Vol. 3 (Iss. 3) 2026, pp. 690-702 African Quarterly Social Science Review https://quarterlyreview.net ISSN: 3006-3493

Rural household's forms and motives of saving in Tanzania: Insight from southern Tanzania, Lindi Region in Mtama District Council

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Recommended Citation: Rwela, A. G. (2026). Rural household's forms and motives of saving in Tanzania: Insight from southern Tanzania, Lindi region in Mtama District Council. *African Quarterly Social Science Review*, 3(3), 690–702. https://doi.org/10.51867/AQSSR.3.3.56

ABSTRACT

Saving plays a critical role in improving household welfare, enhancing livelihood resilience, and supporting long-term socio-economic development, particularly in rural communities where incomes are seasonal and uncertain. This study examined the forms of saving and the motives for saving among rural households in Mtama District Council, Lindi Region, Tanzania. This study was guided by the theory of the Life-Cycle Hypothesis. The study adopted a cross-sectional research design and employed both quantitative and qualitative approaches. The target population was rural household's head in selected wards. A sample of 150 households was selected using multistage and simple random sampling techniques. Primary data were collected through questionnaires and interviews, while descriptive statistics and thematic analysis were used to analyse quantitative and qualitative data, respectively. The findings revealed that 54.7% of the surveyed households practiced some form of saving, whereas 45.3% did not save due to low and irregular incomes. The most common saving mechanisms included Village Community Banks (VICOBA), Rotating Savings and Credit Associations (ROSCAs), formal banks, livestock and other household assets, agricultural produce, and self-saving at home. Informal financial institutions, particularly VICOBA, emerged as the most preferred saving mechanism because of their accessibility, flexible conditions, and ability to provide affordable loans. The major motives for saving were smoothing household consumption, wealth accumulation, financing agricultural activities, preparing for emergencies, and house maintenance. Conversely, income uncertainty, low earnings, and large household sizes were identified as the primary constraints to household saving. The study concludes that although rural households demonstrate a strong saving culture, they predominantly rely on informal and asset-based saving mechanisms due to limited access to formal financial services. Strengthening rural financial inclusion, improving household incomes, and enhancing financial literacy would promote sustainable saving behaviour and contribute to poverty reduction in rural Tanzania.

Keywords: Financial Inclusion, ROSCA, Rural Households, Saving Behaviour, Saving Motives, Tanzania, VICOBA

I. INTRODUCTION

Saving is an important economic behavior among rural households because it enables families to smooth consumption, respond to emergencies, invest in productive activities, meet social obligations, and improve long-term welfare. In rural contexts, saving is especially important because household income is often irregular and seasonal, particularly where livelihoods depend on rain-fed agriculture, informal trade, livestock keeping, and casual labor (Mazengiya *et al*., 2022). In rural Tanzania, household saving is not limited to formal bank accounts. Many households save through informal, semi-formal, and non-monetary mechanisms, including keeping cash at home, joining VICOBA, participating in rotating savings groups, buying livestock, storing crops, purchasing farm inputs, and investing in small businesses. FinScope Tanzania is relevant for understanding these practices because it examines adult financial needs, behaviors, preferences, and service use, including formal and informal financial behavior (Mwijage, 2023). Saving behaviour among rural households is influenced by different motives, including precautionary, investment, life cycle, social, and cultural motives. Some households save for illness, funerals, food shortages, school expenses, crop failure, and other emergencies, while others save to buy farm inputs, expand businesses, purchase livestock, improve housing, or meet community obligations (Bhat *et al.*,2024)

In Tanzania, rural saving behaviour is important because many rural households continue to depend on agriculture and informal economic activities. The 2017-18 Household Budget Survey provides information on poverty, household welfare, and living standards, which is important for understanding household vulnerability and saving capacity in rural Tanzania (Ministry of Finance and Planning - Poverty Eradication Division (MoFP- PE) and National Bureau of Statistics (NBS), 2019).

Rural poverty remains a major issue affecting household saving capacity. World Bank analysis based on Tanzania's Household Budget Surveys shows that rural poverty declined from 33.4% in 2012 to 31.3% in 2018, but remained much higher than urban poverty, which implies that rural households may have strong reasons to save but limited surplus income to do so (World Bank, 2019). Financial inclusion reforms in Tanzania have expanded opportunities for households to access formal and semi-formal financial services, including mobile money, savings accounts, microfinance, SACCOS, and community-based savings groups. The National Financial Inclusion Framework 2023-2028 is Tanzania's third financial inclusion framework and aims to strengthen access to and usage of appropriate financial services across the country (Orio *et al.*, 2024; Oldiges & Cosmas, 2022)

Despite improvements in financial inclusion, access to financial services does not automatically translate into regular saving among rural households. Rural households may prefer informal saving mechanisms because they are accessible, flexible, trusted, socially embedded, and compatible with seasonal income flows, while formal services may be limited by distance, transaction costs, low income, documentation requirements, and weak financial literacy (FSD Tanzania, 2024). Mtama District Council in Lindi Region provides an appropriate study area because rural livelihoods in the wider Lindi context are strongly linked to agriculture. At District level information indicates that a large proportion of the population in Mtama District earns a living from agricultural production, with major crops including cassava, paddy, sorghum, maize, coconut, and cashew nuts (URT, 2017). Because agriculture is seasonal, households in Mtama District Council may save more during harvest and crop-selling periods and dissave during lean seasons. This pattern is consistent with the Permanent Income Hypothesis, which argues that household's base consumption and saving decisions on expected long-term income rather than only current temporary income (Friedman, 1957; URT ,2017). Rural households in Mtama may also face barriers that reduce their ability to save, including low income, illness, school expenses, loan repayment, food insecurity, weak market access, household dependency burden, and limited access to formal financial services. These barriers reflect the broader relationship between rural poverty, livelihood uncertainty, and liquidity constraints, where households may need savings most when their capacity to save is weakest (Mgangaluma et al., 2024). The study of rural households' forms of saving and motives for saving is important because saving supports livelihood resilience, poverty reduction, household welfare, and financial inclusion. Understanding whether households save through banks, mobile money, VICOBA, livestock, crops, business assets, or cash at home can help policymakers and financial institutions design savings products that reflect rural household realities (Mugizi *et at.*, 2026).

Therefore, this article examines rural households' forms of saving and their motives for saving in Mtama District Council, Lindi Region, Southern Tanzania. The study contributes to knowledge by showing how rural households combine formal, informal, and asset-based saving strategies in response to seasonal income, social obligations, livelihood shocks, and future aspirations.

1.1 Research Objective
To assess rural household's forms of saving and their Motives for Saving in the study area.

II. LITERATURE REVIEW

2.1 Theoretical Review
This study adopted the theory of the Life-Cycle Hypothesis which developed by Modigliani and Brumberg in 1954 explains that individuals and households plan consumption and saving over their lifetime. The theory argues that people save during productive years and use savings during periods of low income, such as old age, illness, unemployment, or retirement (Martini & Spataro, 2022).

In rural Mtama District Council context, the Life-Cycle Hypothesis is relevant because households have different saving motives at different stages of life. Young households may save for marriage, business start-up, farming tools, and house construction, while middle-aged households may save for children's education, farm expansion, livestock, health care, and household security. Also, the Life-Cycle Hypothesis theory was adopted because many rural households do not receive stable monthly income. Instead, household income is often seasonal and linked to agricultural production, meaning that saving may rise after harvest and decline during lean seasons.

2.2 Empirical Review
Studies on household saving generally show that saving behavior is shaped by income, education, household size, occupation, financial access, risk exposure, social networks, and household life cycle needs. In rural areas, the evidence further shows that saving is not only held in banks, but also in informal groups, livestock, crops, mobile money, business assets, and cash at home because rural households often face seasonal income and limited access to formal financial institutions (Lotto, 2022). Asfaw *et al.*, (2023) study examined saving behavior and saving intensity among pastoral and agro-pastoral communities and the findings showed that livelihood type matters in saving behavior, especially where households depend on livestock, agriculture, or climate-sensitive livelihoods that expose them to

income instability and risk. Studies on household saving motives show that households save for several reasons, including emergencies, retirement, education, investment, household assets, and social obligations. The household saving motives literature indicates that age, family size, and planning horizon influence saving motives (Maftuhin, & Kusumawardani, 2022). Education and financial literacy are also commonly identified as important factors influencing saving behavior. Studies from Kenya, Ethiopia, Uganda, and Tanzania suggest that education may improve understanding of financial products, planning ability, and use of formal saving mechanisms, while low financial literacy may push households toward informal or non-monetary saving forms (FSD, 2024). Musinguzi (2016), in a study on saving and borrowing in rural Uganda, observed that vulnerable households such as those with limited land, large family size, or female headship may be most in need of saving but least able to save.

In Tanzania, FinScope Tanzania 2023 provides important national evidence on financial behavior because it is a comprehensive demand-side survey of Tanzanian adults aged 16 years and above. The survey examines financial needs, preferences, behavior, access, and usage of financial services, making it useful for understanding how households save through formal and informal mechanisms. Financial inclusion has continued to expand in Tanzania, particularly through formal financial services and mobile money. However, the study also emphasizes that usage patterns remain important, meaning that access to financial services does not automatically mean that households save regularly or use formal savings products effectively (Mwaseba *et al.*, 2026). Mchumi (2017) examined determinants of rural household saving in Tanzania and observed that comprehensive empirical studies on rural household saving behavior in Tanzania were still limited. The study noted that poor households use different saving mechanisms, and that rural saving behaviour is closely connected to household needs, income constraints, and access to financial services (Mchumi, 2017). Evidence from Tanzania also shows that community-based financial institutions are important for rural households. The World Bank identifies Village Community Banks as grassroots self-help microfinance institutions that support saving, borrowing, and income-generating activities, with rural households using such mechanisms because they are locally accessible and socially embedded (World Bank, 2019). Mwijage (2023), in a study on VICOBA, found that lower-income households may be motivated to participate in VICOBA because such groups provide access to affordable financial services and saving opportunities that are not always available through formal banking institutions. This evidence is relevant to Mtama District Council because rural households may prefer VICOBA where formal banks are distant, costly, or perceived as unsuitable for low-income savers (Mwijage, 2023). At the national level, Tanzania's Household Budget Survey remains important in explaining why rural saving capacity may be constrained. The National Bureau of Statistics conducted the 2017-18 Household Budget Survey to provide information on poverty and household welfare, while World Bank analysis based on the survey shows that rural poverty remains higher than urban poverty, which implies that rural households may have strong saving motives but limited capacity to accumulate savings (World Bank, 2019). Lotto (2022) examined household saving patterns and behavior in East Africa and concluded that households mainly save for precautionary motives. This means that households save largely because they face uncertainty, weak social protection, income shocks, emergencies, illness, and other risks that require self-insurance.

III. METHODOLOGY

3.1 Research Design

A cross-sectional research design was adopted, meaning that data were collected at one point in time from selected sample. Cross-sectional designs are used to examine and compare single variables across multiple subgroups that are similar in other characteristics. For this study cross-sectional design compared saving forms and motives for saving among rural households in Mtama district council.

3.2 Study Area

This study was carried out in Mtama District which is one among the six (6) districts forming Lindi Region in Tanzania mainland. The main economic activities undertaken in the area are agriculture, bee keeping, livestock, fishery and entrepreneurship (URT, 2025). The district is occupied with vegetation savannah type characterized by different dominant grasses, trees and bushes with an average annual rainfall rate between 800 – 1,000 mm with one rainy season which normally falls between the months of November to April. Rainfall increases with altitude; hence the lowlands are relatively drier compared to the highlands. The long rainy season starts between March and June every year which are usually heavy and spread throughout the district while the short rain season starts between October and December each year). The area has a temperature which lies between 25^0 to 31^0 C and relative humidity ranges from 71% to 86% which depends to altitude changes (URT, 2025). The selection of this location was because majority of people lacks financial services as well as one of the districts with low household size.

3.3 Target population

The target population of this study of this was rural households in Mtama district which was obtained from total households within selected wards.

3.4 Sampling and sample size

The sampling of this study was multistage sampling which included selecting 3 wards from Mtama district council on which probability sampling technique was applied to select three wards. Then, simple random sampling was used to select sample of 150 households from selected three wards.

3.5 Data Collection Instruments and Procedures

Primary data from households were collected through survey method with questionnaires tool and interviews with Interview schedule tool. Questionnaires tools were used to collect quantitative data which included demographic characteristics of the household heads; socioeconomic, saving forms, saving modes and motive for saving. Interview schedule tool was used to collect qualitative data which triangulated data from questionnaires.

3.6 Data Analysis

Descriptive statistics data analysis method was used in the analysis of quantitative data and thematic analysis was used to analyze qualitative data. Descriptive statistics measured of central tendency such as the standard deviation, frequency and percentages. It summarized the socio-economic and demographic variables of the respondents into tabular forms. Quantitative data from household heads and other stakeholders were tabulated as well as converted into percentages and frequencies. Qualitative data were classified, categorized and organized according to the units of meaning generated from responses and analyses through thematic analysis.

3.7 Ethical clearance

Ethical approval was secured from School of Spatial Planning and Social Science of Ardhi University review board. Also, Participation was voluntary, with informed consent obtained from all respondents and adherence to ethical standards

IV. FINDINGS & DISCUSSION

4.1 Demographic Characteristics of Respondents

This subsection section describes the characteristics of respondents based on age, sex, and household size, level of education, income and occupation in relation to the forms of saving, household saving behavior and wealth accumulation.

4.1.1 Age of respondents

The finding of this study shows that the minimum and maximum age were 20 years and 80 years respectively while the average age was 44 with a standard deviation of 14.1. The age of respondents ranged between 20 years old to 80 years old. The results shows that 42.7% of respondents were in the age group of 20-39 years, followed by the age group of 40-59 (38.7%), and only 28 respondents (18.7%) were above the age of 60 years old out of 150 respondents who were taken as a sample. This implies that, majority of the respondents were at the productive age compared to those above 60 years who were elders and unproductive. The result of this study corresponds with those of 2012 housing and population census which revealed that few populations in Tanzania are in the age of above 60 years old (URT, 2013).

4.1.2 Sex of Respondents

The study revealed that, out of 150 respondents sampled, 79 respondents (52.7%) were males compared to 71females (47.3%). This implies that, most of households in the study area were male headed compared to those which were female headed households (see table 1), this reflects the African culture while economically, males are productive than females which causes them to depend much on males in family matters.

4.1.3 Education Level

The distribution of the respondents by education level is shown in table 1 which has revealed that, 60.7% of the respondents had at least attended primary level of education which was identified to be basic level for all people (education for all) in order to reduce ignorance, 6.7% of respondents had tertiary level mainly certificate and diploma level while 5.3% attended secondary level of education while 27.3% of respondents had not attended formal education. This implies that, the rate of attending secondary level and tertiary education was not convincing compared to primary level (12% vs 60.7%) which might have been caused by income poverty and their culture might have caused this circumstance. The result shows that 72.7% were able to write and read compared to 27.3% in the study area.

4.1.4 Income of Respondents

As indicated in table 1, majority of respondents had an income of less than Tshs 1,000,000/= per annum which accounted 88 respondents (58.7%), followed by 32 respondents (21.3%) ranged from Tshs 1,000,000-2,000,000 per annum while 30 respondents had an income of more than Tshs 2,000, 000/= which is equivalent to 20.0% per annum of the total percentage. This implies that most rural people are poor characterized by income poverty with maximum of 2 meals per day as they earn less than Tshs 1,000,000/= due to much dependence on farming (agriculture) as the major economic activity compared to entrepreneurs and employed people in formal sector who had an income of more than Tshs 1,000,000/=. The mean income of the respondents in the study area was Tshs 1,434,700/= per annum a bit high compared to the national average individual income of Tshs 1,186,200/= per annum (NBS, 2014).

4.1.5 Household Size

The findings of this study revealed that, 101 of respondents (67.4%) had 3-6 members of household, followed by 35 respondents with less than 3 members of household (23.3%) and 14 respondents had more than 6 members of household which accounted for 9.3% (see table 4). The aspect of having large number of members in the household in the study area might have been caused by African culture of having extended families for labor provision. The average household size in the study area was 4.0 which is slightly greater than the region and district of 3.8 and 3.7 respectively but slightly lower than Tanzanian mainland and national average household size of 4.8 (URT, 2013).

Table 1

Demographic Characteristics of Respondents (n=150)

Variable	Ward			Percent
	Mtua	Namupa	Nyengedi	
Sex of respondent				
Male	37	26	16	52.7
Female	37	12	22	47.3
Age (Years)				
20-39	25	20	19	42.7
40-59	28	14	16	38.7
60-79	21	4	3	18.7
Education Level				
No formal education	25	7	9	27.3
Primary level	42	23	26	60.7
Secondary level	4	3	1	5.3
Tertiary level	3	5	2	6.7
Income (Tshs)				
<1000000	50	22	16	58.7
1000000-2000000	12	8	12	21.3
>2000000	12	8	10	20.0
Household size (Numbers)				
<3	21	8	6	23.3
3-6	49	27	25	67.4
>6	4	3	7	9.3

4.1.6 Occupation of Respondents

Distribution of respondent's occupation in the study area revealed that, 51.0% of the respondents were farmers followed by entrepreneurs with 20.5%. Respondents who were working on farms (providing labor) accounted for 11.8%, employed people mainly on formal sectors had 7.1% while for those who depended on remittances/assistance from relatives/friends and fishing had 6.3% and 3.2% respectively as figure 1 shows.

The results implied that, most of the respondents in the study area were farmers compared to entrepreneurs and employed. The large number of rural people in Tanzania depends on farming as it employs 74% of population meanwhile 89% of rural areas depends on farming and 44% are in other urban while the rest are employed either in formal or informal sector as well as self-employment (URT, 2025).

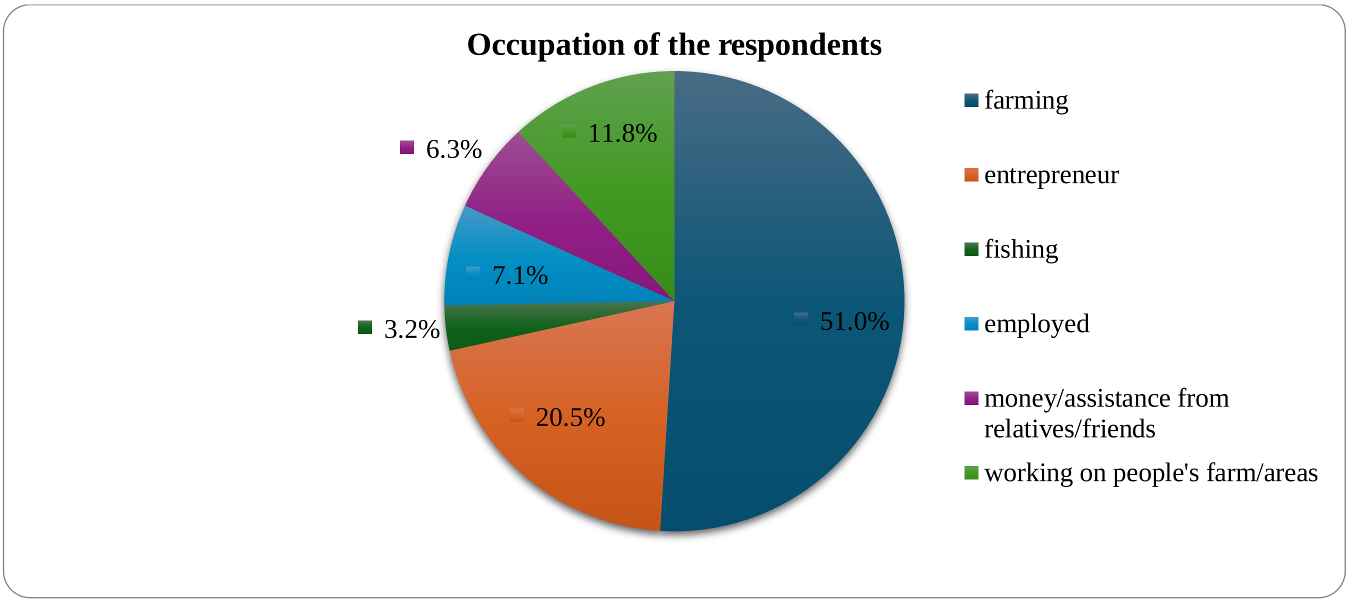

Figure 1: Occupation of respondents

4.2 Saving and Saving Modes Deployed by Households in a Study Area

Saving cannot appear by itself, there should be the forms that are deployed by people to save. So, this section analyzes objective number one of saving modes used in rural areas. Result from table 5 shows the status of saving in the study area by villages. The result from table 5 shows that, Nampa ward had good number of savers with 27% compared other wards of Nyengedi 14.7 % Mtua 12.7% with the overall proportional of saving and not saving is 54.7% and 45.3% respectively. The finding implies that majority of households in Nampa were saving compared to other wards of Nyengedi and Mtua.

Table 2

Household saving by Village

	Do you save? (n=150)		
ward	**Not saving**	**Saving**	**Total**
Mtua	17(11.4)	19(12.7%)	**36(24.1%)**
Nyengedi	16(10.6)	22(14.7%)	**38(25.3%)**
Nampa	35(23.3)	41(27.4)	**66(50.6%)**
Total	**68(45.3%)**	**82(54.7%)**	**150(100%)**

4.2.1 Forms of Saving

According to the data from the field, 82 respondents (54.7%) reported saving either in cash or in kind while the remaining balances of (68) 45.3% reported not saving. Figure 3 shows that, for those who were reported saving, 72% were saving in form of cash in hand or liquid assets mainly in village community bank (VICOBA), rotating saving and credit associations (ROSCAS), commercial banks like national microfinance bank (NMB) and self-saving or keeping money at home compared to 28% for in-kind mainly in the form of agricultural produce, wealth and some on business and investing in child education.

The habit of people to save in cash was caused by the need for liquidity in case of unforeseen emergences and accumulating money for anticipated large spending. The findings correspond with those obtained in rural households of western Odisha by Subhashree (2013) as majority of rural households were saving in form of cash in hand compared to in-kind due to liquidity purpose when emergency arises as most people were using saving accounts but inconsistency with the result of Godoy *et al.* (2022) who found in-kind form of saving.

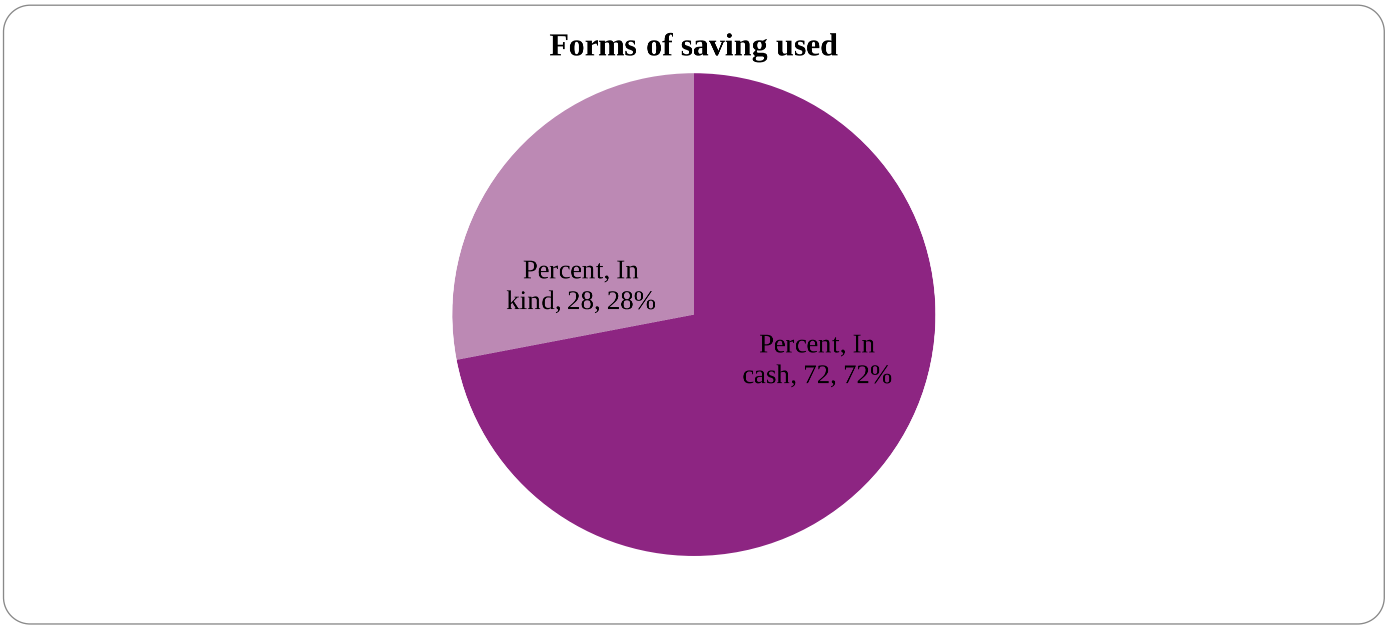

Figure 2
Forms of Saving Deployed by Households

Further, the study goes beyond the forms of saving identified rather it examined the specific forms of saving deployed by respondents within cash and in kind (see figure 4). The study revealed that 34.1% of the respondents used informal institutions for saving mainly VICOBA and few on SACCOS, followed by 19.4% of mutual help groups mainly ROSCAS which is rapidly spreading in rural areas as it is simple to use compared to VICOBA though it is faced by money theft, lack of trust and lack of good management. Apart from that, 17.8% of respondents saved in the form of assets while 10.9% of the respondents used formal/commercial banks to save especially employed people in formal sector while few were saving in the form of agricultural produce (cereals/grains) which accounted for 6.2%, keeping money at home/self-saving and the use of mobile money network which seemed to be used in Kilangala ward only scored 8.5% and 3.1% respectively.

The result implies that, large number of rural households used informal institutions for saving mainly unregistered such as village community banks (VICOBA) due to distant location of the formal institutions, lack of awareness/education on the use and importance of formal banks, culture/poor ideology, negative attitude on the use of commercial banks because large number of people had no bank accounts and had not ever used banks compared to those with bank accounts. This was verified by one of the respondents who said.

> *"Banks are used by rich people with high income not by poor people like me and the condition to use commercial banks are difficult to meet, so, personally I can't own a bank account*" Respondents interview 26/May 2024

Moreover, electronic/mobile money transfer is used for receiving money sent from friends/ relatives and not for saving, this notion might have been in their mind due to charges associated during money withdrawing, not safe and secured, proximity to services compared to VICOBA and assets owning as well as lack of information/knowledge on the operation of mobile money provided by the mobile companies such as Tigo, Vodacom and Airtel. Moreover, informal institutions is more popular especially in rural areas where the study was undertaken as they are characterized by low income and income uncertainty, inaccessibility of formal institutions as well as lack of knowledge and awareness on the operation of commercial banks. Hence, the findings are consistent with previous studies such as Finscope, (2006) which found that, most Tanzanian savers interviewed were found saving through goods or livestock, keeping in secret hiding place as well as informal institutions like Village community Bank and ROSCAS.

Moreover, Laureti (2018) found out that more people were saving in traditional saving forms except more sophisticated financial product including saving lottery, co-operatives, banks and properties while Amu and Amu, (2012) found household in Ghana using informal institutions due to comparatively easier to use than other form of saving.

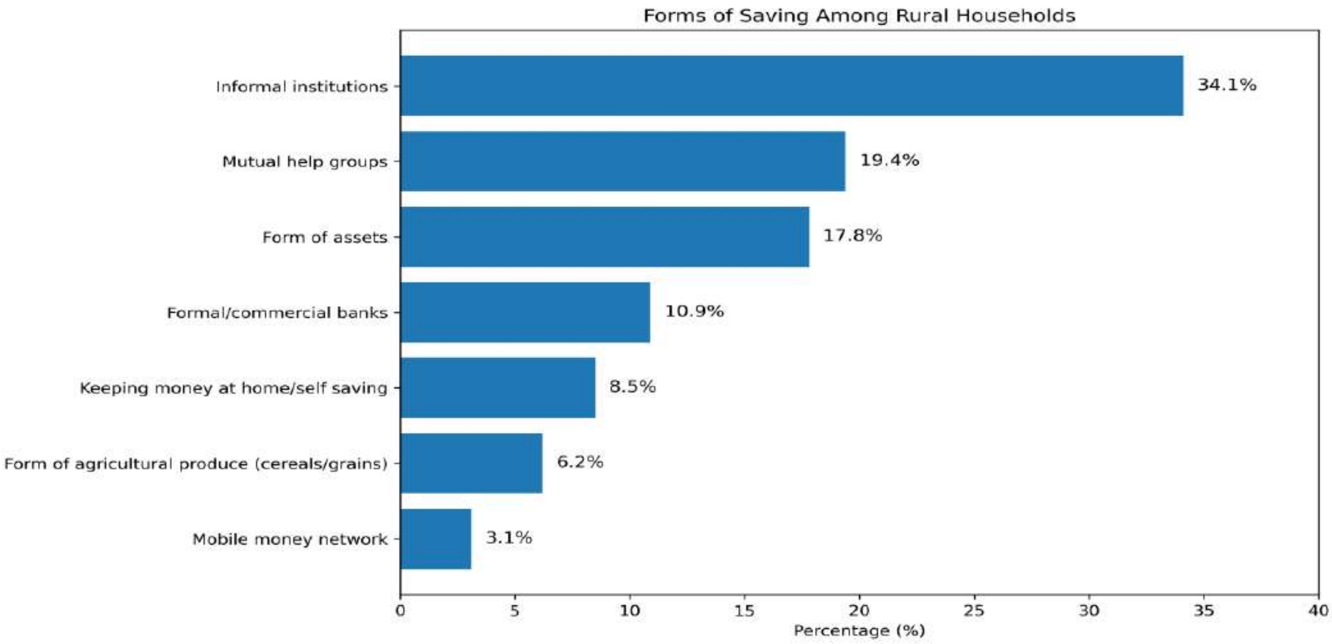

Figure 3
Specific Forms of Saving Deployed by Households

4.2.2 Preference and Reasons on Saving Forms Deployed by Respondents

Being aware on the specific forms of saving is not enough because people differ in terms of preference and are assumed to be rational. It was important to identify the most preferred forms of saving/keeping their amount of money after consumption for future uses which varied from one household head to another (see table 3). The survey undertaken by the researcher revealed that, VICOBA/SACCOS and assets holding were the modes preferred by respondents in the area with 35.5% and 16.0%, followed by rotating saving and credit associations (ROSCAS) which was used mostly by females, self-saving/keeping money at home and cereals/grains with 13.2% and 10.4% for the remaining mode respectively.

Moreover, commercial banks (NMB) and mobile money networks were preferred by respondents in the area with 9.4% and 2.8% respectively while saving by investing in child education was less reported as well as business expansion/start up with 0.9% each. The result implies that, majority of household head interviewed preferred VICOBA and assets holding, self-saving, ROSCAS, commercial banks and cereals as their saving mode which might have been caused by accessibility of the service, terms and conditions, food security but income uncertainty and lack of awareness on the services provided by commercial banks might be the most factors for saving mode preference selection.

The result tally with the findings obtained by other researcher including FSD Tanzania 2024 which found that regardless of the absence of financial institutions in rural areas, rural poor people do save on informal means such as cereals, ROSCAS and VICOBA due to lump sum they receive when their turn for ROSCAS, help they get when emergency arises and simple for loan taking. Also, several researchers (Phiri, 2015; Amu & Amu, 2012) found that, rural people who save do so in form of assets, cereals/grains whereby all studies were conducted in Africa.

Table 3
Preference on saving forms of respondents **(n=82)**

Saving Mode	Responses		Percent of Cases
	Frequency	Percent	
Business	1	0.9	1.25
Vicoba/Saccos	38	35.8	47.5
Banks	10	9.4	12.5
Roscas	14	13.2	17.5
Assets holding	17	16.0	21.25
Self saving/keeping at home	11	10.4	13.75
Mobile money network	3	2.8	3.75
Cereals	11	10.3	13.75
Investing in child education	1	0.9	1.25

Table 3 shows the reasons for the respondent's preference forms of saving. The study revealed that, easy to meet terms and conditions or simple to use was the major reason for the selection of mode to be used in saving with 37.5%, followed by loan purposes obtainment and proximity to the service facility with 20.3% and 18.8% respectively. Apart from that, service costs, safety and security purposes had influence in the selection for form of saving which accounted for 11.7% each. Saving mode preference was influenced by little or absence of terms and conditions due to income uncertainty.

The result implies that, the selection of VICOBA as their preference mode was due to little or non-conditions and terms as it requires a member to contribute Tshs 2,000/= per week and absence of any fine or penalty for a person who will not contribute within a specified week rather was supposed to contribute for the next week if s/he has money meanwhile the purpose of obtaining loan was the major reason for mode preference as members were taking loan without any legal document to cover their emergencies while for those who talked on safety and security were those who saved on commercial banks (NMB, NBC) consisting of mostly employed people in formal sector for salary taking. This meant that, awareness on commercial bank functions which is safer was a problem and the issue of avoiding transaction costs and charges were the major reason to diverge using them. Hence, the preference for saving in seemed to be influenced by accessibility of services in the area, loan purposes obtainment and it was simple to meet terms and conditions. The result concurs to those obtained by Tesfamariam, (2012), Phiri, (2015), Ashraf *et al*., (2006) and Ogunmokun *et al.* (2026) who found that terms and conditions, loan purposes obtainment, accessibility of services, safety and high charges & transaction costs were the major reasons for people to select for saving however their studies were conducted in different areas in Africa. The findings are like the study by Charles *et al.* (2025) who found that easy to access and convenience were the reasons for people to choose the forms of saving.

Table 4

Reasons for the preferred forms of saving

Reason	Responses(n=82)		Percent of Cases
	Frequency	**Percent**	
Easy to meet terms and condition/simple to use	48	37.5	60.8
Safety and security	15	11.7	19.0
Proximity to service facility	24	18.8	30.4
Service costs	15	11.7	19.0
Easy to obtain loan	26	20.3	32.9
Total	**128**	**100**	**162.0**

4.2.3 Frequency of Saving

Table 5 describes the behavior of saving in the study area. About 58.5% of savers were saving on weekly while 32.9% were saving occasionally and last about 8.5% households were saving monthly. The result implies that, majority of respondents saved on weekly though informational saving through VICOBA and ROSCAS as the saving modes in study area which requires them to comply with the membership terms and condition of weekly contribution and the period for high saving is during April, May, June, July, August and September (during and after agricultural harvests). The result of the study contradicts with the result of Lotto (2022) who found rural poor communities prefer to save daily, monthly, weekly and occasionally because of low income while Amu and Amu, (2012) reported Ghanaian households were saving sporadically (saving when they have excess income), monthly/quarterly, weekly and daily.

Table 5

Saving behavior by wards.

Village	How often do you save? (n=82)			Total
	Occasionally	**Monthly**	**Weekly**	
Mtua	7 (8.5)	0	12 (14.6)	**19 (23.2)**
Nyengedi	10 (12.2)	6 (7.3)	6 (7.3)	**22 (26.8)**
Namupa	10 (12.2)	1(1.2)	30 (36.6)	**41 (50)**
Total	**27 (32.9)**	**7 (8.5)**	**48 (58.5)**	**82 (100)**

Figures in brackets are respective percent

4.2.4 Motives for Saving

Various economists have posed numerous motives for saving among households/individuals according to the preference. Therefore, figure 5 in this study shows that, rural household had their own motives for saving which varied from one household to another mainly being smoothing consumption and wealth accumulation were the most preferred motives for the saving with 36% and 25% respectively, followed by setting aside funds for investing in farming activities and precautionary motive/bequest reason and emergencies with 19% and 14% respectively while house maintenance/building was least preferred by respondents with 6%.

The results in figure 5 implies that, majority of respondents interviewed avoids food insecurity within their household through ensuring food security as well as wealth accumulation which are considered as assets either in case of emergencies or for status purposes. Also, the result implied that most respondents were involved in farming activities as they were saving to buy farm inputs like seeds, paying labor, pesticides and farm preparation. Moreover, people were not interested to save for investing in child education and other emergencies such as medical treatment meanwhile house rehabilitation/building was minor to them due to large number of households living in pole or mud thatched houses.

The results in figure 4 are consistency with other studies by Tesfamariam, (2012; Ashraf *et al.* (2006) and Phiri, (2015) stated that the motives for people to save is for smoothing consumption, assets accumulation/building and for precautionary motives. Moreover, Mchumi (2017) found that people save in order to meet household needs, for emergency (burial, medical), acquiring household goods as well as for agricultural input like land while Schunk (2007) found out that households in Germany save for housing, bequest motives and precaution motive but Amu and Amu (2012) found emergencies, buy expensive items as the reason for Ghanaian households saving while Korzeniowska (2023) argued that the most important reason why household save is to prepare for financial crisis, illness, accidents, job loss as well as financial gains.

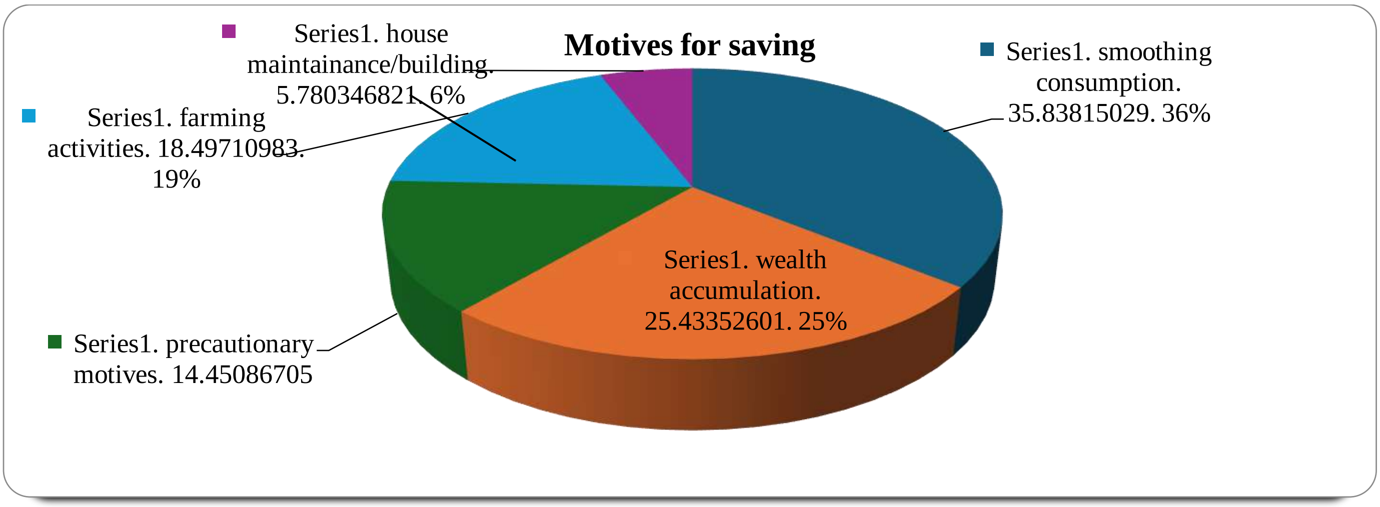

Figure 4
Motives for Saving among the Households

The result in Table 6 shows the saving modes and motives for saving. The result revealed that, majority of households saved for consumption purposes, wealth accumulation, farming activities, precautionary motives and for house building and maintenance in all modes of saving but informal institutions (VICOBA) was the main mode for saving for the purpose of smoothing consumption and wealth accumulation with 36 and 25 counts while in mutual groups (ROSCAS), smoothing consumption had 23 counts compared to 17 for wealth accumulation likewise in formal banks, keeping money at home. Mobile money network mode was used for wealth accumulation with 3 counts compared to 2 for smoothing consumption.

Table 6
Distribution of saving modes and motive for saving

Mode of saving	Motives for saving				
	Smoothing consumption	Wealth accumulation	Precautionary motives	Farming activities	House maintenance/building
Informal institutions	36	25	14	15	6
Mobile money network	2	3	3	1	0
Mutual groups	23	17	6	10	1
Formal banks	10	9	4	6	3

Assets	19	15	11	8	1
Keeping at home	6	6	2	8	1
Cereals/grains	6	2	3	4	1

4.2.5 Reasons for not Saving

Table 6 shows the reason for not saving or investing in the study area. About 45.3% of rural people interviewed were not saving mainly due to income uncertainty which accounted for 50.6%, followed by low income and household size with 36.5% and 12.9% respectively. This implies that rural communities had income uncertainty as they depended on farming as their primary occupation which gives them low income and causes them to dissave as their marginal propensity to consume is high compared to income due to poor technology, poor seeds and rainfall dependency while for those who saved had high income, multiple source of income (occupation) or not depending on farming.

The findings of this study is consistent with the result obtained by Subhashree (2013) in Western Odisha and Tuominen and Thompson (2015) who found out that lack of money had been the main reasons for people not to save while Amu and Amu (2012) reported inadequate income, sickness, fear that their money will not be safe, inability to manage their financial resources very well and insincerity of group members as the constraint towards household saving in Ghana.

V.CONCLUSION & RECOMMENDATIONS

5.1 Conclusion

The study concludes that rural households in Mtama District Council employ a wide range of formal, informal, and asset-based saving mechanisms to manage seasonal incomes, cope with livelihood risks, and improve household welfare. Although more than half of the households reported saving, informal institutions, particularly Village Community Banks (VICOBA) and Rotating Savings and Credit Associations (ROSCAs), were the dominant saving mechanisms because they are accessible, affordable, flexible, and socially embedded within rural communities. Formal financial institutions were used by relatively few households due to limited accessibility, transaction costs, documentation requirements, and inadequate financial literacy.The findings further demonstrate that rural households save primarily to smooth consumption during periods of income fluctuation, accumulate wealth, finance agricultural production, prepare for emergencies, and improve household living conditions. However, the ability to save is constrained by low and irregular incomes, dependence on rain-fed agriculture, large household sizes, and limited access to formal financial services.

5.2 Recommendations

The study highlights that strengthening household incomes, expanding financial inclusion, and supporting community-based financial institutions are essential for improving saving behaviour, enhancing livelihood resilience, and reducing rural poverty.

Declaration of Interest.
The author declares that he doesn’t have any known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Funding Declaration.
This research did not receive any specific grant from funding agencies in the public, commercial, or not-for-profit sectors.

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