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PROMOTING RURAL ENTREPRENEURSHIP IN TANZANIA THROUGH EMPOWERING VOLUNTARY FINANCIAL SAVING GROUPS.

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ABSTRACT

Purpose: This study investigated the promotion of rural entrepreneurship in Tanzania through empowering Voluntary Financial Saving Groups (VFSGs). Specifically, the study examined practices adopted by VFSGs and challenges confronting such VFSGs.

Design/Methodology/Approach: A cross-sectional study using qualitative and quantitative approaches was carried out using a sample of 262 members of VFSGs that was selected using proportionate stratified sampling from different strata. The study was conducted in the Iringa region, whereas the Iringa and Kilolo districts were purposefully selected. Questionnaires, in-depth interviews, and focus group discussions were employed as data collection methods. Qualitative data analysis was carried out using content analysis. Descriptive statistics were adopted for quantitative data analysis, whereas mean scores were performed, followed by ranking.

Research Limitation: This study was limited to one geographical region, Iringa, with only two districts, Iringa and Kilolo. The limitation was attributed to limited time and financial resources to cover a wider scope.

Findings: Major findings of the study regarding practices adopted by VFSGs included inadequate training on enterprise development and management for members of VFSGs and inadequate seriousness to punish loan defaulters. Further, major findings about challenges facing VFSGs were the small amount of loans provided to members, inadequate business training to members, late loan repayment, the high dropout rate of members, unfavourable entrepreneurial cultures among members, conflict emerging among members and poor attendance in a meeting among members of VFSGs.

Practical implications: The study concludes that skills gaps and loan defaulters in VFSGs are practices that are less adopted. This calls for intervention through entrepreneurship and business training and further longitudinal studies to establish behavioural change over time after intervention.

Social Implication: Policies should mandate the provision of business training to VFSGs before they receive loans from money lenders. They should also focus on reducing mobile money transactional charges to fuel technology usage among VFSGs.

Originality: The empirical data gathered from various regions in rural Tanzania adds valuable, real-world evidence to the discourse on VFSGs and rural entrepreneurship. This data-driven approach strengthens the credibility and relevance of the study's conclusions and recommendations.

Keywords: *Entrepreneurship. loans. rural. savings. Tanzania*

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INTRODUCTION

Entrepreneurship is vital to rural economic growth as it provides alternative income and creates new jobs and business models (Endeavour, 2021; Dan & Popescu, 2017). Though rural entrepreneurship is vital for economic growth, studies on rural entrepreneurship elsewhere in the world have indicated that rural entrepreneurship is confronted with several challenges. For instance, Endeavor (2021) and Belson (2020) established that rural entrepreneurs in the USA have fewer resources than their counterparts in urban areas, inadequate specialised skills, and limited access to capital.

Like in developed countries, in African countries, rural entrepreneurship is faced with some challenges. For instance, the study by Adewumi and Keyser (2020) found that limited financial support and market size were among the major hindrances to rural entrepreneurship growth in West Africa. These findings suggest that a lot needs to be done to allocate adequate financial support to rural entrepreneurship in Africa; such financial resources could be used to mitigate associated challenges, including limited market size. This is to say that financial support is one of the cornerstones of rural entrepreneurship development. In another way, Ngorora and Mago (2018) in South Africa found that social networks, access to necessary information, uniqueness of local knowledge and previous experience were critical success factors in fuelling rural entrepreneurship. In this regard, the study emphasised capacity building and maintaining strong social networks, e.g., being a member of rural informal financial saving groups and acquiring necessary information.

In Tanzania, like in other countries in Africa, the study of Msamula et al. (2016) established that lack of financial capital, limited technologies, inadequate markets, and lack of skills and commitment are among the hindrances to rural entrepreneurs' exploiting entrepreneurial opportunities among furniture micro and small enterprises. Connectedly, Kambi and Mwakiluma (2020) found that most rural enterprises performed poorly; the main way to address the circumstance was to advance rural entrepreneurs with soft loans and assure them of reliable markets.

The growth of rural enterprises in Tanzania is closely connected with adequate financing, among other factors (Msamula *et al.*, 2016; Kambi & Mwakiluma, 2020). In Tanzania, most people access informal finance; for instance, it was reported that 10.6 million adults, 37% to date, informally access finance (Financial Sector Deepening Trust (FSDT), 2016). This population is big enough justifiable for the study to be carried out. Regarding the rural population, in 2020, it was reported that 63.0% of the total population is in rural Tanzania, 1.7 times the urban population (Worldometer, 2020). It was from these statistics that the interest in linking informal financial saving groups and enterprise growth in rural settings was developed.

Some previous studies in Tanzania that have been carried out on rural entrepreneurship have focused on exploring prospects and challenges for rural entrepreneurship (Msamula *et al.*, 2016;

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Kambi & Mwakiluma, 2020). Though these studies have pointed out the issue of inadequate financing for rural enterprises, they have not directly linked their studies with informal financial saving groups, something that has been a concern in enterprise growth. Connectedly, FSDT (2016), which focused on informal financial groups in Tanzania, failed to link the study with enterprise growth. The study focused, among other things, on presenting statistics and figures on the characteristics of informal financial groups and their distribution across nine regions. However, it did not present the relationship between savings by informal financial groups and enterprise growth. In the business context, the savings made by informal financial saving groups should be tested to see how they spearhead enterprise growth in Tanzania.

With its initiatives to ensure that rural communities are empowered economically, the Tanzanian government has committed resources to include health services, education, water and sanitation, electricity, financial services, communication, and infrastructure. Generally, such government initiatives are sought to impact rural entrepreneurship, enterprise growth being the focal point. However, despite such government efforts to accelerate enterprise growth through Voluntary Financial Saving Groups (VFSGs), it has been reported that the Iringa region has the lowest number of users of VFSGs, 8% compared to 98% for the Dar es Salaam region, which has the highest number of users (FSDT, 2016). The lowest percent of IFSG users in the Iringa region, endowed with several business potentials, possesses an ongoing academic debate and brings controversial concerns whose proof requires academic enquiry. From this study, the promotion of rural entrepreneurship through empowering VFSGs will be the cornerstone for answering such an academic dilemma. This study focused on two objectives: (i) to examine current practices adopted in managing VFSGs and (ii) to assess the challenges VFSGs face when carrying out enterprise activities. The contribution of this research work to the existing body of knowledge is that the current practices of VFSGs users counted as the lowest (FSDT, 2016) will be documented, and the challenges associated will also be documented; together, they will form policy implications for policy formulation and amendments regarding g the same.

THEORY UNDERPINNED THE STUDY

Resource Based Theory (RBT) was developed for the first time by Wernerfelt in 1984. It underpins this study since the main focus was on practices adopted by VFSGs that were considered valuable resources, the concept that was considered in RBT. RBT presents that capabilities and internal resources mostly express firms' competitive advantage against rivals. RBT views the firm as an assortment of capabilities or assets from which the enterprise's success is the function of its uniqueness. Barney, in 1986, used RBT to derive similar concepts. In this study, the amount of savings from VFSGs members, size of loans given to members, interest rates charged and loan default were considered valuable assets that give capabilities to members of VFSGs, and they were drawn and operationalised from RBT. The gap in this theory is that saving groups have been considered as important resources with value like other resources viewed in other studies such as strategic factor markets and culture (Barney, 1986), the linkage between firms' resources and competitive advantage that can be sustained (Barney, 1991), strategic management and capabilities

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under dynamism (Teece et al., 1997). Therefore, this study views saving groups as valuable resources or strategies that, if well advocated, will elevate the speed of VFSGs' embers to establish and grow their enterprises.

Rural entrepreneurship and its influence on enterprise growth

Rural entrepreneurship is defined as the economic activities of entrepreneurs in rural areas (Belson, 2020). It is characterised by inadequate funding and low technology, though its advancement enables it to reach customers using these technologies (Belson, 2020). In this study, rural entrepreneurship is any innovative economic activity established in rural areas. Rural entrepreneurship is viewed as the contributor of economic growth to rural areas through job creation, the market for rural products and the consumption of industrially made products (Belson, 2020; Kambi & Mwakiluma, 2020; FSDT, 2016; Msamula, 2016).

Voluntary Financial Saving Groups and their contribution to enterprise growth

The concept of voluntary financial saving groups (VFSGs) has been operationalised by Informal Financial Saving Groups (IFSGs), defined as financial delivering services that engage in financial transactions where members agree to participate. They operate based on tradition with unwritten norms, rules and practices (FSDT, 2016). The practices of IFSGs are accumulating savings and issuing loans to members with low interest rates (FSDT, 2016). In this study, given that the practices of IFSGs and VFSGs are common, the operationalisation of the terms was taken into account. Therefore, VFSGs are informal or formal saving and low-interest rate lending groups whose membership is voluntary and confined within the same locality. According to FSDT (2016), VFSGs are cash-based and responsive to entrepreneurs, accelerating enterprises' growth through financial empowerment.

Practices adopted in managing Voluntary Financial Saving Groups in Tanzania

Some practices have been adopted to manage VFSGs in Tanzania. Amongst include accumulating savings, loan disbursement and collection of repayments and accrued interest penalties for defaulters through cash-based accounts (Kinyondo & Kagaruki, 2019; FinScope, 2017; FSDT, 2016). This means that transactions, in most cases, are performed on a cash basis. The study (FSDT, 2016) established that skills gaps in consideration of record keeping, management of meetings and resolution of disputes, collection of loans and management of cash were among the common issues in the operations of informal financial saving groups in Tanzania. The study of FinScope (2023) focused on issues such as the management of cash flow, savings, and investment since they were practices that broadened the view of financial inclusion. Therefore, the skills gaps in operation, standardisation of operating procedures and handling of loan defaulting cases were operationalised as practices adopted in managing VFSGs.

Challenges Facing Voluntary Financial Saving Groups

The challenges facing VFSGs in Tanzania have been traced from previous studies. The study by Shiu (2022) established that informal lending groups are confronted with delayed repayments,

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absenteeism of members in the meetings, inadequate capital, dropouts of members and lack of financial information. The study by Mwangi and Kimani (2015) revealed that unsatisfactory governance, the tendency of some group members not to attend meetings, a high rate of loan defaulters and troublesome gender roles were identified as challenges facing such financial groups in Kenya. The study of Kinyondo and Kagaruki (2019) indicated that inadequate education and training is one of the challenges facing such financial saving groups in Tanzania. Connectedly, FSDT (2016) presented that the skills gap, inadequate standardisation and innovation are challenges confronting financial saving groups under study in Tanzania. These challenges revealed from the literature suggest that issues of inadequate education and training, skills gap, limited standardisation and technology, poor governance, inadequate group meeting attendance and defaulting by members limit voluntary financial saving groups to exploit emerging opportunities and consequently hinder enterprise growth.

METHODOLOGY

This study employed multiple research designs at different phases. Phase one involved using an exploratory case study to familiarise myself with the subject matter in depth. Qualitative studies to capture insight data mainly adopt a case study research design (Yin, 2014). Through exploratory case study research design, which is a qualitative study, the practices of VFSGs and the challenges facing such groups were studied. The findings from the case study were employed in developing a survey for collecting quantitative data (Majenga, 2013; Tundui, 2013). Previous studies on rural entrepreneurship globally, including those in Tanzania, have adopted a case study research design (Endeavour, 2021; Dan & Popescu, 2017; Msamula *et al.*, 2016; FSDT, 2016). The cross-sectional descriptive research design was adopted in the second phase, whereas the quantitative data collection was performed on a single occasion. According to Wang and Cheng (2020), cross-sectional studies always determine the commonness of particular outcomes (in this case, practices of VFSGs), help in understanding the determinants of such practices and describe a population under study. The same study pointed out that cross-sectional studies are easily carried out and are less expensive.

The Iringa region was purposefully selected for the study because it has the lowest number of users of voluntary financial saving groups. Iringa region has 8% of voluntary financial saving users, followed by Tanga region, which has 15% of users (FSDT, 2016). The Iringa region, with the lowest number of VFSGs users, was a suitable study area since the study aimed at promoting rural entrepreneurship through empowering VFGs. Iringa and Kilolo District Councils (DCs) were purposefully selected based on two reasons: they had the highest population (Iringa DC, 315,354 and Kilolo DC, 263,559) though Mufindi DC, 288,996 (URT, 2022) was the second DC in population after Iringa DC, it was excluded based on the second reason that Iringa DC and Kilolo DC are predominantly rural districts in Iringa region and Kilolo DC was next Mufindi DC in terms of population size (URT, 2022; FinScope, 2017). Two wards were purposefully selected from the Iringa district: Ifunda and Kalenga. In contrast, Udumuka and Mibikimti villages were selected from the Ifunda ward, and Isaka and Kalenga villages were selected from the Kalenga ward. From

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Kilolo district, two wards were purposefully selected, namely Nyarumbu with villages Ilula and Mwaya and Ilore ward with Irole and Lundamatwe villages. This made eight villages purposefully selected from the four wards of the Iringa and Kilolo districts.

The study population encompassed VFSGs' users in rural Iringa-owning enterprises. The lists of the target population were obtained from village leaders from which strata were established based on the enterprise sector. This study established six strata: motorcycle (commonly in Swahili known as bodaboda), tailoring, crops, general trade, animal keeping and food vending (commonly in Swahili known as Mama Lishe). To obtain subjects in each stratum, stratification with proportionate sampling was adopted, whereas random selection to obtain final respondents was taken on board.

Initially, the estimation of sample size (n) was computed to be 384 using Cochran's (1997) equation:

$n_0 = Z^2pq/e^2$…………………..………….……………………………………………….. (1)

Whereby: n = sample size; Z = desired confidence level of selected value equal to 1.96 at the confidence level of 95%; p = proportion in the largest population equal to 50%; q = 1-p and e = accepted margin of error, which is 0.05. Therefore, $n = \frac{1.96^2}{0.05^2} * \frac{0.5 * 0.5}{}$ = 384.

However, during fieldwork, the usable sample size became 262, 68.23% of the pre-determined sample size. The sample size decreased from the predetermined one because only 262 questionnaires were returned/collected from 384 administered questionnaires. The questionnaires were not collected because some were not found at points where questionnaires were dropped, and some respondents were fully occupied at the times they were visited. As a result, they were unable to respond to the questionnaire. Further, key informants (KIs), including village leaders and leaders of VFSGs, were interviewed.

The study used primary data, where quantitative and qualitative data were collected using various methods and tools; an in-depth interview with an interview guide was used to collect qualitative data and develop case studies. Connectedly, individual interviews with key informants and focus group discussions (FGD) using checklists as group interviews were used in qualitative data collection. Further, other qualitative data were gathered using the observation method that focused on observable events of interest in line with the subject under study. For quantitative data collection, a survey method with a structured questionnaire was adopted. The questionnaire consisted of 5-point Likert scale questions (1=strongly disagree, 5=strongly agree) that were used in capturing data concerning practices adopted in managing VFSG. Questions in the questionnaire were adapted and modified from FinScope (2017), FSDT (2016), Mashenene (2016) and Liñán *et al.* (2011). The questionnaire was entered into the KoBo Toolbox software installed in mobile phones for data collection. The use of KoBo Toolbox maximised data reliability since it was able

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to capture the locations from which data were collected and it was to perform preliminary data analysis.

The questionnaire was pre-tested in the Dodoma region before data collection commenced. Pre-testing enhanced the validity of data after the revision of the questionnaire. Research assistants were trained before data collection, and multiple methods for collecting and analysing data were adopted to maximise its validity. Test for reliability using Cronbach Alpha was performed to test the reliability of data.

Qualitative data was analysed using content analysis. The steps in qualitative data analysis started with the preparation of data, which were collected, and thereafter, familiarisation of data followed. Further, initial coding was undertaken, categories were developed, refining of data and code selection was performed. After that, themes and patterns were analysed, new themes were identified, and patterns and relationships were recognised. Finally, interpretation and reporting of findings followed, meaning was extracted from codes, contextualisation with themes was carried out, and effective communication of findings was carried out.

For quantitative data, descriptive statistics were performed with the help of a Statistical Package for the Social Sciences (SPSS) software version 25 as an analytical tool. To examine current practices adopted by VFSGs, computations of mean scores of all items in constructs were undertaken, and a ranking of mean scores was carried out to establish different ranks in adopting practices by VFSGs. Further, the mean scores of each construct, skills gap, standardisation, and loan defaulters were computed, followed by the computation of the overall score. In the course of the decision, the criterion was used as a deciding factor during the discussion. Data for challenges were captured using Likert Scale questions (1= strongly disagree, and 5= strongly agree). The analysis computed the mean score, followed by the overall mean score. Raking the challenges using mean scores was undertaken, whereas major challenges were determined by considering all challenges whose mean scores were above the overall mean score.

FINDINGS AND DISCUSSION

4.1 Reliability Test

Data reliability was tested using Cronbach's Alpha coefficient (Table 1). The findings indicate that the Cronbach's Alpha coefficient was 0.801, implying that the reliability was acceptable. Pallant (2016) presented that a minimum Cronbach's Alpha coefficient of 0.7 connotes suitable reliability. Recent studies adopted Cronbach's Alpha coefficient to establish reliability (Majenga & Mashenene, 2023; Majenga *et al.*, 2022; Mashenene, 2016).

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Table 1: Test for reliability

Cronbach's Alpha	N of Items
0.801	44

Respondents' Demographic Characteristics

Sex

The results summarised in Table 2 specify that the majority, 227 (86.6%) of VFSGs members, were female, while only 35 (13.4%) were male. These findings imply that about 6.5 times more females in the study areas participate in VFSGs than males. This trend continues, and there is a likelihood of economic disparity between females and males in the study area as females will be economically more stable than their male counterparts. FinScope (2023) supports these results, which revealed a higher representation of females in financial inclusion by 52% compared to 48% of males.

Table 2: Demographic characteristics of respondents

Variables	Frequency	Percent
Sex		
Male	35	13.4
Female	227	86.6
Total	**262**	**100.0**
Age (years) [Mean]	**38.8**	
Years in VFSGs [Mean]	**4.8**	
Education level		
Primary	158	60.3
Secondary	87	33.2
Tertiary	17	6.5
Total	**262**	**100.0**
District		
Iringa	120	45.8
Kilolo	142	54.2

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Total	**262**	**100.0**
Type of VFSGs		
Burial/Kuzikana	25	9.5
VICOBA	222	84.7
UPATU	15	5.7
Total	**262**	**100.0**
Types of Enterprises owned		
Motorcycle/bodaboda	7	2.7
Tailoring	6	2.3
Crops	88	33.6
Trade	119	45.4
Animal keeping	33	12.6
Mama lishe	9	3.4
Total	**262**	**100.00**

Age

The findings (Table 1) specified that VFSGs members' mean age was 38.8 years, implying that such members belong to the youth with a lot of family responsibility. In this view, such an age necessitates members' engagement in VFSGs as a strategy for financial inclusion.

Experience in VFSGs

The findings in Table 1 show that members have been VFSGs members for an average of about 4.8 years, implying that members have long experience in membership. Such experience enables members to make enough savings and enjoy the benefits of such savings.

Education level

The results in Table 2 indicate that 158 (60.3%) of members of VFSGs in the study area had primary education, followed by 87 (33.2%) with secondary education and 17 (6.5%) with tertiary education. These findings imply that 245 (93.5%) members of VFSGs had not attained tertiary education. The findings from this study demonstrate similarity with the results of FinScope (2023), which established that 95% of Tanzanians were under financial inclusion.

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Distribution of respondents by districts

Further, the results show 142 (54.2%) of VFSGs members were from the Kilolo district, while 120 (45.8%) were from the Iringa district. These findings are incongruent with URT (2022), which showed that Iringa, DC, had a higher population than Kilolo, DC. However, Iringa DC had a higher rate of non-responsive respondents during fieldwork.

Types of VFSGs

Moreover, the results indicate a large proportion of 222 (84.7%) of VFSGs operate in the form of VICOBA while only 25 (9.5%) were in the form of burial (commonly in Swahili katakana) and 15 (5.7%) in the form of UPATU. These findings imply that VICOBA is the dominant type of VFSGs in the study area. These findings conflict with those of FSDT (2016), which indicated that UPATU overrepresented other types of IFSGs by 77% while VICOBA had only 17%. These controversial findings suggest that a lot has been done to create awareness about VICOBA, and several members have joined VICOBA since 2016.

Types of enterprises owned by members of VFSGs

Finally, the results express that a large proportion, 119 (45.4%) of members of VFSGs, own trade, followed by 88 (33.6%) owning enterprises dealing with crops and 33 (12.6%) dealing with animal keeping, implying that trade overrepresented other types of enterprises. FinScope (2023) supported these findings, finding that the major revenue-generating activity for financially included individuals in Tanzania was trading, which counted for 44%.

Current Practices Adopted in Managing VFSGs

Skills gap

The findings in Table 3 show that an overall mean score on the skills gap was 3.08, inferring that variables in the skills gap with a mean score below the mean score of 3.08 are practices not well practised by VFSGs. The results (Table 3) further specify that inadequate training was provided to members of VFSGs on enterprise development [Mean = 2.80] and enterprise management [M = 2.00], as exhibited by mean scores that were below the mean score. These findings are in harmony with those of FSDT (2016), which pointed out that a skills gap existed among members of informal financial groups in Tanzania.

> *"…We formed the SINAI Group two years ago with 88 members. This group is supported by Emmanuel International under the umbrella of the Pentecostal Holiness Church, through which we receive training on entrepreneurship skills monthly. However, such training is inclined toward one angle, in which every member is trained to grow avocado seedlings for sale in nurseries. We appreciate the training, and we have been doing seedling business. However, its scope is very limited to explore other potential business opportunities where we need extensive training to widen the scope…"* [FGD session with SINAI Group members held on 30th May 2023].

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Table 3: Current practices adopted in managing VFSGs

Statement	1	2	3	4	5	Mean	Ranking
Variables							
1: Skills gap							
SG1: Members of VFSGs receive training on managing VFSGs	51 (19.5)	13 (5)	38 (14.5)	102 (38.9)	58 (22.1)	3.39	3
SG2: Members of VFSGs receive training on loans	51 (19.5)	16 (6.1)	20 (7.6)	78 (29.8)	97 (37.0)	3.59	2
SG3: Members of VFSGs receive training on savings	48 (18.3)	9 (3.4)	19 (7.3)	110 (42.0)	76 (29.0)	3.60	1
SG4: Members of VFSGs receive training on enterprise development	90 (y34.4)	28 (10.7)	17 (6.5)	80 (30.5)	39 (14.9)	2.80	4
SG5: Members of VFSGs receive training on enterprise management	159 (60.7)	17 (6.5)	17 (6.5)	40 (15.3)	21 (8.0)	2.00	5
Mean score						**3.08**	
2: Standardization							
STD1: VFSGs have operations guidelines	9 (3.4)	8 (3.1)	10 (3.8)	71 (27.1)	164 (62.6)	4.42	1
STD2: Various decisions are made based on the VFSGs guidelines	1 (0.4)	4 (1.5)	39 (14.9)	107 (40.8)	111 (42.4)	4.23	3
STD3: VFSGs guidelines are reviewed after the agreed time	33 (12.6)	45 (17.2)	26 (9.9)	80 (30.5)	78 (29.8)	3.48	4
STD4: VFSGs members meet on the agreed time	2 (0.8)	1 (0.4)	30 (11.8)	101 (39.6)	121 (47.5)	4.33	2
Mean score						**4.12**	
3: Loan defaulters							
LD1: Action is taken against loan defaulters	172 (68.0)	68 (26.9)	0 (0.0)	7 (2.8)	6 (2.4)	1.45	4
LD2: Loan defaulters are penalised	21 (8.0)	12 (4.6)	3 (1.1)	111 (42.5)	114 (43.7)	4.09	1
LD3: Persistent loan defaulters are punished	123 (47.5)	46 (17.8)	10 (3.9)	19 (7.3)	61 (23.6)	2.42	3
LD4: Persistent loan defaulters are penalised and punished	122 (48.2)	23 (9.1)	11 (4.3)	48 (19.0)	49 (19.4)	2.52	2
Mean score						**2.62**	
Overall mean score						**3.27**	

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Standardisation

The results (Table 3) indicate that an overall mean score for standardisation was 4.12, pointing out that standardisation as one of the practices adopted by VFSGs was satisfactory. The findings further indicate that only guidelines being reviewed after the agreed timeline had a mean score below the overall mean score [M = 3.48], implying that standardisation as one of the moderately adopted VFSGs since it was approximately equal to a mean of 4.00, the mean which shows acceptable practice. These findings are nearly identical to those of FSDT (2016), which points out that standardisation in informal financial groups in Tanzania was not a severe problem.

Loan defaulters

The findings in Table 3 confirm that the overall mean score of loan defaulters as one of the practices adopted by VFSGs was 2.62, which was below the overall mean score for all practices adopted by VFSGs, implying that loan defaulters as the practice was poorly practised. The findings further indicate that action taken against loan defaulters was poorly practised, as it was exhibited by the mean score of M = 1.45, below the overall mean score of 2.62 for loan defaulters, suggesting that actions were hardly taken against them. Similarly, the findings indicated that the mean score for persistent loan defaulters being punished was 2.42, below the overall mean score of 2.62 for loan defaulters, inferring that persistent loan defaulters were hardly punished. Further, persistent loan defaulters being penalised and punished had a mean score of 2.52 below the overall mean score of 2.62, implying that persistent loan defaulters are less penalised and punished. The results matched the qualitative results that the JIWEZESHE Saving Group narrated in the Kilolo district.

> *"…we are 28 members in our group; the group is faced with various challenges, whereas several members on different occasions have been defaulting when repayments are due. The cause for the increased default rate is that some members have multiple memberships with other saving groups; as a result, members become financially weak to manage to contribute substantial savings in the form of shares and, subsequently, fail to meet loan repayment schedules and hence become defaulters due to multiple loans received from multiple groups with membership …"* [Group interview with JIWEZESHE Group members held on 24th May 2023].

Summary of mean scores for the practices adopted by VFSGs

Table 4 summarises the mean scores of practices adopted by VFSGs after the summation of the mean scores of all variables in each construct and dividing by the total number of items in each construct. The findings indicate that loan defaulters [Mean score = 2.62], which was below the overall mean score of 3.27, were ranked number three, indicating that such a construct was the least practice adopted by VFSGs. Further, the skills gap [Mean score = 3.08], compared to the overall mean score of 3.27, was also ranked the least practice adopted by VFSGs next to loan defaulters. The two practices, skills gap and loan defaulters, are interlinked practices; if intervention through business training is affected, there is a great possibility that the spillover effect

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will minimise the chances for loan defaulters. In this view, intervention through business training becomes the cornerstone for enterprise growth. On the other hand, standardisation [Mean score = 4.12] as the practice was found to be effectively adopted by VFSGs as its mean score was found to be above the overall mean score of 3.27.

Table 4: Summary of means scores for practices adopted by VFSGs

S/N	Practice	Mean score	Ranking
1	Skills gap	3.08	2
2	Standardisation	4.12	1
3	Loan defaulters	2.62	3
Overall mean score		**3.27**	

Challenges facing VFSGs in carrying out enterprise activities

Small amount of loan provided by VFSGs

The results in Table 5 indicate that a small loan provided to members of VFSGs was the greatest challenge [Mean score = 4.85]. This implies that members of VFSGs hardly fund their enterprises with such a limited amount of loan. The results matched harmoniously with Bhuzohera's (2024) results, which indicated that Tanzania's MSMEs faced financial difficulties and limited access to startup capital. Similarly, the results are similar to qualitative narrations by the JIWEZESHE Saving Group in the Kilolo district.

> *"…our group is confronted with limited capital that results in the provision of limited loan amounts to members. Limited capital is due to the group's dissolution every year since, after 12 months, members need money to buy fertilisers for crop cultivation. The group would have grown its invested capital and size of loans to its members if it had not been dissolving the group every year…"* [Group interview with JIWEZESHE Group members held on 24th May 2023].

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Table 5: Challenges facing VFSGs in carrying out enterprise activities (n = 262)

Challenge	Mean score	Ranking
Limited technology used by VFSGs	3.32	10
The small loan provided by VFSGs	4.85	1*
Bureaucratic procedures for accessing loans from VFSGs	1.85	15
Bureaucratic procedures for fund withdrawal from VFSGs	2.52	12
Increase rate of defaulters among members of VFSGs	1.98	14
Inadequate guidelines guiding VFSGs	3.14	11
Inadequate business training among VFSGs members	4.60	2*
Unfavourable entrepreneurial culture	3.90	5*
Poor attendance of members of VFSGs in attending meetings	3.88	6*
Conflict emerging among members of VFSGs	3.72	7*
Gender biases among members of VFSGs	1.62	17
Operation using cash-based account system	3.42	9*
Poor record management	2.42	13
Dropouts	3.96	4*
Absenteeism	3.50	8*
Late loan repayments	4.40	3*
Others	1.76	16
Overall mean score	**3.22**	**N/A**

Notes: The ranking with a star (*) connotes the major challenge with a mean score above the overall mean score

Inadequate business training

The results in Table 5 indicate that inadequate business training was the second major challenge, with a mean score of 4.60, implying a vacuum in business knowledge, skills and attitude in running enterprises. These findings align with those of Bhuzohera (2024), who found that owners' inadequate managerial experience and business skills challenge MSMEs in Tanzania. Such challenges tend to hamper the performance of such businesses. The results match the qualitative narrations provided by the JIWEZESHE and Mshikamano Saving Group in the Kilolo district.

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> *"…we are faced with inadequate entrepreneurship and enterprise management. The majority of members take loans for business. However, in actual practice, such funds are used to cover family expenses: tuition fees for children, food for families, clothes, construction of residence, etc. These expenses are important for families but conflict with entrepreneurial growth…"* [Group interviews with JIWEZESHE Group members held on… and Mshikamano Group members held on 24th May 2023].

Late loan repayment

The findings in Table 5 show that late loan repayment was the third-ranked challenge with a mean score of 4.40, suggesting that other members of VFSGs suffer from this challenge as they are denied the chance of receiving timely or adequate amounts of loans. The results sound similar to those of Shau (2022), who specified that late loan repayment negatively affected the growth of informal lending groups in Tanzania.

High dropout rate

The findings in Table 5 show that dropout was the fourth-ranked major challenge, with a mean score of 3.96. As a result, this situation tends to impair decisions made by members of VFSGs in meetings. The study of Shau (2022) also established that the high dropout rate of members negatively affected the progress of Tanzanian informal lending groups.

Unfavourable entrepreneurial culture

The results in Table 5 specify that VFSGs are confronted with unfavourable entrepreneurial culture among members [Mean score = 3.90], implying that issues concerning creativity and innovation, risk-taking and establishment and management of enterprises become the challenge in exploiting available opportunities. These findings are congruent with those of Liu, Pacho and Xuhui (2018), who established that a favourable entrepreneurial culture is important in exploiting opportunities.

Poor attendance in meetings by members of VFSGs

The findings in Table 5 show that VFSGs face the challenge of poor attendance in meetings by members [Mean score = 3.88]. As a result, this situation negatively affects decision-making since most decisions are made through meetings. The results generated sound similar to those of Shau (2022), who revealed the same situation that results in inadequate financial information to members.

Conflicts emerging among members of VFSGs

The findings in Table 5 show that VFSGs face the challenge of conflicts emerging among members [Mean score = 3.72]; as a result, such conflicts frustrate members. These findings closely connect with those of FSDT (2016), who pointed out that members of informal saving groups require capacity building in dispute resolution as conflicts are pinpointed to be among the challenges.

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Absenteeism of members

The results in Table 5 specify that VFSGs face the challenge of member absenteeism [Mean score = 3.50], which can impair decisions in meetings and VFSGs' progress in general. These findings are congruent with those of Shau (2022), who established that member absenteeism tended to affect the growth of informal lending groups.

Operation using cash-based account system

The findings in Table 5 show that VFSGs face the challenge of operating using a cash account system [Mean score = 3.42], and sometimes, members do not appear in the meetings to submit repayments in cash.

Limited technology used by VFSGs

The findings in Table 5 show that VFSGs face the challenge of limited technology used by VFSGs [Mean score = 3.32], implying that such limited technology impairs the effectiveness and efficiency of operations. These findings are supported by those of Bhuzohera (2024), who established that developing new technology is one of the constraints confronting Tanzanian small businesses. On the other hand, the study of Juma, Suhonen, Mramba, Tedre and Kapinga (2023) contradicts the findings of this study as they established that members of informal saving groups are using smartphones as one of the technological tools to coordinate meetings, record keeping, computations and carry out repayment. The study of Juma et al. (2023) further established that the challenge such members of informal saving groups face is high charges for transacting using mobile phones and fear of mobile money fraud.

CONCLUSION AND RECOMMENDATIONS

In line with the research findings, the conclusion depicts that inadequate training for members of VFSGs on enterprise development and management and inadequate seriousness to punish loan defaulters were the major practices adopted by VFSGs in the areas of study. The study further concluded that the small amount of loans provided to members, inadequate business training to members, late loan repayment, the high dropout rate of members, unfavourable entrepreneurial cultures among members, conflict emerging among members and poor attendance in meetings among members of VFSGs were the major challenges facing VFSGs since their percent cases of occurrence ranged between 95.4 and 75.2. The study also concluded that absenteeism of members, operation using a cash-based account system, limited use of technology and inadequate guidelines guiding VFSGs were other challenges facing VFSGs, which were termed as moderate since their percent cases of occurrence ranged between 68.3 and 56.5. The novelty of this study is that saving groups exist, but there is a lack of integration between saving groups and business training; this creates a vacuum, and a unified model is required to be formulated that considers such integration through a series of interventions regarding the provision of entrepreneurship and business training.

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Recommendations

In line with the findings from the research, it is hereby recommended;

i) Policymakers, including the Ministry of Industry and Trade, Ministry of Finance, the Bank of Tanzania and other government departments, to collectively design policies that will foster participation in financial inclusion of the rural VFSGs. Such policies should cover, among other things, the provision of low interest rate loans to such VFSGs to boost their capital and improve the size of loans provided to members. Further, the policy should mandate the provision of business training to VFSGs before they receive loans from money lenders.

ii) The Ministry of Finance and Tanzania Communications (TCRA) should collectively consider reducing transactional charges incurred by VFSG members when making savings and loan repayments. Reducing transaction charges will encourage VFSG members to use technology effectively in their daily operations.

iii) The Local Government Authorities (LGAs), specifically Iringa DC and Kilolo DC, through the trade officers and cooperative officers, design customised business training programmes to build the capacity of VFSGs in enterprise development and management and financial management.

iv) Financial institutions, including commercial banks and microfinance institutions, should consider designing capacity-building programmes to create awareness and sensitise VFSGs to open bank accounts and carry out transactions via such accounts.

v) VFSGs need to be ready and seek business training for members to enhance their operations and encourage them to opt for entrepreneurial careers to exploit the available opportunities.

Areas for Future Research

A similar study should be carried out, including more than one region with similar statistical problems, to compare practices adopted and challenges confronting VFSGs. Such a comparative study will enable researchers to develop a framework with appropriate practices to be adopted with VFSGs, which, upon implementation, will help curb identified challenges.

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