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**PROJECT TITLE: ESTABLISHMENT OF SAVINGS AND
CREDIT SCHEME, MWEMBEMADAFU, UKONGA - ILALA**

**“Submitted in partial fulfilment of requirements for the Master of Science in
Community Economic Development”**

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SUPERVISOR CERTIFICATION

This is to certify that I have gone through this project report titled “Establishment of Savings and Credit Scheme” and found it acceptable for the partial fulfilment of the requirement of the Master of Science in Community Economic Development of the Southern New Hampshire University and the Open University of Tanzania.

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Date: 10th September 2007

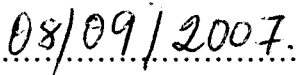
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DECLARATION BY THE CANDIDATE

I ***Mushi Octavian*** hereby declare that, this project report paper is the result of my own work. It is neither an imitation nor a copy of somebody's work. I also declare that this work has not previously been presented in any form, either as a thesis or dissertation for the purpose of award of higher degree at any University. All misconceptions, which will be found in this paper, are accepted as the mistakes of the author and he is responsible for them.

Signature: 

Date: 

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I give thanks to the Lord, who gave me strengths throughout the course and preparation of this project paper.

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To all of them, I sincerely offer my gratitude. But I take personal responsibility for remaining errors or possible subjective.

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LIST OF ACRONYMS AND ABBREVIATIONS

ACB	Akiba Commercial Bank
AIDS	Acquired Immunodeficiency Syndrome
ASCA	Accumulating Savings and Credit Association
ASCI	Amhara Savings and Credit Institution
CBO	Community Based Organisation
CED	Community Economic Development
CNA	Community needs Assessment
DCB	Dar es Salaam Community Bank
DFID	Department for Foreign International Development
HIV	Human Immunodeficiency virus
KREP	Kenya Rural Enterprise Program
MF	Microfinance
MFI	Microfinance Institution
NGO	Non Governmental Organisation
RDP	Rural Development Programme
RED	Research and Evaluation Division
ROSCA	Rotating Savings and Credit Associations
SACCOS	Savings and Credit Cooperative Societies
SCCULT	Savings and Credit Cooperative Union League of Tanzania
SCS	Savings and Credit Scheme
SUM	Special Unit of Microfinance
TFC	Tanzania Federation of Cooperatives
UN	United Nations

UNCDF	United Nations Capital Development Fund
UNDESA	United Nations Department of Economic and Social Affairs
USAID	United States Agency for International Development
UYACODE	Ukonga Youth AIDS and Community Development

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ABSTRACT

Savings and credit schemes have proved in many developing countries to contribute in poverty alleviation. It is against this background, this project aimed at raising awareness among community members (especially women) on some aspects of savings and credit. Problem tree analysis was used to come up with community needs; a questionnaire was used to collect information to further assess the importance and participation of the community also the sustainability of savings and credit scheme. The project addressed the importance of savings and credit schemes at community level. The outcomes expected from the project are; some community members would have acquired knowledge on savings; and consequently established a savings and credit scheme. After several days (three weeks; one day in each week) of awareness creation, the Mwembemadafu street community involving 59 people (7 men and 52 women) decided to establish a savings and credit scheme. The project has taken period of sixteen months from the time of commencement to the current state whereby there are still some activities yet to be completed. Savings and credit schemes provide access to financial service to common people enabling them to meet their goals and improve their economic and social conditions; and can easily be made sustainable relying on their members.

EXECUTIVE SUMMARY

The project consisted of mainly awareness raising on savings and credit schemes through trainings; whereby a number of community members were trained on aspects of savings and credit schemes and eventually they established a saving and credit scheme at Mwembemadafu street.

The major target of the project was women including men and youths in the area of project implementation. These groups were mainly those which were not absorbed by the formal sector of employment and engaged in different income generating activities such as livestock keeping and/or have some knowledge on income generating activities. Research was conducted to assess the feasibility and sustainability of savings and credit scheme, which revealed that there is a significant importance of the saving and credit scheme and sustainability can be guaranteed if local participation is high.

The increase of poverty among households in Mwembemadafu Street has been in an alarming state. The increased number of households without reliable source of income, HIV/AIDS incidences, increased number of orphans and street children all these have been aggravated the extent of poverty.

More than 80 percent of women are either in informal sector or housewives (the total population of the area is 3,500 of which 54% are women). The group of women in informal sector are faced with a challenge of inadequate capital. The situation is worse for those with no income generating activities.. When the problem is solved

the community would have income generating activities (fully fledged) and subsequently reduced level of poverty, assurance of enough food, children school fees

As a sustainability strategy the project has provided trainings on entrepreneurship skills/income generating activities, some proposals were also developed, though most of them were useless.

CHAPTER I: COMMUNITY NEEDS ASSESSMENT

This chapter presents profile of Mwembemadafu community, which is the community benefiting from the project; needs identification techniques and information on community needs assessment is also provided. The techniques discussed in this chapter are brainstorming (problem tree analysis), questionnaire (checklist) and direct observation. The chapter provides the research methodology, validity and reliability of the data collected, procedures and techniques adopted during the execution of the study. It describes methods and tools used for data collection such as questionnaire, and further describe sampling techniques and samples that were used. Also it describes how collected data were analysed and presented using SPSS. Finally it gives discussion to the results and points out some useful recommendations in relation to obtained results. As part of CNA, research conducted aimed at responding to questions such as reasons behind establishment of savings and credit scheme; participation of community members in the savings and credit scheme; and sustainability of the savings and credit scheme.

1.1. Community profile

Mwembemadafu Street is at Ukonga Ward - Ilala district in Dar es Salaam Region. The location has a population of about 3,500 with an average of 500 households, out of which 54 percent are women and the rest are men, of the total population, about 42 percent are children (1-18 years). (UYACODE Survey, 2005)

The area is mostly occupied by migrants from various places within the country (no specific tribe occupying the area), a phenomenon which has resulted in a very diverse and interaction of believes and customs.

Some of the families are polygamous, while some are matrimonial, and most of the households have got dependants (extended families). Most of women are informally employed and or housewives, for those who managed to have employment are in petty businesses, which are located close to their houses. Men dominated in most cases, have all the authority over the families (wife/children).

1.2. Community needs Assessment

Community needs were determined through meetings held with community members and direct observation during visits to the area. The techniques used to determine the needs firstly, were meetings held with some members of the group and brainstorming sessions were held, members of the group complained that they did not have reliable sources of income to enable them to sustain their daily living. Secondly, meetings were held with some group members of the group and focus group discussions were held, the focus group discussion was guided by a questionnaire.

1.2.1. Brainstorming

The session involved a number of community members whereby brainstormed on the problems facing the community in the street of Mwembemadafu. Such sessions were conducted on Saturdays for consecutively three weeks. Brainstorming session, involved a total of seventy three (73) participants (52 women and 21 men) from different house hold.

The brainstorming sessions were used to formulate a problem tree. Participants were allowed to formulate their problems twice or thrice; every time participants were

invited to write down individually on cards the problem they have identified; (insuring that each time the card [problem] was properly understood by everyone).

The central (starter) problem was then searched to have a starting point in the development of a problem tree (which is defined as a problem has causes and effect).

The direct causes of the central/starter problem were placed under it on the wall; a diagram of causes and effects was established linking all problems which were mentioned on the cards to get a problem tree. (*A **problem/objective trees is attached as appendix***)

Different concerns/problems were raised and recorded as follows:

- 1) Increased orphans
- 2) Inadequate funds/capital
- 3) Inadequate income generating activities
- 4) Increased HIV/AIDS
- 5) Poor entrepreneurship skills
- 6) Reduced workforce

The problems/concerns were then prioritised, putting into consideration different criteria such to what extent the concern is a problem (how common); the seriousness of the concern (how serious); the importance of the concern (how important); and if it is possible to address a concern locally (locally addressed).

1.2.2. Direct Observation

In was done concurrently to other activities such as brainstorming and research where it was also observed that the community of Mwembemadafu lacks good infrastructure, good housing and the street is not well planed as most of the houses are randomly built. Going through the streets, there was a big number of children in the street. Close to at least each house, small huts selling fruits, vegetables and charcoal was observed, most of them were not very attractive, except very few.

1.3. Research methods

1.3.1. Research objectives

Research conducted, had the following objectives:

- 1) To assess the need, importance and participation of the community members (especially women) in a Savings and Credit scheme in Mwembemadafu location.
- 2) To assess the sustainability of the Savings and Credit scheme in Mwembemadafu location.

1.3.2. The research aimed at answering the following questions:

- i) What are the reasons behind establishing a saving and credit scheme at Mwembemadafu location?
- ii) Will community members participate in the scheme?
- iii) How will the community guarantee the sustainability of saving and credit scheme?

1.3.3. Sampling

a) Research design

Data were collected from different sources by using a cross-sectional survey design; whereby data were collected at a single point in time within the selected groups of the population in Mwembemadafu location. The method was selected because of the nature and purpose of the survey. Selection of the design has taken into consideration the fact that the project included the specified group (the group of women selected was 25 and above years old), proposal for the intervention, consideration on time where as the respondents were available within the time limit. It was assumed that cross-sectional design would have minimized the time for data collection.

b) Sample

The population, which was expected to benefit from the project (awareness creation hence establishment of savings and credit scheme), was relatively large (20 percent of the community population [3,500]), hence importance of sampling. The survey employed the deliberate or purposive sampling design (involved purposive or deliberate selection of particular units of the universe for constituting a sample, which represents the universe) to select the sample from the population of the target community. The respondents were from the women group that was the first to benefit from the project and ward leaders at different levels (village executives...). From the group of women (90 women), random sampling was employed to get a required sample of 35 respondents.

c) Reliable and valid instruments

Reliability and validity

The definitions used were grounded in facts and/or established theory and/or experience. Reliability was achieved by pilot testing and analysis of the results; in that case, various tools were used to collect information (both primary and secondary)

Interview: Structured and unstructured interviews were used to collect information from the respondents at ward level whereby ward leaders were interviewed.

Questionnaires: were used to collect information from respondents in the group of women that was first to benefit from the project. Questionnaires constituted both closed and open-ended questions (as follow up questions).

Observation: Involved the observation of different places with various activities related to the project, for example turnover in the group meetings, participation in the related project activities, such as involvement in small businesses (livestock keepers, food vendors)

1.4. Findings

1.4.1. Data processing and analysis

Data processing and analysis employed both crude and sophisticated techniques; sophisticated methods included computer software programme (Statistical Package for Social Sciences, SPSS) for classification, tabulation, percentages and graphs.

1.4.2. Response rate

Since the sample size was well sorted, the response rate was high as it was expected to be (expected 90%; **realised 85.7%**). This was due to the fact that pre testing was done prior the survey.

1.4.3. RESULTS

Table 2: Age of respondents

The age		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	between 25 and 40	15	50.0	50.0	50.0
	between 41 and 55	11	36.7	36.7	86.7
	above 55	4	13.3	13.3	100.0
	Total	30	100.0	100.0	

The numbers of members with the age of 25 and 40 years were the majority.

Table 3: Marital status if respondents

Marital status		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	married	14	46.7	46.7	46.7
	not married	7	23.3	23.3	70.0
	separated	4	13.3	13.3	83.3
	widow	5	16.7	16.7	100.0
	Total	30	100.0	100.0	

Majority of the community members were married the lowest being; those who were separated and widows.

Table 4: The family sizes of respondents

The family size		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	between 2 and 4	12	40.0	40.0	40.0
	between 5 and 7	12	40.0	40.0	80.0
	between 8 and 10	5	16.7	16.7	96.7
	above 10	1	3.3	3.3	100.0
	Total	30	100.0	100.0	

The size of family, appeared to be small for majority of families, the trend was in decreasing trend where the number of families which had large size decreased.

Table 5: Numbers of children of respondents

Number of of children		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	between 1 and 3	19	63.3	63.3	63.3
	between 4 and 6	7	23.3	23.3	86.7
	above 6	1	3.3	3.3	90.0
	none	3	10.0	10.0	100.0
	Total	30	100.0	100.0	

Most of the community members interviewed had very few number of children; ranged from 1 to 3

Table 6: Levels of income among different households (per month)

Income level		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	below 25,000	11	36.7	36.7	36.7
	between 25,000 and 50,000	10	33.3	33.3	70.0
	between 50,001 and 100,000	6	20.0	20.0	90.0
	above 100,000	3	10.0	10.0	100.0
	Total	30	100.0	100.0	

The income level of majority of respondents felt below 25,000.

Table 7: Education levels of amongst community members

Education level		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	primary	23	76.7	76.7	76.7
	secondary	6	20.0	20.0	96.7
	college	1	3.3	3.3	100.0
	Total	30	100.0	100.0	

Primary level of education is the most level of education attained by the majority of community members.

Table 8: Occupation of community members

Occupation		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	employed	10	33.3	33.3	33.3
	self employed	18	60.0	60.0	93.3
	housewife	2	6.7	6.7	100.0
	Total	30	100.0	100.0	

The big percentage of members was self-employed compared with those who were formally employed and those who were not employed at all.

Table 9: History of borrowing of community members

Borrowing history		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	25	83.3	83.3	83.3
	no	5	16.7	16.7	100.0
	Total	30	100.0	100.0	

As indicated in the table, majority of community members had history of borrowing; compared to very small percentage without history of borrowing.

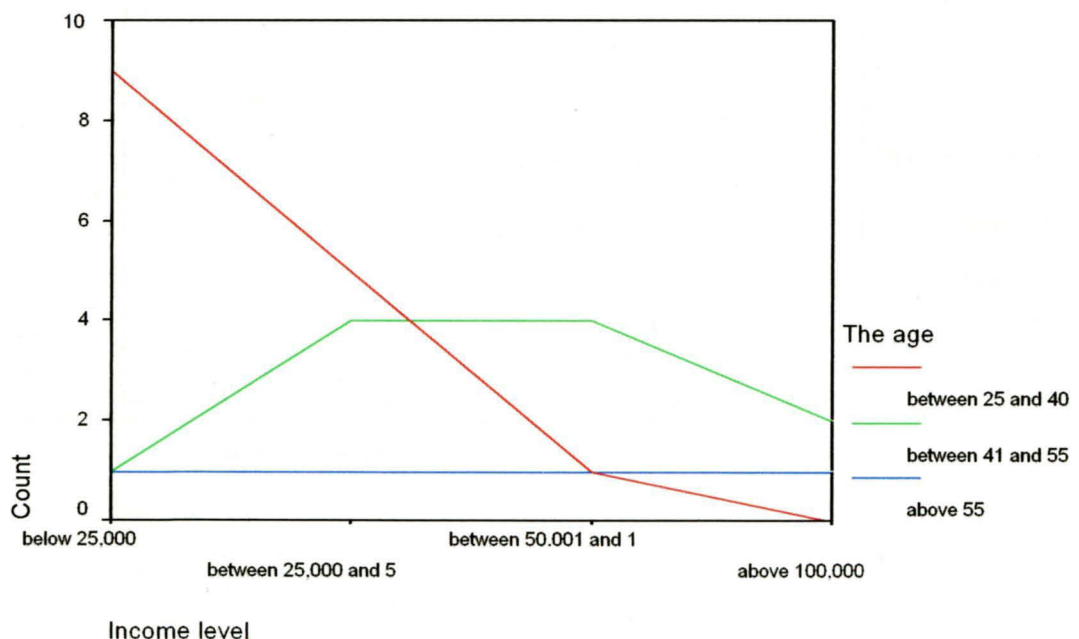
Figure 1: The age against the level of income of community members

Figure 2: Marital status against the level of income of community members

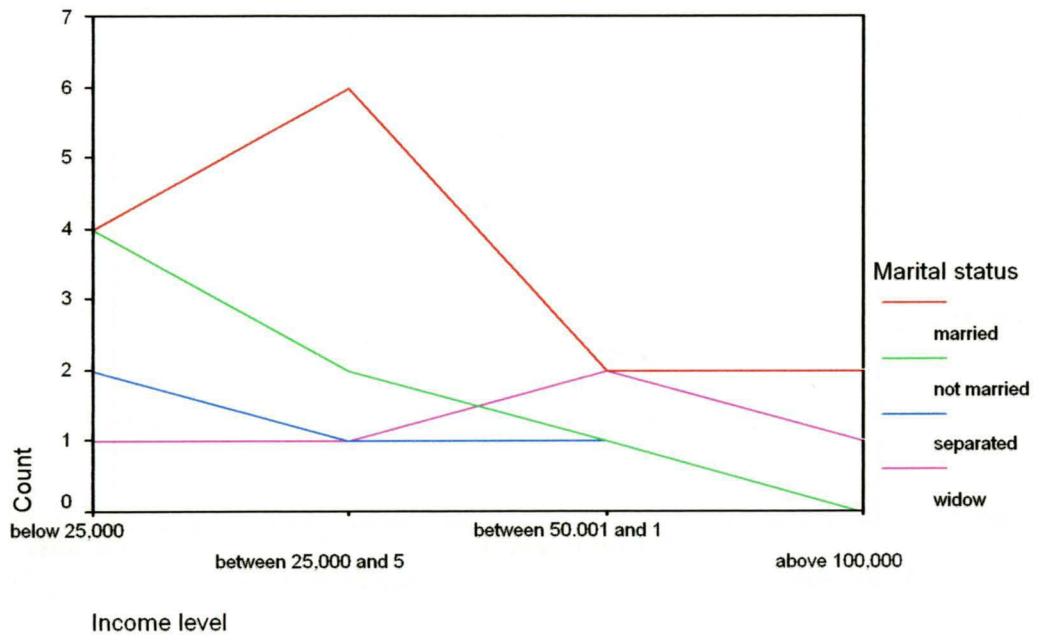


Figure 3: The number of children in relation to the level of income

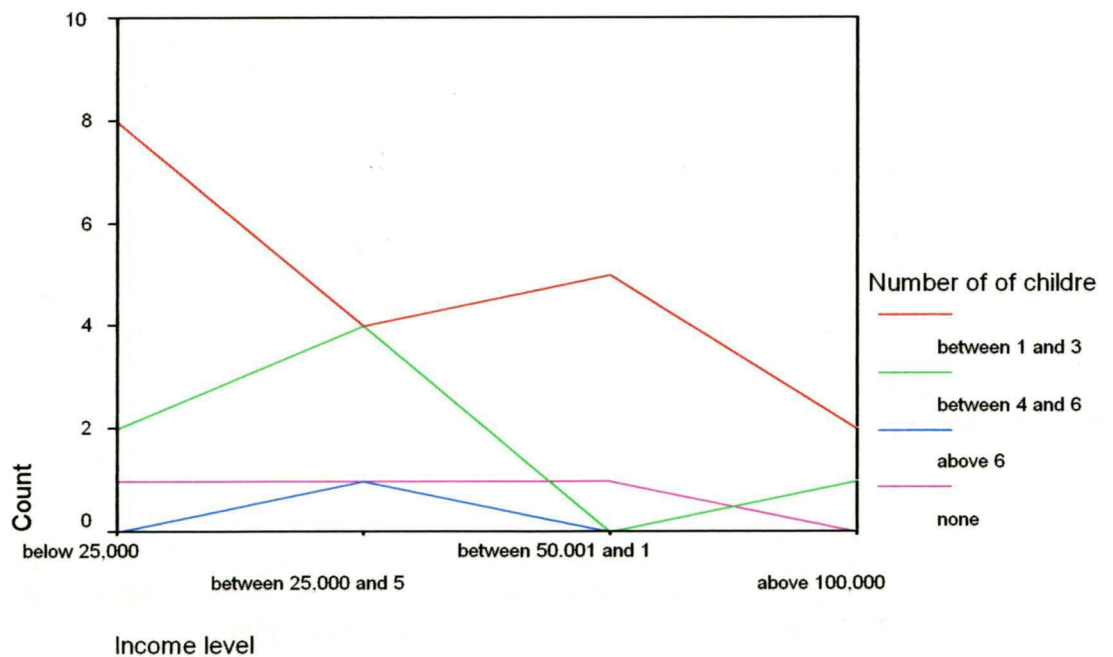


Figure 4: the education level in relation to level of income

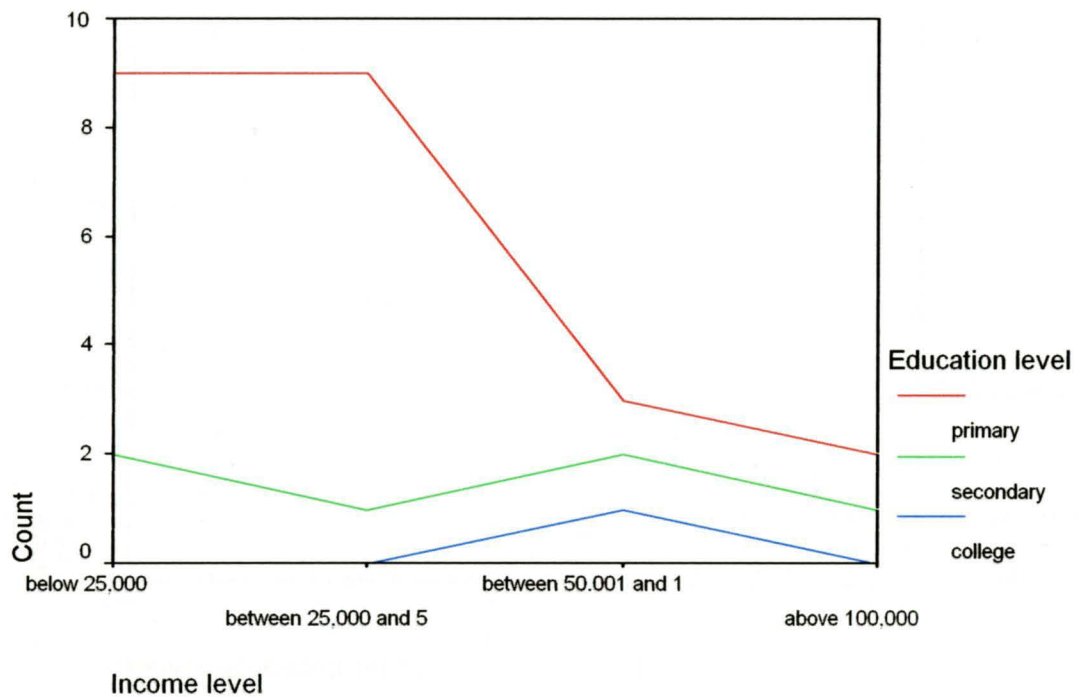


Figure 5: Possession of income generating activities in relation to income level

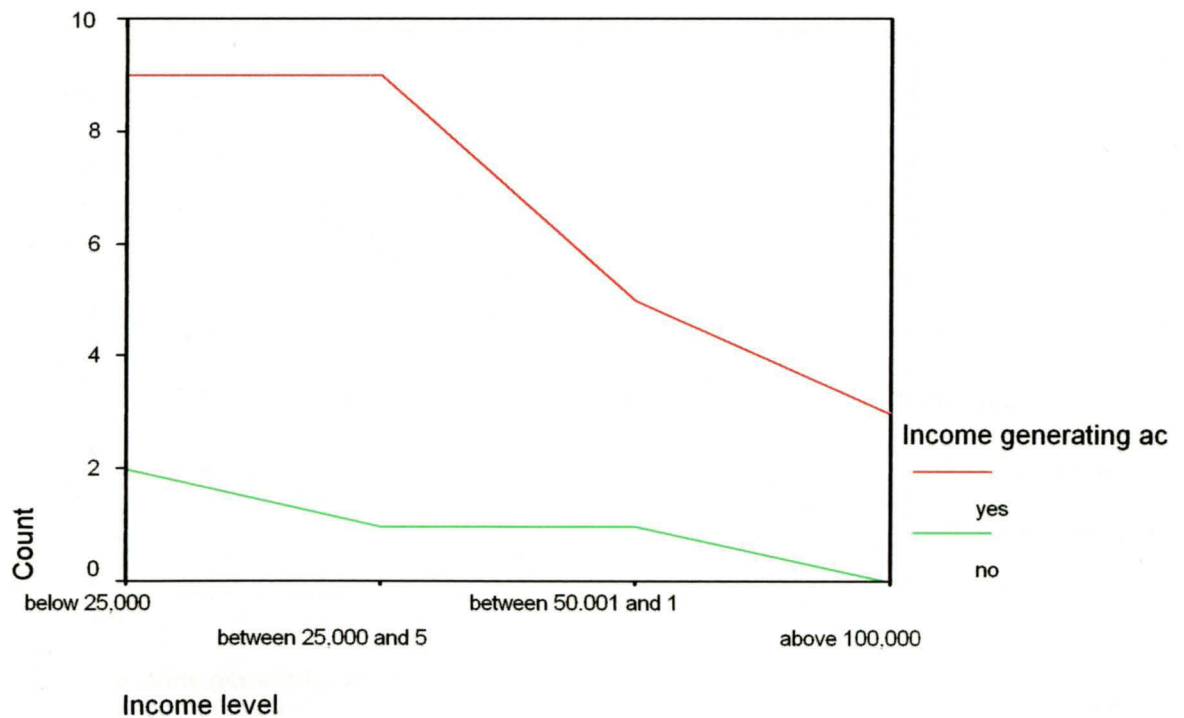


Figure 6: The level of education in relation to possession of income generating activities

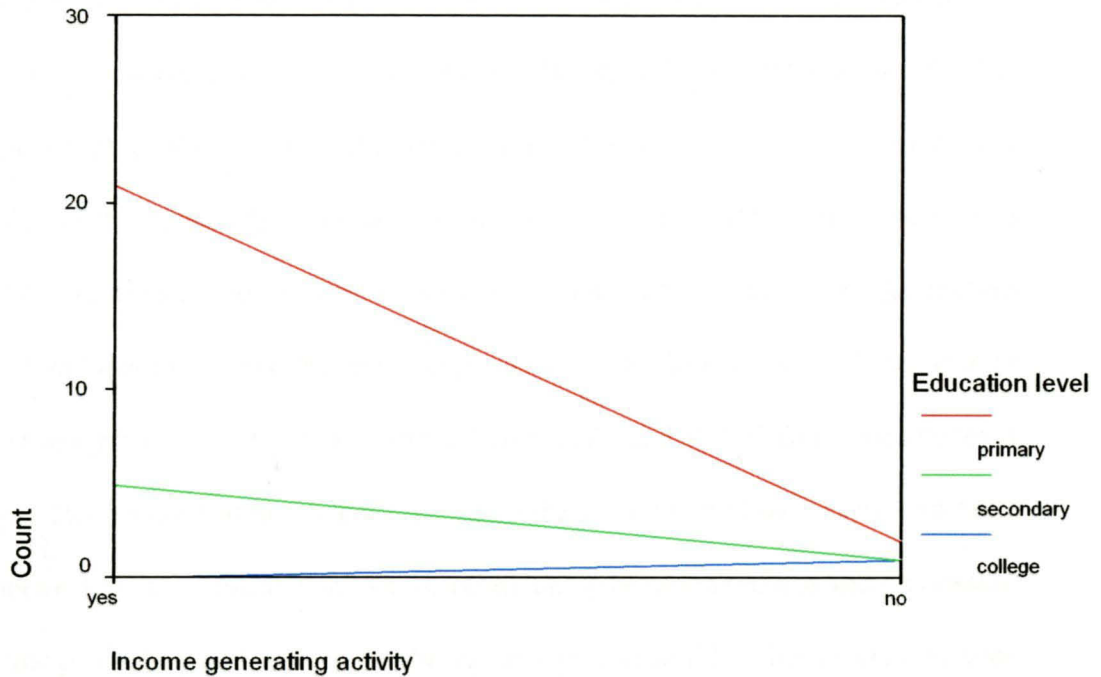
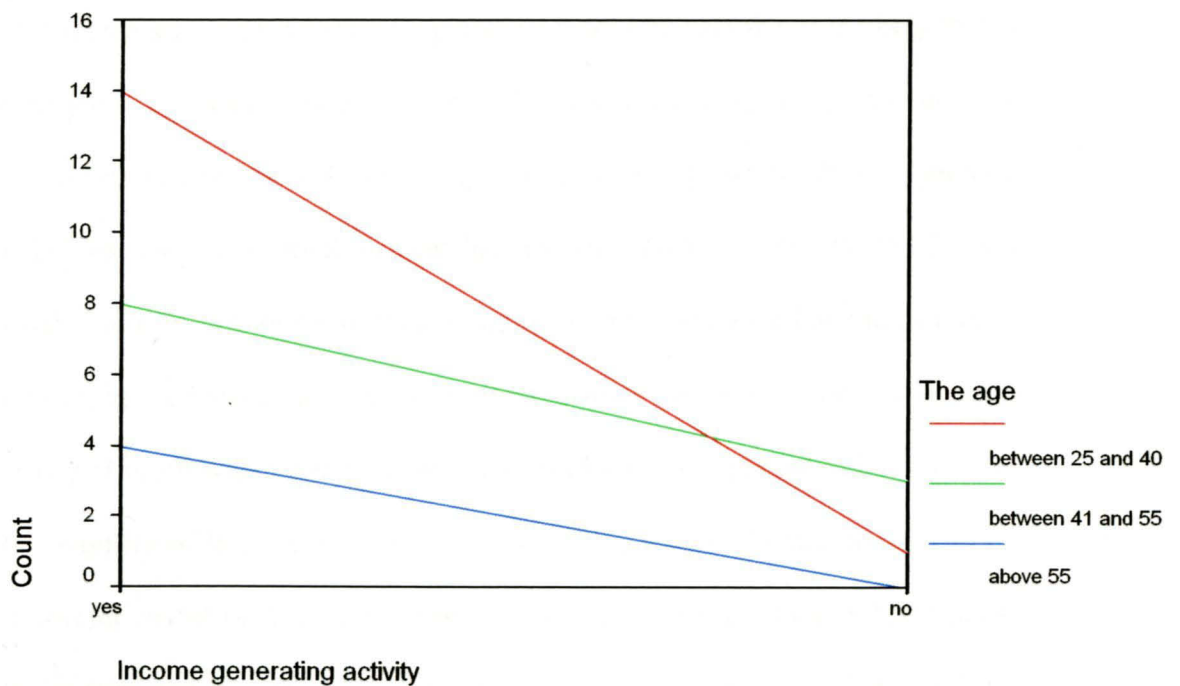


Figure 7: The age community members in relation to the income generating activities



1.5. DISCUSSIONS

From the above results (table 2), most of the respondents were in the age between 25 and 40 years, to the less frequency between 41 and 50 and lesser above 55; the situation which could be due to the reason that is the age at which an individual is probably most active; also can be attributed by the assumption that there is a realisation of women participation in different activities as far as income generation for the family is concerned Figure 1 explains how the income level differ among different age groups; most group of age of between 25 and 40 fell under income level of below 25,000 and the number decreased as the income level increased and none were above 100,000. Figure 7 shows the relationship between the age and possession of income generating activities; both the age groups showed that they possess income generating activities, though at the lower the age the more they are involved. The majority of respondents were married (table 3); widows, separated and those who were not married appeared in lesser frequencies; from these results, it is likely that if women decide to engage in any productive activities they may get support from their partners and families as whole. Considering marital status against the level of income (Figure 2); majority of married women had income level of between 25,000 and 50,000 and below 25,000 respectively though the number decreased as the increased income level, at the level of above 100, 000 were some and few of them were from the category of those who were separated. The family sizes appeared to be relatively small for majority of families (2 – 4 [12]; 5 – 7 [12]; 8 – 10 [5] and above 10 [1]) (table 4), which could be due to the reasons that they do not encourage dependants; most of the time and probably resources can be used on production, hence raising their daily earnings. Table 5 indicates the numbers of children in each family, the

trend do not differ much from that of the family sizes; most families had relatively small numbers of the children, the simple interpretation could be due to the ages one could have expect the trend simply because they have not reached the menopause period, but also it could be due to sense of awareness of family planning. Looking on the relationship between the number of children in a family and level of income in that particular family (Figure 3); was found that families with relatively small number of children (between 1 and 3) had income at varied levels, majority at below 25,000 and with decreasing levels some between 25,000 and 50,000; between 50,001 and 100,000 and above 100,000 respectively. Majority of respondents had the lowest income level of below Tshs 25, 000 and between 25,000 and 50,000 (table 6). Few of respondents had income of between 50,001 and 100,000 and above 100,000 respectively. It is obvious that involvement into income generating activities had impact on the level of income among different respondents, those with income generating activities had some income though at different levels, ranging from below 25,000 to above 100,000. Looking on the level of education, research revealed that majority had primary level of education (table 7). On the way might have led them to look for alternative ways of complementing their daily life earnings by engaging into small activities in order to be able to generate income. The relationship between education levels and income levels showed that majority of respondents with primary education fell below 25,000 and the number decreased with increased the level of income, it was found that the respondents with college education level, their income were in the range of between 50,001 and 100,000; probably that was due to the reason that most of them were formally employed at lower scale levels. From the research it has been observed that most of respondents were engaged in petty

businesses like sales of *vitenge*, underpants, *batiki* and other types of clothes; while others were involved in food vendor business. (Table 8) give the general picture on employment status). Apart from being involved in businesses others were formally employed in different institution though at lower levels like secretaries/typists, and very few were primary teachers. Very small percentage claimed not to be involved in any kind of activity. Figure 6 shows the relationship between the level of education and possession of income generating activities; majority of respondents have primary level of education have various types of income generating activities, and those with college education only very few of them possessed income generating activities while majority of the had none.

When asked about their experiences in borrowing, most of them admitted that they have done so at some points in their lives (table 9); the reasons for borrowing were explained as been looking for capital, payment of children's school fees, while few claimed to have borrowed to get money for home use.

1.6. RECOMMENDATIONS

(i) Capacity building

It has been shown from the general information; most of community members in the surveyed area have limited exposure especially to formal education. Therefore, there is a need to ensure that the community members are more empowered in order to enhance their knowledge, which will consequently guarantee project sustainability.

(ii) Out sourcing Finances

For the credit to bring about impact, the amount has to be significantly viable. Therefore, there is a need to out source more funds (as a revolving fund), which will ensure that the credit offered is feasible hence, growth and sustainability of the scheme.

(iii) Gender consideration

Though a women group is implementing the project, there is a need for involving men to some degree in order to guarantee trust among family members. .

After identifying a CBO, which I shared ideas with during the project design and implementation as a host organisation, different means were employed in order to come up with the community needs that require attention.

The increase of poverty among households in Mwembemadafu is a big challenge to community in the particular area. HIV/AIDS incidence is another challenge in the area, which is highly contributing to increase in number of orphans. More than 80 percent of women (the total population was 3,500 of which 54 percent were women) were in informal sector and/or housewives with very low incomes. Some of these households have single parent mostly female parent; in some cases, both parents have passed away. In case where both parents have passed away, children left (orphans) are taken care by relatives and friends, and became more of a burden to the respective families. In every five households, one household had a single parent

and/or was raising an orphan. About 70 percent of households could hardly afford for their children's secondary education. (Village/Street Executive record 2004/5)

The problem can be locally addressed by people themselves if they decided to use whatsoever opportunity available, mobilised local resources and to fundraise locally; rather than to contribute for ceremonies. The same approach can be used to raise funds for development projects. In the church/mosque for instance, substantial amount of funds is raised by community members. If community members are motivated to contribute to income generating activities, they are likely to respond.

Most of people live in squatters, which allow them to interact among, particularly children, as a result, it is very difficult to adopt children according to parents' wishes and groom them in right manners and behaviour.

Mwembemadafu community is male dominated where most of males are in formal/informal sectors, which allow them to access resources. Male have more say at both community and family level, women are voiceless.

CHAPTER II: PROBLEM IDENTIFICATION

The chapter presents the problem statement; failing to acquire basic needs as a result of low income and the target community of Mwembemadafu Street. It also describes project goal; which is aiming at improving income level of the community at the area of intervention. Project objectives and indicators to those objectives are also described. Lastly describes the project host organisation UYAWEKO Women Group and her objectives, which include mobilisation of the community members in savings and credit groups and establishment savings and credit scheme among others. Participation of different stakeholders is also outlined and described in this chapter; finally it explains the role of CED student and his responsibilities, which among other things is to provide facilitative role to the project.

2.1.Problem statement

There are number of factors contributing to the level of poverty among households' especially female headed households, which is caused by low income. These factors include lack of income generating activities, and/or poor income generating activities. The attribution to that is failing to acquire/get basic needs.

The Uyaweko Women Group's (the project host organisation) purpose is to build better life, to empower women and children through linking them to the financial, and education institutions and establishment/support of micro enterprises.

If the problem is not addressed the poverty situation will worsened, consequently more families will fail to sustain themselves, support orphans that depend on these families for their survival; this will result in massive increase of street children..

2.2.Target community

The project is serving women (and marginalised men and youth) at Mwembemadafu street in Ukonga ward, Ilala - Dar es Salaam region. The community comprised of 500 households with population of around 3,500. The saving and credit scheme is owned by the women, with few marginalised men and youths in the area of project; the participation of the target community is a key to the success of the project, they participated from the beginning; i.e. in problem identification. The community participation is of greater importance in the sense that the survival of the project is to their benefit. The empowerment of community by the project is in different dimensions; their participation from the beginning has helped them to learn all along. The realisation that they are responsible for their own changes, no one can change their situation; their efforts are critical to the project success, and consultations that took place at different stages of the project. The project directly and indirectly has benefited around 20 percent of the community members in the street.

2.3.Project goal

Income of community members has increased.

2.4.Project Objective

Community members have access to easy capital.

2.5.Results

1. Trainings on savings and credit are provided among community members (especially women).

Indicators:

- By the end of March 2007, one hundred people (80 women) trained on savings and credit at Mwembemadafu Street;
- By March 2007, one hundred people trained on different micro-enterprises and livestock keeping at Mwembemadafu Street.

2. Savings and credit scheme is established.

Indicator:

- By March 2007, one operational savings and credit scheme in place at Mwembemadafu Street.

2.6.Host organisation**2.6.1. Host Organisation of the project**

The Uyaweko Women Group is a grassroots organisation based in Mwembemadafu Street, Ukonga Ward, Ilala - Dar es Salaam.

The organization has a mission of building a better life, empowering women and children economically by provision of education, linking them to financial institutions, mother and child care, legal and technical assistance, establishment of micro enterprises and environmental care.

2.6.2. Organisation objectives

- 1) To bring together different capacities in assisting orphans and women affected and infected with HIV/AIDS;
- 2) To assist children living in difficulties and those living in miserable situation in order to get better education and other essential services;

- i. Mobilisation of the community members in savings and credit groups;
- ii. Establishment savings and credit scheme;
- iii. Encouragement and motivating community members to establish and improve existing economic and entrepreneurship skills.

2.6.3. Participation of different groups (stakeholders)

In creating community ownership around the project area different groups were involved at different stages of designing and implementation of the project, which in the course of the project will guarantee sustainability.

Table No. 1: Participation of different groups (stakeholders)

Stakeholder	Role
Local Government (Street/ward)	Supported the project implementation in sensitisation
Central government	Creation of conducive environment by ensuring that different policies and regulations are adhered to (registration procedure) and provision of technical support (trainings)
Donors (local)	Provision of financial and technical support
Ukonga/Mwembemadafu Community	Participation in project, avail time to family members to participate in the project and material and moral support.
Schools (Mzambarauni Primary School)	Participated in sensitization process and provision of education to orphans and other children; private schools allowed orphans to study even if school fees are not paid

	on time.
Religious institutions	Sensitized their members which enabled and attracted their participation and educated them on the importance of being economically independent, roles of each member (male/female) in the family and the importance of giving/helping the community in need (philanthropy).
Financial institutions (DCB, ACB)	Advice on the key points in savings and credit, approached if they can extend loans/credit at the advance stages of the scheme

2.6.4. CED student's roles and responsibilities in the project

The Project Advisor; To facilitate the process from the stage of assessing the needs so as to be able to identify the problem and come up with project plan and implementing the project; in the course of project planning and implementation ensuring that all concerned groups participate effectively so as to give required results. Provision of technical assistance in terms of planning, implementation, management and monitoring and at some points evaluates the results/impact being brought by the project to the community.

CHAPTER III: LITERATURE REVIEW

This chapter provides information related to microfinance. According to Ngaiza et al 2003, literature review is a procedure that guides writers to access both published and unpublished source of information on respect to study. The information contained here in is organised into three main sections, the first section is theoretical literature review that provides the conceptual framework with focus on theory of microfinance, definition of key terms such as microfinance in attempt responding to the concepts and issues in relation to microfinance framework. The second section provides empirical framework; it relates what has been done elsewhere in the field of microfinance in relation to what the project is attempting to address, successes, hindrances and challenges mostly encountered by microfinance institutions; the third section presents national and international policies that guide and direction the operation of microfinance; microfinance institution needs to adhere to policies laid down either at local level or/and international levels, these are important to ensure that microfinance contribute to wellbeing of the society.

3.1. Theoretical Literature Review

3.1.1. Emerging Theory of Microfinance

Recent developments in African and other developing countries reinforce the contention that microfinance or micro credit institutions are essential for development of rural areas in consideration of the fact that areas of development in these countries have been traditionally urban-centred. As has been argued by the United Nations Capital Development Fund (UNCDF), "the development of microfinance institutions over the last two decades and a number of success stories

have lent credence to the idea that microfinance is a major stimulus for development in the countries of the South, and that is a powerful instrument for combating poverty." These assumptions fit in with factor of distribution and availability whereby the missing factor of production (from among land, labour, and capital), is supposed to be provided in order to give impetus to development.

3.1.2. What is microfinance

Rutherford looking on the DFID approach to microfinance in 1999 came up with the definition of microfinance as the means by which poor people convert small sums of money into large lump sums. These lump sums create a pool of funds for borrowing hence invest in income generating activities and other social obligations as is further elaborated below:

- (i) Loan:** allow a lump sum to be enjoyed now in exchange for a series of savings to be made in the future on the form of repayment instalments;
- (ii) Savings:** allow a lump sum to be enjoyed in future in exchange for a series of savings made now;
- (iii) Insurance:** allow a lump sum to be received at some unspecified future time if needed in exchange for series of savings made both now and in the future. Insurance also involves income pooling in order to spread risk between individuals on the assumption that not all those who contribute will necessarily receive the equivalent of the contribution;
- (iv) Pension:** allow a lump sum to be enjoyed as a specified and generally distant date in future in exchange for a series of savings made now.

3.1.3. Informal Financial Sector

PRIDE Tanzania in 1997 collected some statistics in Tanzania indicate that out of approximately 15 million working age population; approximately 3 million are employed in 1.8 million enterprises the majority of which are in rural areas. Only 0.4% of these enterprises obtained their credit needs from formal sources and less than 0.3% from the savings and credit associations (SACCOS). These facts make the informal sector a very significant player in the national financial landscape and demand careful attention if mutually beneficial financial services are to be extended by the formal financial sector to the majority of people

3.1.4. Why Microfinance?

Africa has remarkable entrepreneurs that need support at every level (micro-enterprises, small and medium enterprises, and big business). In a lot of ways they are the future of the continent, and one thing they all share in common is a need for financing. So a solution that can help is to build strong, competitive, well-regulated financial sectors that give entrepreneurs financing. Microfinance fits that role, as do other projects with larger financial institutions in Africa. It all comes down to building strong, lasting institutions: creating new ones with the financial, staffing, and management resources needed for long-term success when needed to, and strengthening existing ones when can be done.

3.1.5. Building Inclusive Financial Sector

Based on recent trends in microfinance, UNCDF made a strategic shift in December 2002 to concentrate its programmes on building inclusive financial sectors. The

financial sector development approach is based upon the premise that microfinance services will over time become an integrated part of the financial system. Sector development programmes are designed to seize untapped opportunities, and to address the constraints that keep a financial sector exclusive. The central aim is to deepen the financial system in a given country to ensure sustainable access to financial services by poor and low-income people

3.1.6. Women, Microfinance, and Development

According to the State of the Micro-credit Summit Campaign 2001 Report it has been estimated that women comprise nearly 74% of the 19.3 million of the world's poorest people now being served by microfinance institutions., this equals 14.2 million of the world's poorest women and these have access to financial services through microfinance institutions, banks, NGOs, and traditional or non-bank financial institutions.

A survey by the Special Unit on Microfinance of the United Nations Capital Development Fund (SUM/UNCFD) of 29 microfinance institutions revealed that approximately 60% of these institutions' clients were women. Six of the 29 focused entirely on women. Of the other 23 mixed sex programmes, 52% of clients were women. However, the percentage of women clients decreased when "only individual loans" or "relatively high minimum loans amounts" were offered.

Similarly, according to the USAID's annual Micro-enterprise Results Report for 2000, approximately 70% of USAID-supported microfinance institutions were

women. The provision of micro-finance for women is now also regarded not only as an instrument for poverty alleviation but also for women's empowerment.

3.1.7. Women Micro-entrepreneurs

“In many developing countries, women constitute the majority of micro entrepreneurs in the informal economy and a significant percentage of the formal sector. Many of them are illiterate and live in poor rural communities. And setting up their own enterprises—generally micro enterprises—is usually the only possibility for them to be employed and earn an income on their own” (2005; A reader’s guide to the Millennium Project Reports and other UN documents). “Frequently, the only option for access to capital is through illegal moneylenders who charge high rates and who may be able to lend only small sums relative to the needs of a growing enterprise”

3.1.8. Microfinance reduces rural poverty

Microfinance provides small-scale financial products such as saving schemes, credit facilities, insurance schemes, recognized as one of the effective instruments for poverty reduction in the country, S.S Colombage, (2001) said, microfinance brings about a progress on living conditions of the poor and brings improvements in food intake, health, housing and education. Saving and insurance facilities provided under microfinance help to reduce various kinds of risks faced by the poor and it also provides a variety of enterprise services like skills development, training, advisory and counseling services, technical advice and market guidance.

3.1.9. Poverty and gender: the limits of microfinance

Helen Pankhurst, in the book titled *Gender and Development*: she said credit and savings schemes are hailed as blueprints for tackling poverty but their benefits are exaggerated. They fail to address the way gender effects relations of power and inequality within families. Frequently unsustainable, they seldom manage to cover their running costs. If future savings and credit schemes are to be effective in poverty alleviation they need to make stronger links between local economies and global economic trends and be linked to wider programmes of women's empowerment.

3.1.10. Failure of Traditional Credit Led Microfinance to Meet Extreme Poor

The second round of Impact Assessment Study of Rural Development Programme (RDP) carried out by Research and Evaluation Division (RED) in Bangladesh as it is explained by Sebstad and Cohen in 2000, revealed that even after a decade of micro-credit the extreme poor have not been reached. In early 1990s the general pipe tune was that micro-credit was reaching all layers of poor people.

3.1.11. Operational aspects and microfinance (MF) delivery methodology

Geoff Wood and Iffath Sharif in 1998, talked about the "best practices" that include, the formation of a credit group consisting of individual members each of whom owns and operates a business that produces at least a weekly cash flow; the entire group guarantee of the loan made to each member of the group; the use of an interest rate that supports the administrative costs of the MFI (sustainability); mandatory savings requirement; a weekly mandatory group meeting for loan repayment and saving; a

demonstrated high rate of repayment (over 95%); and the ability of the program to serve (either currently or in the future) significant numbers of individuals.

3.1.12. Use and impact of savings among the poor in Tanzania

Research by Christopher Lwoga, et al (1999) revealed that throughout Tanzania and indeed the rest of Africa, there is a vibrant and diverse informal financial sector. Report findings and improve knowledge and understanding of (if and) how poor people in Tanzania save, how they use different savings mechanisms and the impact of those savings facilities on their household budgets/lives.

3.1.13. Impact assessment of microfinance

Prof Colombage conducted an Impact Assessment Survey of Microfinance in Hambantota and Moneragala districts in Sri Lanka (1997). The project was serving a total of 176 self-help groups in the four action areas which means a total of 886 direct beneficiaries or 4,400 household members until March 1997.

A repayment rate of 97% was a real and substantial achievement of the project. The main secret of success lied in the adoption of the right strategy of quartering group participants in the action areas and a thorough screening of the applicants. Because of their continued presence in the areas, group participants were well aware of the social and economic status, as well as the personal circumstances and general reputation of every household.

The special focus of the project on the gender issue has revealed extraordinarily good results. 74% of beneficiaries were women, and who were able to run their independent income-generating activities.

3.2. The Empirical Literature

3.2.1. Rotating Savings and Credit Associations (ROSCAs)

A ROSCA is a financial device that involves several people each of whom agrees to contribute a pre-determined amount of money at every meeting. The periodic collection is pooled together and given to one person in turn until every person has got a lump sum equivalent to the total periodic contribution they made. This marks the end of the cycle and may mark the beginning of a new one if the members so choose. This description is generic because there are many variants. In Tanzania, ROSCAs go by a variety of names which include *upatu* and *kibati*. The names vary from one part of the country to another.

A ROSCA is essentially a “savings through” mechanism, but it has all three types of Rutehrford’s “swap” depending on the position the participant has in the cycle. Those that receive first are effectively “saving down” while those that receive last are “saving up”. This is one of the most prevalent financial intermediation devices in all the areas where research was conducted (Arusha, Moshi and Dar-es-Salaam). The swap varies between short-term (one week) and long term (one year) depending on the number of people involved and the frequency of contribution. The most prevalent term in the area of research was 10 weeks. The amounts commonly involved vary from small to large but usually were modest. Volumes range from a low of Tsh.

6,000 (US\$8.57) to Tsh. 50,000 (US\$71.43) per month. The frequency of contribution ranges from daily, to weekly to monthly. In most of the areas researched weekly contributions seem to be the norm. It was also found that in Tanzania the success of *upatu* is dependent on the trust which members have in each other and the ability of the individual to save/lend the amount regarded as a daily, weekly or monthly contribution.

3.2.2. Accumulating Savings and Credit Associations (ASCAs)

In Tanzania, Lwoga (1999) and Rutherford (1999) report on an example of an ASCA that is run by members of groups belonging to a certain MFI, and known as a *kibindo* (“last resort”). The *kibindo* takes in weekly deposits from members and these are stored with the cashier. When an emergency strikes – most often when a member of the MFI cannot pay her loan instalment – a very short-term loan (up to three weeks) is given at a high interest rate (5% a week).

An ASCA is a savings-and-credit club. ASCAs offer both a “saving up” and “saving down” swap type. These are not as prevalent as ROSCAs, mainly because of the need for accounting skills, which are usually in short supply among the poor. The research team did not come across many ASCAs and where they were found they were built into a ROSCA or an MFI’s solidarity groups. The contributions to ASCAs are usually weekly or monthly and the amounts contributed range from Tsh. 1,000 (\$1.43) to Tsh. 10,000 (\$14.30). The amounts borrowed tend to be as high as Tsh.100, 000 (\$143.00) at an interest rate of 15% to 20% per month. These tend to be short-term loans averaging one month. A typical ASCA runs for about a year at

the end of which members choose to disband it or to renew it depending mainly on how well it was run. As a consequence well run ASCAs can last for years, while poorly run ones will not be given another chance.

3.2.3. Juhudi Credit Scheme

The Juhudi credit Scheme is a Kenya Rural Enterprise Program (KREP) that provides savings and credit services to poor entrepreneurs. The Juhudi idea was conceived in 1987 when it became apparent that out of dozen NGOs/CBOs assisted by KREP, only few would become significant financial intermediaries. Juhudi attempts to provide access to credit on a commercially viable basis. Juhudi's first branch opened in September 1991 in Kibera, the largest slum of Nairobi. The branch started with initial capital of US \$360,000 and three credit officers, which increased to six a year later. During the first sixteen months, this branch disbursed US \$450,000 to 1,253 borrowers. Repayment reached 98.2 percent.

3.2.4. The Amhara Savings and Credit Institution (ASCI)

The Amhara Savings and Credit Institution (ASCI) was established in the Amhara region aiming to fill the gap of formal institutions by meeting the needs of small scale borrowers in income generation schemes. In a move to depart from the more usual direct provision of relief, the NGO set a department to start the supply of small credit to rural people on a pilot basis.

ASCI currently deliver four types of financial products: Savings, Credit, Pension Fund Management and Money Transfer. Through its 10 branches and 174 sub-branch field offices, it has reached all *Woredas* (districts) in the region, and operates

in over 2133 *Kebeles* or Peasant Associations (nearly 69% of the total). As of September 2004, ASCI had an outreach of over 337,000 active credit clients in its 'regular' credit programme alone (with over US\$ 32 million outstanding loan balance), with over 30% of them being poor women. With an estimated potential market of about 2.9 million people in the region, ASCI and other smaller MFIs and Savings and Credit Cooperatives (SACCOS) in the region only manage to reach between 10 and 12% of the demand.

3.2.5. Microfinance for agricultural producers

Dr Ray Trewin (2000) conducted a research to assess the impact of Indonesia Government support to agricultural producers. The research involved the key stakeholders of the micro-finance system, and concerned mainly KUT schemes - national credit schemes for general farming activities, funded by the central government using central bank liquidity credit. The work consisted of three phases. In Phase One, the team undertook a critical evaluation of strengths and weaknesses in the existing credit schemes, looking at credit access, appropriateness, transaction costs, repayments, savings services and institutional arrangements. This evaluation involved data collection and informal interviews with farmers, cooperatives, NGOs, rural banks and district government officials. In Phase Two, the measures for improvement identified from the earlier evaluation were developed into training and research programs. Phase Three evaluated the training activities and the pilot system activities of Phase Two, and compared the pilot systems with the original delivery system recorded in Phase One. This evaluation determined the extent to which the

credit awarded to farmers was meeting their needs, especially in regard to the amount, timing and form of the credit (e.g. whether it was in cash or inputs).

3.2.6. The Caritas-DSM Savings and Credit Scheme

The Caritas-DSM **Savings and Credit Scheme (SCS)**, which aimed at poverty alleviation to the poor and low-income families through women in remote areas under the Archdiocese of Dar Es Salaam. The Needs Assessment Survey carried out in both Coast and Dar es Salaam Regions identified women and youth in the informal sector who are engaged in self-employment income generation activities, as most vulnerable and constrained by lack of capital and inadequate business management skills to improve their small-scale businesses. These poor people have no access to financial services from formal lending institutions. The program's goal was to enable them through organization; savings mobilization, business management training, and credit support to improve their small-scale businesses as well as household income. Caritas-DSM offers savings and credit services to eligible clients who have viable micro business and who cannot access credit from other sources. A group based lending scheme is used for savings and credit operations; group lending is preferred as it acts as a common bond. The SCS started in a pilot scale in Kibaha district at Mlandizi and Kibaha area since early 1999. It has since expanded to Mbagala, Changombe, Mbezi Luis, Kimara, Mtoni, Mavurunza and Yombo Dovia. All these additional Centres have been established in low-income areas of Dar es Salaam. So far they have disbursed over 2105 loans worth Tshs.385,

820,000/- (US \$ 367,447.62)¹ Interest generated and reinvested in the loan fund is TShs.32, 000,000 (US \$ 30,476.2)

3.3. The Policy Review

3.3.1. A brief overview of the financial sector in Tanzania

Beginning 1984, there has been a shift in policy from a state-controlled economy where private initiatives were discouraged, and all financial institutions were state owned. Tanzania gradually introduced reforms towards a market economy. The public sector has been reduced considerably; and private sector is now playing a much bigger role in the economy.

In 1982 the government re-introduced co-operatives and they were used as intermediaries between formal banks and small-scale farmers. They provided micro credit, mainly crop-input loans in kind. Repayment was effected through deductions from client's crop sales, which was also done through the co-operatives or state owned marketing boards. The performance of co-operatives and marketing boards was characterised with huge debts and poor performance. Gradually government changed strategy and decided to liberalise crop-input supply and marketing; this was completed in 1994. In 1991 the Co-operative Act was amended making co-operatives independent entities, owned by people rather than the government. Non viable co-operatives were left to close.

The financial sector reforms included; liberalisation of interest rate, the banking sector, insurance, foreign exchange and creation of stock exchange markets.

¹ The exchange rate: US \$1 is equal to Tshs. 1050

As the reforms were being introduced, unemployment increased due to retrenchment, and the informal sector became an important means of livelihood for a considerable and growing proportion of the population. At the same time the need to support women as a specific marginal group came on the agenda of many development agents. The government, donors and NGOs (which many emerged after liberalisation) initiated credit programmes in support of the informal sector and women being a specific target.

3.3.2. Tanzania Microfinance Policy

The microfinance policy of Tanzania of the year 2000 had an objective of establishing a basis for the evolution of an efficient and effective micro finance system that serves the low income segment of the society, thereby contribute to economic growth and poverty alleviation by:

- Establishing a frame within which micro finance operates
- Laying out the principles that will guide operations of the system
- Saving as guideline for coordinated intervention by the respective participants in the system
- Describing the role of the implementing agencies and the tools to be applied to facilitate development

3.3.3. Microfinance regulation in Tanzania

The Government of Tanzania embarked on financial sector reforms in 1991, in order to create an effective and efficient financial system. The lynchpin of the reforms consisted in the Government's commitment to permit banking institutions to operate on a

commercial basis, making their business and management decisions free from outside intervention within the norms of prudential supervision. The principal elements of the financial sector reforms included liberalization of interest rates, elimination of administrative credit allocation, strengthening the Bank of Tanzania's role in regulating and supervising financial institutions, restructuring of state-owned financial institutions, and allowing the entry of local and private banks into the market. These elements of the financial sector reform were embodied in the Banking and Financial Institutions Act of 1991. The Cooperative Societies Act of 1991 provided the basis for the development of Savings and Credit Cooperative Societies (SACCOS) as privately-owned and –organized equity-based institutions.

3.3.4. Regulatory Structure for Cooperative Organizations

The 1991 Cooperative Societies Act applies to all cooperative societies, whether with a financial operational objective, such as SACCOS, or non-financial operational objective, such as services, production or marketing. Cooperatives are under the administrative jurisdiction of the Ministry of Cooperatives and Marketing. Although the Minister has extensive discretionary powers under the provisions of the Act, the basic principle established under the law is volunteerism and self-regulation. To ensure compliance with the provisions of the Act as well as with a cooperative society's own by-laws, the Ministry avails of two principal instruments: (i) field inspection and examination of individual SACCOS by district cooperative officers, and (ii) examination of externally-audited financial accounts by the Registrar of Cooperatives. This second function is exercised by regional cooperative officers in their capacity as Assistant Registrars.

3.3.5. Tanzania's cooperative sector

Tanzania's cooperative sector has a four-tier structure: (i) primary cooperative societies at the community level, e.g., the SACCOS; (ii) cooperative unions at the district or regional level, e.g., the Kilimanjaro Native Cooperative Union established in 1936; (iii) apex organizations based on activity specialization, e.g., (a) the apex organizations for cooperatives involved in the sugar, coffee or tobacco production sector, or (b) the Savings and Credit Cooperative Union League of Tanzania (SCCULT) which is the representative, apex organization for SACCOS; and (iv) the Tanzania Federation of Cooperatives (TFC) which is the national-level umbrella organization for all kinds and tiers of cooperative societies.

3.3.6. International microfinance Policy

(i) 2005 the International Year of Micro credit

In 1998, the United Nations General Assembly proclaimed 2005 the International Year of Micro credit to recognize micro credit's contribution to poverty alleviation. In December 2003, Member States approved the Secretary General's Draft Programme of Action and invited the United Nations Capital Development Fund (UNCDF) and the United Nations Department of Economic and Social Affairs (UNDESA) to become joint coordinators for the Year. The resolution [A/58/488] expanded the mandate for the Year by "stressing that people living in poverty in rural and urban areas need access to micro credit and microfinance that enhance their ability to increase income, build assets and mitigate vulnerability in times of hardship". The resolution also invites "Member States, relevant organizations of the United Nations system, non-governmental organizations, the private sector and civil

society to collaborate in the preparation and observance of the Year and to raise public awareness and knowledge about micro credit and microfinance.”

(ii) Microfinance and the Millennium Development Goals

Secretary General of UN Kofi Annan, in 29 December 2003 said, “The International Year of Micro credit 2005 underscores the importance of microfinance as an integral part of our collective effort to meet the Millennium Development Goals. Sustainable access to microfinance helps alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health care, and empowering people to make the choices that best serve their needs. The great challenge before us is to address the constraints that exclude people from full participation in the financial sector. Together, we can and must build inclusive financial sectors that help people improve their lives.”

(iii) Microfinance in “The Commission for Africa Report: Our Common Interest”

Recognizing that microfinance constitutes a vital component of many African households’ survival strategies, the Commission for Africa offers a detailed analysis of the many constraints to financial services, access and the link between restricted financial access and poverty. It calls for a series of actions in the areas of institution building, regulatory reform and partnerships. Key areas where microfinance and access to financial services are highlighted are outlined below.

“Small enterprises suffer most from a poor investment climate. Access to credit and other financial services is important to growth and investment, yet few small businesses or individuals are able to get the access they need”.

“Africa needs a strong and vibrant small enterprise sector that operates in the formal economy, and is heard in policy discussions. One of the key messages of the Economic Commission for Africa’s Big Table meeting in Addis Ababa in October 2004 was that each government in Africa should develop a small enterprise development strategy, as part of or alongside their national poverty reduction strategies”.

CHAPTER IV: IMPLEMENTATION

This chapter details the project implementation; it outlines activities carried out, and those still going on in order to achieve set objective of community members being able to access easy capital to accomplish result one, at least six different activities are detailed; result two, at least five different kinds of activities are detailed. The implementation plans are also presented in tabular forms. Inputs and the budget to the project activities are described and detailed in this chapter.

4.1. Project planning

4.1.1. Activities, which were/are implemented under each objective:

Objective One: Training on savings and credit to women groups are provided

Activities:

- 1.1 Fundraise for trainings were done to meet costs associated to the activity (Tshs. 275,500 (US \$ 239.1)² money was raised from host organisation members and some individuals;
- 1.2 Identify trainers – trainers were identified and contracted (2 trainers were identified);
- 1.3 Select participants – participants to training were selected according to the requirements (two groups of 30 and 29 participants [total 59] were selected);
- 1.4 Identify venue – venue that was suitable was selected (affordable, researchable...);
- 1.5 Identify/collect training materials;

² The exchange rate: US \$1 is equal to Tshs. 1150

1.6 Offer training (train) training was offered for the first group (30 participants) and training for the second group (29) is still in progress.

Objective Two: Savings and credit scheme established and operational

Activities:

2.1 Adoption of the model by the assistance from the consultant (Cooperative Officer) – the model of savings and credit was agreed (that is SACCOS);

2.2 Preparation on the methodology of saving and credit of funds – was adopted according to SACCOS regulations;

2.3 Follow up legal procedures – still in progress;

2.4 Recruit credit officer – to be done after the completion of trainings;

2.5 Fundraise – to be done after the completion of the above activities (1 – 4).

4.2. Implementation Plan

Result 1: Training on saving and credit to women groups are provided

Year: 2006/2007[illegible]

Identify and collect necessary training materials	6 Flip charts 100 Short hand books 100 Pens 24 Marker pens	////															Coordinator
Invite participants	30 participants in each group	////															Coordinator
Offer training	100 participants trained		1 st group		2 nd group		3 rd group										Trainers
			////		////		////										
													////				

Result 2: Saving and credit scheme established and operational

Year: 2006/2007

Activity	Activity target	Time frame														Responsible
		F	M	A	M	J	J	A	S	O	N	D	J	F		
Agree on the model by the assistance from the consultant (trainer)	One suitable model selected															Coordinator/ advisor/trainer
Prepare the methodology on how the funds will be credited	Methodologies in place					////	////	////	////	////	////	////				Trainer/ coordinator
Follow up legal procedures	All procedures are known/clear											////	////			Coordinator
Recruit credit officer	One credit officer recruited												////			Coordinator
Fundraise	At least 3 Proposals for fundraise prepared												////	////		Coordinator/ credit officer

4.3. Inputs and Budget

Activity	Inputs/ Resources	Measurement unit	Quantity	Total	Budget (Tshs)	Budget (US \$) ³
Fundraise for trainings	Man – days		10	10	500,000	416.67
Identify trainer and agree	Man-days	Days	2	2	-	
Select participants	Man- days	Days	1	1	-	
identified venue	Man days	Days	1	1	240,000	200.00
identify and collect necessary training materials	Flip charts	Numbers	6	6	36,000	30.00
	Short hand books	Numbers	100	100	100,000	83.33
		Numbers	100	100	30,000	25.00
	Pens	Numbers	24	24	12,000	10.00
	Maker pens					
invite participants	Letters/calls	Numbers	100	100	50,000	41.67
offer training	Man- days	Days	24	24	1,200,000	1000.00
Sub total (1)					2,168,000	1,806.67

Activity	Inputs/ Resources	Measurement unit	Quantity	Total	Budget (Tshs.)	Budget (US \$)
Agree on the model of saving and credit scheme	Man days	Days	2	2	100,000	83.33
Prepare modality of credit (and saving)	Man days	Days	5	5	250,000	208.33
Legal procedures follow up	Man days	Days	14	14	300,000	250.00
Recruitment of credit officer	Man days	Days	14	14	250,000	208.33
Fundraise	Man days	Days	14	14	500,000	416.67
Sub total (2)					1,400,000	1,166.66
Total (1 + 2); (2,168,000 [1806.67] + 1,400,000 [1,166.66])					3,568,000	2,973.33

³ The exchange rate: US \$1 is equal to Tshs. 1200

4.4. Project implementation

Products and Outputs

Outputs	Products
Trainings:	
Savings and credit scheme	Knowledge on saving and credit schemes
Micro-enterprises/entrepreneurship	Knowledge on micro-enterprises /entrepreneurship
livestock keeping	skills
	Knowledge on livestock keeping
Savings and credit scheme	Operational savings and credit scheme

4.5. Project implementation Gantt chart

As was plan of operation, Gantt Charts function as monitoring tool, when a project is under way whether is on schedule. If it is not, it allows you to pinpoint the remedial action necessary to put it back on schedule.

- Help you to plan out the tasks that need to be completed
- Give you a basis for scheduling when these tasks will be carried out
- Allow you to plan the allocation of resources needed to complete the project, and

Help to work out the critical path for a project where must be completed at a particular date. (*Gantt chart found as appendix*)

CHAPTER V: MONITORING, EVALUATION AND SUSTAINABILITY

The chapter provides detailed information and plans for monitoring and evaluation of the project. It highlights the purpose of the monitoring; explained on how activities are being monitored; outlines the summary table of monitoring and chart of activity monitoring. It provides clues in developing a monitoring system for results; what to monitor?, who to monitor?, how to monitor?, when to monitor? And it gives the monitoring results. It also provides some information on management information system. Evaluation is also dealt with in this chapter whereby the process of project evaluation is explained; detailing performance indicators and the summary table of evaluation. Sustainability of the project is also considered in this chapter in terms of elements of sustainability and sustainability plan. Lastly the chapter outlines the institutional plan.

5.1. Monitoring

The purpose of monitoring is to ensure the systematic assessment of performance and progress of the project that is:

- To build local capacity of project stakeholders to reflect, analyses, propose solutions and take action;
- To learn, adjust and take action by taking corrective measures to ensure the achievement of results such as adding or deleting activities or changing one's strategies;

- To provide accountability at all levels from the community, organizational level to those responsible for the implementation and funding of the project;
- To celebrate and build on what is working.

5.1.1. Methodology used in monitoring

The methodology used was not different from the one used during CNA. The monitoring process involved the collection of information and data using an activity monitoring chart and involved interview and direct observation

The interview and observation look on what was planned as compared to what has been achieved.

5.1.2. Monitoring results

What to monitor? Activities from the annual plan of operation, target reached in terms of quantity and quality.

Who to monitor? Each staff member (plus CED student) to monitor his/her own activity and compiled at team meetings at the end of the months and end of each quarter.

How to monitor? Different tools were used for activity monitoring, observation on attendance during group meetings, reports from group members, monitoring forms (e.g. attendance...)

When to monitor? Daily and monthly; monthly before preparing programme for coming month, quarter on quarterly basis.

Objective One: Training on savings and credit to women groups are provided

Activities:

- 1) Fundraise for trainings was done to meet costs associated to the activity.
- 2) Identify trainers – trainers were identified and contracted.
- 3) Select participants – participants to training were selected according to the requirements.
- 4) Identify venue – venue that was suitable was selected (affordable, researchable...).
- 5) Identify/collect training materials.
- 6) Offer training (train) training was offered for the first group (30 participants) and training for the second group is still in progress

Objective Two: Savings and credit scheme established and operational**Activities:**

- 1) Adoption of the model by the assistance from the consultant (trainer) – the model of savings and credit was agreed (SACCOS).
- 2) Preparation on the methodology of saving and credit of funds – is adopted according to SACCOS regulations.
- 3) Writing a constitution
- 3) Follow up legal procedures – still in progress.
- 4) Recruit credit officer – to be done after the completion of trainings.
- 5) Fundraise – to be done after the completion of the above activities (1 – 4).

5.1.3. Who is responsible for monitoring?

Monitoring is a responsibility of every person in the project; to monitor his/her activities as they occur. A monitoring team compiles reports from individuals at the end of each month/quarter.

When to monitor?

- ◆ Is done on daily bases
- ◆ Every month before the preparation of the following month plan.
- ◆ Quarterly.

Findings were then compiled in a short report by using the chart of activity monitoring for further discussion and subsequently actions.

Basic question; Are activities going as planned?

In this project, following questions were used:

- i) Have you been involved in fundraising activities?
- ii) Have the trainers been identified?
- iii) Have the venue been identified?
- iv) Have you involved in trainings? Which particular one?
- v) Have the group members been mobilised to start saving from their own income? How many are participating?
- vi) Does the group meet regularly?

Tools used in monitoring project activities were:

- i) Check list of planned activities
- ii) Group discussion during weekly/monthly meetings

Monitoring, data analysis and presentation

- i) Monitoring of the project will be done continuously on daily basis
- ii) Data analysis will also be done continuously by project/organisation leaders and project advisor
- iii) Results will be presented in a meeting with group/organisation members

5.1.4. Monitoring Table Summary

	Activity	Activity target	Realised	Deviation	Reasons/remarks
1.	Fundraise for trainings	3 proposals	2 proposals	1 proposal	
2.	Identify trainers	3 trainers	2 trainers	1 trainer	There were only 2 groups
3.	Select participants	3 groups each with 30 participants	2 groups; 30 and 29 participants	1 group; 31 participants	Sensitization was not done extensively
4.	Identify venue	1 venue	1 venue	-	
5.	Identify/collect training materials	Refer budget monitoring	Refer budget monitoring		
6.	Offer training	3 training sessions	2 training sessions	1 training session	The number of participants was less than expected (90)

5.2. Management information system

Consist of manual recording of individual daily activities in the major areas, and then collate on weekly, monthly and quarterly basis to produce weekly, monthly and quarterly reports respectively. The reports are sent out to the stakeholders each month. In future what is required is a mechanism to automate the creation and distribution of the information.

5.3. Evaluation

5.3.1. Formative Evaluation

This type of process evaluation is undertaken during project implementation to furnish information that will guide project improvement. A formative evaluation is focused on collection of data on project operations so when changes or modifications are made to the project in its early stages. A formative evaluation was used to provide feedback to project, CED student and other personnel about the project that are working and those that needed to be changed.

5.3.2. Summative Evaluation

The summative evaluation will aim at assessing the effects (benefits/non-benefits) and impact on the beneficiaries. The main questions that will need to be answered: questions of effectiveness, questions of efficiency and questions of impact [likely questions will be: 1) did the project do what it said it would do; creating awareness of savings and credit, establishment of savings and credit scheme? 2) Could we spent fewer resources and still achieved the same or better results? 3) Is the activity achieving the intended results or/and any other positive or negative results?

5.3.3. Methodology used in Evaluation

The methodology used was not different from the one used during CNA. The study team comprised of the researcher and two group/community members.

- **Self-evaluation:** Involved a project holding up a mirror to assess it self on how it is performing, as a way of learning and improving practice. It takes a very self-reflective and honest organisation to do that effectively, but it is an important learning experience.
- **Participatory evaluation:** That is a form of internal evaluation. The intention was to involve as many people with a direct stake in the work as possible. That meant project staff and beneficiaries work together on the evaluation. An outsider is called in, to act as a facilitator of the process, not an evaluator.

Evaluation looked on the performance indicators whereby an interview was done to look on those indicators. A checklist based on the performance indicators, objective of the project and the internal and external environment of the project was prepared and used for evaluation. Coupled with interviews reports from monitoring were reviewed and all the information obtained were processed and analyzed, which helped in decisions; by generating new insights that can used to build consensus and for learning.

Evaluation process involves:

- Look at what the project intended to achieve – what difference did it want to make? What impact did it want to make?
- Assessed its progress towards what it wanted to achieve, its impact targets.

- Look at the strategy of the project. Does it have a strategy? Was it effective in following its strategy? Does the strategy work? If not, why not?
- Look at how it is operating? Is there an efficient use of resources? What are the opportunity costs of the way it chooses to work? How sustainable is the way in which the project is operating? What are the implications for the various stakeholders in the way the project is operating?

5.3.4. Performance indicators

One hundred people (80 women and 20 men) trained on savings and credit at Mwembemadafu Street by the end of March 2007.

Indicator: about 100 people (80 women and 20 men) are active members of Savings and credit scheme

One hundred people trained on entrepreneurship and livestock keeping at Mwembemadafu street by March 2007.

Indicator: about 100 (80 women and 20 men) are engaged into different income generating activities

Savings and credit scheme in place by March 2007.

Indicator: operational and functional scheme in place

5.3.5. Evaluation, data analysis and presentation

- i) Evaluation of this project was done in January 2007 (formative evaluation)
- ii) The organisation selected the evaluation team based on required skills
- iii) Preliminary results will be presented and shared in UYAWEKO Women Group meeting in June 2007.

iv) Summative evaluation will be done in July 2007.

5.3.6. Summary of evaluation Table

Outcomes	Indicators	Data collection method	Data collection effort
One hundred people (80 women and 20 men) trained on Savings and Credit at Mwembemadafu street by the end of March 2007.	100 people (80 women and 20 men) are active members of Savings and Credit scheme	Interview, reports from monitoring	Once
One hundred people trained on different micro-enterprises and livestock keeping at Mwembemadafu street by March 2007.	100 (80 women and 20 men) are engaged into different income generating activities	Observation Interview , project report	Once
Savings and credit scheme in place by March 2007.	operational and functional Savings and Credit scheme in place	Observation and interview , project report	Twice; after trainings and at the end of the project
Community members have access to easy capital	Women are easily accessing credit/loans from the community owned financial institution	Observation, interview and report (street)	Once at the end of project

5.4. Sustainability

5.4.1. Sustainability Elements

i) Participation

The critical factor in promoting sustainability is the role of the stakeholders; i.e. those directly involved with the project. Sustainability cannot be achieved without their involvement and support. Stakeholders actively participated; which means they have the opportunity to influence the direction and detail of design and implementation, allocating adequate time and resources for participatory analysis and responded to demand-led approaches.

ii) Management and Organisation

Management structures and local capacity of project which integrate with, and build on, local management structure have better prospects for promoting sustainability of benefits than those which establish new or parallel structure. Getting the management structure 'right' requires an adequate institutional analysis during the project design phase and that require specific knowledge, skills and field time, which are availed from the beginning.

iii) Financial

In some cases financial sustainability is unlikely in the medium term. Local resource mobilization is of foremost; the emphasis is to fundraise locally by carrying out different activities as decided by the community, new models and prototypes may need to be developed, tested, accepted and implemented. Aid therefore should not delay progress towards sustainability but actually supports it.

iv) Awareness and training

The provision of appropriate training for identified target groups (community members) is often a key strategy for achieving sustainable benefits. To improve the prospects for sustainability it should start at the right time (i.e. not near the end), be conducted throughout the program or project, and allow for repetition.

v) Social, gender and culture

Development interventions can fail to deliver sustainable benefits due to lack of attention to social, gender and cultural issues. To introduce appropriate new technologies there must be an understanding of the local decision-making systems, gender division of labour, and cultural preferences. The roles of men and women in families are defined before hand.

vi) Level of development

The overall level of development of any particular community, or area will influence prospects for sustainability. Unless the 'local' economy provides a secure base for meeting future operation and maintenance costs, no amount of good intentions or 'documented agreements' make these resources available. In a poor economy project interventions should avoid being too complicated, ambitious and expensive.

5.4.2. Sustainability Plan

i) Participation

As it has been from the start of project, community participation will continue to be a central theme throughout project life cycle.

ii) Management and Organisation

Enhance management structures and local capacity of project which integrate with, and built on, local management structure.

iii) Social, gender and culture

The roles of men and women in families are defined before hand, the emphases is put on that and also attention to social and cultural issues.

iv) Training

The provision of appropriate training for identified target groups (community members) is emphasized. To improve the prospects for sustainability it should start at the right time (i.e. not near the end), be conducted throughout the project, and allow for repetition, aided by training needs assessment exercise.

v) Financial

Local resource mobilization is of foremost and will continue to be traced; the emphasis is to fundraise locally by carrying out different activities as decided by the community.

5.4.3. Institutional Plan

i) Strategic planning

Identifying long-term goals and to direct your company toward fulfilling those goals.

The strategic planning involves:

Assessing the current Organisation environment, defining its mission, deciding what the Organisation wished to look like in three to five years, recognizing the organization's Strengths; Weaknesses; Opportunities; and Threats and mapping out a course to take the Organisation from its current to its desired position.

ii) Management and Organisational structure

Defining the roles and responsibility of each staff/person in the organisation and assigning respective role. Later define the organisational structure that will be relevant to the roles and responsibility to each level of management.

iii) Sustainability Strategy

The sustainability strategy will define the benefits to be sustained and specify how each of the main constraints to sustainability will be addressed in implementation. The main elements of the strategy should be fed into the design so that sustainability will be strengthened in a systematic and comprehensive way. Hence the sustainability strategy will be reflected in the log frame and risk management; the activity, resource and cost schedules; plus position descriptions, organizational plans and training plans.

CHAPTER VI: CONCLUSIONS AND RECOMMENDATIONS

The chapter sums up the learning obtained from planning and implementing the project; savings and credit scheme is important to a normal person. It includes personal views and learning obtained from implementing the project; the values of self-help, self-responsibility, democracy, equality, equity and solidarity. It also gives the way forward put as recommendations, which among other things suggests broadening up the coverage of the project.

6.1. CONCLUSION

Saving and Credit schemes provide access to financial services to common people enabling them to meet their goals and improve their economic and social conditions.

Savings and credit schemes need to be integrated in formal social sector and building financial systems for the less-affluent means and creation of sound domestic financial intermediaries that can mobilize domestic savings. In so doing capital from foreign donors and social investors will diminish as local financial institutions and markets mature.

People need a diversified range of financial services to match their different needs. Savings and Credit schemes are market-oriented institutions. While their rates are among the lowest on the market, savings and credit schemes operations are subject to market forces.

Savings and Credit schemes can easily be made sustainable financial institutions relying only on their members. In this case, the marketing effort is needed to create consuming needs but also to reinforce a healthy pattern of economical behaviour that will help to reduce the housing deficit in community. From this point of view people can be persuaded to act economically different if the objectives and the final results are perceived as good for them or by their families.

Savings and credit schemes as other Co-operatives (co-ops) are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. Co-operatives recognise accountability to members, employees, customers, suppliers, other co-operatives and the larger society. Many of these stakeholders also share ownership of the co-operative. Corporate responsibility is embedded in the principles of co-operative organisation and operation and can inspire growing corporate sector efforts in this direction.

Fortunately, the process is possible and effective, although it can be successful if it is done after following careful research and adjustment to the exact attitudes, expectation and curiousness of each community, my experience shows (I hope some day I can prove it definitely) that simple translation of models don't work exactly the same and generally a new model a bit or completely different to any other will be reached in each community, for that reason the process must be carried on with responsible empirical research to find the specific model that works for the specific people.

The project proved that at present financial behaviour modification can be done in a bigger scale, in this case, get people make more savings and that this pattern of behaviour seems to be lasting.

Women can use savings and credit for economic activity, thus increasing incomes and assets and control over incomes and assets:

- The economic contribution may increase their role in economic decision making in the household, leading to greater wellbeing for women and children as well as men.
- Their increased economic role may lead to change in gender roles and increased status within households and communities.

The government's role in development of saving and credit schemes should be that of creating conditions for them to operate. Saving and Credit schemes should be able to decide on what?; when? and how?

6.2. RECOMMENDATIONS

1) Area coverage

The project, which has started with only one (*Mwembemadadufu*) street out of four (other streets are, *Mazizini*, *Gongolamboto* and *Kipunguni*), need to think on expansion to other streets as well. This will help more people to benefit out of the scheme, which has shown to be useful as a source of own funds provision. There is a

strong feeling that such kind of a project can also be replicated in the areas where such kind of project is not yet established.

2) Empowerment

The process of empowerment may be further reinforced by group formation focusing on savings and credit delivery:

- Women can access wider information and support networks for economic activity;
- Groups can support women in disputes within the household and community;
- Groups can link to wider movements for change in women's position.

3) Best practice

There is a need for much greater clarity in the underlying vision of microfinance programmes. This clarity entails a definition of empowerment which goes much further than either woman's access to microfinance access or household-level poverty alleviation. Providing an adequate and non-discriminatory regulatory framework for microfinance needs to be seen as a human rights issue, rather than the end aim of gender policy itself.

4) Conditions of microfinance delivery

For many women, including very poor women, savings facilities are as important as loans in increasing amounts of income and assets under their control. However, women may already have effective ways of savings, which provide a safety net for very poor women. Where the main concern is financial sustainability, low-interest and unsuitable savings schemes may divert women's scarce resources from

investment and/or consumption, decreasing profits and harming their nutrition and health.

5) Complementary services

The multidimensional and all-pervasive nature of gender inequality means that there is an infinite array of needed and potentially useful services. However, financial sustainability requirements have led many schemes to drastically cut complementary services. Some, including business training and gender awareness, are both expensive and have minimal impact. This does not mean that complementary services are not needed but that they need to be improved. What is required is a careful analysis of needs and priorities and then consideration of a range of possible ways in which they can be met.

6) Group structures and functions

There needs to be a change of emphasis from viewing groups simply as a repayment mechanism to looking at ways of ‘building on social capital’ (Mayoux 1999). This can be done by helping groups to develop their own empowerment strategies and linking them with women’s movements and other organisations. There is an important role for groups as a forum for information exchange and mutual learning. This includes, for example, successful women entrepreneurs within programmes sharing their experiences with others (that is, skills exchange).

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