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AN IMPACT ASSESSMENT OF THE IRINGA DEVELOPMENT OF YOUTH, WOMEN AND CHILD CARE (IDYDC) LOANS TO WOMEN CLIENTS IN THE IRINGA MUNICIPAL AREA

MARIAM P. NTOBI

CERTIFICATION

The undersigned certify that have read and hereby recommend for the acceptance by the Southern New Hamsphire University of USA and the Open University of Tanzania a dissertation entitled "Impact Assessment Of Iringa Development Of Youth, Women And Child Care (IDYDC) Loans To Women Clients In Iringa Municipality", for a partial fulfilment of the requirements for the degree of Master of Science in International Economic Development of the Southern New Hamsphire University of USA and the Open University of Tanzania.

..........F. Mfwodaky..........

Dr. Francis Chale

(Supervisor)

Date ..26/09/2005..........

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ABSTRACT

This study enlightens the impact of Iringa Development of Youth, Women, Disabled and Childcare, (IDYDC) loans to female clients in the Iringa Municipality the scheme that was started in 1994, with the aim of providing sustainable capital source for marginalized groups, which include women and disabled.

The study was done for the purpose of examining how IDYDC credit intervention has impacted on the creation of employment opportunities, business and income growth, business skills development, improved life standards and the ability to pay tax amongst the female clients it has been serving for ten years. By using questionnaire, focus group discussions and PRA tools namely seasonal analysis of income, expenditure, savings and credit; Household generation; Receipts and spending of cash analysis; Financial analysis and Product attribute ranking, 107 respondents were contacted.

Research data reveals that for ten years of intervention, IDYDC Savings and Credit scheme has played a vital role in sustaining Micro Enterprises in Iringa Municipality through provision of business capital.

However it has been learnt that this donor dependent scheme has a weak Management Information System. There are criticisms on lack of transparency, poor customer care, market irresponsiveness and questionable trustworthy which results to poor client retention and weak organisational image in the public.

It is recommended that IDYDC should properly utilize the autonomy provided by the government in product development, operating and pricing with a sustainability outlook.

The establishment of strong capital base, client retention, market responsiveness, strong MIS and control system, organizational capacity and ongoing innovations are likely to enhance, improve organizational image, operational practices and increase efficiency.

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As it is not possible to mention everyone, I would like to thank everybody who in one way or the other has made this study to be completed successfully. May The Almighty God, Bless them all.

DEDICATION

This Project Work is dedicated to my late parents Peter and Naomi.

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INTRODUCTION

This impact assessment is a research study that is used as a primary tool to determine the effectiveness of micro finance as a development intervention. In order to measure how the services of a Micro Finance Institution (MFI) impact the lives of its clients in such areas as employment, income, nutrition, education, health, and gender equity, an impact assessment could prove useful.

How are impact assessments used?

MFIs use impact assessments to determine whether their services are having a positive impact on the poor clients they seek to serve. At the very least, they can use an assessment to establish whether their services are producing any negative impacts (e.g., growing client indebtedness) and take action to correct such effects.

Impact assessments can be used as a management tool to improve operational efficiency, product design, and social effectiveness.

Regular collection and analysis of impact data enables a Micro Finance Institution (MFI) to better identify and serve the needs of its clients, and thus function more effectively.

There is a basic need to understand and improve the impact of microfinance institutions (MFIs) as a key premise of successful poverty reduction with consideration of the importance of **Microfinance** program interventions to reduce poverty in poor communities.

Impact assessments vary, depending on the type of micro finance institution, its mission, and the objectives it seeks to accomplish with an assessment, the type of information required, and cost considerations. (McGregor et al, 2000). For this purpose the impact assessment has been based on women borrowers only. This has been a priority for the IDYDC, because they constitute a biggest part but vulnerable group among IDYDC clients. The study mainly focused on the anticipated direct impacts as have been narrated in the project inception plan i.e. creation of employment, enhancing business and income growth, facilitating improved life standards of people and enabling improved business managerial practices for IDYDC Savings and Credit Scheme beneficiaries.

This study has four chapters. Chapter 1 gives a brief on IDYDC background while Chapter 2 covers a literature review which comprises theoretical, policies and empirical. Chapter 3 deals with research methodology, data collection and analysis, Findings and Conclusions have been covered in

Chapter 4. Chapter 5 presents Recommendations while the Implementation Plan is given in Chapter 6.

CHAPTER 1

1.0 IRINGA DEVELOPMENT OF YOUTH, DISABLED AND CHILD CARE (IDYDC) BACKGROUND

1.1 IRINGA MUNICIPALITY PROFILE:

The Iringa municipality is located about 500 km, south west of Dar es Salaam along the Tanzania-Zambia highway. It lies at 7° latitude south of equator and 35° east of Greenwich. It is between 1560 to 2000 meters above sea level, and it covers an area of about 162 square kilometres.

Iringa Municipality is estimated to have a total population of 106,120 people. 75% of people residing in Iringa town are engaged in petty trading of various items ranging from agricultural products, textile products, other goods required for domestic consumption and micro-manufacturing. While 25% of the population are also government and private sector employees, 25% of the population reside in the peripheral areas where they are engaged in subsistence farming. The main crops include tobacco, tomatoes, maize, onions and cabbages. There are also some agro-industries such as the Dabaga fruit canning industry, oil seed industry, and diary industry.

1.2 OVERVIEW OF IDYDC

Iringa Development of Youth, Women, Disabled and Childcare, (IDYDC) is a local organization based in Iringa Municipal area. It was started in 1994 with the main focus on improving living standards of the marginalized groups, which include, women, street children, and disabled. Its offices are located in IMUCU building, Room No. 4, Iringa Municipality.

1.3 IDYDC MISSION STATEMENT

IDYDC Mission Statement sets to improve the living standard of the disadvantaged people (needy children, youths, widowers and poor people) in Iringa Region through:

- Establishment of rehabilitation and vocational centres.
- Saving and credit schemes and through organizing drama and sports.
- Imparting knowledge on HIV/AIDS, drug abuse, Gender, child labour and rights.

1.4 IDYDC ACTIVITIES

IDYDC is engaged in sports and a Drama Program, Day Care Centre, Rehabilitation and Vocational Training Centre, HIV/AIDS and Savings and Credit Scheme.

Sports and Drama Programs

Sports and Drama programs are sensitisation tools used to create awareness to youth on HIV/AIDS, drug and alcohol abuse, child labour, human rights, environmental issues and life skills.

Day Care Centre:

This is a daytime care centre for street children i.e. neglected children, orphans, and school dropouts. The centre provides food (lunch), teaching, and counselling and initiates the children to join primary schools. Special classes are offered to youngsters above school age who posses no basic education.

Upendo Vocational Training and Rehabilitation Centre

This is a centre for needy grownups and needy youths (street girls and boys, orphans, school dropouts, and youth from poor families).

The Centre offers Vocational Training in carpentry, tailoring, masonry, batik making and business management.

After completion of training, participants are afforded with soft loans for initial capital.

Upendo Orphans and street children Centre.

Upendo orphanage and children care centre is a temporarily home for needy orphans and street children aged 5 to 17 years. This is also a counselling centre where children are rehabilitated and re integrated with their families, school dropouts are sent back to school and un-enrolled children are taken to school. The centre also provides shelter, food, clothing, education and medical services.

Savings and Credit Program

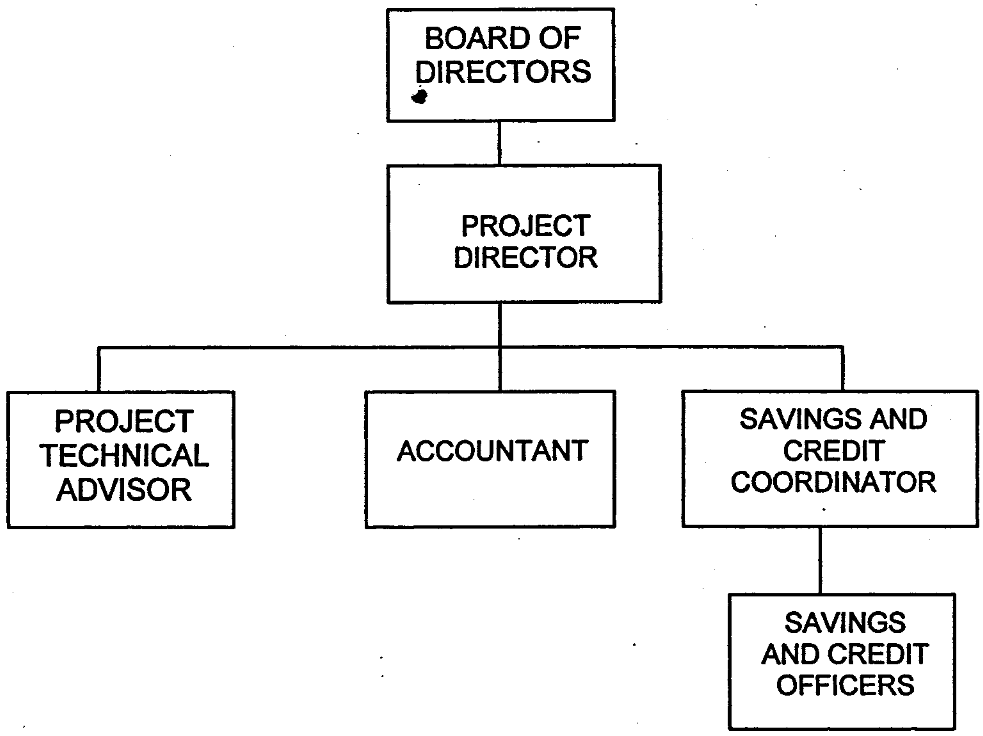
The savings and credit department offers micro-credit services to poor family groups in Iringa Urban area. The provided micro-loans are to support the operation of small-scale businesses such as groceries, restaurants, carpentry, poultry, tailoring, welding etc.

So far the micro-credit program has provided credit services to 4,270 people in Iringa municipal area with 1,340 active clients amongst 716 being females clients.

Funding of the Project

The project is funded by Small Savings from clients, Erickshjaipen-Sweden, IOGT Organisation – DSM; the organisation still is continuing to look for other donors.

Project Organization Structure



1.5 ASSIGNMEMENT

The assignment for this project was to do impact assessment of the loans provided by IDYDC savings and credit for women in Iringa municipality.

1.5.1 Problem Statement

IDYDC Management needed to do an impact assessment so as to get feed back regarding the impact of its 10 years intervention.

Relevant information was expected to be used as tools to assist in competition and facilitate achievement of the project long term goals which are specified as to enhance the well being of people through provision of financial services, creating employment opportunities and stimulating income and business growth. Increased income and business will also be reflected by the ability of beneficiaries to pay tax. Thus the study is expected to bring understanding of long-term changes in the lives of individual borrowers, their households and their businesses.

It is expected that after IDYDC as an organization will have learned about the impact of its operations, staff and clients, in the process will be increasingly challenged to raise questions, initiate changes, and respond to issues raised by the assessment.

As the last result, this exercise is expected to improve:-

- Clients' ability to analyse their own situation.
- IDYDC responsiveness to the expressed and underlying needs of its clients.
- Client input into MFI services, so that IDYDC may better meet their needs.
- Information available to IDYDC management on the services needed by target clients.
- Information on staff performance.

1.5.2 Objectives:

The main objectives of this study were-:

- To examine to what extent IDYDC Savings and Credit Scheme has impacted on progressive changes in business and managerial practices of its clients.
- To examine, how life standards of IDYDC clients have improved as a result of IDYDC intervention.
- To examine the degree of employment opportunities created from IDYDC Savings and Credit intervention.
- To examine growth of income that resulted from IDYDC loan and training services.

- To examine the contribution of IDYDC to the Government through increased paid taxes from improved IDYDC clients businesses.

As it will be explained later, both qualitative and quantitative research methodologies have been employed whereby a number of tools namely a questionnaire, a checklist of questions, focused group discussion, participatory rapid appraisal tools and personal observation have been used in gathering data and information.

1.5.3 Hypothesis

IDYDC Credit and Savings Scheme's interventions are geared at increasing income of the poor in Iringa through loans extension, improving their business expertise through business training, creating employment by stimulating labour demand and enabling the low income group to contribute to the government revenue through tax payment. All of the above strategic issues are aimed at the facilitation of poverty alleviation. However, impacts of micro-finance are subjective to effectiveness of micro-financial services provided.

Only effective micro-financial services can create positive impacts on livelihood of the poor otherwise, Micro-Finance is a dangerous tool that can worsen livelihood.

From the above hypothesis, impact assessment is a prerequisite for proving positive achievements and improving practices to thwart the possible destructive intervention upshots.

CHAPTER 2

2.0 LITERATURE REVIEW

This chapter covers review of various literature governing micro-finance delivery, impacts and their associated challenges. The chapter has covered theoretical, empirical and policy review.

2.1 THEORETICAL LITERATURE REVIEW

2.1.1 Microfinance Client and their Needs

Miller (1995) "Building Micro enterprise Financial Institutions" states that one of the key fundamentals for impacting lives of the poor in their diverse types and degree of vulnerability and susceptibility, is to match the financial products and services to their needs which are not homogeneous. Calvin Miller spells out an analysis of Micro-finance clients in Tanzania, their activities, requirements and their general preference.

What do Micro finance Clients do in Tanzania?

Micro-commerce

- Retailing in the Markets.
- Small-Scale whole selling.
- Street peddling

Small Scale Production:

- Household production or manufacturing.
- Artistry
- Farming.

Service Activities:

- Small scale service industries (hair dressing, catering, etc)
- Labour Services (gardening, cleaning, car washing, etc)

What financial Services are needed?

Accessible:

- Located in the market,
- Low costs involved in obtaining the services.
- Guarantees that fit the client's situation

Simple.

- Easy to understand.
- Cultural and language appropriate.

Continual:

- Long-term services
- Reliable service available as needed.

Complete:

- Savings, credit and money transfer services.

Micro-borrowers need loans to:

- Purchase materials and supplies at discount through direct and volume purchases.
- Market more directly.
- Cover un-expected needs due to illness, temporal, drop in sales, or weather.
- Take advantage of opportunities.

Micro-borrowers need accessibility and affordability through:

- Loan that have few "up-front" costs in transacting the loans.
- Borrowing rates, which are less than the return to the borrower on the investment.

Micro-borrowers need loan terms that provide:

- Ready access capability for loans and savings.
- Short-term lengths to fit working capital needs and emergencies.

- Capability for investment loans after most urgent working capital needs are met.

Micro-borrowers need loan guarantee that are:

- Flexible.
- Non-mortgage.
- Non-collateral, personal guarantees.

Micro-borrowers need services that are:

- Dependable, with both ongoing savings and credit services.
- Are accessibly located.
- Appropriate to their social and language environment.

Micro-businesses are like all businesses in growth phase, they are quite profitable but experience a shortage of capital, thus making them suitable clients for lenders.

Miller's contentions are in line with Themba et al (1997) in their literature "*Impact of Macro-environmental factors on entrepreneurship development in development countries*" who urges that only effective Micro–finance services can create positive impacts to the poor.

(Themba et al, 1997) Impact of Macro-environmental factors on entrepreneurship development in developing countries

On addition to the contention that only effective Micro-financial services can yield impacts on livelihood of the poor, the authors have narrated characteristics of effective micro-finance services as follows:-

Diversity of activities

Each type of business activity has its own peculiar need for financial services. They have diversity in changing needs for financial support. For example they do not only need long-term loans to finance capital goods, but also continuous working capital and make savings. The micro-entrepreneur should not have to go to different institutions for financial services, whereby each one imposing different special requirement and operational procedure which can be viewed as a hassle to micro-clients. So long as different needs mean different services, the financial institutions must tailor products and services to carter for all needs of their clients.

Generating Local funds and Donor independent

The paper contends that evaluations of successful credit programs show clearly that the link between savings and lending is important. Accumulated savings are sometimes sufficient to finance lending program. The link between savings and lending is important to the Financial Institutions and the clients for savings have a leverage function with respect to credit and thus contribute to empowerment.

Separation of financial and non-financial services

Financing micro and small-scale enterprise is an effective means of removing a major barrier to development, but there is a need for other non-financial services like advice on technology, markets and training. Financial institutions are recommended to look into possible ways of liking the financial and non-financial services which are all equally important. However financial institutions should be careful and not to build a conditions such as an obligation to undergo training and /or accept technical advice as criteria for obtaining credits.

Accessibility

If financial services are to be at all effective, they must be accessible to the targeted group. Accessibility has been found to be even more important than for example the level of interest rates. Accessibility is directly linked to legislation on the financial sector and the procedures and conditions that institutions apply in order to grant credit to particular target groups such as women. Better legislation, staff training and simplification of procedures can bring about a rapid improvement in the accessibility of an institution.

Interest

The reading states that the interest on loans is primarily determined by the cost of the money to be rent, operational costs, inflation and the amount written off as non recoverable portfolio. If the lending program is to survive, it must attract interest which supersedes total of the above variables.

Institutional Capacity

Institutions those have been successful in collection of loans and supervision of operations are those which have been able to build up the required financial institutional capacity. This includes determining the operating criteria and building up the organizational surroundings.

Real problems of credit programs often emerge after four to six years. It is when now it can be found that repayments are in arrear, refinancing is required, procedures need adjustment or market and political changes necessitate the reorientation of a programme.

At such times the management and supervisory bodies must be of the necessary quality to make correct decisions.

Management Information System (MIS)

Financial programs for micro and small-scale enterprise which are tied in with a good MIS and permanent evaluation programme seem to operate more efficiently and more effectively because the Management and staff are kept constantly supplied with information and are able to adjust the programme. MIS system also provides necessary information on good time to answer the question whether the programme is indeed achieving its objectives.

Professionalism; staff development

Staff responsible for credit provision must be trained to be professional and gender sensitive in order to make sound judgments in assessing credit applications. This is particularly important in the granting of credit because a stronger commitment is entered into than for example in a purely consultative situation. This professionalism must of course also extend to the managers and directors of the bank or financial institution.

Use of security instruments

Entrepreneurs in the small business sector, and this applies in particular to women, often have insufficient security to back loans. Solution to this problem include; collateral other than real property, group surety, person standing surety, security funds, leasing and the surrender of titles and property deeds as security.

Gender

Because a high percentage of entrepreneurs in the small business sector are women, it is important to investigate the special problems of women with regard to obtaining financial services. A distinction is made here between practical and strategic interests.

Practical gender interest relate to needs, which arise from the circumstances of everyday life. By granting credit, the income for housekeeping, for which women are considered traditionally responsible in many instances, is stabilized or increased. At the same time it can lead to increases in productivity and a reduction in the workload of women.

Strategic interests emerge from an analysis of the social position of women with respect to men. Women often find themselves in subordinate positions. Thus women in many developing countries need the consent of their husbands when they apply for a loan, whereas the reverse is not the case. Women therefore benefit from social changes, which lead to greater equality.

Practical and strategic gender interests are, as it were, two sides of the coin. When considering practical gender interests, account must always be taken of the strategic consequences. Financial institutions can contribute to facilitate strategic gender interest of women through.

- Ending invisibility of female entrepreneurs by for example capturing gender specific data and featuring female clients in their publications.
- Promoting a positive image of female entrepreneurs internally. MFI staff must be educated to recognize the credit-worthiness of women.
- Influencing access to and control of the means of production (capital, labor, and raw materials) and income. Financial Institutions can contribute by putting credit and savings accounts in the name of the wives.

2.1.2 How to Measure Impacts

Controversies in micro-finance impact assessments

Naponen, Helzi, in his paper *"Participatory monitoring and evaluation" of 1997,* pauses a challenge to Financial institutions that use the Organizational Financial performance as an impact indicator, because they do not indicate change in people's lives. Naponen contends that indebted clients may repay loans even when their businesses fail and much hardship results. The complexity of impact assessment stems from the numerous interrelated factors that influence client decisions and actions and thus affect the effectiveness of the organization in achieving positive impacts.

It is critical for MFIs, particularly those working with very poor and vulnerable clients, to be sensitive to the impacts of their work, particularly to the potential negative impacts that their services may produce. An MFI should know that it is having a positive impact or, at the very least, that it is not having a negative impact on some people.

The above criticism is supported by Bhatt (2001), in the article titled **"Delivering Microfinance in Developing Countries.**

While some authors are interested in determining the impact of microfinance in such areas as a client's financial capacity by measuring "change," for example, in client assets and incomes, others recommend an institutional level analysis focusing on such indicators as a program's contribution to the development of the financial market.

Batt 2001, argues that Impact assessment at the borrower's level appeals especially to those who argue that availability of credit leads to increases in borrower-incomes, assets, and such social benefits as participation and empowerment. It is also "pushed" by practitioners and policy makers who believe that microfinance services can lead to the creation or retention of full-time as well as part-time employment opportunities in economically disadvantaged communities. This recently has been stressed in donor and policy circles, where scarce development funds need to be allocated among alternative job creation programs that provide technical and vocational training. Advocacy for capturing "change" at the borrower level has led to a plethora of evaluation efforts that apply a variety of research designs to "measure" specific social and economic impacts.

While most of such impact studies have acknowledged, one or more methodological problems such as selection bias, lack of control groups, and inability to gather longitudinal data, they all seem to have emphasized the need to measure changes in such dependent variables as incomes, assets, productivity, and general well-being as a result of inputs such as financial and non financial services.
Assessing impact of an organization at borrower's level has been criticized by those who believe that effectiveness of such services as savings and credit needs to be gauged not by assessing their specific changes or impacts on borrowers but by their impact on the financial system at large.

Such an alternative approach to performance evaluation is captured in Jacob Yaron's framework for assessing the success of microfinance institutions. In the spirit of his approach, institutional outreach is measured in terms of its breadth as well as depth. While the breadth of outreach is assessed by measuring such variables as the number of people who are provided financial services and the kinds of instruments offered to them, the depth of outreach is generally measured by the average loan size and the gender distribution of the portfolio. In this regard, the smaller the average loan size and the more female clients, the higher the confidence that services indeed are being provided to a poorer clientele.

A second, widely employed measure for assessing the success of a microfinance program is its level of sustainability. According to Yaron, self-sustainability "is achieved when the return on equity, net of any subsidy received, equals or exceeds the opportunity costs of funds".

On addition to the above, more controversies on two categories of micro-finance programs and their expected impacts, are written by **Takashi et al** in their article **"An examination of the socioeconomic implications of microfinance programmes of 2002:**

The authors state that from experimentation with different types of lending systems conducted in the past two decades, there are two general types of microfinance programmes that can-be discerned. The first are welfarist institutions that provide both financial and social services to the poor. Although the nature and degree of services provided by welfarists differ from one institution to another, they generally provide services and training related to nutrition, health, literacy, group formation and client training. The main interest of such institutions is on improving the social well being of participants, with less interest in banking than in using credit as a means to effect fundamental social and economic changes for borrowers and communities.

The result is a continued reliance on subsidies and reluctance to raise interest rates. Welfarists focus on outreach (targeting women and the poor) rather than financial sustainability.

The second type of micro finance programme is known as institutionalists, which focuses upon the provision of basic financial services of deposit and loans. The main focus of such institutions is that of sustainability and believes that as long as sustainable financial services are provided, the entrepreneurial abilities of individuals is sufficient to bring about development. In order to attain this goal, institutionalists need to provide high quality financial services and charge interest rates that reflect the cost of doing business in their localities of operations.

The above arguments in relation to the program impacts and assessment criteria was cut short by **Simanowitz, 1999** in the article titled **"Understanding Impact",** where some key elements for credible impacts assessment were highlighted. The author urges that impact indicators must be developed based on a sound conceptual framework for the type of impacts being examined which have to be drawn based on the institution mission, goals and the intention for conducting that particular assessment.

Systems used to collect information need to be effective and produce reliable results. Analysis needs to be carefully planned to ensure that results will provide the right type of required information. Using a mix of methods and triangulating information from one method against another is a crucial technique that can both improve the credibility of results and lower the costs of an impact assessment.

Calvin Miller et al (1995) in their paper titled **"Evaluating Impact"** add more inputs on how to effect impact assessment.

Calvin Miller and his colleagues state that Evaluation of Impact is a process of Informed Reflection where the following questions get answered;

- Are the desired effects being achieved?
- Is the Program taking on the right problems?
- Is the methodology sound?
- Who is benefiting and how?
- How cost effectively are the results being achieved? And
- In the final analysis is the program worthwhile?

Methodologies of Evaluating Impact proposed are as follows;

- ***Involve the staff, Management, Board and Partners.*** Each Program will need a slightly different evaluation methodology depending on the amount and quality of data available. To ensure that evaluation results meaningfully influence future program planning, it is critical that the evaluation process be done by program staff, with close collaboration from partners, clients, and advisors.
- ***Internal Sources of Information.*** Most of the information, or "raw data" needed for evaluations exists within the records of the financial services program. This will include financial statement and monitoring reports at the institutional, branch office, and promoter level as well as accounting records and other data in the information system.
- ***Interview and Surveys.*** In addition, interviews should be conducted with clients, members, staff, management, board members, partners/donors, competitors and other key external relationships in government and the business community. Client surveys would be critical to determine impact, this will usually require a random survey of a representative group of clients. It is important to augment the statistical data with

anecdotal information or "cases" on specific clients to illustrate the significance of the impact achieved, as well as the unmet needs.

2.2 EMPIRICAL REVIEW

Empirical studies reveal that micro- finance allows poor people to increase their incomes through business growth, sustainability and diversification which concomitantly, have created employment opportunities. Diversified sources of earnings make people more resilient in the face of external shocks. Savings allow poor individuals to plan for future expenses, cope with sudden crises, and cover unanticipated expenses. Their participation in micro-finance have built their confidence and resulted into gain of exposure and social positions.

This is evidenced by **James et al 1998,** in the research report **"Impact Assessment of the PULSE, Micro finance program in Lusaka, Zambia",** whereby various direct and indirect impacts of the MFI namely PULSE, to clients and non clients have been narrated.

In the literature, James and others have stated that PULSE is one of the pioneers of group-based micro finance programs that provide savings and loan facilities to people living in low income compounds of Lusaka, the capital City of Zambia. It was launched by CARE International in 1995 with initial support from Canada, and thereafter from the UK Department for International Development (DFID)

This study was restricted to assessing as objectively as possible the direct impact of PULSE on program participants and their households, and wider indirect impacts. But it was also part of the lead up to a mid-term review by DFID of its ongoing support for PULSE that was due to take place early in 1999.

The assessment was done by employing both qualitative and quantitative approaches. While the questionnaire-based survey was used to compare changes in business, household and individual indicators of impact of 420 PULSE participants, Qualitative enquiries, using semi-structured interviews and focus group discussions, elicited information from an additional 196 people in order to shed light on the underlying determinants of participation in PULSE, and the reasons behind its impact.

The enquiries revealed that people were motivated to join PULSE primarily by the prospect of securing credit, and to a lesser extent by access to a mechanism for saving, training or interacting with peers.

In addition, operators of smaller businesses reported being deterred from joining by their limited debt-capacity, fear of losing assets, fear of guaranteeing the loans of people not well known to them, and awareness of loan costs. In contrast, big business owners were deterred from joining by small loan sizes and the requirement to attend weekly group meetings.

While participants leave PULSE for many reasons, most do so because their business activities are less profitable or because they are affected by exogenous factors, including illness and theft.

Impact on participants' businesses

Differences in profits between borrower and pipeline participants were statistically insignificant. However, difference in the growth rates of profits for the two groups (between March 1997 to March 1998) were statistically significant For the average loan recipient in the sample, with business profit for March 1998 of Kw.486,000 (£163), it was estimated that profits were 19.7% higher than they would have been.

The relationship was particularly strong between profit growth and receipt of a second loan (Section 5.2)

Unprompted reference by respondents to having received training was estimated to be linked to an increase in profits of 20 to 25%.

No statistically significant correlation between PULSE and increased paid employment was established.

Impact on participants' households

Tabular comparisons found that reported monthly income transfers from the main respondent to the household budget were significantly higher for borrowers than for pipeline participants.

Tabular comparisons revealed that average expenditure on house improvement was lower among borrower participants.

Impact on individual income and quality of life

The proportion of borrower and pipeline participants who said their real personal income had gone up over the previous year was the same (58%). But as the degree of improvement was not estimated no inference can be drawn about a positive impact of the project

Qualitative enquiry and responses to open-ended questions again established a direct link to performance of household businesses, but also highlighted individuals' extreme vulnerability to exogenous shocks

– particularly changing employment, crime, death, funeral expenses and changing household composition.

In addition to these direct effects, more non-participating business operators were adversely affected by the increased competition from successful PULSE participants, than were stimulated by local multiplier effects. On the other hand, increased competition may have had a restraining effect on prices and thereby benefited often very poor consumers. No overall net increase in paid employment as a result of PULSE was demonstrated.

The overall impact of PULSE during the period studied was adversely affected by the downturn in the wider economy. If demand had been growing more rapidly, then the direct positive impacts would have been greater (with credit emerging as a more important business constraint) and displacement effects would have been less.

In support, **Anthon S.O. (2002),** has provided a collections showing significance impact of micro finance in poverty alleviation in various parts of the word.

In Indonesia, 90 percent of BRI clients surveyed on the island of Lombok had moved above the poverty line, with income increases averaging 112 percent.

Barnes (2001) at www.microfinancegateway.org found that extremely poor Zambian clients of Zambuko Trust, a local MFI, increased their consumption of high-protein foods at a time when food expenditures across the country as a whole were decreasing.

Simanowitz and Walters (2002)_ at www.microfinacegateway.org narrated on a study of SHARE clients in India evidenced that in addition to increased economic well-being, marked shift from irregular, low-paid daily labour to more diversified sources of income, with a strong reliance on small businesses.

Studies of two separate micro finance institutions in Bangladesh documented a similar shift from informal labour to self-employment among MFI clients. As a result, overall wage rates in the villages served by the micro finance programs also increased. See Zaman(2000) and Khandker (1998)

On addition to the above, **Nitin Bhatt and Shui-Yan Tang (2001)** in their book, **"Delivering Microfinance in Developing Countries"**, have narrated case studies of successful MFIs which have been able to create impacts on lives of their clientele.

The authors explained the case of "Bangladesh Rural Advancement Committee (BRAC)" of Bangladesh, proved success in alleviating poverty and in promoting the development of its clientele. The organization started in 1972 with a special focus on rehabilitating landless women and children after the country's war of liberation. By organizing villagers into subgroups, those in dire poverty were provided basic health and human services accompanied by micro loans to support income-generating activities. BRAC's participatory development strategies resulted in the organization of more than 900,000 groups of landless individuals, provision of health education to 13 million households, and the informal education of more than 180,000 children. Its lending portfolio has grown to about $20 million, with more than 40% of loans being mobilized from deposits of program participants. It is reported that the program has made significant impact on increasing the incomes of participants, and has led to their participation in various socio-political arenas.

Despites the above achievement, the Authors urge that such benefits have come at the cost of heavy dependence on donor subsidies and that BRAC depends on outside grants from such sources as the Ford Foundation, the Canadian International Development Agency, and the British Overseas Development Agency to support about 85% of its total budget. It is argued that in most cases, subsidies have ended up funding inefficient and lax management practices that have resulted in limited outreach, high loan default rates, and unsustainable operations.

To complement their arguments, **Bhatt and Shui Yang Tang (2001)** contend that, the outstanding achievement of the Grameen Bank of Bangladesh, resulted to replication efforts in one form or another worldwide in countries ranging from Bolivia, Peru, Mexico, and Costa Rica to Nigeria, Mali, Malawi, Togo, Chile, Malaysia, Indonesia, Sri Lanka, Nepal, and India. The performance of most such programs, however, has not been encouraging. Many have been plagued with such problems as high default rates, inability to reach sufficient numbers of borrowers, and a seemingly unending dependence on subsidies (Bhatt, 1997).

However, for more clarifications, the Authors cited that incompatibility of motives and incentives among, shareholders, donors, clients, MFI management, and staff especially when accompanied by inappropriate management and information technology, can result to inefficiency and fraud that always hamper achievement of the desired impacts. Worldwide experiences indicate that internal inefficiencies can haunt all types of microfinance programs, regardless of whether they are subsidy dependent or not. In addition to the use of inappropriate management or information technologies, as well as the lack of a supportive policy environment, in most cases, inefficiencies arise when incentives faced by donors/shareholders, program officers, and borrowers are not compatible.

The Authors narrated a case of "India's Regional Rural Banks", whereby shareholders insisted on increasing lending volume and outreach. Program officers felt the pressure so started making larger numbers of loans without appropriate screening. This was accompanied by decreases in new clients recruited, increases in repeat and larger loans, credit leakage to better-off clients, and the steady exclusion of the poor from the program. What followed was an increase in loan defaults and lax collection efforts. Poor repayment ended up sending an adverse signal to the entire community as a result of which other borrowers start defaulting too.

This experience indicates that when borrowers face incompatible incentives, example forcing them into un self selected groups would create unnecessary burdens on them and undesirable consequences to the program, hence alienated operational efficiency of the program

It was further narrated that similar incentive incompatibility was an important factor in the deterioration of the Colombian microfinance intermediary Finansol, which was saved from the brink of collapse by ACCION International's intervention in 1995. In that specific case, top managers were even found to have engaged in unethical practices, providing faulty information to shareholders in an effort to conceal portfolio problems and lack of internal controls.
Inefficiencies resulted from fraud at the program level were also experienced by the South African microfinance program, Rural Finance Facility. In this case, the senior management noticed a decrease in loan repayments from nearly 100% to 75% and began an investigation, handing over a number of clients to lawyers to initiate collection procedures. In the process, it was discovered that even though the clients had paid off the loans, two loan officers had been misappropriating receipts. (Bhatt et al 2001).

Similar case happened to MEDA – Mbeya Credit Facility in 1996 – 1999, (Allan Sauda 2002, at www.meda.org). According to Sauda, MEDA -Mbeya Credit Facility experienced massive fraud which involved the whole Management team and the majority of staff. This happened as a result of poor control system, ineffective MIS system and Distant Administration whereby top Management Office was in Winnipeg – Canada. However, the fraud was preceded by deliberately, poor human resource management, violation of credit regulations, disbursement of ghost loans, which resulted to big portfolio in default temporarily light shaded by refinancing and massive loan writing off. The Organization was rescued by changing Management and instituting legal actions against some few of the suspects, even though MEDA registered a big loss.

Nitin Bhatt; Shui-Yan Tang in their article of 2001 titled "Organizational Policy Studies" provide remedial suggestions on how to minimize consequences of motives incompatibility. Bhatt and Shui urge that the donors/shareholders that are providing funds to ongoing programs should demand financial information and provide appropriate technical assistance on a regular basis, with a special emphasis on employing standardized practices; for instance, in reporting loan recovery, income and costs, and portfolio at risk. Lack of accurate financial reporting is the key reason why program inefficiencies are often passed on unchecked, year after year, as a result of which institutional failure often comes as a surprise to many stakeholders. Nonetheless, donors/shareholders also have to be cautious in not imposing operational efficiency as the only criterion in evaluating a program. Otherwise, program officials may have an incentive to divert their efforts away from serving the poor, who might be the original target population.

2.3 POLICY REVIEW

Government policies play a large part in determining the chances of success of the micro-finance sector. Small enterprises are influenced much by the environment in which they have to operate. Government policy determines whether there are institutions which can be of service to them or which will work against them and , by way to price controls, will exert a major influence on the prices which they can obtain for their products or which they must pay for raw materials, electricity, labor etc.

"Policies in the field of Micro- and small scale enterprise should be specifically tailored to the needs of that sector". This has been narrated by **Themba et al, (1997)** in the document **"Impact of Macro-environmental factors on entrepreneurship development in development countries".**

Along that line, the Ministry of Finance -Tanzania developed a National Micro-Finance Policy as a highway to creation of favorable macro environment for smoothened operations of micro-finance sector in the country.

2.3.1 Ministry of Finance (May 2000) "NATIONAL MICRO-FINANCE POLICY"

In response to high demand of Micro-Finance, in Tanzania, the Government has been putting efforts to promote entrepreneurship development in many ways including initiating and building conducive environment for entrepreneurship development.

In order to make to make it effective various regulatory frameworks like the National Micro-Finance Policy of 2000, SME Development Policy 2001 – 2001, and sustainable Industrial Development Policy – SIDP (covering 1996 – 2020) have been developed to promote the sector.

The National Micro-finance Policy acknowledge that Micro-finance system is an integral part of the financial sector that falls within the general framework of the Financial Sector Reform Policy statement of 1991. The National Micro-finance policy is mainly focused on establishing a basis for evolution of an efficient and effective micro-financial system in Tanzania that serve the low income segment of the society, and thereby contribute to economic growth and poverty reduction by:-

- Establishing a framework within which micro-finance operations will develop.
- Laying out the principles that will guide operations of the system.
- Describing the roles of the implementing agencies and the tools to be in facilitating development.

Basically the National Micro-finance policy is a liberal document that does not appear to limit or challenge the well performing MFIs in the country. It stresses that government's role is to create a supportive environment (section 4.1) and that direct involvement by the Government and political entities in financial service provision is counterproductive (section 4.1.2). Further more it states that the MFIs should follow best practices and determine their own prices and terms and conditions.

The National Micro-finance policy appreciates that Micro-finance institutions including donor and government funded have been weak for the following reasons (section1.1.3):-

- Interest rates are not set by the organization/program/schemes themselves and as such, in most cases they can hardly meet operational costs.
- Non-Government Organization (NGO) providing micro-finance services have continued to depend on donor funds for their operations instead of building their own internal capital bases.
- Lack of effective procedures for coordination, tracking and analysis of micro finance operations.
- NGOs and other micro finance schemes operate under different laws which render it difficult to be monitored and development of common standard becomes difficult.
- Operational problems including poor administrative systems and weak financial control systems within some Organizations.

However, based on an environment developed by the Government, a variety of licensed regulated and supervised financial institutions are currently operating in Tanzania. There are also various financial institutions that are neither regulated nor supervised by the Bank of Tanzania which are identified as Non Governmental Organizations (NGOs). Non-regulated Financial Institutions are legally prohibited to mobilize voluntary deposits to safeguard security of the deposits. A registered Financial Bank is a Financial Institutions authorized to receive money on current account subject to withdrawal by cheque (Bank of Tanzania 2003a). Registered non-financial Institutions are entities authorized by law to do banking business but not involved in the receipt of money on current account subject to withdrawal by cheque (Bank of Tanzania 2003b).

Following that liberalization, IDYDC formed its Savings and Credit Policy as narrated hereunder.

2.3.2 IDYDC SAVINGS AND CREDIT POLICY (REVOLVING FUND)

Objectives of the Savings and Credit Scheme

This Credit Scheme was started for the purposes of creating a reliable and sustainable source of capital for the informal sector; create employment opportunities and alleviating income poverty through improved business productivities. For this purpose mentioned dimensions of income poverty are; incapability to meet medical and education expenses, lack of good shelters and inadequacy of foods for family consumption.

Eligible Businesses and targeted population

Identified e ligible e conomic a ctivities falls into a gricultural production (cropping and animal keeping), service oriented, micro-manufacturing and micro-commerce.

Credit methodology

IDYDC opted to follow the famous Grameen model whereby borrowers are required to be in self selected groups of five.

Each group will be requested to provide local contribution or efforts as a precondition to the loans such as building, installation charges, and security services e.t.c. as a token of commitment.

Loan Sizes:

Loan sizes and terms are categorised as follows:

	(i)	(ii)	(iii)	(iv)	(v)	(vi)
From (TShs)	10,000	60,000	200,000	400,000	600,000	800,000
To (TShs)	50,000	150,000	350,000	550,000	750,000	1,000,000

Loan Application process.

Loan application starts by clients visiting the office for loan enquiry whereby they are told to form a family group and start a community relevant business. They are then requested to write the project write up through Local Government Officials and submit it to IDYDC office for more discussions and further scrutiny.

Criteria for Clients Selection

(i) The group which will be funded must have relevant and permanent project.

(ii) The site of project must be allowed by the laws or street leadership authority.

(iii) The groups must have more than three family members.

(iv) Groups must be known by the local government or street leaders.

(v) To start with, eligible group must be earning 10,000/= weekly profit.

(vii) The project must be investigated by IDYDC staff before funded.

(viii) The group must have leaders such as chairperson, secretary and treasurer or a responsible person.

(ix) The group must have assets which will be pledged as collaterals. They have to be kept by the group itself.

Loan Review and Approval

Applications are reviewed by the Savings and Credit Scheme Management. Items looked into are; amounts of loans applied by each group, project financial requirements, and on site examination report. The selected/qualified groups are then being informed for a compulsory five to seven days training program.

Mandatory Business Training

Loan applicants must attend a compulsory 5 to 7 days training conducted by the Savings and Credit Management which covers the following:-

(i) Meaning and Management of business.

(ii) The window of business.

(iii) Project Analysis.

(iv) Business and Production Planning.

(vii) Marketing

(viii) Business Costing.

(ix) Purchasing and Stock Control.

(x) Record keeping.

Loan Disbursement

Loan is disbursed with caution that it should be repaid so as to be issued to the waiting applicants.

Clients receiving IDYDC loans are supposed to use and repay them within three months before they apply for consequent loans.

Loan Interest

Interest charged is 10% for three months which makes 40% p.a.

Savings Program

Groups have to open a bank account and start saving before their loan is disbursed. The savings are used as capital for the group projects.

Loan Repayments

The loans are repaid on weekly basis by clients at IDYDC office whereby the money is taken to the bank.

Following are actions to be taken against delinquent borrowers:-

- Groups that make partial payments are required to pay the amounts in arrear with penalties equal to 5% of their respective loans.
- The group with missing instalments have to pay penalties

equal to 10% of the loan for every week in arrear.

- The group which fails to pay completely, it's pledged assets will be confiscated to cover for the loan. (Groups are prohibited to dispose off the pledged assets before loan clearance). This applies for disintegrated groups.
- The management can cancel loan agreements any time if it gets notified on symptoms of unfaithfulness of borrowers. For such cases, borrowers will be required to repay the principle and full interest in five days.

Monitoring and Evaluation.

Monitoring.

Monitoring and evaluation will be carried out by the staff of Iringa Development of Youth, Disabled and Children Care (IDYDC) through use of the executive committee and the project Management of the Organization who are linked with the projects, or by the project monitor.

Evaluation.

Evaluation will be conducted by the IDYDC staff and results will be communicated to the Executive Committee and other stakeholders.

Expected Program Impacts.

- Created employment opportunities as a result of business growth and expansion.
- Income growth being a result of loans provided and training conducted to borrowers plus the good supervision and counselling offered by IDYDC to its clientele.
- Improved living standards of IDYDC clients being a result of their business prosperity and gained skills.
- Improved Business practices through business skills imparted by IDYDC at its compulsory business training.
- Many IDYDC clients will be paying Tax as a result of their business and income growth.

IDYDC Advisors

The Organisation invites different people from overseas and within the Country to advise and fund raise for the target people (poor women and youth).

CHAPTER 3

3.0 RESEARCH METHODOLOGY

This chapter covers research design research approaches and strategies and data collection and analysis that have been covered.

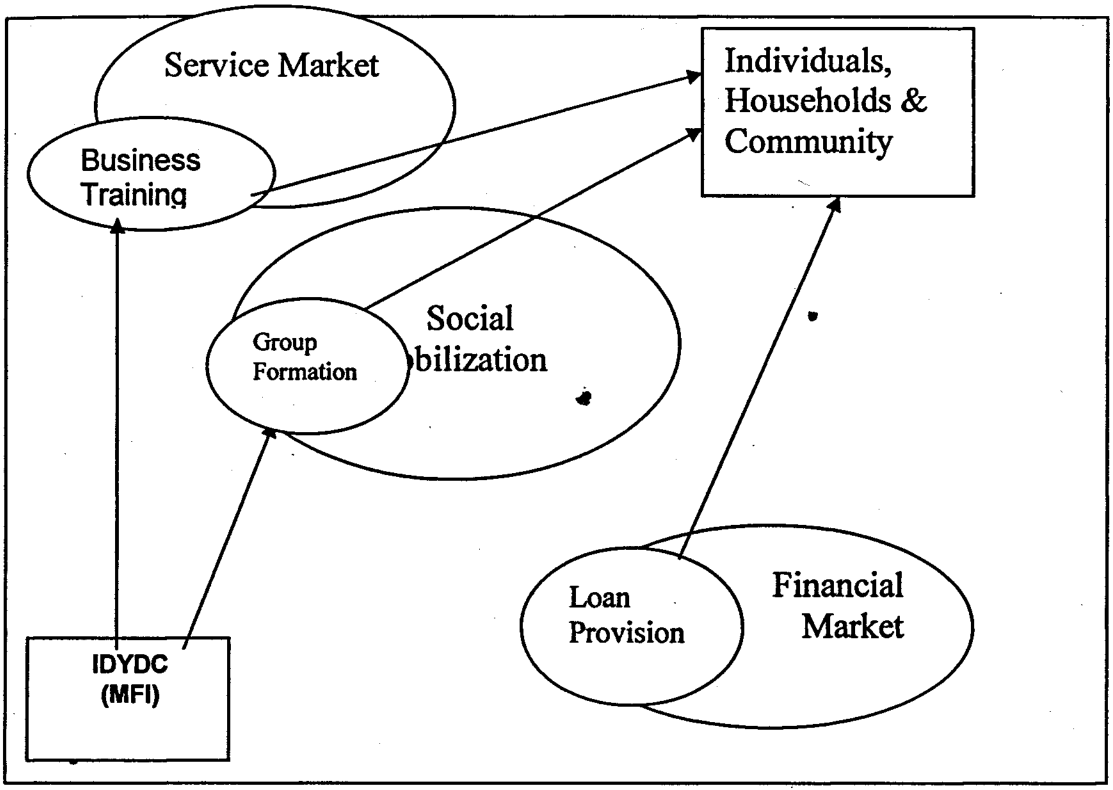
3.1 RESEARCH DESIGN

This deals with impact assessment context, conceptual framework and objective formulation.

Impact Assessment Context, Conceptual Framework and Objectives

Impact assessment context, conceptual framework and objectives were developed from IDYDC mission statement, Savings and credit Scheme profile and intention for the Impact assessment exercise. IDYDC credit scheme is mainly geared at increasing borrowers' income and business expertises, bringing improvement of living standards of its clients and creating employment opportunities.

AREAS OF IDYDC INTERVENTION



Impact assessment objectives were to examine results of IDYDC intervention at female borrowers' level.

From the Credit Policy and Procedures, IDYDC Credit and Savings Scheme is geared at alleviating poverty in the low economic cadre in Iringa. IDYDC Credit and Savings Scheme interventions are specified to be much more in poverty alleviation viz. savings mobilisation, credit delivery, training and capacity building that were planned to be promoted through precise and focused outreach (forming and working with the different groups of the poor), provision of business loans to the informal sector in Iringa, empowering the poor through business training and enforcing good customer care for sustainable positive impacts.

Main focus was to assess impacts of IDYDC loans to female clients in Iringa municipality probably because women do form a big part of IDYDC clientele and also is one of the most vulnerable groups who also play very big roles in economic well being of individuals at both house hold level and the community at large.

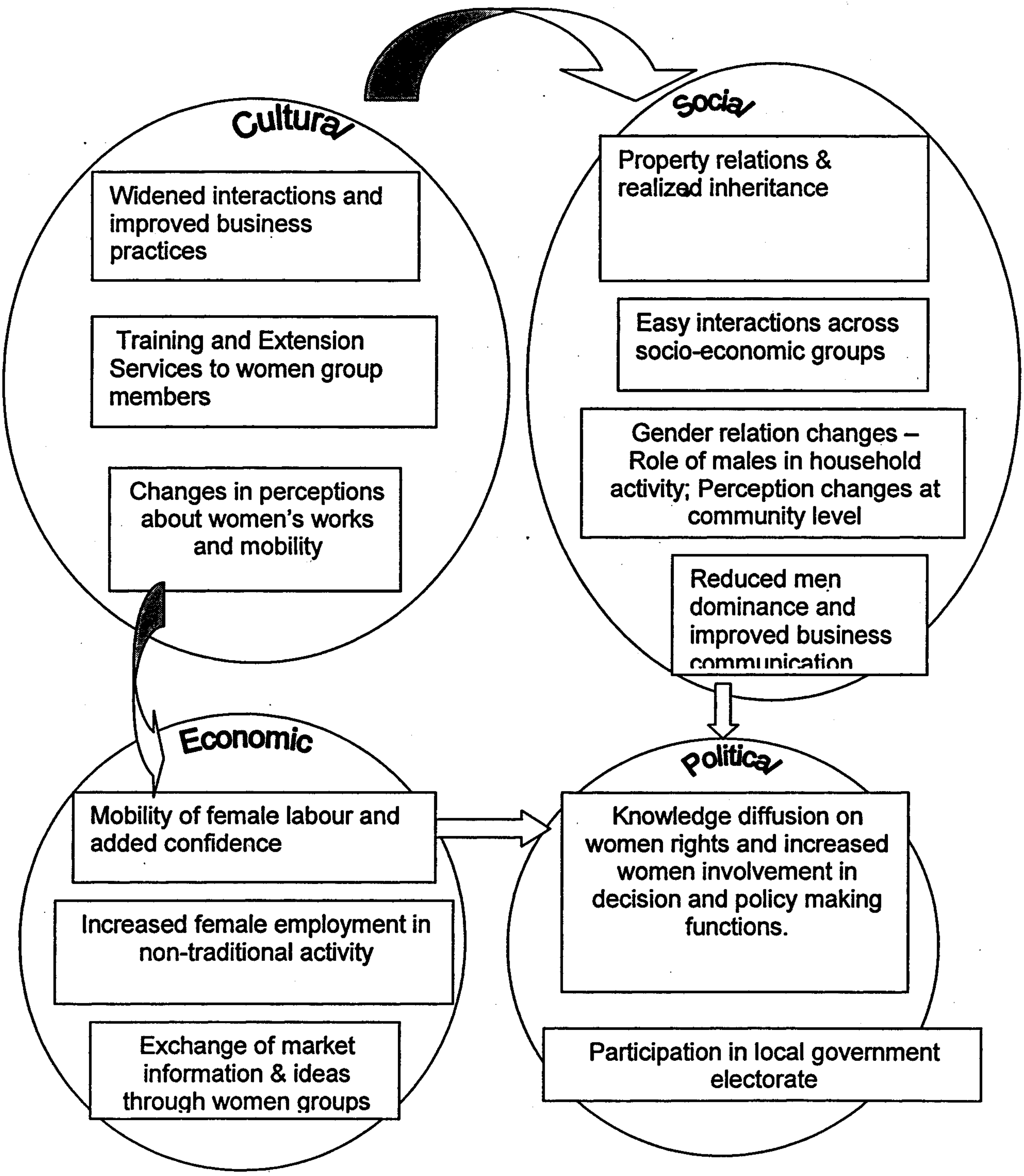
Main objectives of this study were-:

- To examine to what extent IDYDC Savings and Credit Scheme has impacted progressive changes in business managerial practices of its clients.
- To examine, how life standards of IDYDC clients have improved as a result of IDYDC intervention.
- To examine the degree of employment opportunities created from labour gape made by IDYDC Savings and Credit intervention.
- To examine growth of income resulted from IDYDC loan and training services.
- To examine contribution of IDYDC to the Government through increased paid Taxes from improved IDYDC clients businesses.

Indicators

Impact indicators were developed in collaboration with IDYDC Credit Personnel, from the expected wider outcomes of IDYDC interventions at individual female borrowers, households and community levels.

EXPECTED IMPACTS OF IDYDC INTERVENTIONS IN GROUP FORMATION AND TRAINING



EXPECTED IDYDC LOAN USES AND POSSIBLE IMPACTS

Loan use	Pathway	Expected impacts
Micro - Agricultural Production	Investment on poultry & cattle farming.	Increase in employment and income in trade & service sectors
		Demand for new services created, leading to increase in employment & income
		Advancement of employed skills and expertises
		Increased household incomes
		Increased capacity to pay tax
Micro- Services	Increased Service Centres and improved social services	New jobs creation.
		Stiffened competition that lead to innovation and more improved services
		Easily Accessible and affordable social services.
		Income and business knowledge growth.
		Implications on ability to pay tax.
Micro- commerce	Increase in the number of traders and employment creation.	Increased competition leading to lowering of trading margin
		Improved business practices.
		Improved supply of varieties of goods in the market place.
		Changes in the marketing linkages, with possible reduction in trading margin.
		Smoothing of consumption
		Implications for wage rates
		Regularity in employment leading to increase in the number of permanent establishments
		Increased mobility
		Decline in trade margin
		Creates demand for new kinds of goods & services
		Improved household gains
		Increased capacity to pay Tax
Micro- Manufacturing	Increase in demand for labour	Increase in wage employment of local poor, Reducing poverty.
		Employment creation.
	Increased demand for raw materials	Increased quantities of produced goods.
		New market for the goods produced
		Infusion of new production skills and expertises.
		Increased households incomes
		Implications on Tax collections

Due to time limits, resource availability and IDYDC requirements, it was agreed to deal with only indicators that could solicit information on;

- Improvement of living standards of IDYDC clients resulted from business prosperity.
- Extent of Improved Business practices through business skills imparted by IDYDC at its compulsory business training.
- IDYDC contribution in enabling its clients to pay Tax reflected by businesses and income growth.
- Individual borrowers' empowerment with considering attitudes, values, and motive changes.
- Employment creation.

Impacts at individual borrowers' level:

At borrowers' level, business management and market understanding, higher achievement motives, knowledge and attitudes towards social, economic, political and cultural changes and personal confidence gains would be assessed as indicators for empowerment, improved living standards and customer satisfaction.

Household Impacts Indicators:

It was planned that the research could elicit information on the economic status of clients using income levels, household assets including durable goods, savings and fixed assets and domestic expenditure of income. Gender relations at households and resource ownership, decision and control power over resources at house-hold level was also to be dealt with. These were taken as indicators for improved living standards and women empowerment.

Enterprise Impacts Indicators:

Information on enterprise performance was agreed to focus at sales turnover, business assets and personnel employed and ability to pay tax were to be assessed as indicators for improved business practices, women empowerment, employment creation and IDYDC contribution in increasing government revenue through tax collections.

Community Impact Indicators:

It is quiet impossible to separate an MFI from the Community that it works in. There is a stronghold between the MFI's inputs and outputs with the environment it works in. Regardless the time and resource constraints, it was a prerequisite to find out how IDYDC could tailor its services to better suit in the market place for maximized positive impacts. For this case, the research had to establish the community priorities, preferences and understanding on IDYDC. It has to be remembered that the Impact assessment was geared at both proving and improving.

On addition to the above areas of concentration and planned indicators, there was a room for accommodation of other impacts that could be revealed along the research processes.

3.1.2 Units of enquiry

As indicated in the above plans, in order to have reliable data and information hence to come up with valid conclusion, information and data in relation to individual borrowers, households, beneficiary enterprises and community at large were to be elicited whereby female IDYDC clients, female IDYDC dropouts and men and women micro entrepreneurs who are non IDYDC clients were interviewed. In total, 107 respondents were interviewed whose details can be seen under "Tools and Methodology" hereunder.

3.1.3 Tools and Methodologies

There are many ways of doing Impact Assessments and no one way which is more correct than others. What is required is to choose the right mix of methods and tools that reliably collect the data needed and meet other objectives of the IA within the constraints imposed by the organisation and its context (Simanowitz 2001).

In order to elicit information required for this Impact Assessment, IKM framework concept has been used whereby some methods in AIMS practitioner tools and the MSA tool-kit have been blended to get an appropriate Impact Assessment technique.

Question designs and tools selection have been tailored to meet the organization requirement, the socio-cultural environment of respondents and the researcher convenience.

Quantitative survey

The questionnaire was designed to assess impact of IDYDC female clients. Fifty questionnaires were administered for 50 active clients, meant to elicit information on loan impacts to house hold, beneficiary enterprise, employment creation, women empowerment and ability of enterprises to pay Tax to the Government. The questions were also designed to trigger information on client needs, client satisfaction and expenditure patterns of the borrowed money. It also geared at providing an insight on the demand for micro-finance services.

Qualitative Surveys (focus groups)

A focus group discussion path was designed and administered for 17 IDYDC female dropouts. The instrument was structured to elicit information from and concerns of the clients who leave the program and forces that are coercing clients to exit. It was for allowing IDYDC to understand why clients are leaving the program and to determine what strategies are appropriate to address the desertion.

Participatory Rapid Appraisal (PRA)

PRA meetings were conducted for 40 Central Market Traders whereof 10 were female active IDYDC clients, 30 were non IDYDC market traders amongst 11 were males. The essence of using PRA tools was to get more explanations behind quantitative findings which mostly are numbers. The tools were expected also to facilitate understanding clients and their perceptions of the IDYDC as the MFI and its services/products; analysis of clients' risks/vulnerability opportunities and how people use formal and informal financial services; understanding the "financial landscape", or environment, within which IDYDC is operating; analysing problems such as drop-outs and growing trends loan default, customer satisfaction and empowerment.

For appropriate results, tools from the MSA-tool kit were used.

- ***Seasonality Analysis of household income, expenditure, savings and credit:***

  This tool was used to obtain information on seasonal flows of income and expenditure, and the demand for credit and savings services. The analysis also provided insights into some of the risks and pressures faced by clients and how they use MFIs' financial services to respond to these.

- ***Financial Sector Trend Analysis.***

  Financial Sector Trend Analysis was used in determining which financial services have been used over time by which socio-economic or socio-cultural strata of society, and thus for understanding the changes in the use/availability of a variety of financial services over time.

- ***Household generation, receipt and spending of cash analysis:***

  The use of this tool was aimed at eliciting information on household division of labour and economic activities, decision making and control over resource pattern, hence assessing a degree of women empowerment.

- ***Product Attribute Ranking:***

Product Attribute Ranking was used to get insights of clients feeling on products and services offered by IDYDC, what is more important to them and what is the least important and why. The information allows the MFI to maximize impact by providing relevant services and products more appropriately.

3.2 RESEARCH APPROACH AND STRATEGY

3.2.1 Initial contacts.

Initially, the IDYDC Director and the Savings and Credit Scheme coordinator were contacted with expectations that they would play virtual roles in providing guides on various Organizational issues, and identification of consultancy requirement (this assignment).

3.2.2 Data and Information Collection:

As it has been mentioned under preamble, in order to come up with a relevant impact assessment, various information on stakeholders were gathered. Data and information were gathered through literature review, use of questionnaire, conducting interviews using the "Focus Group Discussions", and "Rapid Participatory Appraisal".

3.2.3 Research constraints:

Along this study progress, the Author who was also the researcher suddenly fallen sick and had to undergo Medical operation. The period spent under medical attention and for convalescence, created time constraints in completing the study that was mainly pegged on the CED academic timetable.

On addition to the above, following are some more constraints which were encountered while doing the study; and mitigations that were employed to curb the situation.

1. IDYDC Savings and Credit Scheme objectives were neither measurable nor time bound, a shortfall that have caused lack of standard/bench mark against which impacts achieved could be compared to.

2. Getting a control group was not possible. Most of micro-entrepreneurs get loans from various lending programmes that are operating in Iringa. These include (Rotating Savings and Credit Associations (ROSCAS), Religious Credit Associations, NGOs, Banks, Employers, Friends, Family members and other MFIs. Scope of this study and difference in economic and social environments, invalidate sampling rural women as a control

group for Iringa Municipality women. To minimize the consequences of the constraint, non experimental research method, and triangulation was applied in data collection and analysis.

3. IDYDC Management could not offer the expected cooperation and transparency. It has to be noted that the Author was an employee of another MFI who could not research her own MFI as required by the CED program. For this case impact assessment was done at clients' level only.

3.3 DATA COLLECTION

3.3.1 Primary

In addition to collection and review of relevant secondary material, two distinct but complementary lines of data and information collection were pursued within the study.

1. **Quantitative Data** The main objective of this component was to collect data that would permit statistically valid inferences to be drawn about the impact of IDYDC indicators on participants' and their businesses well being.

2. **Qualitative enquiry**. The qualitative enquiry sessions covered a mixture of focus group discussions and Participatory Rapid Appraisal. The sessions were geared at:-

(a) To collect community level information needed for interpretation of survey findings.

(b) To facilitate interpretation of survey findings (e.g, why some people joined IDYDC and others didn't, why some dropped out, how participation affected intra-household (especially gender) relations.

(c) To identify and assess the importance of sub-sector, financial service, resource accessibility and control pattern, and credit product attributes preferences and ranking.

3.3.2 Secondary

Secondary data and information were gathered from literature review and general observations. The list of reviewed references is attached in the appendices.

3.4 DATA ANALYSIS - QUANTITATIVE

Introduction

Data from the questionnaire was analyzed by comparisons of respondents falling into three categories:

1. Cohort 1, borrowers who have been with IDYDC for a period not exceeding one year, the group had 36 members
2. Cohort 2, composed of borrowers who have been with IDYDC for the period of 2 years. This cohort had 13 members
3. Cohort 3, borrowers who have been with IDYDC for three years or more and there was only one respondent in this cohort.

In lieu of control group, the changes in degree, dimensions, and magnitude of impacts among the cohorts, were expected to reveal the extent and trend of impacts of IDYDC intervention to clients by comparison of impacted changes and clients' period of participation in the program.

3.4.1 Personal Information of respondents:-

All the respondents were female with 20 to 50 years of age whereby majority i.e. 44% belonged to age group of 20 – 30 years, followed by 31 – 40 the group that comprised 30% and the age group of 41 – 50 years was 26%. (Ref Appendix 5, Table 1.1, 2.1 and 3.1). Among the respondents, 50% belonged to Hehe ethnic group, followed by Bena 14% and Kinga 12 % and the remaining percentage was covered by a mixture of other trace groups as per the pie chart bellow.(Chart 1 and 2)

Chart 1: Age Group

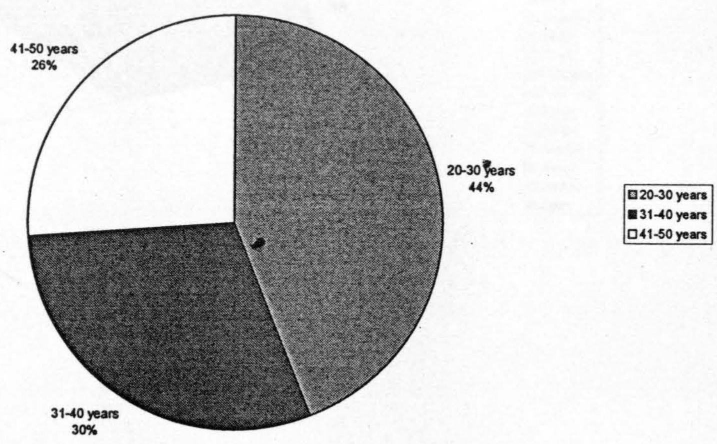
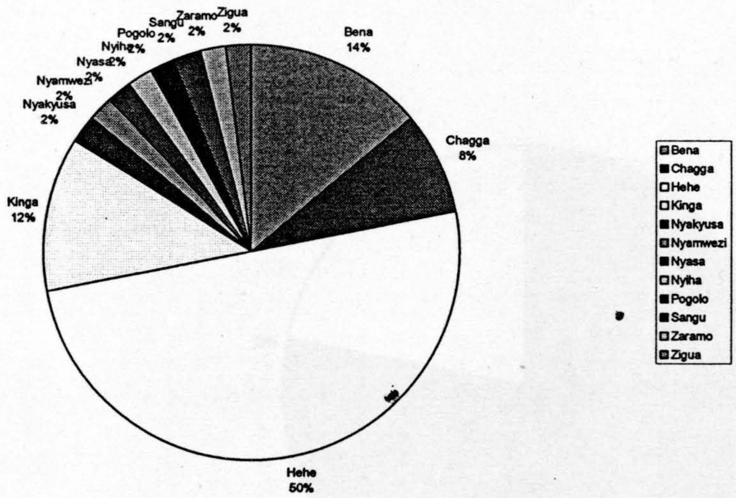


Chart 2: Ethnicity



3.4.2 Literacy level and marital status

Overall 78% declared to have primary school education while 22% were secondary school leavers (Chart 3). Family size ranged from 1 member to 10 members with an average of 5 members per family. Among the respondents, 64% were married, 20% single, 12% widowed and 4% divorced (Chart 4). There was no significant difference in any of these statistics between the three cohorts. (Appendix 5: Tables 1.4, 2.4, 3.4, 1.5, 2.5, and 3.5)

Chart 3: Education Level

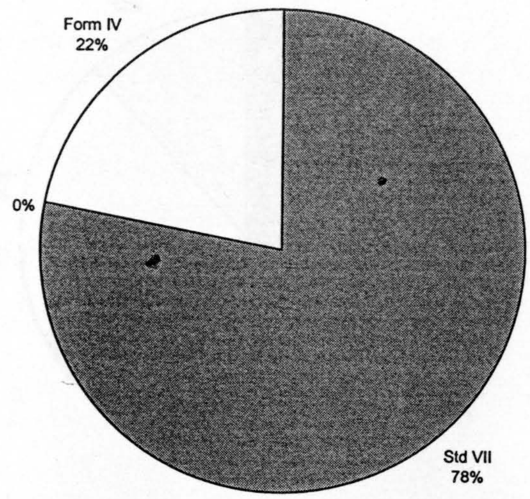
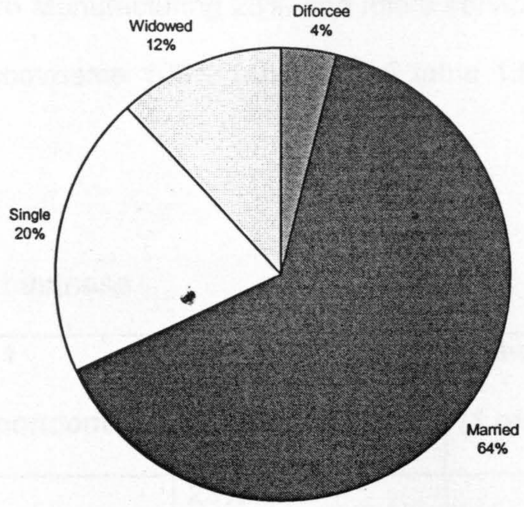


Chart 4: Marital Status



3.4.3 Economic Activities and duration in businesses

The respondents were engaged in various economic activities classified as: -

(i) Micro commerce which includes used shoes, new clothes, saloon, charcoal, food stoles, soft drinks, fish, tomatoes, baobab fruits, stationary, cosmetics, bites, kitchen utensils, butchering, cereals, pulses, nuts, clothes,

(ii) Micro-manufacturing that includes tailoring and

(iii) Micro-services, which include, guest house, grocery cafeteria with the domination of Micro-Commerce in all cohorts.

Cohort 1 comprised of, Micro commerce 86%, Micro-manufacturing 8% and micro-services 6% while Cohort 2 businesses were, Micro-commerce 69%, Micro Manufacturing 23% and micro service 8%, and cohort three Micro commerce 100% (Appendix 5 table 1.8, 2.8 and 3.8).

Number of years in business

No of Years	Cohort 1 (36 respondents)	Cohort 2 (13respondents)	Cohort 3 (1 respondent)
1 – 2	28%	23%	
2-5	47%	38%	
5 – 10	8%	23%	
Above 10	6%	15%	100%

Source: Appendix 5 table 1.6., 2.6 and 3.6.

3.4.4 Sources of initial capitals

Initial capitals for the above business were obtained from a range of sources including gifts from family, loans from family members, loans from friends and personal savings. Cohort 1 and cohort 2 seem to be identical in this entity that 50% claimed to start business using their personal savings; a member of cohort 3 started the business by using loans from friends (Appendix 5: Tables 1.10, 2.10 and 3.10).

3.4.5 Motives to start businesses.

The respondents in all cohorts, stated their motives to start businesses include lack of employment opportunities in the formal sector, to supplement home income, mistreatment by employer created a desire for oneself employment, to meet domestic economic requirements, to meet personal interest in tailoring, change of activity from being a farmer, and induction by friends who were successful in similar businesses.

3.4.6 Seasonality of business

All businesses are affected by seasons depending on their nature and type. While traditional and religious festivals, school calendars, and geological factors creates positive and negative impacts to some businesses, rainy season is said to alienate most of IDYDC client businesses due to outbreak of water born and related diseases which divert financial and personal attentions away from businesses. Impassable roadways make difficulty in getting raw materials and stocks that are obtained from other parts of the region. During rainy s period, 75% of Iringa Municipal dwellers do concentrate on semi-urban farming hence low purchases and poor sales. Otherwise, this season facilitates availability of the home made brew locally called *ulanzi*, which is made from bamboo juice. Because *ulanzi* is widely locally made and not highly taxed, it is sold at low prices whereby it overshadows the market of industrial alcoholic drinks hence poor sales of industrial alcoholic drinks. (Appendix 5; table1.18, 2.18 and 3.18.)

3.4.7 Average daily sales and profits

There were statistical insignificant differences in daily sales and profits among the cohorts because all were featured by the highest frequency of 5,500 to 10,000/= equivalent to 5.5 to 10 US$ daily sales with the highest frequency of 1,100/= to 2,000/= (equivalent to 1.1 to 2 US$ daily profit. Refers to Appendix 5 table 1.7, 2.7, 3.7 and 1.9, 2.9 and 3.9)

Tabular comparison of daily sales

Average Daily Sales (in T. Shillings)	Cohort 1 (36 Respondents)		Cohort 2 (13 Respondents)		Cohort 3 (One respondent)	
	Number	%	Number	%	Number	%
500 – 5,000	9	25%	3	23.08%	0	0%

Average Daily Sales (in T. Shillings)	Cohort 1 (36 Respondents)		Cohort 2 (13 Respondents)		Cohort 3 (One respondent)	
	Number	%	Number	%	Number	%
5,500 –10,000	15	42%	3	23.08%	1	100%
10,500 – 15,000	3	8%	2	15.38%	0	0%
15,500 – 20,000	2	6%	0	0.00%	0	0%
20,500 – 25,000	2	6%	3	23.08%	0	0%
25,500 – 30,000	1	3%	0	0%	0	0%
30,500 – 35,000	4	11%	0	0%	0	0%
35,500 – 40,000	0	0%	0	0%	0	0%
40,500 – 45,000	0	0%	0	0%	0	0%
45,500 – 50,000	0	0%	2	15.38%	0	0%

3.4.8 Expenditure pattern of borrowed money

In cohort 1 borrowed money have been used for Increase of stock - 78% of respondents, Increase of business assets - 44% of respondents, starting new business - 8 % respondents, expansion of business premises - 11 % respondents and solving family problems - 6% respondents while in cohort 2, the borrowed money was used for stock increase - 62% respondents, purchase of business fixed assets, 15% respondents, start new business - 8% respondents, and expansion of business premises – 8% respondents and solving domestic problems - 8% respondents. A respondent in cohort 3 used the loans for stock increase. (Appendix 5 table 1.15, 2.15 and 3.15)

3.4.9 Loan Repayment Capacity

Overall 61% of respondents in cohort one declared to be having loan recovery inabilities at different points in their loan recovery periods. Reasons for recovery problems were said to be low sales compared to required recovery installments – 64% of delinquent respondents, short loan repayment period – 18% delinquent respondents, Family problems, 9% delinquent respondents, and exogenous problems 9% respondents.

While in cohort two 46% of the respondents have been facing loan recovery problems whereof main reasons for that were said to be low sales compared to the required loan installments - 50% delinquent respondents, Short loan repayment period 33% delinquent respondent and family problems -17% delinquent respondents.

The respondent in cohort 3 said to be facing loan recovery problems although rarely due to low sales compared to size of loan installments.

In order to mitigate the above-mentioned loan recovery problems, IDYDC clients make recovery from other sources of money listed to be loans from friends, use personal servings (including selling business and domestic assets) and receiving external assistances. (Appendix 5; table 1.16, 2.16, 3.16, 1.17, 2.17, 3.17, 1.20, 2.20, and 3.20)

3.4.10 Loan impacts on businesses

Since taking their first loan from IDYDC, clients in cohort one have said to increase stability of their businesses through injected additional capital – 25% respondents, 58% have expanded their businesses through acquiring bigger business premises, 6% have improved their business premises, 6% have started other new businesses, 3% have added more business assets. However, 3% have not earmarked any change. (Appendix 5; table 1.19, 2.19 and 3.19) Purchased business assets included.

3.4.11 General viewed impacts on business

Most of interviewed people appreciated that IDYDC has played a role in making their businesses sustainable through injecting capital after issuing loans (25%). While 58% of respondents in cohort 1 declare to have expanded their businesses after getting IDYDC loans, 6% started new business ventures and 6% benefited by renovating their business premises. Responses in the same cohort revealed that 3% of the respondents added new business fixed assets and 3% declared to have no any positive change.

In cohort 2, 75% of the respondents stated that they expanded their businesses while 25% of this cohort and a respondent in cohort 3 started other businesses after taking loans. (Appendix 5: table 1.19, 2.19, 3.19)

Most of respondents declared to have their businesses being positively impacted by getting IDYDC loans but no measurable data was available to quantify the extent of their business growths. However, their ability to pay Tax can be taken as an indicator for this contention. In cohort one out of 36 respondents, 33% declared to be paying Tax, while in cohort two which composed of 13 respondents, 23% were paying tax and none member in cohort three was paying Tax. (Appendix 5; tables No 1.25, 2.25, 3.25)

3.4.12 Impacts on family expenditure

In cohort one, 69% respondents have declared to have better life after taking loans than before, through improved ability to meet domestic requirements and purchase additional domestic assets. Further responses revealed that in order to meet loan recovery obligations, some clients have reduced unnecessary expensive domestic expenditures. Measures taken for enhancing financial discipline included buying 2nd hand clothes, which are relatively cheaper, compared to new clothes and reduction of other luxurious expenditures. However, some respondents have revealed an increase of expenditure and that at the moment they are taking more balanced diets than before and that they are paying for children school fees. However, However, some respondents in said to have changed nothing in their domestic expenditure pattern. There were no much different responses regarding this case in other cohorts.

Although in cohort one, 3% stated to be worse off than before taking loans (Appendix 5 Table 1.23, 2.23 and 3.23).

All respondents in all cohorts claim to have no other loans from any other institution apart from IDYDC.

3.4.14 Impacts on employment

The research reveals that in cohort one 23 people have been employed to carter for emerging business labor requirements. Amongst, 21are females and 2 are males. They have been employed as cooks, waiters and meat sellers whereby 12 are salaried full time workers with salaries ranging from 10,000/= to 30,000/= per month, and 11 are non salaried workers. The later are paid through being afforded with their daily requirements as family members of business owners. Normally are close relatives. Cohort two data indicates that 6 people have been employed whereby 4 are females and 2 are males.

Their salaries range from 6,000/= to 15,000/=. No person employed in cohort three. (Appendix 5: table 1.21, 2.21 and 3.21)

3.4.16 Impact on business skills

Market environment

Respondents in cohort one revealed that most of financed businesses do not involve much traveling. Market for the financed economic activities is growing bigger in the area with moderate competition from other similar businesses in the industry. In most cases business owners in consideration of market prices and operational costs set prices. Clients said to be competing by improving products; services and customer care along with charging reasonable prices.

There were no different responses to these that were observed in cohort 2 and cohort 3.

3.4.17 Business Training

Only 31% of respondents in cohort one have attended business training, while in cohort two only 46% respondents attended business training. In all cohorts the trained have been able to keep simple income and expenses records (Appendix 5, table 1.27, 2.27 and 3.27).

3.4.18 Social Empowerment

It has been revealed that after joining loan groups, some women were appointed for group leadership positions. In cohort 1, 50% were group chairmen, in cohort 2, 69% were group leaders and one member of cohort three was also a leader (Appendix 5; Table 1.24, 2.24 and 3.24). Through leadership practices, women leaders have been able to gain social status and public confidence.

3.4.19 Resource ownership and control pattern

The quantitative data portrays an image that in all cohorts a big number of respondents stay in rented houses. Secondary data reveal that Iringa women have low control power over economically valuable resources. More details on production, decision and control over resources are detailed discussed in have already been discussed in the qualitative research findings.

3.5 DATA ANALYSIS - QUALITATIVE

IMPACT OF CREDIT AND TRAINING SERVICES OF IDYDC TO IRINGA MUNICIPALITY WOMEN CLIENTS

FOCUSED GROUP DISCUSION TALLY SHEET.(Source: www.microsaveafrica.org)

NOTE: FGD 1 composed of 10 dropout women
FGD 2 Composed of 7 dropout women.

Date 07/ 08/ 2004
Moderator Mariam P. Ntobi
Assistant Moderator: Hilda Kahogo
Informants: Seventeen IDYCD female dropouts.

ELEMENT	RESPONSES	FGD -01	FGD-02
How long did you stay with IDYDC?	One to two years. Three months to three years.	* 	 *
What businesses do you run?	Food stoles. Green vegetables. Kiosk.	* * *	* *
How many times did you borrow before exiting the program	One to Two times.	*	*

ELEMENT	RESPONSES	FGD -01	FGD-02
For what purpose did you use the loans you received from IDYDC?	Purchase of stock. Increase working capital. Purchase of cooking pots. Renovation of business place.	* * * 	* * *
Did the loans received allowed you to meet your needs?	Yes Somehow. Not at all (Wapi bwana wee? Tumewafanyia kazi wao tu.) Not easy because instalments are big and repayment time is too short. Criteria for getting a certain loan amount are not known. (Unaweza kuomba kiasi Fulani cha pesa, lakini siku ya kuchukua unaambiwa "wewe chukua kaisi hiki ambacho ni kidogo bila hata kuelezwa ni kwa nini. Sasa inakuwa vigumu kufikia malengo ulokusudia".	* * * *	 * * *
What makes people like you decide to join IDYDC?	Need of working capital. We need to improve our businesses. (Kuboresha biashara).	*	* *
What makes clients to quit from IDYDC program?	Failure of business. Market problems. (hakuna masoko. Mfano sasa hivi mama ntilie ni wengi lakini walaji ni wachache). IDYDC loans instalments are too big. A person taking 200,000	* * *	* *

ELEMENT	RESPONSES	FGD -01	FGD-02
	loan must be repaying 13,000/= weekly for 4.5 months. 300,000/= is repaid by depositing 18,000/= weekly (Hili ni tatizo).		
	Late loan disbursement. (unaweza kuomba mkopo leo, na unapitishwa, lakini kuchukua hela unaweza kukaa miezi mitatu hata saba, sasa kweli hiyo ni biashara?).	*	*
	Loan guarantee system is discriminative. "We are forced to pay loans for people whom we did not guarantee only because we reside in the same locality, this is unfair".	*	*
	Poor customer care, IDYDC credit staff has no respects to clients regardless of their age. (Kauli za wafanyakazi wa pale ni mbaya sana. Hawana heshima hata kwa wakubwa).	*	*
	When one do not have business records, can not get a loan regardless her credit history.	*	
	Fines and penalties are sources of Income.	*	
	Big fines. Eg. They are charging 50% of the late loan installment weekly. Eg. If one pays less by 5,000/= this week, next week she has to send 7,500/= 2,500 late penalty. Worse enough they do not tell clients about the accumulating penalties until at the end of loan contract.	*	*

ELEMENT	RESPONSES	FGD -01	FGD-02
	(Mtu unalipa mkopo, baada ya kumaliza unaambiwa 150,000/= zilikatwa kwa ajili ya faini kwa hiyo hujamaliza).		*
	We just go there only because we are the needy. Tunaendea kule shida na mazoea tu.	*	
	A person cannot easily get one million shs loan. Even when it is approved, the loan will be disbursed in small instalments at different times, which frustrates businesses.	*	*
	Big loans from 700,000/TShs are disbursed in instalments. When one asks why, you are just told "what are you going to do with all this money? Take this little amount at the moment you will come for the balance some other times". Borrowers are ending into discouragement".	*	
	There are so many undefined fees and deductions. E.g. Apart from 500/= which is monthly membership fee, let say when you are getting 50,000/=, you must leave there 5,000/=, 8,000/= for 100,000/= and 20,000/= for 300,000/=. When one gets in late, there is late penalty 1,000/= per day. There is another 1,500/= we do not know what is it for. This is too much.	*	*
	Repayment Instalments are too big e.g. For 400,000/= loan, weekly instalment is 22,000/=	*	

ELEMENT	RESPONSES	FGD -01	FGD-02
	For 600,000/= loan, weekly instalment is 32,000/= For 1,000,000/=, weekly instalment is 52,000/= Although one million is not easily accessible.		
What generally can you say about IDYDC services?	There are many problems than good things. IDYDC helps us to increase our capital but they should review the way they are operating.	 *	*
What IDYDC should do further to improve its credit services?	They should be listening to customers. Loans should be disbursed timely and based on customers' needs. (hivi kweli mtu umemaliza deni lako leo, na umeomba mkopo ukitegemea biashara fulani halafu unakwamishwa bila maelezo hadi miezi mitatu ndipo unapewa kweli utakuwa unafanya biashara hapo?	* *	* *
What are your comments on IDYDC business Training Program?	They are not appropriate based on the nature of our businesses. It is difficult to keep records. We were not taught on how to keep records for businesses like ours. (Kha kha, sisi hatukufundishwa kutunza kumbu kumbu za biashara kama mama ntilie). Hivi kweli nitaweza kuacha kugawia wateja chakula eti naandika kumbukumbu ya kila sahani!).	* * *	* * *
If you were the Director for IDYDC, what would	I could do what clients want.	*	*

ELEMENT	RESPONSES	FGD -01	FGD-02
you do to make this program a success and sustainable for both current clients and the community at large?	I could be a reliable and dependable person of doing what I speak to people. Eg. There is loan stagger, which is not followed. It is there to attract clients only.	*	
	I could work on revising the loan interest rate.	*	*
	Pay attention to clients needs.	*	*
Customer Care:			
What do you have to say about the IDYDC staff (friendly, unfriendly, helpful, etc).	They differ, some of them are ok but most of them have bad languages to clients.	*	*
	We are oppressed and mistreated like beggars!	*.	
	Abusive languages are very common at IDYDC office, especially with female staff.	*	*
	We only go there because we have no option.	*	*
	When you are a poor, you must be patient. But in reality is difficult to get along with those people. (unapokuwa maskini basi. Lakini kama vinginevyo wale watu, hapana).	*	*
	We have been rebuked as young kids!	*	*

ELEMENT	RESPONSES	FGD -01	FGD-02
	We do not have any right to query why being harassed by employees"		*
	Abusive words are so common when a client misplace records like receipts for previous loan instalments.	*	*
	We are undermined and intimidated because we did not go to school. What shall we do?	*	*
	Those ladies are insulting people.	*	
	"*Un-preferred cited statements.*		
	"Why did you take the loan if you new you were unable?"		*
	"Why don't you go to PRIDE, FINCA, NMB instead you are coming here?	*	*
	"Why do you come here for loan? Did we call you?"		*
	When one is taking her loan, staff looks jealousy.	*	
	They under rate people regardless one's status. When you are a borrower, you are nothing to them.	*	*
What other suggestions	We even went to see the Management but we were not listened.	*	

ELEMENT	RESPONSES	FGD -01	FGD-02
for improvement do you have?	Probably they have to change employees.	*	
	There is no any way of improving.		*
	The best solution is to exit. So many people are leaving the program now.	*	*
	In reality we are so discouraged. We do not think there is a different and better Lending Institution. If that is the kind of Institutions, we better stay with our poverty.		*

SEASONALITY ANALYSIS OF INCOME, EXPENDITURE, SAVINGS AND CREDIT (Source: www.microSave.org)

Date 08/ 08/ 2004
Moderator Mariam P. Ntobi
Informants: 10 Iringa Municipal Micro-entrepreneurs. 7 females, and 3 males
Location: Central Market Office.

MONTH	*JAN*	*FEB*	*MAR*	*APR.*	*MAY*	*JUNE*	*JUL*	*AUG.*	*SEPT*	*OCT*	*NOV*	*DEC*
INCOME	*	*	*	**	***	****	*****	*****	****	****	****	*****
EXPENDITURE	*****	****	***	***	****	****	****	***	****	****	****	****
SAVINGS					*	**	***	***	****	*		
CREDIT.	*	*	**	***	****	****	*****	*****	*****	***	**	*****

Income: June, July, August, September, October, November and December are the seasons of high incomes. Incomes are promoted by high purchasing power of people in the area resulted form harvest and sales of crop yields i.e. Cereals, Pulses, Nuts, tomatoes, green vegetables, fruits, roots and tubers. During this period many people travel from many parts of the Country to Iringa in searching of the Crop products while at the same time many businessmen in Iringa travel to other parts of the country for selling the crop yields.

A slight down slope of income in September, October and November is attributed to most of people to diversify their financial attentions more to land clearing than purchase of other items hence using some money for labourers and land hiring in rural localities. It has to be noted that 75% of Iringa town dwellers, apart from being business people are also engaged in Agricultural activities.

January, February and March are the months of low income because at this time, people have low purchasing power. At this period, crop yields are out of stock, it is rainy and most of families are in budget crisis. More financial attention is directed to farming activities in rural areas and meet essential basic necessities.

There is an increasing trend of income in April and May because there is little rains which results to harvest tomatoes with high quality and also is the early harvesting period of beans, green corns, potatoes, onions and nuts.

Expenditure.

January and **December** are highest expenditure seasons fuelled by multiple essential financial obligations that people have. There are outbreaks of water born and water related diseases in January like, Malaria, Diarrhoea, Typhoid, Dysentery etc that all calls for immediate medical attention.

About 75% of Iringa residents also do farming activities in rural areas. In January and December most of them are busy with farming. More money is needed for labourers' payments, purchase of farm inputs and purchase/hiring farm implements.

More money is needed to buy foods for family consumptions in **January**. At this period there is food shortage at household levels, which necessitate the families to buy them from speculators at high prices.

Primary and Secondary Schools calendars start **in January**. This is when parents/guardians are required to pay for school fees, buy school uniforms and meet other educational requirements which all need moneys.

Family clothing and special meals during Christmas perpetuate increased family expenditure in December. To fulfil some traditional requirements, some people travel to their places of Domicile in every **December** for family reunions, which also magnify financial obligations in the period under reference.

In **February** and **March** there is a decreasing rate of expenditure because no school expenses and wild vegetables are rampart in the area at this period hence lowered expenses for relish.

Expenditure remains constant in **April** regardless the onset of harvest, which could otherwise cut down costs for food, due to expenses incurred for Easter and Baptism ceremonies.

There is a slight increase of expenditure **In May**, which again remains constant to **July** through. This is the period for crop yields harvest, rain is over and low rate of diseases outbreak, which lower much domestic expenditures. However, demand of various items increases due to high purchasing power of people. To meet that demand, business people have to do more purchases of their respective business products, raw materials and working tools for the manufacturers and various materials for service providers thus moderate increase of expenditure.

While business people are required to pay for business licenses and various taxes, this is cold period when families have to buy clothes special for that weather. Some other parents pay fees and meet other educational requirements for students.

In **August,** people have already paid for licenses and taxes, no much cold, instead normal domestic and business purchases are done, hence lower rate of expenditure.

The moderate increase of expenditure in **September** is caused by most people to start paying for hiring and clearing *shambas* in rural setups. Foods are now plenty and no.

Land cultivation is mainly done in **October** and **November** when people spend much for labourers and purchase/hiring of farm implements.

Saving:

Due to budget crisis, there is no surplus made in January, February, March and April hence no savings made during these months. People start to make savings in May at an increasing rate to September, the peak period for savings. The rate of savings increases with productivity of the Economic Activities in the area. While there are little amounts saved in October, no saving is done in November and December due to high *shamba* financial involvements and offerings which are traditionally done at the end of each year.

People save at the Banks, Homemade cash boxes, burying money under the ground, use of pots, purchase of chicken, goats and cows, purchase of food crops and through the Rotating Saving and Credit Associations locally namely UPATU.

It was reported that people avoid depositing their moneys at the banks due to various bank charges that seem to be expensive and bureaucratic procedures to access the deposited savings. EG Postal bank requires one to give seven days notice before drawing one million shillings or else a penalty fee must be deducted from that particular account. This is viewed as a hassle to a depositor who needs that money for emergency.

Cows produce milk and chickens produce eggs, which was said to be more profitable compared to the interests earned on bank deposits. On addition, it was urged that money kept at homes are easily accessible compared to that deposited at banks. Informants contended that savings done in material forms can easily be liquidated regardless whether it is week ends or holidays and that because they are tangible can be used as collateral to access interest free credits from friends and neighbours when needs arise.

All of this savings are subjected for liquidation and expenditure to fill financial gapes in January to April, the period with high budgetary deficits.

Credit:

Very little loans are taken in **January** and **February** because of poor economic situation in the area at that particular period. Few taken loans are used for school expenses, farming and purchase of stocks for people selling farm related items and human medicines.

Credit requirements increase gradually from **March** through to **May** when it reaches its peak. Most of loans taken at this time are used for businesses because now there is a certain circulation of cash in the community, fuelled by early harvest of green corns, green peas, green beans, tomatoes, onions, and potatoes.

The highest demand of Credits starts from **May** and goes to **September**. People mainly need credit for purchase of stock, purchase of business premises, purchase of dry speculative foodstuff to be sold during the months of food shortage, payment of school fees, house constructions, payment of dowry, to meet costs for religious festivals and wedding ceremonies that are commonly done during dry seasons.

Requirement for credit slightly decreases in **October** and **November** because crop yields now are not much available in the villages. Loans taken at this period are used for purchase of stock and for farm activities.

Credits are again highly needed in **December** for running businesses where all businesses flourish.

Sources of Credit:

Iringa people take loans from NMB, FINCA, IDYDC, PRIDE – TANZANIA, SIDO, CRDB, and SACCOS.

PRODUCT ATTRIBUTE RANKING: (Source www.MicroSave.org)

Date 09/ 8/ 2004
Moderator Mariam P. Ntobi
Informants: 10 Female active IDYDC clients.
Location: Central Market Office.

ATTRIBUTE	RANK	EXPLANATIONS
LOAN REPAYMENT PERIOD.	*****	Loan repayment period was highly prioritized with considerations of working capital turnover and the actual economic situations of Iringa. Cited an example of IDYDC loan repayment period of 3 months for 50,000/= is too short when compared to the actual economic situation of Iringa. To enhance loan impact, loan terms should be extended from 6 moths for small loans like 50,000/= and 12 months for higher loans starting from 500,000/= to 1,000,000/=
LOAN PROCEDURES	****	• Preferred streamlined procedures that will allow them to easily access loans at the right times and reasonable costs and to make loan recovery by depositing affordable instalments at reasonable times. • IDYDC should not force loan applicants to attend the business-training courses because applicants have different literacy levels. • The organization should not be disbursing loans by looking at the business records because this is intimidating and unnecessarily victimizing loan applicants who cannot write but are able to run their businesses. • Too much involving and bureaucratic procedures disadvantage their ongoing business activities. "You have to form a group first, then you and your guarantors who are not borrowers must attend the 5 days consecutively training. After this we have to fill the forms and submit them to the Zonal chairman who seat with his/her

ATTRIBUTE	RANK	EXPLANATIONS
		committee for loan appraisal. If the loan is approved, it is now being sent to the office where again is being scrutinized and if the applicant qualifies, she/he then has to wait for unknown period that ranges from 1 to 4 months before she is called for signing a contract. On the day of contract signing, there is another training. After that day, it normally takes unknown period before disbursement. On disbursement day some time the loan is not given in full. This makes us to miss business opportunities which are seasonal".
LOANG GUARANTEE SYSTEM.	****	Group guarantee system is highly preferred for most of people do not have tangible assets to pledge as collateral. However, informants raised concerns of dissatisfaction about IDYDC group loan practices. They suggested that IDYDC should refine its current practices whereby when one clients default, all clients who resides in that particular geographical location regardless whether they are guarantors of that particular borrower or not, are all prohibited from accessing further loans unless they are paying for the defaulted case. Some times payments for such cases are done by deductions from loans at disbursements time if there is a person who has defaulted in their respective areas. "This is injustice" they commented.
LOAN REPAYMENT & INSTALLMENTS.	*****	Loan Repayment Instalments was said to be one of the most important attributes that needs attention. IDYDC loan repayment instalments were said to be too big to make positive impacts to the businesses. " 50,000/= is repaid weekly at the rate of 4,600/= for 12 weeks. "We are always working for IDYDC only. There is no profit that we retain after finishing paying back the loans". They showed dissatisfaction of setting a single day for all loans repayments in a week. Repaying loans on Fridays disadvantage borrowers who take their loans on Mondays to

ATTRIBUTE	RANK	EXPLANATIONS
		Wednesdays for they have to make their first loan recovery instalments on Friday of the very week contrary to the IDYDC theories of staying with a loan for a week before starting paying it back. "Unachukua fedha Jumatano, halafu unaambiwa kesho kutwa uanze kurejesha, kweli hapo unakuwa umefanya kazi gani?" which is literally translated as "You get a loan on Wednesday, and then you are told to start repaying that loan the day after tomorrow i.e. Friday, what business you will have done in such a short period? ".
PENALTIES, FINES AND OTHER FEES.	****	Clients are highly dissatisfied with unexplained deductions done at the time loan disbursement. "Those deductions of 8,000/= for a 300,000/= and 10,000/= for 500,000/ loans etc. are for what purposes? Late repayment penalty of 50% per week of the missing instalment is viewed exploitive.
LOAN DISBURSEMENT PERIOD	*****	This is highly ranked because people need loans at the time when they have business opportunities. All loan preparations are done with targets to meet business requirements, which are highly affected and varied by seasons. Loans disbursed untimely are highly exposed to risk of being misdirected to other expenditures and normally results to default. They do not understand why some times loans are disbursed in instalments. Their feeling is that they do apply loans based on their business plans and requirements. If the loan has already been approved, and the contract has been signed, why then the office should hold some amounts of that loan. At the days of repayments the client is paying full instalments withheld balances being inclusive. Why the withheld balances are issued at the discretion of the lender without considering clients needs?

ATTRIBUTE	RANK	EXPLANATIONS
ORGANISATION STAFF.	*****	This attribute is so important to them because they prefer respects and good services. They said abusive languages normally do not build good relationships between borrowers and the Organization. It always ends up in undesired and normally unnecessary disputes. • The staff should welcome their clients and not make them feel small and unimportant. • Employees should stop using abusive, oppressive and insulting languages to clients. • It is common for IDYDC staff to lose clients repayment records which raise a question on their professionalisms and trustworthy. "We even do not know whether they real misplace repayment records or they are not professionals." "If you do not keep receipts of your loan repayments, you can pay a loan to infinity". "When one thinks that the loan is over, he/she must take all of her receipts for a proof or else is a big trouble". • They should be reliable persons by giving true promises. "What they promise or say is contrary to what they do".

FINANCIAL SECTOR TREND ANALYSIS (Source: www.MicroSave.org)

Date 09/ 8/ 2004
Moderator Mariam P. Ntobi
Informants: 6Female and 4 men (all market traders).
Location: Central Market Office.

Loan Service Provider	Now	Two years ago	Five years ago	Reasons/Issues.
PRIDE – Tanzania.	*****	*****	***	Five years ago it was just starting so the public was not aware of it. It is very popular at the moment because of the following:- • As soon as you finish paying up your previous loan, you instantly get a new one. You don't have to wait for other group members to complete their loans. • As loans get bigger, you pay less interest. • It has reliable staff. • It pays bonus on savings. • But as loan sizes get bigger, so does the weekly instalments and this causes much hardship.
National Micro-Finance Bank	****	***	*****	NMB became unpopular recently due to the following reasons:- • The Loan Officers became untrustworthy. In order for your loan to be facilitated you must give them *something*. • It has now started to pick up due to introduction of consumer loans to employees.

Loan Service Provider	**Now**	**Two years ago**	**Five years ago**	**Reasons/Issues.**
IDYDC	*	**	***	**IDYDC deteriorates with time because: -** **Loan officers are untrustworthy. They could make you pay the same money a number of times.** **They are very unreliable in terms of disbursement. A borrower would complete repaying all the outstanding loans but IDYDC would not give you a consecutive loan until after a long time.** **Their loan recovery instalments are too big and loan term is short.** **The Officers torment clients at loan disbursement.**
FINCA	***			This is just coming in the area but they hear that it is good. • They are prompt and timely in loan disbursement. • Clients make weekly savings deposit of 1,000/= • However, their weekly loan recovery instalments are big. (e.g. for a 30,000/= loan, clients repay 3,600/= weekly).
SIDO				They just hear that SIDO issues loans but actually they have not seen anybody who has got a SIDO loan. This has been propagated and highly publicized but no loans given.
Roman Catholic Church	*			It has just started and it is catering for Catholic members only.
Family/Friends	*	*	***	This is used to be a very good source of loans when days were still good, but as of now people are so poor, there is no credit.

HOUSEHOLD GENERATION, RECEIPT AND SPENDING OF CASH ANALYSIS
(Source: www.MicroSave.org)

Date 09/ 08/ 2004
Moderator Mariam P. Ntobi
Informants: 10 Iringa Market Traders. 6females, and 4 males
Location: Central Market Office.

	Division of labor		Receipt of Cash		Decision Over Use of Cash	
	Men	Women	Men	Women	Men	Women
Economic Activity						
Big businesses	****	***	****	**	*****	
Farming	*****	*****	*****		*****	
Vegetables	**	*****	**	*****	***	****
Small businesses	**	****	**	*****	**	*****
Cow Milking	**	*****	**	*****	*****	**
Chicken Keeping		*****		*****	*****	***
Piggery.		*****		*****	*****	*
Employment Earnings.	***	***	*****	*****	*****	*****

From the matrix, women are involved in performing economic activities by 92% while men are only involved by 45%.

It is revealed that women involvement in cash receipted from the income generated is 80% while men are involved by 50%. The matrix guides that women are involved in decision over use of the receipted money by 50% while men are involved in expenditure decision making by 87%.

With exception of salaried employees, women have full control authority of the expenditure of income generated from small businesses, and probably vegetable gardening.

CHAPTER 4

4.0 FINDINGS AND CONCLUSIONS

4.1 IMPACT ASSESEMENT FINDINGS

4.1.1 Entrepreneurial development

Both qualitative and quantitative data analysis has revealed that for the ten years of operation IDYDC Savings and Credit scheme has portrayed a vital role in sustaining Micro Enterprises in Iringa Municipality through provision of business capital.

4.1.2 Employment opportunities

IDYDC has created employment opportunities to un employed females and males in the informal sector through stimulating labour demand resulted from business growth in the Sector.

4.1.3 Women empowerment

It has been evidenced that the compulsory pre loan disbursement businesses training by IDYDC has imparted skill in business managerial practices of the recipients, particularly in sales techniques and elementary business record keeping.

Women participation in IDYDC Savings and Credit scheme has gained social status and public confidence through group interactions and group leadership practices.

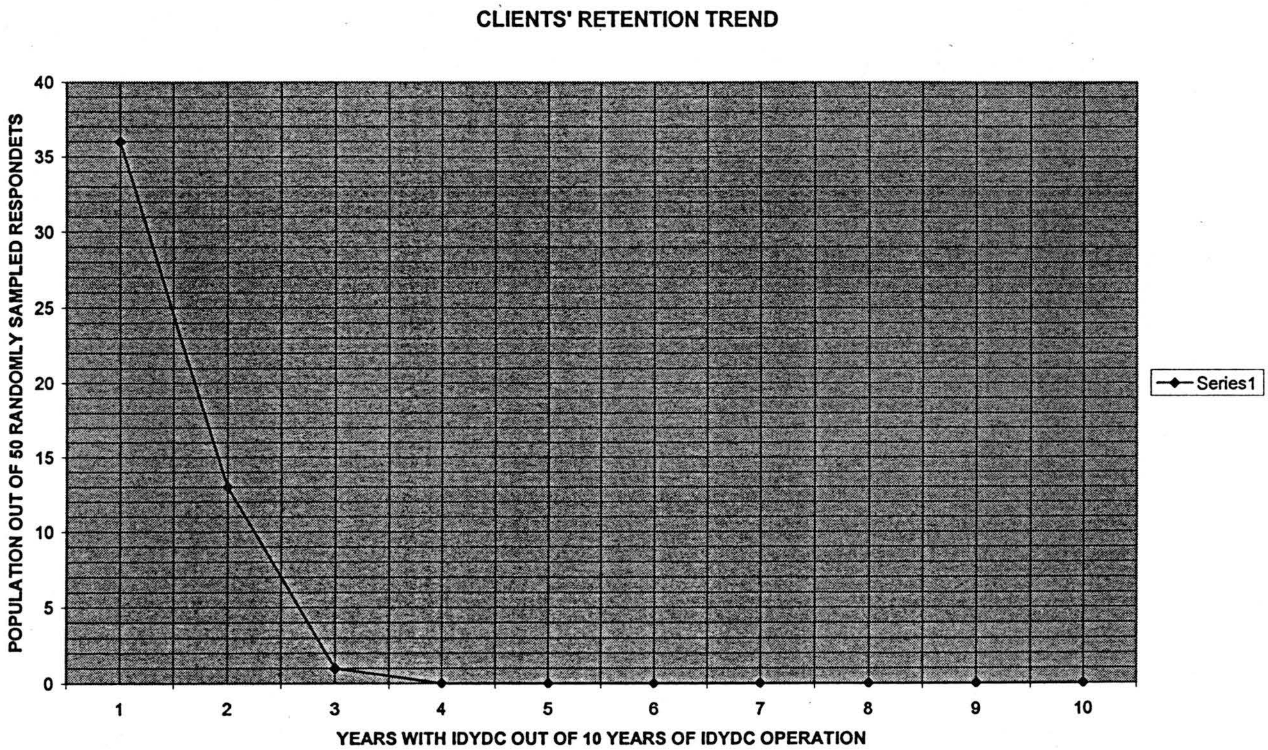
To a certain extent IDYDC has succeeded to improve life standards of women clients through provided loans, which sustained business and therefore, have been enabled to meet some of their practical and strategical needs.

4.1.5 IDYDC Operation Shortfalls

However the research findings suggest that IDYDC Savings and Credit scheme is succumbed by a number of shortfalls in its operations hence haunting wider achievement of positive intended impacts.

Poor Clients' retention

This has been reflected in many ways through both quantitative and qualitative data and information. The presence of one member only who has been with the program for 3 years as the most experienced one (for ten years of operations) out of 50 randomly sampled active client respondents, indicates serious problem on customer retention. Poor client retention always is an alarming situation and an indicator of ineffective lending program. It poses questions on operational practices; policy adopted and program management. The situation perpetuates for higher operational costs in promotion and training of new customers who do not stay, and processing small initial loans hence threatened organisational operational and financial self-sufficiency and sustainability.



Poor customer care

Both qualitative and quantitative findings revealed that IDYDC does not offer the desired respect to clients. Qualitative data revealed more that harassment and poor wording as practised by IDYDC staff has been triggering poor public image of the organization and massive client exists which might hamper impacts achievement.

The recurrent allegation of mishandling and poor treatment of clients as have been enormously cited, it suggests incompatible incentives of the organisational staff, clients and probably donors.

Poor Customer Service

Both qualitative and quantitative data indicates poor customer services whereby the loan terms, and delivery mechanism are incompatible with needs of people and their seasonal business opportunities. It has been noted that IDYDC are so much concerned with the following factors which IDYDC could not easily respond to due to poor information and control systems. E.g.

- Big loan recovery instalments.
- Untimely and unpredictable subsequent loan disbursement.
- Too short loan periods.
- Un-predetermined loan sizes alienate business and market planning.

Donor Dependence

IDYDC is a donor dependant organisation with no clear plans for sustainability. This is evidenced by its statement in its policy that "Other Donors are being looked for".

Weak MIS system

Lack of efficient Management Information System has denied continuous flow of information and operational data to the officers and management. As a result the organisation has shifted the responsibility of safely keeping reliable data to clients. Forcing clients to continue paying loan to infinity because they do not have data on their loan balances creates not only disputes between workers and clients, but also questionability of staff professionalism, trustworthy and reliability hence back image of the organization in a community.

Lack of Transparency

Lack of operational transparency to clients is one of the major organisational weaknesses portrayed by the front line desk officers. Deducting clients' loans and overcharging them without clear explanations amplifies the perception of illegal deals or fishy underground movements.

Inconsistent Operations

It is clearly stipulated in the IDYDC Credit Policy that business training is mandatory to all loan beneficiaries. The portrayed sharp down sloping percentage of trained clients per year indicates an advancing trend of irregularities and violation of operational procedures.

In the Credit Policy of IDYDC, it is stated that Saving and Credit scheme would involve mobilisation of clients savings in a certain formality but practically no enforcement on savings deposits has been done.

On addition to the above noted inefficiency of the MIS, poor monitoring and control s ystem, t he r evealed v iolation of o perational r egulations a mplifies a question on compatibility of donors' organisational staff and clients incentives.

Inappropriate Training package

Training package and training delivery mechanisms do not tally with the market environment. While few literates acknowledges the positive training impacts, the class of low literacy cadre are viewing it as a hassle and that they are forced to learn things that seem to have very little to do with their businesses.

Market Irresponsiveness

IDYDC market irresponsiveness is characterized by the organizational operations which do not correspond with characteristics of the intended market. Imposing a condition that all applicants should show business record or prepare a project write up without first addressing their illiteracy situation is likely to slow down organizational outreach and achievement. The conducted mandatory business training is perceived to benefit only few trainees those who can follow and leave the illiterates who form the majority group, bored.

This research has triggered unexplored market for a number of micro-finance products which IDYDC can embark in order to maximize its market share hence broadened impacts. Clients have been borrowing money for business but they have been directing them for school fees payments, housing and solving other domestic problems. While diversification and misdirection of loaned money can create grounds for default and minimize achievement of the desired results and impacts, the same must be taken as an indicator for availability of unmet financial service requirement in the community and so an opportunity for IDYDC .

CHAPTER 5

5.0 RECOMMENDATIONS

In order to facilitate sustainable development of the poor, IDYDC should be assessing changes it is impacting to its clientele on daily basis with much efforts to combat the expressed grieves and criticisms when necessary. This will build a positive image to Iringa people who are claiming to be mishandled and hence to maximize market share.

IDYDC should ensure maximized clients' retention by:-

(a) Knowing social-cultural issues which haunt entrepreneurial development in the community. This include High Uncertainty Avoidance which is characterized by fear of people to take risks and Low Masculinity which is defined as a tendency of lack motives and desire for further achievement in life and work against these so as to promote entrepreneurial prospects and widen a market sphere. A big percentage of IDYDC comes from the Iringa dominant ethnic group namely "Hehe". Hehe are traditionally nicknamed ***"Wagaya Sida".*** The Kiswahili translation for this is classic, but literally it means that Hehe are totally satisfied with however they are. This is a typical trait that portrays Low Masculinity. Mishandling and humiliating such people does not only hamper organizational achievement but also is a set back for all developmental efforts and interventions because due to lack of motives for advancement, they might feel allergic and shy away from other development ideas.

IDYDC should stop using the perceived irritating languages to clients instead open a free atmosphere for easy communication between clients and organization staff. This will make people feel at easy and enjoy being in business with IDYDC Savings and Credit scheme. Avoid the current practices that make people skeptical with not only IDYDC but with all other MIFs around.

(b) Control delinquency because high delinquency rates results in program unpopularity. Clients in group loan guarantee mechanism are always scared by the mutual responsibility of loan recovery. With high rate of delinquency, transaction costs increase as alternative clients flee away, hence massive drop outs. There is no rule of thumb for delinquency control but the following strategies can minimize Delinquency and defaults.

(i) Establish a target level of acceptable delinquency based on a thorough understanding of the cost and effects of delinquency on the program. The Management should convince staff that delinquency is unacceptable.

(ii) Accept that most delinquency is caused not by bad borrowers but by an Institution that have not implemented an effective credit methodology.

(iii) Create an image and philosophy that considers late payment is unacceptable option.

(iv) Make sure that loan sizes and terms do not make repayment difficult by ensuring timely disbursement of appropriate loan sizes.

(v) Establish an incentive system that uses both financial and non financial incentives to encourage on time loan repayment.

(vi) Ensure that from borrowers' perspective, the benefits of on time repayment and costs of late payment far outweigh the benefits of late repayment and cost of on time repayment.

(vii) Develop a portfolio information system that enables management to conduct timely and useful analysis of portfolio quality, determine trends in the portfolio over time and identify possible causes of delinquency.

2. **Capital Base formation**

If at all IDYDC is to be sustained, it should not endlessly depend on donors instead, it should strive for building its **own strong capital base** by operating efficiently and charging competitive prices that cover its capital costs, operating costs, inflation, bad debts and generate marginal rate for organizational growth.

3. **Paradigm shift in attitudes toward clients.**

Clients are partners in business and they have all rights to know the transactions involving them, their resources, efforts, energy and times in one way or another. The management has to ensure that all matters pertaining to client selection and screening, loan terms, loan contracts and contract enforcements are clearly explained to clients. Officers should stop underrating and humiliating clients as it has been reported so as to avoid unnecessary poor Organizational image which is crucial for organizational sustainability.

4. **Establish Informative Management Information System (MIS).**

It is highly needed to have an efficient and informative MIS that could allow timely flow of information to the Management and staff. The system should be able to analyse data and/or information to enhance correct interpretation and communicability. It should be able to capture and track portfolio performance, clients' status and individual staff performances including Management.

Laxity and variation of rules and regulations perpetuate for inefficiency, poor performance and fraud. Acceptable standards for all Organizational staff and Management should be set whereby, performances of each staff have to be compared to for monitoring and control purposes.

5. **Training segmentation:** Training methodologies, packages and modalities should be tailored from reflection of the trainees' literacy level, business types and standards and individual group training needs.

6. **Innovation and Loan Products and Services review.**

IDYDC has to not constantly rely on a single product and permanently fixed loan terms and conditions. A careful review of loan interest rates, repayment schedules, Loan terms, conditions and amounts has to be undertaken so as to curb the raised concerns of short loan recovery period and big recovery installment. This review should also focus particularly on how to reduce the costs and time of obtaining consecutive loans given that these currently appear to be of marginal or negative benefit to a good number of IDYDC participants.

Different needs mean different services. With assumption that the operational discrepancies will have been solved; introduction of new credit lines to carter for simple housing and education will facilitate impact creation so do savings mobilization whereby clients have revealed a need for making saving deposit which is highly needed to complement household budgetary gapes that are rampant in some seasons of the year.

7. Recommended Researches.

a). The observed poor performances can be attributed to lack of motivation and dissatisfactions of staff, inappropriate employed technology, or staff incompetence being a result of inadequate and/or irrelevant professionalism. In order to get to know the actual source and nature of the revealed operational discrepancies, Intra-Institutional Strengths and weakness assessments should be done. This should also explore policies governing financial control, auditing, employment and human resource development. Scheme of service and staff payment structure should also be assessed. Explosive research is likely to elicit the actual factors behind the alleged poor organizational performances, dimensions and magnitude of the problem hence to come up with correct and long term solutions.

b). There is a need for IDYDC to be conducting periodical market research so as to get information on the market which is always dynamic and find best ways of operating efficiently in the changing market environment. Market research findings will enlighten the organization on new products to introduce and refinement of its products and services.

IMPLEMENTATION PLAN

CHAPTER 6

6.0 IMPLEMENTATION PLAN

WORKSHOP TAILORED FOR IDYDC OFFICIALS

"GOOD CUSTOMER CARE IN MICROFINACE"

Quotations

"Customers don't care what you know until they know that you care."

"Be quick to listen and slow to speak."

"Seek first to understand, then to be understood."

By Mariam P. Ntobi

January 2005

ITINERARY

1. COURSE TITLE: Good Customer care in Micro-finance
2. Date: 20 - 21 October 2005
3. VENUE: Highlands Hall – Iringa
4. FACILITATOR: Mariam P. Ntobi
5. PARTICIPANTS: IDYDC middle and senior officers (12 people)
6. DURATION: Two days.
7. LANGUAGES: English and Kiswahili.
8. METHODOLOGIES: Lectures, Group Discussions, and presentations.

Course Content

1. Introduction to Customer care.
2. Customer Satisfaction.
3. Dealing with Complaints.

Course Objectives

By the end of this course participants will be able to:

- Develop relationships with potential customers, discuss their needs and how they can be satisfied.
- Recognize when to press for action and when to exercise patience.
- Assess how positive and negative attitudes, and behaviors, impacts on the relationship and transactions.
- Improve their chances of winning business by communicating with persuasion and confidence to ensure customer satisfaction.
- Recognize the difficulties in creating improvements and list potential barriers to performance improvement in their areas of responsibility.
- Choose and develop the appropriate strategy for implementing improvement.
- Gain ability o transform difficult situations into opportunities for developing business relationships, gaining valuable information and receiving constructive ideas.
- Understand and apply key concepts in customer service.
- Manage customer complaints more effectively.
- Improve communications with employees/colleagues/customers .
- Understand that internal customer service is just as critical as external customer service.
- Prioritize and focus on the top expectations of customers.
- Gain customer trust and rapport and create customer loyalty

DAY ONE

1. Introduction to Customer care

What does customer care mean? For example, is it providing a service FOR rather than TO the customer? Does your organization have hard facts and figures on what customer needs and wants are? Do you work in partnership with your customer to help them develop and expand their businesses and yours?

To improve the customer care service offered we must start with a simple examination of "How far are we customer oriented?" This simple but powerful examination may reveal a host of issues, questions and challenges.

WARM UP QUESTIONS

On answering the following introductory questions, do not forget the "HOW" and "WHY" behind each response.

1. How do you see your customers?

2. Who are they, outside and inside the organization?

3. What do they want from you?

4. Is your provision effective, efficient, economical?

5. What do they think about the service?

6. Do they know what else you can provide?

7. Are your existing customers' needs being totally fulfilled?

8. Are you their preferred supplier for all the products or services you could supply?

KEY ISSUES TO REMBER

- *Does your organization listen and note what customers are saying, i.e. do you take your customers seriously? Or is there an attitude that because we are busy we are successful, OR because we are busy our customers must be satisfied, and will come back regardless of how well or poorly they are treated?*

A better attitude is because we are busy we should be grateful and look to give an even better customer care service to our most valued customer!

- *Your best customers are your existing customers!" Extending your customer base is necessary but also costly: telesales, visits to potential clients, correspondence, proposals and much else.*

- *The world of providing a **customer care** service is very large, ranging through marketing, sales, 'producers', 'deliverers', to after sales support.*

- *Winning business in the face of increasing competition is a very demanding process, requiring skill and patience as well as having the right product at the right price. Yet that is only half the battle, delivering the service in a way that fully satisfies the customer is the other half.*

2. Customer satisfaction.

It's a well known fact that no business can exist without customers. In the business of Micro-finance, it's important to work closely with your customers to make sure the product or service you provide for them is as close to their requirements as possible. Because it's critical that you form a close working relationship with your client, customer service is of vital importance.

We live in an age of instant gratification, overnight delivery, 24-hour phone service, immediate lines of credit and many other instant services. What this all means for customers is that they know they get what they want when they want it.

What that means for you, as a customer service representative, is that you have to live up to some pretty high expectations. *'If you don't fulfill the expectations you are raising to your customers, your competitors will do'.*

"Charity starts at home". A disorganized person can hardly manage to organize others. It applies to customer care. An unfairly treated organization representative, will hardly provide competitive customer care to the Organization clientele.

Is the organization an **Investor in People**? You cannot give a sincere customer care service if you do not care for your staff.

Where does your Organization Stand? (Discussion Questions)

1. Do your people know what standards they aim to achieve?
2. Do they know what standards are actually achieved?
3. Are customer care service objectives clarified?
4. Does every person associated with the organization, from managers, administrators, producers, to front line staff knows what these are?
5. Does the organization have a mission statement and is it central to the work ethic of everyone in the organization?

KEY ISSUES ON MAXIMIZING CUSTOMER SATISFACTION

There are many different ways of ensuring market desired and competitive customer satisfaction and each organization is free to select what can work properly in its environmental and situation contexts. However, the following are prerequisites in all circumstances; *"Make your clients feel valued wanted and loved."*

Following are some tips on how to maximize customer care and satisfaction.

a. Encourage Face-to-Face Dealings

This is the most daunting and downright scary part of interacting with a customer. If you're not used to this sort of thing it can be a pretty nerve-wracking experience. Rest assured, though, it does get easier over time. It's important to meet your customers face to face.

Experience has shown that a client finds it easier to relate to and work with someone they've actually met in person, rather than a voice on the phone or typewritten messages in the brochures, booklets, handout fliers, emails, or through there group or/and social leaders.

When you do meet them, be calm, confident and above all, take time to ask them what they need. If a potential client spends over half the meeting doing the talking, you're well on your way to a big slice in a market pie.

b. Respond to Messages Promptly & Keep Your Clients Informed

This goes without saying really. We all know how annoying it is to wait days for a response to an email, phone call or an application. It might not always be practical to deal with all customers' queries within the space of a few hours, but at least communicate back and let them know you've received their message and you'll contact them about it as soon as possible. Even if you're not able to solve a problem right away, let the customer know you're working on it.

A good example of this is an MFI which had some trouble with the server hardware which has caused a fair bit of downtime lately. At every step along the way its officials communicated to the clients informing them exactly what was going on, why things were going wrong, and how long it would be before they were in a full swim again and that all clients' transactions were securely protected. They also apologized repeatedly, which was nice. Now if the server had just gone down with no explanation clients would had been pretty annoyed and might had lost trust with the MFI and probably would have moved to somewhere else. But because they took time to keep their clients informed, it didn't seem so bad, and at least it was known that they were doing something about the problems.

c. Be Friendly and Approachable
"You can hear a smile through a phone". This statement is very true. It's very important to be friendly, courteous and to make your clients feel like you're their friend and you're there to help them out. There will be times when you want to beat your clients over the head repeatedly with a blunt object - it happens to all of us. It's vital that you keep a clear head, respond to your clients' wishes as best you can, and at all times remain polite and courteous.

d. Have a Clearly-Defined Customer Service Policy
This may not be too important when you're just starting out, but a clearly defined customer service policy is going to save you a lot of time and effort in the long run. If customers have problems, what should they do? If the first option doesn't work, then what next? Should they contact different people for registration and loan repayment enquiries? If they're not satisfied with any aspect of your customer service, who should they tell?
There's nothing more annoying for a client than being passed from person to person, or not knowing who to turn to. Making sure they know exactly what to do at each stage of their enquiry should be of utmost importance. So make sure your customer service policy is present on your site -- and anywhere else it may be useful.

e. Attention to Detail (also known as 'The Little Niceties')
have you ever received a Happy Birthday email or card from a company you were a client of? Have you ever had a personalized sign-up confirmation email for a service that you could tell was typed from scratch? These little niceties can be time consuming and aren't always cost effective, but remember to do them.
Even if it's as small as sending a Happy Holidays email to all your customers, it's something. It shows you care; it shows there are real people on the other

end of their weekly/monthly meetings and deposits; and most importantly, it makes the customer feel welcomed, wanted and valued.

f. Anticipate Your Client's Needs & Go out Of Your Way to Help Them out

Sometimes this is easier said than done! However, achieving this supreme level of understanding with your clients will do wonders for your working relationship.

Take this as an example: During your normal gathering with your clients, you get an image that they do not apply higher loans because, they lack title deeds for their real properties and some are in business instability due to unclear Market and Taxing Policies. You have all the profiles and facts on your clients and their businesses. It comes to your knowledge that social barriers amplify their social economic traits which hamper their entrepreneurial performances.

As if by magic, a month later, you inform your clients to attend a participative awareness and empowerment workshop that you have organized by the Tanzania Revenue Authority to settle taxing issues, Land Ministry Officials to clarify real properties and title deeds and the Marketing and Trading Officer to handle market related issues. At the end of the forum, your clients have become aware of the procedures and requirements, their rights and obligations to the Authorities and vice versa and have gained confidence in such a way that now they are chasing the dreams of transforming their businesses from informal to the formal sector. No more loopholes are taken from their ignorance; they become organized now with honored business centre etc.

Your clients are heartily impressed, and remarks to their colleagues and friends how very helpful and considerate their lender is. While your portfolio is growing drastically from higher loans disbursed, you will be comfortably organizing your database in your office, and drinking your cup of coffee peacefully; with the knowledge that these happy clients will send several referrals your way. It will have served to strengthen your PR, Organizational Image, boosting your portfolio and enlarging your share in the market pie.

g. Honour Your Promises

When you promise something, deliver.

The most common example here is the loan disbursement dates. Clients don't like to be disappointed. Sometimes, something may not get done, or you might miss a deadline through no fault of your own. Supplies can be late, technology can fail and sub-contractors don't always work on time. In this case a quick apology and assurance must be ready as soon as possible.

h. Under Promise, Over Deliver

Make your customers believe they are important to you by always appearing to go the extra mile. Build a little cushion into a deadline and deliver early. Estimate that a job will cost more than you think, and bring it in lower. Many small businesses make the mistake of reversing this maxim - over promising and under delivering. This is a true recipe for disaster. You may get the business, but your level of service will make it difficult to compete. If 24-hour turnaround is excellent service in your industry, don't promise it in 12 just because the customer requests it.

i. Feedback Keeps You Focused

Ask your customers to rate your service on a regular basis. This can be done via a short questionnaire included with every product sold or mailed to key clients. Keep the questionnaire short so that it is not a burden for customers to complete, and make sure they know they can decline to participate. Always let customers know the purpose of the survey is to serve them better. If they fill out the survey and have no problems, it is a reminder of what good service you offer. If issues do arise, they can be addressed.

KEY ISSUES TO REMEMBER
• *If there is one rule for customers and another for staff, then beware for staff that are :* *Not cared for, will not care for others* *Not listened to, will not listen to others* *Not treated as individuals, will not treat others with respect.* • *Do less than customers expect and service is perceived as bad.* • *Do exactly what customers expect and service is perceived as good...*

- *But do more than customers expect and service is perceived as superior."*

- *Ensured Customer satisfaction like any aspect of business is a practiced art that takes time and effort to master. All you need to do to achieve this is to stop and switch roles with the customer. What would you want from your business if you were the client? How would you want to be treated? Treat your customers like your friends and they'll always come back.*

  Encourage face to face dealings.

  Respond to messages promptly and keep your customers informed.

  Be friendly and approachable.

  Have a clearly defined customer service policy.

  Attention to Detail (also known as 'The Little Niceties')

  Anticipate Your Client's Needs & Go out Of Your Way to Help Them out

  Honour Your Promises

  Under promise over deliver

  Feedback keeps you focused

DAY TWO

3. Dealing with complaints.

In the Micro-finance industry we are faced with many difficult customers who have the potential to turn violent if they are not handled correctly.

Dealing with problems and receiving and reacting to complaints are difficult skills. In a customer-oriented marketplace with increasing competition, only companies with employees who have a successful strategy for dealing with complaints and problems achieve customer retention and grow with the market.

Many people become defensive when dealing with complaints because this is a person's natural reaction to someone who is angrily criticizing their organization or department in the case of an internal customer complaint. Organizations seek to instill loyalty into their employees but complaint situations are times when employees need to be honest and objective. Within the bounds of commercial confidentiality it is counterproductive to not be honest with the customer. Lying to the customer is nearly always found out and only serves to make recovery more difficult. Customers who complain should, with the exception of professional complainers, be thanked because they give the organization an opportunity to put whatever is wrong right, not only for that one customer but also for others who are going to be acquiring the product or service in the future. Complaints can also provide the organization with the valuable market research. Many organizations spend huge sums on market research to find out what people like and dislike. The person who has complained is offering the organization free information. If justification for the cost of customer recovery is needed this might well be it. By acting quickly to put things right the organization may save considerable sums in the future, or be able to design new products and services in a better way as a result of the customer feedback gained through complaints.

Complaining customers usually want to give the organization another chance. Those who walk away without complaining are really saying 'Goodbye'. They are saying: 'You let me down and you won't get another chance'. Those who complain are saying 'Hello'. They mean: 'You have let me down but I want to give you a chance to make it up to me'.

Most organizations spend a lot of time and money trying to identify customers who want to buy their products. Complaining customers are offering themselves up free!

"Customer complaints can give businesses a wake-up call when they're not achieving their fundamental purpose - meeting customer needs. They are a feedback mechanism that can help organizations rapidly and inexpensively shift products, service style, and market focus. Businesses that don't value their customer's complaints suffer from costly, negative word-of-mouth advertising."

Dealing with complaints requires three actions that have traditionally been carried out in the order of: INVESTIGATE – ACTION – LEARN.

Organizations have, traditionally, on receiving a complaint carried out an investigation to see whether the complaint is justified. If the customer has been found to be justified in making a complaint, some form of remedy has been applied as an action and the organization has hopefully, learnt from what has happened and taken steps to ensure that there is no repetition.

More modern thinking suggests that the order of the above should be changed to put the action in rectifying the customer's complaint first and the investigation second. Organizations have argued in the past that they need to carry out an investigation in order to prevent spurious and even fraudulent claims. Such claims however are only a tiny minority when compared to the majority of perfectly justified complaints. If the sums of money involved are large then most customers would consider an investigation reasonable, but when only small sums are in question then immediate action is more likely to recover the situation and retain customer goodwill than a long investigation. The investigation and learning are still important even if there has been only one complaint, because whether the complaint was justified or not the product or service has angered one person, so it could anger someone else. The organization needs to find out what has happened and what lessons can be learnt.

People usually complain and may become difficult for a reason. Whatever the staff of the organization feel about the complaint, they cannot deny the customer's feelings of anger or disappointment and that is what the organization needs to deal with.

Customers do make mistakes but organizations need to bear in mind that if one customer can make a mistake when using the product or service, then others can too.

Disadvantages of Ignoring Complaints

Businesses that don't bother about satisfying their customers usually get more customer complaints. Answering them can, of course, cost the company money. Some Organizations will try to mollify angry customers but many don't even bother.

Have you ever experienced poor service or purchased a defective product and complained about it, only to have your complaints fall on deaf ears? Many Organizations that have plenty of business feel they don't need to bother with complainers.

These Organizations become very independent, especially if they have a product or service in demand. Some continue to succeed, even though they ignore customer complaints, but many will pay the price of lost business and degraded reputation in the long run.

An organization that responds and apologizes mollifies the complaining customer. But some of these companies never rectify the problem. The act of responding to the customer and apologizing is good business. Not fixing the problem is risky, though, and may backfire on the Organization.

For every formal complaint you receive, there may be 10 other customers who were dissatisfied and who felt like complaining, but who never did. Instead, they go to other organizations and tell their friends of the dissatisfaction. Embarrassed customers can quickly become ex-customers. It is said that an unhappy customer will tell 13 people about his or her dissatisfaction. That is not the type of word-of-mouth advertising you want

Look unto the hereunder statistical highlights on why customers quit doing business with a company.
1% die;
3% move away;
5% develop other friendships;
9% leave for competitive reasons;
14% are dissatisfied with product; and...

68% quit because of an attitude of indifference toward the customer by the owner, manager, or some employee.

68% stop doing business because they "feel" the company does not value them as customers Yes! A typical business hears from only 4% of its dissatisfied customers. The other 96% just go quietly away and 91% of those customers will never come back. It is human nature for most people to avoid adversarial situations and since they have a choice, they begin doing business with your competitor without your knowledge. By the time you find out it's probably too late to win them back. When you consider that is takes five times the effort to obtain a new customer as to retain the one you have, it makes good business sense and economic "cents" to deliver superior customer service consistently and retain the customers you worked so hard to obtain.

Benefits of satisfying customer complaints

There are numerous benefits for an Organization to properly deal with customer complaints.

First of all, it will help to satisfy the customer, so you will get repeat business or referrals. In fact, in some cases, effectively dealing with a customer complaint can lead to a more loyal customer than others who may not complain or have problems.

Another benefit of dealing with complaints is that you can see weaknesses in your process or products that can be rectified. This will prevent possible future complaints or problems down the line. It is an effective form of customer feedback, although one you hope to eliminate.

How to handle complaints

In your daily life, you interact with many people of different kinds. These include irate customers, frustrated suppliers or disgruntled employees. Big chances are you'll run into somebody somewhere who takes issue with you, your employee, your product or service. How do you confront difficult or negative people without making the situation worse? In the end, it doesn't matter what you say. The only thing that matters is what is understood by the other person.

If you can disagree without being disagreeable, you are less likely to make the other person defensive. If they are on the defensive, you don't stand to win because they are 100% convinced they are right.

Here are some tips for handling complaints

a. Don't give people the runaround
Whether you are a part-time employee or the owner of the organization, if you find yourself fielding a customer complaint, you are responsible for it, deal with the issue yourself or do everything possible to connect them with someone who can.

b. Listen 101%
when someone expresses a problem with you or your product or service, don't argue. Listen for the 1% you agree with, and agree 100% with it before you start giving them any feedback. For example, if someone complains about a time he/she has spent on waiting for the ledger printout, you could say, "Zawadi, it must be frustrating for you that it took you that much waiting for the document" If you listen carefully, find common ground and agree with at least 1% of what she/he has said. It makes a person to feel better, and creates the goodwill needed to solve the bigger problem.

c. Offer possible solutions
Once you understand the problem, tell them what you can do about the situation. Start focusing on things you can do and get their thinking away from things that can't be done. Ask complainants for their suggestions. If they indicate a solution that's unreasonable or that you cannot do, don't just say "NO". Explain why you can't make it happen (e.g., it doesn't fit with company policy, or it's unethical to release the office security guard for accompanying borrowers on making follow up for the delinquent borrower whom complainants they guaranteed). If you seek their input, you increase the chance of coming to a win-win solution.

d. Give them the final choice
Once you've laid out the possible solutions, ask, "Of all the things I can do,

what's going to make you happiest?" If they are still feeling dissatisfied, offering them the final choice gives them back a sense of control.

e. Apologize, Don't Debate

If a customer has a problem, apologize and fix the problem. Make sure to let customers vent their grievances, even if you are tempted to interrupt and correct them. Then give them a refund, or whatever will fix the problem. Debating or haggling over a refund creates ill will. Repair mistakes immediately. Keep in mind that a complaint about your Organization is an opportunity to turn the situation around and create a loyal customer. Obviously, there will be some customer requests that are too outrageous to comply with. If that's the case, do your best to offer a moderate, appealing alternative.

How to Turn Consumer Complaints into Gold

Turning consumer complaints into gold requires companies to jointly attack the access and the effectiveness problem. The goal is to identify dissatisfied customers and provide them tailored resolutions in a speedy, cost-effective fashion. The ultimate objective is to maximize a customer's intent to repurchase our products/services. The following is a five-step approach to turning consumer complaints into gold.

a. Identify dissatisfied customers

Make it easy for consumers to access relevant customer services across all channels (phone, fax, email, 3rd party etc)

b. Analyze and segment complaints

Capture relevant data to minimize back and forth between the company and the customer.
Ensure structured data capture to allow for easy categorization of the complaint.

c. Tailor the resolution depending on the parameters of the complaint

Customize the resolution depending on the nature of the complaint, the lifetime value of the customer, and on best practices in the industry.

d. Monitor results
Follow-up with the customer post-resolution to assess the effectiveness of the recovery; catalogue results.

e. Tune/optimize processes and procedures
Tune recovery policies and procedures to optimize customer retention.

Communication the dangerous and powerful tool in Customer Service

Everybody knows the role of communication in business. For provision of outstanding customer service, the Organization has to strike away all the possible communication barriers that are likely to create ineffective in communicating with all stake holders. The communication barriers are not homogeneous for they vary with the market environment.

However, all organizational staff must remember the following common tips when communicating with customers and potential customers.

a. Be positive
Being positive means telling your customers what you can do, not what you can't do. For example,
when you are asked with a client on possibility of disbursing his/her loan before the scheduled time, don't say, "We can't disburse your loan before the next month" Instead, say: "We will be able to give you this loan at the beginning of next month."

If you are discussing when to meet, don't say, "I can't make it next week." Instead, say: "Let's meet in the week beginning the 24th."

If you are discussing loan amounts don't say, "We never give one million Shillings Loans for this level" Instead, say: "We can offer you up to Five hundred Thousand Shillings at this level".

By looking for the positive way to express yourself, you can often turn bad news around. In this way, you can keep the relationship positive, even when the business situation is negative. And remember: people can hear a smile even when you are talking on the phone!

b. Be personal

Be personal whenever you can. Don't forget to use people's names at the beginning and at the end of the call. Also, listen for opportunities to make small talk. Remember, small talk doesn't take place only at the beginning of conversations, before you get down to business. Often, opportunities for small talk come in the middle of a discussion or towards the end. For example, a customer might say, "Thanks for your help. I can go off to a social club tonight without worrying now!" This is an opportunity for you to make small talk about social events. Chip in; it is a signal from your business partner that he or she wants to introduce a personal element into the business relationship. However, you are not coerced to shorten social distance with your customers.

c. Be perceptive

Being perceptive means knowing exactly what it is that your customer wants. This requires you to listen carefully to what he or she is saying. Try not to think about your next sentence when your customer is speaking — you may miss something important. Also, repeat key words to show that you have understood, and summarize often so that both sides can check that they are on the same wavelength.

Useful phrases

"So what you're saying is..."
"If I've understood you correctly, the situation is..."
"Let me just summarize what we've agreed on."

Discussion questions

1. How should an organization deal with a customer complaint?
2. How do non-quality companies deal with complaints?
3. What are the benefits of satisfying complaints?
4. What are the disadvantages of ignoring customer complaints?
5. What customer care message do your customers get that convinces them they matter and that your services are worth having?

Key issues to remember

- *When the customer pays for a product or service, it is assumed that the product will work correctly or that the service received is as promised. Ideally, the customer will be satisfied, and there will be no complaints.*
- *If poor customer service can drive potential customers away, it stands to reason that great customer service could be the competitive advantage needed to garner more sales.*
- *If there is a problem, and the customer complains about it, the company should quickly answer the complaint and solve the customer's problem. This is often done through the company's customer service activity.*
- *To make sure the customer is completely satisfied; some organizations will provide some special service or a reduced price on another product. This is done to assure the customer will come back for more business.*
- *The organization should seek to rectify the problem immediately after receiving the complaints through investigation, action and learning process.*
- *Although the organization hopes not to get complaints, they often can be blessing in disguise. Sometimes problems can be caught and fixed before they cause serious negative feedback or even legal problems.*
- *It is in the company's best interest to solve any problems and try to make sure that they don't happen again.*
- *Quickly and properly solving customer complaints can help your business grow and prosper. Ignoring complaints or dealing with them in a dishonest manner can result in loss of business or even lawsuits.*

Self Examination Questions

1. How are you going to change the current state of your customer service?
2. How are you going to make easy for your customers to contact you?
3. How many methods of communication are you going to offer?

4. What's your response time on inquiries? How are you going to improve it?
5. What impression are you giving to your customers in your correspondence?
6. Do you live up to your word? Simply put, do you do what you say you will? How are you going to improve the situation?

Group Discussion Questions – Evaluation

With consideration of degree, magnitudes and dimensions of turbulence of your market environment:-

1. Highlight key issues that must be considered in developing a responsive and informative customer service monitoring tool.

2. How are you going to impart and sustain a paradigm shift on the relationship between your organization and customers to:-

- Your Colleagues and subordinates.
- Customers and other third parties.

Improved Customer Service maximizes your slice in a market pie! - Tips

Here is a list of actions you can take to deliver superior customer service.

Walk on Your Talk - your actions and deeds must support your verbal commitment to delivering superior customer service.
By your actions, deeds and words, constantly reinforce the value of external customers with employees and provide them with learning opportunities to enhance their customer service skills.

Empower all employees to be proactive in solving customer problems and do what it takes to meet their needs and exceed their expectations.

Ask your customer, "How are we doing for you? What can we do to better serve your needs?"

Be a "Solutions". Help customers solve challenges and maximize opportunities for their success.

Keep in mind that when you help others succeed, you succeed!

Ensure that every transaction with your customer is a win-win.

Constantly examine your policies and procedures from your customer's perspective. Be "customer friendly".

Stay focused on retaining the customers you have. They will help you obtain new customers.

Insure that the lines of communication with customers (internal and external) are always open.

Seek ways to exceed your customer's expectations.

Pay attention and deal seriously with all complaints.

Be quick to listen and slow to speak.

Seek first to understand, then to be understood.

Remember Customers don't care what you know until they know that you care.

Table 6.1 IMPACT MONITORING FORM

IDYDC QUARTERY CREDIT AND IMPACT INOFRMATION, GROUP MICRO LOANS

Description PROJECTION		Month 1	Month 2	Month 3	Quarter total	Quarter Projection	%	Remarks
01	Recruitment plan							
02	Disbursement Plan (Number)							
03	Projected loans (value)							
04	Clients trained							
05	Number of jobs Created							
06	Projected exits							
07	Bad debt reserve							
ACTUAL								
08	Recruited clients							
09	Number of Disbursed loans							
10	Amount of disbursed loans							
11	Clients trained							
12	New jobs created							
13	Number of Dropouts							
14	Written off loans in number.							
15	Written off loans in amount.							

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