

SOUTHERN NEW HAMPSHIRE UNIVERSITY

AND

THE OPEN UNIVERSITY OF TANZANIA

**A PROJECT ON BUILDING SUSTAINABLE MICROFINANCE
INSTITUTION**

**A CASE STUDY OF TUJIKOMBOE SACCOS
MOSHI RURAL DISTRICT, KILIMANJARO REGION – TANZANIA**

**SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT
FOR
THE MASTERS OF SCIENCE IN COMMUNITY ECONOMIC
DEVELOPMENT IN THE
SOUTHERN NEW HAMPSHIRE UNIVERSITY AT
OPEN UNIVERSITY OF TANZANIA – 2007.**

BENJAMIN EVANCE NKOMOLLA

Supervisor(s) Certification

I, **Zera Evance Baseki** hereby certify that I have read the project titled **Building Sustainable Microfinance Institution: A case study of Tujikomboe SACCOS Moshi Rural District, Kilimanjaro region** and found it to be in a form acceptable for review.

.....
Signature of the Supervisor

.....
Date

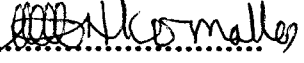
Copyright

No part of this project may be reproduced, stored in any retrieved system or transmitted in any form by any means; electronic, mechanical, photocopying, recording or otherwise, without prior written permission of the author or the Open University of Tanzania and Southern New Hampshire University in that behalf.

Declaration by the Candidate

I, **Benjamin Evance Nkomolla**, declare that this project is my own original work and that it has never been submitted for similar degree in any other university.

Date 1st 11/01/2007

Signature 

Dedication

To my beloved family: My wife Maria Shauri, my daughters Florrie Ben and Jesca Ben, my sons Isaac Ben, Evance Ben, Oscar and Justine Ben.

Abstract

Tujikomboe SACCOS is a registered Savings and Credit Cooperative Society. The formation of Tujikomboe SACCOS was due to the results of members needs for having an institution that will provide financial facilities and services for the community living in Mbokomu ward, Moshi Rural District, in Kilimanjaro Region.

The Composition for membership includes individuals, male and female, groups working within the area and institutions operating within the same locality. Tujikomboe SACCOS is working to promote social and economic position of its members and customers and hence improving the living standards of Mbokomu community by providing sources of credit to undertake various social- economic activities as per members needs and priorities.

The Financial Services are very limited in the rural areas whereas most of the Financial Institutions are operating in the urban centres and therefore leave the majority of the population in the rural areas in abject poverty.

An effort made by the members to establish such an Institution in their respective locality will reduce:

- Time wasted for going from the village to towns,
- Saves the costs of transport to and from the town
- Save time for other activities and hence enjoying the nearby services to them.

Mbokomu ward has a population of 12,455 people. More than 5,000 among them are potential members of Tujikomboe SACCOS.

Since its formation, Tujikomboe SACCOS was faced with the main problem of membership and hence the growth of this MFI was affected due to low capital base which would have helped them to provide the highly needed financial service to the members.

The capacity of any Financial Institution to provide financial services to its members depends on the number of members and customers registered with them with an increase of the value of shares, savings and deposits.

Acknowledgement

This project is an outcome of different personalities whose ideas were sought and other facilitations, which were provided.

I would like to appreciate highly the Rural Financial Services Programme management for allowing me to attend the CED Programme and providing financial support to facilitate materials and stationery needed to undertake this Masters Degree programme.

I would also like to express my sincere indebtedness to all trainers of the CED programme for their tireless efforts to make sure that we achieved what we expected.

I am highly inclined to acknowledge the contribution of my supervisor Mr. ZERA E. B., for his committed guidance in processing this paper and made it to bear the present form.

I would also like to appreciate the efforts of Ms Leminata Mkandala for her encouragement and constructive ideas during my study, Omega Soka for typing, editing and arranging my work which appears in the current format.

I would like to extend my gratitude to the Management, staff members, and customers of Tujikomboe SACCOS for being highly cooperative and providing help whenever it was deemed possible.

I wish to pay my special regards to Mr. Robert Mtunguja, Elimeriki Bubelwa and Rose Vitalis for their genuine cooperation.

My colleagues of Ms CED programme especially Mr. Adil Mwanga, Ms Nancy Tesha, A. Mponeja, Novatus Urassa, Fortunata Ngonyani and Felix Shayo to mention a few, deserve a high appreciation for their sincere cooperation and encouragement.

Executive summary

The historical background of the Tujikomboe SACCOS started as a result of the former Tujikomboe Savings and Credit Association (SACA) registered with the Ministry of Home Affairs as an association on 16th December 2002 with registration no. 11964.

In 2005 Tujikomboe SACA was transformed into a Savings and Credit Cooperative Society to meet the microfinance and the legal requirements for the operationalization of the microfinance institutions in Tanzania.

Under the new Cooperatives Act, 2003 the Savings and Credit Cooperative Association (SACA) is regarded as pre-cooperative which need to be assisted to become registered and acquire the full status of Savings and Credit Cooperative Society (SACCOS). The time required to organize and prepare itself to become SACCOS is two years.

The direct beneficiaries of the MFI are members and customers of the SACCOS, who have joined it voluntary and the community utilises the services of the SACCOS.

The members and customers can join the MFI as individual, group or institution.

Tujikomboe SACA started with 14 members based on groups, and each group consisted of 5 to 10 individuals but after the transformation to SACCOS the membership changed to be based on individual membership, institution and group.

The MFI operational coverage is within Mbokomu ward in Moshi District involving three villages namely:

- Korini juu
- Korini kusini, and
- Tema

The population of this ward is about 12,455 people whereby females are 6,613 and 5,842 are males.

The current members are few although the village has a potential of 5,650.

The qualification for someone to become a member of the MFI is for any interested person to pay an entrance fee set at Tshs 2,000/= with the payment of at least one shares valued Tshs 10,000/= but all in all an individual member is required to buy five shares amounting to 50,000/= Tshs. Since its formation until now the MFI has been experiencing membership problems.

The people living within Mbokomu ward fear to become members of the SACCOS due to common and historical problems within the ward and in the District in which a lot of money was looted and plundered in various SACCOS within the District such as Mbokomu SACCOS and Marangu East SACCOS.

The losses of members money has been caused by different reasons and here are some of the reasons:

- i. *MFIs has been faced with the poor leadership problem, resulting from monopoly of the position by a few families leadership, one man show and domination of the decision making by the same few.*
- ii. *Dishonesty among the employed staff as well as elected leaders. Some of them have been involved in manipulations of members money which has caused the closure of some SACCOS within the area*
- iii. *Poor laid down policies and procedures which have been in favour of some members. This can be justified by security for loans by using immovable asset such as land or a house. Ownership of these properties are been dominated by men and not the women and in this case it was very difficult for the women of the area to acquire loans from the MFI.*
- iv. *Lack of accountability of the leaders and staff. The leaders and the staff have been dominating the MFIs by not being accountable to the members. They failed to prepare reports or even call meetings for members for the discussion of key issues.*

v. Lack of member's commitments:

Participation of members in the MFI has been very poor due to the fact that running of daily operations is considered to be the role of the staff employed.

Members are not making follow-up on the performance of their SACCOS.

vi. Lack of transparency:

The flow of communication is very poor; communication is limited to a few individuals and the procedures are also not clear to all. Members are not being informed on what is going on in their SACCOS

vii. Poor and lack of proper accounting procedures:

Most of the MFIs operate without observing accounting procedures by having all necessary books of accounts, daily recording of the transactions, posting and closing of the books of accounts for auditing.

The community members have been discouraged to join the MFI due historical performance of cooperatives in the country. The Mbokomu community has experienced the rise, fall and close down of MBOKOMU SACCOS which was operating just one hundred metres from Tujikomboe SACCOS just within the same locality and in the same village.

Mbokomu SACCOS had closed down its business due to mismanagement, fraudulent activities and dishonesty which has been caused by leaders and the employed staff of the SACCOS.

The community members lost their confidence with the sustainability of the SACCOS and the measures the government has been taking against the looters and plunders of the community money.

Referring back to the history of the cooperative movement in the country after independence, the government has been trying to solve the problems facing most of the Cooperative organisations within the society. Different special committees have been formed from time to time to look on poor performance and failures of Cooperatives.

Still the community members are not interested any longer to become members of these SACCOS due to the fact that by so doing it will mean wastage of time and resources.

List of Acronyms and Abbreviations

ACB	Akiba Commercial Bank
AMCO	Agriculture Marketing Cooperative Society
BAFIA	Banking and Financial Institution Act
BOT	Bank of Tanzania
CSA	Cooperative society Act
CRDB	CRDB Bank Ltd
CBO	Community Economic Development
CB	Community Bank
CED	Community Economic Development
DCO	District Cooperative Officer
DCDO	District Community Development Officer
FELT	Formation Pour l'Epanouissement et le Renouveau de la Terre
FI	Financial Institution
GDP	Growth Domestic Product
ICA	International Cooperative Alliance
KCB	Kilimanjaro Cooperative Bank
MFI	Microfinance Institution
NMB	National Microfinance Bank
ROSCA	Rotary savings and credit Association
RFSP	Rural Financial Services Programme
SACCOS	Savings and Credit Cooperative society
SACA	Savings and Credit Cooperative Association
SCCULT	Savings and Credit Cooperative League of Tanzania
SIDO	Small industries Development Organisation
UNDP	United Nation Development Programme
WDF	Women Development Fund
YDF	Youth Development Fund

	List of tables	Page
Table 1.1:	Number of People Interviewed	8
Table 1.2	Reasons for community members not joining Tujikomboe	14
Table 1.3	Motivation Element to Community Members	15
Table 1.4	Community Confidence	16
Table: 1.5	Financial Services	16
Table 1.6	Response on stakeholders	18
Table 1.7	Sex of respondent joining SACCOS	18
Table 1.8	Reason for joining the SACCOS	19
Table 1.9	Age of respondent	19
Table 1.10	Occupation of respondent	20
Table 1.11	Total Population by 5 years age group	23
Table 1.12	% Distribution of population	26
Table 1.13	% Distribution of Total population	31
Table 1. 14	Stakeholders	36
Table 3.1	Tujikomboe Development Trend	53
Table 4.1	Implementation Plan	90
Table 5.1	Monitoring Tools	96
Table 5.2	Monitoring plan	98
Table 5.3	Timetable for Evaluation	103
Table 5.4	Achievements	108

List of figures	Page
Figure 1.1: Digital Preference for Moshi Rural District	22
Figure 1.2 Percentage Distribution of Population 5 years	28
Figure 1.3: Percentage Distribution of Population by 5 Years and Above by School Attendance Status and Location	29
Figure 5.1 Membership Growth	104
Figure 5.2 Trends in Stocks	105
Figure 5.3 Loan performance	106

Table of Contents

Title	Pg
Supervisor(s) Certification	i
Copyright	ii
Declaration by Candidate	iii
Dedication	iv
Abstract	v
Acknowledgement	vi
Executive summary	vii
List of Acronyms and Abbreviations	xi
List of Table	xii
List of Figures	xiii
Table of Contents	xiv
Chapter One: Community Need Assessment	
Community Need Assessment	1
Community profile	1
Background Tujikomboe SACCOS	2
Research Methodology	5
Survey design and sampling	6
Survey Design	7
Survey Methodology	8
Interview, Questionnaire, Observation	9
Record review	10
Characteristics benefits and Concerns of the design	10
Internal and External Validity of the survey	11
Internal Validity	12
Survey Findings and Analysis	13
Respondents Profile	21
Chapter two: Problem Identification	
Problem Identification	32
Problem statement	32

The causes of the Problem	33
Size of the problem	34
Project goal, objective & stake holders	35
The target group	36

Chapter three: Literature Review

Literature review	37
Theoretical review	39
Empirical review	53
Policy review	80

Chapter four: Project Implementation

Project Implementation	90
Product and Outputs	92
Outputs	93
The project implementation budget	93
Time Frame of the Project	93
The Project Implementers	94
Project Staffing	94

Chapter Five: Monitoring, Evaluation and Sustainability

Project monitory	95
Methodology	96
Basic tools and technologies	97
Project Monitoring Plan	97
Monitoring Indicator	99
Expected output	99
Monitoring results	99
Project evaluation	100
Methodology	101
Tools and techniques for evaluation	102
Reasons for Evaluation	103
Project achievements	104
Formative Evaluation	107

Achievements per Milestone	108
Sustainability of the project	108
Community sustainability	108
Technical sustainability	109
Financial sustainability	109
Political sustainability	111
Benefit Sustainability	111
Chapter Six: Conclusion and Recommendation	
Conclusion	112
Recommendation	114
Bibliographies	118
Appendix 1	Interview guide
Appendix 2	Project budget
Appendix 3	Board of directors
Appendix 4	Employed staff
Appendix 5	Organizational structure
Appendix 6	Introduction letter
Appendix 7	Acceptance letter
Appendix 8	Moshi Rural District Map

CHAPTER ONE

Community Needs Assessment

1.1 Community Profile

Community Needs Assessment was carried out at the MFI site in collaboration with the host (the members of Tujikomboe SACCOS) and the key stakeholders such as the local leaders within the village religious leaders, local government leaders and extension officers.

The community needs assessment was also involved on the process of going through documentation which means going through various documents at the MFI site, the District and Regional offices at the cooperatives department. Assessing reactions of the respondents and finally focused group and interviews also applied in specific cases.

During the community needs assessment, the participatory approaches were used to allow each participant to contribute and to be involved at any stage of the community needs assessment.

The first step was started by establishing the organisational vision and mission in order to know the direction that the SACCOS is intending to go.

Participants were able to come up with different suggestions but finally the following was agreed to be the SACCOS' vision and mission statements

- **The Vision statement of Tujikomboe SACCOS:**

To be known as the leading, modern and dynamic, Savings and Credit Cooperative Society (SACCOS) in Moshi working towards providing a one stop shop for all members financial needs.

After working for the vision statement the second step was to develop the SACCOS mission. The same process was followed and finally the participants came up with the following:

- **Tujikomboe SACCOS mission statement:**

To mobilize savings from existing and potential members, with a view to providing flexible and affordable credit thereby building a sustainable and economically empowered community in the cooperative spirit.

1.2 Background to Tujikomboe SACCOS LTD

This is a registered Savings and Credit Cooperative Society operating within Mbokomu ward in Moshi Rural District. Tujikomboe SACCOS is a community based organisation established specifically for the promotion of goods and

provision of quality financial services to the community living within the ward.

Since its formation, there has been low increase of membership. Refer to the table 1 (which indicates the population for Mbokomu and compare to the number of members who have joined the SACCOS to date).

SACCOS being a financial Institution is doing money business and in order to become self-sustainable it must generate its income through doing money business.

The success of any financial institution will always depend on its outreach and ability to meet the members and its customers demands. It has been very difficult for Tujikomboe SACCOS since it has been formed to expand and be able to offer its services to the majority of the community living within the ward.

Despite of the current government move to support and create a good environment for the cooperatives growth by providing both Cooperative policy and The Cooperative Societies Act and Rules no. 20 of 2003 and 2004 respectively but more efforts need to be done to Mbokomu community

that will convince them to come back to the SACCOS.

The main obstacle is based on the security of members funds. The community members still have vivid memories of the past performance of the closed SACCOS including the nearby Mbokomu SACCOS which was operating within the area and it had to be closed due to mismanagement, fraud and misappropriation of the members funds.

The history of the closed Marangu West SACCOS and the closure of other SACCOS such as Mbokomu SACCOS within the district have badly affected a lot of potential members and customers to be.

More efforts need to be done to rectify the situation and take necessary action against those involved in the process, finding out what was the weaknesses of the former performance of the SACCOS and finally to come up with a comprehensive approach which will ensure good management and community fund is being properly safeguarded.

This study is intended to look on the following; what has been the root cause of the problem that has affected the

community not to join the MFI, my study also looks on the following:

- If there is a need for a SACCOS within the ward at all;
- Why then are the community members not willing to become members of the SACCOS;
- The study is also intended to look on what is to be done to attract the community members to join the SACCOS;
- What are the limiting factors?
- The government support for the development of MFIs (SACCOS);
- SACCOS being as a tool for poverty reduction and how the rural community can benefit.

1.3 Research Methodology Used during the Community Needs Assessment

Need assessment is one of the critical areas in the project development process. Systematic needs assessment is comparatively an imperative phenomenon.

Generally needs are considered to be as wants, aspirations, interests and wishes of the people. **(This is according to Gajanayake, Stanley and Gajanayake Jaya 1993)**

In development literature, such as defined as the discrepancies between what is and what should be.

There is growing consensus among development practitioners

to consider needs assessments as a process of identification and measuring gaps between what is and what should be provided and ways be determined of bridging them.

On the other hand research can be defined as a careful investigation or inquiry especially through search for new facts in any branch of knowledge.

This is according to **Advanced Learners Dictionary of current English (1952:1069)**. According to **Redman and Mory (1990:10)** define research as a systematized effort to gain new knowledge.

Therefore research can be considered as a process or movement of going from the unknown to the known.

1.4 Survey design and Sampling

Based on the problem identified and in order to come up with the concrete and well identified solution, various survey designs and sampling techniques were applied as strategies of data collection on the working with the Mbokomu societies.

On looking to the problem faced by Tujikomboe SACCOS, the community members are no longer willing again to acquire

the membership with the SACCOS and this has been a main obstacle affecting the growth and poor development of the MFI.

Less increase of the community members joining the SACCOS has a direct effect to the MFI and this also means less income, less loan capital and hence less growth of the MFI.

1.5 Survey Design

Fink A and Koseoff J (1985:65) define design as the way in which the survey environment is controlled or organized.

To achieve the said objective above the designed survey conducted was cross sectional. This was a sample of a cross section at a design where the population were being surveyed through interviews and questionnaires.

The interview has mainly covered that community which does not know how to write and read.

Again the questionnaires were being given to respondents with literacy skills and thus were provided with to fill.

Questionnaires as tools were selected to be used as it was considered to be manageable due to insufficient time and resources limitation.

Both the interview and questionnaire were conducted to:

- Members and non - members of Tujikomboe SACCOS
- the former members of Mbokomu SACCOS
- Government officials within the ward and district
- The religious leaders, and
- District authorities leaders

Table: 1.1 Number of people interviewed

SN	CATEGORY	SEX		TOTAL		
		Female	Male			
1	Members of the MFI	19	19	38	31.6	31.6
2	Non members of the MFI	15	15	30	25	56.6
3	Members of the MFI the old Mbokomu SACCOS	10	10	20	16.7	73.3
4	Government Leaders within the ward	6	6	12	10	83.3
5	Religious leaders within the ward	5	5	10	8.3	91.6
6	District authorities leaders	5	5	10	8.4	
TOTAL		60	60	120	100	

Source: Research findings, 2006/2007

1.6 Survey Methodology

The survey methodology employed includes that of the

Choice of population or sample (Representative Sample)

The survey population was selected basing on random selection of members within the groups mentioned above.

The questionnaires were pre-tested before the actual survey started by selecting a few members and non members at Korini Juu. The information collecting ended up in December 2006.

1.6.1 Interview

Type of groups used: -

Groups of individuals were chosen for the study. These individuals as indicated above included males and females; some had earlier participated in the assessment survey, government officials at the level of the village, ward, district and the SACCOs members and non members.

1.6.2 Questionnaire

Questionnaires distributed to respondents were in Kiswahili language with a very simplified terminology and language and this was very essential to allow the respondents to understand it and be able to respond quite easily.

The question prepared was a closed ended questionnaire and individuals were required to give the best answer.

1.6.3 Observation

This was used to explore the real situation on what is happening when members are in the meeting on discussing some of the major issues of their SACCOS development

1.6.4 Record review

On this respect the MFI weekly, monthly, quarterly, half year and annual reports were reviewed to determine the progress of the MFI and to compare the development from one period to another.

1.7 Survey design

1.7.1 Observational Design

The survey design was observational of which a case control groups of individuals (males and females, members and non members of the SACCOs and other community groups) was studied to produce information regards to their views, beliefs and perception on the subject.

1.8 Characteristics, benefits and concerns of the design of my survey

In carrying out the survey Cross-sectional Design (data are collected at one point in time) was used. This was preferable

tool due to the limitation of time as well as it provides a portrait of information at a single point in time across a number of groups.

The advantage of using the design was seen in the saving of time. It enabled me to survey and obtain information among a number of selected groups in a short time. As it is a one time exercise it was seen to reduce tiredness among respondents in repeatedly responding to the survey.

From the initial stage of the project and the survey, issues of payment for participation or motivation were clearly ruled out and this was accepted by all the participants who willingly availed themselves for the survey.

1.9 Comparison Group Design

This design was applied in the form of normative in comprising group's i.e. males and females or members and non members and loan beneficiaries and none loan beneficiaries.

1.10 Internal and external validity of the survey

1.10.1 External validity

One way of ensuring that the results of the survey apply to the community, the survey looked on the consistency of

information received from the respondents. The information received from them will provide consistent measures of important characteristics.

In addition a number of surveys of the issue of community participation and involvement of savings and credit societies have been conducted of which its information will provide a base for external validity. The pilot testing of the survey will also use people outside the scope of study as it is expected also to bolster validity, as it has helped to ensure that the relevant issues are included and sufficient variety in response is available.

1.10.2 Internal validity

To ensure that the internal survey is truly free of non-random error, members within the groups earmarked for the survey were given equal chance of being selected. An individual had chance for being surveyed due to his or her availability. The population statistics has also been considered during the survey. In selecting individuals who are thus the representatives of the sample, different stakeholders have been considered.

1.11 Survey findings and Analysis

1.11.1 Introduction

The survey findings present analyzed results and describes the findings of the study. The findings provided us with what should be done so as to reorganise ourselves for going in the direction that we need to go.

1.11.2 Coding and Data Processing

Coding and data processing were done through the use of a Computer by the application of its two programmes, Excel, and SPSS.

The following is the results based on research question: -

Why Mbokomu community members hesitate and are not willing to join and become members of the SACCOS?

The responses from respondents indicated that the majority of the community are reluctant to join the SACCOS membership due to fraud and mismanagement of funds that used to happen in the past in Cooperative organisations. Failure for taking action in time. This has created the fear for the community members to re-join as they think that the same thing will be happening sooner or later.

1.12 The survey findings present analysed results and describes the findings of the study.

The survey findings provided us on what need to be done and the direction where to go.

- ***Why community members are not willing to join the membership with Tujikomboe SACCOS?***

Table1.2 Reasons for community members not joining with Tujikomboe SACCOS

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Poor performance of SACCOS	23	19.2	20.9	20.9
	Limitation of products offered	33	27.5	30.0	50.9
	Frauds, mismanagement of funds	61	50.8	46.4	97.3
	Little Government support	3	2.5	2.7	100.0
	Total	120	100.0	100.0	

Source: Author's Survey 2006

The main reason that ranked very high that has been the hindering factor for the members to join the MFIs is due to frauds, mismanagement and misappropriation of the members funds from their SACCOS. Members fear to rejoin because of the bad past history of funds looted by the leaders and staff of the MFIs. Almost 50.8 percent of the respondents indicated about fraud and followed by limitation of products provided by the SACCOS contribute about 30 percent and the poor performance of the SACCOS plays a role of 20.9 percent by itself on the growth.

- ***What will be the motivating factors for Mbokomu community members to join and acquire the services of the Tujikomboe SACCOS?***

Table 1.3 Motivation elements to Community members

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Openness and transparency	21	17.5	19.1	19.1
	Awareness and sensitization	23	19.2	20.9	40.0
	Quality services	17	14.2	15.5	55.5
	Legal action against looters	41	25.8	34.1	83.6
	Auditing	18	15.0	16.4	100.0
	Total	120	100.0	100.0	

Source: Author's Survey 2006

Among the motivation factors that can re-build confidence to the community is the taking of stern action against looters of the member's funds. This has been the song for most of the members interviewed that the government at all levels has failed to take strong measures to punish those involved on frauds of MFIs money.

- ***What is needed to be done to the Mbokomu community to re- build the community confidence on the activities of the SACCOS?***

Table1.4 Community confidence building factors

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Training	23	19.2	20.9	20.9
	Improve policy/procedure	40	33.3	27.3	48.2
	Transparency	29	24.2	26.4	74.5
	Members participation / involvement	28	23.3	25.5	100.0
	Total	110	100.0	100.0	

Source: Author's Survey 2006

When looking at what is to be done to improve the situation the respondents indicated that the policies need to be improved. This will generally cover all the identified problems.

The MFIs policies and operational guidelines need to reflect the members' needs and their desires and not to assume what the members really need.

- ***What is the status of Tujikomboe SACCOS on provision of quality financial services to the members and its customers?***

Table1.5 Financial services

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	36	30.0	33.0	33.0
	No	84	70.0	67.0	100.0
	Total	120	100.0	100.0	
Total		120	100.0		

Source Author's Survey 2006

The total results indicated that the MFI has failed to provide the services that satisfy members needs and this has been the contributing factor for the members not to join the MFIs. In order to attract members the MFIs need to look at the members needs.

- ***What is the impact of the financial services provided to the members of Tujikomboe SACCOS and the community members in general?***

The impact is being reflected on the type of activities that they are doing and the needs of SACCOS as indicated on table. Eight responded for the reason why individuals are joining the SACCOs.

The main reason for joining the SACCOs is for security purposes followed by the need for future investment and business expansion.

With this result the community members are able to plan for their money uses, having more investments on business activities and more business expansions. 38.3 percent of the members interviewed responded that they have joined the SACCOS only to enjoy the security of their funds and maintaining the discipline of the fund. 30 percent indicated they have joined and save their money that can be used for the future purposes. 26.7 percent responded that they save because of accumulating money for the future expansion of their business and other investments.

The MFIs are community based organisations and they are not individual's organisations. The results here show that there has

been poor participation of the members in running of the MFIs business. People's involvement and ownership is very essential for these community based organisations to be sustainable.

▪ **Stakeholders participation on SACCOS affairs:**

Table 1.6: Response on stakeholders

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Poor	35	29.2	31.8	31.8
	Fair	63	52.5	48.2	80.0
	Good	22	18.3	20.0	100.0
	Total	120	100.0	100.0	
Total		120	100.0		

Source: Author's Survey 2006

There has been a fair participation of different stakeholders in the area including church officials, CRDB bank, Moshi District Council extension staff and other local leaders at the village, ward and division level.

Table1.7 Sex of respondents joining SACCOS

		Frequency	Percentage	Valid Percent	Cumulative Percent
Valid	Male	54	45.0	49.5	49.5
	Female	66	55.0	50.5	100.0
	Total	120	100.0	100.0	

Source: Author's Survey 2006

On looking on sex of the community members joining the SACCOS the females stand at 55 percent as compared to males who stand at 45 percent.

Table1.8 Reason for joining the SACCOS

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Security and mgt of fund	58	48.3	42.6	42.6
	Future use(socio-economic need)	30	25.0	27.8	70.4
	Investment or expanding	32	26.7	29.6	100.0
	Total	120.0	100.0	100.0	

Source: Author's Survey 2006

When looking on the reason why the members joining the SACCOS, the result indicated that, people want to join SACCOS due to security and management of fund which could be managed at household level.

Table1.9: Age of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	21-25years	3	2.5	2.7	2.7
	26-30years	12	10.0	10.9	13.6
	31-35years	10	8.3	9.1	22.7
	36-40years	12	10.0	10.9	33.6
	41-45years	9	7.5	8.2	41.8
	46-50years	16	13.3	14.5	56.4
	51-55years	22	18.3	20.0	76.4
	59-60years	36	30.0	23.6	100.0
	Total	120	100.0	100.0	
Total		120	100.0		

Source: Author's Survey 2006

The table above is analysing the age of respondents joining the MFI. The results shows that mostly members who joined are above 56 years (30.0 percent) and this also indicate that the old members normally use SACCOS services for saving for their future use.

There are a few members from the new generation. Only 2.5 percent young members have responded and are to join.

Table1.10 Occupation of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid		10	8.3	8.3	8.3
	1	5	4.2	4.2	12.5
	2	1	.8	.8	13.3
	Farmers	63	52.5	52.5	65.8
	Entrepreneurs	22	18.3	18.3	84.2
	Civil Servants	19	15.8	15.8	100.0
	Total	120	100.0	100.0	

Source: Author's Survey 2006

On occupational aspect, 52.5 percent are in farming activities which is followed by 18.3 percent who undertake various entrepreneurship activities and the 15.8 percentage are civil servants including teachers, nurses and other government officials within the ward.

1.13 Respondents profile

1.13.1 Age and sex distribution of respondents

Moshi rural district is one of the districts within Kilimanjaro region which has a total of seven districts:

- Moshi Urban
- Rombo
- Same
- Mwanga
- Hai
- Siha
- Moshi Rural

The population of the district can be reviewed basing on important characteristics such as:

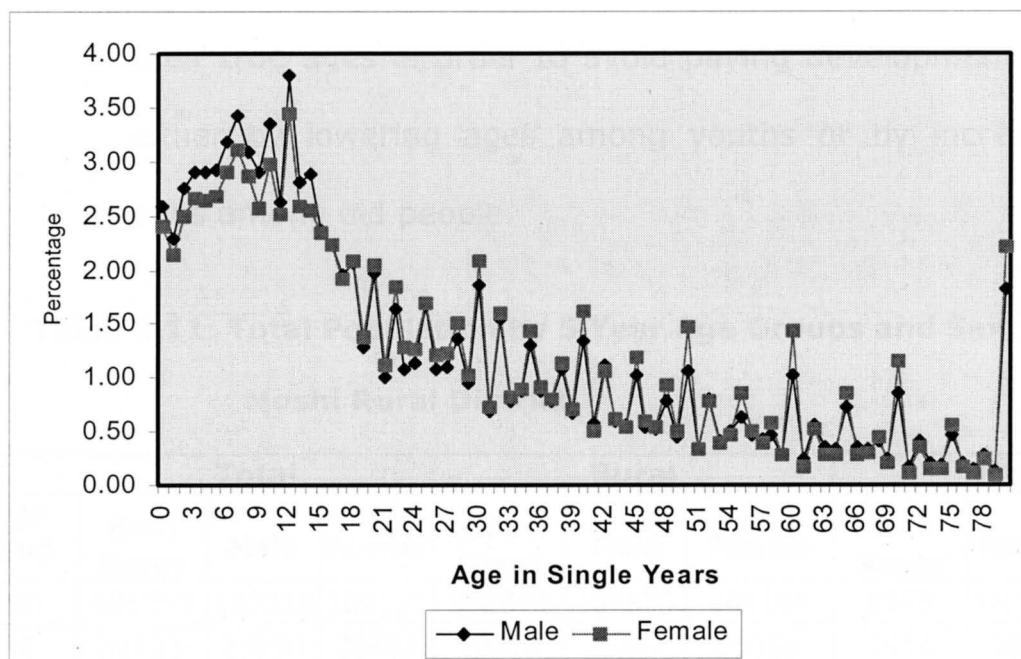
Age and sex are the basic and most important characteristics of a population. This information is used for a wide range of planning and administrative purposes such as determining the segments of the population qualified for voting, school enrolment, pensions and attaining the age of the majority.

In this case this data indicates in single years as well as in five year age groups.

Most people had their ages clustered around years ending with "0" and "5" while deficiencies were much pronounced in numbers ending with "1", "3", "7" and "9". Many people tended

to round figures to i.e. 50 or 55 instead of figures like 52, 54 or 56. Digital preference was higher among the female population than the male population (as per Figure 1.1).

Figure 1.1: Digital Preference for Moshi Rural District



Source: The United Republic of Tanzania, 2002 Population and Housing Census

1.13.2 Population in 5 Year Age Groups

When the population was presented in 5 year age groups, the age heaping and digital preference were very much minimized but not entirely eliminated. For Moshi Rural District tables 1.1 and 1.2 below show digital preference when you compare age group 0 – 4 with age group 5 – 9 (51,633 versus 59,325), age group 10 – 14 with age group 15 – 19 (59,104 versus 39,799), age group 20 – 24 with

age group 25 – 29 (28,905 versus 25,734), age group 30 – 34 with age group 35 – 39 (23,885 versus 19,468), etc. Age heaping and digital preference could be associated with or related to various social and economic factors prevailing in the district. For example, people may distort their true ages in order to avoid paying development levy either by lowering ages among youths or by increasing ages among old people.

Table 1.11: Total Population by 5 Year Age Groups and Sex

Moshi Rural District

Age Group	Total			Rural			Urban		
	Both Sexes	Male	Female	Both Sexes	Male	Female	Both Sexes	Male	Female
Total	401369	192238	209131	392014	187820	204194	9355	4418	4937
0-4	51633	25850	25783	50219	25167	25052	1414	683	731
5-9	59325	29796	29529	58073	29181	28892	1252	615	637
10-14	59104	29704	29400	58075	29190	28885	1029	514	515
15-19	39799	19009	20790	38861	18590	20271	938	419	519
20-24	28905	13126	15779	27774	12647	15127	1131	479	652
25-29	25734	11811	13923	24679	11301	13378	1055	510	545
30-34	23885	11039	12846	23023	10649	12374	862	390	472
35-39	19468	9034	10434	18892	8764	10128	576	270	306
40-44	17103	8056	9047	16715	7856	8859	388	200	188
45-49	14170	6336	7834	13934	6227	7707	236	109	127
50-54	13183	5976	7207	13021	5900	7121	162	76	86
55-59	9790	4359	5431	9715	4319	5396	75	40	35
60-64	10429	4807	5622	10361	4778	5583	68	29	39
65-69	8316	3967	4349	8255	3935	4320	61	32	29
70-74	7537	3515	4022	7494	3495	3999	43	20	23
75-79	4853	2356	2497	4823	2339	2484	30	17	13
80+	8135	3497	4638	8100	3482	4618	35	15	20

Source: The United Republic of Tanzania, 2002 Population and Housing Census

1.14 MARITAL STATUS

During the 2002 Population and Housing Census the marital status question was directed to all persons. However, while tabulating the results, only those persons of age 10 years and above were considered.

The categories used to classify the marital status of the person were:

- Never Ever Married (NEM)
- Married
- Living together (cohabiting)
- Separated
- Divorced
- Widowed

The data on marital status for the 2002 Population and Housing Census were categorized by age, sex and rural/urban localities. These data show the extent to which people of given ages were married, never married, living together, separated, divorced or widowed.

1.14.2 Marital Status in Moshi Rural District

Marital status of population of age 10 years and above by age, sex, and rural/urban localities in Moshi Rural District. From the tables it can be observed that the majority of the

people were either in the never married or married categories for both rural and urban areas. Almost all the persons (99 percent) in the age group 10 to 14 years and in the age group 15 to 19 years (95 percent) had never married. This was the expected pattern given the fact that the minimum age at marriage in Tanzania is 16 and 18 years for females and males respectively. The trend has been that, the number of people in never married category decreases with the increase in age.

Proportionally more people in Moshi Rural District were married at the age groups 25-59 years and the number decreases gradually at higher age groups. However, females were married at lower ages than males in Moshi Rural District, whereby more females were married at age group 25-39 years while more males were married at age groups 30-69 years.

Although the living together category, in this district was not very popular, there were indications of the tendency of living together. Furthermore, incidences were higher in urban areas.

Table 1.12

**Percentage Distribution of Population 10 Years and Above
by 5 Year Age Groups and Marital Status Moshi Rural District**

	Marital Status						
Age Group	Never Married	Married	Living Together	Separated	Divorced	Widowed	Total
Total	47.77	40.40	2.88	1.43	1.50	6.02	100.00
10 – 14	99.15	0.45	0.32	0.02	0.02	0.04	100.00
15 – 19	95.01	3.66	1.06	0.11	0.09	0.07	100.00
20 – 24	64.37	27.83	5.59	1.08	0.91	0.22	100.00
25 – 29	37.06	51.56	6.80	1.84	1.87	0.88	100.00
30 – 34	21.24	66.22	5.88	2.34	2.42	1.90	100.00
35 – 39	14.63	71.57	4.40	2.88	3.11	3.40	100.00
40 – 44	11.82	72.05	3.75	3.47	3.46	5.44	100.00
45 – 49	8.85	74.27	2.89	2.89	3.47	7.63	100.00
50 – 54	6.80	74.00	2.44	2.58	3.22	10.95	100.00
55 – 59	5.30	74.76	1.99	2.11	2.49	13.34	100.00
60 – 64	4.52	72.19	1.83	2.13	2.04	17.29	100.00
65 – 69	3.66	71.55	1.38	1.89	1.78	19.75	100.00
70 – 74	3.86	62.90	1.35	1.63	1.71	28.54	100.00
75 – 79	2.99	59.45	1.22	1.24	1.44	33.67	100.00
80+	4.40	43.05	1.03	1.04	0.96	49.51	100.00

Source: The United Republic of Tanzania, 2002 Population and
Housing Census

1.15 Education status

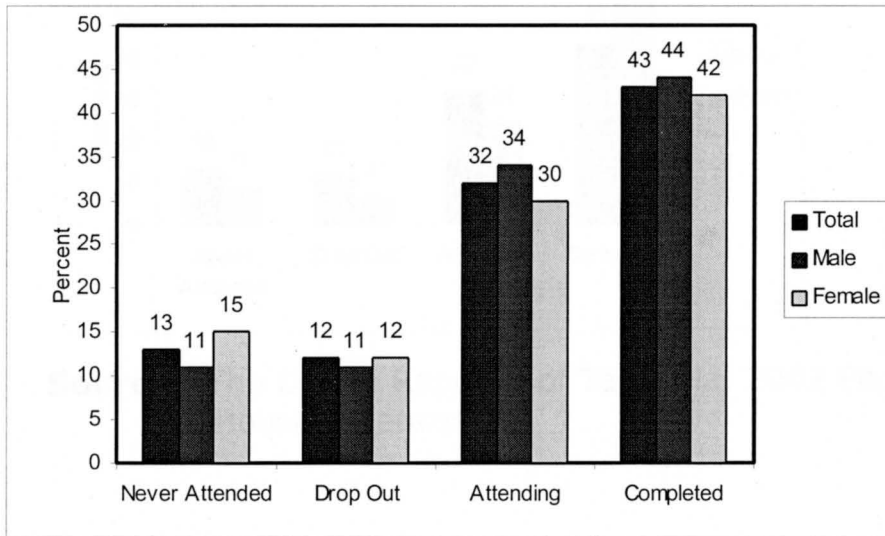
During the 2002 Population Census, data on education were collected from 25 percent of persons from private households aged 5 years and above. The information was collected through two questions. In the first question the respondent was asked to state if he/she; was attending school, had dropped out of school, had completed school or had never been to school. The second question collected data on educational attainments, which were; level attending or level attained for those who had dropped out of or completed school.

1.15.1 School Attendance Status

Educational attainment is the highest grade completed within the educational system. A grade is a stage of instruction usually covered in the course of a school year. Figure 6.1 shows that 15 percent of females compared to 11 percent males aged 5 years and above had never attended school. The percentage of dropouts was slightly higher among females (12 percent) than males (11 percent). In other categories the percentage of males was slightly higher than that for females.

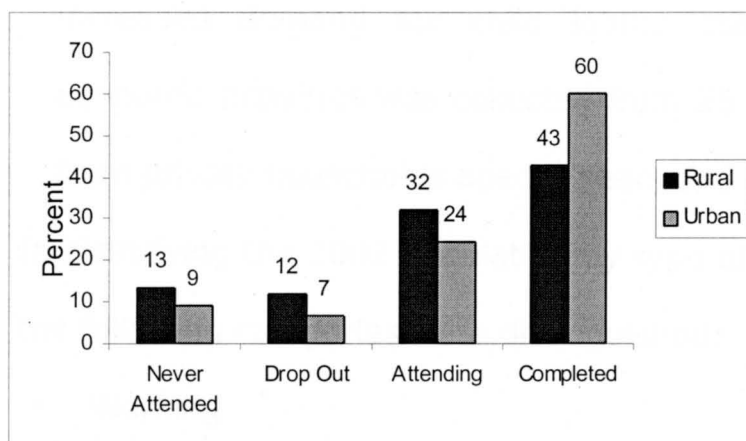
Figure 1.2

Percentage Distribution of Population 5 years and Above by School attendance Status and Sex.



Source: The United Republic of Tanzania, 2002 Population and Housing Census

Figure 1.2 shows that 13 percent of rural population compared to 9 percent of urban population 5 years and above had never attended school while 12 percent of rural drop outs and 7 percent of urban drop outs was recorded. The percentage of population that was attending school was higher in rural areas at 32 percent while that in urban areas was 24 percent. However, the percentage of those who had completed school was much higher at 60 percent in urban areas than in rural areas at 43 percent.

Figure 1.3:**Percentage Distribution of Population by 5 Years and Above by School Attendance Status and Location**

Source: The United Republic of Tanzania, 2002 Population and Housing Census

1.16 Economic activities in Moshi Rural District:

It is important to capture information on economic activities at least for two main reasons; first, there is a need to ascertain the size and structure of the labour force; and secondly, there is a need to know its distribution by main occupation, industrial and employment status with a view to streamlining and strengthening development planning endeavours.

Unlike the previous censuses, which covered only usual economic activities, the 2002 Population and Housing Census covered both usual and current economic activities. Also, the 5 – 9 age groups were not covered during the previous censuses. Instead, only the 10 years and above age groups

were covered. The inclusion of the 5 – 9 age groups during the 2002 population and housing census was mainly due to increased demand for child labour statistics. Data on economic activities was collected from 25 percent of persons from private households aged 5 years and above.

In classifying the 2002 population by type of economic activity, the following categories were distinguished:

- Working
- Not working but looking for work
- Not working but not looking for work
- Students
- Home Makers
- Retired/Too old
- Unable to work.

1.16.1 Current Economic Activity

With regard to the current economic activity for persons aged 5 years and above, 182,613 persons or 54.1 percent of the total labour force were employed. As for the remaining 45.9 percent unemployed, the majority, 24.7 percent were fulltime students. However, persons under the home maintenance unemployment category were 12.4 percent compared to 7.7 percent under usual economic activity. Table 7.2 below provides more details.

Table 1.13 Percentage Distribution of Total Population Five Years and Above by Five Year Age Groups and Type of Current Economic Activity in Moshi Rural District

Type of Current Economic Activity								
Age Group	Total	Employed	Unemployed	Full time Students	Home Maintenance	Unable to work	Other	Don't Know
Total	100	54.13	1.56	24.65	12.41	7.05	-	0.19
5-9	100	4.23	0.12	50.64	25.06	19.17	-	0.76
10-14	100	9.27	0.28	68.81	19.78	1.78	-	0.09
15-19	100	45.10	4.48	34.90	13.95	1.46	-	0.09
20-24	100	75.62	5.92	5.66	10.55	2.21	-	0.05
25-29	100	85.97	3.34	1.61	7.44	1.51	-	0.13
30-34	100	88.94	2.88	0.45	5.77	1.95	-	-
35-39	100	91.54	1.23	0.72	4.40	2.11	-	-
40-44	100	92.26	0.86	0.24	4.74	1.83	-	0.06
45-49	100	93.49	1.01	0.14	3.50	1.72	-	0.14
50-54	100	94.09	0.16	0.08	3.55	2.11	-	-
55-59	100	92.99	0.10	0.29	3.96	2.65	-	-
60-64	100	90.55	0.10	0.10	4.80	4.26	-	0.19
65+	100	68.90	0.10	0.13	5.93	24.89	-	0.03

Source: The United Republic of Tanzania, 2002 Population and Housing Census

Needs identification were taken through looking of the present situation, desirable situation and what need to be done to bridge the gap. Who, what and whom were involved and this was (the Category of people, target group and the stake holders) of the desired project.

The need assessment took place on shared bases during members meeting and stakeholders and finally the following had their needs identified.

CHAPTER TWO

Problem Identification

2.1 The problem statement

There has been a low increase on the community members within Mbokomu ward joining and acquiring membership with Tujikomboe SACCOS.

During community need assessment many problems were mentioned contributing to the poor performance of the Tujikomboe SACCOS.

Needs are basic requirement for the community and it can be prioritized from the more needed and the last.

In order to strengthen community commitment and enthusiasm for a project the need assessment were done by involvement of the members and some of the stakeholders by sharing ideas, opinions and this took place during members and stakeholders meeting. Finally, the following were identified by the members according to priorities after the discussion and ranking process from the higher ranked to the lowest ranked: -

- Low increase of membership
- Low capital to provide loan to members

- Poor leadership
- Sources of working capital
- Poor financial services to the members
- Limitation of Products offered.

The major problem as was indicated during need identification was: Community members surrounding Mbokomu Ward being reluctant to join and acquiring the membership of Tujikomboe SACCOS due to the fact that the majority of the community members within the ward are worried on the security of their fund in case they acquire membership of the SACCOS.

The community lacks confidence and the trustfulness of the leaders and employees of the SACCOS.

Unless stronger measures are to be taken to safeguard the MFI fund and improve leadership and transparencies or otherwise only a few community members will turn up, and request to become members of Tujikomboe SACCOS.

2.2 The causes of the problem:

The causes of the problem were found to be as follows;

- Poor management, lack of good governance and lack of transparency in the MFI's activities.
- Misuse of funds, fraudulent and misappropriation of the MFIs money by a few individuals and the majority being

the leaders and employees.

- Lack of awareness in the community on the importance of the services being offered by the MFI mainly the provision of financial services to its members.
- Low income limit of the members of the community to meet initial requirements to join the membership. For instance; the amount and value of shares, savings and entrance fees.
- Lack of business opportunities and income generating activities which will enable the community to get income and hence be able to join the MFI.
- Unfavourable policies and regulatory legal framework
- Lack of ownership (Who are owners of the MFI, the Government or the MFI's members).
- Gender imbalance in Chagga community that provides more chances for men and less chances to women in undertaking economic activities is a barrier to women to join the MFIs.

2.3 The size of the problem

The problem covers Mbokomu ward with large parts within the District and the region as a whole.

Given the objective of the MFI which is to provide a

sustainable financial service for its members and this can only be achieved by having a good number of members who will be able to contribute the capital for the development of the MFI, which will in turn enable the MFI to become strong and hence provide better quality financial services to its members.

2.4 The Project Goal

To provide the best quality and sustainable financial services to Mbokomu community members

2.5 The project Objective

Increase the number of members joining MFIs from the current 199 members in 2005 to 400 members by the 31st December, 2007.

2.6 Specific Objectives

- To Increase members savings and develop the habit of saving for the members.
- To provide the sources of loans to the members of the MFI
- Increase member's deposits
- Develop different product as per members needs
- Identify business opportunities for its members

Table 1.14: Stake holders of the SACCOS

SN	Stakeholders within the ward	Potential number of Stakeholders	Remarks
1	Community surrounding Mbokomu ward	5,650	Given the total population of Mbokomu ward which stand 12 thousand only 5,650 are potential members who qualified to become the members of Tujikomboe SACCOS
2	Religious leaders and local leaders	35	The religious leaders comes from the number of churches and mosque within the area
3	District council, Ward and village leaders	45	Government leaders and local leaders within the district, ward and village level
4	Cooperative department with the Ministry of Food Security, Cooperative and Marketing	36	The number of the staff working within the area from Cooperative, Agriculture and livestock
5	Existence of a Financial Institution such as Cooperative and Rural Development Bank (CRDB LTD) and NMB LTD	7	Bank services around the area NMB, CRDB, Exim and KCB.

2.7 The Target group

The target group for Tujikomboe SACCOS consist of:

- The community surrounding Mbokomu Ward
- Government Institutions and non Government Institutions working within Mbokomu ward
- Groups and individual community members within the area
- Local leaders and religions leaders within Mbokomu Ward.

CHAPTER THREE

Literature Review

Review of existing literature provides an essential data and information as regarding conceptual framework, background and statement of the problem as a comparative tool for other authors. It helps to reveal the gaps and strengths of other writers. This part is divided into three main parts: Theoretical, Empirical and Policy Review.

Microfinance has been a growing sector for community development and has been as an important tool for the poor to access the financial services for their socioeconomic development.

The literature review is intended to look on the literature review related to selected proposals regarding the building of a Sustainable Microfinance Institution which is Tujikomboe SACCOS located in Moshi Rural District in Kilimanjaro Region.

Tujikomboe SACCOS is a savings and credit cooperative society established to undertake Financial Services to its members and customers in Mbokomu ward.

Since it was established the MFI has been faced with poor response of the community members in joining the MFI.

The main courses of the problems as highlighted by some of the members is due to the collapse and closure of the nearby Mbokomu SACCOS which was due to poor management of the MFI, Fraud, Funds mismanagement and misappropriation of money which made the community members reluctant to join the MFI.

This has been a serious case for Kilimanjaro region as most of the established rural savings and credit cooperative societies have been collapsing due to the listed causes cited above. In most cases whenever you will find a rural marketing primary cooperative society within the district you will also see evidence of a collapsed rural savings and credit cooperative society nearby.

The members within the said MFIs lack the sense of ownership by shifting the role and responsibilities to the few employed staff and leaders of the MFI.

The savings and credit cooperatives are people's organizations and therefore the members are the ones to own and participate fully in their operations. There has been less effort by both the leaders and members of the collapsed MFI to take legal action and other measures to recover stolen funds.

This situation made the community members to be reluctant to join the MFIs due to the fact that a decision to join the MFI will mean the loss of individual's fund and hence the downfall of the SACCOS.

Despite the given situation, both the community members and government thinks that MFIs are essential instruments especially for the poor for undertaking social-economic activities which will accelerate the country's economic development.

Microfinance institutions are community members oriented. And the government support has been necessary for creating a good environment for these institutions to grow.

3.2 THEORETICAL REVIEW

3.2.1 What is Microfinance?

Microfinance, according to Otero (1999, p.8) is

"The provision of financial services to low-income poor and very poor self-employed people"

These financial services according to **Lidgerwood (1999)** generally include savings and credit but can also include other financial services such as insurance and payment services. Schreiner and Colombet (2001, p.339) define

microfinance as

"The attempt to improve access to small deposits and small loans for poor households neglected by banks"

Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector.

3.2.2 Microfinance and micro credit.

In the literature, the microcredit and microfinance are often used interchangeably, but it is important to highlight the difference between them because both terms are often confused. Sinha (1998, p.2) states:

"Micro credit refers to small loans, whereas microfinance is appropriate where NGOs and MFIs supplement the loans with other financial services (savings, insurance, etc)".

Therefore micro credit is a component of microfinance in that it involves providing credit to the poor, but microfinance also involves additional non-credit financial services such as savings, insurance, pensions and payment services (Okiocredit, 2005).

3.2.3 Microfinance worldwide

Microfinance arose in the 1980s as a response to doubts and researches finding, about state delivery credit to poor farmers.

In the 1970's government agencies were the predominant method of providing productive credit to those with no previous access to credit facilities.

Government and international donors assumed that the poor require cheap credit and saw this as a way of promoting agriculture production by small land holders. Donors set up credit unions inspired by the Raiffeison model developed in Germany in 1864.

The focus of this financial institution was mostly on savings mobilization in rural areas in an attempt to teach poor farmers how to serve.

Beginning 1980's the new approach was developed that considered microfinance as a integral part of the overall financial system. Emphasis shifted from the rapid disbursement of subsidized loans to target population toward the building up of local, sustainable institutions to serve the poor.

With reference to Uganda experience on rural financial services, Uganda suffered serious decline in the 1970 and in the 1980s due to civil strife which demonetized the economy and to escape in semi- subsistence agriculture, and the poor microeconomic policies which denuded the value of financial assets and reduce rural income.

The indigenous savings and credit clubs were not strong, compared to cases in other countries such as Ghana or Cameroon.

Presently in Cameroon, the ROSCAs have become competitive alternatives to the formal financial system. Many forms of ROSCAs are found there, and the extent of the phenomenon is such that all social and professional strata are concerned. The amount of capital, which is mobilized by these organizations, is larger than that held by the total of trade banks. We believe that the dynamism of these ROSCAs can be explained by the inability of the formal financial system to satisfy the real needs of the populations, as well as by their attachment to the traditional financing systems. We reconstruct the evolutionary history of these organizations from the pre-colonial to the post-colonial period. We show

how the social, economic and political changes have transformed the initial system of mutual aid, firstly into working ROSCA, secondly into good ROSCA, thirdly into simple money ROSCA and finally into bidding ROSCA. We also show how, coming from the current West province, the ROSCAs have spread out into the rest of the country, and how these organizations have come from purely social logic to a financial one. To justify the proliferation of ROSCAs, refer to the social and financial benefits, which lead the members to prefer these organizations to formal banks.

In Asia, **Dr. S. Mohamed Yunus (1986)** of Bangladesh led the way with a pilot group-lending scheme for landless people. This later becomes the Grameen bank which now serves more than 2.4 million clients.

In Benin questions the efficiency of financial structures, specially of the banking system. Are the banks failing mobilizing resources or allocating them to productive investment? The Benin banking system is described in a first section. Then, the following approach is adopted to answer this question: we confront traditional financial theories with the facts that have been observed in Benin. Benin belongs to the UEMOA which is a part of the zone franc area. The

banking system of this monetary area is specific because of the use of one single currency, the CFA franc, linked to the French franc by a fixed exchange rate. This link between the CFA franc and the French franc implies the respect of prudential monetary rules. The specificity of the CFA zone countries relies on the existence of two regional central banks (the BCEAO and the BEAC) operating in several countries. The Benin banking system is composed of new and private banks created after the bankruptcy in the late 1980's. In theory, banks should play a central part in the financing of the economy. However, in Benin, they do not perform their duty of financing the economy.

Several arguments might be considered to analyze this situation. The work uses financial theories to explain the difficulties of banks. While the liberalization theory is incomplete, the work focuses on the existence of a large information asymmetry between the banks and their clients. The information asymmetry between the bank and the borrowers is particularly wide because of the economy framework and the specific risks.

The associations of a lack of bank innovations with a high level of failure probability (adverse selection and moral

hazard) involve a credit rationing. The credit rationing does not remain the single reason put forward to explain the lack of credit. The savers behaviour (liquidity preference, suspicion against the banking institutions) and the nature of the deposit contract put the banks under a real panic risk which comes from the asymmetric information between the bank and its depositors. This means that liquidity assets prevail. The illiquidity feature and the risky aspect of banking assets do involve the credit deficit.

Micro credit and microfinance are relatively new terms in the field of development, first coming to prominence in the 1970s, according to Robinson (2001) and Otero (1999). Prior to then, from the 1950s through to the 1970s, the provision of financial services by donors or governments was mainly in the form of subsidized rural credit programmes. These often resulted in high loans default, high losses and an inability to reach poor rural households (Robinson, 2001).

Robinson states that the 1980s represented a turning point in the history of microfinance in that MFIs such as Grameen Bank and BRI² began to show that they could provide small loans and savings services profitably on a large scale. They received no continuing subsidies, were commercially funded

and fully sustainable, and could attain wide outreach to clients (Robinson, 2001). It was also at this time that the term "microcredit" came to prominence in development (MIX, 2005). The difference between microcredit and the subsidised rural credit programmes of the 1950s and 1960s was that microcredit insisted on repayment, on charging interest rates that covered the cost of credit delivery and by focusing on clients who were dependent on the informal sector for credit (ibid.) it was now clear for the first time that micro credit could provide large-scale outreach profitably.

The 1990s "saw accelerated growth in the number of microfinance institutions created and an increased emphasis on reaching scale"

(Robinson, 2001, p.54). Ditcher (1999, p.12) refers to the 1990s as "the microfinance decade". Microfinance had now turned into an industry according to Robinson (2001). Along with the growth in micro credit institutions, attention changed from just the provision of credit to the poor (micro credit), to the provision of other financial services such as savings and pensions (microfinance), when it became clear that the poor had a demand for these other services (MIX, 2005).

3.2.4 Microfinance Today

Microfinance has achieved astonishing accomplishments over the past 30 years.

It has demonstrated that poor people are viable customers, created a number of strong institutions focusing on poor people's finance, and begun to attract the Interest of private investors. But despite these achievements, there is still a long way to go to extend access to all who need financial services. Specifically, three major challenges define the frontier of financial services for the poor:

Scaling up quality financial services to serve large numbers of people (scale).

Reaching increasingly poorer and more remote people (depth); and lowering costs to both clients and financial service providers (cost).

The question is: How do we overcome these challenges? The answer: By making financial services for the poor a part of every country's mainstream financial system.

3.2.5 The Key Principles of Microfinance

- Poor people need a variety of financial services, not just loans. In addition to credit, they want savings, insurance, and money transfer services.
- Microfinance is a powerful tool to fight poverty. Poor households use financial services to raise income, build their assets, and cushion themselves against external shocks.
- Microfinance means building financial systems that serve the poor.
- Microfinance will reach its full potential only if it is integrated into a country's mainstream financial system.
- Microfinance can pay by itself, and must do so if it is to reach very large numbers of poor people. Unless microfinance providers charge enough to cover their costs, they will always be limited by the scarce and uncertain supply of subsidies from governments and donors.
- Microfinance is about building permanent local financial institutions that can attract domestic deposits, recycle them into loans, and provide other financial services.
- Micro credit is not always the answer. Other kinds of

support may work better for people who are so destitute that they are without income or means of repayment.

- Interest rate ceilings hurt poor people by making it harder for them to get credit. Making many small loans costs more than making a few large ones. Interest rate ceilings prevent microfinance institutions from covering their costs, and thereby choke off the supply of credit for poor people.
- The job of government is to enable financial services, not to provide them directly. Governments can almost never do a good job of lending, but they can set a supporting policy environment.
- Donor funds should complement private capital, not compete with it. Donor subsidies should be temporary start-up support designed to get an institution to the point where it can tap private funding sources, such as deposits.
- The key bottleneck is the shortage of strong institutions and managers. Donors should focus their support on building capacity.
- Microfinance works best when it measures—and discloses—its performance.

- Reporting not only helps stakeholders judge costs and benefits, but it also improves performance. MFIs need to produce accurate and comparable reporting on financial performance (e.g., loan repayment and cost recovery) as well as social performance (e.g., number and poverty level of clients being served).

3.2.6 The role of micro finance in relation to development.

Micro enterprise and micro finance development have emerged as major strategies to combat the twin issues of poverty and unemployment that continue to pose a major threat to the polity and economy of both the developed and developing countries (Entrepreneurship Development Institute of India 2004).

List of MSEs for sample selection would be obtained from MFIs and also conveniently sampled.

In addition, MSEs size would be mainly measured by number of employees as according to the definition of MSEs given in the literature, where for Micro the number of employees is less than 10 and for small businesses the number is less than 50. The age of the MSEs will be those which have been in business for at least 5 years and have obtained financial services from MFIs in past 3 years, so as to measure their growth since obtaining the services.

Therefore 20 Micro and 20 Small businesses would be selected. This sample will be fair enough and will be suitable for model that will be used in data analysis, which is chi-square of goodness of fit. In order to use chi-square test the overall number of items should be at least 50 (Kathori, 2002). Therefore in order to provide 20 percent on non responses as suggested by Kathori 2002 and due to limitation of resources and time, the sample is limited to 70.

3.2.7 The main products offered by microfinance institutions:

This includes the following:

- Financial Products
 - i. Savings services
 - ii. Loans services
 - ii. Micro insurance services
 - iv. Money transfer services
- Non Financial Services
 - i. Group Formation
 - ii. Information sharing
 - iii. Training
 - iv. Microfinance against poverty

When microfinance institutions offer financial services of proximity to the entrepreneurs, these create businesses and initiate income generating activities which enable them to free themselves from the vicious circle of poverty. Credit Cooperative Societies (SACCOS) are Microfinance Institutions that are established to provide financial services to low income households, small scale farmers and Micro entrepreneurs from rural and urban areas.

In general by definition microfinance blends all the activities that consist in offering people who are poor, accessible financial services that are adapted to their needs.

In America Action International supported the development of solidarity group lending to urban vendors.

Since the 1980's the field of microfinance has grown substantially. Donors actively support and encourage microfinance activities, focusing on MFIs that are committed to achieving substantial outreach and financial sustainability. Today the focus is on providing financial services only, where in the 1970s and much of the 1980s were characterized by an integrated package of credit and training.

Most recently microfinance NGOs (including PRODEM/Banco Sol in Bolivia, K-REP in Kenya and ADEMI/Nanko ADEMI in the Dominican Republic) have begun transforming into formal financial institutions that recognize the need to provide savings services to clients and to access market funding sources, rather than rely on donor funds. This recognition of the need to achieve financial sustainability has led to the current "financial system" approach to microfinance.

Table 3.1

TUJIKOMBOE SACCOS THE DEVELOPMENT TRENDS
NOV 2005-DEC 2006

SN		NOV 05	DEC 05	JAN 06	MARCH 06	MAY 06	JUNE 06	DEC 06
1	MEMBERS	199	203	217	225	236	241	329
2	SHARES	2,753,500	2,833,500	2,928,500	3,045,000	3,206,800	3,465,600	4,810,800
3	SAVINGS	8,732,500	8,922,500	9,614,500	10,856,500	11,868,800	12,456,800	9,589,200
4	DEPOSITS	2,623,500	2,794,850	2,991,850	4,213,950	4,454,950	5,890,000	8,087,920
5	LOANS DISBURSED	17,117,700	17,117,700	18,127,700	19,237,700	20,772,400	21,852,400	34,348,000
6	LOAN RECOVERED	8,371,000	8,418,000	9,281,500	10,375,300	11,232,400	11,932,400	19,791,350

Source: Research Findings 2006/2007

3.3 EMPIRICAL REVIEWS:

Strendsen and Teiser(eds) (1989:283) observed that after independence Tanzania, there were three defects of savings and credit cooperative societies as follows:

- 1 An existing of greater number of societies whose members were uninformed about the nature of the cooperatives and the duties of the committee and the power and responsibility of the members.
- 2 The shortage of appropriate manpower and inadequate trained employees.
- 3 The final defect was the responsibility of the cooperative movement to the political interest.

Cliffe, L. (1996:208) who cited and commented in the report of the presidential special committee of inquiry at the cooperative management and market of the cooperative management and market boards of 1996.

He referred to the disappointing lack of involvement on the large part of many people in the control and running of their own cooperatives.

Goran H, (1973:13) on his research observes that:

Government has made extensive interview to the management affairs of cooperatives. Thus the voluntary character of this institution has been lost.

Omari, C.K. (ed) (1984:121) observed the following on his research: Lack of proper financial control and inspection adds to the problem facing saving and credit cooperative societies as they become victims of misappropriation of funds, despite the presence of the government inspectorate unit.

Kweka J., Mshindano O., Rweyemamu D. and Leyaro V. (2004:5) of Economic and Social Research Foundation made a study on Credit Markets in Tanzania and revealed that most commercial banks are urban based. They found that rural constraints as exposed by financial institutions surveyed include the followings:

- Scattered low population density
- Small average loan per client
- Low household Savings which increases transactions costs per monetary unit of financial intermediation
- Poor physical and communication infrastructure
- Lack of records keeping culture due to high levels of illiteracy.
- Lack of credit information concerning the ability and willingness of potential borrowers to repay the loan.
- Formal Financial Institutions have negative attitudes towards rural lending, as they believe that rural population are not bankable

These researchers also believe that the culture of loan default prevails in many rural areas in Tanzania where by borrowers seek to avoid loan repayment even where it is in their ability to do so.

A qualitative study of CARITAS Matagalpa was undertaken in May 2003. CARITAS Matagalpa is a large, self-sustaining microfinance institution that is located in central Nicaragua and affiliated with Catholic Relief Services. In-depth interviews with 36 micro entrepreneurs, all clients of CARITAS Matagalpa, reveal that access to microfinance has enabled these entrepreneurs to start, expand, and develop their enterprises. These interviews also reveal that access to microfinance has also enhanced the life chances of the micro entrepreneurs' households.

Additionally, multivariate statistical tests suggest the following:

- Loan size is directly related to urban location and length of repayment period.
- The degree of firm-level informality diminishes in urban areas and increases relative to the work experience of the micro entrepreneur.
- Income for self-employed micro entrepreneurs is influenced by business sales volume, work experience,

number of employees, and loan size.

This multiple-case study explores local government's use of HUD funded micro enterprise development assistance for job creation and self employment of low-to-moderate-income individuals. Respondent information was reviewed and then supplemented with document analysis and interview materials from earlier research on HUD micro enterprise development assistance programs in upstate New York.

Because the number of local government respondents who self-identified as providers of micro enterprise development assistance was small, it was not possible to generalize research findings to the overall public micro enterprise development sector. However, the study of this phenomenon, although limited, does have implications for government microfinance instrumentalities and intermediaries and for future research on public sector micro enterprise development efforts. Based on the participants' self-report, it appears that both urban and rural HUD-sponsored micro enterprise development assistance programs create jobs and self-employment opportunities for low-to moderate-income persons using a myriad of strategies.

K. K. Kaushal and J. C. Kala (2004) India has embarked upon a community involvement process to restock the state-owned forests through a recent approach called Joint Forest Management. But the success of the Joint Forest Management program lies in the provision of alternative livelihoods to woodcutters and grazers. This article presents how the forest department of a southern state of India devised a potent tool of microfinance promotion for weaning those who are dependent on the forest by implementing a massive externally aided Joint Forest Management Project. Based on a study of 27 program villages in the *Tamilnadu* state, this paper proves that the success of Joint Forest Management is dependent on and directly linked to the provision of microfinance to villagers through a people's representative body - the Village Forest Council. The forest department was successful in this unusual task of promoting microfinance even in villages where formal microfinance institutions have failed, which corroborates an earlier finding that microfinance is more workable and successful if it is properly packaged in a locally suitable development program.

According to **Jan Maes and Malika Basu (2005)** the trickle up Program is a US-based organization engaged in micro enterprise development for very poor households in 14 core

countries, including India. Because it targets the most vulnerable sections of the population, such as the rural landless, women-led households, people with disabilities, and economically disadvantaged minorities, TUP employs a seed capital grant strategy to facilitate its clients' movement from absolute poverty toward economic self-reliance. TUP clients cannot risk taking a loan because they have no spare income to make payments if their enterprises do not generate an immediate profit.

A conditional grant, in contrast to credit, exposes its recipients to less risk and allows them to grow a business with a longer payback period. This paper draws from a recent study of the Alternative for Rural Movement, one of TUP's partner agencies in rural Orissa, India, and shows that its TUP clients moved successfully from a position of extreme vulnerability to one of significantly improved economic self-reliance.

Henk A. J. Moll (2001) noted that the long-term perspective on microfinance starts with a discussion of three central issues: first, views and policies, with two opposing views: "*credit for target group*" and "*pushing the financial frontier*"; second, the performance of microfinance

institutions measures via two objectives: outreach and financial sustainability; third, microfinance and rural development. This latter issue is approached through analyses of the effects of financial services on rural households and analyses of long term national financial development. Both micro and macro studies show positive effects of an expansion of savings and lending services, financial deepening. The negative side of financial deepening, the apparently unavoidable occurrence of bank insolvencies, is also reviewed. The concluding section argues that the microfinance sector should be guided by

"Stability and expansion", stability to withstand shocks and to maintain the relationships established between rural households and microfinance institutions, and expansion to include more people within the financial frontier.

According to **Richard Norton (1998)**, the Private Sector in Development: Entrepreneurship, Regulation.

Today's microfinance industry is stepping beyond charitable subsidies toward commercialization, from dependency towards self-reliance. To speed and systemize the eradication of poverty, private capital has become more crucial for microfinance institutions (MFIs).

In their book, The Private Sector in Development:

Entrepreneurship, Regulation, and Competitive Disciplines, **Michael U. Klein** and **Bita Hadjimichael (2003)** encourage practitioners and policy makers to enhance the private sector's role in a broad range of areas that impact development.

Francisco Olivares-Polanco (2001) Does commercialization mean mission drift? **Christen (2001)** argues that commercialization, which is characterized by profitability, competition and regulation, does not have any effect on large differences in loan size between regulated and non regulated MFIs. I used data from 28 Latin American MFIs to conduct a multiple regression analysis to test for some of Christen's conclusions, as well as for other factors that, according to the literature on microfinance, may affect loan size. The results of the regression indicate first that the type of institution, in terms of NGO versus financial institution, regardless of being regulated or not, has no effect on loan size. Second, the age of the institution predicts loan size in a direction contrary to that suggested by Christen.

Third, competition turned out to be significant, in contradiction to Christen's conclusion; it appears that more competition may lead to larger loan sizes and less depth of outreach. Finally, the models confirm an old belief in

microfinance; there is a trade-off between depth and sustainability.

Microfinance institutions (MFIs) established to provide the poor with access to capital have typically operated outside of their countries' regulated banking environments. Many have relied on donor grants and low-interest funds to support loan portfolios and social programs. As MFIs mature they understand that greater numbers of the poor can be serviced by economically sustainable institutions. Many MFIs collect savings deposits but are often barred from using them for loans by their countries' laws.

Fronkoze, an MFI in Haiti, has sought regulated status, which would provide access to deposit assets and enable Fronkoze to better compete with other MFIs, some of which are regulated subsidiaries of commercial banks. In the midst of political and economic turmoil, Haiti's Central Bank has delayed Fronkoze's transformation. A different solution is now moving forward, with Fronkoze becoming two entities, Fronkoze Financial Services and Fronkoze Foundation.

SACCOS has been an important tool for the poor people and for the majority of the rural community for achieving socio-economic development.

Due to its important different states has been working to enhance its development so that it plays the role of enhancing the e community to accelerate development and the economy of the country.

A different study has been taking place to look on how best that SACCOS can be a sustainable institution that can provide quality and sustainable financial services to its members.

Different surveys and researches have been conducted for that purpose and the following is among the few.

In Tanzania (Kilimanjaro Region): The case studies were conducted to look on Community initiatives for sustainable financial services. The case of Kilimanjaro Cooperative bank and SACCOS in the Northern conducted **by Temu A. E (1995)**

Poverty remains a growing concern in many developing countries. Limited accessibility to production factors and credit facilities in the formal financial system by the poor is usually identified as one of the causes of poverty in Malawi. In response to this problem, there are many institutions that provide credit facilities to the poor. Most of the institutions received seed capital from the Government under the Social

Dimensions of Adjustment (SDA) project and other donor agencies to implement their microfinance projects. This paper reviews the effectiveness of six institutions that received grants from the Social Dimensions of Adjustment project. The analysis in this study reveals that most institutions have serious capacity constraints in terms of human resources, physical resources and financial resources that hamper effective delivery of services to the poor on a sustainable basis. We observe that capacity issues are not given due consideration at planning, implementation and expansion stages of the credit programmes, and this results in poor performance of credit programmes and poor delivery of services to the poor.

Development enthusiasts are at crossroads with regard to rural finance in low-income earning countries. Experience has led to a sharp turn from supply led finance to developing sustainable financial intermediaries. Having encountered many, detrimental and costly failures with the supply led approach, there is excitement following emerging successes of the "new approach". There are several success stories documented from Asia, however these are not replicable in sub-Saharan Africa. This paper presents an emerging sound model of an RFI in the region, i.e. a model built by The

Kilimanjaro Co-operative Bank in 1995 and Savings and Credit Co-operatives Societies (The KCB-SACCOS model) in Northern Tanzania.

The KCB-SACCOS model has managed to overcome difficulties that have led to failures of former rural financial institutions. Deposits at KCB have increased from Tsh 311 mill (US\$ 478,450) in 1996 to Tsh 1,352 mill (US\$ 2mill) in 1998. The loan portfolio has grown from Tsh 16 mill (US\$ 24,000) in 1996 to 771 mill (US\$ 118,600) by 1997 managed following sound practices.

The successes of the KCB-SACCOS model of a rural financial institution are attributed to its foundational basis and key operational features. It is an organization that originates from the grassroots. There is also a strong sense of ownership by the "*client-owner*", democratic leadership at SACCOS and a sound SACCOS' representation at the KCB policy body. SACCOS act as strategic nodes of a web to reach a wide client base. The KCB-SACCO model has strategically tapped on the coffee economy and fits well within the socio-economic milieu of the local people and makes use of principles found in the local informal financial practices. The paper elaborates on these features and draws lessons for one approach to develop sustainable rural financial institutions in sub-Saharan Africa.

Looking on the performance of the MFIs within the Kilimanjaro region, the development of savings and credit

cooperatives has been characterized with different constraints.

The communities within the region were using savings and credit as a place of hope where their money can be kept with the maximum security and access to it in time of need. The Farmers and Coffee growers were depending on SACCOs which served as a banking organization for the rural community. In the region most of the savings and credit cooperative collapsed due to the different reasons among these reasons are:

- Weak institutional management.

This was due to inherited structures and attitudes from the past which have put little emphasis on development of cooperatives on the basis of full democracy and ownership by members. Professional management is lacking and as a result many of the SACCOS engaged in activities that do not benefit their members but are merely used as sources of income to the management.

- The increasing event of misappropriation of SACCOS Funds.

This is done by dishonest cooperative managers and a leader is another bottleneck to cooperative development.

- There has been a direct involvement of political leaders in

some of these cases and this lead into diminishing possibilities of bringing culprits to book.

- Lack of training to members.

This led to elimination almost completely of cooperative leadership accountability to the members.

This mentioned constraints are the cases and events that have been sited on different reports including the Presidential special committee on the revival, strengthening and development of cooperatives in the year 2000. it was also cited during the year 1960 with the Presidential special team of inquiries on cooperatives. The government has on the other hand acted strongly on the support and building the sustainable MFIs in the country.

On the other hand the Government has been keen to play its role by providing a good and conducive environment for MFIs to grow.

The government has formulated the different policies for MFIs development which includes the following:-

- Microfinance policy
- Small and medium enterprises development policy
- Cooperatives policy 2001
- Sustainable development policy 2002

The government has also been working on the regulatory frame work to revise, amendments and established new laws to replace the old one including:-

- Banking and financial institutions Act 1991
- Cooperatives Act 2003
- Cooperatives Rules 2004

These are the government measures to strengthening MFIs.

The government of Tanzania through Rural Financial Services Programme is supporting the building of microfinance through capacity building to the MFIs members and leaders to practice microfinance best practice (The case of Northern, Central and Southern Zone). Among the key programme mile stone is an increase of membership for each programme MFI from 20 to 750 by the year 2007.

The Rural Financial Service Programme mile stones also considers MFIs stocks such as an increase of shares, savings and deposits.

For the Microfinance Institutions an issue of membership increases the same with customers has a direct relation with an increase of MFIs share capital, with savings and deposits.

The RFSP approaches to MFIs members and leaders are on capacity building on the following areas.

- Members rights and obligations

- Women leadership
- Record keeping (financial records)
- Good governance
- Book keeping (Record keeping)
- Credit management and administration
- Committee management and responsibilities

In order to build confidence to the community members the programme has been insisted on good governance and transparency, mobilizes MFIs members to have a good and well secured office.

The programme has distributed money safes to increase the level of confidence from the community. Awareness creation study and exchange visit have been encouraged in order to build in self-management by the members themselves.

It is during my working with Tujikomboe MFIs members will be highly encouraged to own the MFIs and be part and parcel of their life.

Member's participation and involvements will highly be encouraging each member in one way or another that each member has a role to play for the MFIs development.

The birth and death of the old MFIs has just been as a process, but this will be considered as a lesson for the future development.

The Rural Financial Services Programme services has also conducted the study on looking at the barriers that hinder active and effective participation in the activities of microfinance institutions for the rural poor. This study was conducted in 2005 by consultants from Mzumbe University, Sokoine University and Moshi University of Cooperative and Business Studies.

The outcome of the study observed the following as being the hindering factors:

- Frequent changes of the cooperatives law and other laws, rules, regulations and uncoordinated policies
- Male chauvinism limiting women for accessing the resources
- Low earning capacity or lack of reliable sources of income
- Inadequate knowledge on the concept of microfinance
- Poor leadership and good governance in MFIs
- Lack of financial accounting system
- Embezzlement and misuse of funds

Different measures has been recommended that need to be taken to remove these barriers such as; integrate microfinance policy, reduce powers of the registrar of cooperative laws, the need for adoption of the collateral substitute, develop specific strategies which will recruit women in microfinance.

In Moshi rural district FERT is also working to support savings and credit cooperative societies.

FERT is a French organization undertaking several projects to support Tanzanian rural population through the strengthening of farmers organizations in partnership with MVIWATA (Mtandao wa vikundi vya wakulima Tanzania).

FERT was registered in Tanzania with Certificate no. 11267 (of January 31st 2002) and signed on 22nd of February 2002 an agreement of cooperation with the government of the United Republic of Tanzania.

The country office is in NSSF Building, Box 1812 Moshi in Kilimanjaro. Since the beginning of the year 2002, FERT has mobilized the community in the four districts of Hai, Mwanga, Same and Moshi Rural to initiate farmers based financial institutions and strengthen existing rural SACCOS to provide financial services including savings and credit societies adapted to farmers needs.

Development of financial services in rural areas Kilimanjaro Region.

FERT is currently working with 11 SACCOS out of which 6 are already registered and the remaining SACCOS are undergoing the process to be registered.

The support to farmers to undertake financial services has been seen to be very essential while the embassy of France in Tanzania has agreed to support the effort of FERT in promoting member based rural organizations in the region by:-

- Creation and support of establishing new SACCOS and identify new areas of cooperation.
- Participation to the on going process of setting up of a regional apex of SACCOS gathering the SACCOS supported by FERT in Kilimanjaro.

The situation of the SACCOS membership.

The membership has increased from 1,702 in June 2005 to 2234 members by December 2005. An increase of membership indicates the need of financial services to the community and an assurance of the members on the tracking system developed by FERT to safe guard the SACCOS assets.

Shares: Since June 2005 the share capital of SACCOS in Kilimanjaro has increased by 16 million Tshs from 42.86 million Tshs. to 59.33 million Tshs. That represents an increase of 38.4% for the six months period.

Loans: 1,448 loans amounting to Tshs. 92,837,349 were provided. This is from July – December 2005.

The loan types include: -

- Agriculture loan
- Storage loan
- Leasing loan

Situation of defaulters

Thanks to the work of the inspectors, the lists of defaulters are reviewed every month that gives to the project a clear and accurate situation of defaulters and its evaluation.

The situation of defaulters is part of the explanation of the slow development of SACCOS as several SACCOS have slowed down or stopped the disbursement of loans while trying to recover the delayed loans. At regional level, the regional loan committer has also stopped the delivery of loans to some SACCOS where the situation of defaulters was not improving.

The FERT approach to MFIS is based on capacity building, awareness creation, community sensitization, and mobilization to the community for them to join membership and on shares increase, savings increase and increase in deposits.

SACCOS under FERT is being regularly followed up by inspectors who have the responsibility of monitoring and follow up of the SACCOS operations.

Training is being undertaken to both members of the SACCOS

and their leaders while transparency on SACCO's activities has been increased. This approach has been good for MFIs, but on my side the main role will be to adopt and improve that approach which is positive to MFIs development and with the total involvement of the community members on each step by making the members to be the owners and therefore the members will be accountable for each process.

It is possible to overcome existing problems within Mbokomu and Tujikomboe SACCOS, and this is possible through the involvement of the members themselves.

- My role during my working with the MFIs was to make sure that MFIs members' participation is full.
- My role was also to make members involvements in the process of decision making and the flow up of information at each level.

Members will be involved in the control process and supervision of the operations of the MFIs.

Members will be trained to take measures as per operational guidelines that have been established and approved by them through general meetings.

Within the Region and Moshi rural district, FERT is also supporting MFIs as a mean to enable the poor to undertake able activities.

In order to safe guide the smooth growing of the MFIs the government leaders are also involved on ensuring the sustainability of the MFIs.

The following are strong government comments on the SACCOS developments.

Daily News Monday October 4, 2004.

It is a hard way to campaign the community within Kilimanjaro to come and rejoin again in microfinance institutions.

This campaign is done by different programmes supporting microfinance activities and the government with politician as quoted from the *Daily News* dated 4th October, 2004. The Regional Commissioner for Kilimanjaro by then Hilda Ngoye said that under the old Cooperative Societies Act of 1991, it was not easy for government organs to prosecute looters of cooperative entities. But with the new Cooperative Act 2003 the government has powers to prosecute looters in the cooperative societies.

The Regional Commissioner insisted by saying that "we will never let them get away with it anymore. We will trace them wherever they are and make them pay for every cent they have stolen" she said. The RC also pinpointed that the losses in cooperative societies in the country had been attributed to thefts of funds and property, mismanagement, lack of

transparency, conspiratorial frauds and lack of proper operational guidelines. The old SACCOS have left tarnished images which have made people reluctant to join the rejuvenated member based SACA and SACCOS. The membership campaign has to become to be very important as MFIs membership is lasting solution to poverty among many families in Kilimanjaro. Microfinance Institution is the tool for development if at all one is to be prepared with capacity building to undertake the social economic role. (Daily news 18/2/2005)

The impressive achievement was the result of intensive training that was facilitated by RFSP through material and financial support. The training that covered on members rights and obligations and Micro-finance best practices has improved the situation and now MFIs are operating in the way and the practices of the microfinance practices.

Another issue is the loss of members' confidence and hope to MFIs as quoted in the Kiswahili news letter *Majira* of June 7/2005.

"Ubadhirifu wapoteza imani kwa SACCOS"). It is painful for a person who has sacrificed for saving his/her money and later on to find out that the money has been eaten by looters in the the MFIs

It becomes very difficult to re-convince such a member to rejoin the SACCOS. But the government, the stallholders of the MFIs are making sure that MFIs operates on the way that members are intended, under the principles of the cooperatives and that of microfinance best practice.

There is a great links between financial services and poverty alleviation; poor people need financial services for a wide range of purposes like health, education, emergencies etc, and not first enterprise development.

The millennium development goal has also considered the need of microfinance which takes more consideration with the poor and a vehicle for alleviating poverty.

The millennium goal states as follows

MDG I: Access to sustainable financial: It helps services helps people to plan for the future and to increase income levels, to improve their food consumption, housing conditions e.g. A review of savings and loan Association in West Nile, Uganda found a significant increase in the most common (and important) productive assets of the members (mainly tools for agriculture).

MGD 2: Access to sustainable financial services increases income and enables poor households to invest in education of their children. The same review as per MDG

I found that there was a 28% decrease in the number of children not able to attend school owing to lack of school fees.

This owes as much to increased levels of enterprise activity as it is the use of loans to finance education MDG3. Access to sustainable financial services enhances financial, communication and decision making capacities of women and leads to a growing of self confidence in managing crisis, addressing problems, decision making, status in the families, other skills like reading, writing, calculating, etc.

In Nepal the women's empowerment program found that 68% of its members were making decision in traditional mode whereby men, dominate on decision making including the buying and selling of property and planning for their families.

MDGs 4&5: Access to sustainable financial services increases income and this allows people to access medical care.

This improves the health of mothers and their children. The majority of the West Nile savings and loan association

members are able to use health services more easily. This was linked in discussion not only with the ability to pay, but the availability of insurance through the welfare funds integrated in the project design. In the survey, their availability was of great importance second only to saving services.

MDGs 5& 6: Access to sustainable financial services facilitates access to health education.

In general sustainable Microfinance reaches the poor and contributes to the goal of alleviating poverty. This helps to achieve the national 25th development plan and the millennium development goals.

Managing crisis addressing problems, decision making, the status in families, other skills (reading, writing, calculating) etc.

In Nepal the women's empowerment program found that 68% of its members were making decision traditionally made by men, including the buying and selling of property and planning their families.

3.4 POLICY REVIEW

3.4.1 The National Micro-finance Policy (March 2000)

During the government financial sector reforms in 1991, the government of Tanzania indicated its "Commitment to allow banking institutions to operate on a commercial basis, making business and management decisions free from outside intervention within the norms of prudential supervisions"

The need for micro finance for the majority of Tanzanians, whose incomes are very low access to financial services offers the possibility of managing source household and enterprise resources more efficiently, protection against risks, provision for the future, and taking advantage of investment opportunities for economic returns.

For households, financial services allow higher standards of living to be achieved with the same resources base, while for enterprises and farmers, financial services can facilitate the pursuit of income growth.

Saving services are among the most beneficial services for the low-income people.

Nearly all households need to save and protect themselves against periods of low income or specific emergencies and to cover large anticipated expenses (like school fees).

Enterprises also need to store the value they accumulate from their profits until they can invest them to earn a higher return. Moreover, savings in financial form provide funds for investment by others.

These savings services can have a very broad outreach and value. Credit services can perform some of the same services as savings and can allow enterprises and families to make some important investment sooner.

Enterprises use credit as short term investment working capital and long term investment capital. Payments and other related services are also valuable to low income people and to the residents institutions in rural areas. Payments services can play an important support role in the overall profitability of the financial institution that offers them microfinance address the financial needs of major sectors of the Tanzanian population.

They are primarily facilitators rather than creators of the underlying economic opportunities that lead to widespread economic prosperity.

Microfinance services are financial in nature. They differ materially from social welfare and resource transfer policies, although they can contribute to the reduction of poverty and improvement of income distributions

The main objective and the scope of the policy are as follows:-

The governments consider microfinance system is an integral part of the financial sector that falls within the general framework of the government's financial sector reform policy statement of 1991. The overall objective of this policy is therefore, to establish a basis for the evolution of efficient and effective micro financial system in the country that serves the low income segment of the society and thereby contribute to economic growth and reduction of poverty.

▪ **Roles and responsibilities under the policy:**

In micro-finance, as in other aspects of financial sector development, government's major role will be to create a supportive micro economic setting and a regulatory environment that allows sound financial institutions offering micro-finance services to emerge.

Key government functions with direct benefits for such services will include keeping inflation low, allowing interest rates to be set freely, developing rural infrastructure to allow "access to remote areas, building a healthy credit culture through public awareness programs, providing high-quality and independent banking supervision, and developing a legal framework supportive of financial institutions operations.

3.4.2 Banking and Financial Services Act (BAFIA: 1991)

The managing of all affairs related to the financial matters has been put under the Bank of Tanzania. Given the multiple roles of the Bank of Tanzania and during the financial sector reforms, it was necessary for the government to create an effective and efficient financial system.

The necessity of the reforms was due to government commitment to allow banking institutions to operate on a commercial basis, making business and management decision free from outside intervention within the norms of prudential regulation and supervision.

The mainstream financial sector benefited from the reforms but financial services to small and micro enterprises remains as a challenge to this sector.

In 1991 the Banking and Financial Institution Act was amended to provide for the creation of banks and financial institutions specialized as micro finance institutions designed to offer financial services to individuals, groups and micro enterprises in the rural and urban areas.

3.4.3 Cooperative policy 1997 and 2002

The government recognizes microfinance institutions to be as a vehicle towards poverty reduction. Microfinance Institutions

used by the government to be as development tools that combine the majority of the people being the poor who have very limited services little recognition and support.

This being the case the government has been working on different policies which will create a good environment for the development of microfinance institutions which at the end result poverty will be reduced.

Looking at the government policy on Cooperative Development of 1997 and that of 2002 which gives the following statement on various aspects on the development, support of the microfinance being as an essential tool for the social economic development for the community and the country by itself.

In cooperative societies, members through their joint effort are being empowered to solve economic as well as social problems and these achieve goals that could not be achieved individually. Therefore on considering its importance the government regards cooperative societies as important organizations for achieving the goals of developmental programmes in which people's participation is a key requirement.

Following this consideration the government has been keen on setting cooperative development policy that enables

cooperative societies to assist their members and the nation at large in achieving development goals as fast as possible and in so doing alleviation of poverty.

In both Cooperative policies, from that of 1997, it was adopted to provide the overall objective and strategies necessary to assume that disadvantaged groups and the poor in the society, have a reliable vehicle for attaining their economic and social development goals.

The revised cooperative development policy of 2002 makes an important departure in the definition of roles and responsibilities of the government and other stakeholders in the promotion and support for cooperatives development.

The following are the key areas that the policy is working on:

It repositions government commitment to support cooperatives which are owned and managed by their members according to the internationally recognized cooperatives principles and values.

- The policy recognizes the structural and historical factors that constraints the development of cooperatives, creation of the required conducive environment for cooperatives to operate and compete more effectively and efficiently.

- The policy recognizes economic groups as important initiatives towards genuine member's cooperatives.
- The policy put emphasis on commercially oriented business minded leadership instead of civil service oriented managements in running the cooperatives.

The focus of the policy objectives are therefore to encourage, support, foster and widen the establishment of members driven cooperatives which are economically stable and strong.

The overall long term goal of social economic development of Tanzania over the next generation as provided by the Tanzania Development Vision 2025 is to attain sustainable human development. Cooperatives are among the major tools for the realization of this vision.

On the other hand the cooperation policy recognizes the importance of the National Poverty Reduction Strategy Paper (PRSP) accords to cooperatives development.

The government will work hand in hand with all organizations which are responsible for poverty reduction to ensure full realization of the poverty reduction strategy.

- **Regulatory Framework for MFIs**

On making sure that MFIs (SACCOS) operate money effectively and efficiently the law governing cooperatives activities was revised to accommodate the Banking and Financial Act of 1991 with its amendment of 2003 on regards to MFIs. The Cooperative Act 1991 was to be revised and replaced with the new act in the year 2003 in which supervision roles of the SACCOS were put in the hands of the Registrar of Cooperative Societies.

The members were given more control on the managing of cooperative activities, on decision-making and the control of their respective affairs.

Generally, on looking on the issue of the government policies on supporting, and creation of conducive environment to MFIs. The government recognized that MFIs are community institutions.

The government recognize that this community institution plays a great role on the building of social economy of the nation.

These community institutions are essential and are highly regarded as being as tool for building the country's economy and helps redress poverty.

The government has also looked on the regulatory framework

to check on the smooth working of the MFIs, the various changes have been taking places related to legal and regulatory framework, such as the Banking and Financial Act 1991 with its Amendment 2003, The Cooperatives Act 1991 which replaced by the Cooperative Act 2003.

All these measures indicate the policy and regulatory support to the community by the government.

Microfinance Institutions helps the poor and the disadvantaged communities that the formal Financial Institutions and Banks have neglected. The Microfinance Institution has been providing services as institution that can benefit the majority poor by ploughing and organizing their resources together for their common good end.

Microfinance institution is the community based institution that reflects the needs of the community has a common ownership, accountability and a common goal. The promotion of microfinance is very essential for a country like ours with the support from the government. Microfinance is a tool not only for the poor but is a tool for social-economic development for the government in its effort to poverty alleviation.

My study will supplement on the past study on the existing problem that will also motivate the community both men and

women to actively participating on Microfinance activities.

My study also intends to look on the means that will induce more community members to become members of the SACCOS. This study will help to improve the SACCOS in order to make them economically viable and sustainable.

This approach will include the following steps: -

- Making MFIs community organizations managed and owned by them.
- Create awareness through campaigns and community mobilization not only to acquire membership but also to increase MFIs stocks in terms of shares, savings and deposits.
- Provide guidance to them to put up their institutions operational guidelines such as constitutions, policies and procedures for undertaking their day to day activities.
- Build a sense of accountability for the staff and leaders of the MFIs.
- Institute good governance and transparency in MFIs
- Members full participation at all levels.
- Providing feedback to members on the MFIs performance as per planned activities.
- Monitoring, inspecting, checking of the books of accounts and the performance and the end result of the activities as planned by the MFIs.
- The government policy guideline to support MFIs becomes to be of very essential.

CHAPTER FOUR

Project Implementation

This chapter comprises planned and actual implementation of the project. It gives the original plan of the project, the implementation process, outputs and products as well as inputs. It also narrates the implementation plan and staff pattern.

In order for this project to take off, different activities have been developed and implemented in order to meet the projected objectives and goals as per work plan.

Activities implemented were divided in two stages as follows:-

- Initial stage of project implementation.
- Meeting with the host organisation, self introduction and approval of the members to work jointly on the project identification, preparation and implementation
- Identification of the community needs process and come up with the most highly prioritized need as per members needs.
- Conduct pilot survey at Korini juu to test the community understanding of the process.
- Conduct survey with the members and stakeholders.
- Full implementation stage of the project.

The implementation took place as per project work plan as per developed work plan and it incorporated the results of the findings during the survey conducted at Mbokomu ward.

4.2 Project Implementation plan

Table 4.1 Implementation plan

ACTIVITIES	PROJECT MONTH Jan 2006- Jan 2007													RESOURCE	BY WHOM
	1	2	3	4	5	6	7	8	9	10	11	12			
Planned															
1. Conduct awareness and sensitisation meetings														Music Systems, Speakers, Dancing groups and transport	Treasurer
2. Conduct mobilization meetings to raise the level of shares, savings and deposits														"	
3. Conduct training on product development and promotion														Leaflets, Radios, TVs and Performing groups	Secretary
4. Conduct training on members rights and obligations														Marker, Pen Charts Writing paid	Manager
5. Conduct training on Good governance and transparency														"	Members of Supervisory Committee
6. Conduct training on policies and guidelines for credit savings and deposits														"	Chairperson of the board
7. Conduct Meeting for stakeholders														"	Secretary
8. Train the members on Interpretation on financial accounting														"	Manager of the SACCOS

4.3 Product and Outputs:

The project was able to accomplish the following items by the end of December, 2006.

Product:

- ☐ Conduct awareness and sensitisation meeting to the community members and explain to them the importance of SACCOS being as a financial institution.
- ☐ Conduct mobilisation meetings to persuade members to increase their shares, savings and deposits.
- ☐ Conduct training seminars on product development and promotion. In so doing always members and customers needs will be determined and hence be able to adopt and develop new products as required by them.
- ☐ Conduct training on members rights and obligations. This is an important aspect as its gives more access for individuals free participation.
- ☐ Conduct training on good governance and transparency to allow the members ownership and participation thus ensure full involvement on the daily routine of the MFI.
- ☐ Conduct training on policies and guidelines for credit, savings and deposits for the best performance of the operations of the targeted SACCOS.
- ☐ Conduct meetings for stakeholders for the purpose of

experience sharing and exchanging ideas that relate to the support and development of Microfinance Institution.

- Train the members on interpretation of Financial Statements which will empower board members to make decision making prudent.

Outputs: Number of members increases

New products were introduced which comprises fixed time deposits, leasing, warehouse receipt, children account, charismas account, education account, insurance, newly identified income generating activities, participatory monitoring and evaluation.

4.3 The Project Implementation Budget

The project budget is attached here as Appendix 2

The main sources of the fund and support were the Rural Financial Services Programme where the author is employed, the support from Moshi Rural District Council and MFI contribution in term of materials.

4.4 Time Frame of the Project

The project implementation started from October 2005 and it is an on going project which will continue throughout but for the purpose of academic requirement the CED student involvement will end up in January 2007. Indirect technical support can be delivered while working with RFSP.

4.5 The project implementers:

- ☐ Members of Tujikomboe SACCOS who are the direct beneficiaries of the project have to be involved fully in the project because they are the once who know the planned direction of their MFI.
 - ☐ The CED student participated as the facilitator
 - ☐ Board Members elected to serve for the MFI
 - ☐ Two Staff from Moshi District Council are working with the MFI. One is from the Cooperatives Department and the second one is from the Community Development Department.
- ⇒ All members have always been working as one team.

4.6 Project Staffing:

Currently Tujikomboe SACCOS has two employed staff namely, the Treasurer and Credit Officer. In future the SACCOS will also employ a Manager and an Internal Auditor depending on the availability of funds to cover these operational costs of the MFI.

CHAPTER FIVE

Monitoring, Evaluation and Sustainability

5.1 Project Monitoring

Monitoring is the process of routinely gathering information on all aspects of the project. The monitoring enable to analyze current situation of the problem and assist to find solutions and show the trends and patterns and keep project activities on schedule. It will also measure progress towards the desired objectives.

Monitoring is inbuilt in the project and it is on going throughout the life span of the project.

According to De Cornnick J **(1995:5)**

Monitoring is a continuous process which is being done from the commencement of the research project. It compares progress of an activity with the original plan.

This is based mainly on the following areas:

Analysing the current situation

- Identifying problems and finding solution
- Discover trends and patterns
- Keeping project activities on schedule
- Measuring progress towards future goals and formulate or revise the same.

- Making decisions about mobilization of human, financial and material resources.

Table 5.1 Monitoring Tools

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Monthly financial report	53	44.2	48.2	48.2
	Field visit report	34	28.3	30.9	79.1
	Monthly report	23	27.5	20.9	100.0
	Total	120	100.0	100.0	100.0

Source: Author's Survey 2006

On looking on the monitoring aspect that monthly reports are being prepared and discussed by the board members and this has been an essential tool for their monitoring activities. The employed staffs such as loan officers are the ones who are responsible for field trips.

5.2 Methodology

Monitoring is being done continuously in order to detect the project progress as compared to the plan. Key people are the board members and the employed staff. The District Cooperatives officer and the Community Development officer were also involved in making sure that the project was on track. The monitoring process was based on a participatory process and helped very much toward success of the project

5.3 Basic Tools and Techniques which were used in the project monitoring

The following tools and techniques were used: -

- Key informants interviews including SACCOS members and board members
- Site visits to the place where projects were taking place were done.
- Weekly/monthly financial and activity reports were they were availed.
- Direct observation of the activities being done through physical checks.
- Time taken to complete the work versus the time planed.

5.4 Project Monitoring Plan

Monitoring is an going process and this is taks place even before the starting of a planned activity to make sure that the activity will take place as was initially planned.

During implementation monitoring should also take place and finally after the end of each activity.

Each individual board member, staff or a particular member assigned for monitoring was responsible and accountable to the final accomplishment of any planned activity.

Management meeting was also taking place to discuss on the

5.5 Monitoring Indicators used

- Number of Training conducted
- Number of Participants trained per each course
- Number of new products introduced
- Number of loan borrowers males and females
- Number of meetings conducted
- Number of participant who attended the meetings
- Increase on savings
- Increase on shares and deposits

5.6 Expected outputs

- Level of members savings to increase
- Total value of shares to increase
- Members and customers increases
- Members are able to access loans from the MFI
- Different products are available to meet members needs
- Number of different Income Generating Activities are being financed and are undertaken by the members

5.7 Monitoring results

Monitoring results have been discussed during the board meetings and sometimes during members meetings and the solutions were directly provided to improve the situation.

The monitoring result can be summarised as follows:

- 45 training courses have been conducted
- An average of 30 participants have been trained per each course
- Seven new products have been introduced
- Number of loan borrowers males and females have been increased by 35%.
- 30 meetings have been conducted to members, Board members, staff and the community within three villages
- Increases on shares raised to 9.5 million
- Increase on deposits from Tshs 700,000/= in the year 2005 December to T.shs 8 million by December 2006
- Increase on savings to 9.5 million by December 2007 from 3 million December 2005

5.8 Project evaluation

Different authors have tried to define the meaning of Evaluation. According to Conick J. (1995:5), Evaluation is the periodic assessment and review of the extent to which medium and long-term objectives of an activity or programme have been reached.

Evaluation generally implies measurement, appraisal, or making judgements frequently.

It is a processes designed to assess the degree to which the intended objectives has been achieved.

Evaluation is a systematic examination of the project to determine its relevance, effectiveness, impact, or benefit to the target population.

5.9 A type of Evaluation includes:

The kinds of Evaluations that are being taken in evaluating different projects are mainly four as follows:

- Pre-project evaluation
- On- going/ concurrent evaluation
- Summary /terminal evaluation
- Impact/ex -post evaluation
- Formative evaluation

In order to organize monitoring and evaluation, it is very useful to think about activities and objectives leading to each other, in other wards to rank them and to place them in their hierarchy.

5.10 Evaluation Methodology

Evaluation is taking place per specified time.

Evaluation can take place during the middle of the project

implementation or during the end of the project etc.

In the case of Tujikomboe SACCOS evaluation was being undertaken in a participatory manner involving stakeholders; including the SACCOS members and Extension officers from the District council.

One Evaluation took place and this was during July 2006 and it was termed as on going Evaluation

5.11 The tools and techniques used for Evaluation

- Project implementation report The MFIs Board members meets once per month to review the progress performance of the MFI and this reports provide as a tools to measure the performance of the activities.
- Review of Project objective, the project performance evaluation can provide the need for reviewing the project objective.
- Participant observation this is looking to the actual performance in relation to what has been planned.
- Interviews to the target group and stakeholders in relation to their views.

5.12 Evaluation Plan

Table 5.3 Timetable for Evaluation

Where	Tool to be used	Responsible person	Type of Evaluation	Timing
Mbokomu Ward	Interviews, Questionnaires	Members , Stakeholders and Facilitator	On going Evaluation	July 2006

Project was evaluated against the goal of the project to test achievement. The Indicators were number of trainings conducted, number of targeted trainees and number of sensitization meetings conducted.

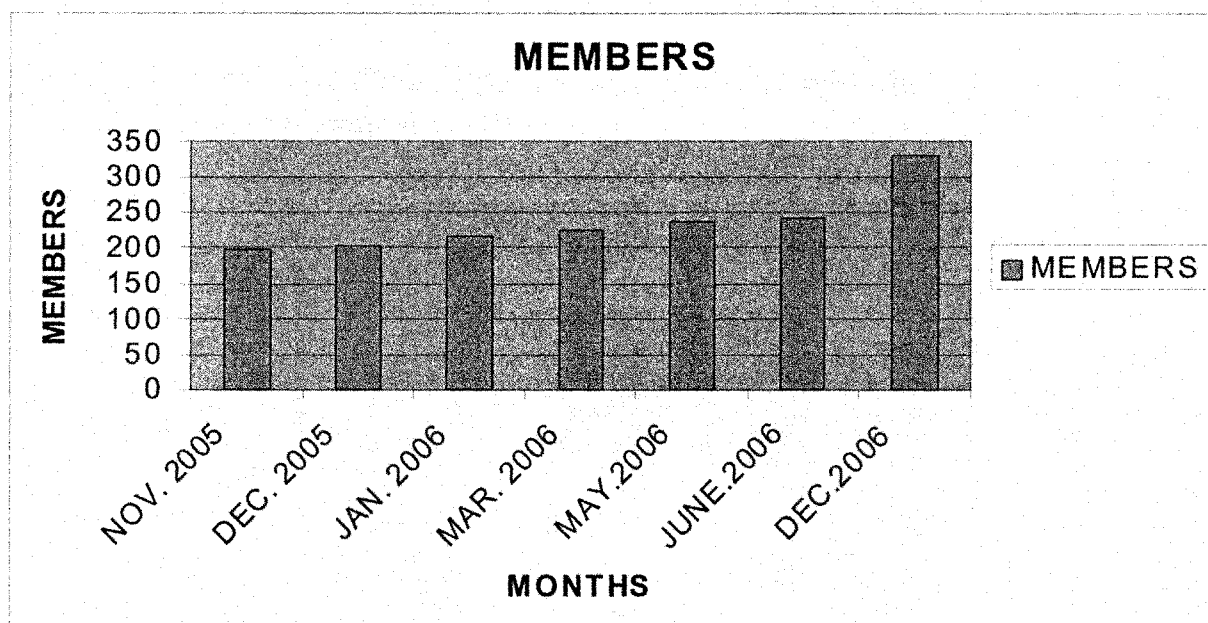
5.13 Reasons for evaluation

July 2006 evaluation was done to assess the success of the project or the failure of the project and improvement for the future. Based on the findings the evaluation reviewed areas of weakness and that need improvement this includes more community mobilization and training on Members rights and obligation and that of MFI good governance and transparency to the members for the purpose of empowering ownership of the members.

5.14 Project achievements:

The SACCOS performance review:

Fig. 5.1 Trend in membership growth between November 2005 and December 2006



Source: MFI Members register book

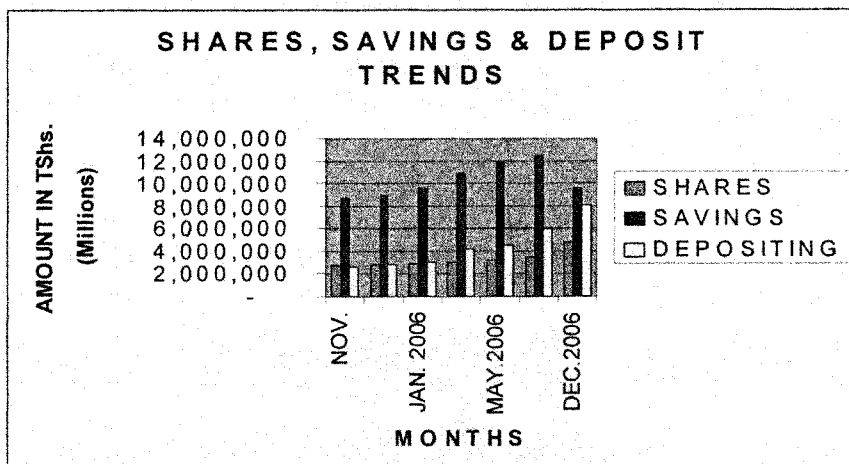
The Fig. 6.1 above looks on the trend of members increase from November 2005 to December 2006 (source of data MFIs members register book)

The number of members' increases from January 2006 to December 2006 went up as compared from November to December 2005 and this was mainly due to the fact that the sensitization and awareness

Creation for the community members to join the SACCOS was conducted as per SACCOS work plan.

Membership mobilization campaign and training provided to the community has motivated some of the community member to become members and other has decided to remains as customers of the SACCOS.

Fig. 5.2 Trend in Total Stock Variables November 2005 to December 2006.



Source: MFI General Leger 2005/06

The condition for the community member to become a member is for him/her to pay an entrance fees and buy at least on share valued at Tshs 10,000.

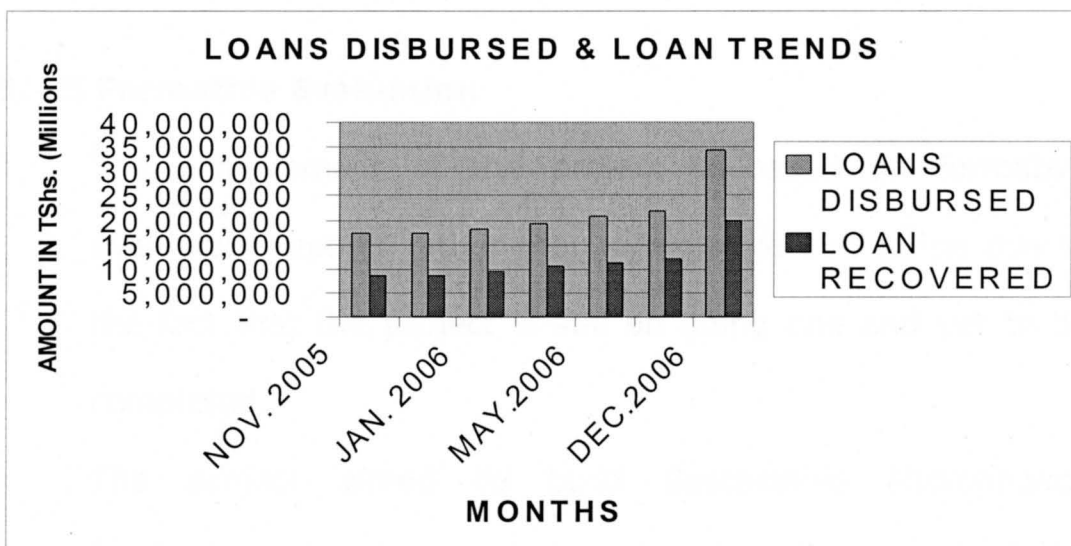
For becoming the full member someone will be forced to buy five share which cost 50,000 Tshs.

The SACCOS total stock proves (share, savings and deposits) that most of members are in need of loan (The loan demand for most of the members is very highly and this can

only be proved by an increase of members savings from Dec 2005 up to June 2007.

The loan condition is based on an individual savings and the amount for someone who is on need to apply for the loan will be three times of individual savings.

Fig. 5.3 Status on Loan Performance November 2005 to December 2006.



Source: MFI General Leger and Loan Register 2005/06

The value of loan disbursed increases as from time to time this also proves the loan demand from members.

Members are also committed for repayment according to schedule of repayment that has been given to individual members.

Based on the trend analysis results from the period of November 2005 to December 2006, indicate the following:

MFI stock (shares, savings and deposits) has been increasing from one month to the followed months.

- a) Membership has also been increasing in a very low rate.
- b) It is expected the total increase will rise due to the stable financial services which increases from one month to the other month.

5. 15 Formative Evaluation

The achievement of the project is based on formative evaluation reports rather than summative evaluation due to the fact that the project is still on going one and yet to be completed.

The project aimed to build Sustainable Microfinance Institution which will assure the members and the community availability of quality financial services

3.16 Achievements per Mile Stone:

Table 5.4 achievements

SN	Mile stone set	Indicator	Milestone	Output	Remarks
1	Increase the number of members from 199 to 400	Number of members increases	201 new members joined with SACCOS	130	65 percent achievements
2	Building savings habits	Savings increased from 3 million to 7 million	7,000,000	9,589,200	136 percent achievements
3	Loan to members	Loan disbursed increases from 3 million to 7 million	7 million	43 million	614 percent achievement
4	Deposit increases	Increases from 300,000 to 3,million	3,000,000	8,million	226 percent achievements
5	Number of product increases	From three to 8	8	7 products	87 percent achievements
6	Number of business financed increases	From 2 to 10	10	8	80 percent achievements

Source: Survey Findings, 2006

5.16 Sustainability of the Project

The sustainability and MFI success will always depend on the access and outreach of the MFI for MSE.

5.16.1 Community Sustainability

The project Tujikomboe SACCOS came up due to the members need, and the members are aware that the project needs to be self sustainable to assure them constant services for themselves and their nearby customers.

On recognising this, the members are fully involved on the day to day planning process, implementation of the planned activities and finally monitoring and follow up on the total outcome of the project performance and results.

5.16.2 Technical Sustainability

The training given to members is part of the capacity building for them to undertake the role and the responsibilities on their own.

The training conducted was also intended to motivate members on the ownership of the MFI by the members themselves and have an access on member's decision.

The stakeholders working to support the community development has been trained on Microfinance best practices and the local leaders at the level of the village ward and District also has been trained too.

5.16.3 Financial Sustainability

The Moshi rural district council has accommodated the MFI in the district budget so as to be able to provide technical support to all MFIs working in the district.

The capacity building has been also given to the religion leaders, and the Staff of the SACCOS, on so doing the members, the customers and other stakeholders wilfully be involved on the project implementation even at the end of the project.

The Linkages has also been made with the Cooperative and Rural Development Bank (CRDB) to assure continues support in term of financial need and technical backstopping to the MFI.

The product development and promotion has been taken care to assure the availability of the services needed by the members and customers. The right product will ensure more members and customers and hence more business income for the SACCOS.

An establishment of the net working for all SACCOS within Northern Zone (Imarisha SACCOS CO LTD) for all rural and urban SACCOS and Usawa for all SACCOS involved on farming activities this will enhance an experience sharing, exchange of ideas and innovation of the modern approach toward microfinance best practises

5.16.4 Political Sustainability

The current government decision to promote and recognition the use of SACCOS as a tool for poverty reduction will ensure sustainability due to the government provision of good and conducive involvement for the growth of SACCOS.

SACCOS is the only financial institution that reaches the poor in the rural area and hence it's able to maintain the good number of the members.

SACCOS as part of financial institution is in money business therefore need to operate as commercial entity in order to achieve the sustainability. In this case skilled staff has been employed in order to make the SACCOS achieves its objective.

3.16.5 Benefit Sustainability

There would be a mutual sharing of the benefit accruing from the project as such members would be motivated and improve their physical quality of living continuous flow of benefited accumulated from the project building sustainable Microfinance Institution.

CHAPTER SIX

Conclusion and Recommendations

6.1 Conclusion

Microfinance is a powerful instrument against poverty. Access to financial Services can help poor and low-income clients increase and stabilize their Incomes, build assets, and invest in their own future.

And advances over the past 30 years have shown that microfinance has the potential to reach large Numbers of poor people more effectively than ever thought possible.

This potential means that within our lifetime poor and low-income people throughout the developing world can enjoy permanent access to the financial services they need. These financial services, in turn, expand clients' options for solving a range of financial problems and enable poor people to climb the first rung on the ladder out of poverty on their own terms.

Being sustainable and being able to reach and serve more client Microfinance institution need to have many members/customers who will be able to utilize the financial services.

It has been observed that the community are in highly needed of the quality financial services provided by MFI.

MFI are the member's institution and their services provided reflect the peoples need.

On the other hand majority of the people live in rural area, in this case it's MFIs that can reach majority of the community living at the remote area.

SACCOS are essential tools for the development of the poor rural community and need to serve the majority. The more people join in and the more capital base is being created and get stabilised.

The success of any financial institution depend also with the number of community joining, Its very essential that MFI need to reach the majority of the community.

SACCOS is the community based organisation and the members are the owners, managers and the customers of the society. In this case SACCOS represent the majority participation, cooperation and the majority involvements with the majority ownership.

SACCOS enables individuals who are poor to pull their resources together and borrow it to undertake social-economic activities.

In order for the Community to participate fully the sense of ownership and control must belong to members themselves.

It is very important for the members to understand their rights and obligation; this will allow the members to involve on the key issues of the MFI affairs Good governance and transparency gives the member's confidence.

6.2 Recommendations

It is advised that training need to be as an on going activity, capacity building is very essential for the staff, leaders and also the members of the SACCOS. This is very important as every individual have equal chance to become the leaders of the SACCOS Training is very important due to the development and the coming of the new technologies which forces individuals to acquire more knowledge in order to be capable to take lead on SACCOS affairs.

In order to capacitate the members to be involved for the matters pertaining SACCOS members need to be trained more on member's rights and obligation. This will enable

them to understand their role and responsibility to the SACCOs and hence motivate them for higher participation.

The sense of ownership and control will be reflecting through democratic participation in decision making process.

SACCOs require majority participation and hence this lead to majority ownership.

Introduction of Internal audit and ensure auditing activity is being conducted frequently, this will build confidence to the members and other community who are interested to join.

The members need to be committed and royal to the SACCOs and need to participate on safeguarding the society assets. Strong measures are to be taken on the looters of the Members money

The Tujikomboe SACCOS need to be innovative by providing quality financial services with the needed products by the members and customers.

The government role will be to provide the conducive environment for the MFI growth and provide the necessary support required by them.

The government should maintain a supportive policy regime and establish an appropriate legal, regulatory and supervisory framework for rural micro-lending

Promoting Savings mobilization, by the use of appropriate, designed financial technology since the potential capacity of the rural households to save is there.

Establishing a credit information base for lenders can facilitate market development by reducing risks and transaction costs. These can support measures to provide accurate and timely information regarding collateral or risk of default.

Technical assistance to improve the type and quality of documentation can significantly improve rural access to credit and is frequently considered indispensable elements in the financing of small industry.

Formal Financial institutions operating in rural areas should be more social centric low transactional costs, informal lending procedures and minimal collateral requirements. The Grameen Bank Project (GBP) of Bangladesh provides an

interesting example of how can this be done. The impressive achievement of PRIDE Tanzania which is a credit provision NGO in micro financing reflects the potential for rural credit financing waiting to be exploited.

SACCOS principles should be adhered to and implemented accordingly to end up SACCOS are the tool that can benefit the majority of the community members so need to be supportive so as to reach the majority of Tanzanians

BIBLIOGRAPHIES

Adjibodou and Mutasa CED **(2006)** Class notes: Assessing and Interpreting Survey Psychometrics

Altshuld, J. and Witkin, B. R. **(2000)** Transferring Needs into solution Strategies Newbury Park, CA Sage

Arlene Fink and Jacqueline Kosecoff. **(1985)**. How to Conduct Surveys A Step-by-Step Guide.

Banking and Financial Institution **Act 1991** (Printed by Government Printers D.S.M.- Tanzania)

Building Economic Self-Reliance *by Jan Maes and Malika Basu* **(2005)**

Centre for development and population activities (CEDPA) **(1994)**, Project Design for Program mangers, Washington DC

Cooperative Development Policy **(2002)** by Ministry of Cooperative and Marketing Dodoma Feb **(2003)** (Printed by Government Printers D.S.M. Tanzania)

Commercializing Microfinance and Deepening Outreach *by Francisco Olivares-Polanco* **(2001)**

Daily news **(October 4/2004)**

Daily news **(Feb 18/2005)**

FELT Annual **(Report 2005)**

Fink A and Kosecoff J. **(1985)**: How to conduct Survey: A step –

by step Guide, Sage Publications, New Delhi

FreudenInal S. and Morrowe J. **(1993)**: Baseline Study

Handbook 3rd ed, Focus on the Field, The Evaluation Unit, Planning Secretariats, SIDA

Kim A. Kayunze **(September, 2003)**, Sokoine University of Agriculture, Social Science Research Methods.DS300 Notes

Kothari C.P. **(2004)**, Re, Research Methodology: Methods and Techniques: New Age International (p) Limited Publishers, New Delhi.

Microfinance and Rural Development by *Henk A. J. Moll* **(2001)**

Majira news paper ***dated 7/June/2005***

Patton, M.Q **(1990)**. Qualitative Evaluation and Research Method, 2nd Edition Newbury Park, CA: sage.

Nurturing Joint Forest Management through Microfinance by K. K. Kaushal and J. C. Kala **(2004)**

Perry S. **(2003, May)**, Peal community Economic Development: Paper Delivered at the Symposiums, "Setting Economic Policy to Achieve Social Croals" School of CED, SNHU.

Russell K. Schutt **(2004)** Investigating the Social world. The Process and Practice of Research (4th Edition) Thousands Oaks, London, Delhi: Pine Forge Press.

The Financial Laws (Miscellaneous Amendment) **(Act 2003)**

The national Micro finance Policy March 2000

The Cooperative Act 2003 (***Printed by Government Printers
D.S.M.-Tanzania 2004***).

The Cooperative Rule (2004) (Printed by Government Printers
D.S.M.- Tanzania