

**THE ROLE OF INTERMEDIARY MICROFINANCE INSTITUTIONS IN  
PROVIDING FINANCIAL SERVICES IN RURAL AREAS**

**BY**

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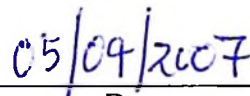
**DECLARATION**

I, CORNEL MSEMWA, do hereby declare to the Senate of the Sokoine University of Agriculture that this research paper is my original work and that it has never been submitted for a degree in other University.



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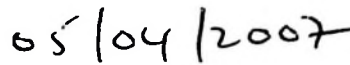
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**DEDICATION**

This work is dedicated to my father Mr. Zakaria Bakari Msemwa and my mother Mrs. Elizabeth Petro Msemwa who laid down the foundation for my education.

## ABSTRACT

Microfinance is access to financial services by poor households. The essence of microfinance is uncollateralized loans to borrowers who have not a constant source of income from income generating activity or from a wage job. Microfinance can help small farmers and the self-employed individuals who cannot or will not post standard physical collateral such as a mortgage or real estate. In fact, lenders may not accept collateral for small loans since the cost of seizure and sale may exceed the debt owed. Lack of collateral, however, increases the costs for lenders to judge risk and to enforce repayment (Nagarajan and Meyer, 1995).

Microfinance aims to provide financial services to those who do not have the possibility to obtain them from the informal and the formal financial markets. The formal financial sector (banks and other financial institutions) is largely urban-based and organized primarily to meet the financial needs of the modern sector. Many MFI clients do not have any experience with formal banks, or do not qualify for services (lack of collateral and lack of business license). For others, the next bank is simply too far away. Informal financial markets are ubiquitous; they are generally characterized by personal relationships, ease of access, simple procedures, rapid transactions, and flexible size and terms of loans. However, not all households have access to informal money sources. Even close family members or good friends are often reluctant to lend money. Moreover, the amounts of money available from friends and relatives are often too small

to be used as a business investment. Of the various services offered by micro-finance institutions, clients mainly use credit services; savings and advisory services, including training, are also quite frequently used. Formal banks tend to operate in urban areas leaving rural areas short of sources of finance. This situation causes the emergence of SACCOS as an alternative aiming at filling the gap left by the formal financial providers in rural areas.

This research paper highlights the operation of intermediary microfinance institutions in Mbeya region which are in the partnership with CRDB Microfinance Company Limited. The study is focused on the provision of microfinance services in rural areas. It includes the challenges and the alternative solutions to solve them. The information used in this research paper was collected by conducting physical visit to the selected intermediary microfinance institutions which are working in partnership with CRDB Microfinance hub at CRDB Bank Mbeya branch. The source of information was from monthly report of the microfinance institutions, and focus group discussions with managerial team that were held during the visit. Also some information was collected from Microfinance office at the hub.

During the study, it was observed that the main challenges faced by these intermediary microfinance institutions included; lack of innovation and creativity to come up with reliable and relevant products and services to the clients, technical know-how of MFIs staff was still low, working on voluntary basis which could in long run undermine the

morale of MFIs staffs, and weak MFIs outreach. The paper stipulates some of alternative solutions to improve the situation of these microfinance institutions.

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**LIST OF ABBREVIATIONS**

AMSDP	Agriculture Marketing System Development Programme
CRDB	Cooperative Rural Development Bank
MFC	Micro-Finance Company
MFI	Micro- Finance Institutions
NGO	Non Governmental Organization
POS	Point Of Sales
ROSCA	Rotating Savings and Credit Associations
SACA	Savings and Credit Associations
SACCO	Savings and Credit Cooperative Societies

## CHAPTER ONE

### 1. INTRODUCTION

#### 1.1. Microfinance

Microfinance is access to financial services by poor households. The essence of microfinance is uncollateralized loans to borrowers without a constant source of income from a wage job. Microfinance can help small farmers and the self-employed individuals who cannot or will not post standard physical collateral such as a mortgage or real estate. In fact, lenders may not accept collateral for small loans since the cost of seizure and sale may exceed the debt owed. Lack of collateral, however, increases the costs for lenders to judge risk and to enforce repayment (Nagarajan and Meyer, 1995). On the one hand, the willingness and ability to post collateral acts as an ex ante signal of willingness and ability to repay (Bester, 1985). On the other hand, collateral acts as an ex post way for lenders to recoup losses and to impose a cost on defaulters (Benjamin, 1978; Barro, 1976).

##### 1.1.1. Importance of Microfinance

Microfinance aims to provide financial services to those who do not have the possibility to obtain them from the informal and the formal financial markets. The formal financial sector (banks and other financial institutions) is largely urban-based and organized primarily to meet the financial needs of the modern sector. Many MFI clients do not have any experience with formal banks, or do not qualify for services (lack of collateral,

lack of business license). For others, the next bank is simply too far away. Informal financial markets are ubiquitous; they are generally characterized by personal relationships, ease of access, simple procedures, rapid transactions, and flexible size and terms of loans. However, not all households have access to informal money sources. Even close family members or good friends are often reluctant to lend money. Moreover, the amounts of money available from friends and relatives are often too small to be used as a business investment. Of the various services offered by micro-finance institutions, clients mainly use credit services; savings and advisory services, including training, are also quite frequently used. Formal banks tend to operate in urban areas leaving rural areas short of sources of finance. This situation causes the emergence of SACCOS as an alternative aiming at filling the gap left by the formal financial providers in rural areas.

### **1.1.2. The Functions of Financial Services**

Financial services such as loans and savings instruments can raise household income, consumption levels, and investments in three ways: by allowing expanded production that will generate income: by allowing more risk-efficient "asset portfolios" (animals, land, material, and so on); and by smoothing consumption patterns (tiding a family over a drought, seasonal scarcity, crop failure, illness, and so on). Different levels of poverty are associated with different patterns of demand, different risks and risk perceptions, and different means of access to finance. Those individuals with slightly more education,

technical know how, or market access will have different capacities and demand schedules for seeking loans than the very poor. (Zeller and Meyer, 2002)

### **1.2. Access to financial services**

Financial services include loans, deposits, insurance, and payment services. Access implies supply at a price that covers the long-term costs of an efficient supplier and that is less than the value of the service to the user. Lack of access is not problematic unless the cost of supply is higher than it needs to be or if markets are imperfect. Financial markets are imperfect, but not all interventions are improvements. Access to financial services in general---and to loans in particular---constrain entrepreneurship in the third world more than in the first world. This means that first world microenterprise programmes must help the poor to build savings or to build human capital. This is more difficult than making loans (Schreiner, 2001)

### **1.3. Formal Financial Sector**

The formal financial sector (banks and other financial institutions) is largely urban-based and organized primarily to meet the financial needs of the modern sector. Many MFI clients do not have any experience with formal banks, or do not qualify for services (lack of collateral, lack of business license). For others, the next bank is simply too far away.

#### **1.4. Informal Financial Sector**

People in Sub-Saharan Africa without access to formal financial institutions often use informal financial arrangements provided through groups. A huge literature describes the incarnations of these arrangements across the continent (Adams and Fitchett, 1992). Explorations of rotating savings and credit associations (RoSCAs), accumulating savings and credit associations (ASCRA), moneylenders, money keepers, and trade finance have unearthed five basic virtues of informal finance: slashed transaction costs, supply of savings as well as loans, substitution of confidence for collateral, socially enforced and/or self-enforced contracts, and sequences of repeated interactions.

##### **1.4.1. Rotating Savings and Credit Associations**

RoSCAs are small groups who meet to make fixed contributions at intervals. (For example, 12 people might meet monthly to contribute Tshs 1000 each.) By turns, each member gets the pool. Those who have yet to receive the pool are savers, and members who have already received the pool are debtors. Like deposit collectors, RoSCAs are common among poor women because they offer low transaction costs and the pressure to save regularly (Ardener and Burman, 1995). Transaction costs are low because RoSCAs form among people who know and trust each other and who already meet regularly or live or work close to each other. There is pressure to save because failure to do so reduces the pool for other members.

#### **1.4.2. In-kind storage**

Probably the most common form of informal savings for poor rural people is the in-kind storage of small, high-value items that can be sold for cash in an emergency. Examples include bricks, cattle, goats, chickens, and sacks of rice, corn, or concrete. Cash under the mattress is also a form of in-kind storage. Transaction costs are low; “deposits” just require purchases of small, high-value items. The temptation to “withdraw” is low because sales usually fetch low prices and require time and effort to find a buyer.

#### **1.4.3. Weaknesses of informal savings mechanisms**

Informal savings mechanisms are useful, but they do not remove the need for formal services. In developed countries, for example, people with a choice usually use formal services. What does the formal offer than the informal does not? Formal savings services offer greater safety, higher rates of return, quicker access to funds, and greater anonymity.

#### **1.5. Access to funds**

Financial emergencies are a fact of life for the poor, so they want quick access to their savings. Informal savings, however, either do not allow quick access or do so only through deposit-guaranteed loans. For example, savers with deposit collectors can get a quick loan based on their history of regular deposits and their current balance, but they cannot get their savings back until the end of the month. Likewise, a RoSCA member who unexpectedly needs funds can move to the head of the line in the next meeting (as

long as she/he has not yet received the pool), but she/he cannot simply withdraw her accumulated savings. Finally, in-kind storage items can be liquidated, but distress sales fetch low prices and have high transaction costs. In contrast, withdrawals from bank accounts in banks are possible any working day.

### 1.6. Microfinance in the world

The concept of microfinance is not new. Savings and credit groups have operated for centuries such as the "Susus" of Ghana, "Chit funds" in India, "Tandas" in Mexico, "Arisan" in Indonesia, "Cheetu" in Sri Lanka, "tontines" in West Africa, and "Pasanaku" in Bolivia, as well as numerous savings clubs and burial societies found all over the world.<sup>1</sup> More recent commentators such as Littlefield et al (2003) and Simanowitz and Brody (2004) have noted the critical role of microfinance on reaching the millennium development goals one of which is eradicating extreme poverty<sup>2</sup>. The concept of the credit union was developed by Friedrich Wilhelm Raiffeisen and his supporters. Their altruistic action was motivated by concern to assist the rural population to break out of their dependence on moneylenders and to improve their welfare (Seibel, 2003). From 1870, the unions expanded rapidly over a large sector of the Rhine Province and other regions of the German States. The cooperative movement quickly spread to other countries in Europe and North America, and eventually, supported by the cooperative

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<sup>1</sup>See CGAP- Focus notes - is micro finance an effective strategy to meet millennium goal. See CGAP, World Bank Consultative Group to Assist the Poor, Annual Report, 2004 CGAP, Donors brief (2003), about financial services for the rural poor, helping to Improve

<sup>2</sup> The MDGs are (i) eradicate extreme poverty and hunger(ii) Achieve universal primary education (iii) promote gender equality and empower women (iv)reduce child mortality (v)improve maternal health (vi)combat HIV/AIDS, malaria and other deceases (vii) ensure environmental sustainability and (viii)develop a global partnership for development. See Elizabeth Littlefield, Jonathan Morduch, and Syed

movement in developed countries and donors, spreading further to developing countries (Robnson, 2001).

In the 1800s, various types of larger and more formal savings and credit institutions began to emerge in Europe, organized primarily among the rural and urban poor. These institutions were known as People's Banks, Credit Unions, and Savings and Credit Co-operatives (Evanston, 2005). In Indonesia, the Indonesian People's Credit Banks (BPR) or The Bank Perkreditan Rakyat opened in 1895 (Robnson, 2001). The BPR became the largest microfinance system in Indonesia with close to 9,000 units. In the early 1900s, various adaptations of these models began to appear in parts of rural Latin America (Robnson, 2001). While the goal of such rural finance interventions was usually defined in terms of modernizing the agricultural sector, they usually had two specific objectives: increased commercialization of the rural sector, by mobilizing savings and increasing investment through credit, and reducing oppressive feudal relations that were enforced through indebtedness. In most cases, these new banks for the poor were not owned by the poor themselves, as they had been in Europe, but by government agencies or private banks. Over the years, these institutions became inefficient and at times, abusive (Seibel, 2005).

In the 1970s, experimental programs in Bangladesh, Brazil, and a few other countries extended tiny loans to groups of poor women to invest in micro-businesses. This type of micro enterprise credit was based on solidarity group lending in which every member of a group guaranteed the repayment of all members. These "micro enterprise lending"

programs had an almost exclusive focus on credit for income generating activities (in some cases accompanied by forced savings schemes) targeting very poor (often women) borrowers (Charitonenko, 1998).

### **1.7. Microfinance in Tanzania**

Microfinance in Tanzania began with NGOs (Non-Government Organizations) and SACCOS (Savings and Credit Cooperatives) in 1990's and has continued to grow with the increased success of microfinance internationally (World Bank, 2003). In 1995 microfinance was mainly linked to women and poverty alleviation. The government tried to convince commercial banks to support small and medium businesses. Once the National Microfinance Policy was implemented in 2001, microfinance was officially recognized as a tool for poverty eradication and with its increased use and exposure to the country; banks have taken an interest in offering microfinance (Randhawa and Gallardo, 2003). The National Microfinance Bank is an institutional provider of microfinance services, the AKIBA Commercial bank and CRDB Bank are also two big supporters of microfinance but there are many other institutions that remain to be important in the cause as well such as FINCA, PRIDE and SEDA as well as the Tanzania Postal Bank (Randhawa and Gallardo, 2003). Community banks and small banks have taken an interest to this as well along with many NGOs and non-profit organizations (BOT, 2005). A survey done by the Bank of Tanzania (the overseer of microfinance under the Ministry of Finance) updated the directory of microfinance

practioners identifying basic information on microfinance institutions namely commercial banks, financial institutions, financial Non-Governmental Organizations (NGO), Savings and Credit Cooperatives Societies (SACCOs) and Savings and Credit Associations (SACAs). The directory has counted a total of 8 banks, 45 CBOs, 2 companies, 95 Government programs, 1,620 SACCOs, 48 SACAs and 62 NGOs (BOT, 2005).

Access to microfinance reduces house hold borrowing from informal sources, also increases household savings hence providing facility for saving mobilization from the poor. The nature and extent of impact to microfinance institutions is to promote livelihood of the people. There is evidence that microfinance have a positive impact on economic and social situations of clients; households and their businesses (Simanowitz, 2003). Microfinance in other parts of the world, particularly in Asia and Latin America has proved to be an effective tool to combat rural poverty. One of the key factors is the density of population which has proved to be compatible with microfinance lending models such as solidarity groups (Grameen Bank Type). In Tanzania a similar situation is mainly found in urban areas, rural areas are sparsely populated hence costly to be reached. On the other side infrastructure (roads, electricity) is poorly developed hence providing yet another constrain for rural outreach where over 75% of population live. Effective collaboration between the Government and Microfinance providers is highly needed in Tanzania for provision of microfinance services to the rural poor. This could be in the form of targeted subsidy, tax incentive and improvement basic infrastructure

(roads, electricity, security services, telephone and ICT) (Randhawa and Gallardo, 2003.)

**Table 1. Microfinance outreach in Tanzania**

S/N	Institution	Customers served	Market share	Percent of share
1	SACCOS AND SACAS	251,531	251,531	37.4
2	Community banks	31,051	31,051	4.6
3	Community development Funds and SIDO	53,214	53,214	7.9
4	PRIDE TZ	63,359	63,359	9.4
5	FINCA TZ	55,022	55,022	8.2
6	SEDA	14,640	14,640	2.2
7	PTF	10,504	10,504	1.6
8	FARAJATRUST FUNDS	8,000	8,000	1.2
9	YADEC	7,235	7,235	1.1
10	Poverty Africa	4,889	4,889	0.7
11	Others	28,459	28,459	4.2
12	CRDB Bank	105,654**	105,654 **	15.7
13	NMB Bank	24,433	24,433	3.6
14	AKIBA Bank	14,500	14,500	2.2
TOTAL		672,491	672,491	100%

\*\* It includes members served through SACCOS and SACAS.

Source: CRDB Bank LTD 2006

### **1.8. Key Microfinance principles**

For Microfinance institutions to succeed they should follow the principles indicated below.

1. Poor people need a variety of financial services, not just loans;
2. Microfinance is a powerful tool to fight poverty;
3. Microfinance means building financial systems that serve the poor;
4. Microfinance can pay for itself, and must do so if it is to reach very large numbers of poor people;
5. Microfinance is about building permanent local financial institutions;
6. Micro credit is not always the answer and is not the best tool for everyone or every situation;
7. Interest rate ceilings hurt poor people by making it harder for them to get credit;
8. The role of government is to support financial services by enacting good policies that will favour them to grow but not to provide the finance directly;
9. Donor funds should complement private capital, not compete with it;
10. The key bottleneck is the shortage of strong institutions and managers;
11. Microfinance works best when it measures—and discloses—its performance.

Source: [www.cgap.org](http://www.cgap.org) Date accessed: October 2006

### **1.9. The problem statement and justification**

Many rural households face severe constraints when they seek credit from formal lending institutions. Formal financial services such as those offered by banks are often

not available to these poor rural people because of restrictions requiring that loans be backed by collateral. Also the banks do not welcome the small amounts the poor want to save or take as loan. Due to these restrictions poor people usually turn first to informal sources such as friends, relatives, or moneylenders, who loan small amounts for short periods, or to informal, indigenous institutions such as savings clubs and lending networks to borrow enough money to purchase the basic necessities that need enough lump sum of money. These informal networks are frequently successful in tiding the poor over difficult times, such as a bad harvest, and they enable poor households to build up savings for investments that can help lift them out of poverty.

Informal savings mobilization groups can take on a variety of different forms. The simplest form of informal savings is the Rotating Savings and Credit Associations (ROSCAs). A ROSCA is a group of individuals that come together and make regular cyclical contributions to a common fund, which is then given as a lump sum to one member in each cycle.

## CHAPTER TWO

### 2. CRDB MICROFINANCE COMPANY LIMITED

#### 2.1. Background

The CRDB MFC Limited was started by end of 2004 following three years of successful implementation of a microfinance pilot project which covered four regions of Mainland Tanzania namely Morogoro, Dodoma, Iringa and Mbeya. The company was established for the purpose of providing wholesale financial services to the intermediary MFIs which provide financial services directly to the low income households and appropriately related enterprises, that is community based Savings and Credit Cooperative Societies (SACCOs), out-growers based SACCOs and employee based SACCOs. Savings and Credit Associations (SACAS), financial NGOs, community banks, and other grassroots type financial intermediaries. Through this Microfinance Company (MFC), CRDB bank offers a range of services to people who were formerly denied access to the services through formal banking institutions. The beneficiary MFIs, in turn provide financial services to their individual customers.

Establishment of a subsidiary company was intended to cater for micro financing needs of the market ushers in a new era in the Bank's business strategy that allows the ordinary Tanzanians to access the financial services. Services offered by the company cover the following areas:

## **2.2. Technical Support to Microfinance Institutions**

Using a team of experienced and highly competent specialist officers, CRDB Bank supports partner MFIs through training and advisory services. Trainings offered covers topics, which are tailored to meet the unique needs of the MFIs so as to facilitate adherence to best practices. CRDB MFC limited also helps MFIs financially in the areas of providing stationary and building up bank counters.

Both Rosenberg (1994) and Boomgard et al. (1992) emphasize that the tightest constraint on microfinance (in Bolivia) is not funds but rather competent technical assistance to strengthen the capacity and sustainability of MFOs. This is also the case in MFIs in Tanzania. Technical assistance matters more than funds. Technical assistance may play a role in improving the supervision of MFOs. It may provide the supervisory authority with knowledge, based on experience worldwide, on the risk in a portfolio of microloans. Intense, long-term, on-site technical assistance for the MFOs may generate the information needed to prove to the supervisory authorities what an MFO can do. Rosenberg (1994) believes that the shortage of technical assistance is due less to funds to buy technical assistance for MFOs and more to a shortage of qualified technicians.

## **2.3 Loans to meet various financial needs of partner MFI**

CRDB MFC lends to MFIs at the most affordable yet negotiable interest rates. The lower rates offered by the Bank enable MFIs to lend to consumers at very affordable

rates and still make a reasonable income to cover for its operational costs and make a profit. Currently, the loans offered are:

- i). Business loans
- ii). Emergency loans
- iii). Agricultural loans
- iv). Special loans for women

#### **2.4. Bank accounts:**

On behalf of the parent company, CRDB MFC Limited also offers various types of accounts to cater for the banking needs of the partner MFIs. The accounts on offer include:

- i). Savings Accounts
- ii). Current Accounts
- iii). Fixed Deposit Accounts
- iv). MFI Juhudi Accounts

#### **2.5. Other services offered by CRDB MFC Limited on behalf of the parent company.**

- i). Money Transfer
- ii). TemboCard Services
- iii). Insurance Services

## **CHAPTER THREE**

### **3. INTERMEDIARY MICROFINANCE INSTITUTIONS IN MBEYA**

Many microfinance institutions have been established not only by rural people but also by people in urban areas. These microfinance institutions are acting as links between formal financial institutions and the poor people who are denied access to these formal financial institutions. Though there is a big number of MFIs that could be served by CRDB Microfinance hub in Mbeya only about 23 MFIs have established partnership with CRDB Microfinance. The reason for this can be explained by either that other MFIs are not willing to cooperate with the bank and therefore they have established the links with other financial institutions or those which are willing are not qualifying for being taken up and being recruited by the CRDB Microfinance department in the branch, but still there is great opportunity for the company to recruit more intermediary MFIs

#### **3.1. Ownership, Management & Governance of the MFIs:**

The SACCOs are registered under the Cooperative Act 1991. The Annual General Meeting of members is the supreme body. The AGM elects a Board, consisting of a Management Committee, Credit Committee and a Supervisory Committee. Some SACCOs have a (paid) clerk. Supervision and regulation of SACCOs is the responsibility of the Registrar for Cooperatives, who operates through the Regional and District Cooperative Departments. (SNV-Tanzania, 2004)

### **3.2. Products and Services offered**

The products and services that are offered by these intermediary microfinance institutions are similar in great extent as it was seen that rural people face similar problems though there may be minor differences in the way these products and services are designed and offered. Products offered by most of Microfinance Institutions includes

- i). Loans
- ii). Savings
- iii). Deposits
- iv). Micro-insurance
- v). Educational programs
- vi). Tembocard services

#### **3.2.1. Loans**

Loan is one of the products that are very important in any microfinance institutions as it give access of capital to rural people. Majority of people fail to fulfill their economic activities due to lack of capital, and when they turn to formal financial institutions like commercial banks for the financial help they end up denied due to the lack of acceptably formal collaterals. This is not the case with microfinance institutions which do not insist on formal collaterals. The fact is that most of rural people have collaterals which are informal. For example; apart from other things, when one wants to secure loan from commercial banks, the bankers want let say land lease while majority of rural people

have not such documents due to the reason that in many parts of rural Tanzania land is something that is inherited traditionally. But through microfinance institutions, members secure loan by using those informal collaterals due to the reason of knowing well each other and that loan is offered to only members of such microfinance.

Loan products are designed according to the needs of the prevailing market in which the intermediary MFIs operate. Though there are differences from one intermediary microfinance to another, most of these institutions have similar loan products due to the reason that they are situated in same geographical location and that their clients are facing more or less similar problems. The loan products that are available in these microfinance institutions are

- i). Emergency loan/Social loans
- ii). Agricultural loans
- iii). Business loans
- iv). Education loans
- v). Developmental loans

Access to loans is the ability and willingness to borrow and to repay at a price that covers the long-run cost of an efficient lender. Access to loans is the nexus of creditworthiness—demand based on ability and willingness to repay—and technology—supply based on an efficient way to judge creditworthiness and to enforce repayment. More access means that loans depend more on demand and less on the constraints of

supply. While the ability to post standard physical collateral such as a mortgage on real estate can signal creditworthiness and can help to insure the lender against default, some borrowers are creditworthy but cannot or will not signal and guarantee it with collateral. Indeed, since collateral increases costs for borrowers, those with the least risk and the lowest expected returns may opt not to borrow at all (Nagarajan and Meyer, 1995; Wette, 1983; Stiglitz and Weiss, 1981).

### 3.2.2. Savings

Savings is another product of microfinance institutions; this is used as determinant of what amount one can secure as loan. SACCOs do not grant any loan before mobilization of prior savings (hot money) (Camilleri, 2005). People should get loan from where they save. The more one saves the more he/she increases the accessibility for securing bigger amount of loan. People tend to save to compensate for uneven income streams. Poor households save for various purposes, such as insurance against bad health, disability and other emergencies, investments, social and religious obligations, and future consumption. Poor households save in-cash, in-kind (animals, gold, grain, land, raw material and the like), and use rotating savings and credit associations and other forms of financial and non-financial savings and loan associations because of limited access to appropriate deposit facilities..

Savings services not only provide a valuable financial assistance to low-income clients, but they also strengthen institutional self-sufficiency, membership commitment to

microfinance initiatives, and build a sense of discipline, self-esteem, and wellbeing. When funds are internally generated rather than borrowed from or granted by external sources, MFI members become more invested and participatory in the prudential administration of savings towards credit and other MFI services. If priced correctly, savings instruments can contribute to capital mobilization and wider market coverage. Savings mobilization can help MFIs to expand and deepen their outreach. Personal saving serves two primary functions. First, savings provide the economic security of a safety net. By transferring resources from the present to the future via savings, individuals are prepared to face unexpected and irregular financial circumstances. Second, saving leads to accumulation of wealth that enables individuals to improve their living standard and to respond to new opportunities (Gokhale, 2000).

### **3.2.3. Deposits**

Deposit is the facility that allows people to keep their money safely. It should not be confused to savings. Deposits can be withdrawn any time, but savings are rarely withdrawn. Savings account is slightly illiquid while deposits account might be viewed as slightly liquid.

**Table 2. Deposits, savings, and shares of some selected intermediary MFIs as at 30 June 2006.**

<b>Saccos Name</b>	<b>Deposits</b>	<b>Savings</b>	<b>Shares</b>
Kiwira	153,344,440.00	-	169,176,414.35
Uwamu	367,326,205.00	446,856,958.00	73,936,725.00
Tazara	32,466,111.08	352,405,926.00	46,235,673.00
Chamiwaru	223,500.00	92,351,346.30	10,380,000.00
Mbozi Teachers	-	86,827,440.00	5,213,500.00
Rungwe Employes	1,609,932.00	22,739,445.00	8,100,000.00
Mbeya Teachers	0.00	108,340,933.70	33,442,000.00
Jiendeleze	2,151,320.79	27,997,005.65	18,546,000.00
Kyimo	15,482,585.17	1,679,000.00	15,361,650.00
Chimala	26,902,520.00	127,643,817.00	24,576,000.00
Swaya	-	24,918,000.00	3,644,200.00
Mwongozo	2,100,000.00	106,364,514.50	4,685,000.00
Ubaruku	0.00	56,054,500.00	6,400,000.00

#### **3.2.4. Micro-insurance**

Micro-insurance is another product in microfinance institutions, but very few microfinance institutions have this facility. For example Tazara Mbeya Saccos Limited have this facility where members are ought to pay the premium of Tsh 3000 as insurance

of loan. This facility works only when the debtor happens to die natural death. The facility has been designed so as to make relatives not bear the burden of paying the loan left by the late. Also it was observed that UWAMU sacco was in a process of starting death insurance where members have to pay a premium of 3500 per year. This insurance was designed to help a member to cover some funeral costs where the beneficiary will get amount of about Tsh 150,000. The facility will hold only when either a member or one of his/her close relatives dies.

#### **3.2.5. Education programs.**

Members of these microfinance institutions sometimes enjoy the educational programs that are organized during the annual general meeting period. Such educational programs include entrepreneurship programs, education on HIV/AIDS and education on good agricultural practices.

#### **3.2.6. Tembo card services**

Some of the microfinance institutions have been installed with Point Of Sale (POS) which accept Tembocard through which one can access ones CRDB account from these microfinance institutions. This help people who are living far away from CRDB branches to get access to their accounts through these institutions without them going physically to the branch and thus saving their time and money. Also this facility help people to move with a big sum of money safely as one can move with card instead of big sum of money.

### **3.3. Member eligibility for securing loan**

Anyone who needs to secure loan should first thing of becoming the member of the institutions. And to become a member of such institutions one need to buy shares a minimum number of shares which differ from one MFI to another, (one share costing TSh 10,000 in most cases) and open a saving account..Microfinance institutions use these two factors to determine the amount one can secure as loan from such institutions, and in most cases, loan that can be offered is twice or trice of the savings one has saved.

### **3.4. Membership**

MFIs membership is based on a certain set of criteria. It was observed that during their infant stage, most of MFIs were accepting members depending on where they live, or where they are employed. This was meant to have members who know each other and therefore to create the organization whose members would be loyal to each other. Though this was the case, this idea has changed in some of these microfinance institutions. For example; Tazara Mbeya Saccos was established for serving people who are residing in Tazara Mbeya area and nearby areas. Actually majority of its members were TAZARA employees at Tazara Mbeya station. Due to its successive stories, this intermediary microfinance institutions has been able to expand its coverage and now it is serving its members from Makambako Tazara station, Mlimba Tazara station and Dar es salaam Tazara station Also the organization have been able to attract and serve other employees from other institutions as it was observed that some of employees from migration office in Mbeya city were accommodated too. UWAMU saccos was

established to provide financial services to the people residing in Uyole area who are mainly farmers and business people and employees from different institutions but residing at uyole area. Ubaruku Saccos was established for serving paddy farmers. This organization has got opportunity of expanding its services to other non farmers clients in their area as there is a number of traders operating different kind businesses near the organization office but yet the organization have not captured this segment of market.

Member composition of these intermediary MFIs differ from one MFI to another, but it was observed that in many cases the numbers of male members were high compared to the numbers of female members. This indicates that male ones are more enjoying financial services than the female ones. This marginalization of women was due to social and economic factors. These factors include:

- (i) the fear of women to take risks (perceived by women themselves),
- (ii) lack of awareness leading to reduced access to credit and
- (iii) the skewed ownership of traditional resources (which can be used as collateral) in favour of men.

**Table 3. The composition of some selected intermediary MFIs by June 2006.**

Saccos Name	Male	Female	Groups	Total	Percent	Percent	Percent
	members	members			male	female	group
Kiwira	568	202	68	838	67.78%	24.11%	8.11%
Uwamu	394	188	25	607	64.91%	30.97%	4.12%
Tazara	583	20	0	603	96.68%	3.32%	0.00%
Chamiwaru	128	100	0	228	56.14%	43.86%	0.00%
Mbozi							
Teachers	204	82	0	286	71.33%	28.67%	0.00%
Rungwe							
Employees	68	25	0	93	73.12%	26.88%	0.00%
Mbeya							
Teachers	260	178	0	438	59.36%	40.64%	0.00%
Jiendeleze	196	142	10	348	56.32%	40.80%	2.87%
Kyimo	135	67	27	229	58.95%	29.26%	11.79%
Chimala	356	109	8	473	75.26%	23.04%	1.69%
Swaya	78	43	1	122	63.93%	35.25%	0.82%
Mwongozo	104	23	0	127	81.89%	18.11%	0.00%
Ubaruku	146	77	0	223	65.47%	34.53%	0.00%
<b>Total</b>	<b>3220</b>	<b>1256</b>	<b>139</b>				

Source: MFIs monthly reports

### **3.5. Successes of Microfinance Institutions**

#### **3.5.1. Link between rural poor and commercial banks**

Microfinance Institutions have succeeded to act as bridge linking the financial institutions and the needy people of financial services. Members of these institutions have been able to secure loan from their respective SACCOs or Bank Kata and therefore been able to do different economic activities which boost them economically. For example; in the year 2006, Chimala SACCOs Limited alone was able to grant more than one billion Tanzanian shillings as loan to members for different purposes.

Apart from financial services that microfinance institutions provide, they also act as the link between people in a certain locality. People come to know and trust each other better and thus being able to help each other in different aspects. Sometimes it is through these organizations where rural people become aware of good agricultural practices and where they can secure good price for their agricultural products.

#### **3.5.2. Warehouse receipts**

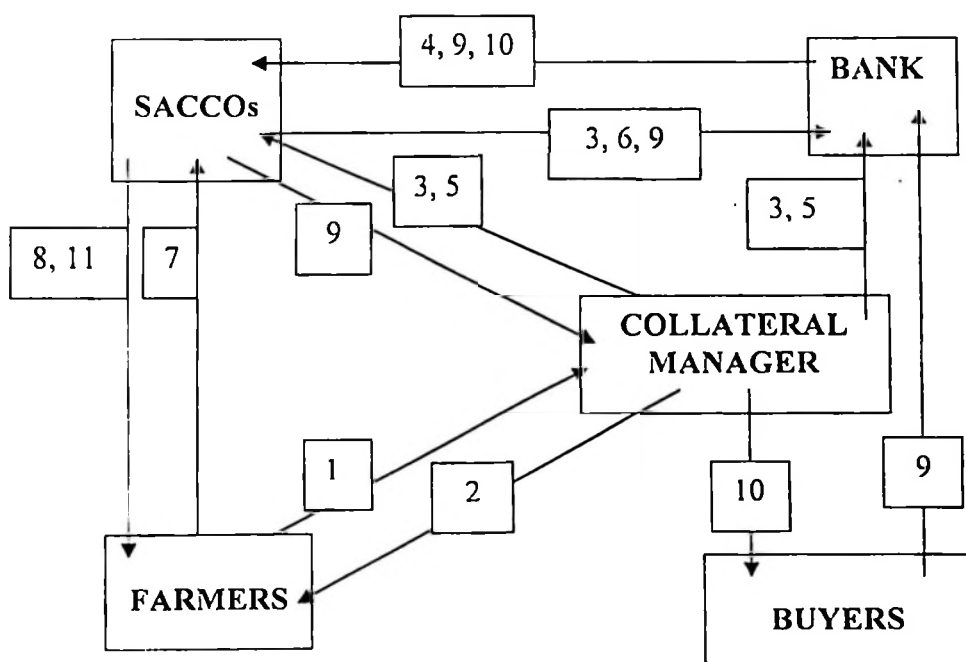
One major problem facing farmers in the developing world is the fluctuation of prices. When the crop is good the market is flooded with produce and it is impossible to get a good price. Farmers in rural areas of developing countries tend to sell all their product right after harvest, at a very low price. Within six months of harvest prices increase up to 80% (Coulter and Poulton, 2001). This means that small-scale farmers are usually forced by immediate cash needs to sell their goods straight after the harvest when prices are at their lowest. Prices are of course much higher during the lean season but, since they do

not have the capacity (financial or otherwise) to hold onto their produce, most poor farmers are unable to take advantage of this. The problem is particularly acute in Sub-Saharan Africa where, despite large post-harvest price fluctuations and the enormous benefits storage would have, the spread of warehouse receipts and inventory credit has been very slow. This is mostly a result of inadequate storage facilities and the heavy-handed state intervention which has tried unsuccessfully to control the market and prevented commercial solutions from evolving. Even where there are suitable and trustworthy storage facilities the poor farmers (who most need them) tend to be excluded because their low produce volumes cannot justify the high administrative expense. Fortunately this is a problem that microfinance institutions are now trying to address, helping the poor to take advantage of seasonal price swings. (Clougherty, 2006).

In collaboration with AMSDP, some of the SACCOs like Jiendeleze SACCOs and Chimala SACCOs enjoy the warehouse receipt system whereby a farmer (who is a member of the SACCOs) can secure loan using harvested products as collateral to the respective SACCOs. In this form of collateral, AMSDP prepares a warehouse which is under the supervision of the collateral manager. When the farmer comes with his/her produces, The produce is weighed, given identification number and evaluated for its price. The farmer is given receipt which indicates the identification number amount and the value of his/her consignment. The farmer, if willing can use this receipt to secure loan. The loan which is granted using this kind of collateral is limited to 75% of the total value of the consignment of the farmer in the warehouse. This facility has helped the

rural people to sell their agricultural produces when the prices are good and have increased financial accessibility to the rural people. Before establishment of this facility, middlemen used to exploit the rural people by setting the price they want to favour high profit on their side thus making rural people poorer.

### AMSDP INVENTORY CREDIT MODEL



**Figure 1: AMSDP inventory credit model**

1. Farmers deposit their produce in designated warehouse(s) under full control of Collateral Manager
2. Collateral Manager issues a Goods Received Note and Warehouse Receipt to Farmers copies of which are sent to the SACCOS

3. After entering into a tripartite agreement with the Bank and Collateral Manager, SACCOS apply for a loan from the Bank based on the estimated values of farmers produce pledges.
4. The Bank approves the loan applied by SACCOS and disburses the loan on request made by SACCOS.
5. The Collateral Manager issues regular reports on stock movements to both the Bank and SACCOS (Normally on a weekly basis. However, the bank or SACCOS can ask for reports any time they so wish).
6. SACCOS issues report reports to the bank detailing loan movements as well as changes on collateral
7. Farmers who wants loans against their stocks shall apply for loans from the SACCOS based on the agreed percentage of the value of the produce (Attaching the Goods Received Note, Warehouse Receipt and Letter of hypothecation with the loan application form)
8. SACCOS approves the loan and disburse cash to members
9. SACCOS shall monitor repayments by making sure that buyers of produce pay either through SACCOS or straight to the bank before issuance of release orders to the Collateral Manager. The bank will also issue release instructions to SACCOS.
10. Upon receipt of Release Order from SACCOS the Collateral Manager release produce to Buyers.

11. The bank deducts its loan and interest and credit the balance into SACCOS account.

12. SACCOS pays the balance either in cash or by crediting member accounts.

Through CRDB Microfinance Company Ltd, Microfinance institutions have succeeded to implement the best operational practices that are acceptable by CRDB bank and other financial institutions. It was observed that majority of the microfinance institutions had poor record keeping in their infancy stages. For the purpose of improving record keeping, CRDB do prepare short courses that are offered to some staffs of these MFIs so that they can work efficiently and according to the best acceptable practices described by CRDB Bank.

## CHAPTER FOUR

### 4. EMPIRICAL FINDINGS AND ALTERNATIVE SOLUTIONS

#### 4.1. Empirical findings

##### 4.1.1. Innovation and creativity

This is one of the key factors in Microfinance Institutions as it is in any business entity. The management team of these microfinance institutions should be innovative and creative to design and develop products so as to attract more customers. All partner MFIs use savings as a prerequisite for granting loan to its members. This hinders loan accessibility to new members especially those who depend on monthly salary. Majority of MFIs' members do face financial problems when schools open. As a result majority happen to apply for educational loan (mkopo wa elimu) so that they can get fund to send their children to school.

##### 4.1.2. Technical know-how of MFIs staff is still low:

Some microfinance institutions have computer facilities but can not make them to the full use according to their operation. For example; it was observed that Tazara Mbeya Saccos Limited was the only saccos with microfinance program and operations are automated. UWAMU Saccos has computer facility but had no program that is suitable for carrying out daily microfinance operation and the secretary was using Microsoft excel to perform her works and almost everything

is done manually. Chimala Saccos is one of the strongest Saccos that is served by CRDB Microfinance Mbeya, but still does not have computer facility due to lack of electricity in the office building. Therefore, in majority of MFIs, daily activities are performed manually thus causing delay in sending monthly report to CRDB bank.

#### **4.1.3. Voluntary basis:**

It was observed that MFIs have committees which carry out different operations according to their responsibility. The committee members are paid very little compared to the work they do which is very tedious. For example it was observed that until December 2006 UWAMU Saccos loan committee members were paid TSh 4,000 per meeting regardless of how many days the meeting will take.

#### **4.1.4. MFIs Outreach:**

Some of employee based MFIs have concentrated their efforts to serve mainly employee as it is stipulated in their constitution, while there are other opportunities of serving non employee clients. For example; it was observed that CHAMIWARU Saccos was only accommodating members who are employees in either government or non government institutions at Rungwe district.

## **4.2. Alternative solutions**

### **4.2.1. Creativity and innovation:**

MFIs institutions should be creative and innovative to come up with ideas that may lead to designation of products and services that reflect the really needs of their members. The relation manager from the microfinance office at the branch should always help the MFIs come up with products and services which are marketable. For MIFs with members who are employees may use employee salary to grant loan instead of using the traditional way of using savings. This in turn will increase the number of new members in the MFIs especially those who have recently been employed. Due to the fact that many rural people face financial problem when it comes to the time of sending students to school, and majority of them happen to take educational loan, then MFIs should encourage members to use mwana account for save for their children so that the account can help them when children need to go to school. This does not mean that the educational loan should be cancelled, no but meaning to bring the variety of products in the organization for satisfying members with different financial status. For Those microfinance institutions without this kind of account should think of starting it or starting something like Elimu account that will purposely be in favour of child education.

#### **4.2.2. Technical assistance**

This is very important to MFIs as it equip MFI staffs to be able to carry out their daily operations. CRDB Microfinance helps much in this field. For those MFIs which are somehow strong, they should understand that their organizational development will be brought by their own efforts. Therefore they should not always wait for CRDB Bank to facilitate this. Sometimes they have to make effort using their own fund to out source instructors for the purpose of capacity building of their stuffs. Relation manager from CRDB Microfinance can help to mobilize staffs from different SACCOs which are capable of funding themselves for the reason of reducing cost as it will be shared.

#### **4.2.3. Voluntary basis:**

Many MFIs jobs that are performed by body members are done under voluntary basis. But this does not mean to prohibit offering of allowances to these committed staffs. Allowance should be taken as a token of appreciation these people and these allowances should be set at a reasonable amount so that these committee members can be motivated.

#### **4.2.4. Increasing Outreach:**

MFIs are only providing financial services to their member. These MFIs need to expand their services to non members too. By doing this non members are well exposed to the MFIs and eventually attracted to become members. MFIs should

be creative to think how they will serve non members by designing products and services that are market driven to them. For example; MFIs should design loan products that can be served to clients who are non members in their locality. The relation manager should help the partner MFIs in designing these products. Also depending on the capacity of MFIs, there is a need of designing long term loan products. This may attract customers who have long term investment projects.

#### **4.2.5. Diversifying clientele:**

Membership should be granted to any trustworthy person in a defined locality regardless of employment status. This will enable MFIs to have a variety of rural people which in turn will make the management to have a wide scope of designing variety of financial products to fit the need of the existing segments in the same organization.

## CHAPTER FIVE

### 5. The case of TAZARA MBEYA SACCO

#### 5.1. Introduction

Tazara Mbeya Saccos limited was initially started by 150 Tazara Mbeya employees and registered on 20<sup>th</sup> of October 1994 with registration number MBR 349. This intermediary microfinance institution was formed for the main purpose of providing financial services to the needy people especially the TAZARA Mbeya employees who were in one way or another denied by formal financial institutions like commercial banks. Due to the presence of strong management team this saccos has been one of the best saccos in Mbeya regional and national at large. In the year 2005 and 2006 it was nominated as the best saccos at national level. The management team in collaboration with other stakeholder in microfinance industry have enabled the Saccos to be efficiently in provision of financial services and thus managed to build good image to the public by attracting people with diverse status to join the organization. It was observed that the saccos was serving some members from other TAZARA stations like Makambako, Mlimba and Dar es salaam. In order to increase accessibility and efficiency, the Saccos had an immediate plan of opening branch at Mlimba station so that some of decision making procedures can be decentralized to the branch and that members in those areas can increase the level of financial accessibility. Member loyalty had been increasing from year to year as it was observed that from year 2000 to 2005 the number of members had been increasing at the average rate of 8.5% per year. The saccos had

succeeded to obtain the net profit of Tshs 32,310,507.59 and Tshs 27,191,961.00 in the year 2004 and 2005 respectively.

## **5.2. Financial services and products**

TAZARA Mbeya Saccos, provide different financial services and products that are market driven. The financial services and products in offer include; different types of loans, deposit account, savings account, shares, insurance, salary advance and Tembocard services through POS. Different types of loans that existed at the saccos were business loans, educational loans, agricultural loans, developmental loans and emergency loans. The cumulative number of loans disbursed up to June 2006 was 4008 tuning to value of Tshs 2,171,471,008 of which 3949, 56 and 3 was the total loan number disbursed to the male clients, female clients and group clients respective. While the savings was to the tune value of 352,405,926, shares and deposits were to the tune of Tshs 46,235,673 and Tshs 32,466,111.08 respectively.

## **5.3. Investment strategy**

The investment strategy of the Saccos is to invest in any venture which will have good returns to the organization and members in general. According to the long and immediate term investment plan, the saccos indicated some areas of investing, which included building a complex in Mbeya city for provision of accommodation services and gym services, building a school at Makambako township or in Mbeya city, opening a shopping center (Mall) in Mbeya city, building lent hostels in Dar es salaam city and

buying bonds and shares from government and profitable companies. The Saccos had shares at SCULT to the tune of Tsh 200,000, while the total capital of the Saccos were to the tune of 318,995,598 in the year 2003, Tshs 359,698,484 in the year 2004 and 582,989,372 in the year 2005.

#### **5.4. SWOT Analysis**

##### **5.4.1. Strength**

TAZARA Mbeya Saccos is one of the best saccos in the country, this poses a good image to public as many people develop the loyalty to the organization. For the period of two years that is year 2005 and 2006 the saccos was nominated as the best saccos in the country. Amongst the saccos that were visited, this was the only saccos in the region that was observed to have software that was compatible with the daily activities of saccos thus being in a position of automating some of the transactions in account operations.

##### **5.4.2. Weakness**

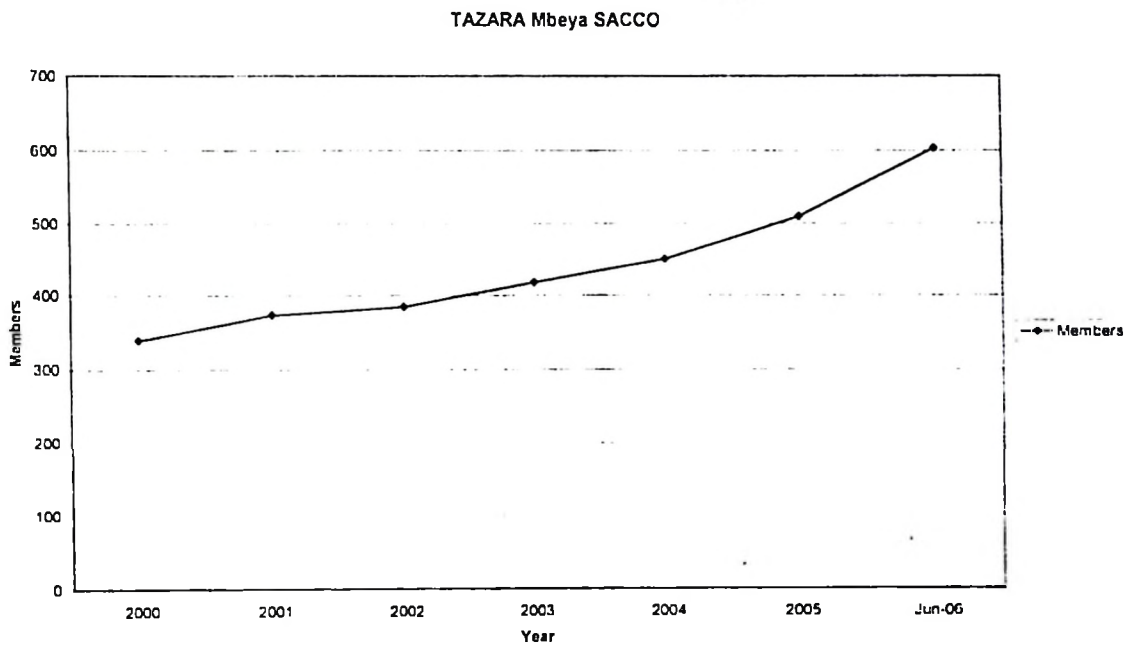
The number of women served by this saccos is very low, for example by June 2006, out of 603 members, only 20 members were women. Also the saccos had not been able to attract clients who are non members to its full capacity. It was observed that only 45 clients (non-members) were enjoying the financial services from the saccos.

### 5.4.3. Opportunity

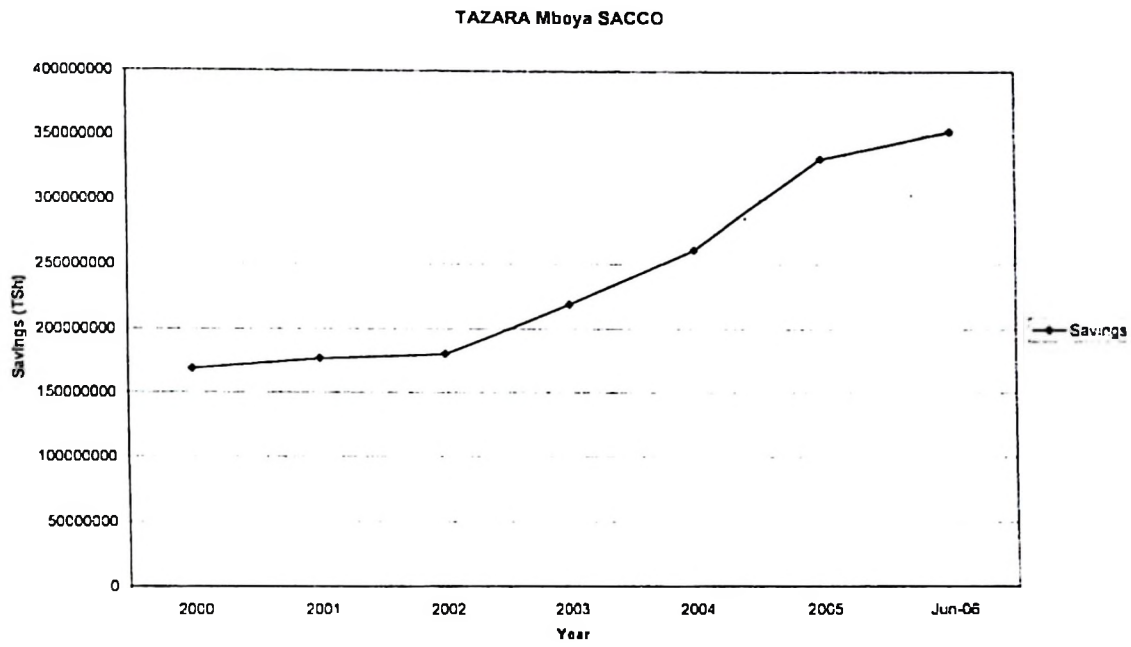
Due to the good image created to the public, the saccos had the opportunity of attracting more customers and members.

### 5.4.4. Threats

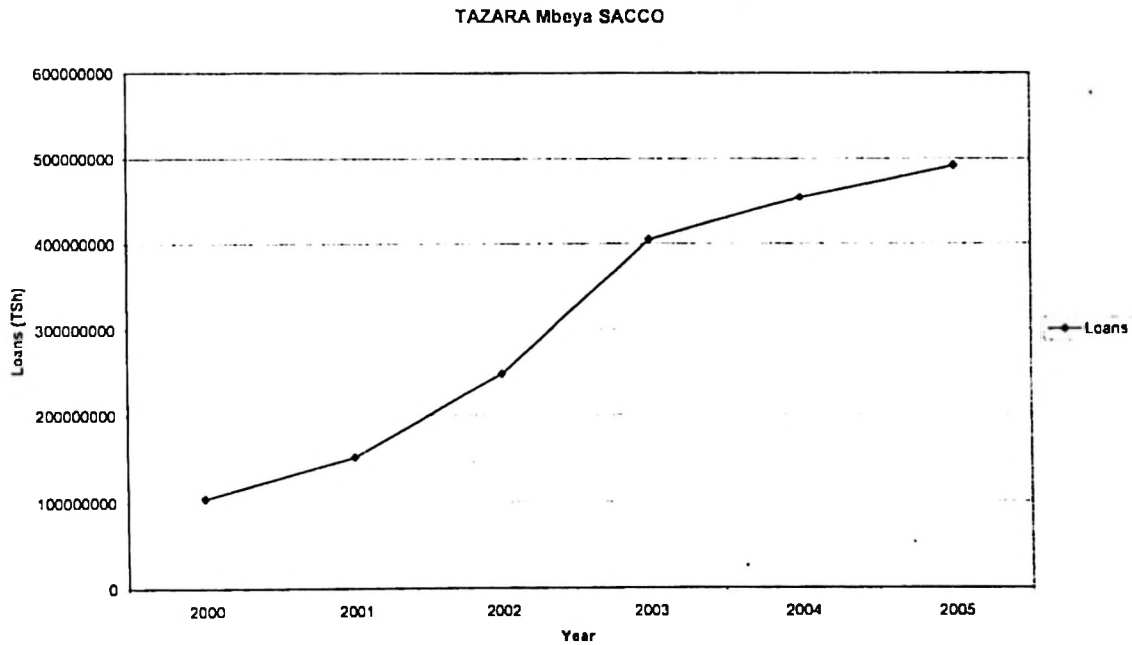
Business competition prevails everywhere, the saccos had moderate competition from other saccos which are located in the city.



**Figure 2: Member growth pattern**



**Figure 3. Savings growth pattern**



**Figure 4: Loan disbursed growth pattern**

## **5.5. Challenges and recommendation**

### **5.5.1. Product development**

Innovation and creativity is very important in any business entity. Intermediary microfinance institutions like TAZARA Saccos should develop products that are market driven so that the intended market segment can pull the products easily. For example; it was observed that when schools open many members were applying for educational loan to fund the school expenses of their children. This is a loan and it is always expensive. Members should be encouraged to open Elimu Account (Educational account sometimes referred as Mwana Account which works more or less similar like Juniou Jumbo Account that is offered by CRDB bank.

### **5.5.2. Capacity Building**

Microfinance training is an investment capable of reducing recurring costs and improving operational efficiency, sustainability, and outreach. Well-trained staff cultivates a sense of ownership and investment in the MFI mission that transfers to the client base, creating client loyalty. Financial and business training in savings and credit utilization, basic management, bookkeeping, and marketing ensure that clients effectively invest microfinance funds into productive income-generating initiatives.

Also the Saccos appeared to have fund that stays idle sometimes as a result it was deposited to the commercial bank like CRDB bank. At the same time this saccos had a very minimal number of female members. The saccos management need to develop

products and services that will attract more women to join the organization and make use of the fund. Also the sacco should make arrangement to provide short entrepreneurial course to the members. The modality of this type of course should be discussed by all stakeholders so that every part can be satisfied. This in long run will increase the number of entrepreneurs in the organization who will make full use of the fund that is staying idle.

### **5.5.3. Management Information System (MIS)**

TAZARA sacco had semi manual Management information system that was able to automate some of operation, but the computer program used were not much compatible to their operation. There is a need of finding compatible programs that will ease the operation in the sacco. Also it was observed that majority of the staff were computer illiterate as the result of this, though the sacco had two pieces of computer only one was frequently used while the other one was staying idle. If both computers were used to their full capacity then many operations could be done in a short time and thus this could increase the sacco efficiency.

## CONCLUSION

In rural people, financial services matters much if we are serious willing to boost rural development and national at large. Microfinance institutions have proved that rural people can be bankable. Financial products have to be demand-oriented and cost-effective. This requires market research, testing, innovation and cost calculations per product. It should be understood that microfinance industry should be enriched by innovation and creativity so as to come up with the demand oriented financial products that can easily be pulled by intended market. Microfinance has increased the link between the rural people needing financial services and the formal and less formal financial institutions.

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## ANNEXES

## ANNEX 1: List of SACCOs Visited

S/N	Name of MFI	Contact Person	Location	Distance from CRDB branch
1	Uwamu Saccos	A. Mahenge	Uyole - Mbeya	13Kms
2	Tazara Mbeya Saccos	Ambrosi Shayo	Iyunga - Mbeya	5 Kms
3	Kumekucha Saccos	John Tetera	Songwe - Mbeya	20 Kms
4	Jiendeleze Saccos	Ruben Mwalingo	Iwindi - Mbeya	17 Kms
5	Chimala Saccos	Alphonse Sanga	Chimala	70 Kms
6	Ubaruku Saccos	Joseph G. Meya	Ubaruku	130 Kms
7	Mbeya Rural Teachers Saccos	Graciano Luoga	Mbeya Town	1 Kms
8	Kiwira Benki Kata	Simon A. Mwakifuna	Kiwira - Tukuyu	40 Kms
9	Chamiwaru Saccos	Ase B. Mkopa	Tukuyu	70 Kms
10	Mwongozo Saccos	Frank Manzi	Mwanjelwa – Mbeya Town	4 Kms

**ANNEX 2: CRDB Bank LTD Microfinance outreach**

Particulars	2004	2005	2006 JUNE
District covered	-	-	71
Partner intermediaries	107	160	193
MFIs customers	59,812	88,109	105,654
MFIs Total funds mobilized (Tshs billion)	15.4	24.3	28.4
Cumulative loans disbursement	70,740	131,208	155,163
MFIs cumulative amount disbursed (Tshs billion)	46.8	85.5	104
MFIs total outstanding loan portfolio	18	28.7	36.6
MFIs payment rate	98%	98%	98%
MFIs portfolio at risk of 30 days	2%	2%	2%

Source: CRDB Bank LTD 2006

**ANNEX 3: Five year summary of capacity building costs.**

Investment	2001	2002	2003	2004	2005	2006
Partners	21	42	76	109	171	193
Board members trained	-	345	-	834	680	1,022
Share holding customers trained	-	-	-	6,920	11,000	14,864
Professional staffs trained	-	-	-	44	200	199
Unit of equipments provided to partners	-	-	-	-	-	102
Contribution to construction of bank counters (Tshs millions)	-	-	-	-	-	11.9
Total investment capacity (Tshs millions)	102.9	113.9	85.8	280	202.1	48.3
Wholesale loans disbursed to MFIs (Tshs billions)	-	1.8	7.1	9.1	18.0	28.6

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Source: CRDB Bank LTD as at June 2006

**ANNEX 4: Microfinance outreach by leading microfinance institutions at June  
2006**

Institution	Year	Category	Network/outlet	Customers served	Market share	%
SACCOS/SACAS	-	Saccos/Sacas	1,719	251,531		
SUBTOTAL SACCOS					251,531	37.4
Mbinga Community Bank	2003	S.Bank	1	5,875		
Dar es salaam c. bank	2003	S.bank	2	4,345		
Mwanga c. bank	2000	S.bank	1	4,024		
Kagera cooperative bank	2002	S.bank	1	1,007		
Mufindi c.bank	1998	S.Bank	1	7,500		
Kilimanjaro cooperative bank	1994	S.Bank	1	8,300		
Sub total					31,051	4.6
Women development fund	1995	Public	43	23,608		
Youth development fund	1995	Public	42	19,088		
SIDO	1974	Public	21	10,518		
Public funded subtotal					53,214	7.9
PRIDE TZ	1994	NGO	28	63,359		
FINCA TZ	1998	NGO	9	55,022		
SEDA	1993	NGO	9	14,640		
PTF	1988	NGO	7	10,504		
FARAJA TRUST FUND	1991	NGO	1	8,000		
YADEC	-	NGO	1	7,234		
POVERT AFRICA	1995	NGO	6	4,889		
OTHERS	-	NGO	27	28,459		
Subtotal					192,108	28.6
CRDB Bank LTD	2000	Bank	**234	105,654		
NMB	2000	Bank	115	24,433		
AKIBA	1997	Bank	6	14,500		
Sub total commercial bank					144,587	21.5
<b>GRAND TOTAL</b>			<b>2,194</b>	<b>672,491</b>	<b>672,491</b>	<b>100</b>

Source: CRDB Bank LTD

\*\* includes 41 CRDB branches and 193 MFI partners.

**ANNEX 5: Microfinance customer composition in Tanzania**

By gender			By legal Status			By share holding status		
Category	Number	%	Category	Number	%	Category	Number	%
Male	46,184	43.7	Individuals	100,629	97.1	Shareholders	93,689	90.4
Female	47,149	44.6	Groups	2,665	2.6	Non- shareholding	9,965	9.6
Others	12,813	12.1	Institutions	178	0.3	-	-	0
Total	105,654	100	Total	105,654	100	Total	105,654	100

Source: CRDB Bank LTD