

Loans Disbursement and the Underlying Challenges Among Women's Village Community Banks (VICOBA) in Meru District of Arusha-Tanzania

Kepha Charles Luvinga

Department of Project Planning and Management,
Tengeru Institute of Community Development,
P.O. Box 1006, Arusha, Tanzania

ABSTRACT

This study investigates the Loans disbursement and the underlying challenges among Women's Village Community Banks (VICOBA) in Arumeru district of Arusha-Tanzania. A cross-sectional study design was employed, with data collected at a single point during the research period. Simple random sampling was utilized to select 90 members within Women VICOBA groups. The sample was obtained from Kingosina, Kilindi, Filadefia, Tuombe, Ukarimu, and Uzima VICOBA groups. Data were gathered through questionnaires analyzed descriptively using SPSS V. 21 software. The findings of this study highlight the significant role that VICOBA plays in enhancing financial inclusion and economic empowerment among women in Meru district. Women are primarily motivated to join VICOBA due to its accessibility, affordability, and flexibility in loan repayment, allowing them to save, access credit, and invest in income-generating activities. However, challenges such as loan repayment difficulties, delayed payments, financial mismanagement, and inequality in loan distribution hinder the effectiveness and sustainability of these groups. With this findings, the study recommends strengthening VICOBA by ensuring that the key stakeholders including the government and its regulatory institutions provides clear frameworks which will facilitate the institutional efficiency among all VICOBA groups without affecting their flexibilities in providing financial services to their members.

Keywords: Loans disbursements, Village Community Banks (VICOBA).

INTRODUCTION

Microfinance is a growing concept all over the world, transitioning from the informal credits and savings groups that existed over centuries to the formal microfinance institutions with the aim of providing the financial services including loans and savings at the local community level. On a global scale, microfinance emerged in the 1980s for the aim of improving the livelihood among the impoverished communities. As time has progressed, microfinance has expanded its scope beyond lending to impoverished individuals to include insurance, savings collection from low-income households facilitate trainings and marketing of members businesses and products. Similarly, some studies show how micro-credit provides the necessary resources to stimulate women's creativity towards ends that are empowering and doing things creatively [1].

There have been various names of these institutions in various areas such as “Susus” in Ghana, “Chit funds” in India and “Pasanaku” in Bolivia, Village Savings and Loans Associations (VSLAs) in Niger which transformed from Mata Masu Dubara formed in 1991 meaning “women in the move” [1]–[3], and Saving and Loan Association (SLA) in Uganda and Rwanda. While various names were given to these microfinance institutions in various countries but some names are commonly used in many countries. In Tanzania the commonly known microfinance institution is the Village Community Bank (VICOBA) which is comprised of the organized group of people who contributes in the group account through monthly or weekly shares to raise financial resources for their own interests based on their agreed terms. The groups reach a consensus on the quantity of funds or resources to be contributed as shares or savings [3].

The village community Banks (VICOBA) in Tanzania, transformed from the Savings and Credit Cooperative Society (SACCOS) that provides basic microfinance management and enterprise development skills to poor rural communities who are traditionally neglected by the strict and bureaucratic procedures of the commercial banks [2], [4]. VICOBA is a grassroots-based lending model that focuses on fostering participants’ ability to innovate and manage viable income-generating activities [1]. The core concept of VICOBA is self-empowerment, and it also encourages community capacity building, the mobilization of local resources, community ownership of projects, and joint management.

The use of VICOBA is aimed at providing an alternative and easily accessible way of obtaining capital among local communities through savings and loans [2]. VICOBA has become a significant component of community capital formation and contributes to the improvement of livelihoods and welfare through its philosophy of human empowerment [4]. Village community banks (VICOBA), practiced in Tanzania for nearly two decades, have proven to provide financial services to rural communities that would otherwise not be able to get them from formal financial institutions [5]. It focuses on enhancing the well-being of poor and vulnerable groups in society through its easy financing model which makes it be easily accessible compared to the large recognized financial institution. VICOBA has proven to be one of the most effective lending models in rural areas across African countries. This lending model was firstly introduced in Zanzibar through CARE Tanzania, in year 2000 and later adopted by other conservation and community livelihood support projects in Pemba Island and Tanzania mainland [6]. Nowadays, VICOBA has expanded all over Tanzania, with a significant adoption among women groups [2]. Social and Economic Development Initiation of Tanzania (SEDI) played a significant role on the formation and spread of the Village Community Bank in various rural areas of Tanzania [3]. The Tanzanians high women’s engagement in VICOBA is associated to the previous cultural impediments and male dominance that denied women involvement in enterprises and ownership of assets including land. The perception that women are traditionally responsible in reproductive roles [1], made women to be vulnerable to harassment from male officials and business men, denied access to adequate education, limited to formal employment and business networks.

There have been a lot of efforts in Tanzania that aims at empowering women economically, socially, politically and culturally. The establishment of the National Microfinance policy in the year 2000 aimed to guide the establishment and operations of Micro finance institutions [7]. The microfinance policies have been working with other policies and to ensure community empowerments [3]. The empowerment frameworks have been aiming at ensuring economic

social and political inclusions of the disadvantaged groups including women. According to Mwaipopo and Dauda [1], there is evidence of certain socioeconomic changes, indicating possibilities for a feminist engagement with agency in dealing with the material conditions of life. This has created enabling environment for women to be part of leadership and participate in decision making forums including the parliament, legislature and executive organs of the United Republic of Tanzania.

Nowadays, women are socially recognized and they play various socio-economic roles in the society [1]. Equality towards access in education enables the women to engage in various opportunities including employment opportunities are business opportunities. With the social-cultural and economic transformation towards gender equality, Women engagement in social economic requires need to demonstrate strengths in securing or enlarge their financial capacities for their enterprises as well as their household's livelihood [1], [5]. With such a history in most societies in Tanzania that denied women ownership of resources, majority of women do not have ownership of collaterals including land and houses which can enable them to be financed by large commercial banks [1]. Therefore VICOBA has been the best alternative for them to enlarge their capital through savings, loans and promotion of the participation of members in economic activities [2], [5].

While most literatures have been showing the importance of VICOBA in financing projects and livelihood activities [5], [6], [8], the few literatures have been specific on women engagement in VICOBA and the associated challenges on the Women VICOBA financing frameworks [1]. Therefore, this study aims at investigating the loans disbursement practices and the underlying challenges among women VICOBA in Akheri ward of Arumeru district in Arusha, Tanzania.

Statement of the Problem

In Tanzania, there has been a noticeable increase in the number of women participating in VICOBA. This is largely due to the critical role that VICOBA plays in enhancing women's economic empowerment [6]. Various efforts have been made in Tanzania to strengthen women's economic capacity by providing access to credit facilities, supporting micro-entrepreneurial skills, improving management capabilities, and increasing access to training and technology [3]. Through government support and other initiatives, many women have successfully developed, expanded, acquired entrepreneurial skills and increased their household income their businesses and improved their economic stability [1], [3], [5], [9].

However, loan repayment remains a significant challenge among some VICOBA members, especially women [2], [6]. Non-repayment and delayed payments may lead to financial difficulties, conflicts and stagnations of some VICOBA groups. This study seeks to examine the loans disbursement and the underlying challenges among women VICOBA in Meru District, Arusha, Tanzania. This will create an understanding on the factors influencing these practices and propose strategies for enhancing the lending practices and ensure efficiency in loan repayment among women VICOBA.

MATERIAL AND METHODS

Description of the Study Area

This study was conducted in Kikatiti Ward, located in Meru District, Arusha Region, Tanzania. Meru district is one among the districts with empowered women who are actively

involved in Agricultural activities, livestock keeping and Business activities at Kikatiti, Tengeru, Usariver and Soko la ndizi Markets. Being active in the economic activities, The Meru womens also are highly engaging in VICOBA for financial services including savings and securing of capital through loans. Meru District is found in Arusha region of Tanzania and it is recognized district for being an important center for tourism of which Meru women are also highly engaged.

Research Design, Sampling and Sample Size

A study employed a cross sectional study design of which facilitated the collection of data at one time throughout the study. The study population comprised women participating in the 38 VICOBA groups within Kikatiti ward. The study sample comprised 90 respondents, representing the overall population of VICOBA members. Simple random sampling technique was used to select women participants within the six randomly selected VICOBA groups. The sample was obtained from Kingosina, Kilindi, Filadefia, Tuombe, Ukarimu, and Uzima VICOBA groups.

Data Collection Methods

Structured questionnaires were administered to VICOBA women participants. The questionnaires were designed in simple language to collect detailed information on lending and repayment practices. Prior to data collection the tools were tested by the researcher so as to ensure collection of valid and reliable data. The data were collected by a researcher with the help of two research assistants who were trained before the data collection.

Data Analysis

Descriptive statistical analysis was performed using the Statistical Package for Social Sciences (SPSS) version 21. The data were then presented through tables showing the frequencies and percentages. The results were further discussed and interpreted to facilitate meaningful conclusions and recommendations.

FINDINGS OF THE STUDY

Demographic Characteristics

Sex and Age of the Respondents:

The data from [Table 1] indicates that all 90 respondents in the study were women participating in VICOBA. The majority of the respondents, 41 (45%), were aged between 26 and 35 years, followed closely by 40 respondents (44.44%) who were between 15 and 25 years old. A smaller proportion, 7.8%, fell within the 36 to 45 age range, while only 2.2% were above 45 years. This distribution suggests that VICOBA is predominantly composed of younger women, particularly those between 15 and 35 years. The lower participation of older women (above 36 years) may indicate that younger women are more inclined to seek financial support through VICOBA, possibly due to their involvement in small businesses, entrepreneurship, or income-generating activities requiring access to flexible credit.

Table 1: Age of respondents

Age of respondent	Frequency	Percentage
15-25	40	44.4
26-35	41	45.6
36-45	7	7.8

Above 45	2	2.2
Total	90	100.0

Source: Research findings 2025

Marital Status of the Respondents:

The findings on the marital status of respondents, as presented in [Table 2], indicate that the majority, 46 respondents (51.1%), were married. Additionally, 28 respondents (31.1%) were single, while 12 respondents (13.3%) were widowed. A smaller proportion, 4 respondents (4.4%), was divorced. This distribution suggests that VICOBA attracts women from diverse marital backgrounds, with married women forming the largest group. Their higher participation may be linked to household financial responsibilities, where VICOBA loans provide a means to support family needs or small businesses. The significant proportion of single women (31.1%) indicates that younger, independent women also rely on VICOBA for financial support, possibly to invest in income-generating activities. The presence of widowed and divorced women, though smaller in percentage, highlights the role of VICOBA as a financial safety net for women who may lack alternative sources of financial support

Table 2: Marital status of respondents

Marital Status	Frequency	Percentage
Married	46	51.1
Single	28	31.1
Widow	12	13.3
Divorced	4	4.4
Total	90	100.0

Source: Research findings 2025

Level of Education of the Respondents:

The findings on respondents' education levels, as presented in [Table 3], indicate that the majority, 41 respondents (45.6%), had attained primary and secondary education. A smaller proportion, 5 respondents (6%), had attended tertiary education, while only 3 respondents (3%) were university graduates. This distribution suggests that most women participating in VICOBA have basic education, which may influence their financial literacy and business management skills.

The low percentage of respondents with higher education levels could indicate that women with advanced education have access to alternative financial institutions or formal employment, reducing their reliance on VICOBA. The significant participation of those with primary and secondary education highlights the role of VICOBA in providing financial opportunities to women who may have limited access to formal banking services.

Table 3: Education background

Education level	Frequency	Percentage
Primary education	41	45.6
Secondary education	41	45.6
Tertiary education	5	5.6
University education	3	3.3
Total	90	100.0

Source: Study findings 2025

Membership in VICOBA:

The findings on VICOBA membership, as presented in [Table 4], indicate that the groups comprise both long-term and newly joined members. The majority of respondents (47.8%) had been members for less than one year, while 44.4% had maintained their membership for one year. A smaller proportion, 5.6%, had participated in VICOBA for two to five years, and only 2.2% had been members for more than five years. The relatively low percentage of long-term members (those with more than two years in VICOBA) could imply challenges in member retention, possibly due to financial constraints, group dynamics, or the availability of alternative financial options. The membership requirements such as owning shares, being trustworthy, and maintaining a social bond within the group highlight the importance of social capital in sustaining VICOBA participation.

Table 4: Membership in VICOBA

Duration	Frequency	Percentage
less one year	43	47.8
one year	40	44.4
2 to 5 year	5	5.6
5 years and above	2	2.2
Total	90	100.0

Source: Study findings 2025

Motivation for Women to Engage in VICOBA:

The findings in [Table 5] indicate that there are several factors that motivated women to engage in VICOBA, including the desire for saving, easy to access loan, creating capital and increase social capital. The significant number of women's 41 (45.6%) engage in VICOBA for saving, 39 (43.3) engage in VICOBA so as to easily get access loan, 8 (8.9%) aims at creating capital through saving and loans and 2 (2.2%) engage in VICOBA so as to maximize their social capital. VICOBA is attested to improve quality of life among members, enabling them in ownership of different assets including land, houses, furniture and business sustainability [1]. A study by Mrindoko [9] on the impact of VICOBA on income of its members specifically those engaging in agriculture, shows that, the VICOBA loans have positive impact on the income and livelihood of its members.

These findings reveal that, many women prefer and were motivated to engage in VICOBA for the aim of saving and get an opportunity to access loan livelihood initiatives including investment activities and business. This implies that women in Meru district are empowered and they have a contribution on the household and society economy and livelihood. Credit is the most important service to VICOBA members because it provides the means for the poor people to invest their way out of poverty [10]. Some women are also compelled to work even harder to sustain a micro-credit arrangement to avoid the public embarrassment of failure to service a loan [1].

Table 5: Motives for women engagement in VICOBA

Duration	Frequency	Percentage
Saving	41	45.6
Easy to access loan	39	43.3
Creating capital through saving and loan	8	8.9

Maximization of social capital	2	2.2
Total	90	100.0

Source: Study findings 2025

VICOBA Loans Financing:

A summary of the findings in [Table 6] shows that, the majority of 57.8% of the respondents qualify to get a loan which is less than 100,000, 37.8% of the respondents can access 100,000-500,000 Tanzania shillings from their VICOBA, finally both 4.4% of the respondents were qualifying to get 500,000-5,000,000 Tanzania shillings from their VICOBA. The accessibility of loan was also associated to the membership duration, giving more favor to the members with the longest time in the group than the new members. According to [1], members are typically eligible after 14-24 weeks of membership. This implies that the members with the longest time in the group have demonstrated their trustfulness in repayment and they have a large amount of shares that are important factors in calculating and deciding the amount of loan to be lent to members. Further the shares owned by a member is used in determining the amount of loans to be disbursed to members [1]

Table 6: Loans disbursements

Loan amount	Frequency	Percentage
less than 100,000	52	57.8
100,000-500,000	34	37.8
500,000-1,000,000	2	2.2
1,000,000-5,000,000	2	2.2
Total	90	100.0

Source: Study Findings

The Reasons for Choosing VICOBA Loans:

The findings indicate several key reasons why women in Meru district choose VICOBA loans over other financial options [Table 7]. The most significant factor is loans with low interest rates, cited by 36.7% of respondents. This suggests that women prefer VICOBA because it offers more affordable credit compared to formal financial institutions, which often have high-interest rates that make borrowing costly and unsustainable. Another major reason is friendly repayment frameworks (31.1%). This implies that VICOBA structures its loan repayment terms in a way that is flexible and manageable for members, reducing financial stress and enabling borrowers to meet their obligations without extreme pressure. Such frameworks may include extended repayment periods or installment-based payments aligned with members' income cycles.

Easy and timely accessibility was identified by 17.8% of respondents as a reason for choosing VICOBA loans. This highlights the efficiency of VICOBA in providing quick access to credit, unlike banks and other lenders that may have lengthy approval processes. The ability to secure loans promptly is especially important for women engaged in small businesses who need quick capital to sustain their operations. Lastly, the absence of collateral requirements (14.4%) makes VICOBA an attractive option for women who may lack assets to secure loans from banks or microfinance institutions.

The non-collateral nature of some VICOBA loans enables financial inclusion for women who might otherwise be excluded from formal credit systems due to lack of property or guarantees. These findings suggest that VICOBA is a preferred financial model because it offers affordability, flexibility, accessibility, and inclusivity. Strengthening these advantages while addressing the challenges women face could enhance the effectiveness and sustainability of VICOBA as a tool for economic empowerment. The fact that the VICOBA groups are self-selected groupings of 25-30 members, broken down into smaller groups of 5 persons called collateral groups which act as pressure groups in loans disbursements guarantees accountability and reciprocity among members [1].

Table 7: Reasons for choosing VICOBA loans

	Frequency	Percent
Loans with low interest	33	36.7
Friendly repayment frameworks	28	31.1
Easily and timely accessible	16	17.8
Non collateral loans	13	14.4
Total	90	100.0

Source: Study findings 2025

The Challenges for Women VICOBA

A summary in [Table 8] presents several key challenges that women in VICOBA face in Meru district. The most prevalent issue is failure in loan repayment, which affects 32.2% of participants. This challenge may stem from insufficient income, economic hardships, or lack of effective business management skills among borrowers. While some women misuse their loans but majority of the women may fail with reasons including limited markets and high competitions in their business which affects their cash flows and their loans repayment ability [1].

Another significant constraint is delayed payments (23.3%), which can disrupt the financial flow within the group, making it difficult to lend to other members and sustain the VICOBA's operations. This delay may be caused by seasonal economic fluctuations, unexpected expenses, or a lack of financial discipline among members. This is in line with Mwaipopo and Dauda [1], that some women are unable to service loans on time because of inability to run micro-enterprises profitably, but some of them spend their loans for the household demands which do not generate any cash return for servicing the loans. Leaders' embezzlement and misappropriation is another pressing challenge, affecting 25.6% of the respondents. This suggests weaknesses in governance and financial management within the VICOBA groups. Traditionally the VICOBA cash are kept in a lockable cash box which is kept to one of the one of leaders (treasurer) of the group [10]. Without proper oversight, accountability and integrity among leaders they may be attempted to misuse the financial resources for their own needs without the group consent.

Lastly, unfairness and inequality treatments (18.9%) indicate that some members feel disadvantaged in loan access, repayment terms, or decision-making processes. This could be a result of favoritism, power dynamics, or biases within the groups, undermining the core principles of equality and mutual support that VICOBA is meant to uphold. These challenges highlight the need for stronger financial literacy training, enhanced transparency, and

improved leadership structures within women's VICOBA groups in Meru district. According to Takashi [11], group lending is considered to be a solution to some challenges especially the unfaithfulness of some members as it instills group commitments towards loans repayment. Most VICOBA groups distribute its members in a small group of three to five members who acts as guarantors to their fellows seeking for loans. Therefore, the small groups take the responsibilities of making follow up to their fellow members who delays or fails to repay the loans timely.

Table 8: Challenges facing women VICOBA

Challenges	Frequency	Percentage
Failure in re-payment of loan	29	32.2
Delayed payment	21	23.3
Leaders embezzlement and misappropriation	23	25.6
Unfairness and inequality treatments	17	18.9
Total	90	100.0

Source: Research findings 2025

CONCLUSION

The findings of this study highlight the significant role that VICOBA plays in enhancing financial inclusion and economic empowerment among women in Meru district. Women are primarily motivated to join VICOBA due to its accessibility, affordability, and flexibility in loan repayment, allowing them to save, access credit, and invest in income-generating activities. However, challenges such as loan repayment difficulties, delayed payments, financial mismanagement, and inequality in loan distribution hinder the effectiveness and sustainability of these groups. Addressing these issues through financial literacy training, improved governance, and enhanced transparency could strengthen the impact of VICOBA on women's economic well-being.

Despite these challenges, the study underscores the importance of VICOBA as a community-driven financial model that fosters social and economic resilience among women. Strengthening member retention, increasing financial education, and ensuring accountability within these groups will be crucial in maximizing their benefits.

References

- [1] R. Mwaipopo and M. Dauda, "Feminism , Women ' s Agency , and Subjective Well-Being : Women ' s Experiences of Village Community Banks in Tanzania," vol. 17, no. 2, pp. 21–43, 2019.
- [2] J. Magali, "The role of Village Community Banks (VICOBA) micro-credits in promoting sustainable micro and small scale industrialization in Kilimanjaro Region, Tanzania," *Journal, Bus. Educ.*, vol. I, no. II, pp. 1–12, 2021, [Online]. Available: <http://www.cbe.ac.tz/bej%0ATHE>.
- [3] SEDIT, "Documentation Report by the Ministry of Finance and Economic Affairs/Poverty eradication Department (MoFEA/PED) on the status of Village Community Bank (VICOBA) in Tanzania,," 2008.
- [4] J. P. . Kessy, B. . Stray-Pedersen, S. E. . Msuya, D. L. . Mushi, and B. Grete, "Microfinance and health services: Experience and views of women in the VICOBA grassroots bank system,," *East African J. Appl. Heal. Monit. Eval.*, no. 1, pp. 1–7, 2016.
- [5] W. P. Mponzi, D. S. Msaky, and P. Binyaruka, "Exploring the potential of village community banking as a community-based financing system for house improvements and malaria vector control in rural Tanzania," *PLOS Glob. PUBLIC Heal.*, pp. 1–20, 2023, doi: 10.1371/journal.pgph.0002395.

- [6] J. S. Kitomari and F. G. Abwe, "Failure and Collapse of Village Community Banks in Tanzania: Some Findings from Meru District in Arusha Region," *Gen. Educ. Journal*, vol. 6, no. 1, pp. 49–63, 2016.
- [7] United Republic of Tanzania, "National microfinance policy 2017," 2017.
- [8] G. . Kinisa, "Assessment of the Impact of VICOBA in Poverty Alleviation: A Case of Babati Rural District," *Int. J. Sci. Res. Publ.*, 2019.
- [9] E. A. Mrindoko, "Impact of Village Community Bank loans on smallholder farmers' on household income in Kiteto.," vol. 8, no. 1, pp. 280–308, 2022.
- [10] H. Allen, "Village Savings and Loans Associations-sustainable and cost-effective rural finance," *Small Enterp. Dev.*, vol. 17, no. 1, pp. 61–68, 2006.
- [11] O. K. A. E. Takashi, "Rural Credit and Community Relationships in a Northern Vietnamese Village Overview of Rural Credit in Vietnam," vol. 47, no. 1, pp. 3–30, 2009.