

The Role of savings and Credit groups in Promoting Financial Inclusion and Savings among the Low- income Households in Tanzania: A Case of Women vendor in Iringa Municipal

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Abstract: *This study examines the profound impact of savings and credit groups (SCGs) on financial inclusion and savings behavior among women vendor in Iringa municipal, with a focus on empowering female entrepreneurs within the market sphere. This study delves into the intricate dynamics of SCGs and their role in fostering financial inclusion and enhancing savings practices among women engaged in vending activities. The study employed quantitative analysis gathered through surveys. Both primary and secondary data were engaged and the data collected were analysed through percentages and frequencies in which data were presented in table and chart format which were obtained using Excel and some using SPSS (Statistical Package for Social Science). The findings suggest that members of the savings and credit groups are highly satisfied with their membership, credit access is generally perceived positively but with room for improvement, and these groups have a significant positive impact on improving the financial discipline of women vendors in Iringa municipality. Also savings and credit groups have a positive impact on their members' saving habits and ability to achieve financial goals. Furthermore the findings suggest that joining the savings and credit group has positive effects on members' access to formal financial services and their financial literacy and financial management skills. The implications of this study extend to policymakers, financial institutions, and community-based organizations, highlighting the significance of SCGs as a catalyst for women's financial inclusion and economic empowerment. Understanding the impact of these groups can drive the design of more targeted and effective interventions to support the financial inclusion and socioeconomic advancement of women vendors not only in Iringa but in similar contexts globally.*

Keywords: *Financial Inclusion, Women vender, Credit Groups, Savings, Households)*

1. INTRODUCTION

Savings and credit groups, often known as savings and credit cooperatives (SACCOs), village community banks (VICOBA) or by similar names, play a critical role in promoting financial inclusion and savings among low-income households [1, 2]. These groups are typically community-based self-help organizations that bring together individuals who share a common goal of improving their financial well-being.

The aim of savings and credit groups is to bring underprivileged and marginalized people into the formal financial system. For many low-income households, it is difficult to save money or obtain credit because they do not have access to mainstream banking services. By providing a place for the underprivileged to save and borrow within their communities, these organizations protect the vulnerable [3]. These groups promote a culture of saving among their members. Members are often required to save a fixed amount on a regular basis, which not only helps them build a nest egg but also instills disciplined saving habits. Group savings are secure and can be withdrawn when needed [4-6].

Low-income households often have no collateral or credit history, making it difficult to obtain loans from formal financial institutions [7]. Savings and credit groups usually offer small loans to their members based on their savings history and trust within the group. These groups build social capital by fostering a sense of community and trust among

members. Members often know each other well, and this social connection helps to reduce the risk of default. Members also support each other in various ways, such as providing business advice and emotional support. [8], noted that savings and credit groups have lower administrative costs compared to formal financial institutions. This means that they can offer financial services to low-income households at more affordable rates, making them a cost-effective way for these households to access financial services. In addition, these groups often offer financial education and training to their members. This provides low-income households with the knowledge and skills they need to make informed financial decisions, better manage their finances and grow their business [9].

The availability of savings and credit services can contribute to economic development at the community level. Members can use credit to invest in income-generating activities, creating jobs and improving their standard of living. Many savings and credit groups focus on the participation of women, as they are often more excluded from the financial world. By providing them with access to savings and credit, these groups empower women to take control of their finances and become more economically independent [10][13]. These groups can also serve as a safety net during emergencies or unexpected expenses. Members can borrow from the group to meet urgent financial needs, preventing them from falling deeper into poverty.

Savings and credit groups, such as Village Savings and Lending Associations (VSLAs), VICOBA or savings groups, play a significant role in promoting financial inclusion and savings among low-income households. [14], found that membership in VSLAs resulted in increased access to alternative and sustainable financial tools for rural households. [15], highlighted the importance of including vulnerable members in savings and borrowing groups to increase borrowing within the group. [16], showed that savings groups reduced vulnerability to shocks and encouraged investment in housing improvements, while also increasing access to credit among women. However, [17], found that savings groups had mixed effects on financial inclusion, as they discouraged access to formal loans and increased reliance on microfinance loans, particularly in poorer villages. Overall, these papers suggest that savings and credit groups have a positive impact on financial inclusion and savings among low-income households, but there may be trade-offs and challenges in terms of accessing formal financial services.

Savings and Credit Groups are grassroots financial institutions that play a pivotal role in promoting financial inclusion and savings among low-income households. They provide a safe and accessible means for people to save, access credit, and improve their financial well-being, while also fostering a sense of community and self-reliance. They give protection to its clients by guaranteeing better returns on their savings and deposits, and the safety of their investments; serve as a financial advisory body to the individual and group thereby promoting business activities in the country. As a result of the peculiar nature of the savings and credit group and its significant contributions to the development of the economy of Tanzania, coupled with the non-existence of such study, makes it imperative to undertake this study. The main objective of this research is to investigate the role of savings and credit groups in promoting financial inclusion and savings among low-income households in Tanzania. Apart from the general introduction, the paper has two other parts namely; methodological framework which governs the study, followed by the, discussions of the results and the conclusion.

2.0 Methodology

Iringa municipal locate in Iringa Region has significant number of urban residents and prospering economy sector which is categorized by the commercial activities, tourism, service, as well as mineral activities of which facilitated the availability of reliable and valid information for the study. The study engaged both primary and secondary data, Primary data was collected from the knowledgeable and potential respondents of women vendor in Iringa Municipal. Secondary information sources used for the present research include the internet, database, official office files, progress monthly reports, etc. The researcher obtained various secondary data from Iringa district council. A well-structured questionnaire was prepared and distributed to the different

women vendor at Iringa Municipal. A total of two hundreds (200) questionnaires were administered by the researcher to women vendor and all of them (200) were fully filled and successfully returned to the researcher in time thus included in the analysis. The successfully filled questionnaires were equal to two hundreds which is 100% of the total number of administered questionnaires. The data collected were analyzed through percentages and frequencies in which the data were presented in table formats and charts which were obtained using Excel and some using SPSS (Statistical Package for Social Science). The study was conducted during June 2023 through September 2023.

3. 0 Results and Discussion of the Findings

The following are the results obtained from primary data which were collected through questionnaires and interviews. Some of the questions in the questionnaire were general questions apart from the objective questions and their results are as follows:

3.1 Demographic Information

3.1.1 Age of the Respondents

The study received different responses from respondents of different age groups as shown in the table 1; Table 1: Ages of the Respondents

Age	Frequency	Percent
18-25	26	13
26-35	44	22
36-45	61	30.5
46-55	56	28
>55	13	6.5
Total	200	100

Table 1, indicates that the study encompasses a wide age range, from 18 to over 55 years. This inclusivity suggests that the research has attempted to capture a diverse set of perspectives and experiences, which can enhance the robustness and representativeness of the findings. The data indicates that a significant portion, approximately 80.5%, of the respondents fall within the age range of 26 to 55 years. This age group is often considered the most active in terms of economic and social activities which implies that the research primarily targeted the economically active population.

3.1.2 Marital Status of the respondents

The study received responses from respondents with mixed marital status as shown in the table 2

Table 2: Marital Status of Respondents

Marital Status	Frequency	Percent
Single	41	20.5
Married	100	50
Divorced	33	16.5
Widowed	26	13
Total	200	100

Findings from above table 2, shows different marital status categories in the survey data and highlight that marital status can significantly impact financial behavior. This is particularly important in the context of women vendors, as their financial needs and priorities may vary depending on their marital status. The fact that 50% of the respondents are married suggests that a significant portion of women vendors may have shared financial responsibilities and commitments. This can affect their financial decisions, including savings and investment choices, which may be influenced by family goals and obligations. The 16.5% who are divorced and the 13% who are widowed may face unique financial challenges. These groups may have to manage their finances independently, which could impact their savings strategies and the need for financial inclusion services tailored to their circumstances. While single respondents make up 20.5% of the sample, it's worth considering how this group's financial behaviors and needs may differ from those in married, divorced, or widowed categories. Singles may focus more on personal financial goals, and understanding their financial needs is crucial for designing effective financial inclusion programs. That distribution of marital status among respondents has important implications for understanding the financial behavior and needs of women vendors in Iringa municipality. It underscores the need for tailored financial services, financial education, and policy considerations to cater to the diverse circumstances and priorities of these women based on their marital status.

3.1.3 Education Level of Respondents

The study received responses from respondents with mixed level of education as shown in the table 3.

Table 3: Education Level of Respondents

Level of Education	Frequency	Percent
No formal education	5	2.5

Primary Education	35	17.5
Secondary Education	74	37
Vocational Training	32	16
Tertiary education	54	27
Total	200	100

The distribution of responses from respondents with mixed levels of education, as shown in Table 3, has several implications for the study, particularly in the context of financial inclusion and savings among women vendors in Iringa municipality. The varying levels of education among the respondents suggest that financial literacy and awareness may differ among these groups. Higher levels of education are often associated with a better understanding of financial concepts, which can impact financial decision-making. Women vendors with higher levels of education, such as secondary or tertiary education, may have better access to and understanding of formal financial services. This could affect their ability to engage in savings and investments. The results indicate that a substantial proportion of women vendors have at least a primary school education. This presents an opportunity to provide targeted financial education and literacy programs to enhance their financial decision-making skills.

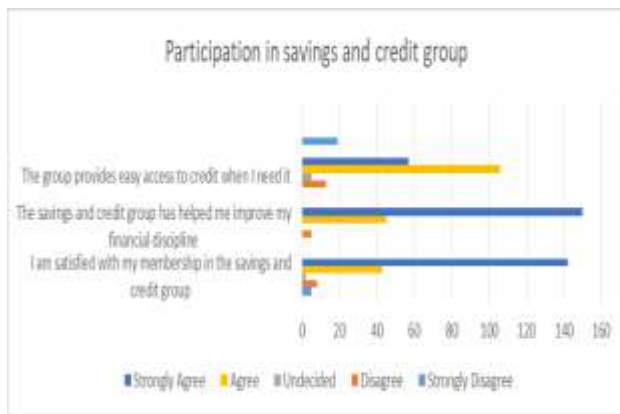
3.1.4 Experience of the respondents

Respondents were asked to respond to the question ``how many years have you been a vendor in Iringa municipal? The response from the majority ranges from 5years to 10 years. This result has several implications for the study: (i) Vendors with 5 to 10 years of experience likely have a considerable level of expertise in their trade. This experience can influence their financial behavior, business strategies, and savings habits,(ii) The fact that a significant portion of vendors falls within this range might indicate a level of stability in their businesses. This stability can be a positive factor when considering financial inclusion and savings, as more stable businesses may have a higher capacity for savings and investment and (iii) Vendors with 5 to 10 years of experience may have valuable insights to share with newer vendors. This presents an opportunity for mentorship and knowledge sharing within the vendor community. **3.2 Participation in savings and credit group**

The respondents were asked to rate the given statements based on their experience in savings and credit groups. Chart

1, represents the findings and the discussion of the findings follows

Chart 1: Participation in savings and credit groups



3.2.1. I am satisfied with my membership in the savings and credit group.

Field findings from chart 1, showed that a significant majority of the respondents, approximately 71%, indicated that they "Strongly Agree" with their membership in the savings and credit group. This high level of satisfaction is noteworthy and suggests that the majority of respondents find value in their membership. When combining the "Agree" and "Strongly Agree" responses, a total of 92.5% of the respondents express satisfaction with their membership. This overwhelming positive sentiment reflects well on the effectiveness and perceived benefits of these savings and credit groups among women vendors in Iringa municipality. Only a small percentage, 6.5%, of respondents either "Disagree" or "Strongly Disagree" with their membership. This suggests that there may be a minority within the study population who are not satisfied with their participation, and it's important to explore their reasons for dissatisfaction. A very small proportion, 1%, of respondents indicated that they were "Undecided" about their satisfaction with the group. This indicates that the majority of respondents have a clear opinion about their membership. The high satisfaction levels with savings and credit groups are positive for financial inclusion efforts. Satisfied members are more likely to actively engage with the group, utilize its services, and potentially improve their financial well-being. This aligns with the goal of promoting financial inclusion and savings among low-income households.

3.2.2 The savings and credit group has helped me improve my financial discipline

Referring to chart 1 results, an overwhelming majority of respondents, 97.5%, agreed that the savings and credit group has helped them improve their financial discipline. In fact, 75% "Strongly Agree" with this statement, indicating a very strong positive impact on their financial behavior. This finding highlights the significant role that these groups play in

enhancing the financial discipline of women vendors in Iringa municipality, which can lead to more responsible and effective financial management.

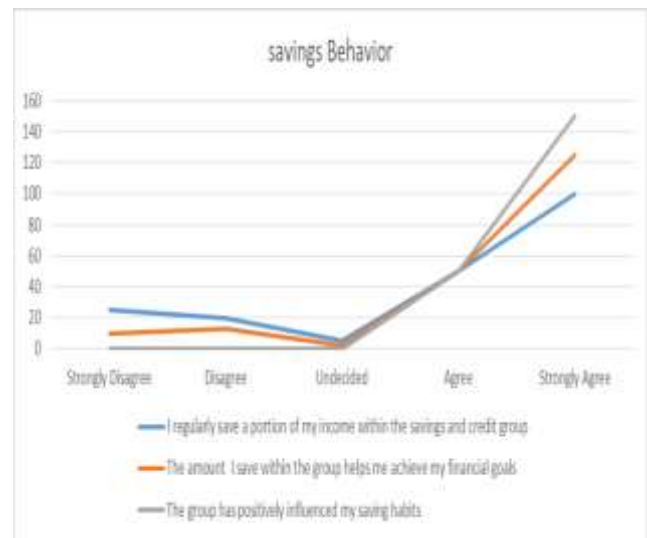
3.2.3 The group provides easy access to credit when I need it

The field findings as observed in chart 1, shows that the responses to this statement indicate that there is a diverse range of opinions regarding the ease of access to credit from the savings and credit group. While a substantial portion, 81.5%, either "Agree" or "Strongly Agree," some respondents, 16% ("Disagree" and "Strongly Disagree" combined), expressed challenges or concerns about access to credit. This suggests that improvements might be needed to make credit more accessible to all members, including those who face difficulties.

Overall the findings suggest that members of the savings and credit groups are highly satisfied with their membership, credit access is generally perceived positively but with room for improvement, and these groups have a significant positive impact on improving the financial discipline of women vendors in Iringa municipality.

3.3 Savings Behavior

The respondents were asked to rate the given statements based on their experience in savings and credit groups. Chart 2, represents the findings and discussion of the findings follows. Chart 2; Saving Behavior



3.3.1 I regularly save a portion of my income within the savings and credit group

Field result as displayed in chart 2, shows that a significant majority, 75%, of respondents either "Agree" or "Strongly Agree" that they regularly save a portion of their income within the savings and credit group. This suggests that these groups are effective in encouraging their members to save a portion of their income. A smaller percentage, 12.5%, expressed some level of disagreement, indicating room for improvement in promoting savings among all members.

3.3.2 The amount I save within the group helps me achieve my financial goals

Field results as indicated in chart 2, shows that the majority of respondents, 87.5%, either "Agree" or "Strongly Agree" that the amount they save within the group helps them achieve their financial goals. This is a positive finding, indicating that the savings and credit groups are contributing to the financial well-being and goal attainment of their members. A small percentage, 11.5%, expressed some level of disagreement, suggesting that there may be room to enhance the effectiveness of savings in helping members achieve their financial objectives.

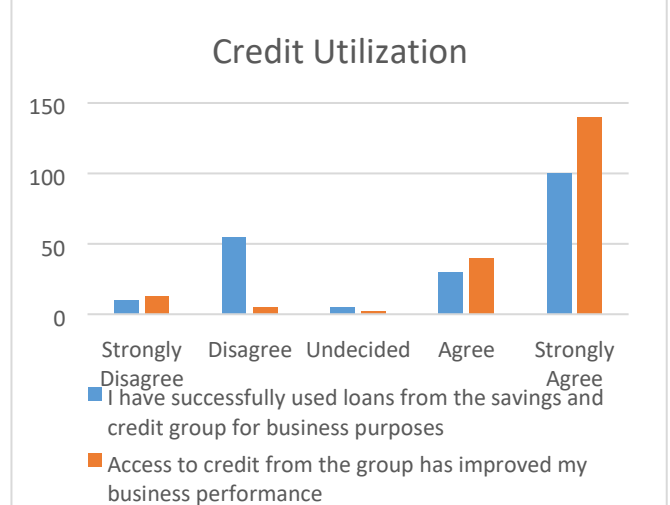
3.3.3 The group has positively influenced my saving habits

This statement shows that a significant majority, 75%, "Strongly Agree" that the group has positively influenced their saving habits. An additional 25% "Agree," resulting in a unanimous positive response to this statement. This indicates that the savings and credit groups have a strong and positive influence on the saving habits of their members, as no respondents expressed any form of disagreement.

These findings suggest that the savings and credit groups have a positive impact on their members' saving habits and ability to achieve financial goals. These groups effectively encourage regular savings, and the majority of respondents feel that their saving habits have been positively influenced. However, there is room for improvement in some areas, as indicated by the small percentages of disagreement or uncertainty in the responses.

3.4 Credit Utilization

The respondents were asked to rate the given statements based on their experience in savings and credit groups. Chart 1, represents the findings and the discussion of the findings follows



3.4.1 I have successfully used loans from the savings and credit group for business purposes

The responses to this statement as shown in chart 3, show that a majority, 65%, either "Agree" or "Strongly Agree" that they have successfully used loans from the savings and credit group for business purposes. This suggests that these groups play a valuable role in providing access to credit for business needs. However, a significant portion, 32.5%, expressed some level of disagreement, indicating that there may be challenges or areas for improvement in facilitating loans for business purposes.

3.4.2 Access to credit from the group has improved my business performance

The result as indicated in chart 3, suggests that a substantial majority, 90%, either "Agree" or "Strongly Agree" that access to credit from the group has improved their business performance. This is a positive finding, indicating that these savings and credit groups have a strong impact on the business performance of their members. Only a small percentage, 10%, expressed any level of disagreement or uncertainty in their response.

The findings indicate that access to credit from the savings and credit groups has a positive impact on business performance, as most respondents reported improved business performance. However, some respondents expressed challenges or issues related to successfully using loans for business purposes, indicating the need for potential improvements in this aspect.

3.5 Financial Inclusion

The respondents were asked to rate the given statements based on their experience in savings and credit groups. Chart 4, represents the findings and discussion of the findings follows

Chart 3; Credit Utilization

Chart 4; Financial Inclusion



3.5.1 Since joining the group my access to formal financial services (e.g., banks) has improved

The responses to this statement as indicated in the chart 4, shows that a significant majority, 70%, either "Agree" or "Strongly Agree" that their access to formal financial services, such as banks, has improved since joining the savings and credit group. This suggests that these groups have a positive impact on expanding access to formal financial services for their members. However, there is a notable portion, 30%, who expressed some level of disagreement or uncertainty, indicating that there may be room for further improvement in this area.

3.5.2 The group has enhanced my financial literacy and ability to manage my finances

Field results as indicated in chart 4, it suggests that a substantial majority, 85%, either "Agree" or "Strongly Agree" that the group has enhanced their financial literacy and ability to manage their finances. This is a positive finding, indicating that these savings and credit groups play a valuable role in improving the financial literacy and skills of their members. Only a small percentage, 11%, expressed any level of disagreement or uncertainty in their response.

The findings above regarding financial inclusion suggest that joining the savings and credit group has positive effects on members' access to formal financial services and their financial literacy and financial management skills. These groups are perceived as contributing to the financial wellbeing and knowledge of their members, although there is still room for improvement, especially in expanding access to formal financial services for all members.

4.0 Conclusion

Based on the findings from the responses to the statements provided the result indicates that savings and credit groups have a significant positive impact on the financial well-being and financial behavior of women vendors in Iringa municipality. These groups are effective in promoting savings,

improving access to credit, enhancing financial literacy, and expanding access to formal financial services. However, there are areas where further efforts and enhancements can be made to ensure that all members benefit from these services. Overall, the findings support the value and effectiveness of these groups in promoting financial inclusion and improving the financial lives of women vendors in the region.

5.0 Recommendation

The study recommended that policymakers, financial institutions, and community-based organizations, should highlight the significance of SCGs as a catalyst for women's financial inclusion and economic empowerment. Understanding the impact of these groups can drive the design of more targeted and effective interventions to support the financial inclusion and socioeconomic advancement of women vendors not only in Iringa but in similar contexts globally.

6.0 ACKNOWLEDGMENT

First and foremost, I am deeply thankful to the management and staff of Iringa municipal Council, Tanzania, for their unwavering support and cooperation throughout the data collection process. Their insights and willingness to share their experiences were invaluable to the success of this research. I am also indebted to the management of Ruaha Catholic University who provided financial support, to accomplish this study.

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