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MASTER OF SCIENCE IN COMMUNITY ECONOMIC DEVELOPMENT
(2005)

ESTABLISHMENT OF SAVING AND CREDIT SCHEME IN CHARAMBE COMMUNITY.

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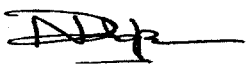
SUPERVISOR'S CERTIFICATION

I Deus D. Ngaruko certify that, I have read this project paper entitled "**Establishment of saving and Credit Scheme in Charambe Community**" and accept it as a scholarly work for review. I therefore recommend it to be awarded a Master degree in Community Economic Development.

Supervisor's signature



Date: July, 28th 2005

DEDICATION

This work has been dedicated to my family especially my beloved husband Mr. Lameck E. Nyella and my dear father the late Bernard John Njau and mother Bernadine Bernard Njau for their encouragement, moral and material support they gave me. It has also been dedicated to my children Brian and Marion for they missed my care and love when I was doing this work.

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Mr. Salum Kihope and Mr. Agustino Chitanda the CHADEA chairman and secretary respectively on behalf of other members of the CBO and the community at large; for giving me an opportunity to work with them and gain some experience while practicing what I was being taught in class. My sincere thanks also go to Mr. Michel Adjibodou for his great efforts in instructing us the project design and management. He gave us enough materials and some guidance and make sure that the writing capability has improved. I would also like to extend my special gratitude to my supervisor Mr. Deus D. Ngaruko for his tireless efforts and co-operation he gave me besides his busy schedule. He assisted me in all stages and make sure that I can get the picture of what the final paper should be. My thanks also go to Mr. Felician Mutasa for the important role he played to enrich my knowledge in **Development Finance** which is my project's area of concentration.

His excellence in instructing Development Finance has assisted me during preparation of this work. Besides that, he also gave me some useful advices during the process of finalizing this work as an academic director.

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DECLARATION

I Prisca Lameck Nyella declare that, this project paper for fulfillment of Master of Science Degree in Community Economic Development (CED) is based on my own efforts and solely done by myself except where quoted for learning purposes. It has never been presented at any other Institution for similar purposes.

Prisca L. Nyella.

Date July 28th, 2005

ABSTRACT

A study was conducted in Charambe Ward at Temeke Municipal through Charambe Development Association (CHADEA). The aim of the study was to conduct needs assessment in order to come up with a proposal to solve some of the existing and pressing community problems. Various problems were mentioned by the CBO leaders, members and some community members; but two problems appeared to be more serious according to the large population of the community. Those problems were unemployment and lack of capital for running and/or expanding the income generating activities.

Specific objectives of the study were to conduct needs assessment in order to ascertain the mentioned/ prioritized needs or problems. The study also aimed at establishing whether the large proportion of the population thought that saving and credit scheme can have positive results. Secondly it was to explore the potential of CHADEA to establish and run the scheme in collaboration with the community members. Thirdly it was to establish if the community members had any idea concerning saving and credit schemes.

The CHADEA leaders, members and some community members were interviewed. The interview was done using questionnaires to obtain important information about the characteristics (personal data) and other vital information that can assist in the implementation of the project.

The findings had it that, the community's population which was estimated to have 700 people, 53.3% was women and 46.7% were men.

It was also revealed that, the community is poor in the sense that about 81% of the total population earned an income below 50,000 shillings per month on average. Therefore the problem of lack of capital to majority of the community members became evident. It was also established from the survey results that only 15% of the total population were employed, while 59% were engaged in small business undertakings, 12.5% had nothing to do at all and 12.5% were laborers. The problem of unemployment also became obvious. About education level, the findings revealed that 64.9% had primary education level, 30.3%secondary education (ordinary level) 5.2% went to some collages after secondary school and 4.1% had no education at all. The results indicated that CHADEA is well accepted by the community and the projects are run transparently. About the acceptability of the project the survey results indicated that 56.9% said the scheme would be very useful, 29.8% said the scheme would be useful, 9% said it would be useless and 4.3% said they do not know.

Therefore these facts indicated that the large proportion of the community's population thought the project could have a positive impact into their lives. Given these indications of the existence of poverty, and acceptability of the project by a large proportion of the community's population; a project proposal was prepared by the author. The proposal for establishing a saving and credit scheme has been sent to some development partners for grant/loan. The project proposal has been submitted to the African Development Foundation (ADF) to request for Tz shillings 8,720,000 while savings mobilizations is

underway to raise some funds internally for the establishment of the project and our target is to collect 600,000 by August 2005.

We intent to start up slowly with the little money that would be internally mobilized in case ADF would not give the loan/grant. After we have started we can request for a loan from SELF because one of their condition is that we must start operations and gain experience before borrowing from them. The project outcomes being the improvement of entrepreneur practices, access to financial services among community members. Also to increase the capacity and commitment of CHADEA to encourage savings and borrowing to large number of entrepreneurs and ensure repayment and effectiveness.

ABBREVIATIONS

CBO	Community Based Organizations.
CHADEA	Charambe Development Association.
SWOT	Strengths Weaknesses Opportunities and Threats
SACCO	Savings and credit co-operative Society.
MDP	Municipal Development Program
UNDP	United Nations Development Program
SHD	Sustainable Human Development
TDF	Tabata Development Fund
MFI	Micro Finance Institutions
NGO	Non Governmental Organizations
SMEs	Small and Medium Enterprises
KCB	Kilimanjaro Co-operative Bank.
CRDB	Co-operative and Rural Development Bank

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CHAPTER ONE

INTRODUCTION

1.0 Preamble

In Tanzania, provision of basic services and concrete infrastructure in urban areas is the responsibility of the local government authority. Due to rapid urbanization, which has taken place in most of the towns especially Dar-es-salaam, municipalities and cities, the capability of the local authorities in providing the social services has been reduced.

Studies conducted by Meshack M.V and Sheuya S.A (2001) have revealed that 60 to 70 percent of all residents in the two cities of Dar-es-salaam and Mwanza live in unplanned and unserviced neighborhoods. Most of the residents live without clean and safe water and therefore walk long distances to fetch water. In some places women spend the whole day to search for water.

Due to this situation some residents in various places of the city have formed Community Based Organizations (CBOs) to deal with among other things the provision of priority services to their communities. Most of them established partnership with their respective local government authorities. From this approach Charambe Development Association CHADEA was formed as a CBO.

1.1 The CHADEA's historical background.

CHADEA was established and registered as a Community Based Organization in the Ministry of trade in the year 2000, and started its operations/ activities in the year 2002. It was established after the community had suffered from various problems including

communicable diseases. Other problems are unemployment and lack of capital that would enable the community members to engage themselves in income generating activities. Most of the households lack enough income in order to meet their basic human needs and education. There was an environmental problem too. The residents decided to convene several meetings and finally they resolved to establish a Community Based Organization (CBO), which would speed up the development process. Therefore Charambe Development Association (CHADEA) was formed. The founder members were about twenty people and later on they registered new members. Currently CHADEA has thirty-five active members. Sixteen members are women while the rest are men. Women are also involved in the CBO leadership. The Vice chairman and treasurer and some Committee leaders are women. Therefore there is a good gender relation in CHADEA. The CHADEA's office is situated at Mbagala Charambe. The water pump and the well are near the office where the activity of selling water is taking place. They earn income for servicing the water pump and plan for other development activities.

1.1.1 Mission statement of CHADEA

The mission statement of CHADEA is "To change the living standard of Charambe community members from the poor status to a better life through various programs and encourage self dependence among community members"

1.1.2 Programs and activities

Currently they have a water project. The activities are water distribution to various households for those who are able to pay the monthly bills.

They also sell water at 100 shillings a 20-litre bucket of water to the community members who are not able to buy the water connecting accessories and pay monthly bills.

1.1.3 Organization structure

Chairman whose responsibilities are to chair CHADEA meetings, to make sure that the rules and regulations are followed as per constitution. To decide where there is no consensus and explain reasons for his decision, to encourage democracy and convene emergency meetings when need arises. He is one of the signatories.

Vice chairman acts on behalf of the chairman during his absence.

Secretary General whose duties are keeping CHADEA's records. He acts as a coordinator as he coordinates all the activities. He also prepares meeting agendas.

Vice secretary acts on behalf of the secretary general during his absence.

Treasurer's duties are to receive members' subscriptions and other funds. To give receipts and expenditures report in collaboration with the accountant monthly. He is one of the signatories.

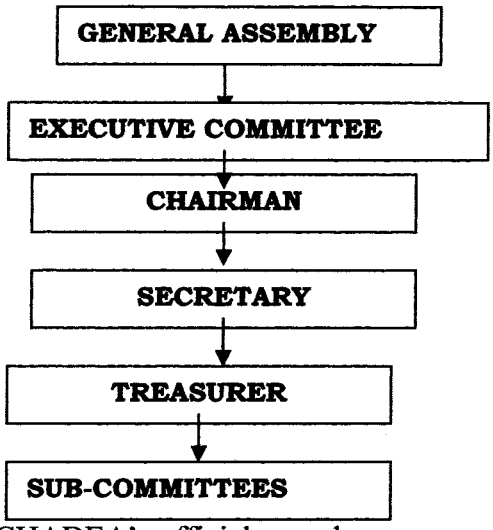
The leaders are elected in the general assembly and they stay in the leadership for three years. They can be reelected in case the members are impressed with their leadership.

The General assembly comprises all the members and they have the highest authority.

Executive committee comprises chairman, secretary and treasurer (the office bearers).

Sub committees are the committee assigned specific duties for example they have water committee, projects committee and planning committee.

1.1.3 Organization chart



Source: CHADEA's official records.

1.1.4 Sources of funds

CHADEA has different sources of funds which are:-

i. **Members subscription**

The members do pay registration or joining fees and later they pay their monthly subscriptions.

ii. **Earning from water distribution**

They have water stations where they sell water to individuals at 100 shillings per 20 litre bucket. They also connect water to various households where they receive payments on monthly basis.

iii. **Aid or grants from donors (they expect to get in future)**

CHADEA expects to establish various projects and among the projects is the saving and credit scheme, which is under process.

This and other projects that would be developed in future need some funds from donors and the project proposals would be sent to the expected funders.

iv. Interest from bank savings.

Since they deposited their money in Dar –es –salaam community bank, they earn some interests although the interest rate for the deposited money is relatively small. In future after the commencement of the project they will earn interests from the borrowers.

1.1.5 SWOT analysis of CHADEA

Strengths

i. The leaders are well organized and committed to work

ii. There is a clear policy as to when the leadership should change although one may be re-elected

iii. Members are able to give or contribute their ideas freely.

iv. There is a committee that operates the water project. The committee members submit the report on daily basis to committee chairman. Later the committee chairman submits the report to CHADEA leaders on weekly basis. The leaders do convene meetings on monthly with all CHADEA members to discuss success and problems of the project.

Weaknesses

According to the members of CHADEA the association, is still young and they have a long way to go since within the community there are many youth who are unemployed and they would like to solve the problem.

Opportunities

Possession of land.

The CBO owns a piece of land, which they are planning to utilize by growing some crops such as coconuts, passion fruits, pineapples and vegetable gardens. They are planning to engage the youths in these activities in future. They also have a very good relationship with the ward leader and the municipal planning officer.

Threats

The politicians may take advantage of their projects to campaign and distort CHADEA's team spirit. The experience has shown in some places where the CBOs have struggled for the development of their communities and establishment of some projects, politicians do emerge and use them for campaigns and they always cause confusions.

It had once been announce in the news media that, in some place in Arumeru district political leaders from different political parties distracted some water pipes constructed by donors because every party leader was claiming to have assisted the community during campaigns. In real sense none of the political leaders had assisted.

1.1.6 Community profile

The community is situated in Temeke district in a place known as Mbagala Charambe. The community had suffered some diseases as a result lack of clean and safe water. After the formation of CHADEA they now have access to safe and clean water. These problems were also caused by lack of enough income to meet the basic human needs.

According to the CHADEA leaders and some interviewed community members, the community has approximately 700 people.

It is estimated that 53.3 percent are women while 46.7 percent are men. Young people of the age between 14 and 35 years old are 70.9 percent while between 35 and 45 years are 17.9 percent and above 45 years are estimated to be 11.2 percent. (Needs assessment survey report 2004)

Problems in the community

Large proportion of the population is unemployed and therefore the income level on average is very low.

Many youths do stay idle in the streets and some of them are feared to have engaged themselves in evil acts, and the school children that are younger may acquire undesirable behaviors.

Since they live near the highway to Maji-Matitu where the cars are driven at a very high speed and as a result people are knocked down especially school children they are also in some negotiations with municipal council in order to construct some humps.

When I wrote a letter of introduction to CHADEA in order to work with them as a requirement of the Community Economic Development program that I should provide free technical services, they accepted.

I was very glad because the community needs matched with what I expected to learn in depth that is Micro -enterprise development. What they want to do is to establish a SACCO, which would be used to finance Micro-enterprises.

After the CHADEA accepted me to work with them, we together convened meetings and start brainstorming in order to identify needs.

They mentioned several needs but finally they prioritized the establishment of saving and credit scheme, to assist the majority who were unemployed and improve the low income levels.

Establishment of saving and credit scheme was given priority because most of the community members especially women are unemployed; and they need capital for running income generating activities for their families with an aim of increasing household income and reduce poverty

1.2 Statement of the problem.

It has been observed that in Tanzania the provision of basic services is the responsibility of the local government authority. Due to rapid urbanization especially in Dr-es Salaam the capacity of the government local authorities has been reduced. Formation of CHADEA aimed at solving these problems of lack of basic services. CHADEA like many other CBOs has several problems that include lack of water, unemployment, lack of capital, low education level and high mortality rates. CHADEA has solved water problem but other problems persisted irrespective of the efforts that are injected by the CHADEA and community members. Persistence of these problems was partly caused by lack of personal change and lack of empowerment.

Since the community members prioritized on establishment of saving and credit scheme due to **lack of capital** and **unemployment** that were explained to be the most pressing problems, then the needs assessment survey would be conducted to ascertain whether it is the priority to the large part of the community.

The characteristics of the community members would also be established in order to establish whether the project would be useful to them. The study findings would lead to the establishment of the project which would be owned by the community members. There would be some capacity building in terms of saving mobilization and change advocacy. The community members would be trained to become the change agents. The program would make them aim at improving their life style through working with others. The community members lack capital due to low-income levels and there is a high level of unemployment which also caused low education level and high mortality rate.

1.3 **Research objectives.**

1.3.1 General objective.

To confirm whether saving and credit is prioritized by majority and then establish a saving and credit scheme.

1.3.2 Specific Objectives.

(a) To conduct needs assessment survey. To ascertain whether unemployment is among the acute problems in the community, and see if the large proportion of the population think saving and credit scheme can have a positive result.

(b) To explore the potential for CHADEA to establish and run the scheme.

(c) Assessing the acceptability of CHADEA by the community for sustainability of the project.

(d) To establish whether the community members have any idea concerning saving and credit schemes.

1.4 Research questions

(a) Is CHADEA strong enough to establish and run a SACCO?

(b) Is there a common understanding among CHADEA leaders, members and the community at large that can ensure sustainability and community ownership of the project?

(c) Does CHADEA have any experience in such schemes; can they mobilize savings and manage the lending process effectively?

(d) Does Charambe community participate in projects initiated by CHADEA for community development?

(e) Is there any person(s) with financial management skills who will manage the scheme?

1.5 Rationale of the study

Unemployment and lack of income in most of the households in the community has been observed as a major problem. It has been observed in various literatures, that many CBOs have assisted their communities by having a trust fund that was used to give credit and encourage saving. Some CBOs established saving and credit schemes and be able to solve the problem of lack of income and create employment.

Therefore by conducting the study we will use the information to write a project proposal that would assist the CBO to establish the scheme. The project can assist in increasing household income and create employment. It is believed that the scheme will be useful to the community members especially women and youths.

The main objective is to make sure that the community is sensitized about saving so that after sometime they become independent individuals with sound financial ability/base. It is strongly believed that the gathered information /findings will be useful in understanding the community's needs and implement a project to meet the needs.

The project is believed to be able to assist in alleviating poverty and bring development to the community. Poverty has many effects such as high child mortality rate, low life expectancy, low or lack of education, high infant mortality rate and many others.

1.6 Limitations of the study

The study was based on visiting a CBO known as CHADEA to assess the needs of the CBO and the community members. This was done in order to provide free consultancy in order to assist the community members.

The Charambe community is situated in Mbagala where a large proportion of the population is unemployed and with low level of education while some of them missed primary education.

Out of **220** questionnaires that were distributed to the interviewees, only **197** were completed which is only **90** percent of the total questionnaires. Some could not give clear answers **5%** while **5%** did not return the forms.

It could be due to low level of education and lack of faith due to the fact that so many researchers have conducted surveys without any tangible results according to some of the community members.

The exercise has been very expensive since in every visit there was a need for fare/fuel expenses, stationery and time. Since the consultancy was provided free of charge, the researcher had to squeeze a budget to accomplish the mission. There were no publications for obtaining secondary data in the CBO except for the constitution and the lists of Charambe residents in the ward leader's office.

CHAPTER TWO

LITERATURE REVIEW

2.1 Theoretical review

Tanzania like other developing countries, levels of living tends to be very low for the vast majority of people. These low levels of living are manifested quantitatively and qualitatively in the form of low income (poverty)

Inadequate housing, poor healthy limited or low education, high infant mortality, low life and work expectancy and sometimes a general sense of hopeless. The magnitude and extent of poverty in any country depends on:

a) The average level of national income.

b) The degree of inequality in its distribution. Clearly for any given level of national per capita income, the more unequal the distribution the greater will be incidence of poverty.

Poverty can be defined in terms of basic needs. A group of development workers in Uganda defined **absolute poverty** as inability of an individual or a community or a nation to satisfactorily meet its basic needs. They defined **relative poverty** as the condition in which basic needs are met but where there is an inability to meet perceived needs and desires in addition to basic needs. People who fall under the category of relative poverty can be assisted and trained in order to be independent in their future life and live without poverty.

By being independent it means they have attained development. Development is a change process characterized by increased productivity, equalization in the distribution of social product, and the emergence of indigenous institutions whose relations with the outside world are characterized by equality rather than by dependence or subordination.

There has been awareness in recent years that development is not the provision of things; like schools, clinics, to the communities; but primarily of people and social economic and political relationship.

Human development must begin with and within the individual. Unless motivations come from within, efforts to promote change will not be sustainable by an individual or a community. The individual or a community will remain under the power of others.

Human development is a process by which an individual develops self-respect and become more self confident, self-reliant, co operative and tolerant of others through becoming aware of his/her shortcomings as well as his/her potential for positive change. It takes place through working with others acquiring new skills and knowledge and active participation in the economic social and political development of their community.

Poverty is more than insufficient income or undernourishment. It has many dimensions such as poor access to land and capital, inadequate education, unsafe environment and lack of meaningful and effective participation in decision- making.

As a result poverty can be detected/indicated in many ways such as high infant mortality, low life expectancy, hunger, malnutrition and vulnerability and lack of safe-nets.

The World Bank defines urban poverty as "the inability to attain a minimum standard of living". The Municipal Development Program (MDP) defines poverty as a state of attainment in which urban families cannot meet basic human needs and do not have adequate access to social services and cannot meet the official urban development standards.

For poverty reduction and infrastructure provision the following are the main challenges:

a) Poor must take the lead in poverty reduction
b) Participatory consultative mechanism (From design to implementation) should be established to ensure that the problems of the poor and their needs are well articulated and understood.

For sustainable poverty reduction on collaborative, efforts among government civil societies donors and private sectors are required. All these partners are required to be flexible. They can lead and empower the poor in different aspects such as micro credits and provision of financial services to poor people and many other ways of poverty alleviation.

2.1.1Millennium Development Goals (MDG)

At the Millennium Summit of the United Nations in 2000, the Millennium Declaration was adopted by all UN member states. This declaration, introduced by UN Secretary-General Kofi Annan, names eight Millennium Development Goals:

1. Halving Extreme Poverty and Hunger
2. Achieving Universal Primary Education

3. Promoting Gender Equality and Empowering Women

4. Reducing Child Mortality

5. Improving Maternal Health

6. Combating HIV/AIDS, Malaria and other Diseases

7. Ensuring Environmental Sustainability

8. Developing Global Partnership for Development
(Nelson J; Prescott D. London, 2003.)

2.1.2 Microfinance, Millennium Development Goals and Programme of Action 2015

Access to financial services, especially to savings and loans, gives poor households the opportunity to:

Invest credit in micro-enterprises and thus improve their own income and employment situation.

Keep part of their financial reserves in a secure and liquid form as well as to generate interest income, a definite advantage over the traditional practice of saving in the form of natural produce (e.g. livestock).

Stabilize their exceedingly irregular flow of income and expenditure and thus better manage their low household budgets.

The impact of microfinance projects promoted by German development cooperation was examined by means of impact-oriented monitoring. It was shown that microfinance leads to positive effects regarding income and employment, and that poor households use their additional means to invest in better nutrition, medical care, education, housing, and the

expansion of their economic activities. Thus, microfinance is a cross-cutting issue contributing directly and in numerous ways to the achievement of the Millennium Development Goals and the realization of Programme of Action 2015 (Eschborn 2004)

2.1.3 The importance of microfinance/micro credit for livelihoods

Microfinance is a new financial service model that targets small business entrepreneurs by providing short-term loans, investments, and access to larger loans. Microfinance was developed over some years because traditional banking institutions did not serve most small businesses and micro enterprises, which are operated by millions of people with little income.

Poverty is multidimensional. The people that hover around the poverty line are vulnerable to shocks such as illness, weather, or theft. These shocks take a huge toll on these people's limited financial resources and, without financial services, can drive families so deep into poverty that it often takes years to recover.

To get by, many without much income create and run their own tiny businesses, or micro enterprises. These people might sell produce, shine shoes, dress hair, or bake bread. History shows that granting small loans to low-income families can help them be more productive, increase volume, build viable businesses, and reduce their vulnerability to external shocks. Microfinance loans can also empower the poor — especially women — to become economic agents of change. By providing access to financial services, microfinance plays an important role in the fight against poverty: the income a business generates not only helps expand the business; it also contributes to household income.

Microfinance is one of the most effective ways to reduce poverty and stimulate economic growth, especially in the countries that are emerging market economies. The businesses supported by microfinance provide inexpensive products to communities, employ neighbors and relatives, and bring goods and services to underserved regions. To the poorest entrepreneurs in the developing world, a small amount of loan for example 50,000 shillings is a fortune. However small that amount may seem, it can be invested to make labor more productive. For example, two close friends might buy a used sewing machine so that they can make dresses faster than by hand. Or they might invest in a used refrigerator to keep the products they sell from going bad overnight. The poor stay poor because they have no access to capital.

Microfinance clients are typically low-income wage earners or self-employed entrepreneurs that often lack access to formal financial institutions. In rural areas, they are small farmers or people involved in small income-generating activities such as food processing or petty trade. In urban areas, they include shopkeepers, service providers, artisans, street vendors, and a mix of others. They are either poor or vulnerable to poverty, but have a relatively stable source of income, however small. .

2.1.4 Who are the best candidates for microfinance?

Micro loans best serve those who have identified an economic opportunity and who are in a position to capitalize on that opportunity provided they receive a small amount of capital.

Those who work in stable or growing economies, who have demonstrated an ability to follow through with an economic opportunity, and who have demonstrated a commitment to repaying their debts are the best candidates for micro credit.

The most important effect of borrowing from a micro credit program is its impact on household spending per capita. Women's borrowing in the long run improves school children enrolment rate. Women's borrowing had a large and statistically significant impact on the nutritional well being for girls and boys in Bangladesh. (The World Bank Prem. Notes 1998). The development of community based organizations and initiatives at the local level indicated some positive impact. (The World Bank report 1998).

The report also indicated that, self help programs often in the form of savings and credit or micro credit schemes have succeeded in changing the lives of poor women enhancing incomes and generating positive externalities and increase self esteem.

2.1.5 Empowering aspect of self-help micro credit schemes

Self help groups intermediated by micro credit have shown positive effects. They have played valuable roles in reducing vulnerability of the poor through asset creation, income and consumption smoothing, provision of emergency assistance and empowering by giving the poor control over assets and increased self esteem and knowledge. Several recent assessments and studies have generally reported positive impact. (Simanowwitz and Walker 2002).

These studies concluded that financial services especially micro credit provided the self-help groups with higher house hold incomes and that women are now more able to

articulate their views and are able to command attention and respect within the house hold and within the community. (Case of Bangladesh)

Self-help groups when combined serving and credit have enabled women to benefit economically by monetizing their contributions and in the process have empowered them to become agents of change. Micro credit is known for its valuable contribution to poverty alleviation and job creation.

Small loans for income generation allow poor households to instigate new economic activities or to expand the existing micro enterprises. Enterprise loans only fulfill half of the credit's poverty alleviation potential. When considering needs of the poorest households equally if not more important are emergency loans that allow them to smooth income and consumption. Any livelihood improvements that do occur are precarious. They can easily be reversed by shocks to the household that affect income, expenses or both. Sustainable poverty alleviation typically requires among other things long term access to a range of financial services; saving as well as credit and perhaps remittances and insurance as well. While increasing attention has been given to savings, credit remittance and insurance little literature has emerged about the other side of micro credit. **Emergency loans.**

The purpose of emergency loans is to help households smooth a temporary cash flow constraint so that consumption becomes less dependent on capital during the short-term problems. This is a small amount of money that is immediately available and is repaid in a relatively short period of time.

Emergency loans are not offered by micro finance institutions but they are obtained from self-help groups and from internal accounts of community village banks.

The emergency loans are provided after the house hold has suffered some risks that contribute to unexpected increase in expenses, such as rebuilding a damaged house, paying for burial costs or traveling to visit a sick relative, temporary unemployment death of livestock or theft of productive assets. Some risks increase expenditures and reduce income such as illness or death of a family member or the breadwinner. Emergency loans are therefore valuable compliments to micro enterprise loans, providing safety net to low income households to resist the down ward pressures of economic stress. Emergency loans can be as productive as income generating loans since they help poor households to avoid selling off productive assets and falling further into poverty.

In some village community banks they offer emergency loans from social fund that has been created by the members themselves for that purpose in order to protect the members' productive assets and capitals. The social fund is also created to meet an unforeseen consequence.

The village community bank an adaptation of the Grameen Bank model was first introduced in Africa by K-REP (Kenya) and it provides a good illustration of the use the group solidarity and of the linkage between saving and credit instruments. In Tanzania this model was first operated by Catholic relief service and the SNV/Netherlands development programme, both share capital and savings deposits are mobilized from members but sometimes donors may assist.

Loans are made to groups of ten members but benefiting half of them at a time and reach the second half only after repayment of the initial loans.

A number of institutions in other countries for example in Ghana are expanding their activities and progress towards sustainability by pursuing variety of activities:

In a group savings with credit schemes, a group of members mobilize and pool their savings jointly to qualify for a loan and may then use group saving as a security against loans.

In a group and individual savings with credit scheme, group and individual savings accounts co-exist both of which can be used as collateral. Group saving provides an additional security to back an individual loan. Loan repayments are made individually but handed through the group account. In such schemes the institution minimizes risk by basing its loan on group solidarity.

Individual saving with group lending; the group handles the individual savings receive loans for distribution to members and bear group responsibility for recovery.

Group lending with joint liability tends to encourage self-selection and group formation among good credit risks, addressing partially the problem of imperfect information faced by the lender, and thereby lowering the overall risk of the group lending scheme. This is because the risk of a potential default by any one individual is born by the whole membership. A number of risks may exist in group-lending schemes with joint liability where the behavior of one individual may affect the repayment of the group as a whole.

2.1.6 Why do most credit schemes target women?

Most of the group based credit schemes have targeted women because of the high levels of female poverty, women's primary responsibility for household well being and growing recognition of the contribution of women's economic activities to economic growth. Very importantly, women loan repayment rates have everywhere proved to be higher than men's and have therefore contributed to the cost effectiveness and sustainability of the schemes.

Experience in Zambuko Trust in Zimbabwe where they had a scheme for both men and women has proved. An assessment was conducted and the results indicated that women had a higher repayment rate than men. These facts led them to gradually move to concentrate on providing services to women borrowers and reduce their number of male clients. (Anupam Basu RodolpheBlavy &Murat Yulek 2004)

The credit programs have the potential to increase women's income, to contribute to their well being and that of their families and lead to some degree of economic empowerment, thus giving women more decision making power within the family and more secure and control over family resources. There is also some evidence that poor women are better able to save and join saving clubs which in turn also increases their status in the family and the community and their social capital generally.

Nevertheless where the micro finance with **minimalist** credit schemes which are provided without support such as training, business advice, market information or follow up services, the credit could not make any lasting improvement on borrower's micro-enterprises.

Good repayment rates are not necessarily an indication of improved business performance or /increased profitability; instead of repaying loans out of business income the borrowers may be borrowing from other sources and making themselves more vulnerable to destination through these debts.

Hence **credit plus** is more important as they are more effective. The micro-credit providers do provide other services also like savings, training in business management, market information, follow up services and other capacity building aspects.

These services enable the borrowers to make profits and repay the loans out of the gained profits. These might make some serious individual be independent from borrowing in the long run after they have built their **own capital base.**

2.1.7 Service Delivery Methods

There are different approaches in these micro-finances schemes, but generally, they are based on the group solidarity and joint liability model developed by the Grameen Bank in Bangladesh.

A common service delivery methodology is the use of solidarity groups to minimize risk and lower the cost of delivering many small loans to many people.

Groups self-select and are responsible for repayment in case of delinquency and default.

Transaction costs are shifted to the borrower group to make services affordable.

Members of these groups, generally less than 10 members, screen loan applications, provide mutual support and savings, and are jointly liable for default on loans given to the group. No new loans are given out until the group has paid off previous ones.

This creates great peer pressure and is one of the most effective and least costly ways of motivating repayment, with the shift of the transaction cost onto the group which does all the information gathering about people's characters, assesses the viability of their investment projects, and then monitors and collects the loan repayments.

Depending on the type of credit scheme, participants may also receive a range of training, from group organization to business management, technical skills, and business advisory services.

These small groups are then sometimes affiliated to larger groups of 30 or more and these affiliations may sometimes serve as organizational starting points for Broader-based associations.

2.1.8 Why microfinance is growing

According to Mike Fitz Gibbon (1999) there are various reasons that explain the growth of microfinance. Some of these are:

1. The promise of reaching the poor. Microfinance can support income generation for enterprises operated by low-income households.

2. The promise of financial sustainability. Microfinance activities can help to build financially self-sufficient, subsidy-free, often locally managed institutions.

3. The potential to build on traditional systems. Very often MFIs have built their methodologies on traditional mechanisms which are well known among their clients.

4. The contribution of microfinance to strengthening and expanding existing formal financial systems.

5. Microfinance activities can strengthen existing formal financial institutions, such as credit union networks, commercial banks and state-run financial institutions by expanding their markets for both savings and credit, and potentially, by increasing their profitability.

6. The growing number of success stories. There is an increasing number of well-documented success stories of innovative microfinance schemes in setting as diverse as rural Bangladesh, urban Bolivia, and rural Mali for example. This is in stark contrast to the records of state-run specialized financial institutions, which have received large amounts of funding over the past few decades but have failed in terms of both financial sustainability and outreach to the poor.

7. The availability of better financial products as a result of experimentation and innovation. The innovations that have shown the most promising are concerned with addressing problems such as :

- lack of collateral by using group-based and character-based approaches;
- repayment discipline through high frequency repayment collection, the use of social peer pressure, and the promise of larger repeat loans;
- transaction costs by moving some of these costs down to group level and by increasing outreach;
- designing staff incentives to achieve greater outreach and high loan repayments;

Providing savings service that meet the needs of small savers.

2.2 Empirical review

2.2.1 Role of micro credit in poverty eradication

According to the report of the Secretary-General United Nations December 1997, several microfinance institutions have succeeded in reaching the poorest of the poor by devising innovative strategies. These include the provision of small loans to poor people, especially in rural areas, at full-cost interest rates, without collateral, that are repayable in frequent installments. Borrowers are organized into groups, which reduces the risk of default. These are also effective mechanisms through which to disseminate valuable information on ways to improve the health, legal rights, sanitation and other relevant concerns of the poor. Above all, many micro credit programmes have targeted one of the most vulnerable groups in society - women who live in households that own little or no assets. By providing opportunities for self-employment, many studies have concluded that these programmes have significantly increased women's security, autonomy, self-confidence and status within the household.

For example, a 10% increase in credit to females increases the arm circumference of daughters by 6.3%. A 10% increase in female credit on average increases the height of girls by 0.36 cm annually and of boys by 0.50 cm.

These are strong and positive results and are probably the clearest evidence that microfinance is working in the way intended to bring sustained relief from poverty.

2.2.2 The power to end hunger and poverty

According to the submission made to the Commission for Africa by the UK's National Committee for 2005, the UN International Year of Micro credit, the Parliamentary Group on micro credit and microfinance results had it that, Microfinance provides an effective, equitable way of creating the conditions for long-lasting development.

Microfinance and its links with community-based education foster conditions for the poor to have long term access to health, education, improved living conditions, development of enterprise and a means for dealing with emergencies or old age. Globally it is becoming a key step in breaking the poverty trap, especially for women, and is working towards providing financial inclusion to the 80% outside the formal financial services.

According to Imp-Act, a global action research programme designed to improve the impacts of microfinance on poverty, the growth of microfinance over the last 10 years has demonstrated that poor people can make use of financial services.

There are approximately 3 000 MFIs spread across the world and serving more than 70 million people. The Consultative Group for the Alleviation of Poverty, points out the 'multi-tasking' role of microfinance by providing the means for poor people to have sustained access to employment, health and education:

Access to financial services forms a fundamental basis on which many of the other essential interventions depend. Financial services thus reduce poverty and its effects in multiple, concrete ways. And the beauty of microfinance is that, as programs approach financial sustainability, they can reach far beyond the limits of scarce donor resources.

2.2.3 Eradicating Poverty

Microfinance allows poor people to:

· Protect, diversify, and increase their sources of income, the essential path out of poverty and hunger.

· Use a safe, convenient savings account to accumulate enough cash to buy assets for a small business enterprise, pay for health, home improvements, and school fees.

· Safeguard against the extreme vulnerability of their everyday existence with loans, savings, and insurance to take them over lean periods, emergencies or deaths in the family

Evidence from studies of MF in Africa has shown that Freedom from Hunger clients in Ghana had increased their incomes by $36 compared to $18 for non-clients.

Clients had also significantly diversified their income sources. 80 percent of clients had secondary sources of income versus 50 percent of non-clients.

2.2.4 Reaching Those in Extreme Poverty

The Millennium Development Goals include halving the number of those living in absolute poverty-the estimated 1.2 billion people subsisting on less than one dollar per day. Does microfinance reach such people? Can it do so on a massive scale?

Both individual program results and database averages justify the optimism that innovative products and methodologies can enable microfinance institutions to lower their costs and reach the very poor profitably. Once sustainable, institutions can become a permanent feature of the financial landscape, growing rapidly to reach significant scale without reliance on donor funding.

2.2.5 Improved Access to Education (MDG 2 and PoA 2015, Priority Area 4)

Better access to microfinance services and higher income enable poor households to invest in education and thus in the future of their children. In the past, projects promoted by the GTZ have been able to improve the level of education, especially of women. In Niger, women of the project group showed a level of education twice as high as that of the reference group; the literacy rate was 3.5 times as high. In a project in Nepal, 55% of the clients questioned stated that the project had raised their income and thus enabled them to send their children to school. *Donor Brief* No. 9, December 2002, www.cgap.org

2.2.7 KILIMANJARO COOPERATIVE BANK AND SACCOS

Temu Andrew E. (1994) did some studies on Community Initiatives for Sustainable Financial Services: The Case of Kilimanjaro Co-operative Bank and SACCOS in Northern Tanzania. He found that the KCB-SACCOS model has managed to contend with difficulties that have led to failures of former rural financial institutions. (RFIs). The SACCOS have been growing in numbers and sizes in the region, 16 in 1986 to 104 in 1997.

Members have increased from 713 in 1986 to 73,629 in 1997. Member deposits at SACCOS have grown at a rate of 130 percent per annum. In addition SACCOS together with coffee marketing primary co-operatives and their unions formed a bank (the KCB) in 1995 by buying the majority shares, hence the KCB-SACCOS rural finance institution model. In this manner KCB caters for an A owner-client at market niche. Deposits at KCB have increased from Tsh 311 mill (US$ 478,450) in 1996 to Tsh 1,352 mill (US$

2mill) in 1998. The loan portfolio has grown from Tsh 16 mill (US$ 24,000) in 1996 to 771 mill (US$ 118,600) by 1997, all being good debts with minimal signs of strategic default which characterized older banks (CRDB and NBC) lending operations.

KCB provides training, general capacity building services and support to the SACCOS, who in turn act as business conduits in reaching a wider client base at a low cost. The bank is making profit and is set to remit dividends to its shareholders.

The successes of the KCB-SACCOS model of a rural financial institution are attributed to its foundational basis and key operational features. It is an organization that originated from the grassroots, there is a strong sense of ownership by the A client-owner at democratic leadership at SACCOS and SACCOS representation at the KCB policy body, and its simplicity in offering banking services, all augment its sustainability. The KCB-SACCO model has strategically tapped on the coffee economy by providing farmers with direct deposit facility of their proceeds earned from coffee sales.

The KCB-SACCO model has managed to fit very well within the socio-economic milieu of the local people and it makes use of traditional and customary by-laws in leadership, enforcing financial discipline e.g. repayment of loans and in preventing strategic defaults.

Savings Mobilization

The ability of SACCOS to mobilize rural savings and maintain real growth over 10 years is something to note very positively. For some rural dwellers, this has been their first form of institutional saving they have ever practiced.

In the Kilimanjaro region, the KCB-SACCOS model has been converting non-financial, informal savings (assets) and hoarding into formal institutional savings.

This is a good demonstration that small farmers and low-income rural dwellers have the capacity for financial savings. They however do so in small amounts, often below limits acceptable by formal institutions. The levels naturally increase with income. Secondly, rural dwellers practice financial savings when institutions are accessible and convenient to use. According to Temu (1994) an assessment of savings behavior amongst Low, Medium and High Income farmers in Kilimanjaro, the amounts held by rural dwellers in these societies ranged between Tanzanian shillings 500 and Tanzanian shillings 30,150. The above observations counter the common argument that low-income farmers have no capacity to save. The observations suggest that low-income farmers have the capacity to save in financial institutions when given the opportunity in the way of access, security, and institutions tailored to their income earning activities. If provided with such facility they can save even more effectively than higher income farmers.

Considering that saving is an act of constraining present consumption for an unforeseen or planned future it is more relevant to low income farmers who are more vulnerable and

subject to adverse effects in case of unforeseen misfortunes. Such phenomena are prevalent in many sub-Saharan Africa Countries, e.g. food-crop production failures, ill health, etc. Hence, it is perhaps reasonable to argue that they are the ones with the potential to manifest higher savings propensities.

An important condition, however, should be that they are not operating at an "absolute poverty" or "perfectly destitute" level.

According to his conclusion, SACCO model of a rural financial institution has proved being able to contend with problems that failed past Rural Financial Institutions. The following were some lessons that can be drawn from the case study:

a) SACCOS have the advantage of being grassroots organizations, they have a rural focus and by KCB restricting membership within SACCOS it ensures that this focus is not distorted. As a result, KCB and SACCOS know the community and can access the otherwise hard to tap savings.

KCB acknowledges the importance of SACCOS as its nucleus organizations and it goes a long way to support their development and capacity building. It does so better to it's a client-owner than any other financial institution have ever achieved.

b) SACCOS' members are mainly mutual groups of individuals linked by a common bond, specifically through the coffee economy in Kilimanjaro and proximity of their farms and households. The success of a rural bank needs to be based on nuclear institutions that are closely linked to some primary economic activity which earns people

their income. In the case of Kilimanjaro we have observed the close link of SACCOS with the coffee economy and coffee marketing organizations. In such an environment Rural Financial Institutions are better placed to innovate and develop indigenous financial products relevant to the communities they serve.

The Kilimanjaro economy is growing over time, there is room for KCB and SACCOS to serve other non-agricultural micro-enterprises in the region and hence emerge as an even stronger and more sustainable institution.

c) KCB and SACCOS' operations show that an RFI is supposed to be a very simple form of a financial institution. Its simplicity ought to fit well within the socio-economic milieu of the rural poor community, and where possible tap on the local informal financial practices that are familiar to the people. SACCOS have been demonstrated to be simple and low cost organizations and convenient to the community. It is important for the nucleus organs of the bank to be a truly people initiated organizations. They ought to emerge, even when there is external assistance, where people are ready for it. The role of external agents in the development of such institutions ought to be carefully articulated.

e) Democratic management and open membership enhances peoples' ownership of the organization and a sense of belonging to the institution by the community.

We have observed the elements of representation of the SACCOS at the KCB. Such democratic organizations also have a strong appeal for support from the government and donor agencies. We have also observed KCBs commitment to strengthen SACCOS acknowledging the importance for the co-existence.

f) Attempts to form rural banks have often been frustrated by fears based on the conviction that rural, poor people lack the capacity to save. The KCB-SACCO case demonstrates to us that it is possible for a strong, sustainable bank to emerge primarily from savings by smallholder, including the poorer groups of farmers.

Important is that the institution ought to design suitable and convenient savings services in terms of form, access, simplicity and limits.

These are important lessons for designers of RFIs and may contribute to sustainable development in Sub-Saharan Africa.

2.2.8 Non Governmental Organizations Micro-Finance Institutions (NGO MFIs)

According to Kironde J.M.L (2001) Microfinance Institutions in Tanzania are of four categories which are Non Governmental Organizations Microfinance Institutions (NGO-MFI) Government and Public sector sponsored microfinance programs, saving and credit cooperative societies (SACCOs) and formal financial institutions that offer micro credit services. According to the author NGO-MFIs dominates the microfinance industry in Tanzania. They started back in 1995 and they operate in urban and peri- urban areas. These institutions operate at high costs and they do not reach the poor of the poor who are mostly in rural areas. Although micro finance policy does not allow savings mobilizations from the MFI's customers but they do take and accumulate funds from their clients in the guise of "loan insurance fund"

The author also found out that the NGO-MFIs for example PRIDE give loans at a very high interest rate which is 30 percent per annum. Beside that they also collect funds as collateral to cover their loans but the accumulations bear no interest. It has also been noted that PRIDE and other NGO-MFIs are very harsh to the customers who fail to repay the loans on time although they were noted to be few due the tight procedures/mechanisms imposed by the lenders. The institutions do not care whether the repayments are from the business profits or from other sources.

2.2.9 Providing Insurance to low Income Households

It has been argued by some scholars for example Warren Brown Craig Churchill (1999) that micro loan may help a household to increase its income, and may even help build some assets, but it does not reduce the household's vulnerability or exposure to risks. Easily available savings services can go a long way towards addressing these needs as house holds build a nest egg from which they can draw down in case of an emergency or to smooth cash flow imbalances. In this case the author said, insurance is a promising response to this customer need. Using insurance products to pool the risks faced by low income house holds, MFIs can reduce their client's exposure to risk-induced losses and potentially improve these households' ability to increase their incomes. Insurance as a new financial product has the potential to improve profitability by reducing loan losses and replacing clients need to draw down savings for emergencies. If the institution offers insurance independently, it can also benefit from the additional source of capital for lending. If it provides insurance in partnership with a traditional insurer it can generate

fee/commission based income. In theory, the provision of insurance might create a situation whereby clients experience a reduction in vulnerability to risk and MFIs benefit from the improved bottom line. For this to work the MFIs need to be innovative in terms of product design, delivery mechanism and even marketing techniques. Insurance involves pooling risks over a large number of similar units, such as house holds persons or businesses. According to the author the provision of micro insurance is still new and the studies are still being done in order to come up with a total and sustainable solution.

The risks to be covered some of them are death risk, property risks, healthy risks and mass covariant risks.

Mass covariant risks involves the threat that an event such as epidemics, natural disasters and war which could cause substantial losses for a large portion of the population at the same time.

. 2.3 Policy Review

2.3.1Tanzania Micro finance Policy

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

- Establishing a frame within which micro finance operates.
- Laying out the principals that will guide operations of the system.

- Saving as a guideline for coordinated intervention by the respective participants in the system.
- Describing the role of the implementing agencies and the tools to be applied to facilitate development.

The Micro Finance Policy stipulates that access to financial services offers the possibility of managing scarce household and enterprise resources more efficiently, protection against risk, provision for future and taking advantage of investment opportunities for economic returns.

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

Savings services are the most beneficial financial services for low-income people. The house holds needs to save to protect themselves against periods of low income or specific emergencies and to cover large anticipated expenses (like school fees). Enterprises need to store the value they accumulated from realized profits until they are able to invest them to earn a higher return.

Credit services can perform some of the same services as savings. It can allow enterprises and families to make some important investment. Households use credit to meet consumption needs, particularly during periods when income flows are low such as during the season of crop harvesting or investment such as house renovation.

The policy emphasizes the importance of micro finance in addressing the need for majority of the Tanzanian population.

They are primary facilitators rather than creators of the underlying economic opportunities that lead to widespread economic prosperity. The policy covers the provision of financial services to households, small holders, farmers, small and micro-enterprises in both rural and urban areas.

It covers a range of financial services which include savings, credit, payments and other services to support their enterprises and economic activities as well as their household financial management and consumption needs.

The policy has a vision of achieving widespread access to micro finance throughout the country, made possible by Micro Finance Institutions operating on commercial basis.

It encourages the use of best practices from around the world, lessons of experience in providing financial services to low income people. To come into consensus about how to provide such services effectively efficiently and sustain ably.

It explains how capacity building is among the tools for policy implementation. Other tools are regulation and supervision and development and application of standards.

Micro Finance Institutions in Tanzania includes a wide variety of organizations in financial services favoring low – income people in urban and rural areas.

They include community development banks, co-operative banks, micro finance institutions, micro lending, Non Governmental Organizations (NGOs) Savings and Credit Co-operative Organizations (SACCOs), Savings and Credit Associations (SACAs), Rotating Saving and Credit Associations (ROSCAs).

Challenge

The policy does not allow the Micro Finance Institutions to accept deposits from their clients but they do take and accumulate funds from the poor in form of loan insurance. The accumulations bear no interest while they charge extremely high interest rates in the loans. This kind of exploitation should be checked by the policy. Capacity building is also required to bring the institutions to the level at which they can operate with large outreach, quality services and profitable operations.

Currently they get super normal or abnormal profits from exploiting the poor by charging extremely high interest rates and other accumulations that bear no interest on the part of their customers.

They need to be innovative in terms of diversifying risk by having various/ different types of products in order to charge a fair interest rate from the borrowers and still meet the overhead costs and make profits

It has been argued by many scholars for example Florence Maximambali, Christopher Lwoga, and Stuart Rutherford (1999) that there have been dropouts of clients from most of the MFIs in Tanzania and other East African countries. The studies indicated that the major reasons that lead to clients dropping-out include: the rigidity of products, the narrow range of products and services, group dynamics, weekly meetings, natural calamities, competition, seasonality factors and overall poor economic conditions according to the studies.

The MFIs tend to perceive their clients and their businesses as homogenous entities that follow a common growth pattern, rather than as individuals each with her/his own peculiarities and needs. MFIs fail to acknowledge that a variety of factors impact the demand for their services and thus the retention of clients.

All the MFIs studied have just one product (credit) in spite of the wide range of client's needs. To retain their clients MFIs need to develop a wider range of products. Also, the poorest cannot access the credit products of the MFIs studied, however, the MFIs could possibly tap this pool of potential clients by providing them with saving services appropriate for their saving capacity.

The gradually increasing competition among MFIs causes clients to switch service providers.

Increasing economic hardship and competition among micro-businesses in the informal sector could lead to an increase in dropouts as a result of reduced margins and profitability.

MFIs that want to reduce dropout rates and achieve sustainability need to watch the changing needs of the clientele and the products of their competitors, while at the same time maintaining low operating costs.

This can be achieved through detailed monitoring of dropouts to identify trends, reasons, causes and relationships of factors that influence clients to leave or exit the programme. Client exit is a significant problem for MFIs. It increases their cost

structure, discourages other clients and reduces prospects for sustainability. Exit is not just bad for clients and individual MFIs - it is bad for the entire microfinance industry. There are now more MFI dropouts in East Africa than there are active MFI clients! This could lead to a growing cohort of people who discourage friends and relatives from joining MFIs.

2.3.2 Tanzania Cooperatives Development Policy.

According to the cooperatives policy of Tanzania of 1997, a cooperative society is an association of persons who have voluntarily joined together for the purpose of achieving a common need through the formation of a democratically controlled organization and who make equitable contributions to the capital required for the formation of such an organization and who accept the risks and benefits of the undertakings in which they actively participate.

Before independence in Tanzania cooperatives were formed from the initiatives of the members. The government's role was provision of information, sensitization, education and training aspect and supervision. Cooperative societies maintained their autonomy and practiced the principle of self help. After independence, on account of the successful cooperative movement, the government took lead in cooperative development. In the process cooperatives became increasingly integrated with the national objectives rather than members' objectives, aspirations and interests. This led to capital drop completely dependent on the state through loans. Later with limited government resources cooperatives became a burden on the government and the national economy in general.

Cooperatives in their various forms are becoming an indispensable factor in the social and economic development of all countries, promoting the fullest possible participation in the development process of all population groups including women youth disabled persons and elderly.

Since the government recognizes the potential of cooperatives in contributing to the solution of economic, social and environmental problems, it will now observe and respect cooperative principles which are:

a. Voluntary and open membership.
b. Democratic member control
c. Member economic participation
d. Autonomy and independence
e. Training and information
f. Cooperation among cooperatives

The presence of a cooperative policy with clearly defined goals, objectives and strategies is likely to minimize deviations from international cooperatives alliance (ICA) set standards and thus allow deployment of cooperative principals and practices for social economic emancipation of the majority of citizens. The objective of the policy is to ensure that cooperatives are formed by disadvantaged groups such as small scale holder farmers, the landless, women, youth, craftsmen, disabled and elderly. It is the government interest to see that all its citizens are engaged in gainful activities. The government would create a conducive environment in which people are free to associate in exploiting their resources for social and economic development.

The overall implementation strategy of the policy is increased membership, increased efficiency, transparency and accountability by the cooperative leadership to members and member participation in the management of cooperatives. Strategies for rural financial services are internal savings, creation of trust funds, raising of capital, creation of banks which have been non existence since 70s. Cooperatives will be encouraged to put into practice the self help principle.

It is anticipated, through concerted efforts of the cooperative movement, that within seven years the cooperative movement will be to a great extent financially independent in terms of term loans and in turn therefore enhance their autonomy, productivity and incomes to members.

This policy document as for all policy formulation is based on the current perception of the socio-economic environmental matrix.

In view of this fact the government will carry out regular evaluation of the impact of the policy as a basis for carrying out policy review.

The importance of cooperative societies as people's organizations is reflected in the opportunities they provide in the mobilization of local resources for local development in the foregoing, the government has briefly stated the support which will be given to the cooperative movement to enable members to realize their inherent strength and to contribute positively to the overall national efforts towards development.

Through cooperatives people will be encouraged to take active participation in the shaping of the economy along their wishes. The cooperative movement in this case is not only a means to economic ends but it is also an instrument through which the

cooperators have a say in various policy formulation and implementation of the same. It is the belief and sincere hope of the government that the people will respond to the call for them to form these important democratic organizations.

Saving and Credit Cooperative Society (SACCOs) means a registered society whose principal object is to encourage thrift among its members and create a source of saving and credit to its members at a fair and reasonable rate of interest.

It is established among a specific number of founder members usually 20 whose names must be shown in the minutes of the constitutive meetings and those that will adhere afterward a cooperative saving and credit society (SACCOs) with variable capital governed by the united Republic of Tanzania cooperative society act of Feb, 1997. It is based on the values of self help, self responsibility democracy, equality and solidarity.

Mission

To provide to its members suitable financial savings and credit services under a cooperative mechanism and organization. It aims at operating profitably, be financially self sustainable and reach economic viability.

Objectives

- To provide financial savings and credit services to its members.
- To facilitate the operations of the individual members.
- To strive to raise the standard of living of its members.
- To promote economic and social development of its members.
- To promote cooperative education among its members.

Membership eligibility

Joining SACCOs every physical person can be a member if she/he has the following qualifications:

- That she/he has a common need which the society's objectives seek to satisfy.
- That she/he has attained the minimum age of eighteen years and is of sound mind.
- That she/he has a common bond.
- That she/he is capable of paying monthly contributions administrative fees, acquiring at least one share.
- That she/he is capable of paying entrance fee.
- That she/he undertakes to respect the SACCOs by laws and internal regulations, procedures and policies.
- That she/he enjoys and benefits her/his rights according to the laws.

Challenge

The policy exists to encourage people to form the cooperatives which it will be regulating to make sure they adhere to the set standards of the ICA, but it appears if people have not responded and form the cooperative movements the government through the said policy would do nothing. There are no strategies for sensitization and empowerment aspects that would influence the formation of the cooperative movements. The policy should come up with some motivating and empowering mechanisms so that these societies can be formed in many communities as they are ideal tools for poverty alleviation if properly managed.

2.4 Summary of the literature review

It has been learnt from the literature review that micro finance is very important since the borrower has an opportunity to invest in micro enterprises and improve their income and employment.

They also benefit in terms of keeping part of their reserves in a secure and liquid form as well as to generate interest income. They can also manage better their low income by stabilizing their exceedingly irregular flow of income.

For example it has been indicated in some studies that the impact of microfinance projects promoted by German development cooperation was examined by means of impact-oriented monitoring. It was shown that microfinance leads to positive effects regarding income and employment, and that poor households use their additional means to invest in better nutrition, medical care, education, housing, and the expansion of their economic activities. Thus, microfinance is a cross-cutting issue contributing directly and in numerous ways to the achievement of the Millennium.

It has also been learnt from the literature review that a common service delivery methodology is the use of solidarity groups to minimize risk and lower the cost of delivering many small loans to many people.

Groups self-select and are responsible for repayment in case of delinquency and default.

It has also been learnt that transaction costs are shifted to the borrower group to make services affordable.

Members of these groups, generally less than 10 members, screen loan applications, provide mutual support and savings, and are jointly liable for default on loans given to the group. No new loans are given out until the group has paid off previous ones.

According to the studies, this creates great peer pressure and is one of the most effective and least costly ways of motivating repayment, with the shift of the transaction cost onto the group which does all the information gathering about people's characters, assesses the viability of their investment projects, and then monitors and collects the loan repayments.

The saving and credit scheme that would be established at Charambe would adopt the same service delivery methodology that is group solidarity approach. Since it has been learnt that NGO-MFIs are dominant in Tanzania and they charge very high interest rates, (Kironde J.M.L 2001) the project would be different as it will only charge a fair interest rate that can only cover costs and earn a small profit which will also belong to the community members. Since the saving and credit scheme under preparation is expected to sustain and grow probably even beyond the community boundaries in the long run, monitoring and evaluation would also take care of dropouts and establish some preventive measures. The market would be studied and products improved/modified from time to time after customers' needs survey.

Some other weak elements that have to be avoided which have also been observed in these NGO- MFIs which dominates the microfinance practice in Tanzania (Kironde J.M.L 2001) have been explained to be the tendency of most of these MFIs to mind the outreach, which means the number of clients served and repayment rate without

featuring the capacity of their clients. They use minimalist approach whereby they only provide credit services to the customers without any training on business management; that would have enabled their clients to gain profits for business growth and increase the repayment capability.

The interest rates charged are also too high to enable people gain something to improve their standard of living.

They only aim at profit maximization contrary to their stated objective that they intended to assist the poor. This has led to a number of their customers to dropout. Florence Maximambali, Christopher Lwoga, and Stuart Rutherford (1999)

During evaluation of their operations they assess the outreach and repayment rate and not the outcome of the credit to the life of poor people. The experience has shown that due to very tight procedures the borrowers repay the money from other sources than the business due to failure in operating their business and too high interest rates charged. They also collect loan insurance an amount that is used to secure the loan from the poor. While they charge very high interest rates from the clients (the poor), the security fund accumulated do not have any interest.

We appreciate the formation and existence of MFIs, which have assisted the poor who would otherwise not been able to access financial services in formal financial institutions. But they should at least charge a reasonable interest that would enable them make normal profits, and at the same time build the capacity of their clients.

The project that would be established would avoid this by charging lower rates and provide credit plus services. The community members will also access the funds and make repayments within their community instead of incurring traveling costs to the MFIs' offices in terms of **time** and **money.**

Some of the MFIs have shown a positive effect to the communities that can be adopted. Positive elements have been learnt from Kilimanjaro co-operative Bank (KCB) which has been formed by SACCOs and primary marketing co-operative societies. The SACCOs build their members' capacities while KCB builds the SACCOs capacities.

The KCB operate profitably while enjoying less operational costs because it deals with groups of people (grassroots) who are guaranteed by their SACCOs and co-operative societies as opposed to those who deal with individuals.

SACCOs in Dar-es-salaam should adopt the same so that they can form a Dar-es-salaam co-operative bank (DCB). The author of this paper appeals to other researchers to work on this since there are many SACCOs and co-operative societies that can form a strong DCB. The DCB will save poor people from being charged high interest rates from the NGO MFIs for having no alternative.

CAPTER THREE

RESEARCH METHODOLOGY

1.0 Introduction

This chapter explains the way the information was collected and methods used to get the information and how the data was analyzed.

The questionnaires were used to obtain information about the demographic and background characteristics of Charambe community members, and priority needs that required an immediate attention. Each item in the questionnaire addressed the objectives of the study. Charambe community and the members of CHADEA completed the questionnaires.

3.1 Research design

The research was designed to obtain relevant information from Charambe community through working with CHADEA, which would guide the process of designing a SACCO business plan or proposal

3.2Sampling technique

Firstly the CHADEA leaders were interviewed, then some few community members who formed a team together with some members of CHADEA to assist in the process of collecting information by using questionnaires. Then the ward leader assisted in giving information about the total population where a sample has been drawn

3.3 Sample size

A systematic list random sampling method was used to get the sample size. 30 percent of the total estimated population was taken. The sample size was 220 people drawn from estimated 700 people (total population). When 700 was divided by 220 (the sample size), the result was 3 which has been used as an interval. The list of the households was taken and every 3rd item was chosen from it until the sample of 220 people was obtained.

The starting number was chosen from number one to three, and in this case number 2 was chosen. There the sequence was 2nd, 5th, 8th, 11th, 14th, 17th, 20th, and 23rd, until a total of 220 was obtained.

This method was used because the names were listed and therefore it was more convenient to go through the list and pick systematically. This was just to guide the interviewers since the names were not written in the questionnaires. The population characteristic was also more or less homogeneous.

3.4 Units of Inquiry

The information was inquired from the Charambe community and the members of CHADEA who are the beneficiaries of the project. The ward leader was also very useful as far as demographic information is concerned.

3.5 Data collection method

Questionnaires have been used in the study to obtain important information about the community characteristics and assessment of the needs. The questions in the questionnaires were designed to address the objectives of the study.

Both open ended and closed-ended questions were used depending on the type and amount of information required.

The questionnaires were handed to the households by the author in collaboration with the facilitating team that constitutes CHADEA members and some few community members.

The team then collected the questionnaires after they have been completed. Personal information (characteristics of the community members) income level, saving and credit awareness, education level, activities done to earn income, gender, family size, co-operation among CHADEA members and with the community were some of the main issues that were focused. The primary data was obtained by using questionnaires while the secondary data was obtained in CHADEA's office which contained only the constitution and the list of members. The list of community members which also served as a secondary data was obtained in the ward leader's office.

3.6 Data analysis.

After the questionnaires were collected they were organized, coded and entered into the computer. The coding process was done systematically according to responses of the interviewees. According to the study the primary data was processed while the secondary data was used to aid the process of primary data collection. The list of the community members assisted as it was used to make the sample size by using a systematic list random sampling.

Finally using Statistical Package for Social Sciences (SPSS) an analysis was done.

CHAPTER FOUR

ANALYSIS AND DISCUSSION OF THE FINDINGS

4.0 Introduction

This chapter contains the answers to the research questions and objectives after the data has been collected, coded and finally analyzed. Two hundred and twenty (220) community and CHADEA members were targeted and were expected to be involved in the study. Of the two hundred and twenty questionnaires that were distributed to the households, one hundred and ninety-seven were completed (90%) of the total.

The CHADEA CBO leaders and some few community members were interviewed. I had a team of three CHADEA leader and five community members who assisted me in the process of distributing and collecting the completed questionnaires

4.1 Bio-information

4.1.1 Gender

Table 1 show that, the sample contained 53.3 percent women and 46.7 percent men. While this ratio represents the whole community, it means there are more women than men and as it is always known that women are vulnerable. Therefore the project will be useful in order to assist these women.

Table 1: Gender of respondent

		FREQUENCY	PERCENT	PERCENT	VALID PERCENT	CUMULATIVE PERCENT
Valid	**Female**	**105**	53.3	53.3	**53.3**	53.3
	Male	**92**	46.7	46.7	**46.7**	100.0
	Total	**197**	100.0	100.0	**100.0**	

Source: needs assessment survey report (2004)

4.1.2 Age

Table 2 shows that the most active age group which is between 14 and 35 took the largest proportion which is 70.9 percent. Between 35 and carried 28.6 percent while above 60 was only 0.5 percent.

Therefore this fact can also make to the project useful to assist the youths. The project will assist women and youth that represent the large proportion in the community.

Table 2: Age group of the respondent.

AGE GROUP	PERCENT
14-35	**70.9**
35-60	**28.6**
Above 60	**0.5**

Source: needs assessment survey report (2004)

4.1.3 Income level

From the collected information, it has been revealed **(table 3)** that the large segment of the community population, which is 84.5%, earns on average per month an income, which is below 50,000 shillings. 14.4% earn income between 50,000 and 100,000 shillings, while 1.1% earns above 100,000 shillings.

This is a serious observation since the community seems to be very poor. Therefore by starting with a revolving fund they can be assisted at least to engage themselves in income generating activities, which will be small businesses (Micro-Enterprise).

The whole idea is to establish a SACCO but with this trend of income earned by most of the community members; the author has suggested that a revolving fund should be established first. Then after the financial capacity has gone up since there would be a compulsory saving then it can operate as a SACCO.

It has been decided so because the SACCO's primary activity is saving for some period of time at least three months before one can think of borrowing. Also the borrower has to raise savings of at least 50% of the loan size, which will be retained as a security. In this situation a SACCO cannot be established immediately in Charambe community. The author's recommendations are that let the revolving fund build the community's capacity and then depending on the project's outcome it will start operating as a SACCO.

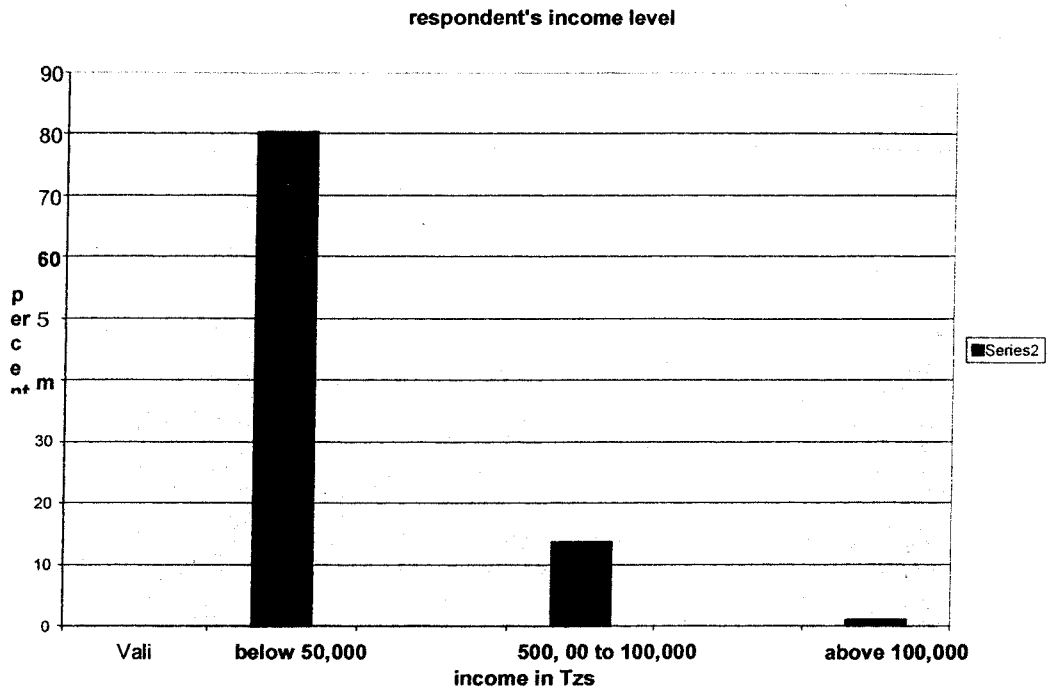
Table 3 income level of the respondent

		FREQUENCY	PERCENT	VALID PERCENT	CUMULATIVE PERCENT
Valid	**below 50,000**	158	80.2	**84.5**	**84.5**
	50,000 to 100,000	27	13.7	**14.4**	**98.9**
	above 100,000	2	1.0	**1.1**	**100.0**
	Total	187	94.9	**100.0**	
Missing	System	10	5.1		
Total		197	100.0		

Source: needs assessment survey report (2004)

Chart 1: The respondents' income level.

50



Source: needs assessment survey report (2004)

4.1.4 Education level

Table 4 shows that primary education level carried the largest proportion of the community population that is 64.9%. Secondary education level is 30.3%, various courses after form four 5.2% while diploma/degree holders carried 0.5% and those who have never been into school are 4.1%

Given this trend of education level it indicates that capacity building is very important. The project proposal should also include suggestions for training to build the capacity of CHADEA and the community members.

For the project to sustain and have a positive outcome that means the community has made an optimum use of the project, training is of vital importance. The training may be conducted to train the CHADEA leader and some few community members in order for them to conduct training to the entire community from time to time.

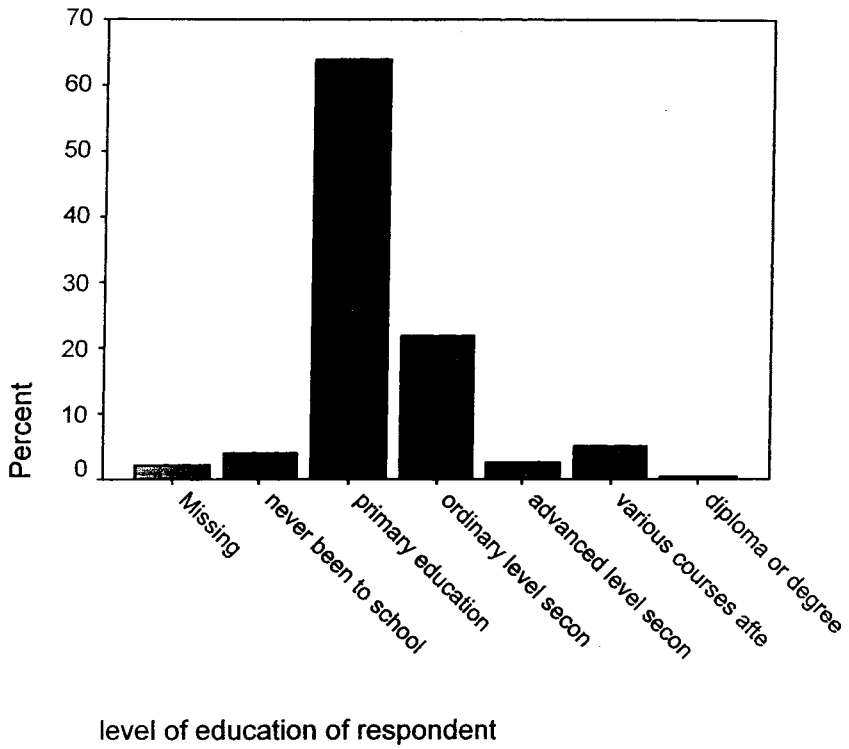
Table 4: Level of education of respondent

		FREQUENCY	PERCENT	VALID PERCENT	CUMULATIVE PERCENT
Valid	**NBS**	8	4.1	**4.1**	**4.1**
	P	126	64.0	**65.3**	**69.4**
	OL	43	21.8	**22.3**	**91.7**
	AL	5	2.5	**2.6**	**94.3**
	CS	10	5.1	**5.2**	**99.5**
	D or D	1	.5	**.5**	**100.0**
	Total	193	98.0	**100.0**	
Missing	System	4	2.0		
Total		197	100.0		

KEY
NBS= Never been to school
P= Primary education
OL= Ordinary level secondary school
AL= Advanced level secondary school
CS= Courses after ordinary level secondary school
D or D= Diploma or degree.

Source: needs assessment survey report (2004)

Chart 2 Education level of the respondent.



Source: needs assessment survey report (2004)

4.2 The potential of CHADEA to establish and run the project.

The survey results reveal that, 73.1% of the CHADEA members have primary education level but of those who attained a secondary education level, one is an accountant. This person can be trained and be able to manage the project.

This information has been gathered from thirty CHADEA members who were also interviewed. As far as the income distribution is concerned, 84.6% are those who earn below 50,000 shillings per month.

Despite the low education and income level, the study revealed that there is solidarity among CHADEA leaders and the members, which attracted new members to join.

Also the members had it that democracy was another good quality of CHADEA. The community members who were interviewed also many of them supported it.

Since both its members and the community members accept CHADEA, the low level of income and education can still be corrected by capacity building. The accountant can as well be trained in order to be able to manage the project. By building the capacity of CHADEA and training of the manager of the project, it can be sustainable since the community members are also involved.

4.3 Motivation for joining CHADEA by the members

From the survey it has been revealed that many people decided to join CHADEA because of solidarity among the members, and because CHADEA solved water problem. **(table5).** The two reasons covered 91.3 percent while the reason that they wished to contribute towards the development of the community.

Table 5: Motivation for joining CHADEA.

MOTIVATING FACTOR	PERCENTAGE
CHADEA solved water problem and there is solidarity.	**91.3**
Wished to contribute to the community's development	**8.7**

Source: needs assessment survey report (2004)

4.4 Benefits that the members gained for joining CHADEA compared to their expectations.

The survey results has revealed that, 58.8% said CHADEA's performance is higher than their expectations,38.5% said there is no difference and 2.7% said the performance is less than their expectations. **(Table 6)**

Table 6 the benefits that the members gained for joining CHADEA.

THE DEGREE OF CHADEA'S PERFORMANCE	PERCENTAGE
Performance is higher than expectation	**58.8**
There is no difference	**38.5**
Performance is less than expectation	**2.7**

Source: needs assessment survey report (2004)

4.5 Awareness of all CHADEA programs by the members (participation)

The results revealed that, 58.3% said yes they are aware of all projects and programs initiated by CHADEA while 41.7% said no. **(Table 7)**

Table 7 CHADEA members' participation in programs.

RESPONSE	PERCENTAGE
YES	**58.3%**
NO	**41.7%**

Given that the members have said that they joined because of solidarity and a large percent said that CHADEA met their expectations and also a big portion said they participate in projects and programs, it is evident that there is a common understanding between the leaders and the members.

4.6 Awareness of CHADEA's existence by community members.

From the survey report it has been revealed that, the community members who were interviewed, 94.3% said yes they are aware while 5.7% said no they were not aware of CHADEA's existence. There it can be concluded that CHADEA is there for the community's benefits. **(Table 8)**

Table 8: Awareness of CHADEA's existence by community members.

RESPONSE	PERCENTAGE
YES	**94.3%**
NO	**5.7%**

Source: needs assessment survey report (2004)

4.7 The way the community members assess CHADEA

The survey report reveals that, 15.5% said is very useful, 61.9% said it is useful, 13.9% said it is useless while 8.8% said they do not know. Therefore those who support CHADEA are 77.4%. In that respect it is evident that CHADEA is accepted and this gives an assurance that the project will sustain. **(Table 9)**

Table 9: The way the community members assess CHADEA.

THE WAY CHADEA WAS ASSESSED	PERCENTAGE
Very useful	**15.5%**
Useful	**61.9%**
Useless	**13.9%**
Don't know	**8.8%**

Source: needs assessment survey report (2004)

Also 83.6% see CHADEA as a tool for solving the community problems. Given these facts we can conclude that CHADEA has a chance to initiate various projects and programs to alleviate poverty including the one under preparations.

Since there is a common understanding among the leaders, members and the community at large, the project will be owned by the community and therefore sustain. Sustainability and community ownership gives hope for a positive outcome.

4.8 Whether CHADEA has any experience in such schemes and can mobilize savings and manage lending process effectively.

Given that only 15.8% of the members have borrowed money from various institutions while the rest 84.2% have never borrowed and no member have ever been participating in saving and credit scheme, it is obvious that CHADEA has no experience in running such schemes.**(table 10)**

Table 10: CHADEA's Experience in running saving and credit schemes.

RESPONSE	PERCENTAGE
YES they have borrowed	**15.8%**
NO they have never borrowed	**84.2%**

Source: needs assessment survey report (2004)

Since this project is highly needed by the community in order to solve unemployment and lack of income problems, then capacity building and sensitization about saving and the whole process of borrowing and repaying is of vital importance. Without capacity building CHADEA cannot manage the project effectively.

4.9 Whether Charambe community participates in projects initiated by CHADEA for its development

The project that is place now is water project and the community members who were interviewed 93.8% supported it by saying it is useful and they were full aware of how it came into place.

Given that CHADEA is well known and a large proportion of Charambe community regards it as problem solver it is evident that the community is involved in projects. 77.3% regard CHADEA as a useful tool for solving community problems

It can be concluded the community is well informed of the projects and they do participate by using their local resources and efforts to solve the problems they face. For

example after they received a deep well from DAWASA by then, they used their equipments and own efforts/labour to dig trenches.

They only requested for assistance in order to acquire pipes, which they used to distribute water to different points in order to earn more income.

4.10 Acceptance of saving and credit scheme as a priority.

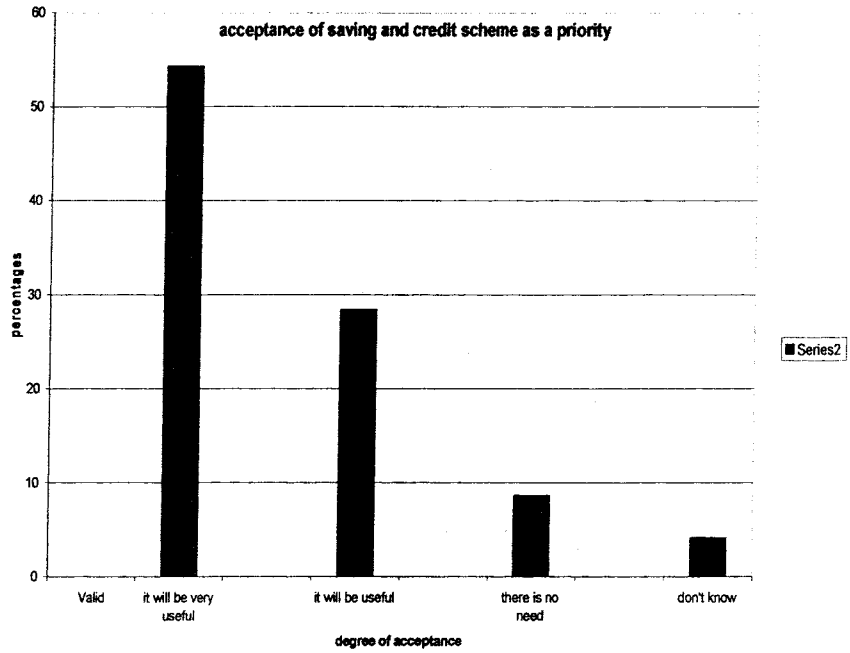
Table 11 reveals that, 56.9% said the scheme would be very useful, 29.8% the scheme will be useful, 9% said useless and 4.3% said don't know. 86.7 percent accepted the project and they believe that it can solve some of their pressing problems. Therefore given these facts there is a great need for the project to be established.

Table 11: how does the respondent find the idea of establishing saving and credit scheme?

		FREQUENCY	PERCENT	VALID PERCENT	CUMULATIVE PERCENT
Valid	**it will be very useful**	107	54.3	**56.9**	**56.9**
	it will be useful	56	28.4	**29.8**	**86.7**
	there is no need	17	8.6	**9.0**	**95.7**
	don't know	8	4.1	**4.3**	**100.0**
	Total	188	95.4	**100.0**	
Missing	System	9	4.6		
Total		197	100.0		

Source: needs assessment survey report (2004)

Chart 3: the way saving and credit was accepted by the community



4.11 Acceptance of the project and gender

The survey report (table12) revealed that of those who said the project would be very useful, 53.3% were women while 46.7% were men. Those who said it would be useful, 57.1 were women while 42.9% were men. The ones who said there would be no need to establish the project, 47.1% were women while 52.1 were men. It is evident that women supported the idea more strongly than men did; because they are the most affected parties by unemployment problem. Therefore the project will assist them.

Table 12: Gender of respondent * how do the respondent find the idea of establishing saving and credit scheme* Cross tabulation

RESPONSE	FEMALE	MALE
It will be very useful	53.3%	46.7%
It will be useful	57.1%	42.9%
There is no need	47.1%	52.9%
don't know	37.5%	62.5%

Source: needs assessment survey report (2004)

4.12 Whether the respondent has ever borrowed in any institution.

From the survey report it has been revealed that 17.4% said yes they have borrowed while 82.6% said no they have never borrowed. (Table 13). It appears that most of the community members have never borrowed. It means that after sensitizing them there would be big market potential for the project and it will save as a solution for unemployment problem.

Table 13: Whether the respondent has ever borrowed in any institution.

RESPONSE	PERCENTAGE
Yes I have borrowed	**17.4**
No never borrowed	**82.6**

Source: needs assessment survey report (2004)

4.13 Gender and whether the respondent has ever borrowed.

From the survey report (table14 below) it has been revealed that for those who said they have borrowed, 69.7% are women while 30.3% are men. Those who said they have never borrowed 49% are women and 51% men. It can be concluded that women are more informed of borrowing and repaying than men. Therefore this project will be focusing more on women and youth

Table 14 Gender of respondent * if the respondent has borrowed in lending institutions * Cross tabulation

OF ALL WHO RESPONDED	FEMALE	MALE
Those who indicated to have borrowed	69.7%	30.3%
Never borrowed	49%	51%

Source: needs assessment survey report (2004)

4.14 Age and whether the respondent has ever borrowed

Table 15 has revealed that people of age between 25 and 35 years old who said yes they have borrowed were 57.6%, 14 to 24 years were 18.2%, 35 and 45 years 18.2% and 45 to 60 years were 6.1% while above 60 years did not borrow at all.

It can be observed that this project will be suitable for women and youth who have the higher need due to unemployment problem.

Table 15 Age of respondent * if the respondent has borrowed in lending institutions*Cross tabulation

AGE GROUP	14 TO 24	25 TO 35	35 TO 45	45 T0 60	ABOVE 60
YES	18.2%	57.6%	18.2%	6.1%	0%
NO	81.8%	42.4%	81.8%	93.9%	100%

Source: needs assessment survey report (2004)

4.15 The respondent's income generating activity.

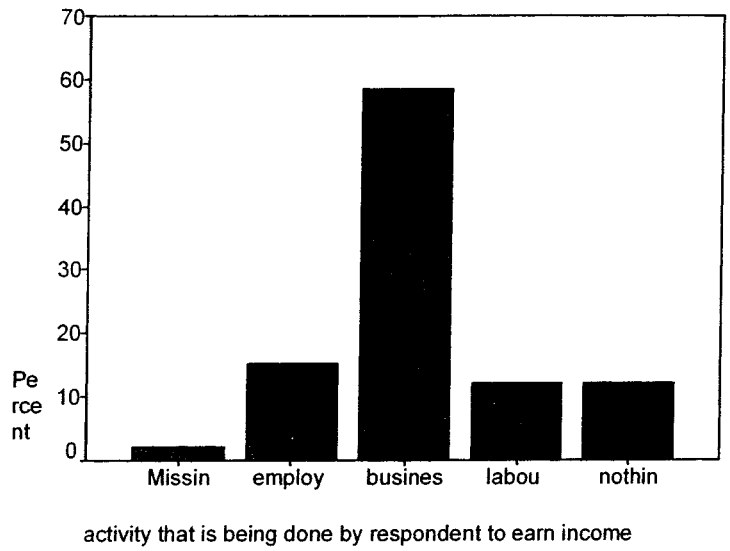
Table 16 indicates that respondents who said they are engaged in small businesses are 59.6%. Those who said they were employed were 15.5%, laborers 12.4% and those who said had nothing to do were 12.5%. Since small business undertaking has the largest proportion of the community, it is evident that this project will be of great help to the community.

Table 16: Activity that is being done by respondent to earn income

		FREQUENCY	PERCENT	VALID PERCENT	CUMULATIVE PERCENT
Valid	**employed**	30	15.2	**15.5**	**15.5**
	business	115	58.4	**59.6**	**75.1**
	laborer	24	12.2	**12.4**	**87.6**
	nothing	24	12.2	**12.4**	**100.0**
	Total	193	98.0	**100.0**	
Missing	System	4	2.0		
Total		197	100.0		

Source: needs assessment survey report (2004)

Chart 4: Activities done by respondent to earn income



Source: needs assessment survey report (2004)

4.16 Age and type of activity that is been done to earn income

Of the respondents who said are engaged in business undertakings 76% are aged between 14 and 35 years old, between 35 and 45 years are 17.5%, and between 45 and 60 are 8.5%. It has been learnt that the most active age group which is between 14 and 35 are engaged in small business undertakings.

(Table 17)

This becomes obvious that the project will be very useful to build the financial capacity of this important age group.

Table 17: business undertakings and age

AGE GROUP	BUSINESS UNDERTAKINGS	OTHERS
14-35	74%	26%
35-45	17.5%	82.5%
45-60	8.5%	91.5%

Source: needs assessment survey report (2004)

4.17 Gender and activity that is been done to earn income.

Of the respondents who said are engaged in business undertakings 61.7% are women while 38.3% are men. Those who said are employed 30% are women while 70% are men.

Of those who said have nothing to do, 62.5% are women while 37.5% are men. (Table 18) This fact indicates that this project will be very useful to women and youth of between 25 and 35 years of age. (The most active age group)

Table 18: Gender and activity that is been done to earn income.

RESPONSE	MALE	FEMALE
Business undertakings	38.3%	61.7%
Employed	70%	30%
Do nothing	37.5%	62.5%

Source: needs assessment survey report (2004)

4.18 Gender and education level

From the survey results it has been indicated that, women are vulnerable, as there are very few who have been educated. Most of them are illiterate and unemployed while men are more educated and more of them are employed. From **table 19** below it has been indicated that of those who said they missed primary education that is they had never been into school, **87.5** percent were women while only **12.5** percent were men. Of those who said they had primary education level, **59.5** percent were women while **40.5** percent were men.

Of those who said they had secondary school education level, **37.2** percent were women while **62.8** percent were men.

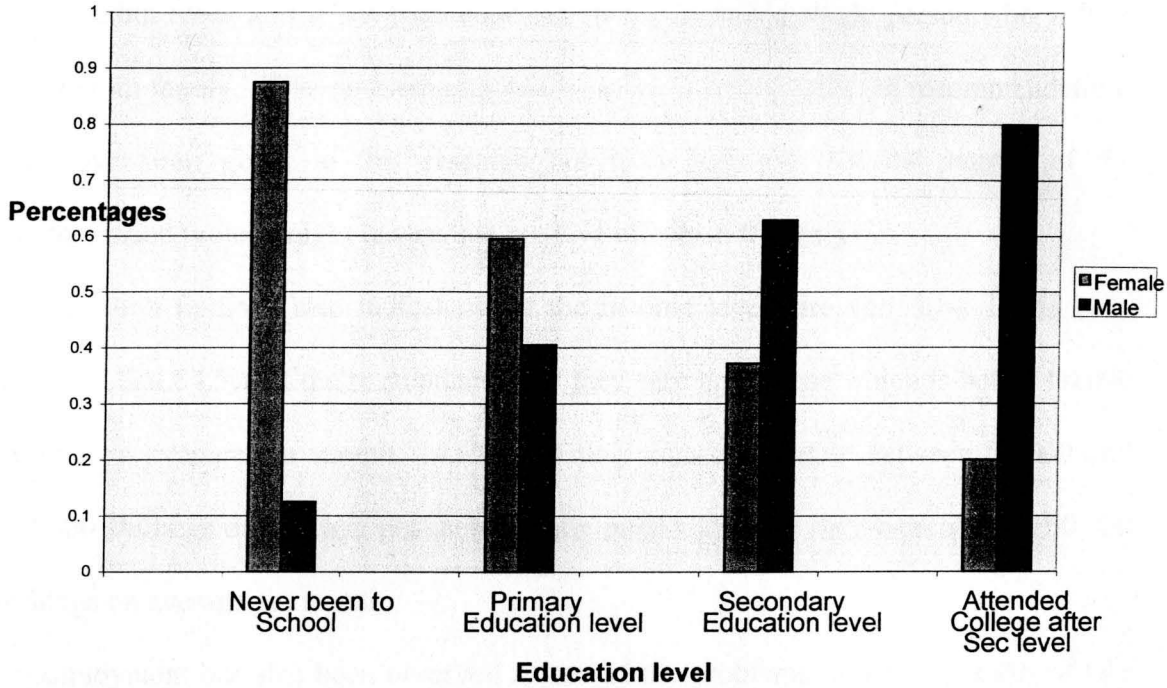
Of those who said they attended various colleges after secondary school level, **20** percent were women while **80** percent were men.

Table 19: Gender of respondent * level of education of respondent Cross tabulation

Response	Female	Male
Never been to school	**87.5%**	**12.5%**
Primary education level	**59.5%**	**40.5%**
Secondary education level	**37.2%**	**62.8%**
Attended college after sec level	**20%**	**80%**

Source: needs assessment survey report (2004)

Chart 5: Gender and education level



Source: needs assessment survey report (2004)

4.2 SUMMARY

It has been observed from the research findings that women are more vulnerable as compared to men. For example when we look at the education levels and employment; it has been indicated that of those who said they had never been into any school 87.5% are women while men were only 12.5%. The respondents who said they attended some colleges after secondary schools only 20% were women while men were 80%. From the findings it has also been indicated that of those who said they were employed only 30% were women and the rest were men. These facts indicate that women are vulnerable and cannot make own decision at both house hold and community levels. This problem needs to be addressed so that women can at least have some power.

There is a say that "when a woman has been educated the whole family will also be educated but when a man has been educated then it is only a single person who will be educated in family." This problem may not be solved directly with the recommendations that have been given in this research but it is believed that the impact of the recommended project might have some positive effects in the long run.

The research findings also indicated that the income levels are very low. It has been observed that 84.5% of the respondents said they earn an income which is below 50,000 shilling on average per month. 14.5% said they earn an income between 50,000 and 100,000 shillings on average per month while only 1.1% said they earn above 100,000 shillings on average per month.

Unemployment has also been observed as one of the problems in the community. Only 15.5% of the respondents said they were employed. The respondents who said they were engaged in small business undertakings were 59.6% while laborers were 12.5% and those who said they had nothing to do at all were 12.4%. These facts indicate that establishment of saving and credit scheme would be useful to finance the existing activities. This would lead to the expansion and improvement of the businesses and create employment. The project would also encourage savings and improve entrepreneurial practices through saving mobilization and capacity building.

Recommendations

The following are the recommended strategies to the community.

(a) To establishment of saving and credit scheme/project.

This will assist people develop and expand their small businesses and create employment.

When people have an increased income they can be able to take their children to school and avoid low level of education in future.

The project proposal has been prepared to establish a saving and credit scheme that will operate in two years and then depending on the outcome it will then operate as a SACCO. The viability of the loan applicant's small business would be determined before consideration of the loan.

(b) **Saving mobilization**. Immediately after the project has started its operations, people will be encouraged/required to have a compulsory saving of between 500 and 1500 shillings per week depending on the size of the loan to build their financial capability. This will be done alongside with the loan repayment, which will be done weekly. This will be done alongside training on various issues after training needs have been assessed.

(c) Capacity building.

Before commencement of the project, the CHADEA leadership will receive training on various aspects in order for them to be able to run the project. They will also be able to train people from the community who will train the community members.

Training that will be offered will be on general business management which includes how to access the market and keep customers under competition, book keeping, how to deal with various stake holders like suppliers tax collectors and various authorities in order to operate without difficulties.

The community will be taught on how to conserve the environment where they operate and become environment friendly. Marketing strategies in order to realize profits will also be taught.

(d) Saving sensitization

The community will be enlightened on the importance of saving. They need to be sensitized because households have to save to protect themselves against periods of low income or specific emergencies. They also need to cover anticipated expenses like school fees, purchase of household assets and unanticipated expenses like medical fees. Savings are the most beneficial services to low-income people.

Enterprises also need to save in order to store the value they accumulated from realized profits until they are able to invest them to earn higher returns.

(e) Advocating human development and self-reliant.

Given that the community has participated in need assessment exercise, they have already been aware of the existence of poverty problem in their community. They should now understand that human development is with and within the individual; and motivation for change comes from within. In this regard efforts to promote changes can be sustained by the individual. Each individual must develop self-respect and become more self confident, self- reliant and co-operative.

The individual should also become aware of his/her shortcomings as well as potential for positive change. The individual should work with others acquiring new skills and knowledge while effectively participate in the projects the development of the community.

Monitoring the income generating activities by visiting them and see if there any problem and give advices for appropriate measures. In case a visit has been made, and a certain problem becomes common then this can serve as a training need.

Despites that, the business management training would be done before giving loans but sometimes the beneficiaries will be reminded from time to time as this would bring more success. This is also important because business management and marketing are evolving subjects. That is they do change from time since customer's needs are diverse and they also change. Same product might be needed today but sometimes they may no longer be needed unless some modifications have been done.

Finally I am of the opinion that further studies are needed in order to assist the CBOs improve their financial management ability and projects evaluation. Most of the CBOs in Tanzania are weak in these areas.

CHAPTER FIVE

IMPLEMENTATION OF RECCOMMENDATIONS

PROJECT PROPOSAL

Introduction

The study revealed that most of the community members are poor since those who earn between 0 and 50,000 shillings carries the largest proportion (84.5%) of the population. Poverty in this community has been revealed in education levels too. Primary education level took the largest part of the population. 64.9% said they have primary education level, 30.3% secondary education level, 5.2% various courses after form four, and 4.1% have never been into school and only 0.5% diploma/degree holders.

This trend in education and income level indicates that the community is poor and it needs to be assisted to reduce the poverty. Another area, which indicates poverty in this community, is unemployment. 59.6% said that they are engaged in small business, 15.5% are employed, 12.4% laborer, and 12.5% had nothing to do. There is a problem of unemployment, which also indicates poverty. The needs assessment survey also indicated that 86.7% of the population accepted the saving and credit scheme. Given this situation of poverty and that the large proportion of the population supported the establishment of saving and credit scheme, a project proposal was prepared as it has been indicated below.

(A) EXECUTIVE SUMMARY

PROJECT TITLE: Charambe Saving and Credit Cooperative Society

CONTACT PERSON: Salum Kihope (CHADEA Chairperson)

PROPOSAL SUBMITTED BY: Prisca Nyella & Augustine Chitanda (Secretary)

PROBLEM STATEMENT: Low income levels and Un- employment

MISSION STATEMENT: To improve the community's standard of living.

TARGET GROUP: Community members especially women and youth.

OUTCOMES: Improvement in entrepreneur practices, access to financial services among community members. & Increased capacity and commitment of CHADEA CBO to encourage saving and borrowing to large number of people and ensure repayment.

REQUEST FOR FUNDING: 8,720,000 Tanzanian shillings.

OUR CONTRIBUTION: Our target is to mobilize internal savings and collections from water project up to 600,000 shillings by August 2005.

(B) PROPOSAL MAIN PART (BODY)

1. Name of the project

Charambe saving and Credit Co-operative Society (Charambe SACCOS).

2. Geographical location of the project.

The project will involve the whole Charambe Community that is within Charambe Ward in Temeke District. It has an estimated population of 700 people. The area has been divided into three regions namely Magengeni, Rangitatu and Majimatitu. The conditions that the borrowers must meet are that they must save for at least two to three months an affordable amount and they must demonstrate their ability to do business. The SACCOS is expected to start as a revolving fund for two years in order to builds the saving capacity of the poor community members and improve the ability of the CBO members to effectively and efficiently run the SACCOS. The borrowers must be able to save a minimum of 1000 shillings per week depending on the loan amount. Since the loans will be progressive the saving amount will grow with the loan amount.

3. Project rationale and justification

The project is expected to bring some positive changes by improving the **low level of income** and **reduce the high rate of unemployment,** of the large segment of the population in Charambe Community.

People would be encouraged to save and those who would qualify for credit would be able to improve and expand their businesses.

This will create employment for those unemployed. There would be micro-enterprise development and the entrepreneurs would be assisted in terms of capacity building.

Solving the problem of low level of income and unemployment would enable people meet their basic human needs for example balanced diet, shelter, clothing and most important education.

According to the **needs assessment survey report** that has been conducted before the preparation of this proposal, 84.5% of the population earns below 50,000/= shillings on average per month. That is why Charambe Development Association (CHADEA) opted for the project. (That is they gave priority to formulation of a SACCOS) in order to solve the problem. The Low-income level led to low levels of education and this becomes evident where 65.3% of the total population has primary education level.

This project has also been prioritized because the largest proportion of the community's population is engaged in small business undertakings. This means they are engaged in Small and Medium Enterprises (SMEs). Therefore the scheme would be of help since they will improve financially and also receive training on how to run their businesses effectively and efficiently. They constitute 59.6% of the total population while those who are employee in the formal sector are only 15.5%. Others are 12.4% who do not have anything to do and 12.5% laborers.

The scheme would also assist those with nothing to do and the laborers since after expansion of their businesses the entrepreneurs would employ them.

This project would also be very useful to women and youth since most of them are unemployed.

61.7% of the total population who said they are engaged in small business undertakings are women while 38.3% are men. Also of those who said are employed only 30% are women while 70% are men. These facts also indicated that the project will be very useful to women and youth between 25 and 35 years of age. This becomes evident since of those who said are engaged in small business undertakings 50% are aged between 25 and 35 years who are the most active age group.

It can therefore be concluded that the project will assist the poor community members. The project will create employment and increase households' income. The entrepreneurs will expand their business while those with no business skills will acquire them through training (capacity building).

Training will be offered on various aspects such as business skills, Co-operating with each other, separating business resources from the households budgets and how they can do various income generating activities within the community and still become environmental friendly. They will also acquire bookkeeping skills.

4. Project success

The project aims at improving the Low levels of income among the community members, reducing the high levels of unemployment and build capacities of poor community members. The aim of the project that has been mentioned above could be achieved through a number of project activities like training in business skills, saving

mobilization, giving credit and other financial services, improve knowledge, awareness raising and other activities.

5. Project results.

The project will achieve the intended results in two levels.

(I). Development level, which consists of: -

a) Output/short term.

Output 1: Credit scheme (Revolving Fund) established.

Output 2: Business skills improved.

Output 3: CBO capacity built.

b) Outcome/Medium Term.

(i) Improvement of income generating activities, access credit facility and other financial services to poor community members.

(ii) Increased capacity and commitment of CHADEA, CBO to support the Micro-Enterprise development within the community.

(c) Impact/Long term

The levels of income of the poor community members would be improved and sustained.

(II). Operational Level.

When the project has been executed properly the project activities will bring support to the community such as

a) The community will easily access the financial services.

b) Improvement in business skills

c) Sharing knowledge and experience as the community members would co-operate to each other.

d) Operate in environmental friendly manner.

6. Project description.

(i) Approach and activities.

This project has been designed in a participatory approach whereby the intended beneficiaries (CHADEA members and Charambe Community members) participated. They will be involved in each and every stage of the project life cycle because it is theirs.

(Identification, designing, implementation monitoring and evaluation) several project activities have been earmarked for execution so as to achieve the planned results. They have been grouped into three outputs as follows: -

Output 1: **Revolving fund that would in future be developed into a SACCO to be established.**

Activities

a) To meet the potential borrowers who are micro-entrepreneurs.

b) Study loaning policy and procedures.

c) Establish a revolving fund.

d) Disburse loans to the qualified people already in solidarity groups.

e) Collect loan repayments.

f) Follow up and monitoring the individuals and groups activities and advise where there is any problem.

Output 2: Business Skills Improved.

a. To study how the businesses are run.

b. To assess training needs.

To train in:

- Business management
- Environment
- Good communication and interaction.

c. Savings mobilization

d. Organize learning visits mainly to other successful CBOs.

e. Follow-up and monitoring the training impact.

Output 3: To improve managerial skills of CHADEA CBO leaders and Capacity building.

Activities

1. Conduct training on

   a) Computer and data management

   b) TOT for business management skills.

   c) Improve managerial skills on how to organize and run the CBO and the projects.

d) Improve the CBO's office to have high security and be appropriate for keeping the SACCOS money.

e) Acquisition of office equipments.

f) To incapacitate the CBO leaders in order to be able to pay the staff responsible for running the SACCO.

g) To teach the CBO leaders about negotiation and fund raising skills and facilitation of the network among different development stakeholders.

The cause-effect relationship of activities/inputs will lead to realization of project outputs. The cause-effect relationship of project's output would also lead to realization of projects outcome.

The cause effect relationship of project's output and project outcomes together will lead to realization of project impact.

ii) Interaction of the community, other communities and partners.

The target people of this project are community members who have been encouraged to form solidarity groups and credit centers. They also must show interest in doing business and must have demonstrated their ability to do business by having at least a small business. They also must be willing to save. The beneficiaries will continue to be involved in the project throughout the implementation process. They will be the owners of the project and be responsible for day-to-day monitoring of the project.

Other partners will be ESAMI, VETA, and SIDO for training and other supporting activities. The CBO and Community members will from time to time receive training

from the Institutions and they will also train each other since some of them will be trained to train others.

(iii) Environmental impact.

The project's main objective is to improve incomes and reduce unemployment problem in the Community, through supporting income-generating activities. (small business undertakings). The activities are intended to be environmental friendly. The income generating activities according to the needs assessment survey report are:

a) Brick making and selling

b) Tailoring

c) Food venders (Mama Lishe)

d) Charcoal vending.

e) Shop keeping

f) Small scale poultry keeping

g) Vegetable growing and selling

h) Vitenge & Kanga (clothes) vending

i)

To be able to have positive environment impacts, the project will implement the following measures.

- Promotions of west management techniques.
- Collaborate with the Municipal Council for garbage collection arrangements.

(iv) The impact of the project on women gender equality or gender relations.

Given that the 53.3% of the Community population are women and of those who supported the project 57.1% are women, it is evident that women will fully participate in the project in a larger proportion than men.

This fact has also been supported by having larger proportion of women in the population who have an experience in borrowing and repaying from some Institutions like PRIDE, FINCA and NMB. Of those who have borrowed 69.7% are women while 30.3% are men. This project seems to be more useful to women than men since of those who said they are engaged in small business undertakings 61.7% are women while 38.3% are men.

v). Project Staff.

The project staff who will manage and run the project fund will be some CBO members whose background is accountancy and those who will be training the borrowers and visit their projects/business before their receive loans. The CBO leaders will also receive training for administrative activities. The project will have the following staff:

a. Project co-coordinator or project manager with good accounting/banking skills in order to property run the SACCO/revolving fund.

b. There would be two field officers who will be trained and their task will be saving mobilization and training the borrower before they receive the funds/ loans.

c. The CBO leaders will be the overall in-charge to make sure that there is a fair deal and make the community informed of every action/decision. This is to make sure that the project belongs to the community members and not the staff or the CBO members by involving the community in each stage or in any decision.

7. Interaction with partners and learning from others.

The CBO leaders and the staff will be learning through visiting other CBOs and sharing experiences. They will also approach some Institutions for further training in various issues. For example SIDO that trains various groups on production techniques like food processing packaging agro technologies and other aspects.

8. Performance assessment

The performance will be assessed by using project indicators/measurements developed the project beneficiaries.

Below is the Logical framework analysis:

9 LOGICAL FRAMEWORK ANALYSIS

PROJECT GOAL	EXPECTED RESULTS (IMPACT)	PERFORMANCE INDICATORS	ASSUMPTIONS.
To improve incomes of the poor Charambe Community people and create Employment by giving credit facility, training and saving mobilization	Improved income levels and higher standard of Living.	· Increase in entrepreneurs' capital by 30% by Dec. 2005. · Unemployment reduced by 10% by Dec. 2005.	No political interferences and there is unity among community members and the CBO.
PROJECT PURPOSE	**OUTCOME**	**PERFORMANCE INDICATORS**	**ASSUMPTIONS**
To facilitate entre-preneurs practices, access to financial services and improve ability to business under taking activities among community members.	Improvement in entrepreneur practices, access to financial services among community members. Increased capacity and commitment of CHADEA CBO to encourage saving and borrowing to large number of people and ensure repayment.	· 90% of the identified enter preneurs have received loans by Sept. 2006. · 80% have ability in business running. · 95% of the project purpose achieved by Dec. 2006.	· Funds have been secured. ·Stakeholders assume higher commitment. · Favorable markets for their products. · Trained staff are performing well.
RESOURCES	**OUTPUTS**	**PERFORMANCE INDICATORS**	**ASSUMPTIONS.**
· Project staff, CBO and beneficiaries. · Commitments	· Revolving fund/ SACCOSs established. ·Business skills improved.	· Loan fund is available to solidarity groups four months after project start up.	· Sufficient funds · Credit trust worth groups. ·Favorable markets.

	· 14 groups of five to visit Tabata Development Fund (TADEA) for exchange of experiences.	· At least 50% of the community members (House holds) access the loan by Dec. 2005 · 80% of the loaned money repaid by March, 2006 100 group members trained in business management, production and co-operation with each other. They will also acquire bookkeeping skills.	· Attendance in training. · Suitable training conducted Co-operation between those who are being trained and trainers.
RESOURCES	**OUTPUTS**	**PERFORMANCE INDICATORS**	**ASSUMPTIONS.**
	CHADEA, CBO leaders and the project staff's capability improved.	· Two project staff to be trained in Computer and business management skills. · CBO leaders to be trained in computer and managerial skills. · CBO offices re-enforced and equipment purchased. ·The project has been evaluated and starts operating as a full SACCOS by Dec. 2006.	· Unity among project staff beneficiaries and CBO members and the leaders. · Donors have contributed willingly to assist the community.

10 PROPOSED BUDGET THE PROJECT. (CHARAMBE SACCOS). PROJECT.

ACTIVITY	COSTS
Revolving funds to give credit to the community members.....	5,000,000/=
Token allowance for part time staff for 2 years estimates----------	1,000,000/=
Computer Training	
4 programs word, excel access and PowerPoint for CBO' leaders 2persons x 4 programs x 40,000/=.....	320,000/=
TOT Training	
2 field workers, 200,000 @ including course materials. 200,000 x 2---	400,000/=
Improvement of Managerial skills of the CBO members. To participate in courses the token fees have been estimated to be ------	300,000/=
Re-enforcement of the CBO office.	
Estimated costs...----------	1,000,000/=
Acquisition of office equipment...----------	500,000/
Fixtures and furniture...----------	**400,000/=**
Total...----------	**8,720,000/=**
Source of funds: African Development Foundation (ADF)	

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