

## THE ROLE OF VILLAGE COMMUNITY BANKS (VICOBA) MICROCREDITS IN PROMOTING SUSTAINABLE MICRO AND SMALL SCALE INDUSTRIALIZATION IN KILIMANJARO REGION, TANZANIA

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### ABSTRACT

*This study examined the role of Village Community Banks (VICOBA) microcredits in promoting sustainable micro and small scale industrialization in Kilimanjaro region, in Tanzania. Sustainable industrialization is linked to VICOBA clients' sustainable livelihood. Therefore, the study applied the Sustainable Livelihood Approach (SLA) to study the role of VICOBA microcredits on promoting the micro and small scale industrialization in Tanzania. The data were collected from 24 VICOBA leaders and clients through focus group discussion technique in Kilimanjaro region. The data were analyzed using content analysis where the role of VICOBA microcredits in promoting sustainable industrialization and challenges limiting the same were categorized as themes for the study. The findings from the study revealed that VICOBA microcredits have played the following roles on the promotion of sustainable micro and small scale industrialization in Kilimanjaro Tanzania: Supporting the production of raw materials, act as a source of entrepreneurial industrial ventures and facilitate training in industrialization matters. Also, the study revealed that the challenges faced by micro and small scale industries owned by VICOBA members were low productivity, unreliable markets for the products, low trust by the community and inadequate capital. The paper recommends that the government of Tanzania should support VICOBA clients to promote their contributions to the industrialized economy in Tanzania. This also will activate the sustainable livelihood of VICOBA clients.*

**Keywords:** VICOBA Microcredits, Micro and Small Scale sustainable Industrialization, Tanzania

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## INTRODUCTION

### Background Information

#### Introduction

Tanzania's economy is mostly depending on agriculture which accounts for 28.7% of GDP, provides 85% of export, and employs about 65% of the workforce (NORDEA, 2020). Currently, the Government of Tanzania (GoT) is implementing the industrialization agenda which matches with Tanzania Development Vision 2025 and Sustainable Development Goals (SDGs). The agenda and vision, among other things, emphasize the development of a strong and competitive economy and also promotes the establishment of production and agro-processing industries. Therefore efforts towards micro and small scale revamp in Tanzania economy are also aligned with the promotion of agro-based industries (URT, 2011).

### Status of Industrial Development in Tanzania

According to NORDEA (2020), Tanzania's industrial sector contributes 25.1% to the GDP and it employs approximately 7% of the workers. The Manufacturing, processing and assembling industries constitute about 55%, 40% 5% respectively. URT (2020) avowed that from 2015 up to April 2020 Tanzania has established 8,477 new industries.

According to URT (2011), micro and small scale industries are those with less than 5 and 49 employees respectively. URT(2011) further declared that 88% of industries in Tanzania are micro scales which operate in the informal sector and lack the recognized working premises. Micro and small scale industrialization form important components of the industrial sector because they employ the majority of citizens in developing countries since they demand intensive labour and less capital. In Tanzania, small scale industries contribute to the national economy and livelihood improvement of individuals (Mtatifikolo, 1998). Kamuzora (2013) reported that despite the production and marketing challenges facing the micro and small scale industries, there is potential for the establishment of sustainable and lucrative agro-processing small scale industries in Tanzania.

### ***Industrialization in Kilimanjaro Region***

Kilimanjaro region is one of the regions whose economy is based on agricultural activities (crops, livestock and fisheries), and which accounts for 60% of the regional GDP. The region is potential for coffee, wheat, and mixed crops (for example, paddy, maize, finger millet, beans, groundnuts, and horticultural crops) production. Other economic activities in the region include forestry, livestock keeping, fishing, mining, tourism, business, artisan, formal employment and industrial activities (URT, 2017).

Kilimanjaro was among the regions with a high number of industries in Tanzania after independence. However, some of the privatized industries in the region after Tanzania’s adoption of the trade liberalization and privatization policy in the 1990s became obsolete. Restoration of industries in Kilimanjaro region began in December 2017 and up to March 2020, about 113 industries were revamped. Among these industries, 80 are micro, 26 are small, 4 are medium and 3 are large. These industries have the capital worth Tanzanian shillings (TZS) 3.8 billion and have employed 912 staff (URT, 2020). Table 1.1 indicates the composition of the industries in the Kilimanjaro region in each council up to March 2020. URT (2020) indicates seven industries are still not operating due to various factors such as lack of raw materials, importation of products from foreign countries, low use of technology and competition from foreign products.

***Table 1: Composition of industries in Kilimanjaro region up to March 2020***

S/N	Council	No of industries before Nov 2017	Council Target	Industries established from Nov 2017- March 2020	Percentage of target’s implementation	No of employments produced	Capital used (TZS million)
1	Siha	70	15	17	113.3	396	877.8
2	Hai	14	14	10	71.4	54	263
3	Moshi MC	71	15	24	160.0	155	380
4	Moshi DC	11	14	15	107.1	170	618
5	Rombo	76	14	14	100.0	51	621
6	Mwanga	36	14	17	121.4	45	733.5
7	Same	9	14	16	114.3	41	314.5
	Total	287	100	113	113	912	3,813.8

Source: URT (2020)

### ***Types of Microfinance institutions in Tanzania***

In Tanzania, financial services are offered by the financial institutions such as the commercial banks, community banks and microfinance institutions. The financial institutions are categorized into formal, semi-formal and informal financial institutions. The services offered by the financial institutions include savings, loans, remittances, insurance and training services, business guidance, market support and clients’ consultation (Kessy & Urrio, 2006).

### ***Status of Micro Financing in Tanzania***

After the introduction of microfinance policy in 1995, the Tanzanian government has integrated microfinance institutions (MFIs) in poverty eradication strategies. MFIs play an essential role in promoting enterprise development in Tanzania. In this way, MFIs enable access to microcredits and hence they promote investment, create employment

and reduce the poverty (Kaseva, 2014). However, the focus of this study is to assess the contribution of microfinance institutions (MFIs), particularly VICOBA on the promotion of micro and small scale industrialization in Kilimanjaro. According to Social and Economic Development Initiatives of Tanzania (SEDI, 2008), Village Community Banks (VICOBA) are grass root-based lending schemes from which members contribute their monetary resources and then loans are issued based on contributions of members. VICOBA operate from the grassroots level and serve peripheral residents who have small or no access to formal financial institutions. According to Kihongo (2005), VICOBA were pioneered in the 2000s in Zanzibar by CARE International in Tanzania but later they multiplied to different areas of Tanzania mainland.

In Africa, VICOBA were established for the first time in Niger in 1991 and they were known as *Mata Masu Dubara*, meaning “women in the move” (Kitomari & Abwe 2016). This implies that initially, VICOBA aimed at promoting the development of women. According to Vodacom (2019), VICOBA in Tanzania are approximated to be 50,000 groups of VICOBA with about 4.4 million clients and the capital of 1.5 Trillion Tanzanian Shillings (TZS). Furthermore, Kessy *et al.* (2016), argued that VICOBA serve the majority of the poor in Tanzania who are not served by formal financial institutions. Similarly, Kihongo (2005) argued that VICOBA target poor people living in remote areas of whom the majority cannot access the formal financial services. According to SEDI (2008) the number of members in a standard VICOBA group is 30, although others have less or more members. Usually, each VICOBA group is established after being trained on how to operate and comprises the group leaders who oversee the group. Furthermore, VICOBA are guided by-laws agreed by all group members.

VICOBA help their members by providing savings opportunities, training, loans, insurance services and connect members to access other opportunities such as health insurance and legal services (Bakari, Magesa, & Akidda, 2014; Magali, 2018). VICOBA also strengthen the management of scarce financial resources and risks. SEDI (2008) proposed VICOBA as a tool for poverty alleviation in Tanzania. According to the Ministry of Finance (MOF, 2009), VICOBA members through training in various fields and loans disbursement, have improved food adequacy, housing, education and health services. Moreover, VICOBA have enabled access to loans and promoted the participation of members in economic activities. This study applied the Sustainable Livelihood Approach (SLA) to link the role of VICOBA on industrialization because the literature indicates that VICOBA have played the important role on livelihood and hence may act as a catalyst for sustainable industrialization and clients’ livelihood as well.

### ***Microfinance and Industrial Development***

The studies which link the microfinance and industrial development in Tanzania and elsewhere are scanty. Several studies (such as Muiruri, 2014; Sayed & Trivedi, 2015; Geoffrey & Emenike, 2018) links the microfinance institutions (MFIs) and Micro, Small and Medium Enterprises (MSMEs) development. For example, Sayed and Trivedi (2015) proclaimed that MSMEs trigger industrialization of rural and backward areas in India but the major focus of the study was the role of Microfinance Institutions in MSMEs Development. Mtatifikolo (1998) debated on how small-scale industries promoted employment and earning in developing countries, specifically in Tanzania. Okafor, Oleribe and Mbah (2010) declared Microfinancing effectively provided advisory services and enhanced the employability of SMEs operators in Nigeria. However, the study concluded that the government failed to recognize the role of MFIs in Nigerian industrial policy and this decelerated industrial development in the country.

The literature which has assessed the role of the financial sector in industrialization such as Okafor, Oleribe and Mbah (2010) and Ewetan and Ike (2014) in Nigeria and Shahbaz, Bhattacharya and Mahalik (2017) in India and China did not examine the role of informal MFIs on industrialization. Therefore, this study examined the roles of informal MFIs (VICOBA) microcredits in promoting micro and small scale industrialization in Kilimanjaro, Tanzania.

### ***Problem Statement and Justification***

MFIs in Tanzania provide small loans to their clients, create employment opportunities and build borrowers ‘capacity in the field of loans, entrepreneurship and management (Mlowosa, Kalimang’asi and Mathias, 2014). Since the MFIs serve the rural and dwellers, they are potential for catalyzing the industrial thrive in Tanzania. URT (2017) declared that the Kilimanjaro region is potential for the establishment of agro-industrial by-products such as animal feeds, cereals and oilseeds where the agricultural raw materials are available in plenty. The same study further asserted that youths may use small scale and medium-sized industries as an opportunity to employ themselves and curb the problem

of land scarcity in the Kilimanjaro region. This is because the majority (65%) of people in Tanzania are employed in the agriculture sector. However, URT(2017) did not ascertain the role of MFIs microcredits in promotion of micro and small-scale industrialization in Tanzania. This could be essential since the majority of Tanzania have access to VICOBA microcredits because of their spread and this could make the notion of industrialized Tanzania sustainable because many of Tanzania would participate in the industrialization process. The literature review similarly indicates that none of the studies has studied the role of microfinance institution microcredits (particularly VICOBA) on stimulating the industrialization in Tanzania.

### ***Objectives***

Therefore, this study is designed to assess how VICOBA microcredits promote micro and small scale industrialization and it also examines the challenges facing the VICOBA clients when operating the micro and small-scale industries in Kilimanjaro region.

### ***Research Questions***

Subsequently, the study is seeking to answer the following questions: what is the potentiality of VICOBA microcredits in promoting the micro and small scale industrialization in Tanzania? What are the challenges the VICOBA micro and small scale industrial owners/borrowers face when operating the micro and small scale industries and what are the recommended solutions to the challenges?

### **The Literature Review**

#### **The role of VICOBA on Industrialization and Sustainable Livelihood Approach (SLA)**

This study linked the concepts of VICOBA microcredits and sustainable industrialization in Tanzania. The study finally contributes to the Sustainable Livelihood Approach to clients who borrowed microcredits from VICOBA to operate micro and small-scale industrialization in Kilimanjaro region. Hence, in this study, no theory was applied. The SLA was applied because the author perceives that VICOBA has potential to make the sustainable contribution to micro and small-scale industrial thrive in Tanzania and hence the sustainable livelihood to borrowers who are also the micro and small scale industrial owners. According to Simandan (2009), industrialization refers to a set of economic and social processes which results in more efficient ways for the creation of value. Efficient creation of value catalyzes the sustainability of the process through the use of microcredits. These efficient ways are categorized into primary sector embracing economic activities such as agriculture, hunting, fishing and resource extraction and the tertiary sector, which is comprised of services. Ogbuabor et al., (2018) asserted that industrialization assists in the generation of employment, reduction of poverty and improvement of living standard. Hence, industrialization is crucial for promoting economic growth because it enables the efficiency and effective utilization of natural resources. It enables also the availability of both consumable and non-consumable goods (Abdin, 2015). The government of Tanzania has an ambition of creating millions of jobs for youths and build a modern economy. Therefore, to reach the Government's objective of becoming a Middle-Income country by 2036, it sensitizes investors to build industries in Tanzania (Mufuruki et al. 2016). However, the government strategy of industrializing Tanzania is not linked with microcredits provision by MFIs.

Morse et al. (2009) argued that SLA evolved since the 1990s as an intervention approach towards development. Chambers and Conway (1992) contended that sustainable livelihood is the one which can be manifested by both current and the future generation. According to Scoones (1998), capital is one of the resources which promotes sustainable livelihood. However, studies which assessed the role of SLA on the development did not link the role of financial institutions, SLA and industrialization. To mention a few, Morse et al. (2009) examined the role of village savings association in Nigeria and SLA while Petersen and Pedersen (2010) linked SLA and the role of cultural resources. Ahmed (2009) connected SLA and fish farming development while Eddins and Cottrell (2013) studied the relationship between SLA and local tourism. Furthermore, Clay (2017) and Zhao, Fan, Liang and Zhang (2019) linked the SLA and adaptive capacity to climate change and disaster management. The author perceived that the concept of SLA can be linked with the role that VICOBA microcredits play in promoting the small-scale industrialization in Tanzania.

### **The Conceptual Framework**

This study assessed how VICOBA microcredits may enhance sustainable industrialization in Tanzania. VICOBA have spread all over Tanzania and hence provides an opportunity for the majority of Tanzanians to participate in the

industrial process. VICOBA clients both in urban and rural areas borrow Microcredits from VICOBA and invest in various economic activities such as agricultural activities, small and medium business and other activities. Therefore, they may also invest their microcredits in micro and small-scale industries. The literature indicates that because of the stringent condition and using the group collateral strategies, thus VICOBA attain the average loan repayment performance of 85-98%. It implies that a large portion of the loan is repaid, hence making the investment reality. This reality encourages that the loan from VICOBA may promote the sustainable industrial move in Tanzania by making the majority of Tanzanian to participate in the process. The sustainability of industrialization is assured by the repayment of the microcredit and participation of VICOBA clients who are scattered in different parts of Tanzania. Ultimately the Sustainable industrialization will lead to sustainable clients' livelihood as indicated in figure 1.

Figure 1: The Conceptual framework



**Source: Authors' conceptualization**

**The importance of the financial sector in industrialization**

The contemporary few studies delineate the role of the finance sector on industrialization but the information on the role of microcredits on industrialization is missing. For instance, Okafor et al. (2010) found that microfinance contributed positively to the development of the industrial sector by providing cheap sources of funds to SMEs to boost the industrial activities in Nigeria. The study further found that entrepreneurship training is important for the promotion of the industrial sector because it increases industrial outputs and employments. However, the data used for the study were taken from the National Bureau of Standards of Nigeria and the types of microfinance institutions used for the study were not specified.

Shahbaz, et al. (2017) established that industrialization and urbanization lead to financial development in India and China while Ewetan and Ike (2014) revealed the long-run relationship between financial sector development and industrialization in Nigeria. Stephen and Wasiu (2013) advocated that the growth of the Nigerian national economy depended on the robustness of small-scale industries which were characterized more by private ownership while Abdin (2015) commended the importance of the small and medium enterprises (SMEs) in the industrialized economy in developing countries.

Ibbih and Gaiya (2013) reported that industrialization increases the efficient use of both labour and capital. In Tanzania industrialization is matched with the poverty reduction strategy and the vision 2025 (Ole Gabriel, 2017). The literature review designates that only a few studies have been conducted to assess the role of the financial sector on industrialization worldwide such Shahbaz et al. (2017) who focused on financial development and industrialization and Ewetan while Ike (2014) focused on financial sector and industrialization. Therefore, the paper analyzes the role of VICOBA microcredits on micro and small scale industrialization in Tanzania. Since VICOBA have spread all over Tanzania, they can promote the sustainable small scale industries in the country. While promoting this task, VICOBA also promotes sustainable livelihood for clients.

**Methodology**

This study used the case study design as the researcher assessed the role of VICOBA on small scale industrialization in Tanzania in the Kilimanjaro region. The data were collected through the focus group discussion from 11 VICOBA groups where 24 VICOBA leaders (7 males and 17 females) participated in the discussions. Participants were selected based on their capital they possessed by the X NGO. The number of interviewed participants were more than 11 because one group comprised of two or three respondents. The in-depth interview technique was used to collect the data from the respondents and the checklist was applied. Among the 24 respondents (leaders), 3 were micro-scale industries owners, and all of them were performing the farming activities. All the respondents were clients from the X NGO. The composition of groups whose members participated in the study is indicated in Table 3.1.

**Table 3.1 Groups capital and loans information**

Name of VICOBA group	Location	Total capital (shares) in TZS million	Total loans issued in TZS million
K1*	Moshi Rural	65.3	100
K2	Moshi Town	10.4	10
K3	Hai	5	3
K4	Moshi Town	3	4
K5	Moshi rural	7	7
K6	Moshi town	7.9	7.5
K7	Moshi rural	10	5.5
K8	Hai	1.2	1
K9	Moshi rural	8	7
K10	Siha	8	7
K11	Hai	6.04	4

\* The names have been concealed to maintain confidentiality

The analysis of qualitative data was done by content analysis. According to White and Marsh (2006), contents analysis categorizes the contents from the articles or texts into themes and the meaning of texts from themes are then interpreted (Busch *et al.*, 2016). The content analysis examines the frequency of occurrence of the variables' texts or the relationship between the two variables. The current study has explored the relationship between the role of VICOBA on industrialization. This is termed as 'semantic relationship exploration among variables' (Busch et al, 2016).

In this paper, the themes on the role of VICOBA microcredits on micro and small scale industrialization were categorized into supporting the production of raw materials, source of entrepreneurial industries ventures and training in industrialization related matters. These are the variables that support the sustainable use of VICOBA microcredits and hence enhance the attainment of sustainable industrialization. The sustainable industrialization led to sustainable livelihood for the clients by creating employment and made available on the consumable industrial products. Correspondingly, the challenges facing small scale industries were classified into low productivity, unreliable markets for the products, low trust by the community and inadequate capital. Acting on these challenges will promote the sustainable industrial move for VICOBA clients and hence sustainable livelihood approach for them. Since the sample size was small, only the manual content analysis was applied. The saturation test was done and confirmed that the sample size was adequate in providing the required information.

## **Results and Discussion**

### **The role of VICOBA microcredits on industrialization**

As far as industrialization promotion is concerned, through the focus group discussion, VICOBA clients and leaders provided the following roles of microcredits:

#### ***Supporting the production of raw materials***

Members asserted that since the majority of them are farmers, they produce raw materials required by small scale industries. These raw materials include strawberries, maize, peanuts, and sunflowers. One VICOBA client reported, "I borrowed a loan worth TZS 2 million from VICOBA and injected it in production of maize, which I sold to feed production industry in Hai town. The market of maize is reliable because we have signed a sales contract with the owner of the feed processing industry. In this case, he has assured that he will buy our maize. The contractual arrangement has raised the price of maize from 300 TZS to 450 TZS per kilogramme". VICOBA members asserted that the production of raw materials would not have been possible without the boost of VICOBA loans. VICOBA leaders from eleven groups who were interviewed acknowledged issuing loans to their members ranging from 5-10 million TZS while one group issued loans worth TZS 65.8 million (Table 3.1). Further, the study revealed that farmers who were members of VICOBA produced raw materials in clusters. The study, however, revealed that VICOBA

members sometimes produced low quantities of agriculture and livestock and this restricted offering them good prices since low quantities do not entertain the formal selling arrangements. Southern African Development Community (SADC, 2017) affirmed that industrialization can promote agriculture production, marketing and agro-processing in the region.

Mufuruki et al. (2016) argued that if Tanzania wants to experience rapid productivity growth, must invest in the manufacturing sector. Tanzania, like other neighbouring countries such as Ethiopia, can invest in labour-intensive light manufacturing industries, taking advantage of resources and labour availability. Tanzania has vast resources from the agricultural sector where they can process various products such as garments and textiles, foods, meat, leather and leather products. Therefore, processing and value addition for agricultural products are highly encouraged (Mufuruki et al., 2016).

### ***Source of entrepreneurial industries ventures***

VICOBA act as a source of entrepreneurial ventures because they provide a learning platform on how to establish industries. Group arrangement for VICOBA members provides opportunities for VICOBA clients to interact with many people and hence they can access the industrial venture opportunities. During the interview, VICOBA members asserted that “*we borrowed loans from VICOBA and established small scale industries for processing the poultry feeds, human food (spices, maize and banana flour, peanut butter), soap, alternative charcoal (by using newspapers, sawdust and grasses), boutique, and school bags after joining VICOBA*”. It is to say that, VICOBA groups act as a source of entrepreneurial ventures. One female member aged 45 stated that “*before joining VICOBA, I did not have any idea of establishing my small-scale industry. However, after joining the VICOBA group I met with other members who encouraged me to borrow a loan from VICOBA and I established a small scale poultry feed industry.*” Ole Gabriel (2017) proved that there is a close relationship between entrepreneurship skills and industrial development in Tanzania. This implies that, while the entrepreneurship orientation helps to initiate new industries, it also encourages new entrepreneurs to innovate new businesses.

### ***Training in industrialization related matters***

Clients acknowledged that after joining VICOBA, they have been taught various issues related to industrialization such as the importance of industrialization to individuals and economy, processing techniques, business, financial and entrepreneurship skills. Members insisted that clients who borrowed from VICOBA became active in various training than those who did not borrow microcredits. The training was provided by the government agencies such as Moshi rural livestock department on poultry and crops production and Non-governmental Organizations such as Norwegian Church Aids (NCA) who provided various training to VICOBA clients. One man, a group member aged 56 acknowledged the training provided by NGOs. “*NCA taught us the on operating VICOBA, vegetable production under drip irrigation, poultry production, marketing skills, feed processing and charcoal production. The trainings provided by NCA and other organizations make us participate actively in industrialized Tanzania and encouraged us to use the borrowed loans for the same purpose*”. Indeed, various training awoke and activated VICOBA members towards industrialization process. However, the trainings provided by projects are not sustainable when the projects phase-out. Hence, VICOBA should set aside a training budget from the individual members’ social funds. Sultan (2014) asserted that industrial clusters promote sharing of skills and expertise and promote industrialization development. Furthermore, cluster industrial strategy simplifies the training on various skills for SMEs industry owners.

### **Challenges facing the small-scale industries owned by VICOBA members**

The study found that the following challenges restrict the participation of VICOBA in industrializing Tanzania:

#### **Low productivity caused by low capital**

VICOBA members owning small scale industries that produce maize and wheat flour, the feeds’ processors and chicks’ hatchers, asserted that “*our production capacity is low because VICOBA can’t provide adequate capital for purchasing the high capacity machines*. During the study one VICOBA client in Siha district confirmed how the low capital discouraged VICOBA clients to participate actively in industrialization. “*I took a loan of TZS 1.5 million from VICOBA and invested in the boutique making but I was limited by low capital*”, one member aged 45 years stated. Also, one client from Moshi rural district confirmed to participate in small scale industries through the boost from VICOBA. “*I started to process poultry feeds after borrowing 2.5 million TZS from VICOBA but I was unable to meet the production*

*capacity because my capital was small*” she proclaimed. Hence, low capital limits VICOBA clients to participate actively in the industrialization process.

These arguments were supported by Leyaro and Morrissey (2013) and Mufuruki, et al. (2016) who asserted that the agriculture sector which is the backbone of the industrial sector in Tanzania is scourged by low productivity. The main causes of low productivity in agriculture are poor farming skills, inadequate use of irrigation and other farming technologies, high reliance on rain-fed agriculture, poor seeds’ usage, low use of fertilizers, inefficient production-marketing systems linkage, low use of post-harvest technologies, low use of extension services, small agricultural research and development budget and policies and regulations dysfunction. Taiwo et al. (2016) reported that agriculture industries in Nigeria were hindered by the availability of capital.

### ***Unreliable Markets for the products***

VICOBA members with small scale industries stated that they lack reliable markets for their products. They stated that sometimes consumers perceive that the products produced outside the country are more superior to those produced in the country. During the study one member, a woman aged 54 years stated: *“We lack selling points for our products. Selling points are very important because they would promote the collective marketing and awareness creation for buyers who demand our products”*. *“However,”* she added, *“to solve this problem, we produce small quantities and sell them at home”*. Mutalemwa (2015) revealed that unreliable product markets impinge industrial development in African countries.

### ***Low trust by the community***

One female VICOBA clients aged 50 years stated that *“I started making yoghurt products using strawberry and other ingredients and sell the products in Tanzania, but when I wanted to sell in neighbouring countries, they wanted my yoghurt to be certified. But when I went to the certification authority, I failed to fulfil the certification requirements”*. Therefore, the long procedures set by the certification authorities discourage the small-scale industry owners to continue seeking the certification for their products. Lack of certification denies the international marketability of the products produced by VICOBA small scale industry owners. Setyawan, Kussudiyarsana and Imronudin (2015) proved that brand (product) trust is very essential for effective marketing.

### **Conclusion and Recommendations**

The study concludes that VICOBA microcredits have a role to play for promoting industrialization in Tanzania because they promote the production of raw materials used in small-scale industries. VICOBA also act as a source of entrepreneurial industry ventures and a source of training and networking and hence expose members to various industrial ventures and business opportunities. However, the challenges of low productivity, unreliable markets for the products, low trust by the community and inadequate capital makes VICOBA not to play its role effectively in promoting industrialization in Tanzania.

VICOBA members recommended the government to strengthen collective marketing and support the value addition for crops which are used as raw materials for industries. The study further recommends that the government should work with VICOBA to promote the industrial drive in Tanzania because they have opportunities to offer capital for boosting the micro and small scale industries. The government may support additional capital to enable VICOBA clients to improve the existing industries or establish many new micro, small and medium scale industries in Tanzania. Moreover, VICOBA clients should conduct promotional campaigns to sensitize the Tanzanian citizens to consume products produced within their locations. The government may also assist to publicize the importance of consuming locally produced products.

Moreover, VICOBA members owning industries should not be discouraged to seek the certification of their products from the Tanzania Bureau of Standards (TBS) and Tanzania Medicines and Medical Devices Authority (TMDA). This implies that the government should simplify the products’ certification procedures as a means of rectifying the public outcry about unnecessary bureaucracy in the entire certification process. Furthermore, since VICOBA are spread to all parts of Tanzania and serve the majority of Tanzanians, the government should integrate VICOBA in industrialization policy and this could make the Tanzania industrial move more sustainable and realistic because the majority of Tanzanians who are VICOBA members participate in the industrialization process. Hence, the study concludes that

VICOBA microcredits support sustainable micro and small scale industrialization. This is possible because the majority of Tanzanians borrow microcredits from VICOBA and since the repayment rate is entertaining, it signifies that VICOBA has the potential to participate in the industrialization process. The sustainable micro and small-scale industrialization will subsequently promote the sustainable livelihood to VICOBA clients by unveiling the creation of employment opportunities and availability of micro and small scale industrial products.

Since this was an exploratory study and its focus was narrow and this may be one of the limitations of the study, the author recommends more studies to justify the role of VICOBA on industrialized Tanzania. The future study should also strive to use more advanced research designs such as mixed methods design.

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#### Table of Actions taken

Comment (s)	Actions taken
VICOBA is a financial institution. Therefore, expected benefits or role to clients ARE NOT DIRECT as expressed here!!	The title has been structured by adding the term “Microcredit” to reflect that the focus is for clients

The main issue in this paper is THE DEVELOPMENT OF SMALL-SCALE INDUSTRIALIZATION. Therefore, the introductory paragraph should be on the status of industrialization in Tanzania in general and then the status of Small-Scale Industrialization. In addition, the conceptualization of small-scale industrialization should be presented here as well.	This comment has been addressed
Introducing the paragraph on Status of Micro Financing in Tanzania	The paragraph has been introduced
Introduce the paragraph of Micro Finance and Industrial Development in Tanzania	The paragraph has been introduced
Introduce the Problem Statement and Justification, Objectives and Research Questions	The contents have been introduced
Decision on whether to use the theory or SLA	The author has decided to use SLA
Introduce the Structure, functions and objectives of VICOBA	This has been covered in the theoretical literature section
The conceptual framework section is missing	This section has been introduced
Empirical literature review concept is not well presented	The reviewer did not specify what contents to improve
Linking the concept of sustainable livelihood approach in the methodology	This comment has been addressed
Corrections of literatures	The comments has been acted upon