG-Bank linkage in India has been very successful towards improvement of people's livelihood especially in rural areas since 1992.

**Figure 5. Groups' Access to Outside Financing**

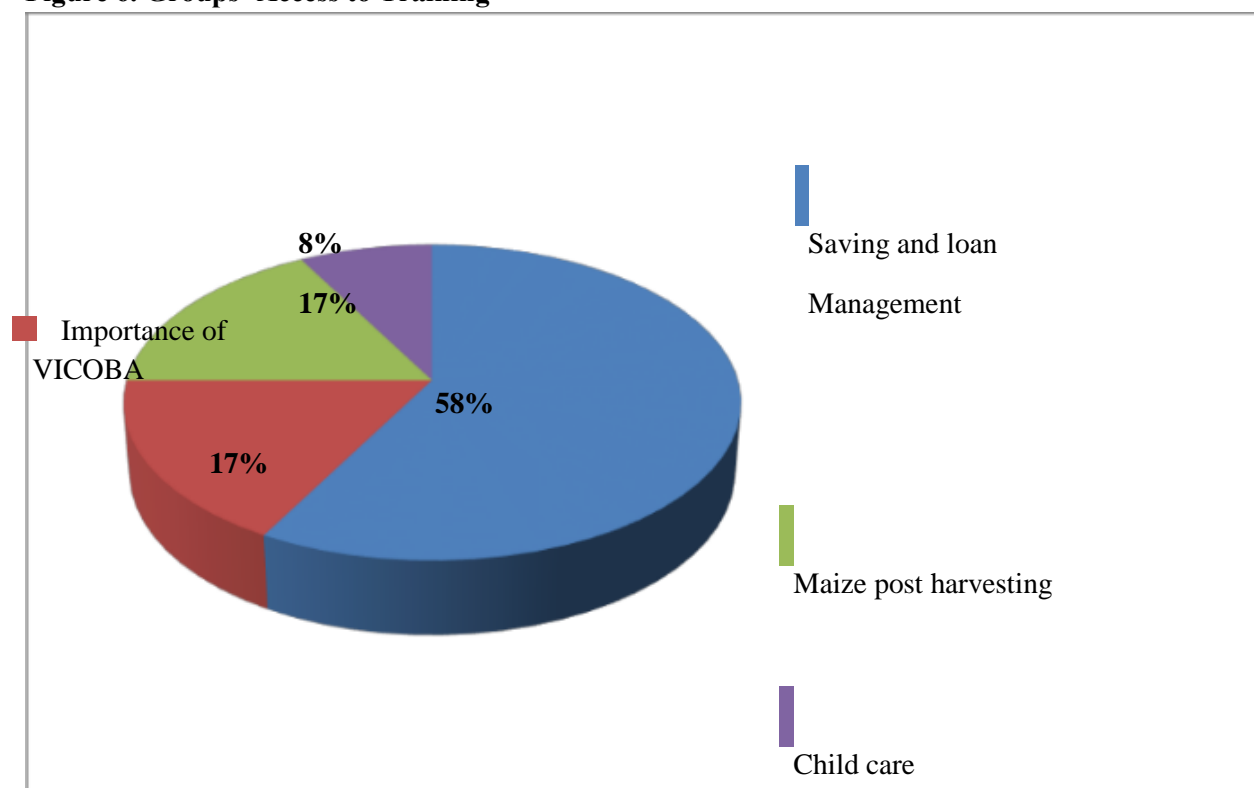
Therefore, the lack of SHG-bank linkage in rural Tanzania inhibits women's access to better and bigger loans and delays women's well-being and hence poverty reduction processes slowed down. The findings also revealed that some respondents (10%) did not have access to outside financing but they individually got more funds from Ruanda SACCOs in which they were members as well. According to this study, they accessed more loans from Ruanda SACCOs than they got from VICOBA. This loan outside the group facilitated their increased income for better living.

### **Respondents' Access to Training**

The findings revealed that women in their SHGs received training on various aspects including savings and loan management (58%), the importance of VICOBA (17%), Maize post-harvesting (17%) and child care (8%). Training is important in improving the effectiveness and performance of SHGs in poverty reduction. According to this study, there was a lack of training on skills related to entrepreneurship and business development to help women improve their income through income-generating activities. Increased income would facilitate more savings and hence

better loans from the group. The study conducted by Swain and Varghese on "the impact of training in SHGs in India" revealed that the specialized type of training or knowledge/skills-based training for SHGs has a great impact on increased asset ownership for participants. The study showed that "Specialized training such as business training has a greater impact on assets than general training" (2014:1).

Therefore, lack of skill training might lead to unproductive investments in women's businesses hence the late loan repayments, thereby lowering capital within the SHGs; as a consequence, the poverty reduction process is made difficult. For the SHGs to have greater impact there is a need to enhance training related to business and entrepreneurship skills to members of these groups. Ownership of assets enables women in situations of emergency or need whereby these assets can be sold off to aid in such times. These skills also may contribute to the increase of income through income-generating activities through which members will be able to improve their small business and their income as well.

**Figure 6. Groups' Access to Training****Reasons for Non-participation in VICOBAs**

The findings of this study revealed that one of the major reasons for women not to join VICOBAs was the lack of proper income-generating activities that would enable them to contribute to initial savings and weekly shares. About 34% of respondents lacked enough income for that purpose and hence could not join. A study conducted in North India in the Uttarakhand State had similar results that SHG

is poorly targeting the poor (Kalirajan and Singh 2012:2). Other reasons as per Table 6 are some women not choosing to join SHG include lack of trust among VICOBAs leaders and some members (30%). This was explained by respondents that members do not repay loans taken from the group on time and some even quit the group without repaying them at all. This attitude costs other members who have to wait for their turn to take a loan or they enter into a loss when the group breaks.

**Table 6: Respondents' Reasons for Non- participation in VICOBAs**

Reasons not to join VICOBAs	Number of Respondents	Percentage of Total
Lack of enough contribution shares	10	34
Lack of trustworthy among leaders and members of VICOBAs	9	30
Lack of knowledge about VICOBAs	4	13
Non-profitable	4	13
Money keeping system and security is poor	3	10
Total	30	100

Other reasons included lack of knowledge of insecurity in the group model (10%), VICOBAs not VICOBAs operation and its benefits (13%), cash being profitable (13%) and lack of business

ownership by women to generate income to be able to contribute their share. Some of the women who are non-participants of VICOBA commented;

*I do not have enough information regarding VICOBA. I first heard from my aunt but I need to know more about how it works, what are the benefits and the like. I wish to join in future if I get the correct information because I have a business and I am sure I may be able to join (A 21-year-old lady).*

*I do not have the proper income to join which is why I am not a VICOBA member. The business I am doing cannot help me to contribute weekly shares as savings in VICOBA. The profit that I get from my business is used to satisfy the day-to-day needs of my family. I am afraid I may miss some Weeks's savings and it will not be good. (A village woman, VICOBA non-participant).*

## CONCLUSIONS AND RECOMMENDATIONS

### Conclusion

This study sought to assess the effectiveness of SHGs on poverty reduction among women in Tanzania, by using the case of Village Community Banks (VICOBA) which is a very famous SHG's model through which many women are participants. There is still a high poverty rate among women in Tanzania which accounts for 60% of them living in absolute poverty. The high poverty rate in Tanzania is mainly concentrated in rural areas than in urban areas, where the majority of the population resides. This paper argues that, although women's participation in the self-help groups in Tanzania contributes to income changes and asset ownership, SHGs in Tanzania are not an effective remedy for poverty reduction especially in rural areas; as the change is very slow and minimal hence it plays a limited role on women's conditions and are constrained by structure and system that prevents other women to join (see figure 3 above). In carrying out this study, women members and non-

members residing in rural areas of Songwe Region in Tanzania were included in the study. The study assessed income changes before and after joining SHGs, assets ownership status after joining the group, loan expenditures status and the challenges facing women group participants.

The study from these findings concludes that women's participation in self-help groups has improved the income and asset ownership status of women. Furthermore, women were able to use their loans for farming activities, business, and education as well as in health and food. However, it has been noticed that the impact of SHGs on poverty reduction is minimal compared to the time stayed in VICOBA since the income changes by the majority were still small and below the poverty line. For example, 47% of women had a monthly income change from 31,000 Tshs (14 US\$) before joining to 60,000 Tshs (27 US\$) after joining. This means these women earn less than 1 US\$ per day implying that they are still below the poverty line.

### Recommendations

The findings of this study revealed that SHGs in Tanzania especially in the rural settings, women participants are constrained by the lack of trust among members and their leaders. Hence it is suggested that if SHGs or VICOBA become formal organizations like SACCOS, they might bring a better impact on poverty reduction among women. SHGs are too informal to bring better results on poverty reduction which is why there is a slight change in income among women members. The government has a power and duty to pass, adopt and monitor these groups through its institutions such as Microfinance Institutions (MFIs) and Non-Governmental Organizations which can and are directly involved in registering and supervising these Self Help Groups and help them become more formal and legal to facilitate the building of trust among members and hence attract more women to join. In Bangladesh, for example, Self Help Groups have been very successful because the government

itself is promoting the efforts of MFIs and Non-government Organisations (NGOs) for increased interventions where self-help is considered a key strategy for economic growth (Khandker, Khalily and Khan, 1994) Lack of trust has been observed by this study has led to misappropriations and conducts of frauds. Being formal, SHGs/VICOBA will guarantee a legal basis for receiving help or support from donors and attract more women participation. Therefore, the government and its institutions may provide training support on various topics related to development issues through its experts in various fields. This will aid knowledge delivery to women's groups in order to broaden the impact of SHGs on poverty reduction.

This study revealed that many VICOBA were initiated and mobilized by the NGOs. It is the recommendation of this study, therefore, that NGOs link these groups to formal banks like Grameen Bank in Bangladesh so that women may access better loans to improve their income and make groups more sustainable in poverty reduction endeavours. Also, NGOs should continue to nurture women groups and help them get outside financing.

An SHG association or a kind of umbrella organization may be established to facilitate monitoring and effective SHG mobilization to attract more women to join and to make these groups more sustainable. Community members need to realize that development achievement is built through trust, hence in order for everyone to benefit equally in SHGs there is a need to build trust among group members as well as the community at large. The community in unity needs to make the spirit of togetherness and value worthy in order to achieve development goals; people's trust is the most important factor too in achieving poverty reduction in any community.

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