

Microfinance Project - Progress Report for January 2013

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Summary of Work to Date

In the month of January, we commenced collection of loan repayments from Riverside Women's Group and disbursed the previously approved loans to Amani and CHE Group. We also continued to identify suitable borrowers by conducting group and individual interviews with Tupendane, Mshikamano, and Ikusura Patandi. Of the three groups interviewed, we took two of them forward to the next stage.

In two further meetings, we provided training in marketing, bookkeeping, conducting a feasibility study and writing a business plan to Tupendane. The goal of these sessions was to get them to think more about their individual businesses, and how they could be improved. Furthermore, we were able to see if they were really motivated and interested in doing so. The group was interested and responsive to our training, and was highly participatory.

It was only after teaching and interviewing that we explained we could offer loans to them. We designed loan application forms based on industry best practice, but included specific sections for them to demonstrate the marketing, business planning and feasibility training that we had given them. We gave them one week to fill out their application forms (if interested), and in the first week of February we will have the fourth and last meeting with the group for collecting the loan applications.

About the Groups

In addition to Riverside Women's Group, AmaniGroup, CHE Group, we started working with three other groups this month – Tupendane (formed in [2012] with 18 members), Mshikimano (formed in 2011 with 16 members), and Ikusura Patandi (formed in [2003], 9 members). These groups already have a formal structure with a chairperson, treasurer and secretary and ordinary group members.

Tupendane and Mshikimano were groups introduced to us by Mackrine Rumanyikaa and Willibald Ngambeki, who run and administer HIMS. Ikusura Patandi was introduced to us by Glory Matoi, the country director of Projects Abroad, Tanzania.

In general, the women are between 25 and 65 years old and often have several children. The women have general experience with money through savings groups like *kibati*, or even previously obtained credit through BRAC, Pride or another financial institution. They have experience in cooperating with NPOs (nonprofit organizations), and Tupendane in particular is supported by HIMS and has received loans in the past too. A lot of women in the different groups already run their own small business.

Tupendane is a group of women who face challenges as a result of being widowed, abandoned by their husbands or disabled. There are currently 18 members in the group. The group was started by Tina, a woman who worked in a bank for 20 years. She was the head of her department but felt that she was stigmatized as a result of her disability. She was passed over for promotion for 10 years and therefore decided to leave at the age of 40. She had originally wanted to set up a group for people with disabilities, but this was considered too challenging – for instance, there were significant costs and difficulties associated with transport and assistance. There are a lot of widows in the area and she decided to form a group for these women to share their experiences, challenges and successes. Each woman in the group currently has a chicken business, and they hope to each own a goat one day in the future. They also have a sustainable organic vegetable farm, and rent out pots and plates for celebrations between September and December.

Mshikamano, which means solidarity, is a support group for women with HIV/AIDS which began in December of 2011 in order to provide each other with economic support. There are 16 members in the group, and though they don't have a common business initiative they ensure that each member has some sort of income generating activity. Each of them has their own business and work to do, but none of them are connected or similar. There is a common fund, a *kibati*, which is used to support each other when they are sick.

Ikusura Patandi has many business ventures, some of which are for the private businesses of its members, others which are used to sponsor and help up to 68 orphans and 106 disabled children in the village. The group once consisted of eighteen members, but as a result of a lack of participation from ten of them, the group has dropped down to eight members. It is not solely a women's group, as it consists of six women and two men. As previously mentioned, this group is very entrepreneurial. Each member of the group owns 20-50 chickens which are used to raise a profit. There is a honey-making project which serves as a personal business, as does a coffee project. For the underprivileged children, the group keeps several gardens from which they sell vegetables. They also make, buy, and sell jewelry to benefit the children, but have realized a challenge in trying to sell them.

Loan Status

Loans have been disbursed to five women each in the Amani Women and the CHE Group. The five women in the Amani Group received their loan of 100,000 shillings each on 8 January 2013, and the five women in the CHE Group each received their loan on 9 January 2013. Five members of each group were selected to receive loans after individual interviews, business practices training, and meetings with the chairwomen of each group. The following women received loans in the month of January:

Amani Women

1. Paulina Mollel, 54, to improve and expand her milk business

2. Beatrice Mtei, 53, to improve her milk and banana business
3. Sara Peter, 42, to increase and vary the stock of her shop
4. TheresiaVictus, 43, to increase and vary her stock of vegetables
5. AnjelinaBazili, 54, to expand her business by increasing stocks

CHE Group

1. Maria Abell, 47, to buy maize and other needs for her livestock and improve production
2. JanethSamwel, 53, to increase and vary her stock
3. Editha Andrea, 40, to increase and vary her stock of fruits and vegetables
4. Flora Japheti, 35, to buy equipment for her livestock to create more, high-quality milk
5. Esther Mollel, 34, to buy feed for her chickens and start selling vouchers for phones

Riverside Women

One additional loan was made to Hadija Katuga of the Riverside Women. She hopes to increase and vary the stock of her shop.

After the Riverside Women received their loans in January, the Projects Abroad Microfinance Team has visited the group once each week of January to collect installments. So far, the Riverside Women have made three payments on their loan and will finish paying off their first loan by 25 March 2013.

The Projects Abroad Microfinance Team is currently working with Tupendane, Mshikamano, and Ikusura for evaluation for loans in February.

Future Planning

Approval of New Groups: The current goal of Projects Abroad is to approve at least two more groups to receive loans. Three groups have been identified in the month of January, and now Projects Abroad is working with each of these groups to complete the interviews, business trainings, and loan application forms.

Schedule repayment collections: It is proposed that Projects Abroad will start collecting repayments for each borrower two weeks after loan disbursement and continue loan collections on the same day each week thereafter. This way the relationship can be better managed and the passbooks completed individually. It is also a time to help with any business related questions eg. Help with cash book, marketing plan etc.

Feedback / debriefing forms: once a successful phase of loans has been completed, it is expected that the team should conduct a feedback session with the group to discuss what went well / not so well. Feedback forms can help Projects Abroad to identify weaknesses in our process and are an important tool in the ongoing improvement of the process.

Future loans: the intention is that, once a successful loan phase has completed, the group can be eligible for further loans at an increased amount. It is recommended however, that the quality of the application needs to improve commensurate with the new loan amount. It should be one of the goals of

the microfinance project that with increasing loans comes an increasing transfer of financial, business and managerial knowledge to the borrowers.

Refresher training: it is recommended that the training modules are delivered 6 months as refresher training for groups that are taking the loans – this will help improve understanding and quality of loan applications (and hopefully business profitability too!). The training itself should be constantly reviewed and refreshed so relevant and effective.

Challenges faced, resolutions, and lessons learned

Progress updates: Germana, the chairperson of Riverside Women's Group, had said during our second loan collection session that all the borrowers would be around for us to interview at the next loan collection. We were therefore expecting to receive progress updates on the use of funds and do some business site visits when we did our third loan collection. However, only one borrower was there, and two came late (one of whom was the leader of the group, Germana). Germana expressed that she was frustrated with the group because some of them were not serious. She also said two of the borrowers (while having sent in the full repayment amounts) had not been seen by the group since they had received the loan – they had not been attending group meetings, contributing to group jewelry or making monetary contributions to the common fund. We told Germana that, as the leader of the group, she could try to lead and encourage the women to cooperate and that rather than be discouraged about the situation, and she should look at finding a solution. She said they would hold a meeting after we left and let us know the progress the next week.

The team visited the Riverside Women's Group the next week and saw some improvement. [*to elaborate*]

Lending model: In brief, the model that the team has been employing is as follows: we interview and train all members of the women's group, and at the loan application stage, the team selects five members to receive the loan and as money is repaid, new members receive loans until ten members have received the loan. Also, we were informed that existing and established principle was that each group that we lent money to had to be 100% female.

Some issues arose that led us to discuss this lending model: First, Germana told us that dissension arose in the Riverside Women's Group due to the fact that the team had selected five women to receive the loan first. Second, the question arose if we could lend money to Mshikamano Group because there was a man in the group. Third, at the interview stage for Mshikamano Group, it was felt (at least preliminarily) that some women would make much more suitable and responsible borrowers than others in the group. We queried whether it was possible to supply loans only to certain members of the group.

The group discussed this and concluded that the model that Projects Abroad was utilizing did not have to be set in stone. The number of women, who got loans first, or at all, could fluctuate depending on group and individual circumstances. The group also discussed whether it made sense that in every case, ten women would obtain loans, even if for example, less than ten women were considered responsible and value-adding borrowers. Broad consensus among the group was that if only five women were considered suitable borrowers, we could agree to lend only to those five as long as the arrangements were communicated clearly to the group at the point of loan application and before loan disbursements were

made. The possible disadvantages to this is the creation of unhealthy competition and dissension in the group, and more generally, inadvertently interfering in the group dynamics by in effect creating a separate borrower group within the group and potentially causing more harm than good. It was decided that as this is as much a learning project for Projects Abroad as an activity to add value to the local communities, we could try different models and learn from our experiences as a group what works best in particular circumstances.

In furtherance of the above, we spoke to Willibald Ngambeki and he recommended that we fund them if we could as they had little way of obtaining funds elsewhere and this would enable them to start small businesses. He also felt that it was possible to just lend to certain members of the group and stressed that what was important was the way this was communicated to the group. He assured us that notwithstanding that there might well be some disappointment among unsuccessful members of the group, the groups would understand if, for instance, we told them that due to limited funds, we could only fund x women within the group. The team also held the view that it should be understood that micro-lending is not a risk free activity and that one of the key objectives of micro-lending is to assist social enterprise and alleviate poverty within an acceptable level of risk. The group therefore asked for approval to adjust the business model so that loans could be made to suitable borrowers within the Mshikimano Group.

NB: Willibald also clarified that the men were not members of the group but were supported by the group. Willibald also described the lending model that HIMMS has so far employed – lending to the group while issuing specific directives for the group to make their own decisions as to which individuals to lend to and which individual businesses to support. In his view, this reduces significantly the problems they have encountered before by lending to individuals. The idea is that the group acts as a custodian to ensure that the monies are utilized in a beneficial manner and not mismanaged.

Lending amount: Members of some of the groups are aware that the intention is for individual loan size to increase to TZS 200,000, and thereafter to TZS 300,000, after successful and responsible repayment of the first TZS 100,000 tranche. Some members asked if they could make early prepayment of the full principal and be eligible for the increased loan thereafter. We concluded as a team that this could not be permitted as it was an indirect method of receiving a larger amount immediately and would defeat the purpose of having a probationary period.

Attachments

- Individual Profiles of Women Receiving Loans from the Microfinance Term.