



# SURVEYING THE IMPACT OF MICROFINANCE ON COMMUNITY MEMBERS IN MVOMERO, TANZANIA

*Jeremy B. Taylor, PhD, McMaster Fellow, 2013-2014*

## **Introduction:**

In recent years, microfinance has been heralded as a means to alleviate poverty in developing countries. The basic premise is that individual entrepreneurs receive small loans to acquire the goods necessary to expand or create a business. This, in turn, leads to a sustainable income source for the borrower.

During the 2013 exploratory trip to Tanzania, team members were introduced to members of the Mvomero Village Community Bank (VICOBA). Mvomero is a rural farming community in Morogo District. It is approximately 155 miles west of Tanzania's economic capital, Dar es Salaam, and 250 miles south of Arusha. Mvomero has a population of approximately 37,300 with a 1:1 male to female ratio.<sup>1</sup> VICOBA is a collective savings organization that makes small loans to its members from member contributions. During the exploratory trip in 2013, the VICOBA membership asked for a capital injection to increase the size and quantity of loans that could be disbursed. Based on this community need, McMaster Scholar Dava Donaldson developed protocols and restrictions for a capital infusion to VicoBa.

Although grateful for the new funds, VICOBA members and leaders expressed the need for additional funds and ways to market their group to other non-governmental organizations. To help address these needs, I surveyed VICOBA members to build a demographic profile, understand how previous loans had been used, and determine what impact those loans had on economic security. The results of these surveys will be provided to the VICOBA membership in the form of a promotional book that can be given to potential donors.

## **Project Design and Methodology:**

This project consisted of oral interviews with individual members of the Mvomero VicoBa. Interviews were conducted at the respondent's place of business with the assistance of a translator.<sup>2</sup> Notetakers were used to document answers, and each respondent was photographed in front of their business. Questions were asked in an informal manner and respondents were given the opportunity to expand as much or as little as desired. Each person was asked the following questions:

1. Name
2. Marital Status
3. Number of children
4. Type of business
5. Years of membership in VICOBA
6. How previous loans had been used
7. How larger loans would be used and plans for future

## **Sample:**

The sample population consisted of 13 interviews out of the total group membership of 35. We interviewed eleven females and two males. Eleven of those interviewed were married. Twelve respondents were parents with the number of children ranging from one to nine. The average number of children among respondents was 2.77. The youngest respondent was 18 while the oldest was approximately 63. The average age among respondents was 33.8. It must be noted, however, that most ages were approximate numbers due to lack of formal birth records. The average length of membership in VICOBA among those interviewed was 2.38 years. This number, however, is somewhat skewed by the small sample size. One respondent had only been a member for less than a year while seven interviewees had been members of VICOBA since its inception. The types of businesses among respondents were evenly distributed between food, service, retail, and entertainment sectors.

Three respondents had businesses in the food sector. These businesses included small restaurants, drink shops, and food stands. These shops provided food for immediate consumption. Four interviewees were part of the service industry. Two of these businesses were motorcycle repair shops that catered to motorcycle taxis while the third business was a custom tailoring shop. The retail sector consisted of those businesses that sold goods for home and personal use. Examples of these businesses included grocers and general

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1 National Bureau of Statistics. *2012 Census of the United Republic of Tanzania*, np. <http://www.nbs.go.tz>.

2 All respondents were native Swahili speakers and spoke little or no English.



merchandise shops. Two respondents identified with the entertainment sector. One respondent operated a bar that specialized in “home brew” alcohol while the other operated a movie theatre.<sup>3</sup>

## RESULTS AND DISCUSSION:

### 1. How have previous loans been used?

Respondents reported almost unanimously that previous loans through Vicoba had helped them either open or expand their businesses. One restaurateur said that a previous loan helped her purchase an additional refrigerator for her business. The second refrigerator allowed her to expand her inventory which, in turn, allowed her to offer more menu items. Another respondent owned a refreshment stand prior to joining VICOBA. With her first loan, she decided to embark on an additional business venture. To take advantage of the constant motorcycle traffic in front of her shop, she opened a refueling station. She purchases five to ten liters of petrol from a wholesaler, then divides the fuel into empty 500 ml water bottles. The bottles are then placed on a stand in front of her shop and motorcyclists use them to refill their vehicles. The youngest respondent, an 18-year-old male, used his first loan to open his motorcycle repair shop. He was able to buy tools and parts necessary to repair vehicles. He reported that he is able to complete repairs with a one day turnaround and has been able to hire a few employees.

3 “Home Brew” is a locally produced alcoholic drink made from coconut milk. For a good discussion of the product see: A. Saria Josephat, Joseph W.M.P. Kyobe, and Mosha Donnat. “Tanzanian Local Alcoholic Beverages: Quality and Health Risks,” *Tanzania Journal of Natural and Applied Sciences* Vol. 3, 1 (2012): 489-494.

## 2. How will larger loans be used and plans for the future?

Respondents reported that larger loans would be beneficial in two different ways: (1) expanding current business, and (2) creating a new business. Those that wanted to expand their business fell into three categories. First, some reported that they would be able to hire employees. This desire was predominant among those businesses in the service and food sector. New employees would afford business owners the opportunity to take on more clients and increase profits. The second category were those that wanted to expand their business by increasing their inventory. For example, one respondent who operated a grocery said that she would be able to purchase more goods from the wholesaler which would, in turn, allow her to pay a lower cost. These cost savings would then allow her to lower the prices on goods and increase sales volume. The third way respondents wanted to expand their businesses was by offering additional services or products. One of the respondents that operated a tailoring business reported that she would be able to purchase additional machines and equipment that would allow her to manufacture new garments. Respondents also reported that they would use larger loans to start new business ventures. For example, cell phone usage is very prevalent in Mvomero, however, most residents do not have electricity in their homes. One respondent wanted to use a larger loan to open a cell phone recharging station to fill the demand. He also envisioned that this business would provide a computer that customers could use to download music onto their phones. Others reported that they would use larger loans to purchase farm equipment or raise livestock.

### Conclusion:

Microfinance provides an avenue to acquire capital to those who do not have access to traditional lending mechanisms. The VICOBA group in Mvomero have used funds to open and expand businesses that fulfill needs within the community. Ultimately, VICOBA has unleashed an entrepreneurial spirit that allows participants to find unique ways to improve their personal economic security. Although, the sample size for this survey was relatively small, the results demonstrate that microfinance has had a positive impact in Mvomero. As one respondent reported, “Without the loans from VICOBA, I would not be where I am today.” Moreover, capital infusion projects, like the one conducted in 2014, can add positive community impact. In order to corroborate this claim, future impact surveys need to be completed to determine lasting impact.



## ASSESSING QUALITY OF LIFE IN RURAL TANZANIA

*Jordan Heiliger, McMaster Scholar, 2013-2014*

The main focus of this project was to redefine the Americanized views of what constitutes a positive quality of life by conducting social research. Through observation and survey in the village of Katungulu I was able to gain information relative to quality of life, such as social and political structure, relationship patterns, infrastructure, and access to education.

While in Katungulu 170 surveys were completed by people at the Katungulu Bible Training School (KBTS). These surveys provided information on subjects ranging from the dominant age groups in the area to where the residents retrieve their water. The survey completed by the KBTS community not only shows the demographics of the village and its members but it also gives future teams a better idea of how this community operates and can be used as a starting place for more detailed surveys.

This survey began by asking two questions related to migration patterns and social structure of the community. The survey found that 69% of the population of Katungulu Bible Training School has lived in their homes for 10 or more years. This information prompts a number of questions relative to land ownership. While I asked about home ownership on this survey, I have reason to believe that many did not fully understand the question since several of KBTS members claimed that they owned their home when in fact they resided in dormitories.

The survey indicated that in this community no one lives alone and only 20 people stated that they live with less than five in their household. With a dormitory style set up, this was not an unexpected finding, however there are several married couples and families living together. Future research could be done about norms in relationship patterns and family structure. It also prompts more questions about why a close knit living situation is more suitable for the community and how these symbiotic relationships work as a whole.

Infrastructure was also considered in the survey, particularly access to electricity and water. This survey shows that 80 of the 170 villagers have access to electricity. Seventy-seven members of the community retrieve water from Lake Victoria, which the McMaster team tested while on site in May, 2014. Through this testing it was found that Lake Victoria, at this site, contained biological contaminants. Future surveys might be able to determine the prevalence of waterborne disease in the area.

The survey included questions about the education levels of the community members, 119 indicated that they do not speak English. This is important since English is taught in all secondary and tertiary schools of Tanzania. When we met with the community, they expressed a desire to learn English in order to be able to further their education.

While there was a translator present, some of the questions on this survey did not seem to translate into Swahili with the same meaning. This would have to be taken into account when looking at the data collected by this survey and in any future surveys completed in this area.

The results of this project will provide future McMaster teams with a better understanding of the rural areas of Tanzania and will provide a foundation for future projects in this area.

## FACILITATING MICRO-LENDING IN TANZANIA

*Dava Donaldson, McMaster Scholar, 2013-2014*

During the 2013 exploratory trip with the Carolyn M. Small Honors Program, a number of issues were identified by community members of the Mvomero village of Tanzania, one of which being the need for increased business training and assistance in increasing capital within a local microfinance organization. The purpose of this project was to refine a micro-lending system for the Mvomero, Tanzania Village Community Bank (VICOBA) group by developing protocols for the use of outside funds, implementing a strategy to increase capital, and creating meaningful data for future scholars. Much of the background information for this project came from interviews with members of the exploratory team, academic journals, and Non-Government Organization (NGO) websites. Protocols for this project were based on the community needs identified by community partners, and the observations and experiences of the Defiance College students and faculty who previously traveled to the region.

Through a donor's generous contribution, we were able to provide a capital infusion to the VICOBA group. The leaders of the



Mvomero VICOBA agency were successfully trained in the proper use of outside funds and then relayed the restrictions on these funds use to the membership. Under the traditional VICOBA system, members made weekly contributions to the group. Every six months, the group made loans to the members who would then repay the loans at an interest rate of five percent. Once the loans were paid back, the proceeds were distributed to the membership. Then the process would start over. This construct did not allow the group to increase their capital and distribute larger loans. My project provided the group with the donated funds, but they are prohibited from disbursing any of the proceeds to the group as profit. Furthermore, the group is required to make quarterly reports via email about the usage of the funds. It was apparent that the VICOBA group had made positive steps forward since the exploratory trip. At the conclusion of our trip the VICOBA

members understood the protocols and had an appreciation for the responsibility required for using donated funds. The overall success of this particular project will likely have a great impact on the members of the VICOBA group and their village. By increasing the capital of the lending agency, members can take out larger loans, increase the productivity and profitability of their businesses, and better contribute to the local economy.

## MAINTAINING MEDICAL RECORDS AND VITAL SIGN EDUCATION IN TANZANIA

*Katie Haydett, McMaster Scholar, 2013-2014*

The purpose of my project was to educate the community regarding the proper testing of vital signs and proper medical recording so as to provide a better quality of, and access to, medical care. The elders in the Mvomero District in Southeast Tanzania have asked for medical assistance due to the want of available healthcare professionals and adequately-equipped medical facilities. By implementing vital sign monitoring with minimal medical equipment, and educating regarding the importance of vital signs and why they are critical to one's health, we were able to mitigate some of the problems that are caused by the lack of adequate medical care.

Furthermore, after instructing community partners regarding vital sign monitoring and record keeping, we collected data regarding personal health within the elders group. In total, we collected Medical History forms from 40 members of the elders group. The Medical History form was translated by Lilian Mkony in advance, and again verbally translated to individuals who did not know how to read. Of all of the members, the men could all read and completed the forms on their own, while only a select few of the women could read and write. Team members assisted in reading the questions in Swahili to the individuals who could not read or write and recorded their answers for them. Due to time constraints, the Medical History forms were left overnight for the men to assist the women in completing, and the forms were returned the next day. These forms were then collected for the purpose of determining future health concerns and common problems that this group faces. The personal health logs were left in binders for the group to use upon meeting each so this data will be able to be collected next year.



While not every member of the elder group was present, data for a total of 40 members was collected and analyzed. The age of the members ranged from 63 to 87 years old. The average age of the men was 74, and the average age of women was 70. Some ages were estimated due to the individuals not knowing their actual birth date and age. The date that was collected will better equip community partners and their medical providers to properly diagnose based on a more informed medical history, and the date helps the McMaster School identify the needs that will serve as the basis for future projects.

# McMaster Scholars

2014-2015

## **BELIZE**

### Fellows:

Mary Ann Studer

### Associate Fellow:

Rena Rager

### Scholars:

Melina Alexander  
Lindsay Bubnick  
Amanda Foose  
Caroline Hesterman  
Braden (Joseph) Perry  
Megan Roberts  
Zachary Roush  
Tory Savage

## **CAMBODIA**

### Fellows:

Jo Ann Burkhardt  
Fred Coulter

### Associate Fellow:

Ken Wetstein

### Scholars:

Philip Balla  
Ian Fasnacht  
Cheryl-Ann Francis  
Nathan Height  
Damian Koester  
Cormack Lazarus  
Ceresa Page  
Elizabeth Pienoski  
Abigail Taylor

## **TANZANIA**

### Fellows:

Jeremy Taylor

### Associate Fellow:

Alyson Laframboise

### Scholars:

Jessica Bell  
Genelle Castro  
Emily Denhard  
Dava Donaldson  
Ryan Edelbrock  
Katelyn Haydett  
Alicia Kalik  
Michael Vanderkolk

## ACKNOWLEDGEMENTS

The work that McMaster Fellows and Scholars are able to do in collaboration with local schools, health centers, villages, women's groups, non-governmental organizations, non-profits, etc. is critically dependent on the hard work of our primary liaisons. These individuals work tirelessly to make connections, teach our students, and facilitate our ability to positively impact community partners. We know now, after years of engaging in community-based research, that without such individuals our work would be significantly less effective. It is important that we recognize these individuals for their efforts. Our sincerest thanks to those people on the ground who work with, protect, and inspire the McMaster teams.



### **BELIZE**

Ivan Gillett, Jr. – Ivan Gillett is the head ranger for Programme for Belize at the Hillbank Research Station. Ivan, originally from the village of St. Paul's Bank, has worked in the rainforest for most of his career. His connection with all living things in the jungle is evident in the knowledge he shares with all of the McMaster teams to Belize. He has been and continues to be instrumental in teaching all of us, advising our work, and helping us to effectively cross cultures. His commitment to small villages on the periphery of the Rio Bravo Conservation and Management Area inspires and facilitates our collaborations in these locales. He has become our trusted friend and his connection with Defiance College now spans a decade.



### **TANZANIA**

Lillian Mkony (left) – Lillian Mkony has worked with the Tanzania team since 2013. She is a native of Arusha, Tanzania and works full time as a consultant. Prior to travel, Lillian provides the Tanzania team with logistical support and helps identify potential community partners. She serves as a guide, interpreter, and friend on the ground. Without Lillian, the Tanzania initiative would not be able to operate.



## CAMBODIA

Sopha Leng Stagg (center) – Sopha (Sophie) can be credited for the initial and continued success of the Cambodia Learning Community (12 years). Without her guidance and wisdom, the McMaster Cambodia project would not exist. She is a survivor of the reign of the Khmer Rouge and immigrated to the United States with her family in 1980. She married and raised a family while working relentlessly for the people of Cambodia and working as our liaison with community partners in Cambodia. She is the executive director of the Southeast Asia Children’s Mercy Fund and resides in Tampa, Florida.



Sun Sovichea – Vichea is our trusted liaison in Phnom Penh. He was introduced to the McMaster Cambodia initiative through Sophie. He is the son of one of our community partners in Cambodia. Vichea is a trustworthy advisor and friend. He is with us from our entry into the country through our departing flight and assists us with translation, transportation, housing and safety and security.