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ECONOMIC DEVELOPMENT
(2005)**

**EVALUATION OF MICROCREDIT SOLIDARITY GROUP
LENDING: THE CASE OF DAR-ES-SALAAM
COMMUNITY BANK LIMITED
(DCB)**

MSHANA HUDSON ALFRED

**EVALUATION OF MICROCREDIT SOLIDARITY
GROUP LENDING: THE CASE OF DAR-ES-SALAAM
COMMUNITY BANK LIMITED
(DCB)**

BY

MSHANA HUDSON ALFRED

**A PROJECT SUBMITTED IN PARTIAL FULFILLMENT FOR THE
REQUIREMENTS OF THE AWARD OF THE MASTERS OF SCIENCE
DEGREE IN COMMUNITY ECONOMIC DEVELOPMENT
FROM THE SOUTHERN NEW HAMPSHIRE UNIVERSITY (SNHU) AT THE
OPEN UNIVERSITY OF TANZANIA
(OUT)**

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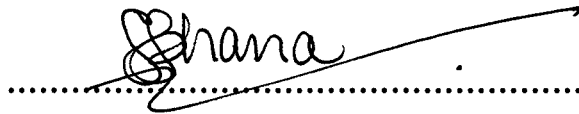
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DECLARATION

CANDIDATE'S DECLARATION

I, **MSHANA HUDSON ALFRED**, hereby declare that the contents of this project paper are the results of my own study and findings and to the best of my knowledge, they have never been presented as a project to neither SNHU/OUT nor any higher learning institution for a degree or any other professional award of a masters' degree.

A handwritten signature in cursive script, reading "Mshana", is written over a horizontal dotted line. A long, sweeping horizontal line extends from the end of the signature to the right.

MSHANA HUDSON ALFRED

MSC.CANDIDATE

SUPERVISOR'S CERTIFICATION

I, **PROF. CLARK R. ARRINGTON**, certify that I have read the Project on Evaluation of Microcredit Solidarity Group Lending: The Case of Dar- es- Salaam Community Bank (DCB) and found it to be in a form acceptable for reviews.

.....

PROF. CLARK R. ARRINGTON

PROJECT SUPERVISOR

DEDICATION

This Project is dedicated to Harry (Clinton), Whitney (Houston), Tina (Tinason),

All Members of my Family

And

Those microentrepreneurs who effectively use credit as a catalyst and tool to bring
themselves out of poverty.

ACKNOWLEDGEMENTS

This Project is the result of the fieldwork carried out at the Dar-es-Salaam Community Bank (DCB) and the Solidarity Group Lending (SGL) in Dar-es-Salaam. The Project was made possible by advice, encouragement and assistance from many people who contributed towards its success to whom I am greatly indebted.

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I know it is not an easy task to mention all those who have contributed to make this work a reality, but I extend my sincere thanks and indeed, register and acknowledge their valuable contribution extended to me at all times.

However, none of the acknowledged is in anyway responsible and thus I bear full responsibility for any omission of facts, intellectual content and errors in this project paper.

MSHANA HUDSON

JUNE, 2005

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LIST OF ACRONYMS AND ABBREVIATIONS

AIDS	Acquired Immune Deficiency Syndrome
BOT	Bank of Tanzania
CBO	Community Based Organization
CGAP	Consultative Group to Assist the Poorest
DCB	Dar-es-Salaam Community Bank
EAP	Economically Active Poor
ERB	Economic Research Bureau
FFIs	Formal Financial Institutions
HIV	Human Immunodeficiency Virus
IGA	Income Generating Activities
MFI s	Micro Finance Institutions
MSE s	Micro and Small Enterprises
NGO	Non-Governmental Organization
REPOA	Research on Poverty Alleviation
SACCO s	Savings and Credit Cooperative Societies
SGL	Solidarity Group Lending
SME s	Small and Medium Sized Enterprises

ABSTRACT

This study analyzes the social-economic impacts, effectiveness and efficiency of microcredit given to SGL operators living in Dar- es -Salaam region that are offered loans by the DCB Limited.

The study provides empirical primary based information on the social-economic impact of microcredit to the economically active poor (EAP) with a range of income generating activities and constraints advanced by the clients with a view to alleviating poverty.

This evaluation clearly states the problem by which the study is set to address within the community through the DCB microcredit to its clientele base via the SGL methodology.

An overview of study findings, reveal that during the three years of operation, the bank recorded efficiency and effectiveness in microcredit provisions and that the clients continue to register their achievement towards the bank services and keep on increasing.

Positive impacts of the microcredit benefits have been appreciated through various ways such clients and their families have benefited along with its trickle down effects recorded from time to time.

Significant study findings revealed, interalia, the following:

- 72% of the clients are satisfied with the services with majority being the middle aged microentrepreneurs forming about 61%.
- About 60% of the clients managed to use part of the credit accruals to fund education for their children.
- 87% have greatly improved and expanded their business opportunities in various dimensions.
- 55% have now, through the bank, coming up and inculcated the culture of saving.
- The study further revealed that women empowerment is at the forefront as it records about 66% of the women who have all the way been encouraged to join and benefit from the scheme.
- Apart from the scheme benefiting the targeted population, the bank also created 70 full time bank positions.

However, problems observed from the study that the clients do face include:

Complaints on high interest rate, high commitment fee, short weekly repayment and grace periods, small starting loan and lack of proper education on entrepreneurial skills in business management, markets, legal and regulatory framework, licensing and tax issues.

This evaluation study suggests ways through which the presented problems could be averted hence provide more microcredit and consequently have greater outreach and sustainability. Some of the problems advanced would need thorough education to clear most of the clients' doubts and simply keep the beneficiaries on the right track. A close observation revealed that the client, group leaders and even bank officers miss important regular training skills in their areas of operation. Proper education is among the suggested ways to mitigate most of the problems gathered from the study. A comprehensive training manual is strongly herewith recommended for implementation, as this is a key and road map towards the workable solution.

The set up of this project paper is contained in Five Chapters.

- Chapter one is an introduction giving a historical background of the DCB and the SGL clients along with their profiles, the evaluation assignment and its setting.
- A detailed literature review and conceptual framework providing theoretical and empirical reviews are given in Chapter Two.
- Chapter Three dwells on research methodology detailing sampling techniques, data type, data collection methods, data coding, data management, data analysis and presentation.
- Results presentation, observations, findings, discussions, recommendations and conclusions are provided in Chapter Four.
- Lastly, Chapter Five is on implementation of the assignment.

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CHAPTER ONE

1.0.0: INTRODUCTION TO COMMUNITY BASED ORGANIZATION:

“To ensure that poor people are included in the benefits of development, it is necessary that those vast numbers have consistent access to financial services, access that can translate into a key element of economic growth and poverty alleviation: option”

-Jose’ Antonio Ocampo, UnderSecretary General

1.1.0: Introduction:

Credit¹ is a prerequisite for every individual within any money economy. Without money, they are condemned to an increased vulnerability, poverty, theft and dependency (Katalapa and Ngaiza, 1999).

Microcredit² is the provision of credit or loans only for income generating activities to poor household and microenterprises that do not have access to formal financial institutions³ (FFIs). On the other hand, microfinance⁴ covers a broader range of small-scale financial services encompassing credit, savings, insurance, leasing, housing, payment transfers, remittance services etc. And they are both set to play a significant role in the poverty alleviation effort in developing countries like Tanzania. During 1980’s the emphasis in poverty alleviation struggle was on the provision of loans, that is microcredit for income generating activities but as of 1990’s onwards the emphasis has also been to providing a broader range of financial services to include those of microfinance.

¹ Borrowed funds to an individual or company with specified terms for repayment at a fixed rate of interest.

² The term “micro” implies that the size of the financial transactions is very small and the demand for micro financial services usually come from microentrepreneurs who operate and generate income from small businesses.

³ Financial institutions that are subject not only to general laws and regulations but also specific banking regulation and supervision.

⁴ Like any other types of financial services, it is a facilitator rather than a creator of economic opportunities.

People living in poverty like everyone else, need a diverse range of financial instruments to run their business, build assets, stabilize cash and shield themselves against risks. Financial services needed by the poor include but not limited to working capital, loans, credit, savings, insurance money transfer, etc. However, the poor rarely access services through the formal financial sector. They address their need for financial services through a variety of financial relationships, mostly informal like savings clubs, moneylenders etc, which proved to be costlier, erratic and insecure to borrowers (*See also The Guardian Thursday, June 2, 2005*).

The experiences of microcredit or microfinance and poverty alleviation programmes have it that most poor people manage to mobilize resources to develop their enterprises slowly over time. Financial services could enable the poor to leverage their initiative, accelerating the process of accumulating income, assets⁵ and economic security. However, conventional financial institutions seldom lend down-market to serve the needs of low-income families and women-headed households. They are very often denied access to credit for not being bankable due to lack of collateral⁶.

The lack of access to credit for the poor is attributable to practical difficulties arising from the discrepancy between the mode of operation followed by financial institutions and the economic characteristics and financing needs of low-income households.

⁵ Any property one can exercise ownership e.g. Land, Buildings, Plant and Machinery and other fixed asset.

⁶ Concrete evidence of the borrower's ability to pay with tangible security in the form of real estate before considered being granted a loan by the lender (established financial institutions).

Successful experiences in providing finance to small entrepreneur and producers demonstrates that poor people, when given access to responsive and timely financial services at market rates, repay their loans and use the proceeds to increase their income and assets. Community Banks, NGOs and grassroots' Savings and Credit groups around the world have shown that these microenterprise loans can be profitable for borrowers and for the lenders, making microfinance one of the most effective poverty reducing strategies.

Mainly non-governmental organizations, a few commercial banks and non-bank financial institutions, community banks, cooperative banks and microfinance banks, currently carry out microfinance operations in Tanzania. At the moment, donors fund most microfinance.

Tanzania's financial sector is undergoing reforms⁷, which are aimed at improving the efficiency and effectiveness of the country's financial system. The government's economic and financial reforms have brought to the forefront the plight of low-income people and micro and small enterprises (MSEs) in accessing financial services from the formal financial sector. The government is committed to promoting, through private initiatives, the operation of financial institutions, which serve the financial needs of low-income people and MSEs.

⁷ As a result of the reform program, a competitive and efficient banking sector is emerging. To date, there are about thirty (30) Commercial Banks and Financial Institutions operating in the country (Financial Sector Reform: A Policy Statement, The banking and Financial Institutions Act, 1991 and The Guardian, 2004).

The current banking and financial sector environment has not generated the institutional capacity for meeting the financing needs of the informal sector and MSEs. It has virtually ignored the productive economic activities of these, because the conditions of the financial system are too stringent to accommodate their needs.

The informal financial institutions⁸ have tried to meet the financial needs of those not served by the formal financial system. Such institutions are perceived to be playing a vital investment-financing role. However, studies have been established that there is a big gap between the supply of financial services to the poor and the actual demand. There is thus a dire need of providing more financial services to the non-banked poor people.

It has further been established that well developed microfinance banking services with pricing based on full cost recovery and a profit margin, can provide very strong inputs to the development of market based MSEs, and thereby contributing to the improvement of the livelihood of a great number of people.

This was the thrust of the call made by President Benjamin William Mkapa when inaugurating the 10th Banks and Financial Institutions Conference in December 1995. The President repeated this call during his tour of various parts of Dar-es-Salaam in 1999, when he was confronted with repeated cries from MSEs that they could not improve their business because of lack of capital. The President specifically called on the (then) Dar-es-

⁸ Organizations or individuals but generally not institutions that are not subject to special banking/commercial laws.

Salaam City Commission (now Dar-es-Salaam City Council), to facilitate the establishment of a privately owned community bank for Dar-es-Salaam.

Following the President's call, the Dar-es-Salaam City Commission initiated a feasibility study of Dar-es-Salaam region to establish the viability of the project. Having being satisfied thus, the Commission took the challenge to source capital for establishment of the Dar-es-Salaam Community Bank (DCB).

However, the alleviation of poverty is a complex struggle, which requires cooperation and cohesion between governments, development institutions and the poor themselves. Poverty alleviation no doubt, requires a 'toolbox'. Credit is a powerful tool, but it cannot be the only one. It is used effectively when it is made widely available to the working poor.

With this in mind, DCB Limited therefore, is at the forefront to financing poverty alleviation programmes through delivery of commercial microfinance banking services to the majority of the low income and poor people especially the micro and small enterprises operating in Dar-es-Salaam region.

In its own right, the bank operates three-loan windows namely salaried, individual and the Solidarity Group Lending⁹ (SGL). The latter thus forms part of this detailed evaluation study.

1.2.0: DCB Historical Background:

DCB¹⁰ is a private community bank that provides microfinance products dedicated to financing poverty alleviation programmes, aimed at uplifting the standard of living of the

⁹ Beneficiary groups involving the formation of groups of people having common wish earmarked and approved as guarantor for loan issuance and financial services.

low-income people in Dar-es-Salaam. It is intended to fill the big gap left by the existing microfinance institutions, which are only able to serve a mere fraction of the big market for microfinance services in Dar-es-Salaam Region.

1.3.0: DCB Profile:

1.3.1: Registration and Incorporation:

Dar-es-Salaam Community Bank Limited has been registered and incorporated in Tanzania under the Companies Ordinance (Cap 212) by the Registrar of Companies under Certificate of Incorporation No.42094 dated 6th September, 2001.

In addition, the Bank of Tanzania (BOT) issued the DCB with a banking license No. MFIA 00003 dated 1st August, 2002, vide which DCB was licensed to carry on banking business as a non-bank financial institution in terms of the Banking and Financial Institutions Act, 1991. Later, on application by DCB, the Bank of Tanzania licensed DCB to operate, as a Regional Unit Commercial Bank Vide Banking License No. CBA 00023 dated 12th June, 2003.

1.3.2: Location and Locality:

The bank is situated in rented premises located within the Arnautoglu Hall, Ilala Municipality at the Mnazi Mmoja grounds along Bibi Titi Mohammed road, close to Uhuru, Lumumba and Morogoro roads in the city centre and Magomeni branch office, Kinondoni Municipality along Morogoro and Kawawa (Morocco) roads, in close proximity to the city centre. The Bank operates six days a week as a regional bank

¹⁰ DCB Profile availed to the author by the Banks' CEO and from DCB Business Profile, 2003.

licensed to do commercial banking business. All bank operations have been computerized for prompt, accuracy and efficient services.

1.3.3: Operations:

The bank was incorporated to operate in the following businesses:

- (i) To fund and manage loan and savings products.
- (ii) To lend money or other property, guarantee the performance of contracts and obligations of all kinds and generally to transact business as financiers and investors.
- (iii) To issue money or valuables and receive securities of all kinds for loans upon such terms as the bank may approve and the latter to guarantee the debts, obligations and contracts of the customers.
- (iv) To act as an agent for collection, receipt or payment of money, and generally to act as an agent for, as well as render services to customers.
- (v) To draw, make, accept, endorse, discount and execute and issue promissory notes, bills of exchange, bills of lading, warrants, debentures and other negotiable and transferable instruments.

The bank aims at facilitating the process of making banking services available to large sections of the population of Dar-es-Salaam. The bank provides services, which encourage promotion and development of productive ventures, at the same time creating a culture of savings. In addition to savings products, the bank manages an appropriate

loan portfolio and offers microfinance services in various areas of socio-economic endeavours.

1.3.4: Vision Statement:

DCB's Vision is "to be the leading microfinance bank in Dar-es-Salaam through delivery of commercial microfinance banking services to the majority of the low income and poor people, and Micro and Small Enterprises."

1.3.5: Mission Statement:

The Mission of DCB is "to contribute to the ongoing economic and social development in Dar-es-Salaam Region for Micro, Small and Medium Enterprises by developing specialized microfinance products and services and market these through an efficient and sustainable branch network where the customer is treated with promptness and responsiveness. It aims at building cultures, structures and operating systems that can support sustainable service delivery to a significant and growing number of economically active Micro, Small and Medium Enterprises in Dar-es-Salaam Region."

1.3.6: Objectives:

The Bank's objectives are the following:

- (i) To mobilize financial resources from individuals, institutions and donor agencies for financing the informal sector in order to support the government's endeavours in poverty alleviation.

- (ii) To provide an enabling environment for self-employment for the unemployed population of Dar-es-Salaam.
- (iii) To provide commercial services and support to the target group at truly unsubsidized 'full cost recovery and a profit margin' rate in order to enable the bank to consolidate itself and subsequently pay the shareholders an adequate dividend.

1.3.7: Goals:

The Bank's goals for the year's 2003- 2006 include the following:

1. To intensify micro lending activities to at least 65% of total of lending by the end of year 2006.
2. To open branches and agencies in each of the administrative districts of Dar-es - Salaam Region by the end of year 2006.
3. To increase deposits by four times at the end of year 2006 from the actual deposit of 2002.
4. To design and implement innovative new products suitably designed to meet demand and tasks of the target market.
5. To process all loan applications within seven working days.
6. To maintain a loan repayment rate of at least 97.5%.
7. To attain a profit level of Tshs. 795 million by the end of year 2006.
8. To ensure customers are serviced with courtesy, promptness and responsiveness.

1.3.8: Programmes and Activities:

Generally, the Bank offers the following Products and Services:

- (i) Transaction accounts in which deposit products are offered. These include Savings accounts, Current accounts and Fixed deposits Accounts.
- (ii) Commercial Services in which the bank lends to various sectors of the economy, with special preference to microfinancing. These include Overdrafts/Term Loans, acceptance credit facilities, Guarantee Loan against deposits, Import and Export Financing, Packaging Credits, and Personal Loans.
- (iii) Investment Products mainly Treasury Bills and Inter-Bank Placements.
- (iv) Other traditional financial products and services, such as money transfers, chequebook facility, etc.

1.3.9: Governance and Administration:

The Bank's area of operation is solely based in Dar-es-Salaam Region. In order to facilitate efficient and effective provision of microfinance services in the entire region, the bank has adopted a structure, which will enable it to maintain closeness to the target group. The bank started with one branch at the head office and made provision for subsequent physical representation in form of branches and agencies in all the three administrative districts of Dar-es-Salaam Region. The purpose is to maintain a decentralized structure with outlets close to the target group¹¹. Last year, the bank managed to open a branch in Kinondoni District at Magomeni Area. Similarly, the Bank has recently opened a branch at Temeke District.

¹¹ Encompassing low income people, Micro, Small and Medium scale business based in Dar-es- salaam

The Board of Directors is the highest organ of the bank. It is a policy making body appointed by the shareholders at the Annual General Meeting (AGM). It makes all major decisions and company policies, and approves yearly plans and budgets for implementation by the management. Operations are entrusted in the Chief Executive Officer (CEO) assisted by other members of Staff with vast experience in their relevant fields of operations (*A summary of the Organization set up is shown in Appendix 1*).

1.3.10: Ownership, Shareholding and Capital Structure:

The authorized share capital of the Bank is Tshs. 5.0 billion, divided into 5,000,000 shares of Tshs. 1,000 each. Paid up share capital as of 30th June, 2003 was Tshs. 1,795,588 amounting to Tshs 1,795,588,000, subscribed by a total of 2,637 shareholders. Shareholding is thus about 26% public (individuals and companies) and 74% Local Authorities (*See Details in Appendix 2*).

The local authorities have been the initial subscribers and promoters of the bank. The long-term objective is to dilute the ownership ratio of the local authorities to less than 40%, by selling more shares to the public.

However, efforts are being made to increase the capital base, and eventually spread the shareholding to enable future listing of the bank's shares on the Dar-es-Salaam Stock Exchange Market.

1.3.11: Lending Performance:

The Bank opened its doors to the public on 15th April, 2002. Since then it has recorded a big success in clientele base as well as performance levels. It started operations with 2.0 billion capital but to date it has recorded about 10.0 billion deposits. These deposits comprise: Solidarity Group Lending ¹²(SGL), Individuals, Fixed Deposits Register/Time Deposits (FDR) and Salaried Employees (*See Breakdown in Appendix 3*).

1.3.12: The Targeted Market:

The Bank is operating in an existing competitive market environment, which has a diverse group of customers. The type of bank services required, volume of business, location and category of business undertaking such as micro, small, medium or large-scale influence the diversity of customers.

Going by its mission statement, DCB ought to serve the low-income people, micro, small and medium scale business based in Dar-es-salaam. This target market¹³ has also attracted other players along with such a stiff competition. The financial system now comprises about thirty (30) banks and non-bank financial institutions, three of which are microfinancing. These are National Microfinance Bank, Akiba Commercial Bank and Tanzania Postal Bank.

DCB is the first community bank dedicated to microfinancing in Dar-es-salaam and will operate alongside the other competitors in the market.

¹² Lending position as at 30th November 2004 was 2,348 with 1,996 and 352 being female and male respectively.

¹³ A group of potential clients sharing certain characteristics, tending to behave in similar ways and likely to be attracted to a specific combination of products and services.

1.4.0: The Community (SGL) Profile:

1.4.1: The Target Population:

The Bank spearheaded the formation of solidarity groups in which members guarantee each other's loans based on the Grameen Bank¹⁴ model of lending. Solidarity group lending methodology emanates from the fact that borrowers operate in the form of groups, which have been formed freely by members. The members agree to guarantee each other and become severally accountable for the loans taken until full repayment¹⁵ of loans and interest is settled.

DCB has adopted solidarity group lending as a replication and modification of the Grameen Bank methodology used in Bangladesh. The maximum number of group members facilitated by the DCB is 50 clients formed out of ten (10) integrated groups comprising a five (5) member group who are well known and trust each other with homogenous backgrounds. In this case each member guarantees each other's loan within the group whereof credit is delivered to groups that guarantee the loan. Peer pressure¹⁶ becomes a substitute for collateral (i.e. there is a joint liability for loans taken by its individual members and so far the whole group in the event of default by a group member). Sound microfinance activities based on innovations that have shown the most promise to solving the problem of lack of collateral by using group-based approach coupled with best practices play a decisive role in providing the poor with access to financial services through sustainable basis.

¹⁴ Pioneer Model of Microcredit programmes founded as a Project in Bangladesh (1976) and transformed into a Bank (1983). Currently many MFIs Worldwide successfully adopts the methodology.

¹⁵ Amount of loan recovered by the bank from the borrower.

¹⁶ The members cross-guarantee each other's loans to replace traditional collateral.

The Bank offers its services to the localities near the SGL clients. All financial transactions take place at weekly financial service centre¹⁷ meetings.

There are eight (8) loan cycles for clients ranging from cycle number one to cycle number eight. The range starts from Tshs. 50,000, Tshs 100,000, Tshs 250,000, Tshs 350,000, Tshs 500,000 Tshs 700,000, Tshs 900,000 and Tshs. 1,200,000 respectively each offered at a flat rate of 4% interest per month (i.e. $4 \times 12 = 48\%$ per annum).

The target markets of the SGL belonging to DCB are self-employed households living in and around Dar-es-salaam .The market is further defined in the following terms:

- (i) Self employed women, men, and youth working in the informal sector.
- (ii) Small and medium enterprises with potential to increase employment capacity.

Formation of Solidarity Groups is a continuous process in Districts of Ilala, Kinondoni and Temeke (*See Map of Dar-es-salaam Appendix 4*).

Currently, DCB operates Solidarity Groups Lending to include areas of Segerea Ward involving Segerea area, Tabata Kimanga, Tabata Liwiti, Tabata Kisukuru, Tabata Mawenzi, Ukonga Mazizini and Ukonga Mwisho wa lami (Ilala District), Tegeta, Kunduchi, Mikocheni, Kawe, and Mwenge Mlalakuwa (Kinondoni District), Temeke Mtoni, Keko Magurumbasi, Keko Bora and Kurasini Shimo la udongo (Temeke District). Other areas of project pipeline include Kimara and Kigamboni areas.

¹⁷ Venue where each group must meet once a week to conduct group activities including loan repayments.

1.4.2: SGL Coordination and Management:

The Bank continues to facilitate group formation in all the three administrative districts of Dar-es-salaam Region. In order to achieve this target, credits officers undertake preliminary survey to identify possible areas after which Ward Executive Officers (WEO), Councilors and street chairpersons are approached to plan for mobilization meetings with the communities¹⁸.

1.4.3: Organization at Local Level:

Credit is extended to individuals within the target beneficiary who are members of a viable small group of five (5) persons. There are two basic organizational units namely: the small group consisting of five (5) members and Financial Services Centre consisting of ten (10) member groups.

1.4.4: Group Pre-Loan Training:

After a small group of five is formed, it has to report to the bank's credit officer who will provide them with training covering important areas to include:

- The concepts of mutual guarantee through solidarity groups and Financial Services Centre.
- Rules and procedures of the financial services programme.
- Ethics for borrower/lender relations.
- Existing loans and financial services/products of the banks.
- Loan procedures and requirements.

¹⁸ Refers to groups of people living in a defined geographical area while using common physical resources like land, water and infrastructure.

- How interest on loans are calculated.
- How loan repayment schedule are determined and loan repayment procedures.
- Penalties and reward for loan repayment.

The training should be carried for a minimum of continuous six (6) days. Attendance during the training days is strict with a view to maintaining team spirit of every member getting set on his/her right mark and ready to embark onto the existing business ventures.

1.4.5: Loan Condition and Terms:

Borrowers are informed that they must own and run a business prior to joining the programme and also that a loan is not a gift, grant or a welfare scheme. A loan is money given on credit and must be paid as per pre-agreed terms and conditions without exception. The terms include interalia, repayment on weekly basis and payment of interests for any loan issued by the Bank.

Individual members of the group will be eligible for credit when the group proves its mutual respect and ability to maintain cohesiveness and regularly attends weekly meetings. Each member has to graduate systematically through level one to level eight (as detailed in 1.4.1). The SGL member cannot skip any level rather he/she has to go through all the levels step by step (*See attached Group Lending Progress Summary Report in Appendix 5*).

Loan duration does not exceed twelve (12) calendar months. The duration is for three-months, six-months, nine-months, or twelve-months. A borrower in any loan cycle is

allowed to select any loan duration for the loan applied for. Besides, the loan is only issued to those who have fully repaid their previous loans in time. Any delay in loan installment is subject to automatic repayment from group members' savings. If loan savings from group members are not sufficient, savings of all members of the centre shall be deducted to repay such a loan (*See also Client Agreement Forms in Appendix No.8*).

1.4.6: Savings Component:

All borrowers are required to save a minimum of Tshs. 1,500 per week and such savings form part of the loan installment due from the borrower. DCB is thus paying the interest rates to savers based on the prevailing rates of the market, which as of June 9th, 2005 were between 18% to 24%.

1.4.7: Duties and Responsibilities of Group Leaders:

Each group elects a group chairperson and a secretary during the six-day pre-loan training and the credit officer facilitates and has influence on the election.

Responsibilities by group leaders include but not limited to the following:

- The Group Chairperson assisted by her/his secretary is the spokes person of the small group and is expected to voice the consensus and concerns of the group as required.
- The Group's Secretary has the duty to assist the chairperson and assume full responsibility in case of illness or other legitimate responsibility absence by the Group Chairperson.

- The Group Leaders are responsible for the discipline of the group and ensuring that every member fulfills his/her obligations and attends weekly centre meetings.
- The chairperson is responsible for signing the loan application and the loan agreement forms for each of the members of the small groups.
- The groups' members are responsible for monitoring each group member's loan to insure that it has been used for its stated purpose.
- The group leaders collect all loan repayments and savings of individual members and deposit the same with the Bank. At any time, loan repayment has to be deposited in full, if one member does not have sufficient funds, remaining group members is required to contribute so as to cover the deficit.

1.4.8: Organization at Branch Office:

The Management team of the bank is the overall body responsible for the management of all affairs of the SGL methodology. The team oversees the proper conduct of the programme in accordance with the policy of the bank. It also reviews the rules and procedures of the programme and modifies them as it finds appropriate.

1.5.0: The Assignment:

1.5.1: Introduction:

Since 1991, the Government of Tanzania has been implementing financial sector reforms as part of the wider economic reforms that were initiated in the mid 1980's. The reforms seek to put in place an efficient and effective financial system comprising a variety of sustainable institutions with a wide outreach and offering diverse financial products. As a

result of the reform programme, a competitive and efficient MFIs and SMEs banking sector is emerging.

However, there has been no increased access to basic financial services by the majority of the Tanzanians, particularly those in rural areas.

Poverty¹⁹ eradication is at the centre of Tanzania's development strategy. The broad development agenda for the country as contained in the Vision 2025 seeks to eradicate absolute poverty by 2025. Provision of sustainable financial services is one of the essential requirements for the achievement of this goal.

The existing constraints for the poor and even for middle class people in accessing credit are, inter alia, lack of collateral and unwillingness of many banks to fund SMEs operations. The poor are hardworking people but sometimes, have no collateral of significant value, no official business history and no bankable worth that shuts them out of the commercial credit market. They are thus denied access to resources that might enable them to expand, increase efficiency, or diversify their sources of income (Killagane, 2002 and DCB Operational Manual, 2000).

¹⁹ Defined as a multidimensional concept encompassing both "income" and "non-income" dimensions of deprivation. Perceptions of poverty are diverse, many and varied as observed from one social group to another. In the case of Tanzania, poverty is defined in the National Poverty Eradication Strategy (NPES) and the Poverty Reduction Strategy Paper (PRSP) as a state of deprivation/deficiencies prohibitive of decent human life. (See Mmari and Katera, 2002; Robert Chambers; 1995 and Likwelile, 2002).

Microfinance institutions²⁰ (MFIs) in Tanzania include a wide variety of organizations in financial services favouring low-income people in urban and rural areas. They encompass community development banks, Co-operative banks, Micro lending Non-Governmental Organizations, Savings and Credit Co operative Societies (SACCOS) and Savings and Credit Associations (SACAS).

Microfinance programmes in Tanzania have become an increasingly important component of strategies to promote MSEs and alleviating poverty (ERB, 2000). The access to microcredit services have therefore assisted most African and Asian governments to achieve the desired objectives especially those that are related to alleviating poverty. Capturing imaginations of many people working to reduce poverty while promoting their investments, microfinance institutions have been observed as an efficient mechanism of offering loans to foster small-scale entrepreneurial²¹ activities with a view to raising their incomes as well as standard of living. However, the benefits of microfinance services need to be judged against the amount of resources that have been offered to support the credit services.

²⁰ Refers to specialized institutions/organizations that offer loans and other financial services to the poor people and vulnerable in urban and rural areas and Micro and Small Enterprises (MSEs) who have not been able to access the existing commercial banks. Loans are usually small, do not require collateral and the conditions to get access to credit are usually not as stringent as those demanded by FFIs (See also Kironde, 2003; Abeid 2001 and CGAP 2003)

²¹ A particular approach to wealthy (value) generating/creating process whereof wealth is created by individuals (entrepreneurs) who assume the major risks in terms of equity, money, time, effort and career commitment of providing value for some product or service and make it successful. (Ronstadt in Kuratko and Hodgetts 1992 and Musselman and Jackson 1984).

DCB addresses the key issues of collateral and risk in unconventional ways. When a commercial bank lends money, the borrower is normally required to put up collateral. The poor have no collateral of significant value, thus shuts them out of the commercial credit market. The DCB offers lending against alternative forms of collateral, which have proven around the country and the world to be extremely effective credit guarantees.

However, no doubts that there has been a considerable development in microfinance institutions, but still, microfinance services have to be more organized. Problems such as high lending interest rates, shorter repayment period, trading license, insufficient markets, lack of saving culture, stringent lending conditions, lack of proper business education, lack of coordination among the MFIs, inadequate tracking and analysis mechanism of microfinance services, culture of not paying back loans/credits are still evident.

The realization of the above shortcoming led to the Government's decision in the recent years to initiate deliberate action to promote alternative approaches such as microfinance in order to create a more broad-based financial system in pursue of its long-term development Vision (i.e. 2025) of providing sustainable financial services to the majority of the Tanzania population.

1.5.2: Need Assessment:

This study included a need assessment of various SGL regarding microcredit issuance through SGL model, its impact while figuring out the problem areas that need further improvement. The study further sought to address such problems as detailed herein and

later form the basis for the study findings and recommendations (*See Need Assessment Session with one of the SGL Clients as Appendix No. 6*).

1.5.3: Statement of the Research Problem:

DCB champions the Grameen Bank methodology of solidarity group lending. The methodology is expected to raise the economic status and improve the quality of life to both men and women of urban areas in Dar-es-Salaam through provision of microcredit schemes for client to vibrant economic business in a sustainable basis.

Despite the wide recognition of the SGL methodology as an effective credit provision to the targeted economically active poor²² (EAP), the efficiency²³ and effectiveness²⁴ of microcredit through the methodology as with the DCB had not been evaluated since the bank's inception.

In recognition of this, a mid term evaluation²⁵ was considered vital. This study, therefore, intended to carry out the impact assessment²⁶ and evaluate whether microcredit services were an effective and efficient to service DCB's Solidarity Group Lending clients while specifically investigating:

²² Poor people with proven ability to make use and pay for financial services through long-standing informal arrangement.

²³ The means for the accomplishment of objectives at the least cost or other consequences.

²⁴ The achievement of an end sought/result to produce a desired output.

²⁵ Assessing progress to date and possible revisions to objectives and targets are formulated.

²⁶ Determination process of the desired outcome of an intervention (at client, household or community levels etc).

- Problems associated with loans to include:
 - (i) High interest rates (ii) Weekly loan repayment (iii) Short grace period (iv) Commitment fee (v) Small starting loan (vi) Solidarity group inconveniences (vii) Unpredictable business situations and (viii) Business development support skills /services.
- To understand the vision, mission, goals and objectives of the DCB in microcredit provision.
- To determine whether DCB is moving in the right direction while attempting to implement its mission.
- How the SGL Clients benefiting from the methodology of group lending.
- To determine whether the number of SGL clients with DCB increased over the years.

These are the problem areas that this midterm evaluation was set to address regarding DCB and its SGL clients with the common agenda of poverty alleviation as stipulated in the National Vision 2025.

Through delivering credit and savings services tailored to the needs of microentrepreneurs²⁷, DCB operating in Dar-es-Salaam, would send a tangible message to the poor community that they do count, that they are important and that their hard work can pay off.

²⁷ Actively poor entrepreneurs who employed themselves and operate their small business (microenterprises) of varying sizes and sophistication.

1.6.0: Study Evaluation Questions:

This study focus on the following tentative questions that this evaluation seeks to answer:

- Is the Solidarity Group Lending under the Dar-es-Salaam Community Bank a potential area for investment by DCB?
- Is the DCB correctly moving towards the original idea as was established?
- How has the microfinance with the DCB helped to promote the entrepreneurialship activities and morale to its SGL clients?
- Do all the credits/loans targeted to the SGL reach and benefit them, and if not why?
- Do the entrepreneurs of the DCB's SGL methodology use these credits/loans effectively and efficiently?
- Who actually participates or being served in the programme and at what level of involvement?
- What other ways are the SGL clients participate to secure capital/funding for their investments?
- Is the DCB still targeting the poor? Or deal with other commercial ventures and marginalizing those poor?
- Does microcredit really help the poor and lead to a reduction in poverty?
- What challenges do SGL clients face other than credit accessibility?

1.6.1: Evaluation Objectives:

1.6.2: General Evaluation Objectives:

The overall objective of this evaluation is to assess the efficiency and effectiveness of microcredit and the role that the DCB has played in promoting entrepreneurialship to the economically active poor people in Dar-es-Salaam Region.

1.6.3: Specific Evaluation Objectives:

The specific objectives include:

- To investigate the extent to which DCB has contributed to the micro and small-scale enterprises development in Dar-es-Salaam.
- To review the literature in microfinance theory and practices and the new financial innovations especially the SGL methodology.
- To investigate responses to the DCB's SGL entrepreneurs on credits/loans offered by DCB and other financial institutions.
- To assess the contribution of the microcredit provision to women, men and family welfare.
- Identify/highlights successes or constraints that face the SGL clients on one hand and DCB as an institution on the other hand.
- To suggests possible measures that may be adopted by the DCB, Government and other stakeholders to attract more financial institutions to improve and provide more microcredit to reaching the desired outreach.

1.6.4: Significance of the Evaluation Study:

This evaluation study conducted a midterm evaluation of microcredit given to the SGL with a view to assess its effectiveness, efficiency, challenges for best practices towards a positive direction for better performance, outreach, replicability and sustainability. The findings of this study are expected to generate new information and knowledge on particular issues in the areas of microfinance and thus informing different stakeholders, hence becoming significant to a variety of parties to include, but not limited to:

- **The General Public:** This evaluation tries to shed light on the microcredit problems facing Tanzania and probably other parts of the developing world particularly the urban and rural poor population, so as to create awareness to this emerging microfinance industry.
- **The Government, Policy Makers and Implementers:** The research intends to provide them with alternative policies to guide climate of investment in micro finance. The assessment information can also influence budget allocation decisions.
- **The Donors/Shareholders:** These are the principal source of funds in the industry that would be able to track as to whether their financing is effective or not. They are usually concerned about improving their institution, which they support as well as learning if the intervention is having the desired impacts.
- **The Academicians, Students and MFIs Practitioners:** The study will enable them to understand and review new financial innovations including the SGL

methodology and see whether these programmes are contributing to socio-economic development. The assessment is also suited to academic research.

- **The clients:** These will be able to understand how better they can be involved in microenterprise activities that are within the microfinance institutions' areas of interest.

1.6.5: Evaluation Indicators:

This evaluation is best assessed via chosen set of indicators²⁸ on some ways that loan offered can be effectively used with a view to determine whether those microcredit would have any benefits and brought impact to the borrowers to include, but not limited to:

- Ability to finance education for the children.
- Business growth and expansion opportunities.
- Employment opportunities/creation.
- Significant Outreach and sustainability.
- Improved savings for investment, future use and emergencies.
- Acquiring household effects (such as furniture, equipment etc.).
- Empowerment/Empowerment (especially for women).
- House repair and maintenance (right from acquiring a plot, construction process and proper upkeep of the decent houses).
- General life improvement (such as affording buying basic needs including daily sufficient food, acquiring clothes, beddings, medicine etc.).

²⁸ These are indication or observable evidence of accomplishments (changes made or progress achieved). They are the measurements that answer the evaluation questions.

CHAPTER TWO

2.0.0: LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK:

2.1.0: Introduction:

More than one billion people around the world live in poverty and most of them live in the developing world. High levels of poverty combined with slow growth in the formal sector have led large parts of the developing world's population into self-employment and informal activities comprising Micro and Small Scale Enterprises (ESRF, 2002).

2.1.1: Microfinance Overview:

There are some works that have been done across the world in the past on microfinance issues as an emerging industry. A growing body of microfinance literature is beginning to reveal what microfinance can and what it cannot do. Indeed, knowledge about the achievements of microfinance institutions in fighting against poverty and particularly promoting Small and Medium Enterprises still remains partial and challenging.

2.1.2: Theoretical Review:

Demand for financial services comes from microentrepreneurs. These are people who operate small business (microenterprises²⁹) or who because they do not have formal jobs survive by generating income for themselves in very small activities. These activities range from food vendors, shoe shining, sellers of second hand clothes, small garages,

²⁹ Refers to small, informally organized micro business of varying sizes and sophistication that are owned and operated by the poor. McKee (2000) reports the USAID's definition to include ten (10) or fewer employees, including unpaid family workers. The sector constitutes the majority of the working population especially in Africa and Asia (See Nick, 2004).

handcrafts, watch repairs, bicycle repairs, painters, artisans, brick makers, poultry keepers, flower sellers, vegetable sellers, small miners, domestic utensils sellers, furniture makers, gardeners, hawkers, saw millers/lumbering, pottery, tailoring, tie and die, knitter, embroidery and innumerable other business of varying sizes and sophistication.

Selecting a target market depends on the objectives of the microfinance service provider and the perceived demand for financial services. In any country there are unserved or underserved enterprises and households, ranging from the ultra poor, who may not be economically active, to small growing enterprises that provide employment in their communities. This range or continuum constitutes the demand side for microfinance services (Ledgerwood, 1999).

Analyzing the impact of microfinance intervention is especially important if the interventions are ultimately aimed at poverty reduction. Assessing completed activities or programmes to discover what worked and what did not is what an evaluation³⁰ process sought to address. The process needs to assess both the design features and the management performance of the project in terms of why a project was more successful or less successful. It has to look for both positive and negative indicators of both relative success and relative failure. It is an assessment of overall project effectiveness at one point in time that concentrates on broad issues of priority, significance and validity of a project as a whole, replicability under different circumstances and determination of measures of project worth. It should be noted that project evaluation is an ongoing

³⁰ Evaluation is essentially a backward looking assessment. It is a process which does ask whether the project has achieved its expected objectives, effects, impacts, outputs and if not why.

(formative) and ex-post (summative) activity throughout the life of the project duration/cycle. This gives a detailed relation of causes and effects between project actions and both expected and actual effects and impacts with a view to create greater undertaking. In this respect, a clear understanding of lessons learned helps in the development of future programme (Ledgerwood, 1999; Ruzibuka and Rutebinga 1996).

According to Baker (2000), a comprehensive evaluation includes: Monitoring (assess whether a programme is being implemented in a continuous feedback as was planned); Process Evaluation (concerned with how the programme operates and focuses on problems in service delivery); Cost-Benefit or Cost-Effective Evaluation (assess programme costs versus programme benefits in monetary and non monetary terms, their relation to alternative uses of the same resources and to the benefits being produced by the programme) and Impact Evaluation (intended to determine more broadly whether the programme had the desired effects on individuals, households and institutions and whether those effects are attributable to programme intervention). By their very nature, evaluations are subject to the time frame established by the rest of the project.

The role of microfinance in promoting economic development and social welfare especially among low-income households has long been recognized in Tanzania (*See also The Guardian June 8, 2005; Business Times May 6-12 and June 24-30, 2005*).

The objectives as Shafi (2001) once pointed out in his paper on “Microfinance, the emerging industry” may vary from profit, poverty alleviation, self-help or other motivations. Shafi acknowledges that it is an emerging industry dedicated to serving the

financial needs of the marginalized poor who could not access the services of mainstream financial institutions. Ultimately, becoming a way of bringing the disadvantaged poor to participate in sharing the national cake through involving them in productive activities that has been supported by microfinance industry.

Rahman (1997) on the study “Reaching the Unreached” observed that MFIs use different methodologies, have a number of institutional arrangements and exist in a variety of policy settings, but share a common concern: “*the alleviation of poverty*”. The methodology most frequently used by the leading MFIs is that of “group lending” to units ranging in size from small say three to ten members to a group composed of approximately thirty to fifty members. Group members collectively guarantee loan repayment, and access to subsequent loans is dependent on successful repayment by all of them. Risks and administrative costs per borrower are thus reduced and the group guarantee serves as a substitute for collateral requirements.

Rahman further confirm that over the past two decades, local institutions in different parts of the world have developed innovative mechanisms to provide credit and savings facilities for those who were traditionally excluded from the formal financial sector. These MFIs have devised original financial services delivery system for the very poor and have succeeded in reaching segments of the population previously unreached by such facilities. They have demonstrated that, contrary to conventional wisdom, the poor are good credit risks and have high savings propensity. MFIs are now operating in rural and urban areas.

As earlier mentioned, financial services, interalia, come from demand for microentrepreneurs. When a commercial bank lends money, the borrower is normally required to put up collateral, an asset that becoming a major constraint for the poor majority. The poor are hardworking; they sometimes have no collateral of significant value, which shuts them out of the commercial credit market (DCB Operational Manual, 2000). That's why Rahman (1997) supports in the study that the legal and regulatory framework within which the formal financial institutions operate is not favourable to microfinance practices.

On the other hand, there is a clear lack of integration of informal sector into the mainstream economy of the Tanzanian. Laws pertaining to property rights, for instance, have been an impediment for the informal sector to getting legal recognition especially on title deeds³¹ for the informal operators. With no title deeds, ownership of such properties is what De Soto (2003) in his study on "Creating an all-inclusive Property Right System to Build Capital for Poor in Tanzania" referred to as dead capital³², which needs to be transformed to act as collateral for bank loans. This will help in setting up new business or expanding the existing ones. The programme will ensure both formal and informal sectors operate within a legal framework that is an all-inclusive system

(See also Daily News Tuesday, October1, 2004 and The Guardian, Friday, October 12 and 15, 2004 as Appended).

A study conducted by Kasilo (2000) in Mbeya District on "The impact of microfinance programmes on poverty alleviation in Tanzania" assessed the degree of poverty reduction

³¹ Document evidencing ownership of land and development thereon for a specific period of time (say 33, 66 or 99 years).

³² Refers to real estate asset value built on unsurveyed areas that is not recognized by the law.

as a result of intervention provided by various microfinance intermediaries to small enterprises. Findings through interviews, focused group discussions and observations revealed that microentrepreneurs agreed that performance of their enterprises as well as standard of living is attributed to credit financing from those financial institutions.

Shoo (2001) on 'The Role of Small Enterprises in Poverty Alleviation' observed that the majority of low-income earners assert that the income generated from their participation in microfinancing lending schemes was spent on educating their children and themselves. Some of the income was used to get access to health services.

In a similar direction, Thomas (2001) conclusion on 'The Impact of Microfinancing on empowering women' revealed that one of the benefits of microfinance lending was more investment in housing and sanitation as a result of increased income on the part of the borrowers.

Proponents of microfinance lending argue that those programmes reduces poverty through increased income and higher standard of living, allows/encourages women to develop the business sector through business potential and develops a parallel financial sector favourable to the poor as observed by Chijoriga (2000) on his study on "The Performance and Sustainability of micrfinancing institutions in Tanzania".

Similarly, as Maguire (1984) confirms as saying "An alternative goal is to increase women's dignity and power³³". Power is a sense of internal strength, the right to

³³ Power here entails control over ones' life as well as ability to gain access to and control over allocation of crucial materials and non-material resources.

determine ones' choice in life and the right to influence direction of social change. This argument is in favour of what Thomas (1989) and Katapa (1993) have documented as saying income in the hands of women raises their status and improves greatly the family welfare, living standard and income generating skills could with no doubt, reduce household poverty drastically.

A number of reasons have been advanced as to the need/importance of microfinance lending by Kironde, (2003) in his study on "Improving the Low Income's Access to Public Services through Microfinance Lending" to include, but not limited to the following:

- The need to tackle poverty which is prevalent and in some cases increasing in both the rural and urban areas.
- The declining role of the public sector and the increasing role of MSEs in promoting economic growth and development, offering employment and reducing income disparities.
- The realization that the increased participation and contribution of MSEs leads to an increased need for financial services particularly credit, to support their initiatives.
- The unwillingness of the FFIs to offer credit to the poor or small business undertakers. In any case, the latter would find it difficult to meet the conditions set by the FFIs to extend credit to their operations.
- Economic liberalization, which has seen many FFIs streamlining their operations and concentrating on profitable ventures, thus leaving out rural areas and the poor in general.

A study done by the World Bank in Kenya, presents a good lending methodology by the Kenya Rural Enterprise Programme (K-REP). The programme was established in 1984 as a development NGO that provides credit for on-lending and technical assistance to other NGOs. To promote growth and generate employment in microenterprise sector, K-REP lends indirectly through NGOs and directly to groups that would otherwise find it extremely difficult to access credit from commercial banks and other formal financial intermediaries. K-REP offers credit directly to groups through its “Juhudi” and “Chikola” loan products on a modification of the group lending methodology used by the Grameen bank in Bangladesh. The Chikola Programme, initiated in 1991, provides credit to individual entrepreneurs through existing rotating savings and credit associations. Under the Chikola programme, K-REP provides a single loan to its individual members. To be registered, the group must be registered as a self- help group, be in existence for at least one year and have an average membership of 20 clients. Each group must meet at least once a month to conduct group activities, including collection of savings and loan repayments. The savings of the group serve as collateral for the loan and each member agrees to forfeit his/her savings in the event of default by a group member. Evaluated through qualitative and quantitative research approaches, the programmes under K-REP were tested and proved to be successful for both the beneficiaries and the institution.

The “Report on African Rural and Agricultural Credit Association “(AFRACA), West Africa II (English Speaking) Sub-Regional workshop held on “Innovation Approaches to Rural Financial Services Provision with Emphasis on Smallholder Producers” (2003),

highlights the experiences by the countries, their constraints, attempts at improving the existing system and introducing new innovative products.

Sierra Leon, for instance, has about 80% of its population in the rural areas comprising smallholder producers who are engaged mostly in agriculture and related activities. Their earning power is limited and they lack access to financial services/credits other than informal provision of finance by moneylenders and 'Osusu' groups. In 1980's, however, the central bank set up rural banks to provide financial services for the same. Their operations were mainly controlled by the central bank including capital cost. The rural population had little say as most of the promoters were from the urban community and they took the majority of the shares. This therefore, adversely affected the rural poor whose meager savings were siphoned to the urban community. Moreover, both institutions need capacity building support to reduce mismanagement of funds. A way out could be linking both institutions and maximize resources to extend outreach into the remote rural areas.

Drawing experience from Ghana, the rural population depended on moneylenders who charged very high interest rates. Later, rural banks were established to transform the rural population to a financial intermediary sector, as there was a gap for financial support to the smallholders' producers who were denied access to financial services. Bank of Ghana, which provided clearing services as well as variety of service to them, supported the rural Banks. These Banks grew rapidly as they were able to mobilize resources but after a while problems were encountered leading to the closure of some of them because

of depressed rural environment, manpower and operational problems, poor infrastructure etc. The bank of Ghana had to pull out and this added hardship not only to these rural banks but also the target group they served. Steps were taken to strengthen the capacity training of the staff by consultants so that eventually the staffs were able to take over the training and financial management system functions.

On the other hand, the Nigerian economy is said to have about 70% of its population that depend on agriculture and related peasantry for livelihood comprising smallholders. The bulk of this group, as in the case of Sierra Leone, lack access to credit and this disadvantaged group had to be catered for to enable them contribute to the growth of economy at the same time a crucial resource for circumventing the vicious cycle of incapacity and promoting profitable expansion and stabilization of rural economic activities. The lack of appropriate and sustainable mechanisms for the provision of credit to this category of producers poses a great challenge to the government. The report calls for innovative approaches in addressing the issue. The impact of innovation would be evident in access to service, price and volume of service, definition and protection of competing stakes, intermediation cost, reduction in delinquency rates and enhancement of market competition and transparency.

In Uganda, for instance, the report focuses on the Ugandan Women Finance Trust (UWFT) whereby the new innovation strategy is targeting low-income people to have access to financial services that are satisfactory to customers as opposed to the former policy of women empowerment through financial services. The approach should be

customer focused and should create an environment that builds the creative potential of staff and offer attractive returns to stakeholders in terms of productivity, revenue growth, profitability and outreach.

The findings of the report address the challenges and organizations of such institutions for effective service delivery. In addition the numerous products/innovations being utilized, including the possibility of them being replicated in other countries. The views were expressed that due to past experience, the member countries should put in place a conducive microfinance environment. Other issues discussed concerns the institutions, whereby the workshop was of the view that they should be simple, customer friendly and located in areas accessible to the target population. Moreover, institutions should not loose sight of the challenges of providing services in rural areas. It was further agreed that all products and innovations should meet certain criteria such as: sustainability, good outreach, replicability and effectiveness. Countries should put in place an enabling environment that will enhance the operations and performance of the microfinance institutions.

Cohen and Jennifer (1999) survey's on "Microfinance Impact Evaluation, Going Down the Market" asserts that there is a positive impact on employment generation among the MSEs and increased household investment in housing and education investments.

It is further argued that MFIs have played a significant role in promoting entrepreneurs' activities and particularly alleviating poverty.

The work by Gibbons and Meehan (1999), on the “Microcredit Summit’s Challenge: Working Towards Institutional Financial Self-Sufficiency while maintaining a commitment to serving the poorest families” details on the Institutional Financial Self-Sufficiency (IFS) that is necessary for an MFI to reach and benefit truly large numbers of the poor and poorest households in order to obtain the large amount of funds required. This is proven by the achievements of the MFIs in Asia, Africa and Latin America.

Cost-effective identification of the poor and the poorest women is essential to maximizing the effectiveness and efficiency of providing microfinance services to them. Efficient microfinance for the group, through detailed business planning, timely and accurate monitoring of performance, maintenance of loan portfolio quality through attractive client and staff incentives, should maximize the funds reaching them. The needs of the poor for financial services must be known in depth and the financial products and delivery system designed specifically to satisfy them.

The poor and poorest women in Asia, Africa and Latin America are proving that they can and will pay the required cost of this opportunity to reduce their poverty and provide a better future for their children. This is made possible by the impressive returns from their microenterprises. It is thus suggested that Governments, having universally failed to provide sustainable access to microcredit for the group, should provide a supportive policy and regulatory framework for efficient private initiative to do so. Under these circumstances, commercial banks should be interested in finding microfinance for the

group, thereby removing the final constraint to its expansion. In these ways, microfinance can be mainstreamed and world poverty reduced significantly.

A study done by Zaman (2001) titled “Assessing Poverty and Vulnerability Impact of Microcredit in Bangladesh” explores the relationship between microcredit and reduction of poverty and vulnerability by focusing on The Bangladesh Rural Advancement Committee (BRAC), one of the largest Microcredit providers in Bangladesh. The work revealed that microcredit contributes to mitigating a number of factors that contribute to vulnerability, whereas the impact on income poverty is a function of borrowing beyond a certain loan threshold and to a certain extent contingent on how poor household is to start with. The findings suggest that microcredit has the greatest effect on female control over assets and also on her knowledge of social issues controlling for a host of other characteristics.

According to Khandler (2003), on “Microfinance and Poverty, Evidence using Panel Data from Bangladesh” Microfinance supports mainly informal activities that often have low market demand. The study hypothesized that the aggregate poverty impact of microfinance in an economy with low economic growth is modest or non-existent. The observed borrower-level of poverty impact is then a result of income redistribution or short-run income generation.

The findings from the study on long run impacts of microfinance on household consumption and poverty in Bangladesh confirm that microfinance benefit the poorest

and has sustained impact on poverty reduction among programme participants. It has also positive spill over impact while reducing poverty.

Ledgerwood (1999) on “Sustainable Banking with the poor” provides a practical example of PRODEM’s impact and market analysis project in Bolivia. PRODEM is a Bolivian Nonprofit Organization that provides support to the microenterprise sector with the aim of improving the quality of life for informal sector entrepreneurs. In 1995 Calmedow, a Canadian nonprofit Organization working in the field of microfinance developed an impact evaluation study for PRODEM. The study used data collected through surveys and in depth interviews in two areas in which PRODEM operates and in one control community. This impact evaluation study was designed to provide direct feedback on not only the changes that may occur in the lives of PRODEM’s clients during the period that they are associated with PRODEM, but also on their changing credit needs and the evolving nature of their productive activities. The study was based on six objectives namely: (i) Evaluating indicators of socio-economic change for clients and their households over a three-year period, which linked to their use of PRODEM credit services (ii) Assessing changes in PRODEM client business and productive activities resulting from access to PRODEM credit services (iii) Evaluating the impact of PRODEM credit services in selected economic sub-sectors to provide insight into the operating context of PRODEM clients’ business (iv) Gain enhanced understanding of rural clients; markets to assess credit needs and market opportunities (v) Use the data collection and analytical process as a staff development opportunity for both field officers and head office staff through exposure to new methodological approaches (vi)

Contributing to the field of impact assessment generally by developing an innovative study model that incorporates analysis of the impact of new credit on local markets and ties impacts at the household and business levels with changes occurring in the markets on which they depend.

2.1.3: Empirical Review:

The ILO (1998) report of a “National Workshop on Promoting Demand Oriented Research in the area of Micro and Small Enterprise Development in Kenya” realized that microfinance is no doubt making substantial impact on incomes and the welfare of the most disadvantaged groups. Poverty reduction estimates based on microcredit shows that about 5% of programme participants lift their families each year by participating in and borrowing from microfinance programmes as Khandker (1998) once revealed on the work on “Fighting Poverty with Microcredit”.

As Maria Otero (1997) observed in her article “Three Golden Rules, Keys to Success for Microfinanciers and their Clients” those tiny/small economic units that are operating at the margin of the modern sector or outside it are the major sources of employment in urban areas throughout developing world. In some cities, more than half of the economically active people are employed in these ‘microenterprises’. This group provides most jobs/employment in many developing countries varying from 40%-90%.

In Tanzania, for instance, about 75% of the households depend very much on the informal business and earn their living through this type of economic activity. The informal business is playing an important role in accelerating and broadening economic

base, ownership, employment and at the same time reducing disparities among the people particularly the disadvantaged group in the society (Omari, 1991).

A number of impact assessment studies carried out on the activities of PRIDE for the year 1997, 1998, 1999 and 2000 through qualitative and quantitative research approaches concluded that loans had improved the living standards of its clients through increased income generating activities, improved job opportunities and enhanced income whereby Tshs. 9.0 billion was made available to them as credits reached a total of 62,500 poor people with 95% of these clients being women. Through PRIDE's mobilization efforts and awareness, it has inculcated a culture of savings, which is also important in the social economic upgrading of the many households in Tanzania.

There has been clients' business improvement and these document success stories of clients having grown from a petty trader to a small business enterprise owner after graduating at different loan cycles. Some started from the scratch with very little capital and narrow scope of business undertaking but after acquired skills and competence on business selection, planning and management coupled with receipt of loans at various loan cycles, they have expanded their business, improved the quality of their products and service, captured new business opportunities and become more enterprising, signaling that the entrepreneurs are prospering.

Nchimbi (2004) conducted a study on assessment of the performance of credit schemes in promoting economic empowerment of SMEs owners in Arusha Municipality who were provided loans by the National Microfinance Bank (NMB). The study looked at

performance, effectiveness and impact of microfinancing programmes/credit schemes on the development along with contribution to economic empowerment for owners of small and medium business enterprises as a means to eradicate poverty. The study considered some indicators of the impact of microfinance interventions to include: ability to finance education, employment creation, business growth, food sufficiency, construction of houses, household furniture/equipment, savings and standard of living. Findings based on interviews, questionnaires and observation confirm that 64% of the respondents used loans to expand their business activities as well as funding education for their children. 86% of loan beneficiaries have improved/expanded their business ventures and 60% have improved household consumption in terms of food, shelter, clothing, health services and their life standards.

The study by Makombe, Temba and Kihombo (1999), assess the extent of empowerment of low-income women at household level as a result of loans given for starting income generating activities (IGAs) or microenterprises. It covered clients of the Credit Scheme for productive activities of women Tanzania (CREW) piloted in Tanga Region (Handeni, Korogwe, Lushoto and Muheza Districts), Zanzibar and Pemba from 1991 and later from 1995. The study methodology used interviews and observation from the respondents selected randomly with data analyzed both qualitatively and quantitatively.

The research firstly made an assessment of the impact of credit schemes on gender relations; secondly, looked at factors influencing or inhibiting the success of women's IGAs, and finally, assessed the sustainability of IGAs funded by the credit scheme.

The inability of low-income people to mobilize resources sufficiently to constitute capital for IGAs is found to be one of the major causes for the persistence of poverty. This problem is compounded by the virtual inexistence of credit facilities appropriate for owners of IGAs or microentrepreneurs.

In Tanzania, for instance, out of 1.8 million enterprises in the informal sector only 0.4% (8,000 enterprises) obtained their credit from formal sources as Malima, (1997) observed in the article “PRIDE Tanzania: Experiences in Microfinance Activities”. Similarly, it is estimated that fewer than 10% of the people who operate micro and small enterprises in Kenya have access to financial services as Dondo, (1997) revealed in his article “Learning by Doing’. The Experience of Kenya Rural Enterprises Programme (K-Rep) In Microfinance”.

This serious lack of access to credit by microentrepreneurs has become even more acute with the liberalization of banks and financial institutions. Providing appropriate financial services to low income microentrepreneurs is important because such an intervention may well be the single most effective means to tackle poverty and create broad-based economic growth. This is because financial services give poor people the means to increase their assets, income, living standards and their roles in shaping the society.

The study findings show that the respondents had a wide perception of poverty as evidenced through the range of proposed solutions to get out of poverty. Women’s efforts in alleviating poverty through the credit scheme are affected by various factors such as:

imperfect markets, stiff competition, inadequate loans, and poor weather conditions. The resultant effect of these problems is that about three-fifths (3/5) of the women's IGAs are not sustainable.

In spite of these problems, the analysis of the credit scheme based on six indicators namely: Participation in decision making, control over resources, acquisition of skills, decision on money use from IGAs, freedom to use own time and standard of living showed positive impact in bringing about improved gender relations and poverty alleviation. Participants in the credit scheme had given women more respect as such 85.8% of the respondents confirm to have an increase to some degree of social status in their households. About 46% of the beneficiaries assert to have an increase in the standard of living in terms of increased ability to meet some basic needs like food, clothing, education for the children and health expenses.

However, the emerging policy implications include: Introduction of irrigation schemes for sustainable of agricultural activities by the rural poor, increased gender sensitization through training by the lending institutions, refocusing the target group for the credit scheme(s) so that the very poor remain central, increased training in relevant fields, and assistance in securing markets for IGAs products. Others are creating an enabling environment for microenterprises and institutional and policy reforms to promote better access and secure rights to assets for women.

The report by HIVOS, SNV and FACET (2004), is a brief elaboration of the community based organization³⁴/microfinance models in East Africa. It draws potential experiences on SACCOS, Microfinance Associations, Financial Services Associations etc. situated across East Africa to include, for instance, Rural Finance Schemes, 'Dunduliza Ltd' both of Tanzania, K-REP/FSA model of Kenya and KRC/MFA model in Uganda.

These microfinance models shed light on the sphere of rural finance and ways to enjoy the microfinance best practices toward the rural- microentrepreneurs.

The report provides useful lessons learned which drawn from practical issues that are important for the new or improved models for rural community based microfinance institutions to fully commence, operate and produce concrete results for the benefit of all stakeholders. The lessons drawn are many, a few include: (i) Economic potential (i.e. economic base) (ii) Accessibility (banking services, markets etc) (iii) Role of local leaders and local promoters (iv) Governance structure (participation, transparency, accountability, consensus-orientation, equity, respect for rules, policies, regulations etc.) (v) Transparency (vi) Accountability and active participation of member (vii) The role of formal financial institutions (viii) Role and commitment (ix) Planning (x) Time frame (xi) Capacity of promoting agency.

Ways such as paradigms of microfinance, concepts and methodologies are being developed that aim at reaching the rural poor (especially farmers) with a concept on building Community Based Microfinance Institutions.

³⁴ A voluntarily formed organization by members of the community who identify their needs, vision, mission, objectives etc.

The findings confirm that poverty especially to rural household comprises 80-90% of the poor and that extending the frontier of sustainable microfinance beyond the urban area is no doubt obvious. The rural poor constitute both the greatest unmet need and the largest unserved and marginalized market for financial services. Moreover, no doubt those rural areas offer significant business opportunities.

Indeed, to serve this market in a sustainable and successful manner, barriers/hurdles of costs and risks have to be overcome. This will require technological and methodological innovation via a holistic approach to community development.

Pitt, Khandler and Cartwright (2003) in a joint study “Does Microcredit Empower Women? Evidence from Bangladesh” observed that government and non-governmental organization in many low-income countries have introduced credit programmes targeted to the poor. Many of these programmes specifically target women based on the view that they are more likely to be credit constrained, have restricted access to the wage labour market and an inequitable share of power in household-decision making than men. The Grameen Bank of Bangladesh is perhaps the best-known example of these small-scale production credit programmes for the poor and findings revealed that over 90% of its clients are women. The studies found, inter alia, that credit provided to women importantly improves measures of health and nutrition for both boys and girls than credit provided to their counterparts.

A paper presented by Prof. Muhammad Yunus (1999) on “How Donor Funds Could Better Reach and Support Grassroots Microcredit Programs, Working Towards the

Microcredit Summit's Goal and Core Themes" singled out the ways on how to fulfill the microcredit summits' goal of reaching 100 million of the worlds' poorest families especially the women with microcredit for self employment and other financial and business services by the year 2005. It was agreed that the summit should ensure not only more resources are dedicated to promoting microcredit but also that resources are provided to the institutions in cost-effective ways. Donor agencies generally provide funds as grants or low interest loans to microcredit programmes, often with government involved as a guarantor. The administrative cost of providing these funds is often unacceptably high, and the amount that reaches the poor as loans is probably quite low. It is strongly suggested that donors should increase the percentage of funds used for microcredit that reaches the poorest to at least 70%.

Several limitations exist in the current methods of fund distribution by donor agencies. Firstly, an over-reliance on consultants, many of whom do not have skills necessary to successfully advise and assist microcredit donors and practitioners. In order to strengthen their capacity to reach the poorest, donor agencies should declare what percentage of funds going to the microfinance sector will be committed to loans to the poorest and require each local office to produce annual reports on its contribution to achieving its country goal. A clear policy should be established to ensure that funds go to the poorest.

The Microcredit Summit estimated that US\$ 11.6 billion would be needed as grant and soft loans to reach 100 million poor families. According to Yunus, the Consultative

Group to Assist the Poorest ³⁵(CGAP) has a critical role to play as a catalyst given the fact that it is uniquely positioned to assist and with its commitment to reaching the poorest and as an agency of which all leading donors are constituted. Prof. Yunus is in the opinion that the percentage of money going to the poorest as loans will be quite low, probably less than 25% and that the amount of funds going to the group as loans in the first cycle is low. Besides, it is argued that in some cases funds used for institution building have been helpful, the bulk of the funds have not been used in cost effective ways in terms of meeting the credit needs of the poorest.

Drawing an experience from Grameen Trust (GT), via Palli Karma-Sahaya Foundation (PKS) demonstrated that the cost of delivering 1US\$ in loans to a very poor women in a village in a third world country from a donor headquartered in first world country and ensuring proper monitoring, the cost of having Microcredit Funds (MCF) based in a third world country deliver the loan will only be a fraction of the cost. While it will cost several dollars to administer a loan of 1US\$ in the North, it will cost only a few pennies in the local MCF while providing continuous, uninterrupted funding up to institutional viability, built local capacity and sustainability.

Through this mechanism more donor money can go into the hands of the poorest as loans, rather than in the pockets of officials and the consultants as salaries, fees, and international travel.

³⁵ An agency of the World Bank founded in 1995 to disseminate microfinance best practices to policy makers and practitioners to expand the level of resources reaching the economically active poor

The paper by Greuning, Gallardo and Randhawa (1998) singled out that Banks in developing countries typically serve no more than 20% of the population leaving the rest with little, if any, access to financial services. The unserved majority, which employs as much as 60% of the economically active population, depends on informal and semi-informal sources of finance. Most of the entities providing microfinance services are non-formal and semi-formal institutions not subject to prudential regulations, which apply to banks, and other formal-sector institutions. The work further seeks to provide a framework for addressing regulatory issues which impact operations and institutional development of MFIs. It further focuses on risk taking activities that need to be managed and regulated. MFIs can be classified into three broad categories namely: MFIs which depend: on other peoples' money; on members' money and which leverage the publics' money to fund microfinance loans.

It is argued that the continuum of institutions providing microfinance in a financial system context cannot develop without a conducive regulatory environment.

Financial systems as a whole continue to evolve and find new ways to service demands for financial services in the emerging markets. The innovative and rapid development of many localized efforts to provide financial services to the poor outside of formal channels has generally overtaken policy formulation by governments. The reaction of some governments and multilateral agencies is unfavourable to microfinance. Comprehensive regulation is being proposed for microfinance activities and institutions through mandated standards of performance and risk-ratios.

The paper points out the benefits from a transparent and inclusive regulatory framework within which MFIs can progressively evolve into FFIs. As financial institutions, it is prudent for all of the different types of MFIs to observe internal or voluntary guidelines for risk management (profitability, risk, solvency/capital adequacy risk, credit risk, treasury risk and operational risk). The nature of the microfinance business and the institutional structure of MFIs determine the priority ranking of risks that need to be managed.

It is suggested that coordination among the key participants can be enhanced by dialogue and dissemination of commonly understood measures that clarify regulatory aspect in the provision of financial services and establish an environment under which MFIs can follow an orderly progression to institutional development.

Another study on “The scaling-up of microfinance in Bangladesh: Determinants, Impact and Lessons” by Zaman (2004) for the World Bank Policy Research Working papers points out that the microfinance industry in Bangladesh currently provides access to credit to around 13.0 (Thirteen Million) poor households. It argues that microcredit plays a significant role in reducing household vulnerability to a number of risks and that it contributes to improving social indicators.

The paper suggests that strategic donor investments in a handful of well-managed institutions that offer a simple, easily replicable financial product could lead to large gains in access to finance for the poor. However, this approach could sacrifice other

objectives of financial sector development, such as product and institutional diversity, which could be promoted after the initial expansion has taken place. Governments can also have a crucial role in promoting access to microfinance by ensuring macro-economic stability, enforcing a simple regulatory structure and developing communications networks that reduce transaction costs.

A Report by PREM Network (1998) prepared for World Bank on "Using Microcredit to Advance Women" asserts that providing the poor with financial services increases their income, productivity and self-employment, thereby reducing poverty. It states categorically that many countries traditional financial institutions have failed to reach the poor due to collateral requirements, which the poor do not have. Therefore microcredit programmes have been developed to fill this gap. Banks and other donors, microfinance is emerging as a powerful tool for reducing poverty and improving access to financial services in low-income countries.

The Report point out that Bangladesh is a leader among low-income countries offering microcredit. The Grameen Bank, founded as a project in 1976 and transformed into a Bank in 1983, is the best-known microcredit programme. The bank believes that the most pressing need of the poor is credit, which they can use to create and expand self-employment opportunities. The group-based lending approach has guided more than 750 nongovernmental organizations (NGOs) operating small-scale microcredit programmes in Bangladesh. Other two large microcredit programmes including the Bangladesh Rural Advancement Committee (BRAC) and Rural Development Project (RD-12) also rely on

group-based lending. The advent of microcredit institutions has been a blessing for Bangladesh's poor especially women. The studies deployed control groups/villages as the methodology to justify the study validity and significance.

Findings from the report further revealed that microcredit programmes are more attractive to poor women than to poor men. The programmes have learned that women are better credit risks than men. Again reaching out to more women than men promotes social development and gender equality. As a result Bangladesh's microcredit programmes target women and membership among women is high in all three programmes. By 1994 the Grameen Bank had more than 2.0 million members with 94% of them being women. Nearly 88% of BRAC's members were women as were 70% of RD-12's members. Most impressive, however, women's loan repayment rates were well above 90%. In many cases credit given to women has a greater impact than credit given to men. It has improved, for instance, children's schooling welfare, nutrition well-being, smoothes household consumption, labour supply and the like.

2.2.0: Policy Review:

2.2.1: The Microfinance Policy:

For the majority of Tanzanians as provided by The National Microfinance Policy (2000), whose incomes are very low, access to financial services offers the possibility of managing scarce household and enterprise resources more efficiently, protection against risks, provision for the future and taking advantage of investment opportunities for economic returns. Microfinance addresses the financial needs of major sectors of the

Tanzania population. They are primarily facilitators rather than creators of the underlying economic opportunities that lead to widespread economic prosperity thereby contribute to reduction of poverty and improvement of income distribution hence higher standards of living.

While focusing on contributing to economic growth and reduction to poverty, the policy is geared to undertake the following:

- Establishing a framework within which Microfinance operations will develop.
- Laying out the principles that will guide operations of the system.
- Serving as a guide for coordinated intervention by the respective participants in the system.
- Describing the roles of the implementing agencies and the tools to be applied to facilitate development.

The Government considers microfinance system as an integral part of the financial sector that falls within the general framework of its financial sector reform policy statement of 1991. The overall objective of the policy is to establish a basis for the evolution of an efficient and effective microfinance system in the country that serves the low-income segment of the society. The policy covers the provision of financial services to households, smallholder farmers, small and microenterprises in rural areas as well as in the urban sector covering a range of financial services including savings, credit, payments and other services. In the end, the Government expects institutions that decide to become microfinance service providers to fulfill their responsibility to learn '*Best Practices*' and apply sound financial principles in the delivery of their services.

2.2.2: The Small and Medium Enterprises Development Policy:

Small and Medium Enterprises (SMEs) (2000) have a great potential to complement large industries requirements. A strong and productive industrial structure can only be achieved where SMEs and large enterprises not only co-exist but also function in a symbiotic relationship. In Tanzania, the SMEs sector has been recognized as a significant sector in employment creation, income generation, and poverty alleviation and as a base for industrial development.

The SMEs are confronted with unique problems including heavy cost of compliance resulting from their size. Other constraints include insufficient working premises and limited access to finance. In addition, Business Development Services, namely services related to entrepreneurship, business training, marketing, technology development and information are underdeveloped and not readily available. At the same time, the institutions and associations supporting SMEs are weak, fragmented and uncoordinated partly due to lack of clear guidance and policy for the development of the sector.

The establishment and the overall objective for the establishment of the SMEs Policy (2003) is to foster job creation and income generation through promoting the creation of new SMEs and improving the performance and competitiveness of the existing ones to increase their participation and contribution to the Tanzanian economy.

The Policy address the following key areas namely:

- Reviewing and reconsidering public policies and regulations that discriminate against or hinder the start-up, survival, formalization and growth of SMEs.
- Enhancing the growth of the sector.
- Identifying and assigning clear roles of key actors.
- Developing strategies that will facilitate provision of financial and non-financial services to SMEs.
- Developing and institutionalizing public-private partnerships for SME sector development.

The SME development policy seeks to further the objectives of the Tanzania Development Vision 2025. The implementation of the policy is based on the basic principles to include: consensus-building through dialogue; active participation of all key stakeholders; capacity building to ensure effective utilization of all factors of production and periodic review to identify bottlenecks in the implementation process with view to finding their solutions along with best practices.

2.2.3: The Cooperative Societies Act:

The Cooperative Societies Act, 2003 is an Act established to cover a diverse range of societies to include: Savings and credit societies, financial cooperatives, microfinance institutions and cooperative banks, agricultural societies as cooperative societies whose primary activities are to mobilize savings and furnish secured and unsecured loans or credit to households, smallholder, producers and market entrepreneur, microenterprises in

rural and urban areas. Such societies are established with objectives centered in the promotion of the economic and social interests of its members by means of common understanding, based upon mutual aid and which conforms to the cooperative principles or a society, which is established for the purpose of facilitating operations of societies.

Management of the societies is based on the following principles: (i) Voluntary and open membership (ii) Democratic members control (iii) Member economic participation (iv) Autonomy and independence (v) Education, training and information (vi) Cooperation among cooperatives (vii) Concerns for community sustainably.

The Act is therefore geared to cover concerns of the societies with a view to:

- Improving the economic situation of their members.
- Contributing to the economy and increased measure of self-reliance and democratic control of economic activity.
- Increasing personal and national capital sources by encouragement of thrift, the prevention of usury and the wise use of credit.
- Raising the level of general and technical knowledge of members of societies.

This is in response to some of the initiatives to fight poverty through participation in economic activities for the national economy. The Government is providing and creating conducive environment for the development and prosperity of cooperative societies.

2.3.0: Summary and Findings:

It has been argued, interalia, that the inability of low-income people to mobilize resources sufficient enough for income generating activities is one of the major causes for the persistence of poverty. Lack of appropriate financial services for low income or poor people is an obstacle to the poor and thus the FFIs deny the services to the poor to engage in business as a drive to poverty alleviation. At the same time informal economy in which the poor operates is viewed as the major employment reservoir for empowering the marginalized.

Financial services for the poor have to be a powerful instrument for poverty reduction that enables them to build assets, increase incomes and reduce their vulnerability to economic stress. Flexibility on activities, which can be financed by MFIs or community banks such as DCB, creates an opportunity for development of the informal sector through making credit and other financial services available. Most of the poor work in the informal sector because of its distinct nature of free entry and exit that include skills/education levels, availability etc. Financial services provided by these MFIs are believed to stimulate the growth of the sector through promotion of creativity and use of technology by the informal sector operators, which could be acquired through loans/credits and so scaling up their various business ventures.

Credit is a resource that should prudently be invested. It must be skillfully utilized in productive undertakings, which can generate profit for the future needs of the business, consumption of the borrower and loan repayment for sustainability of the scheme. It is

through efficient and profitable utilization of credit/loans that the poor can manage to improve their standard of living and make microfinance an effective tool to fight poverty. Microfinancing have played a significant role in promoting such activities and particularly alleviating poverty that's why it is being recognized to offer one of the potential capacities of microfinance to help the poor becoming active participants in the development process.

Following the aforementioned brief venture in related literature review, the poor are important and indeed, constitute a large segment of our society. The group greatly needs support especially financial services that are convenient, effective, safe, secure, continued and reliable to start-up or boost their economic activities. Supports from microcredits ranges from credit empowerment to improvement in general life of the microentrepreneurs. As part of his conclusions, Hernando De Sotro (2003), strongly argues that the poor are not the problem, but the solution. They are vibrant and truly creative entrepreneurs. It is thus evident that microcredit is a widely accepted and recognized means to reaching the majority poor. Moreover, at the most basic level, there is a need to understand and improve the impact of MFIs as a key premise to successful poverty reduction. Impact evaluation assessment based on practitioner-friendly approaches is believed to provide useful information about clients, their needs and their perceptions. This can assist management of impacts and improvements in products, services, delivery methodologies and the impact on poverty. Conducive policies are prerequisite to be in place for the supportive legal and regulatory environment to address broader microenterprises concerns for the practitioner to smoothly undertake their enterprises.

CHAPTER THREE

3.0.0: RESEARCH METHODOLOGY:

3.1.0: Introduction:

In undertaking this evaluation work, a set of well-chosen methodology is deployed to get answers for the evaluation questions. The methodology is based on primary and secondary data collection, data analysis and data presentation both quantitatively and qualitatively.

3.2.0: Research Design:

The research design was developed following an intensive “pre-test” assessment sessions involving discussion with SGL clients and DCB staff and review of related literature in microfinance issues.

The sampling plan for this evaluation study has identified and made use of a sample size of about 10 % (250 of the SGL clients) in all the three administrative Districts of Dar-es-Salaam Region including Kinondoni, Ilala and Temeke covering a 3-year period, which the bank has so far been in operation and the respondents involved with microfinance. This study forms the target population of 2,600 DCB’s SGL clients engaged in income generating activities (IGAs) including food vending, retailing and wholesaling, farming and small industries. Some of the places where the clients conduct their business were also visited in order to observe and analyze the activities, working conditions and assess their success and /or failure. The research has used the DCB via its SGL methodology (clients) and a control group (non clients) as a case study only.

3.3.0: Research Approach and Strategy:

To ensure consistency, male and female in all the three administrative districts were equally and fairly considered while observing the gender balance in this evaluation study.

3.4.0: Sampling Techniques:

Random and purposive samplings have been used in this evaluation survey. Key issues that have been considered include major economic activities undertaken by the sampled group, existing sources of business finance and credit supplied by the DCB as well as constraints and achievements as ways of benefiting from such microcredits. The aim was to collect the SGL data that has facilitated interpretation of this evaluation study findings.

3.5.0: Data Type and Data Collection Instruments:

3.5.1: Data Type:

This study employed microfinance theory conducted using multi-prolonged approach including firstly, primary data from the DCB and SGL clients. The SGL clients include SMEs entrepreneurs (individuals/groups) who are engaging in productive income generating activities (IGAs). Secondly, desk-based studies of secondary data (documentary review) from other sources and Bank of Tanzania (BOT) on Microfinance resources like policies, regulations governing Small and Medium Enterprises (SMEs).

Secondary data has been collected prior and during the field evaluation survey from published and unpublished sources including MFIs reports. Additionally, the study sought information from a variety of sources including text books, previous research papers, financial and other journals, pamphlets, newspapers, magazine, workshop

proceedings, government policies and programmes, different reports both published and unpublished, international organizations' programmes relevant to the subject, constituted a significant source of information to this study. Such data is expected to supplement the primary data to find out what other direction have accomplished so far on microfinancing industry.

3.5.2: Data Collection Instruments:

This evaluation study has made use of main four (4) methods of data collection namely:

- **The Structured Questionnaires:** Have access among others, the nature, status, credit modalities, types of entrepreneurial income generating activities that are financed by the microfinance credits and sustainability of DCB that provide credit facilities to its clients in Dar-es-Salaam.
- **Fieldwork Interviews:** Aimed at establishing clients' perception on DCB institution and their business undertakings.
- **Focused Group Discussion (FGDs):** This approach has been helpful in gaining insights from peoples' shared understandings on DCB institution with its SGL clients' activities.
- **Observations:** Fieldwork observations were conducted to appreciate perceptions, activities of the SGL clients, their physical business location and locality, social-economic situation, microcredit problems etc.

However, structured questionnaire, observations, fieldwork interviews and documentary sources were the major methods used in data collection.

3.6.0: Administration of Questionnaires:

In gathering information for this study, 250 Structured Questionnaire forms were administered on site in various centres of DCB's SGL members including Ukonga/Segerea (Ilala District), Tegeta/Mwenge and Mlalakuwa (Kinondoni District), and Keko/Mtoni (Temeke District).

The Questionnaire generally sought information about the gender balance, age group distribution, occupation (type of income generating activities engaged in), education level, marital status, number of households etc.

Some of the detailed questions include whether the clients are satisfied with the Banks' product and services, terms and condition of the loans, the interest rates, and other problems related to microcredit (*See attached Sample Questionnaire Forms as Appendix No.9*).

3.7.0: Data Coding:

All the questionnaires that have been used in this evaluation study are designed both in "Swahili" and English languages since the level of education of the respondents is varied. Each closed and open-ended question has been assigned a code and the Statistical Package for Social Scientists³⁶ (SPSS) software has been used throughout for data entry, analysis and presentation.

³⁶ Special Designed Statistical Programme aiding as a tool of analysis

3.8.0: Data Analysis and Presentation Methods:

Through the use of SPSS this study has made make use of the middle range approach, which combines both qualitative and quantitative methods and tools of analysis to analyze primary and secondary data. The analysis of data involves descriptive statistics through frequency distribution tables, cross tabulation, graphs, charts as well as narrative analysis to summarize what has been collected for use in the study. Purposefully, simple cross tabulation, charts, graphs, plates, figures as well as other tools of analyses (mean, medium, and mode) sought useful tools of analysis for the collected information and put them into a presentable manner.

3.9.0: Summary and Conclusion:

The study has used a combination of qualitative and quantitative techniques with a range of relevant methodology to arrive at the output. The methodology through observation, interview, focused group discussion, questionnaire etc. undertook an impact evaluation assessment vide chosen indicators of the DCB clients as beneficiaries of the intervention. A control group comprising non-beneficiaries was also set and tested to validate the study. The techniques through applicable software have proved to be useful tools of analysis in this evaluation study.

CHAPTER FOUR

4.0.0: THE FINDINGS AND RECOMMENDATIONS:

“Access to financial services enable households secure and improve lives”

-Microfinance Department, CRDB Bank.

4.1.0: Introduction:

In its second year of operation, DCB has disbursed about Tshs 670.0 million loans to about 2,350 microentrepreneurs covering the three administrative Districts of Ilala, Kinondoni and Temeke (*See also attached Group Lending Progress Summary Report in Appendix 5*).

Following data analyses from the information collected, the following major observations have been made and forming an integral part of these study findings:

4.2.0: Major Findings and Discussions:

4.2.1: Loan Features, Outreach and Sustainability:

Loan products targets low-income group through SGL methodology and comprise a monthly flat interest rate of 4% (i.e. 48% per annum) and have eight loan cycles with every circle of a weekly repayment, which is well recorded above 97%.

The programme encourages voluntary group formation, mutual understanding and strive to capture more clients both economically active low-income women and men for loan provision.

For the purpose of this study, 250³⁷ SGL clients out of 2,600 clients forming about 10% of the total sample size have been interviewed in Ilala, Temeke and Kinondoni Districts. Former records by the DCB had 900, 830 and 870 clients in Kinondoni, Ilala and Temeke Districts respectively. Compared to current records of about 2,350 clients there about 250 client dropouts. Reasons³⁸ advanced for such drop out are due to the following:

- Stiff competition among the MFIs in the market and of course competition is what makes the customer or client decides.
- Initially the credit officers are unable to deliver comprehensive information about the loans to the targeted clients. In other words, the clients lack an important education in loan uses and consequently prone to the loan misuse or perceived as good as a gift.
- Poor analysis or assessment of client business management and support services.
- Missing follow-ups of the clients' business undertakings by the credit officers mainly due to laxity and irresponsibility.
- Prolonged illness and/or death incidences to include some deadly diseases such as chronic malaria, HIV/AIDS etc.

4.2.2: Gender Balance and Marital Status:

Out of 250 SGL clients interviewed, 85 are male who form 34% against 165 women who form 66%. Women account for a relatively large share of borrowers primarily because the programme's loan is well suited to petty trading. This also indicates that women are actively forming groups (willing to attend group meetings and comply with savings and

³⁷ Number of SGL clients interviewed through structured questionnaires and focused group discussion.

³⁸ Interview with the SGL Clients and DCB credit Officers

loan terms) and engage in microenterprise business. The emphasis on women is based on the fact that women are the most oppressed within the ranks of the poor and most importantly, because giving credit to women translates into greater welfare within their households.

Most of these entrepreneurs are married 192(76.8%) against single 55(22%) and widowed/separated 3(1.2%) (See Table 1.1 and 1.2).

Table 1.1

Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	85	34.0	34.0	34.0
Female	165	66.0	66.0	100.0
Total	250	100.0	100.0	

Source: Field Survey Data (2004)

Table 1.2

Marital Status

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Single	55	22.0	22.0	22.0
Married	192	76.8	76.8	98.8
Widowed/Separated	3	1.2	1.2	100.0
Total	250	100.0	100.0	

Source: Field Survey Data (2004)

4.2.3: Education Level:

The majority of SGL clients have basic primary education (up to seven years of schooling) recording 61.6% followed by secondary education comprising 33.6% (up to 11 years of schooling). Those with college/institute education (above 11 years of schooling) form a small segment of the clients' i.e. 4.0%. Illiterate people (who did not attend any formal school) records 0.8 %.

It is evident that the majority of the entrepreneur's have primary education level followed by secondary education. This suggests that very few having college/institute education level seems to engage in the methodology of Group Lending. This suggests that this group might own their equity investments capital, are able to secure funds from Formal Financial Institutions or secured some good employment somewhere in public/private sectors (*See Table 1.3*).

Table 1.3
Education Level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Primary	154	61.6	61.6	61.6
	Secondary	84	33.6	33.6	95.2
	College/Institute	10	4.0	4.0	99.2
	Illiterate	2	.8	.8	100.0
	Total	250	100.0	100.0	

Source: Field Survey Data (2004)

4.2.4: Age Group Distribution:

The vast majorities served by DCB through this methodology are middle aged between (31-50) years forming about 61% followed by youth (18-30) years forming 32.4% and old age (51-70) years forming only about 7%. This indicates that middle-aged group is the one actively engaged in the microenterprise activities than the rest (*See Table 1.4*).

Table 1.4
Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Youth (18-30)	81	32.4	32.4	32.4
	Middle Age (31-50)	152	60.8	60.8	93.2
	Old Age (51-70)	17	6.8	6.8	100.0
	Total	250	100.0	100.0	

Source: Field Survey Data (2004)

4.2.5: Type of Business Activities Undertaken (Occupation):

Generally, common income generating activities (IGAs)³⁹ which the SGL clients are engaged in through that the DCB Bank financing includes, but not limited to:

- Food Vending (Dried/Fresh fish, Vegetables, Fruits, Cooking oil, ‘Mama/Baba lishe’ etc.).
- Retailing and Wholesale (Shop frames, Kiosks, Cosmetics, Salon, Shoe shining, Butchery, Groceries, Restaurants, Dry cleaners, Charcoal, Tie and Die, Photographing, Cold drinks, Kerosene, New and Second hand clothes, Cereals, Telephone call boxes, Boutique, Tailoring, ‘Khanga’, Decorations, Flowers, Tree seedling, Spare parts, etc.).
- Farming (Poultry farm, Pork farm, Dairy farm, Animal husbandry/feed etc.)
- Small Industries (Light engineering services, Mechanical, Welding, Electric services, Carpentry, Timber selling, Quarries etc.).

Findings from the study shows that more than a half of entrepreneurs (about 55%) are engaged in retail and whole sale businesses followed by food vending comprising of 34%. Farming activities forms about 8% and lastly very few (2.4%) undertake small industries activities. Those activities vary as detailed above. While all the aforementioned activities can equally pay off but the entrepreneurs embark onto those fast moving activities that could easily find their way out to quick market with rapid turnover (*See Table 1.5*)

³⁹ Ventures that the Clients undertake. Some of the beneficiaries undertake more than one activity.

Table 1.5**Type of business Activities(Occupation)**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Food Vending	85	34.0	34.0	34.0
	Retail and Wholesale	138	55.2	55.2	89.2
	Farming	21	8.4	8.4	97.6
	Small Industries	6	2.4	2.4	100.0
	Total	250	100.0	100.0	

Source: Field Survey Data (2004)**4.2.6: Income Levels:**

The majority of the SGL clients are low-income earners. The study revealed that about 33% comprising low-income group, followed by middle-income group (24%) and high-income groups are about 9%, 6% and 8% respectively (*See Table 1.6*).

This shows that the Bank is serving most of the low-income population especially those economically active poor people who mostly engage in small businesses.

Table 1.6**Average Income(Gross per month)**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Tshs 50,000-100,000	82	32.8	32.8	32.8
	Tshs101,000-200,000	60	24.0	24.0	56.8
	Tshs 201,000-300,000	23	9.2	9.2	66.0
	Tshs 301,000-400,000	14	5.6	5.6	71.6
	Tshs 401,000-500,000	21	8.4	8.4	80.0
	Above Tshs 500,000	50	20.0	20.0	100.0
	Total	250	100.0	100.0	

Source: Field Survey Data (2004)

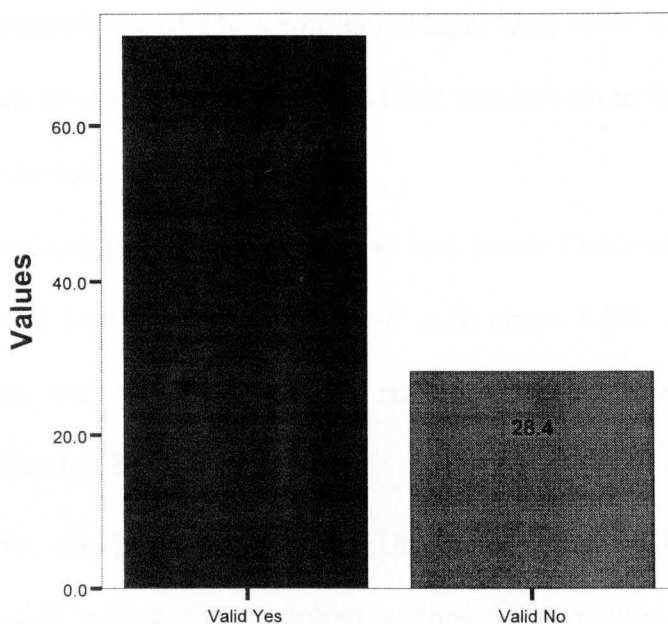
4.2.7: Satisfaction with DCB Services and Loan Condition:

Most of the clients interviewed appreciated that they are generally satisfied with the DCB terms, conditions, products and services of loans offered by the Bank. Out of the sample size, about 71.6% indicated those who are being satisfied with the services and 28.4% were those dissatisfied (*See Figure 1.1*).

Figure 1.1

Are you satisfied with DCB loan Conditions

Statistics : Valid Percent



Are you satisfied with DCB loan Conditions

Source: Field Survey Data (2004)

However, the levels of dissatisfaction recorded are due to the following problem areas:

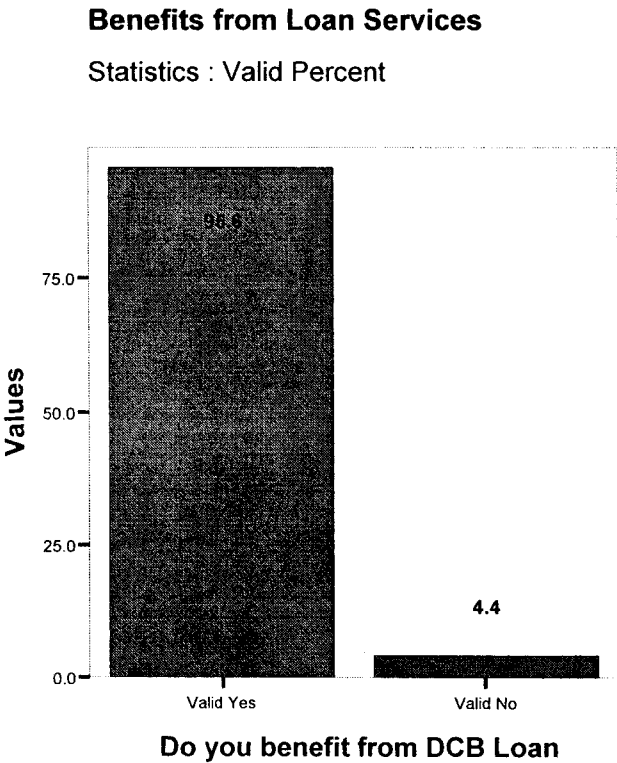
- High interest rate: About 75.6% of the respondents confirms to have no problem with high interest rate (4% per month) charged by the DCB bank against 24.4% of those who are not satisfied with the interest rate.

- Short grace period: About 95.6% of the respondent had no problem with short grace period whereas only 4.4% were not satisfied with the grace period for one to have cleared his/her loan repayment amount as scheduled.
- Weekly repayment period: This mentioned to be very short for one to have done a reasonable business as such to accumulate the returns. This seems to be a burden to the clients and thus slows down their capital. However, the findings recorded about 71.2% of those who are comfortable with the weekly repayment schedule against 28.8% of those not satisfied with the same.
- A commitment fee of 1% is considered high: Only 4.4% were complaining about the commitment fee required by the Bank whereas about 95.6% are satisfied with the fee charged.
- Amount (loan) provided at the start is very small: Those who are saying the bank provides a small starting loan were only about 9.6%. The rest (i.e. 90.4%) considers the amount given, as starting loan quite reasonable to prepare themselves for the loan cycles.
- Solidarity group inconveniences: The results indicate that about 93.2% are comfortable with the methodology against 6.8% of those who feel dissatisfied with the methodology of solidarity group lending.
- Delays in receiving loans: The study revealed that 91.2% of the respondents confirm that there is no delays in loan processing against 8.8% of those who brought forward their complaints about some delays in securing the loans.
- Unpredictable business situations: Given competitive business environment, still a good number of clients (about 95.6%) have been able to cope with economic

activities as opposed to 4.4% of those who encounter uncertainties in their business undertakings.

4.3.0: Benefits from Loan Services:

Generally the study findings suggest that many people are benefiting from microcredit given via this methodology and have generally improved their lives. Empirically, about 95.6% confirm that they have improved their lives. 4.4% of the respondents are saying have not benefited. Apart from being the ones given these loans for the various business ventures they are not the ones who only benefiting from such loans. Findings indicate that most of the households comprise family member of about 4 to 6 people (forming about 52%) who are benefiting in one way or another to their livelihood (*See Figure 1.2*).



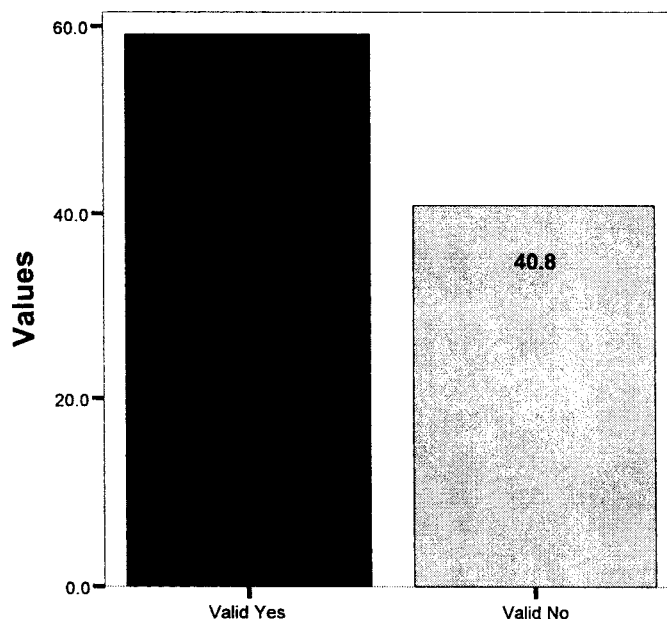
Source: Field Survey Data (2004)

Specifically, there are some ways that asserts to this range of benefits to include but not limited to the following:

4.3.1: Education for the Children:

The study shows that about 59.2 % have been able to use part of the benefits accruing from loans (i.e. accumulation after profit⁴⁰ realized from the business) to educate their children at various levels whereas 40.8% were unable to benefit through this way as shown in *Figure 1.3*

Ways of benefiting from loan: Education for the Children
Statistics : Valid Percent



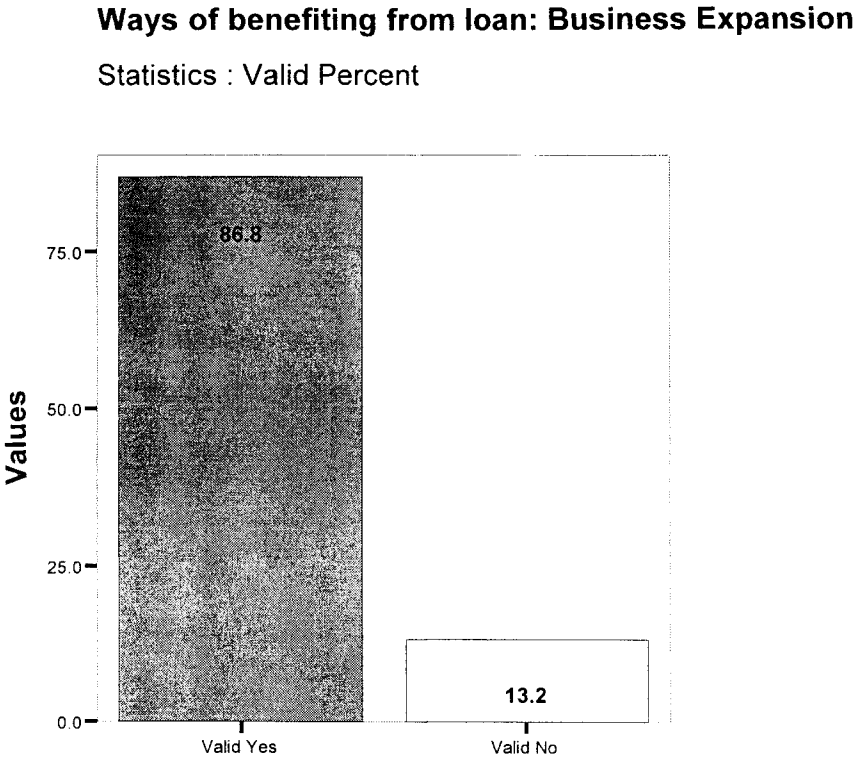
Ways of benefiting from loan: Education for the Children

Source: Field Survey Data (2004)

⁴⁰ Earnings from total receipts after all expenses and deductions have been made.

4.3.2: Business Expansion:

Generally, about 86.8% of the respondents admit that through microcredit they have had an opportunity to engage more in income generating activities and get more income resulting from business expansion. Expansion in business means that most have used the loans the way they have been asking those loans for. Only 13.2% of the respondents have yet to expand their businesses (*See Figure 1.4*).



Ways of benefiting from loan: Business Expansion

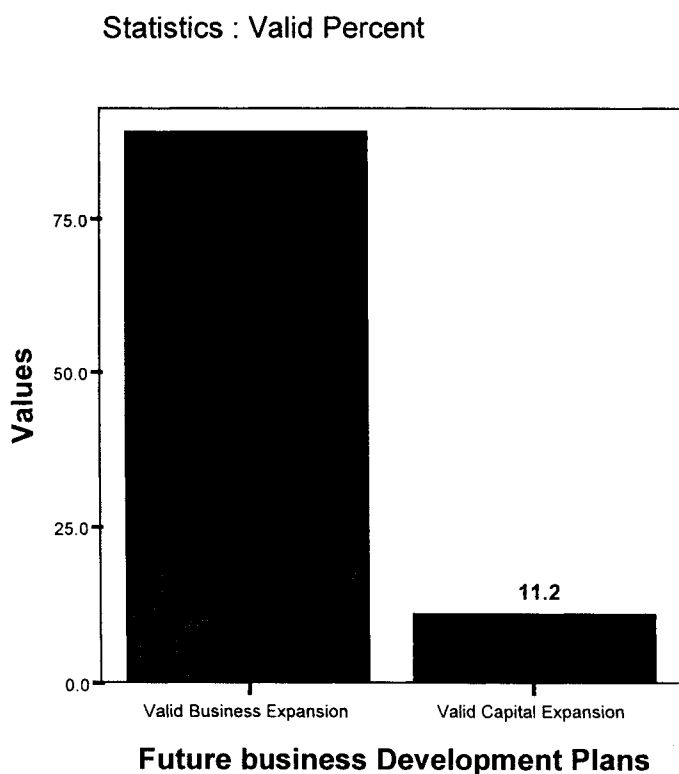
Source: Field Survey Data (2004)

Findings further indicate that 62.4% have acquired their loans through DCB whilst 34% of clients have acquired the same from their own/personal sources and a small number (3.6%) from other Banks.

4.3.3: Future Business Development Plans:

Specifically, majority of the clients (i.e. 88.8%) acknowledges their future expansion in business to various dimensions whilst 11.2% think of accumulating more capital to pave the way for the ability to hold some good lines of business for the foreseeable future. Simply put, most of the beneficiaries are eagerly hoping to open more avenues out of the existing business undertakings (*See Figure 1.5*).

Figure 1.5



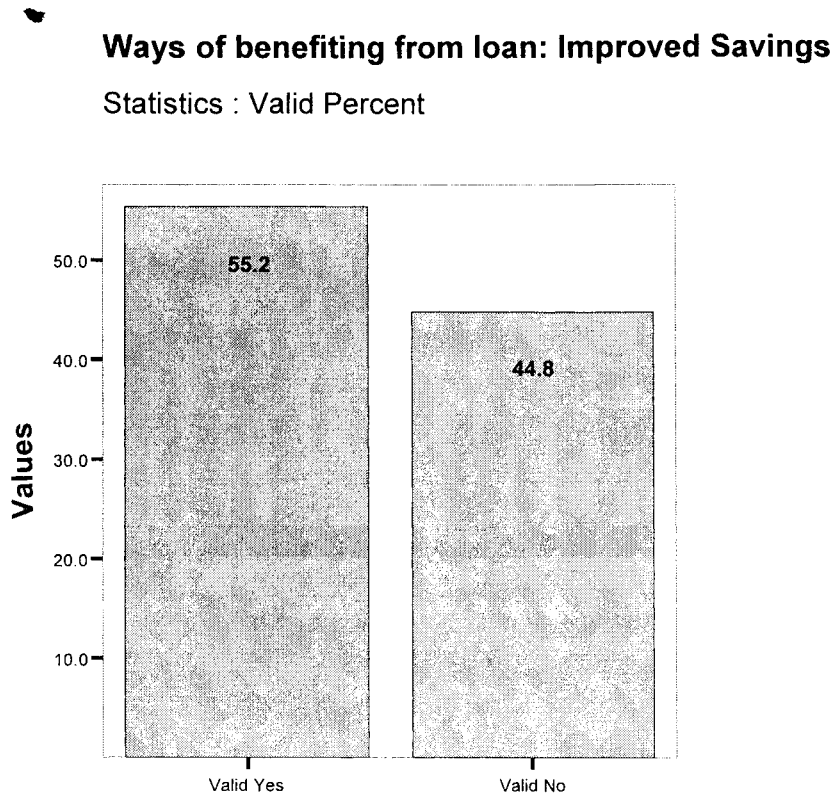
Source: Field Survey Data (2004)

4.3.4: Improved Savings:

A significant number of the SGL clients (55.2%) have improved their savings by having savings accounts with the DCB Bank. 44.8% have either personal savings or deposit with

some other Banks. Findings further confirm that apart from savings, there are several offered bank products such as Current Account, Pay as You Earn (PAYE) and Fixed Account. The remaining clients have either a bank accounts holder with other banks or not client to neither bank or have personal savings (See Figure 1.6).

Figure 1.6



Ways of benefiting from loan: Help Savings

Source: Field Survey Data (2004)

4.3.5: Other Trickle down Benefits:

- Job Creation and Security:**

Job creation, not just self-employment, is a necessary part of any poverty alleviation strategy.

Through the methodology, the Bank has been able to provide loan (*Refer also Appendix No.5*) to the clients (about 2,350 Clients) in numerous business with a view to creating an entrepreneurialship skills and morale to benefit themselves and their families. The IGAs greatly help to generate income, diverse opportunities, improve equity, efficiency, increase output and create employment of social structure of the vulnerable groups (*See Subheading 4.2.5*).

- **DCB Staff Welfare:**

The Bank has created about seventy (70) positions⁴¹ at various capacities that are paid over Tshs 400.0 Million per month as salaries including other fringe benefits thereby raising their living standards not only for themselves but also for other family members.

- **Women Empowerment/Encouragement:**

Although gender balance development that makes women equal partners with men in the social-economic development agenda has always been observed by the bank, the findings indicate that at most every area of microcredit find women at the forefront. Findings records about 66% of the majority microentrepreneurs being women. This suggests that women have given priority in microcredit provision and has brought positive impacts at individual and household levels. By empowering⁴² women while main streaming credit provision to this group creates access to loans, self-confidence, raise their cash income, ability to save, add some degree in decision-making, gain a

⁴¹ Interview with the Chief Executive Officer, DCB Limited

⁴² People must participate fully and involved in decision and process that shape their lives.

sense of respect from husband and the community, sharing experiences and ideas, raise awareness which finally have a multiplier effects to their livelihood and improving standard of living.

However, some other areas where these clients have improved in life include though insignificantly include: House repair and maintenance (3.2%), acquiring a plot for house construction (about 1%), buying household effects such as sofa sets, television sets, radio sets, kitchen utensils and such similar social-economic benefits.

4.4.0: Control Group:

The evaluation of any project or activity, including microfinance, aims ideally at knowing not only what happened to whom in the process of that activity, but also why it happened. This evaluation study has made use of control group⁴³ comprising a sample group of fifty (50) non-member clients. The group is used for comparison with a sample size of 250 borrowers who are in the intervention with the DCB. Both groups came from similar social-economic backgrounds. The idea is to check perception of the people outside the treatment group with a view to establishing the significance and validity of the study. Despite the fact that control group members have never been engaged or received any benefits (*See Questionnaire Form in Appendix No 10*), 90% expressed their concerns and positive expectations about the social-economic benefits that microcredit could provide had there been an opportunity for them to engage in. They generally appreciate

⁴³ Eligible non-members (those who do not participate in the programme or receive benefits) that are subsequently compared with the treatment group (those who do receive the intervention) used to determine the desired and perfect counter-factual. It is selected randomly from the same population, resemble the treatment group in every way, the only difference between the groups being programme participation (See also Zaman, 2004, Mosley, 1998 and Baker, 2000).

empowerment that the microcredits provide to the majority poor and the real benefits apart from some difficulties in handling those loans. 76% of the control group members would need loan for any future business expansion. Most of this (74%) would ask loan for retailing and wholesaling. 78% would like to borrow and get support from the Bank if given an opportunity to do so (*See Tables 1.7 to 1.10*).

Tables 1.7 to 1.10

Social-economic benefit from Bank Loan

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	45	90.0	90.0	90.0
	No	5	10.0	10.0	100.0
	Total	50	100.0	100.0	

Future business Development Plans

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Business Expansion	38	76.0	76.0	76.0
	Capital Expansion	12	24.0	24.0	100.0
	Total	50	100.0	100.0	

Activities for Loan requirement

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Retailing and Wholesale	37	74.0	74.0	74.0
	Farming	5	10.0	10.0	84.0
	Small Industries	7	14.0	14.0	98.0
	Others	1	2.0	2.0	100.0
	Total	50	100.0	100.0	

Likelihood to borrow from the Bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	39	78.0	78.0	78.0
	No	11	22.0	22.0	100.0
	Total	50	100.0	100.0	

Source: Field Survey Data (2004)

However, 56% of the control group (*See Table 1.11*) acknowledges to have never been engaged in loan offered by Banks though they are interested. This indicates that majority supports the drive towards poverty eradication through Bank loans.

Table1.11
Acquiring Loan from Bank

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	22	44.0	44.0	44.0
No	28	56.0	56.0	100.0
Total	50	100.0	100.0	

Source: Field Survey Data (2004)

However, it was established that there are some reasons⁴⁴ mentioned as to why the group was not involved in the programme to include:

- Most borrowers dislike disturbances arising out of group lending methodology. A significant number of the respondents prefer individual loans if given access to such loans as they do not see the reasons for one being accountable for someone else's' loan. An individual member gets credit and savings services without attending the group meeting. The borrower thus saves both time and money.
- Lack of information about banking issues including those of microfinance.
- Lack of business skills and even the motivation for business.
- The firm argument that most banks provide loan as working capital for ongoing projects disqualify and discourage those start up microentrepreneurs who have no where and capital to start with.
- Many people (even those educated) are shying away from provision loan services because of belief in the following myths: That loan makes one become

⁴⁴ Interview with the Control Group to appreciate and understand their perception

bankruptcy; the worst form of poverty is to be in debt and if one wants to die poor, then try loan.

- Most of the group members are not happy with most of the amount provided as first cycle/round to be very small for one to commit himself/herself in such a long journey and graduate to where one is comfortable.

4.5.0: Success and Failure Stories:

4.5.1: Clients Achievement:

The findings from this study revealed that microcredits through DCB have enabled most of the client's enhanced income and improved family living standards in many household requirements as detailed herein. Besides, some have substantially expanded their business and at the same time acquired new promising ventures contrary to the situation before accessing loan. Such many success⁴⁵ stories are seen and documented by this study as concrete evidence of the impacts on the clients' livelihood (*See a few cases in Appendix No. 7*).

One of the success stories I came across is of one Ms. Salaya Nassoro, a resident of Temeke Area. She is a client with DCB since 2002 that started her business as 'Mama Lishe' for sometimes. She later on switched off the 'Mama Lishe' business and started buying a few kilograms (5kg, 10kg, 70kg etc.) of cow meat at Pugu arbotour and sell to other 'Mama Lishe'. Thereafter she decided hiring a butcher frame, increased supply from 100kg to one, two, to three cows slaughtered a day and currently holding 2No. Butcheries; one located at Temeke 'Kwa Sokota' and the other one at Kariakoo area. The

⁴⁵ Focus Group Discussion and Interview with some of the SGL Clients. Visited some of their business Places

investment has enabled her owning a saloon car presently running as a taxi whereby she is getting Tshs. 10,000 per day (Tshs 70,000 a week). Besides, she has hired someone who travels to upcountry regions buying cereals such as maize, beans, rice and offload her supply at Tandale market.

Salaya is still a vibrant DCB client now at six (6) cycle of Tshs. 700,000 after graduating from the lower five (5) cycles of Tshs. 500,000, 350,000, 250,000, 100,000 and 50,000 respectively. This is a typical success story and a proof of how credit is a tool to boost economic activities.

Most of respondents have reported diverse success stories to include buying plots/shamba (for built decent homes, farming) educating their children at various levels, acquired household/office effect, some opened a saving account (for themselves, their children), pay rental, water, electricity, telephone bills, deal with emergencies etc. and more so expanding both capital base and the business in general.

On asked to put forward a word or two, some of the SGL Clients had these to say⁴⁶:

“Apart from what I got as a loan I can as well see there is a bright future in my business”

“It has broaden my knowledge, built confidence and have hope in business”

“Efficiency is one of the attractive elements with the DCB-Within a short period you got your loan”

“If properly utilized, loans greatly help”

“Loan is a motivation to struggle: Lead to better lives”

⁴⁶ Interview with some of the SGL Clients. Capturing the individual feeling about what microcredits are working for their life was such a wonderful and enjoyable moment to hear a diverse perception and indeed, what is really happening on the ground. Talking and sharing ideas together about what they are doing was just one of the things they would always wanted most.

4.5.2: The Bank Achievement:

- **Reaching Break–Even and Outreach:**

The Bank has made a great success⁴⁷ by reaching Break-even point and made a substantial profit. It has managed to reach that point within 3 years and also able to declare dividends, well ahead of schedule. The bank income has grown from 22.0 million in 2003 to about 427.0 million at the end of 2004.

The total deposits as of 31st March 2005 stood at Tshs 10.0 billion, while total credit had reached Tshs 5.9 Billion. The SGL operations continued to be accorded due priority through increased microlending. By the end of March 2005 a total of Tshs 1,281.6 million had been disbursed to about 9,278 clients, compared to December 2004 when Tshs 1,126.7 million had been disbursed to well over 2,600 clients under its SGL schemes in all the three municipalities of Dar-es-Salaam. This makes about 30% clients increase during the period under review. Besides, the repayment rate to the Bank is well over 97% indicating that the clients are happy, serious with servicing the loans and definitely still in need of more provision of the loans by the Bank for more positive impacts.

“The Bank’s network of microfinance is expanding, so its outreach growing rapidly”

However, it is worth noting that despite capital constraints, the bank has been able to register success without either donor funds or technical assistance. It’s only through individuals, private companies, City Council and the three municipalities (Ilala, Temeke

⁴⁷ See for instance Statement by the Managing Director of DCB Limited on the Third Anniversary, The Guardian, Friday, April 15, 2005.

and Kinondoni) as its major shareholders. DCB is striving to be truly sustainable to longer lasting sources of funds through either from deposits or commercially raised funds.

“Building institutional capacity is like building a road: expensive but generate very broad benefits”.

- **Expansion Programmes:**

With the Head office at Arnautoglu hall, Ilala District in Mnazi Mmoja Grounds, the Bank has managed to open more doors to its second Branch in Magomeni Mapipa area at the Travertine Hotel in Kinondoni District and a recently third office in Temeke District. Along with this is the open up of more SGL centers across the three Districts.

This expansion (through planned capital build up programme) is in response to the need of sending the banks’ services closer to its esteemed customers and the Banks endeavour to improve her services as well as being a potential contributor to ongoing poverty reduction efforts in Dar-es-salaam. Gearing from its mission, the bank has been channeling about 70% to 80% of its resources towards poverty alleviation initiatives.

- **Extending Loans to Low-income Poor People:**

This has been a drive towards providing an enabling environment for self-employment and unemployed population of Dar-es-Salaam. In many ways, therefore, the improved access to microcredit made possible by the bank has evidently empowered the once neglected ordinary Tanzanians to invest locally, expand production and hence stabilize as well as improve their incomes.

Clients in this scheme have benefited from microcredits, which provide them with working capital for small business, enabling them to meet their livelihoods and their

families. Keeping its intention to implement her mission, the Bank is striving to open more doors to this window catering for the majority poor as evidenced by those expansion programmes.

“It is a system that builds on ordinary people’s needs and aspirations”

“For the years to come, I am sure we shall be able to reach majority of the people in Dar-es- salaam”

4.5.3: Some Failure Stories:

However, a few clients have failed to successfully deliver in their business venture. Various reasons were advanced for such failure⁴⁸ stories to include (i) Lack of business training (for those start-up and ongoing business) such as entrepreneurial skills (ii) Uncertainties in business such as price fluctuations in the market (iii) Stiff competition (iv) Risks associated with death incidences (due to diseases outbreak say in case of poultry, piggery projects etc.) (v) Unpreparedness to handle carefully the loans due to poor business plans, awareness to loan condition (vi) Lack of direction, desire, dedication and discipline (vii) Untrustworthy clients.

In keeping the clients on the track, the bank has always advised those failing with some genuine reasons to restart the loan cycles while learning from others’ experience. Aware of this, the bank is striving to offer such advice ‘probono’ with a view to mitigating the situation and extending such sense of belonging to her esteemed clients especially who really honour their obligations.

⁴⁸ Interview with some of the failure SGL Clients. Visited some of their business places.

4.6.0: Cross Cutting Issues:

4.6.1: Limited Business Experience and Development Services:

It has been observed as well as through focus group discussion that experience of the business in terms of services related to entrepreneurship (at different levels), business training, marketing, technology development, inputs, demand, access to information, difficulties in getting skilled staff (depending on the need), lack of competencies etc. is lacking and/or underdeveloped. And even where available it is low and shallow skills and sometimes not readily available to the SGL clients considering the prohibitive costs of acquiring the same. The study further revealed that half of the loan beneficiaries (50%) have a short standing experience in business covering a year to three years only. Three years period, for instance, cannot be enough to bring in the necessary exposure, skills and the real practices required in most of the ventures (*See Table 1.12*).

Table1.12

Business Duration					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-3 Years	125	50.0	50.0	50.0
	4-6 Years	53	21.2	21.2	71.2
	7-10 Years	29	11.6	11.6	82.8
	Above 10 Years	25	10.0	10.0	92.8
	Less than a Year	18	7.2	7.2	100.0
	Total	250	100.0	100.0	

Source: Field Survey Data (2004)

This confirms that business training is much needed so as to provide, acquire, improve and accumulate more basic business development skills considering the fact that majority of the beneficiaries (i.e. 61.6%) are primary education holders.

4.6.2: Inefficient Legal and Regulatory Framework and Authorities Support:

The study observed that entrepreneurs also encounter hurdles⁴⁹ ranging from the following areas:

- **Bureaucracy:** The legal and regulatory framework is bureaucratic, costly and centralized. This environment affects all sizes of business adversely. Authorities concerned like the Revenue Authority (TRA), Governmental Ministries like Ministry of Lands, Ministry of Energy and Communication etc. can pose several problems such as filling massive number of forms, lack of access to information on registration and licensing issues and act as a stumbling block to those vibrant entrepreneurs.
- **Heavy Compliance Cost:** Unlike large business, the low-income group with their microenterprises is squarely constrained with a burden in the disproportionately heavy costs of compliance arising from its size as other smaller ones compared to the large ones. Besides, there is a complicated and inefficient tax system. The tax regime in Tanzania is also unfavourable. Taxes are many (multiple taxes and levies), rather high and collected by various authorities including, for instance, Tanzania Revenue Authority (TRA) and the Local Government Authorities etc.
- **Incomplete Property Rights:** The regulatory and legal regime in most countries, Tanzania inclusive, inhibits graduation from one sector to another particularly on land issues. In one of the pioneering works of Prof. Hernando de Soto in Peru, the lack of property rights and secure premises; cumbersome licensing and

⁴⁹ Interview with the target group in respect of barriers the clients experience in the whole business process emanating from the authorities concerned like TRA, City Council, Licensing Authorities etc.

registration provisions; lack of enforceable contract law and fair access to judicial process and corruption and harassment from authorities combine to place a ‘glass ceiling’ over informal enterprises that constraints their movement to formal status and growth.

4.6.3: Weak Physical and Business Support Infrastructure:

Some of the poor infrastructure that the various ventures do face includes unreliable and inadequate water supply, telecommunication and transportation networks, electricity/power, land, warehousing facilities etc. Observations revealed that in most cases the supply is unreliable and costly to adversely affecting the microenterprises development.

4.6.4: Business Competition and Lack of Developed Markets:

A stiff competition is order of the day, as these undertakings meet similar/identical business in the market. Through focused group discussion and observation, respondents have expressed their concerns on business hurdles to include: unfavourable competition, sabotage by other business rivals coupled with inadequate business management skills, marketing services etc. have been a frustration for the ventures.

4.6.5: HIV/AIDS:

Besides the cost in terms of loss of life, HIV/AIDS is having profound effects on Tanzania’s social-economic development. The disease affects more the most reproductive and productive group that comprises the working force. Through observation, the

pandemic poses a serious threat and has tended to erode the positive economic gains achieved so far through the ongoing poverty reduction initiatives and even for such undertaken by the SGL clients. It affects negatively the labour force in terms of supply, skills and productivity at the individual, household and nations' level. According to ESRF (2004) it is estimated that about 57% of households comprising the age of 30-40 years labour supply are dying of HIV/AIDS related illness.

4.7.0: Summary of Findings and Discussions:

The foregoing section has explored the major findings with discussion on the impacts assessment of the microcredits and shed lights on some crosscutting issues that influence undertakings of miroentreprise development under the DCB's SGL clients.

The findings revealed that the SGL clients are no doubt use loans effectively as generally and specifically satisfied with the loans services offered by the DCB limited. Benefits from such loans are diverse to both clients and the bank staff members. It is also encouraging to learn that even the control group members are in the considered opinion that they could transform their lives, if they had an opportunity and access to those microcredits. Success stories have been well documented from both the clients and bank achievement as detailed herein. Through observations, the respondents, all along throughout the study have asserted some of the crosscutting issues being problematic areas to smoothly undertake their endeavours. Such problems need to be addressed with a view to finding the lasting solution. The next section is therefore set to provide workable recommendations that would pave the way for the required practical solution.

4.8.0: Recommendations and Conclusions:

“For many years now, I have been impressed by the power of a simple, small loan to those for whom fate and circumstance have resulted in disadvantage. Maintaining people’s integrity and showing them trust, whilst facilitating a way for them to rebuild their own lives in such a meaningful way of alleviating poverty. By placing microfinance in the global spotlight, awareness of this most effective antipoverty tool will undoubtedly and thank fully increase”.

-Her Majesty Queen Rania Al-Abdullah of the Hashemite Kingdom of Jordan

4.9.0: Recommendations:

DCB like other Community Banks or Microfinance Institutions is playing a key role in promoting a vibrant business for the low-income people in Dar es Salaam Community by availing working capital for undertaking different income generating activities.

It has been observed from the study findings that the Bank has been in operation for only three (3) years but it has disbursed about Tshs 427.0 Million to about 2,600 SGL clients in Districts of Ilala, Temeke and Kinondoni. Majority of the beneficiaries are women comprising about 66%. Voluntarily forming groups, the economically active poor (both men and women) most of them are low income (about 33%) that have formal schooling education (about 62%) have been able to benefit from the microcredits that the Bank is offering to fully engage in expansion of their various economic businesses to better their lives. This has led to creation of employment opportunities, increase in income and livelihood.

Majority (more than 72%) observed to be satisfied with the scheme. This has given them the chance to make the best of what they have and struggle to move out of the vicious cycle of poverty along a path they create for themselves towards the indicators of success.

Basing on the findings, the following recommendations are put forward:

4.9.1: The Need for Proper Business Training:

Low education levels coupled with shallow or inappropriate training packages to the SGL clients have been a hindrance for the beneficiaries to successfully run their projects as observed from the study. Productive credit is of no use to such clients without other inputs.

Apart from initial training that the SGL is being offered by the Bank through credit officers there is a need for such training programme to be offered properly, regularly and effectively. However, business skills at all levels should be a priority as this lays a foundation stone for proper use of credits, inculcate and enhance the culture of saving. Whatever amount of loan disbursed shall be misused if proper plans could not be sought from the very outset. The motive should be to regularly visit the entrepreneurs' business premises or places of working to appreciate what's going on for the betterment of the Bank and the clients. Sometimes, surprise visits sought as one of the monitoring and evaluation mechanism. Besides, credit officers should put at their fingertips all the necessary skills, innovativeness, and creativity with a view to becoming responsible for their own portfolio. For this reason, credit officers should equally undergo continuing

seminars or workshop of similar nature to further sharpen their skills. Such training to credit officers should, inter alia, include the following:

- Inculcate through education, training and other programmes values and attitude that are conducive to development of entrepreneurship.
- Facilitate capacity building in entrepreneurship development.
- Facilitating tailor-made business training aimed at improving quality of service provided.
- Strive for access to information, advancement and transfer of technology.
- Promote business linkages with other firms and strengthen marketing strategies through wider participation in local and international markets that would open more doors for the microentrepreneurs.

With proper education most of the problems advanced by the respondents can greatly be reduced if not an all “win situation” towards sustainability of microcredit and greater outreach. Cropping problems such as those of SGL inconvenience perceived by some of the clients would no longer prevail as the group shall be made aware of group shared vision, identity etc. as a way to create a sense of belonging.

4.9.2: Greater Outreach:

DCB should strive and find ways to reach more people. This is so as it is growing very fast and many clients join hands. This can be possible through expanding capital base to reach more people. By forging bilateral cooperation or joint venture hence becoming partner members, the bank can learn through other bank partners some best practices and

become institutionally sustainable rather than currently depending mostly to the municipal resources as their main providers and shareholders.

4.9.3: Flexibility Option:

MFIs are about flexibility. Clients need to be handled with care on the account that group lending through microcredit schemes such as this with DCB should be enjoying flexibilities in loan approval and granting based on clients' track record, repayment, performance levels and the amount of saving that the client maintains.

As long as DCB operates two windows, it can offer some special treatment as a motivation package for those SGL clients who demonstrates some success stories by picking them up to ensure that such clients are allowed to skip even some steps in the access to repeat and graduate for loan cycles with a view to encourage the clients to flexibly and frequently enjoy the Banks' products and services.

4.9.4: Built Culture of Savings:

Poor households save for various purposes such as insurance against bad health, disabilities, emergencies, social obligations and future consumption.

Regular Savings generates enough cash; expand capital base that makes large-scale lending operations possible for investment. Savings enable the client timely repay the agreed loan installments and ultimately enables the poor to discipline themselves, spend wisely and prudently. Moreover, this culture will not only encourage savings that has practically always been "*the forgotten half*" but also retain the client given the competitive business environment. The bank should deliberately spearhead and

encourage the culture of savings to her client with a view to deepening outreach, sustainably scaling up and build capacity of the client and the bank respectively.

4.9.5: Appropriate Business Product and Services:

The introduction of new tailored financial products and services has been an ever-increasing complexity in the free market economy. Products and services need to be properly differentiated to be well marketed and priced.

The Microentrepreneurs should deploy ‘state of the art’ innovation in products and services to stand the challenges of competition. Innovative products such as suitable products and quality services should be purposely in place with greater flexibility as an incentive to attract more customers/clients and maintains them.

However, doing similar business in the same vicinity/locality sometimes creates unfair competition thus wastage of time and resources. To avoid this, entrepreneurs are strongly advised to carry out thorough survey on business viability prior to commencing a venture for successful undertakings.

On the other hand, the Bank should continue spearheading financial innovation that involves the development of new products or services to facilitate their operations and the efficiency of financial intermediation as this reduce transaction costs and risks and as such bring about widening, deepening and integration of the financial sector development.

4.9.6: On High Lending Interest Rate:

The interest rate is set on the basis of the cost of loan administration and the risk associated therewith. The loan products are designed to always meet the customers' needs and expectations. For this reason, the SGL clients should regularly be educated and kept informed. The challenge ahead is that of market competition, controlling the number of dropouts that might occur for some reasons as outlined in 4.2.1.

In light of this, the Bank must also charge a fair real interest rates, adherence to punctual repayments to avoid arrears problems to achieve a significant and desired volume of business.

It is suggested that charging a flat rate of 4% per month makes an annual cumulative interest rate of 48% per annum. It is advised that the bank should at least reduce this annual rate to range between 20%-35% per annum or less to compare favourably with the market as an incentive to this window.

At times the bank recorded about 2,350 out of 2,600 clients portraying a 10% client dropout. Perhaps high interest rate can be among the reason for such a dropouts. This has to be taken seriously as a threat to the Banks' SGL window.

The government should also provide tax incentives with a view to reduce banks' operational costs that in turn guarantee the bank to arrange for soft loans.

“Modern banking technology is helping reduce costs and overcome physical barriers”.

4.9.7: An Enabling Environment:

There is a great need to maintaining a stable macro-economic environment with both interest rates and inflation kept at reasonable levels.

This entails to have in place government regulations and policies (e.g. simplified business registration and licensing procedures, simplified tax system and introduce tax incentives to nurse such venture business), which are crucial in creating the appropriate environment for the growth of the microfinance industry. These policies need to strike a balance between protecting the interests of depositors in microfinance institutions that collect savings, and not regulating the sector excessively with unnecessary red tape. Given the large variety of institutions that exist and emerging, a tiered regulatory structure, as in the case of community banks like the DCB creates the firm idea of developing an appropriate regulatory framework for the industry to save her clients especially those poor.

In order for the DCB to achieve this goal, it needs a stable institutional environment that increases the credibility of the Bank and thus its ability to attract funds. This environment can be provided by an appropriate regulation and supervisory regime and a facilitative legal and regulatory structure.

No doubt that the financial reforms require a range of supportive environment that promote financial development, economic growth, properly functioning legal framework capable of enforcing the contractual agreements between the financial institutions and the stakeholders. This requires enhanced adequate prudential regulation and supervision that shall restore public confidence at all times and avoid incidence for bank failure such as those of the Meridien BIAO Bank Tanzania Limited (MMBTL) (1995), Tanzania Housing Bank (THB) (1995), Trust Bank Tanzania Limited (TBTL) (2000), Greenland Bank (T) Limited (1999) and 1st Adili Bancorp Limited (2000).

The right conducive environment in tandem with careful review to do away with some policy, legal and regulatory deficiencies should always prevail with a view to maintaining

a competitive and solvent financial system operating within a supportive policy environment.

4.9.8: On Physical and Support Infrastructure:

The Government should strive at best to ensure availability and reliability of all the public goods. The poor state of the much-needed physical infrastructure facilities is a major constraint to urban and rural areas development and investment attraction. Deliberate efforts to improve, rehabilitate and construct such infrastructure, sought imperative by increasing budget allocations. Private-public sector partnership is one of the right initiatives for the infrastructure development including roads, communication networks, water, community facilities etc.

4.9.9: Addressing Collateral Issue:

Microentrepreneurs usually do not own assets of tangible value that could be pledged as collateral for bank loans. For those individuals who are currently still in groups but are expected to graduate anytime, shall need to stand on their own feet with loans beyond the higher cycles. In that case they need clean collaterals to put forward as security for the subsequent loans.

Since land⁵⁰ is the main factor of production, the Government should allocate and develop land for investment ventures.

Amendment of the 1999 Land Act should practically enable entrepreneurs to get title deeds for the land to use them as security for bank loans. Adoption of collateral

⁵⁰ One of factors of production, the ultimate resource that embraces all natural resources.

substitutes, the land market and land tenure patterns should be spearheaded to its full potential.

The process of an all inclusive property system as advocated by De Soto⁵¹ (2003) to build the capital of the poor in Tanzania to encompass both the formal and informal systems should be well implemented and made flexible enough to allow for changes as land tenure process takes time to produce the desired and concrete results. Since the informal sector accounts for 70% of the country's economic activities, it's high time to recognize the sector operate within a legal framework to realize its full potential. The advocacy should be through representative organizations to seek more of an informal sector to the formal sector to accommodate the demands of the majority into the mainstream economy.

4.9.10: Incentives for Clients and Staff:

Carefully designed incentives for client and the bank staff are the key features of any successful and sustainable microfinance programme. Such incentives can motivate them to act in ways that strengthen programme performance without requiring high costs. The SGL window should encourage staff to maintain high collection rates and maximize unit profits by linking staff compensation to the volume of repayments collected and/or profitability.

However, it is strongly suggested that a client be given a week as a grace period to organize his/her business prior to start settling the repayment amount.

⁵¹ Renowned Peruvian economist, Prof. Hernando de Soto commissioned by the Government of Tanzania to prepare the groundwork for implementation of a programme to integrate the Tanzanian informal sector into the mainstream economy as Poverty reduction drive. This involves examining the laws governing property ownership to ensure both formal and informal sectors operate within a legal framework (See also The Guardian, October 12 & 15, 2004).

The methodology should also continue to promote demand by making relatively easy and simple application procedures for customers to obtain loans within five working days of the week. Such achievement is even more glaring if the bank in her own right put that initiatives as one of the priorities in collaboration with the clients.

4.9.11: Institutional Sustainability:

There is a role for all stakeholders' financial assistance in expanding the capital base in the existing microfinance window as well as in developing technical capacity that leads to organizational sustainability of the Bank. The bank must be able to keep going while growing, flourish and health through good and bad times. This requires important capabilities beyond those required to achieving strong financial performance. As the competition for new microcredit clients intensifies, the Bank will need to further refine the services that they offer and cater to niche markets. The capacity to identify these markets and design appropriate products will require investments in institutional capacity building as well as in publicly accessible market information and research. Expansion of the community bank such as the DCB can promote economic growth and poverty reduction initiatives.

However, market expansion is only advantageous if this increased level of activity is sustainable. Initiatives for the SGL Clients and DCB staff are key elements that enable microfinance initiatives to operate with low subsidies on a self-sustaining basis while following the market-based principles.

The key factor to what this evaluation has gathered so far is that as the microenterprise sector develops, the Bank must continue to specialize in microcredit and other services to be effective. It must move quickly and assuredly to a financially sustainable approach. In so doing more local source of funding must be leveraged and specific mechanisms for mobilizing savings identified and put into practice.

4.9.12: Research and Development:

It is strongly recommended that Research and Development (R&D) should be established and equally included in the Bank Organization Chart. The R&D should, among other things, deal with launching various campaigns to her clients like creating awareness in issues involving their health amongst members including the HIV/AIDS pandemic disease. This is important because a healthier client is as good as being a good credit holder who believed to make better use of the loan as required.

4.9.13: Monitoring and Evaluation:

The systems and formal rules that govern the successful microfinance window in the Bank can to a great extent be replicated. By and large, the Bank top management should at its convenience delegate significant decision-making authority to the credit officers striving to work in a team spirit and be able to monitor individual SGL client performance and have linked staff incentives with programme targets. Client feedback and programme monitoring are also crucial. As organizations grow, the willingness to change products based on this feedback and to tailor products for niche markets is critical for now and the future bank with its SGL window success.

4.9.14: Participation and involvement:

When people are involved in decision-making that concerns their livelihood from the earliest possible opportunity, they are likely to be more supportive of those decisions. Involving community from the early stages of planning, procedures, execution etc. solve problems from the various dimensions. The SGL client need to be more involved through education, information dissemination through effective communication and always made an integral part of the process. Such participatory approaches, as an appreciative inquiry (AI) is nowadays a key problem solving to avoid the notion of saying this is ‘theirs’ and this is ‘ours’. People feel involved whenever they are involved and their contribution honored.

4.9.15: Interventions and Microcredit Provision:

Microcredit may be a more effective remedy against poverty and vulnerability if it is complemented with other interventions. These interventions may be particularly appropriate for the poorest households, which face the greatest risks of income fluctuations and have the greatest need for a range of financial and non-financial services. Moreover, while the provision of microcredit can enhance a woman's status in the eyes of other household members, social mobilization and legal education interventions in conjunction with credit are likely to have a more significant effect than credit alone. The role of the Government is to develop a legal and regulatory framework supportive of financial institutions’ operations. On the other hand, The Microfinance Policy should be

empowered to serving as a guide for coordinated intervention by the respective participants in the system.

4.9.16: Good Corporate Governance:

The related issues concerning corporate governance arrangements of MFIs need to be strengthened and lines of accountability made more explicit.

What seemed to be profitable and health companies (financial institutions inclusive) have faced serious problem and some of them went bankrupt. The troubles faced by these financial institutions can be traced from poor corporate governance policies.

Good corporate governance should be participatory, concensus oriented, accountable, credible, transparent, responsive, effective and efficient, equitable, inclusive and follows the rule of law. It ensures, for instance, shareholders' wealth in the bank is enhanced through streamlined practices, corporate and individual illegal actions including fraud and corrupt practices can be eliminated or minimized and increased transparency of financial transactions in corporate structure. Review of the corporate governance of the bank is essential as it is intended to ensure that the stewardship, planning and control roles within the bank are effective and efficient. Thus Corporate Governance should be adhered to, as it is a remedy for future financial crisis and the single most important internal success factor for any organization and so for the financial institutions like DCB. Effective corporate governance helps protect and grow scarce resources and helps ensure societal needs are met.

Supervision of the microfinance industry through policy initiatives must be strongly supported and enhanced if the industry is to fully prosper.

The bank can also face political pressures as it composes a large share of the local authorities' shareholding that might undermine their commitment to sound banking practices. Granting the Bank autonomous status on one hand can reduce her susceptibility to political influences and the authority should ensure that political considerations do not undermine the programmes commitments on the other.

4.10.0: Summary and Conclusions:

It is well documented that lack of access to credit is frequently the biggest obstacle to microentrepreneurs in expanding their businesses, which generally provide income and employment to the lowest income groups. Formal financial institutions typically exclude poor households from traditional banking services.

Thanks for the community banks like DCB in place, which has opened doors to the poor entrepreneurs. However, despite being in operation for a little over three years, there is substantial progress so far made since its establishment. The bank has been making deliberate efforts to save the poor by providing financial support under unstringent conditions through adjustment and adoption of Grameen Bank methodology along the way to ensure a high standard delivery of her services as a result it has been providing door to door services to its clientele. Such a move has enabled the beneficiaries being self-employed and takes business opportunities. No doubt that no one can deny the way the Bank serve the marginalized at care and courtesy. DCB is determined to move forward and reach a large segment of Dar-es-salaam Region poor people.

An evaluation study like this for client portfolio monitoring and market research combine to give the bank useful and timely information that can be used to improve her understanding on how the bank delivers its services and how this relates to the client needs so as to develop and improve products and services to become a more effective and efficient organization. The bank must recognize her advocacy role in the poor struggle for empowerment both socially and economically.

From the foregoing findings and discussion it is evident that microcredit provision through DCB is one of the most appreciative windows within the needy marginalized society across the economically active poor. Lending to this group is still a potential area and for sure, the poor are truly entrepreneurs. An enabling environment is imperative for both institution and the group to prosper and work along with the best practices.

Therefore, there is a great need for the bank to learn more from microcredit ‘best practices’ to reach many Tanzanians poor as the study revealed great percentages of clients’ satisfaction with the bank and some ways in which those clients have been benefiting at large. DCB is doing her best to move along with the indicators of success!.

CHAPTER FIVE

5.0.0: IMPLEMENTATION OF THE ASSIGNMENT:

5.1.0: Introduction:

Following the study findings, various issues have been observed and recommended accordingly. However, a Training Manual as training and technical tool for the future business improvement of the Bank and the SGL clients has been developed and implemented to this evaluation work. It is packed with guidelines, action frameworks and tips of vital information that will direct the business along the desired line. The manual was developed based on the participatory approaches as an integral part of capacity building in various dimensions after a detailed need assessment conducted in the field.

All along, the need assessment and study findings revealed that there is a need for integrated training and technical assistance ranging from issues of business management and development skills, regulatory issues, product development, market issues etc. as it enhances the capacity of the Bank and the SGL clients in addressing problems from the targeted clients, their leaders and the credit officers to smoothly undertake their daily duties.

5.2.0: Training Manual:

5.2.1: Training Goals:

The objectives of the Training Manual are to provide:

- (i) A handful user friendly tool for all the beneficiaries get at their finger tips all the necessary skills ranging from business management, leadership and governance, proper management of finances, effective communication, awareness creation and legal framework that the players are engaging with.
- (ii) To inculcate the culture of savings, entrepreneurship spirit and morale.

5.2.2: Objectives of the Training Output:

The expected training outputs are:

- (i) To enable self-employed population gain more confidence hence improvement in their chosen lines of business.
- (ii) To empower microentrepreneurs with working capital to undertake business with a view to alleviating poverty.
- (iii) To enable the microentrepreneurs embark comprehensively with viable businesses plans with enough creativity skills in their business.
- (iv) To enable the stakeholders know the language of business and all sort of sense of belongings.
- (v) To create awareness on health issues particularly those killer diseases such as HIV/AIDS pandemic, Malaria, TB etc.

5.2.3: Training Approaches:

A range of trainings methodology shall be deployed to include but not limited to brainstorming, group discussions, presentation, plenary discussion, case studies, role-play, questions and answers sessions etc.

5.2.4: Training Materials:

Each identified training package is directed to the target group. In this case it is geared to SGL clients, chairpersons and vice chairpersons and the DCB credit officers. The training materials include: handouts, pictorial forms, and appropriate software depending on the need.

5.2.5: Training Venues and Sessions:

For a matter of convenience it is suggested that training venue for the SGL clients and their leaders should be conducted at the weekly centre meetings and at the banking hall for the credit officers. Regular and continuous sessions sought necessary.

5.2.6: Target Groups:

This Training Manual is prepared for the beneficiaries including the SGL microentrepreneurs, group leaders and credit officers with close attention to gender balance. Training facilitation to the SGL clients and group leaders as has been conducted by the author during weekly meetings should continue being conducted by credit officers and some reliable sources, as can be sought necessary by the Bank such as business development experts. Reliable bank experts or chosen (either in-house or outsourced)

consultants can at best offer training to the credit officers on the relevant portfolios. Educating beneficiaries' healthy issues is equally important.

5.2.7: Impact of the Training:

This Training is geared towards improving range of services as follows:

- Beneficiaries (SGL Clients):
 - Business activities and capital are expected to improve and expand. While the existing business grow or diversify it will encourage the development of new business. In that regard, sustainable growth of individual microenterprises is realized and so for the capital base.
 - Beneficiaries would take advantage of deploying modern products and services innovations while putting them into practice.
 - Profit margins are expected to increase due to increased productivity and profitability.
 - Savings will increase and more will join the bank for savings and its products.
 - Beneficiaries gain credibility thus builds their credit worthiness.
 - Many people shall join the bank scheme through others' best experience.
 - Employment creation and income opportunities through creation and expansion of microentreprises depending on the magnitude and requirement of the project undertaken.
 - Income poverty addressed to the beneficiaries along with its trickle down effects.

- The Bank:
 - The Credit Officers are going to sharpen their skills in credit issues.
 - Prompt loan repayments and reduction in portfolio risks as the training inculcate the culture of paying the loans.
 - Reduced cost of loan portfolio management.
 - Increased/Attraction in number of Bank clients thus higher products provision by the bank resulting from skills and knowledge acquired from the training.
 - Reduced peer members dropouts due to new/additional skills and training.
 - Risk of failure of the scheme (group lending) is reduced.
 - The Bank is expected to expand training opportunities to its proposed Research and Development Department.
 - Efficiency and effective of the Bank increases more and be able to generate the much-needed capital base with the Bank thus expanding outreach and general increase in competitive realized in the market.
 - Firm or Bank value increased along with its vision, mission, targets etc.

5.2.8: Evaluation and Monitoring of the Training:

There should be an evaluation assessment of the training to assess its overall effectiveness on broad issues of priority, significance and validity, replicability under different circumstances and the determination of measures of the training need and readiness through pre and post evaluation components. Furthermore there has to be a periodical tracking and monitoring mechanism for inspection involving regular and repeated measurement of particular parts of the training during the initial implementation

concentrating on the effectiveness and efficiency of input delivery systems and the extent of completed works.

5.3.0: Detailed Training Programme:

Constant review of the existing rules and procedures of the programmes, initiating and enhancing business skills in the enterprise development and other related areas sought to provide a conducive environment for the microentrepreneurs at all levels. This is possible through provision of regular education backed with good governance that is strongly believed to provide a workable ‘toolbox’ that would further galvanize the acquired skills into action for solving the existing and likely cropping problem all along in the business as recommended in Chapter Four (See 4.9.1). This detailed Training Manual (*Presented in Tables 1.13 to 1.15 over page*) is a complementary docket intended to fill any gap that might be skipped with a view to producing concrete and positive impacts of the microcredits to the majority beneficiaries throughout their undertakings.

EVALUATION OF MICROCREDIT SOLIDARITY GROUP LENDING



**A PARTICIPATORY TRAINING MANUAL
ON
BUSINESS DEVELOPMENT**

TABLE 1.13
TRAINING MANUAL
DETAILED TRAINING PROGRAMME FOR SOLIDARITY GROUP
CLIENTS, GROUP LEADERS AND DCB CREDIT OFFICERS
PART A: TRAINING PROGRAMME FOR SOLIDARITY GROUP CLIENTS

MAIN TOPIC	SUB TOPIC	OBJECTIVES	METHODOLOGY	TRAINER	TRAINEE	TIMELINE/ IMPLEMENTATION
1.0: Business Management	(a) Business Development skills in Entrepreneurship	<p>At the end of the subject participants will be able to:</p> <ul style="list-style-type: none"> ▪ Explain the meaning of entrepreneurship ▪ Enumerate the basic features of entrepreneurship ▪ Describe the qualities of an entrepreneur ▪ Identify the constraints of entrepreneurship development in Tanzanian context ▪ Appreciate the entrepreneurialship level and rank themselves 	<ul style="list-style-type: none"> ▪ Brainstorming ▪ Group discussions ▪ Presentation ▪ Plenary discussions ▪ Buzz groups ▪ Case studies ▪ Role play ▪ Questions and answers 	<ul style="list-style-type: none"> ▪ Credit officers ▪ Business Development Experts ▪ Author 	Beneficiaries (Microentrepreneurs)	December 03: 2Hrs
	(b) Developing and undertaking Business idea	<p>At the end of the subject participants will be able to:</p> <ul style="list-style-type: none"> ▪ Explain the meaning of business ▪ Describe steps in developing business ideas and selection of the best idea ▪ Describe basic procedure for business initiation ▪ Analyzing the business environment and the risks associated with 	<ul style="list-style-type: none"> ▪ Group discussions ▪ Presentation ▪ Plenary discussions ▪ Buzz groups ▪ Case studies ▪ Role play ▪ Question and answer ▪ Live examples 	<ul style="list-style-type: none"> ▪ Credit officers ▪ Business Development Experts ▪ Author 	Beneficiaries (Microentrepreneurs)	December 03: 2Hrs

MAIN TOPIC	SUB TOPIC	OBJECTIVES	METHODOLOGY	TRAINER	TRAINEE	TIMELINE/ IMPLEMENTATION
	(c) Market segmentation research and selling	<p>At the end of the subject participants will be able to:</p> <ul style="list-style-type: none"> ▪ Explain the meaning of market ▪ Explain the meaning of market segmentation and target markets ▪ Appreciate the importance of market research analysis ▪ Describe strategies in market research ▪ To explain the meaning and importance of promotion ▪ Enumerate basic strategies for an effective business promotion, advertising and distribution ▪ Underscore the prerequisite of good customer care 	<ul style="list-style-type: none"> ▪ Group discussions ▪ Presentation ▪ Plenary discussions ▪ Buzz groups ▪ Case studies ▪ Role play ▪ Questions and answers ▪ Live examples 	<ul style="list-style-type: none"> ▪ Credit officers ▪ Business Development Experts ▪ Author 	Beneficiaries (Microentrepreneurs)	January 04: 2Hrs
	(d) Production Plan, Operational expenses and Pricing	<p>At the end of the subject participants will be able to:</p> <ul style="list-style-type: none"> ▪ Explain the meaning and importance of pricing ▪ Enumerate basic components of pricing ▪ Set the right and sustainable prices for different products and services ▪ Explain the meaning and importance of competition 	<ul style="list-style-type: none"> ▪ Group discussions ▪ Presentation ▪ Plenary discussions ▪ Buzz groups ▪ Case studies ▪ Role play ▪ Questions and answers ▪ Demonstration ▪ Exercises 	<ul style="list-style-type: none"> ▪ Credit officers ▪ Business Development Experts ▪ Author 	Beneficiaries (Microentrepreneurs)	January 04: 2.30Hrs

MAIN TOPIC	SUB TOPIC	OBJECTIVES	METHODOLOGY	TRAINER	TRAINEE	TIMELINE/ IMPLEMENTATION
		<ul style="list-style-type: none"> ▪ To analyze customers and competitors ▪ Strategies to overcome competition ▪ Ways to penetrate and maintain the market position ▪ Setting market and sales forecasts ▪ Setting the production budget ▪ Identify Resources requirements ▪ Describe the operating costs and underlying assumptions ▪ Understand both short and long term development strategies ▪ Developing Timelines 				
	(e) Record keeping And assessment of Financial performance	<p>At the end of the subject participants will be able to:</p> <ul style="list-style-type: none"> ▪ Explain the meaning and importance of record keeping ▪ Identify financial and non financial records necessary for any business ▪ Record business transactions in all basic records ▪ Explain the meaning and importance of assessment of financial performance ▪ Prepare and interpret basic 	<ul style="list-style-type: none"> ▪ Group discussions ▪ Presentation ▪ Plenary discussions ▪ Buzz groups ▪ Case studies ▪ Role play ▪ Questions and answers ▪ Demonstration ▪ Exercises 	<ul style="list-style-type: none"> ▪ Credit officers ▪ Business Development Experts 	Beneficiaries (Microentrepreneurs)	January 04: 2.30 Hrs

MAIN TOPIC	SUB TOPIC	OBJECTIVES	METHODOLOGY	TRAINER	TRAINEE	TIMELINE/ IMPLEMENTATION
		<ul style="list-style-type: none"> Financial/income statements Be able to segregate the loan, working capital and profit 				
	(f) Development of Business Plan	<p>At the end of the subject participants will be able to:</p> <ul style="list-style-type: none"> Define and explain the objectives of business plan The role/ importance of a business plan Identify major components of a business plan Prepare and use business plan Extra documents required before business takes off Expected huddles in executing the business Ways to overcome huddles in business 	<ul style="list-style-type: none"> Group discussions Presentation Plenary discussions Buzz groups Case studies Role play Questions and answers Demonstration Exercises 	<ul style="list-style-type: none"> Business Development Experts Author 	Beneficiaries (Microentrepreneurs)	January 04: 3Hrs
	(g) Investment and Sources of capital	<p>At the end of the subject participants will be able to:</p> <ul style="list-style-type: none"> Explain the meaning of Investment Underscore reasons why sacrifice/commitment of funds Explain the importance of working capital in business Identify different sources of capital Enumerate procedures of loan processing from different financial institutions 	<ul style="list-style-type: none"> Group discussion Presentation Plenary discussion Buzz groups Case studies Role play Question and answer Live examples 	<ul style="list-style-type: none"> Credit officers Business Development Experts Author 	Beneficiaries (Microentrepreneurs)	January 04: 2Hrs

MAIN TOPIC	SUB TOPIC	OBJECTIVES	METHODOLOGY	TRAINER	TRAINEE	TIMELINE/ IMPLEMENTATION
		<ul style="list-style-type: none"> ▪ Underscore mechanisms for effective credit management 				
	(h) Savings Strategies	<p>At the end of the subject participants will be able to:</p> <ul style="list-style-type: none"> ▪ Explain the meaning of Savings ▪ Understand the importance of savings ▪ Underscore various forms of savings ▪ Briefly know the available deposits institutions and savings facilities ▪ Underscore potential for savings mobilization ▪ Inculcate the culture of savings 	<ul style="list-style-type: none"> ▪ Group discussions ▪ Presentation ▪ Plenary discussions ▪ Buzz groups ▪ Case studies ▪ Role play ▪ Questions and answers ▪ Live examples 	<ul style="list-style-type: none"> ▪ Credit officers ▪ Business Development Experts 	Beneficiaries (Microentrepreneurs)	March 04: 1Hr
3.0: Financial Services and obligation	(a) Business Registration and Tax Compliance	<p>At the end of the subject participants will be able to:</p> <ul style="list-style-type: none"> ▪ Understand the importance of Business Registration certificate ▪ Importance of being Tax Compliant and paying taxes ▪ Know the relevant Tax authorities identifying relevant tax document 	<ul style="list-style-type: none"> ▪ Group discussions ▪ Presentation ▪ Plenary discussions ▪ Buzz groups ▪ Case studies ▪ Role play ▪ Questions and answers ▪ Live examples 	<ul style="list-style-type: none"> ▪ Tax Experts 	Beneficiaries (Microentrepreneurs)	January 04: 1.30Hrs

MAIN TOPIC	SUB TOPIC	OBJECTIVES	METHODOLOGY	TRAINER	TRAINEE	TIMELINE/ IMPLEMENTATION
	(b) Mindset and Cultural Settings	<p>At the end of the subject participants will be able to:</p> <ul style="list-style-type: none"> ▪ Be able to identify various culture and their settings ▪ Explain what suppressed the entrepreneurialship spirit ▪ Ways to initiate the entrepreneurialship culture and morale 	<ul style="list-style-type: none"> ▪ Group discussions ▪ Presentation ▪ Plenary discussions ▪ Buzz groups ▪ Case studies ▪ Role play ▪ Questions and answers ▪ Live examples 	<ul style="list-style-type: none"> ▪ Credit officers ▪ Business Development Experts ▪ Author 	Beneficiaries (Microentrepreneurs)	February 04: 30 Min.
	(c) Pre-Loan Training	<p>At the end of the subject participants will be able to:</p> <ul style="list-style-type: none"> ▪ Understanding the SGL Methodology, spirit, experience and benefits ▪ The concepts of mutual guarantee via the SGL Methodology ▪ Understand Rules and Procedures of the financial services and lending programmes ▪ Be aware of the existing loans and financial services products with the bank ▪ Loan issuance and repayment Procedures ▪ Rights, duties and responsibilities of lenders and borrowers 	<ul style="list-style-type: none"> ▪ Group discussions ▪ Presentation ▪ Plenary discussions ▪ Buzz groups ▪ Case studies ▪ Role play ▪ Questions and answers ▪ Live examples 	<ul style="list-style-type: none"> ▪ Credit officers ▪ Business Development Experts 	Beneficiaries (Microentrepreneurs)	February 04: 1.30 Hrs

MAIN TOPIC	SUB TOPIC	OBJECTIVES	METHODOLOGY	TRAINER	TRAINEE	TIMELINE/ IMPLEMENTATION
4.0: Mainstreaming HIV/AIDS	Awareness Creation	At the end of the subject participants will be able to: <ul style="list-style-type: none"> ▪ Understanding briefly on some deadly diseases particularly HIV/AIDS pandemic ▪ Underscore the effects of HIV/AIDS 	<ul style="list-style-type: none"> ▪ Group discussions ▪ Presentation ▪ Plenary discussions ▪ Buzz groups ▪ Case studies ▪ Role play ▪ Questions and answers ▪ Live examples 	<ul style="list-style-type: none"> ▪ Credit officers ▪ Business Development Experts ▪ Health Experts 	Beneficiaries (Microentrepreneurs)	March 04: 2Hrs
5.0: Leadership and Governance	(a) Leadership Skills	At the end of the subject participants will be able to: <ul style="list-style-type: none"> ▪ Enable participants to enumerate key qualities and characteristics of a good and bad leader ▪ Enable participants to identify different types and styles of leadership ▪ Enable participants to describe principles and indicators of good governance ▪ Understanding the environment for good governance ▪ Enable participants to enumerate and use strategies for effective team building and teamwork spirit 	<ul style="list-style-type: none"> ▪ Group discussions ▪ Presentation ▪ Plenary discussions ▪ Buzz groups ▪ Case studies ▪ Role play ▪ Questions and answers ▪ Live examples 	<ul style="list-style-type: none"> ▪ Credit officers ▪ Business Development Experts ▪ Author 	Beneficiaries (Microentrepreneurs)	March 04: 2Hrs

MAIN TOPIC	SUB TOPIC	OBJECTIVES	METHODOLOGY	TRAINER	TRAINEE	TIMELINE/ IMPLEMENTATION
	(b) Legal and Regulatory Framework of the MFIs and SMEs	<p>At the end of the subject participants will be able to:</p> <ul style="list-style-type: none"> Identify major legal documents governing the operation of the SGL Clients Enumerate key sections of new MFIs Policy (2000) and SMEs Policy (2003) which are relevant to MFIs Explain and apply different sections of their constitutions Suggest areas of the constitution, which need review as a result of changes of the main act. 	<ul style="list-style-type: none"> Group discussions Presentation Plenary discussions Buzz groups Case studies Role play Questions and answers Live examples 	<ul style="list-style-type: none"> Legal Experts Business Development Experts 	Beneficiaries (Microentrepreneurs)	March 04: 1.30Hrs
	(c) Rights and responsibilities of members	<p>At the end of the subject participants will be able to:</p> <ul style="list-style-type: none"> Underscore their role in the development of the groups Describe their rights from the group Enumerate the roles and duties of the leadership of the group 	<ul style="list-style-type: none"> Group discussions Presentation Plenary discussions Buzz groups Case studies Role play Questions and answers Live examples 	<ul style="list-style-type: none"> Legal Experts Business Development Experts 	Beneficiaries (Microentrepreneurs)	February 04: 2Hrs

SOURCE: DEVELOPED BY THE AUTHOR

TABLE 1.14
DETAILED TRAINING PROGRAMME FOR SOLIDARITY GROUP
CLIENTS, GROUP LEADERS AND DCB CREDIT OFFICERS
PART B: TRAINING PROGRAMME FOR GROUP LEADERS

MAIN TOPIC	SUB TOPIC	OBJECTIVES	METHODOLOGY	TRAINER	TRAINEE	TIMELINE/ IMPLEMENTATION
1.0: Leadership and Governance	(a) Leadership Skills	<p>At the end of the subject participants will be able to:</p> <ul style="list-style-type: none"> ▪ Enable participants to enumerate key qualities and characteristics of a good and bad leader ▪ Enable participants to identify different types and style of leadership ▪ Enable participants to identify different types Legal Experts ▪ Business Development Experts and styles of leadership ▪ Enable participants to describe principles and indicators of good governance ▪ Enable participants to enumerate and use strategies for effective team building ▪ Understanding Group leadership and monitoring of loan issues ▪ Voice concensus of the group through supervision, facilitation ▪ Enable participant members create discipline environment 	<ul style="list-style-type: none"> ▪ Brainstorming ▪ Group discussions ▪ Presentation ▪ Plenary discussion ▪ Buzz groups ▪ Case studies ▪ Role play ▪ Question and answer 	<ul style="list-style-type: none"> ▪ Leadership Experts ▪ Business Development Experts ▪ Author 	Beneficiaries (Group Leaders)	December 03: 3Hrs

MAIN TOPIC	SUB TOPIC	OBJECTIVES	METHODOLOGY	TRAINER	TRAINEE	TIMELINE/ IMPLEMENTATION
	(b) Legal and regulatory framework of the MFIs and SMEs	<p>At the end of this subject participants will be able to:</p> <ul style="list-style-type: none"> Identify major legal documents governing the operation of the society Enumerate key sections of new relevant MFIs policy and SMEs Policy Explain and apply different sections of their constitutions Suggest areas of the constitution, which need review as a result of changes of the main Act. 	<ul style="list-style-type: none"> Group discussion Presentation Plenary discussion Buzz groups Case studies Role play Question and answer Live examples 	<ul style="list-style-type: none"> Legal Experts Business Development Experts 	Beneficiaries (Group Leaders)	March 04: 1.30Hrs
	(c) Rights, Duties and responsibilities of members	<p>At the end of the subject participants will be able to:</p> <ul style="list-style-type: none"> Underscore their role in the development of the organization Describe their rights from organization Enumerate the roles and duties of the leadership of the organization 	<ul style="list-style-type: none"> Group discussion Presentation Plenary discussion Buzz groups Case studies Role play Question and answer Live examples 	<ul style="list-style-type: none"> Legal Experts Business Development Experts 	Beneficiaries (Group Leaders)	February 04: 2.30Hrs
	(d) Strategic planning	<p>At the end of the subject participants will be able to:</p> <ul style="list-style-type: none"> Explain the meaning and relevancy of strategic planning to any organization Enumerate steps in carrying out strategic planning 	<ul style="list-style-type: none"> Group discussion Presentation Plenary discussion Buzz groups Case studies Role play Question and answer Live examples 	<ul style="list-style-type: none"> Legal Experts Business Development Experts Author 	Beneficiaries (Group Leaders)	March 04: 2Hrs

SOURCE: DEVELOPED BY THE AUTHOR

TABLE 1.15

**DETAILED TRAINING PROGRAMME FOR SOLIDARITY GROUP
CLIENTS, GROUP LEADERS AND DCB CREDIT OFFICERS**

PART C: TRAINING PROGRAMME FOR DCB CREDIT OFFICERS

MAIN TOPIC	SUB TOPIC	OBJECTIVES	METHODOLOGY	TRAINER	TRAINEE	TIMELINE/ IMPLEMENTATION
1.0:Book Keeping	(a) Definition, objective and system of accounting	At the end of this subject participants will be able to: <ul style="list-style-type: none"> ▪ Explain the meaning and importance of accounting ▪ Enumerate major components of accounting cycle 	<ul style="list-style-type: none"> ▪ Group discussions ▪ Presentation ▪ Plenary discussions ▪ Buzz groups ▪ Case studies ▪ Role play ▪ Questions and answers 	<ul style="list-style-type: none"> ▪ Account ants ▪ Financial Experts ▪ Author 	Beneficiaries (Credit/Bank Officers)	April 04:2Hrs
	(b) Books of accounting <ul style="list-style-type: none"> ▪ Original books of accounting ▪ Analysis cash book ▪ Daily cash in hand book ▪ Journal ▪ Ledger 	At the end of this subject participants will be able to: <ul style="list-style-type: none"> ▪ Identify books of accounts used in recording both cash and non cash transactions ▪ Properly write all books of accounting ▪ Balance and close books of accounting 	<ul style="list-style-type: none"> ▪ Group discussions ▪ Presentations ▪ Plenary discussions ▪ Buzz groups ▪ Case studies ▪ Role play ▪ Question and answer ▪ Demonstration ▪ Exercises 	<ul style="list-style-type: none"> ▪ Account ants ▪ Financial Experts 	Beneficiaries (Credit/Bank Officers)	April 04: 3.30 Hrs
	(c) Trial Balance	At the end of this subject participants will be able to: <ul style="list-style-type: none"> ▪ Define and explain the importance of trial balance ▪ Prepare and balance trial balance 	<ul style="list-style-type: none"> ▪ Group discussions ▪ Presentation ▪ Plenary discussions ▪ Buzz groups ▪ Case studies ▪ Role play ▪ Question and answers ▪ Demonstration ▪ Exercises 	<ul style="list-style-type: none"> ▪ Account ants ▪ Financial Experts 	Beneficiaries (Credit/Bank Officers)	April 04: 2Hrs

MAIN TOPIC	SUB TOPIC	OBJECTIVES	METHODOLOGY	TRAINER	TRAINEE	TIMELINE/ IMPLEMENTATION
	(d) Bank Reconciliation	At the end of the subject participants will be able to: <ul style="list-style-type: none"> Define and explain bank reconciliation Prepare bank reconciliation statement using both two basic rules. 	<ul style="list-style-type: none"> Group discussions Presentation Plenary discussions Buzz groups Case studies Role play Questions and answers Demonstration Exercises 	<ul style="list-style-type: none"> Account ants Financial Experts 	Beneficiaries (Credit/Bank Officers)	April 04: 2Hrs
2.0: Financial Management and Interpretation of Financial Statements	(a) Preparation of Financial Statements <ul style="list-style-type: none"> Income expenditure Balance sheet Portfolio report Cash flow projection Budget Appropriation account 	At the end of the subject participants will be able to: <ul style="list-style-type: none"> Define and explain the importance of financial statements Enumerate basic financial statements relevant to MFIs and SMEs Prepare all basic financial statements 	<ul style="list-style-type: none"> Group discussions Presentation Plenary discussion Buzz groups Case studies Role play Questions and answer Demonstration Exercises 	<ul style="list-style-type: none"> Account ants Financial Experts Author 	Beneficiaries (Credit/Bank Officers)	May 04: 3.30Hrs
	(b) Calculation of Financial Ratios: Efficiency, Liquidity, Profitability and Leverage ratios	At the end of this subject participants will be able to: <ul style="list-style-type: none"> Define financial ratio Identify all basic financial ratios relevant to MFIs and SMEs Financial statements Calculate and interpret basic financial ratios in 	<ul style="list-style-type: none"> Group discussions Presentation Plenary discussions Buzz groups Case studies Role play Questions and answers Demonstration Exercises 	<ul style="list-style-type: none"> Account ants Financial Experts Author 	Beneficiaries (Credit/Bank Officers)	May 04:3Hrs

MAIN TOPIC	SUB TOPIC	OBJECTIVES	METHODOLOGY	TRAINER	TRAINEE	TIMELINE/ IMPLEMENTATION
		<ul style="list-style-type: none"> Assessing the financial performance and condition of the organization 				
	(c) Capital Budgeting	<p>At the end of this subject participants will be able to:</p> <ul style="list-style-type: none"> Explain the meaning of Capital Budgeting Point out the distinctive features of capital budgeting Understand the set of techniques (standard Criteria) for evaluating and appraising projects. Capital budgeting and decision making 	<ul style="list-style-type: none"> Group discussion Presentation Plenary discussion Buzz groups Case studies Role play Questions and answers Live examples 	<ul style="list-style-type: none"> Account ants Financial Experts Author 	Beneficiaries (Credit/Bank Officers)	May 04:3Hrs
	(d) Savings Mobilization	<p>At the end of this subject participants will be able to:</p> <ul style="list-style-type: none"> Understand the benefits of saving Mobilization Ways to expand and deepen their outreach Ways to attain self-sustainability 	<ul style="list-style-type: none"> Group discussion Presentation Plenary discussion Buzz groups Case studies Role play Questions and answers Live examples 	<ul style="list-style-type: none"> Account ants Financial Experts 	Beneficiaries (Credit/Bank Officers)	May 04:1.30Hrs

MAIN TOPIC	SUB TOPIC	OBJECTIVES	METHODOLOGY	TRAINER	TRAINEE	TIMELINE/ IMPLEMENTATION
	(e) Audit Compliance	<p>At the end of this subject participants will be able to:</p> <ul style="list-style-type: none"> ▪ Importance of being Audit Compliant ▪ Know the relevant Audit authorities identifying relevant audit document ▪ Test compliance with the groups loan policies and procedures ▪ Assess the Audit control environment 	<ul style="list-style-type: none"> ▪ Group discussion ▪ Presentation ▪ Plenary discussion ▪ Buzz groups ▪ Case studies ▪ Role play ▪ Questions and answers ▪ Live examples 	<ul style="list-style-type: none"> ▪ Auditors ▪ Financial Experts 	Beneficiaries (Credit/Bank Officers)	May 04:2.30Hrs
3.0: Delinquency and Strategic Planning	(a) Delinquency	<p>At the end of this subject participants will be able to:</p> <ul style="list-style-type: none"> ▪ Define delinquency ▪ Explain the major causes of delinquency ▪ Point out basic indication for possibility of delinquency ▪ Enumerate steps in ensuring effective delinquency management ▪ Explain the importance of effective delinquency management ▪ Utilizing qualitative and quantitative tools to adequately assess the loan portfolio 	<ul style="list-style-type: none"> ▪ Group discussion ▪ Presentation ▪ Plenary discussion ▪ Buzz groups ▪ Case studies ▪ Role play ▪ Questions and answers 	<ul style="list-style-type: none"> ▪ Accountants ▪ Financial Experts 	Beneficiaries (Credit/Bank Officers)	June 04: 3 Hrs

MAIN TOPIC	SUB TOPIC	OBJECTIVES	METHODOLOGY	TRAINER	TRAINEE	TIMELINE/ IMPLEMENTATION
	(b) Strategic Planning	<p>At the end of the subject participants will be able to:</p> <ul style="list-style-type: none"> ▪ Explain the meaning, purpose and relevancy of strategic planning to any organization ▪ Enumerate steps in carrying out strategic planning 	<ul style="list-style-type: none"> ▪ Group discussion ▪ Presentation ▪ Plenary discussion ▪ Buzz groups ▪ Case studies ▪ Role play ▪ Questions and answers ▪ Live examples 	<ul style="list-style-type: none"> ▪ Credit officers ▪ Business Development Experts ▪ Planners ▪ Author 	Beneficiaries (Credit/Bank Officers)	June 04: 2Hrs
4.0: Management and Corporate Governance	(a) Communication Skills	<p>At the end of the subject participants will be able to:</p> <ul style="list-style-type: none"> ▪ Explain the Meaning of Communication ▪ Outline the role of communication ▪ Know different means to communicate ▪ Be aware of barriers to communication ▪ Overcome barriers and the need for effective communication ▪ Be aware of communication and information Technology ▪ Communication responsibilities of a manager/leader 	<ul style="list-style-type: none"> ▪ Group discussion ▪ Presentation ▪ Plenary discussion ▪ Buzz groups ▪ Case studies ▪ Role play ▪ Questions and answers ▪ Live examples ▪ 	Management Experts	Beneficiaries (Credit/Bank Officers)	July 04:2Hrs

MAIN TOPIC	SUB TOPIC	OBJECTIVES	METHODOLOGY	TRAINER	TRAINEE	TIMELINE/ IMPLEMENTATION
	(b) Conflict Resolution	At the end of the subject participants will be able to: <ul style="list-style-type: none"> Understand the meaning of conflicts Point out sources of conflicts Sought ways to solving conflicts 	<ul style="list-style-type: none"> Group discussion Presentation Plenary discussion Buzz groups Case studies Role play Questions and answers Live examples 	Conflicts Resolution Experts	Beneficiaries (Credit/Bank Officers)	July 04:1Hr
	(C) Good Corporate Governance	At the end of the subject participants will be able to: <ul style="list-style-type: none"> Understand the meaning of corporate Governance Understand the essentials of Corporate Governance Create environment for transparency and effective corporate Governance 	<ul style="list-style-type: none"> Group discussion Presentation Plenary discussion Buzz groups Case studies Role play Questions and answers Live examples 	Corporate Management Expert	Beneficiaries (Credit/Bank Officers)	July 04:1Hr

SOURCE: DEVELOPED BY THE AUTHOR

5.4.0: Summary and Conclusion:

Success in business is not only aspiration and dynamism but to be fully equipped with management techniques and latest business information. This Training Manual is just one of the step forward in a long and bumpy road towards business success and economic empowerment to the bank and beneficiaries aspire to achieve and benefit all along from their endeavours and aspirations.

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