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Potential of Microfinance Self-Help Group Lending Approach on Street Vendors' Access to Financial Resources: Experience from Arusha, Tanzania

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Abstract

This paper aimed to assess the potential of microfinance Self-Help Group Lending (SHGL) approach on street vendors' access to financial resources. The study was conducted in Arusha district in Arusha City Tanzania. The study was guided by Social Capital Theory (SCT) and Life-Cycle Hypothesis Theory (LCHT). A cross-sectional research design was used where a Sample size was purposively selected at one point in time based on one's engagement in group lending activities. A Cochran (1977) formula was used to calculate the sample size for the unknown population where 400 street vendors were reached. Questionnaire and key informants' interviews were used to collect primary data. Quantitative and qualitative data analysis supplemented each other to enable in-depth description of the potential of microfinance SHGL approach on access to financial resources by street vendors. Findings revealed that there is a relationship between group lending and access to financial services at Pearson Correlation 0.782. However, Nature of the business of the borrowing member, individual repayment history, insufficient savings by members, entrepreneurial skills and uncertainty of the market safety and operating environment hinders group lending operations. It is recommended that local authorities and formal banking systems should open microfinance windows for small business to access financial resources to enable their business operations.

Keywords: Financial inclusion, Microfinancing and Street Vending Activities.

1. Introduction

Most of the street vendors around the globe are facing inadequate working capital to finance their operating activities (Suraiya and Noor, 2012). A study conducted by Wydick, et al., (2015) in Western Guatemala shows that commercial banks are reluctant to extend financial services to street vendors who operate their businesses in the informal economy due to possible high uncertainties. Normally, the informal economy includes people who are involved in different undertakings to earn their living such as entrepreneurs and small business operators in the unregulated environment (Lyons, 2013). Thus, the informal economy is a phenomenon which is found in almost all sectors (Kirshner, 2010). Ideally, street vendors' access to financial services is often difficult due to the fact that most of their businesses take place in an unregulated environment making it difficult for commercial banks to extend their financial services to them. Formal commercial banking operations hinders street vendors to access financial services since they have no permanent businesses physical addresses and lack formal loan collateral. Nonetheless, in recent years, the emphasis has been vested on promotion of financial inclusion. Microfinance has been suitably recognized as one of the mechanisms to promote financial inclusion and access to financial resources by vulnerable and disadvantaged groups (Singh & Padhi, 2017).

In most developing in the countries in the world, financial services accessibility is a challenge, the most vulnerable group with regard to limited access to financial resources are street vendors (Street Hawkers). Street vendors are mostly found in the cities and small towns of developing countries such as Tanzania. A study by National Association of Street Vendors in India (NASVI, 2020) indicate that the two main factors causing continuous existence of street vending activities in India are; firstly, employment deficiency attached with poverty in rural areas that pushes people out of their village in search for better life in the cities. These village-urban migrants do not possess necessary skills/education to enable them to find employment in the formal sectors and therefore work in the informal sector particularly street vending businesses. Secondly, loss of job in the formal sectors; people are forced to join the street vending activities because of loss of job in the formal sectors. This is seconded by Msoka, (2013) and Adhikari, (2012) who opined that street vending businesses are claimed to be imperative for surviving and escaping poverty in developing world. In fact, Street vending activities provide relative cheap price products, creation of employment, income generation as well as variety of new products to the general public.

Despite that various popular microfinance approaches have been widely used to enhance access to financial resources to disadvantaged segments in developing economies such as association approach, community banking approach, cooperative model as argued by Panda, (2009); Self-help Group-lending approach has increasingly been heralded as the tool for bringing financial services to the 60% unbanked population of Tanzania (Global Findex Database, (2014). The main objective of this approach is to alleviate poverty through mutual assistance among poor people (Chan, 2018). In the Self-Help Group Lending approach (SHGL), the group members use collective wisdom and peer pressure as substitute for material collateral for access to financial resources and to ensure timely repayment of credits. In fact, there are a several models for micro-credit provision; However, the SHGL approach is widely used by street vendors in Arusha district where its potential is discussed in this paper. There have been many studies that have discussed about other approaches of microfinance delivery such as Panda, (2009); Ananth, and Sabri, (2015); Levine, et al. (2017) and Chan, (2018). But there are few studies that have attempted to determine the relationship between microfinance SHGL approach and access to financial resources by street vendors and its applicability in the study area. Significantly, this paper opines potentials to the large segments of the population that are accustomed to a cash-based economy but they belong to the population having no access to formal financial sector.

2. Literature Review

2.1 Self-Help Groups Lending Approach

Self-Help Groups (SHG) are groups basically formed by a small group of people in rural or urban slum that comes together with the intention of solving their socio-economic problems (Murage and Muiru, 2016). According to the National Center for Biotechnology Information (2010) self-help might imply focusing on the individual. However, one important characteristic of self-help groups is the idea of mutual support. Self-help groups serve many different purposes depending on the situation and the need (Mgema, 2021). Often, SHG focuses on microcredit delivery to support working capital buildup of income generating activities among group members through Self-Help Group Lending Approach (SHGLA). The SHGL approach is a microfinance approach where individuals come together in a small group to resolve working capital related issues. The group helps members to access financial services that facilitate street vending and other small business practitioners.

The SHGL approach is based on four important concepts; first, unit is strength; second, united will stand and divided will fall; third, self-help is the best help and four, we can make our own bank (http://www.coop.org/). SHGL approach is linked to the social capital among group members. Therefore, the focal point of a self-established group is social capital rather than material collateral (Dunford, 2007). This is in line with what argued by Chan, (2018) that commercial banks regard these groups as are unable to afford market interest since they have no regular income, collateral and operates at higher risk of bad debt which thus exclude them from formal banking system.

2.2 Microfinance Models

In reality, the microfinance models are loosely related to each other. Most sustainable microfinancing activities have features of two or more approaches. The concept of self-help is featured in most of the microfinancing models:

Association model: According to Mmasa (2018) argued that association model targets initiating community which forms an association. Associations compose of youth, men and women and form around socio-religious-cultural issues. Ideally, the association create support for microenterprises such as street vending activities and other work-based issues.

Community banking model: This assumes that the whole community is one unit. Community banks are originated and capacitated by intermediaries such as NGOs and other organizations. The established community bank perform as a formal or semi-formal financial institution through which microfinance products and services are provided to the members of the community bank (Singh and Padhi, 2017).

Co-operative model: the International Cooperative Alliance (ICA) defines cooperative as autonomous association of people voluntarily joined together to meet their social, economic and cultural aspirations through a jointly owned and democratically controlled enterprises (http://www.coop.org/). Many cooperative that accepts members savings and involve lending activities in their mandate are considered to be financial cooperatives commonly known in Tanzania as Savings and Credit Co-operative Societies (Mgema, 2021) and (Ndiege, et al., 2014).

2.2 Empirical Studies

Wydick, et al., (2015) investigated an innovative approach by looking into the role played by social networks in determining access to microfinance. The emphasize was on the role of social networks which imitated the choices made by members of the same social network (Ibid). The study findings indicated that choices were made because members confronted comparable environments, they shared a common background; they simply copied behavior of other members of the network to express conformity to the network and in obtaining a specified goal. This is applicable in financing small business practitioners who are actually ignored by the formal financial systems. The use of SHGLA diffuses irresponsible individual to the peer pressure.

A study by Muzaffar, et al., (2009) examined the relationship between small business experience and access to working capital. The results indicated that there is direct relationship between small business experiences and access to working capital. Access to working capital is the key factors that really affect sales revenue of small business owners as perceived by the vendors. Furthermore, Hermes, et al. (2010) investigated the benefits of group lending towards enhancing financial access particularly in terms of outreach using data from 435 Microfinance Institutions (MFIs) for a period of ten years (1997-2007). The study focused on the measure of sustainability by looking into the relationship between cost efficiency of MFIs and the depth of outreach measured by the average loan balance to the number of clients reached. The study shows that there is cost efficiency depending on how actual lending costs are close to the best-practice lending group would have been in case it produces group output under the same conditions.

Additionally, the Agriculture Finance Markets Scoping Survey (AgFiMS, 2011) found that out of 519 450 reached agri-business Street vendors, only 168 300 (32%) accessed formal financial services. The study indicated that approximately 13% of street vendors were informally served and slightly over 54% were totally excluded from financial system. This is in line with the Micro Small and Medium Enterprises Survey (MSME Survey, 2010) which found that 620 000 (20%) of the total 3.1 million street vendors in the country are served by formal financial institutions, 12% use informal means and the biggest proportion nearly 70% are excluded from the mainstream. These studies show that given finance constrains among unbankable groups, group lending mechanism has been realized as one of the viable approaches to reach the disadvantages groups such as street vendors and provide credits and other financial services.

2.3 Theoretical Framework

2.3.1 Social Capital Theory

Mimouni, (2012) suggested that there are two socio-economic elements that explain how social capital produces economic returns. The first focuses on social capital as the pool of resources engrained in an individual's social network. Thus, all social ties have an identical role mobilized to achieve a certain outcome. The second element explains social capital in terms of actual use. Economic returns are driven by the social capital rooted in the ties that are linked to achieve a certain outcome (Putnam, 1995). This theory emphasis on the connection between social capital and resources rooted in social network and joint liability to reduce information asymmetries (Hermes and Lensink, 2007).

Joint liability is an effective maneuver to evade misinformation because it incentivizes group members to use their social bonds embodied in their social capital to screen, monitor, and enforce peers in case of loan repayment (Juarez, 2012). In particular, the borrowing group act as a guarantor for each other's loans. The formed group use available information to monitor each other to ensure that borrowing members are using the loan for the promised income-generating purposes to avoid strategic default. However, (Schicks, 2013) opined that to preserve their social capital, group members curb their own moral hazard behavior. Therefore, joint liability among group members provides social collateral. The relationship between SHGL approach and access to financial services have been used in empirical studies to measure the intensity of social ties.

2.3.2 Life-Cycle Hypothesis Theory

The Life-Cycle Hypothesis theory was introduced by Modigliani and Brumberg (1954). The theory implies that individuals maximize utility by planning small savings and consumption such that lifetime consumption is as smooth as possible. Access to credit has the capacity to strengthen the individual financial position and can contribute positively towards wealth creation and capital buildup. Yumna, (2019) opined that group individual purse to smoothen consumption throughout their lifetime by borrowing when their income is low and regular saving when their income is relative stable. This implies that, there is a relationship between savings in a SHG and access to credit finance in social economic groups. According to Mgema, (2021) lending co-owner through SHGs facilitates consumption where rational consumer use credits to maximize utilities (working capital) in a slogan "United we stand and divided we fall" under self-established group formation.

3. Methodology

This study adopted a cross sectional research design to obtain information from interested population at one specific point in time (Kothari, 2014). Data were collected from respondents at a single point in time which saved time as well as financial resources (Littlefield, et al., 2013). The study was conducted at Arusha district as the district is highly populated and increasingly presence of street vendors which enabled responding to the objectives effectively. Arusha district is found in the Northern part of Tanzania, it covers about 59km2 area with a population of more than 1 144 739 according to the 2012 census (https://www.nbs.go.tz/). The number of street vendors' population intended for the study was unknown because the district street vendors' council register was not available. However, district annual performance reports (2019) showed that there are more than 10 000 (ten thousand) street vendors in the study area. Basing on this fact, the sample size was selected following the formula developed by Cochran (1977) for large Populations (ten thousand and above) where a sample of 370 or more respondents is acceptable. In this study, 400 street vendors were reached. This increase data reliability and validity of this study.

Primary data were collected from street vendors using pre tested questionnaires. The questionnaire was purposively distributed to street vendors who were in SHGs. Key informants' interview was conducted where interview guide was designed to give the respondents freedom to express their views on the relationship between SHGL approach and access to financial resources. Primary data collection processes were undertaken amidst the COVID-19 global pandemic observing all necessary measures to contain the spread of the virus. Documentary review was used to source secondary data from published scholarly articles. The Study key words: Self-Help Group Lending, street vendors and financial resources was used to search for scholarly published articles related to this study. Non-scholarly articles and grey literature was also used to get insight of the main focal points of the study. Grey literature normally provides data not found within commercially published literature Paez, (2017). This helped to reduce publication bias and fostered a balanced picture of available evidence.

Data were analyzed using IBM SPSS Statistics v23.0.0. Quantitative and qualitative analysis supplemented each other in the analysis to enable in-depth description of the potential of microfinance SHGL approach and access to financial resources by street vendors.

4. Findings and discusions

4.1 Demographic Characteristics of Street Vendors in Arusha City

Findings indicates that 69% of respondents were within the age bracket of 16 years and 36 years. Those above 36 years comprises of 31% of the total respondents. The fact behind this trend is due to the nature of the work. Those above 36 years are becoming less active compared to young individuals below the age of 36. Most of street vendors are younger because they have energy to move around selling goods. This is in line with Fin Scope (2013) that the youth aged below 30 years are more included by 48.1% in street vending activities. In addition, Msoka, (2016) opined that street vending business is undertaken mostly by the young entrepreneurs because of their high energy levels in relation to the nature of the work. The National Financial Access Framework of 2014/2016 considers financial access for working adults starting from the age of 16 years and above. This justifies the reliability of the collected data.

Furthermore, education is the most cited reason for accessing financial services. This ensures proper monitoring and record keeping practices among loan beneficiaries. This study findings shows that 85% (340) of street vendors in the study area have primary education. This implies that most of them are relatively uneducated because of social, cultural and economic factors. Education is of great concern with regards to access to financial services. Fin Scope (2013) suggested that people with primary education or less are more excluded from accessing financial resources by the mainstream financial service providers by 87.6%. It is from this perspective they decide to form groups that helps to access financial services using social capital and therefore pool resources through savings mobilization rooted in an individual's social network (Mimouni, 2012).

4.2 Street Vending Activities and Access to Working Capital

Table 1: Status of Street Vending Activities in the study area

Category	Response	Percentage
Cosmetics	160	40%
Fruits	41	10.25%
2nd Hand Clothes	40	10%
Footwear	40	10%
Vegetables	48	12%
Newspapers	38	9.5%
Mixture of products	33	8.25%
Total	**400**	**100%**

Source: Researcher's Survey Data, 2021

Findings shows that 160 (40%) of respondents were selling cosmetics, 41 (10.25%) were selling fruits, 40 (10%) selling second-hand clothes and footwear were 40 (10%). 48 respondents (12%) were selling vegetables and 38 (9.5%) were selling newspapers and 33 (8.25%) were selling a mixture of other types of products. This indicates that most selling products are cosmetics. This is supported by Karthikeyan and Mangaleswaran, (2013) that most of the activities undertaken by street vendors are the most selling stuffs which include cosmetics, footwear and newspapers. In order for them to remain competitive, they opt to retail goods that moves faster in the sales volume. However, their growth is limited due to inadequate working capital and access to financial resource which. This hinders them to grow and expand their business as their total working capital is small compared to sells.

Working capital is a significant factor for any business success. Working capital inadequacy is the major barriers to street vending businesses success as well as other micro-enterprises initiatives (Kaur, 2014). The most reliable and affordable source of working capital among marginalized segment of the economy is through SHGL approach. This is in line with what argued by Indira (2014) that SHGL approach mitigate cost of funds through imposing reliable and affordable interest rate where members are the capital contributors and users of the services provided by the group.

4.3 The Relationship between SHGL and access to financial services

Table 2: Correlation coefficient of SHGL and access to financial services

		SHGL	Access to financial services
Group lending	Pearson Correlation	1	. 782**
	Sig. (2-tailed)		.000
	N	400	400
Access to financial services	Pearson Correlation	. 782**	1
	Sig. (2-tailed)	.000	
	N	400	400

***. Correlation is significant at the 0.01 level (2-tailed)*

The relationship between SHGL and access to financial services among the street vendors was done using Pearson's R. The findings show that there was 0.782 correlation between the SHGL and access to financial services among the street vendors. This indicates a strong relationship between SHGL and access to financial services among the street vendors in the study area. According to Fajonyomi et al., (2012) if the number of Pearson's is close to 1 indicates that there is a strong relationship between variables under consideration. For this reason, it can be concluded that there is a relationship between Pearson's r. This further shows that there is an increasing SHGL value and access to financial services which is called positive correlation.

Since the Pearson's r is positive, it can be deduced that if SHGL activities increases (first variable), and then access to financial services among the retail businesses (second variable) also increases. Sig (2-Tailed) value is 0 .001 meaning there is a statistically significant correlation between SHGL and access to financial services among the street vendors since it is less than 0.05. That further deduces that increases or decreases in group lending do significantly relate to increases or decreases in access to financial services among the street vendors. The multiple correlation coefficients (R) are a measure of the strength of the relationship between SHGL and access to financial services. In this case, R= 0. 782 or 78% tells us that there is a positive relationship between SHGL and access to financial services among the street vendors. This is in line with Life-cycle Hypothesis theory that access to credits has the capacity to strengthen positively the individual financial position and capital buildup.

4.4 SHGL approach Operationalizations and financial accessibility

It was revealed that what derived street vendors to use SHGL approach to access financial services was the opportunity to use the savings and deposits services and micro-loan products provided by the group. Modigliani and Brumberg (1954) in the Life-Cycle Hypothesis theory argue that those individuals who strive to maximize utility by planning small savings and consumption such that lifetime consumption is as smooth as possible. Through pooling resources together, group member shares their needy financial resources for the betterment of the group (Ananth and Sabri, 2015).

a) Savings and Deposits mobilization Services

Study findings indicate that group members collect themselves savings and deposits to the group for group's capital build up. The collected funds are then extended to the needy members in the form of loans (micro-loans). The group sets rule and regulations to administer the collected funds as well as setting affordable interest rate to be charged to the borrowing members on top of the borrowed funds. One respondent in an interview commented that:

"…… through group, we are able to mobilize savings from members for a given period of time in order to accumulate loanable funds. The collected amount is then issued as loans (micro-loans) to needy member(s) at a rate of 1% per month though group guarantee" [Interviewee, 2021].

This indicates that group's saving and deposit enables street vendors to save their small money in a secure place. This therefore enables the groups to use the saved money to circulate among members and generate more returns through lending microcredits to individual members of the group. According to Levine, et al., (2017) group's savings and deposit mobilization enables inter-temporal lifetime utility among group members. This is the most important function for socio-economic encourages capital accumulation through socially motivated group. The savings and deposit services provided by the group enables them to save money for future uncertainty uses (Singh and Padhi, 2017).

b) Micro-loans products

This study indicates that micro-loans are significantly used to improve members' liquidity (cash) position by investing and expanding their existing income generating activities. Through an interview another respondent commented that:

"…. Basically, I joined the SACCOS to obtain loan to in order to add up more working capital for my businesses. The amount obtained enabled me to purchase more selling stuffs and meet different money-related family needs such as paying school fees for children and meet medical expenses" [Interviewee, 2021].

This deduces that individual's liquidity position is an important element which influences decision making in development activities. Liquidity position serves as a baseline for working capital in which future progress can be assessed. Sureiya and Noor, (2012) opined that economic growth occurs when more and affordable resources can be obtained at an affordable source. This study findings shows that through SHGL approach microloans members grow economically and their living standards improves through assurance of meeting their working capital requirements. Credit may be made available to promote the accumulation of working capital (Levine, et al., 2017).

The provision of micro-loans to group members at a reasonable rate enables members to save their funds at an economic pace to enhance working capital buildup and economic development. This is in accordance with what argued by Carter and Sarangi, (2012) that groups loans are processed and provided faster and charged lower interests. The existence of SHG automatically lowers the price of processing and accessing loans. During interviews with key informants who were group leaders it was revealed that some group lending regulations, sets standard for guiding the lending activities for example; a maximum of three times the amount saved by the member is a threshold and criterion for micro-loans issues. This is in accordance with the Social Capital Theory which deduce that the lending co-owners with joint liability mitigates misinformation and increase credit repayment (Hermes and Lensink, 2007).

4.5 Emerging challenges facing SHGL in the study area

SHGL encounter operational challenges that affects their course of services delivery to group members. Konwar (2016) opined that despite SHGL approach contribution to the livelihood development of the street vendors, they are also impeded by multiple challenges which contribute negatively to their growth. In this study, group members were required to rank several factors using Likert Scale (1932) as the most emerging challenges in the group's functions such as Nature of the business of the borrowing member, member's repayment history, Insufficient savings by the members and entrepreneurial skills as shown in table 3 below.

Table 3: Ranking of the most emerging challenges in SHGL functions

S/N Statement	*SA		**A		***N		****DA		*****SD		Mean
	F	%	F	%	F	%	F	%	F	%	Score
Nature of the Business of BM	237	59.3	163	40.7	0	0	0	0	0	0	1.4
Member LR History	237	59.3	158	39.6	5	1.1	0	0	0	0	1.4
Insufficient Savings/Deposit by BM	206	51.6	150	37.4	13	3.3	26	6.6	5	1.1	1.7
Poor Entrepreneurship skills	119	29.8	132	33	57	14.3	53	13.2	39	9.9	2.4
Family/Guardian influence	132	33	132	33	22	5.5	48	12.1	66	16.5	2.5
Friend's influence	127	31.9	101	25.3	31	7.7	75	18.7	66	16.5	2.6

**Strongly Agree **Agree ***Neutral ****Disagree *****Strongly Disagree*

Source: Researcher's Survey Data, 2021

4.5.1 Nature of the Business of the borrowing member

Nature of the business of the borrowing group member determined the repayment of the loan taken. This factor had a mean score of 1.4 which is within the average score of 2.5 for the acceptance of the factor measured by Likert scale (Likert, 1932). With regard to this factor, the majority of respondents (59.3%) strongly agreed with the statement, 40.7% agreed and none of the respondents disagreed. The mean score derived from the descriptive statistics can be asserted that the nature of the business that a members engaged in, be selling cosmetics, fruits, second-hand clothes and footwear, vegetables, newspapers and/or a mixture of other types of products; largely predetermine the serving of the borrowed funds in the group. The nature of the business of the group member is peer reviewed to enhance security of the issued loan.

4.5.2 Member Loan repayment History

Findings revealed that 59.3% strongly agreed on the statement, 39.6% agreed and 1% were undecided with the statement and none disagreed. Further analysis of the mean score for the factor revealed a mean score of 1.4 which is again within the average score of 2.5 and below for the acceptance of the factor measured by Likert scale (1932). This shows that member repayment history is a predetermined threshold for issuing loans. A poor member loan repayment history affects the group's loan disbursement cycle as well as members next loan consideration. Loans are disbursed to members with good repayment history. This is in line with what argued by Mgema and Komba (2020) that factors that cause poor loan recovery in socio-economic groups are borrowers' cash flow patterns which significantly affects the loan disbursement schedule. The joint liability increases repayment performance as deduced by the Social Capital Theory (Hermes and Lensink, 2007).

4.5.3 Insufficient savings/deposits by the members

The finding shows that 51.6% strongly agreed with the statement, 37.4% agree, 3.3% were undecided, 6.6% disagree and 1.1% strongly disagrees with the statement. The mean score revealed a mean of 1.7 which is within the range of 2.5 and below for acceptance of the factor measured by Likert scale. This indicates that the challenging factor for group lending operationalization is insufficient savings and deposits made by a member in the group. This is in line with Wydick, et al., (2015) that most hinderance factor for accessing loans in socially established groups is insufficient savings and deposits invested by members. In most case savings/deposits are used as collateral for extending loans to members and reducing the risk of unpaid loan. Therefore, a member with insufficient savings/deposits in the group affects micro credit delivery in the SHGs.

4.5.4 Entrepreneurial Skills

Inadequate entrepreneurial skills among street vendors endanger the sustainability of the established groups. Findings show that 29.7% strongly agreed with the statement, 33% agreed, 14.3% were undecided, 13.2% disagreed and 9.9% strongly disagreed with the statement. Mean score was 2.4 which was also within the range of 2.5 for the acceptance of the reason measured by Likert scale (1932). Findings revealed that the fourth ranking challenge for group lending mechanism was the need for entrepreneurship skills in order to grow and manage their small business. Falla (2013) contended that majority of small business operators lack entrepreneurial skills to run their businesses. Through this SHGL approach having joined the motorcycle taxi business and groups, riders benefit from both theoretical and practical entrepreneurship skills as shown in table below.

4.6 Street Vendors Market Safety and Operating environment

The study findings show that street vendors in the study area work in unfriendly market environment lacking necessary infrastructure and services. They normally face harassment such as beating and confiscation of goods by city authorities due to their scattered nature of their operational environment. During the interview, one street vendor commented that they operate their businesses on open grounds without any shelter with limited storage facilities and lack of necessary business support services. The market safety uncertainty pushes back banks with microfinance windows from extending financial services to the street hawkers. The un-bankable nature of street vendors makes them organize themselves into groups and exercise SHGL approach. This is in line with Social Capital Theory that group lending emphasis on lending co-owners with joint liability and affordable costs (Hermes and Lensink, 2010).

5. Conclusions and Recommendations

The purpose of this study was to assess the potential of microfinance SHGL approach on street vendors access to financial resources. The study concluded that SHGL approach is one of the viable approaches to sustainable provision of financial services to the unbankable street vendors. Availability of working capital through SHGL approach contributes to better source of working capital among street vendors. There is a relationship between SHGL and access to financial services at Pearson

Correlation 0.782. Through pooling resources together, group member shares their needy resource for the betterment by savings and deposits services as well as micro-loans. However, nature of the business of the borrowing member, repayment history, insufficient savings/deposits by members, entrepreneurial skills and uncertainty of the market safety and operating environment are the emerging challenges facing SHGL approach in the study area.

It was recommended that local authorities should enhance business operating environment for street vendors to operate freely in a conducive and regulated environment. Financial regulations should be strategically and pro-actively developed to address the needs of street vendors. Street vendors should be supported with grants and encouraged to be innovative, entrepreneurial and selling quality products and impose flexible marketing strategies that make them competitive and capable of responding to uncertain market conditions. Additionally, Arusha district authority should work closely with available street vendors networks in the district, experts in financial management and entrepreneurship education and relevant development partners to develop financial inclusion related programme that suits practical based options of street vendors. In this regard, it is the researcher's suggestion that further studies be done to examine the magnitude of impacts associated with SHGL approach on loan security challenges for better microfinancing of disadvantaged groups in improving loan accessibility and alleviating loan defaulting chances.

6. Limitation of the study

With regard to the existing COVID-19 global pandemic and the nature of the street vending businesses it was hard to organize the street vendors for interviews and discussion as a measure to contain the spread of the virus. Also, during this study there was shortage of published secondary data in the study area which obligated this study to emphasize on primary data. Even though the result of this study presents the role of microfinance group lending approach towards access to financial services in Arusha district, the results cannot be fully generalized to each and every city or district as each has its by-laws and regulations that guides street vending activities.

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