

### ***RFSP Impact on Development of MFIs***

In principle, the major activity of Micro Finance Institutions is to mobilize savings and extend credits to its members as provided by a verbal or written memorandum of understanding between the members. MFI's differ in membership size and composition, capital, activities and management.

Pre-RFSP MFIs were small, both in membership and capital. Many were unregistered and weakly managed without proper constitution, regulatory framework and office premises. MFIs management lacked basic skills in administration, book keeping, preparation of records, savings and credit management, and coordination skills. As a result, people had no confidence and trust in MFI's management teams, and thus there was a general stagnation in the growth of MFI's.

RFSP started with the assessment of MFIs to determine their weaknesses, and in particular their training needs. These were eventually identified and training for the following institutions and people was carried out: management committee members of the Programme MFIs, RFSP staff, and members of MFI's (SACCOs, SACAS and UPATU).

#### ***5.3.1 Impact on Organization and Management of MFIs***

The post RFSP MFIs are officially registered with constitutions and regulatory framework for their activities. Managerial and organizational capacities have improved significantly. The new MFIs have standing committees that oversee the activities and performance of the institutions. For example, MUKAMA and CHAWAM SACCOs in Dodoma Rural have four committees each: the Executive Committee, Management Committee, Supervisory Committee and Credit Management Committee. In Mbeya rural, MFIs have at least three committees, or more depending on the volume of activities. Likewise, in Moshi Rural, MFIs had five committees (See Appendix I).

MFI committees meet regularly; our examination of the records shows that minutes from committees' meetings are usually forwarded to the management committee, and finally to the executive committee. The supreme organ of MFI is the member's assembly, which also meets regularly.

The survey indicates that financial reports are well prepared, including balance sheets and income statements. Savings and credit are well managed with reasonable balance between financial stocks. Loan recovery rates are higher though loan advancement has increased tremendously after RFSP. For instance, Juhudi SACCOs in Mbeya Rural has a loan recovery rate of between 95-100%. Also, loan recovery rates for Kisima Cha Ndege SACCOs in Dodoma Rural is reasonably high (95%) as is the case for some SACCOs in Moshi Rural district (See Appendix 1).

RFSP MFIs have office premises and basic furniture, and books for record keeping. A number of MFIs have received money safe for keeping cash balances in office premises. For example, CHAWAM and Kisima cha Ndege in Dodoma Rural and Juhudi and Jiendezele in Mbeya rural have already received money safes from RFSP zonal office for keeping cash balances.

Savings and credit management in RFSP MFIs has also improved significantly. A member of RFSP MFI's is an adult resident who has paid membership entry fee and bought at least one share in the respective MFI. Eligibility to loans is subject to membership and one's savings deposits in the respective MFI. These are regulations, which are made clear in every RFSP MFI, and are overseen by the committee of savings and loans, which regulates and manages credits.

A member gets a loan by filling a special application form, which is thereafter assessed by the committee of savings and credit, to make recommendations for credit. An assessment of the loan application form, recommendation and the actual loaning out by MFIs shows that it takes less than a month to secure a loan from MFIs (Table 3).

**Table 4: Time disbursement of loans in RFSP MFIs**

<i>Time</i>	<i>Percent of all respondents indicating</i>
Less than seven days	35.5
Between 7 and 30 days	50
30-90 days	3.2
90 – six months	0.8
Six months – One year	0.8
Not applicable*	9.7

\*Had not applied for a loan.

Source: Field Survey, July 2004

Interest on both short and long term credits is well planned. For example, CHAWAMA in Dodoma Rural has a 10% interest on loans not exceeding one month, and 3% for other types of loans (See Appendix 1).

### **5.3.2 Impact on Membership and Gender Composition**

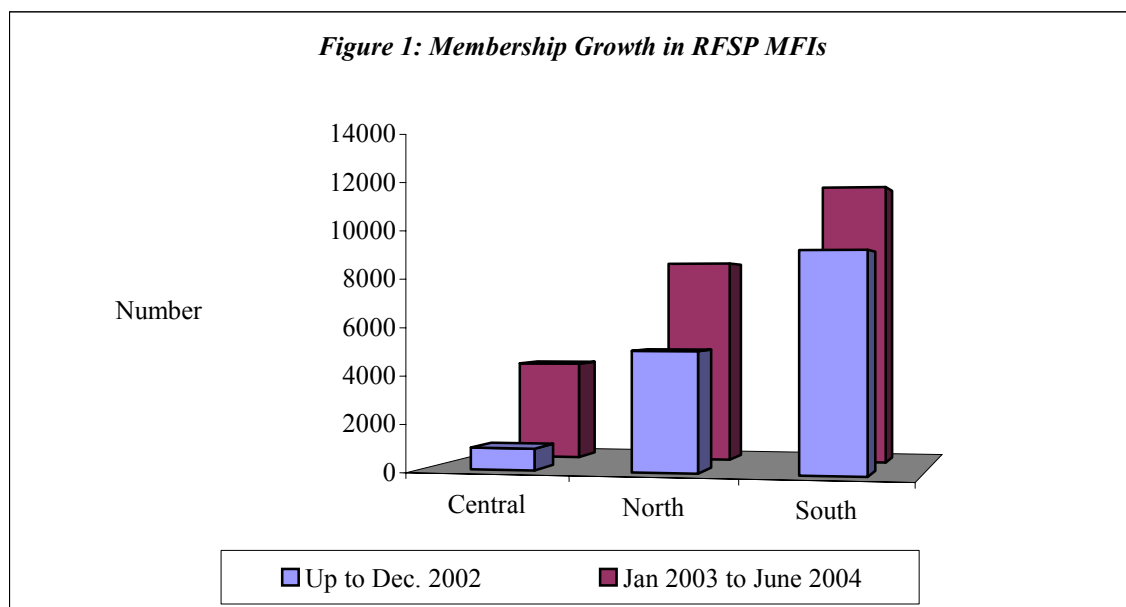
The post RFSP MFIs increased total membership from 9,384, to 25,172; an increase by 66%. Remarkable and positive achievements are observed in the Central zone, where membership grew by 365%. The lowest growth rate was in the Southern zone. Of course membership base at the beginning of RFSP accounts for the differences though efforts by zonal management teams are acknowledged (See Table 5 and Figure 1).

**Table 5: Membership Growth in RFSP MFIs**

<i>Zone</i>	<i>Dec 2002</i>			<i>May 2004</i>			<i>% Total increase</i>
	<i>Total</i>	<i>Male</i>	<i>Female</i>	<i>Total</i>	<i>Male</i>	<i>Female</i>	
Central	915	2721	1531	4252	64	36	365
Southern	9174	6308	5823	12131	52	48	32
Northern	5034	6592	2197	8789	75	25	75

<i>Total</i>	<i>15,125</i>	<i>15621</i>	<i>9551</i>	<i>25172</i>	<i>62</i>	<i>38</i>	<i>66</i>
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Source: RFSP (2004), Pre-Review Implementation Status Report.



Gender composition has improved. Female membership as of June 2004 is 38% in RFSP MFIs, which is close to the programme target of 40% (Table 5).

The Southern zone is particularly shining in gender composition as it has exceeded the programme target of 40%. The lowest achievement is in the Northern zone, where 75% of membership is from the male cohort. The survey indicates that females have even acquired leadership position in some RFSP MFIs.

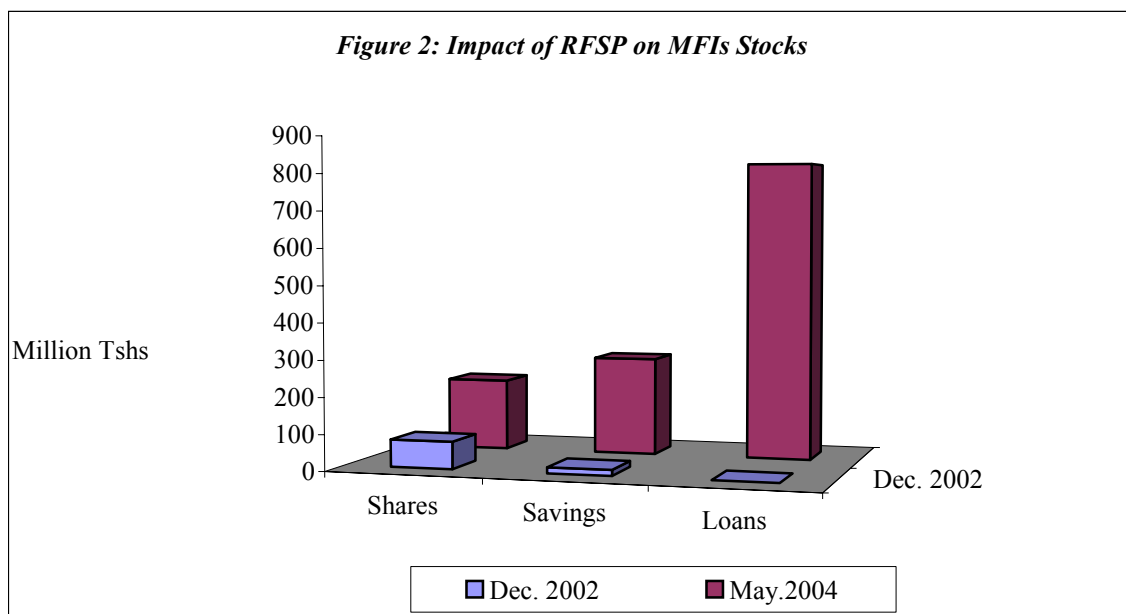
### ***5.3.3 RFSP Impact on MFIs Stocks***

One of the outstanding impacts of RFSP is growth in the stocks of MFIs (Table 6 and Figure 2). We note that shares have grown by more than 167%, savings by 1619%, deposits by -15%, and loans have reached 829,933,371 by June 2004. Clearly, this is the core impact of the RFSP, indicating not only a revival of MFIs, but also growth and benefits to members.

**Table 6: Impact of RFSP on MFIs Stocks**

Zones	SHARES			SAVINGS			DEPOSITS			LOANS
	Dec 02	May 04	GR	Dec 02	May 04	GR	Dec 02	May 04	GR	Total Loan Disbursement
North	11,467,400	21,100,890	84%	14,258,983	70,221,407	392%	182,842,349	31,326,368	-83%	189,113,754
South	58,874,300	141,671,541	141%	1,385,000	166,369,689	11912%	850,000	57,233,754	6633%	596,275,817
Central	4,455,500	36,971,400	729%	255,000	36,754,664	14314%	0	1,422,980	undefined	1,422,980
<b>Total</b>	<b>74,797,200</b>	<b>199,743,831</b>	<b>167%</b>	<b>15,898,983</b>	<b>273,345,760</b>	<b>1619%</b>	<b>183,692,349</b>	<b>89,983,102</b>	<b>-15</b>	<b>829,933,371</b>

Source: RFSP (2004) Pre-Review Implementation Status Report.



Savings have increased tremendously, reflecting quite well on the objective of the RFSP. Loans have also increased significantly; indicating that membership accessibility to credit has also increased. This also reflects well on the programme objectives.

Deposits declined, indicating that members prefer savings to deposits as the former increases eligibility to higher credits. Also, more people prefer to be members rather than customers; this reflects increased benefits from joining MFIs..

The Central zone has done well in growth of shares, savings and deposits. The Southern zone leads in loan advances followed by the Northern zone. Of interest, is the performance of the Central Zone. This is the relatively poorest zone, but its achievements are remarkable. (Also See Appendix 1).

#### **5.3.4 *Networking MFIs with Other Financial Institutions***

Included in the RFSP objectives is networking of rural micro finance institutions to financial institutions and NGO's. This appears to be a long term objective, but specific targets are set for every phase of the project. Prior to the RFSP, none of the programme MFIs was linked to financial institutions. By June 2004, two MFIs in the Southern zone had already been linked to Mufindi Community Bank, two MFIs in the Central zone had signed memorandum of understanding with CRDB (Dodoma), and two MFIs in the Northern zone had started negotiations with CRDB (Moshi) for possible linkage to this commercial Bank..

In addition, SCCULT has already advanced two MFIs in the Central zone a total of Tshs. 5 million each. Also, SELF, PRIDE and TASAF have indicated interest to join the programme in the Central Zone.

The general performance in networking MFIs with FIs in phase one exceeds the target set of having at least one FI link with MFIs. We note that the impact is higher than that anticipated, particularly in the Central Zone (See Appendix 1).

By the end of Phase One, RFSP is expected to have graduated 25 MFIs in Stage 1, 60 in Stage II, and 25 in Stage III. By June 2004, the Programme had already graduated 44 MFIs in Stage 1, 44 in Stage II, and 15 in Stage III. Since this assessment is based on data collected in February 2004, about five months ago, it is expected that more MFIs have been upgraded since then and probably more will graduate before the end of Phase One of the Programme in December 2004.

#### **5.4 *RFSP Impact on Beneficiaries***

The beneficiaries' questionnaire was administered to 23 groups and 101 individuals in the three districts of Moshi Rural, Mbeya Rural and Dodoma Rural. Of all the respondents, 91% are married, 5% single, 2% widowed and 1% divorced. Also, of the interviewed beneficiaries, 70% have primary education, 20% secondary education, and the rest have not been to school.

### 5.4.1 Access to Credit

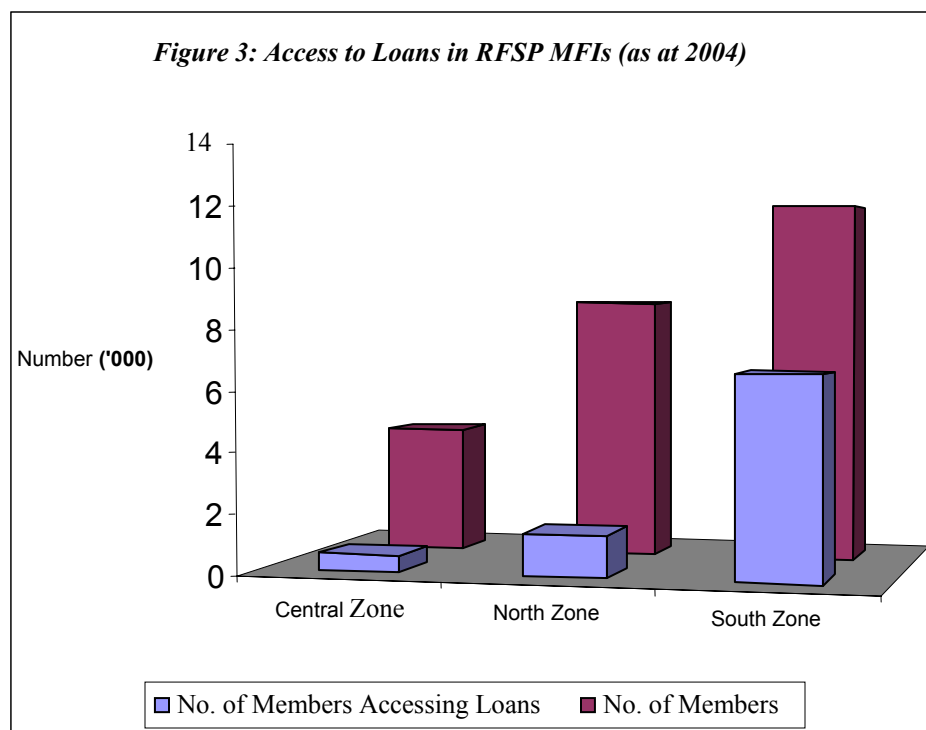
RFSP MFIs management of savings and credit has improved significantly. It takes less than a month, or less than a week, depending on the nature of the loan applied for, to secure a credit in RFSP MFIs. In fact, it is credit rationing rather than internal processing that increases the waiting time.

The results of beneficiaries' interviews indicate that 36% of the interviewed respondents obtained loans in less than 7 days and 50% obtained loans between 7 and 30 days. Proportionally, Mbeya has the shortest time in securing credits. In Moshi, 72% of the loans were obtained between 7 and 30 days. This shows that loans committees are effectively working to ensure timely advancement of loans to applicant members (Table 7 and Fig. 3).

**Table 7: Access to Loans in RFSP MFI (June 2004)**

<i>Zone</i>	<i>No. of members</i>	<i>No. of members accessing loans</i>	<i>% of Total</i>	<i>Average loan per member</i>
Northern	8,789	1,394	16	135,663
Southern	12,131	6,641	55	89,787
Central	4,252	561	13	79,400
<b>Total</b>	<b>25,172</b>	<b>8,596</b>	<b>34%</b>	<b>96,549</b>

Source:



A credit eligible RFSP MFI member is one who has savings of at least 10,000 shillings deposited with the respective MFI. An eligible member can apply for a loan up to twice or three fold of his savings, depending on the MFI loan policy. Interest rate is between 3% for short term loans, and 10% for long term loans. Loans repayment time ranges from less than one month to one year, but most loans range between 3-6 months (29%) and 6-12 months (23.4%). Short term loans of less than one month are also issued.

The results indicate that Mbeya rural had the highest proportion of loans that were repaid in less than one month (29%). Most of these loans were used for investment in crop-trading and purchase of farm inputs in Mbeya Rural. In Moshi Rural, most loans went to strengthening or starting small businesses. In Dodoma Rural, loans were either invested in agriculture or trade activities. Other activities were livestock keeping, purchase of land, food vending, local beer brewing, gardening and lumbering. An interesting feature of such loans is the purchase of a satellite dish by a beneficiary in Mbeya Rural for commercial services at his village. This shows that individuals are credit constrained and not necessarily lack micro investment opportunities. RFSP is determined to address this constraint. The survey found that about 8.9% of the loans were used to pay school fees, building, and other domestic services. This is an evidence of consumption smoothing at household level.

As Phase One of the RFSP comes to an end, 8,596 or 34% of the total RFSP MFIs members (25,172) have already benefited from loans totalling Tshs 829,933,371. (Table 7 and Figure 3). Many of these loans were advanced in the Southern Zone. The average loan per member ranges from Tshs 135,663 in the North, 89,787 in the South, to 79,400 shillings in the Central Zone.

#### **5.4.2 Tangible Benefits**

RFSP MFIs loans are generally profitable and thus recovery rate is reasonably high (95-98%). The study team investigated a few selected beneficiaries so as to reflect slightly on the impact or re-investment and assets at household level (Table 8). The survey noted that beneficiaries were careful in applying for a loan and investment in income generating activities.

**Table 8: Tangible Benefits from RFSP MFIs**

	<i>Name</i>	<i>SACCOS/SACCA</i>	<i>Amount of Loan</i>	<i>Profit realized</i>	<i>Profit invested</i>	<i>Other impacts</i>
1.	Kenneth Lugoey	CHAWIMA	35,000	136,000		
2.	Haruma Omari	CHAWAM	100,000	50,000	Yes	Bought a bicycle Have food security
3.	Jeni Ndaga	Kisima cha Ndege	50,000	50,000		Bought a bicycle
4.	Fabian Maguni	K. Ndege	200,000	100,000	Yes	Bought a plough
5.	Fatuma Athmani	CHAWIMA	150,000	120,000	Yes	Paying school fess Cash buy small things on my own
6.	Neema Hamis Kadoke	CHAWAM	50,000	8 120,000	Yes	Build a house Paid school fees for children
7.	Jackson Njobela	Swaya	150,000	On going	Yes	Mbeya Built a house Bought farm inputs Paid school fees
8.	Sofia George	Swaya	200,000	On going	Yes	Able to renovate house Bought a cow Bought 3 acre farm
9.	Asimbile Kapalele	Jiendeleze Iwindi	100,000	On going	Yes	Build a house in town – Mbeya Able to expand milk business School fees paid
10.	Frida Mhanzi	Jiendeleze Iwindi	300,000		Yes	Bought a car Bought a bike Build a house

Source: Field Survey, July 2003

The returns on the projects are reasonably high and re-investment in income-generating activities is noted (Table 8). Also, acquisition of assets for investment and domestic use is reported.

### 5.4.3 Other Impacts

#### (i) Employment Generation

MFIs credit creates employment opportunities at village level. These are opportunities for the poorest households who fail to access MFIs services. Few interviews conducted in the three zones indicate enormous opportunities for casual labour at village level. This reduces rural-urban migration (Table 9).

**Table 9: Employment Generation in RFSP MFIs Communities**

<i>Zone</i>	<i>No. of people employed</i>	<i>% of the total</i>
Central	197	79
Southern	37	15
Northern	16	6
<b>Total</b>	<b>250</b>	<b>100</b>

Source: Field Survey, July 2004

#### (ii) Increase in Economic Activities at Village Level

MFIs loans increase opportunities to carry out economic activities during the dry seasons. This makes people more productive and innovative. Also, the MFIs loans have made it possible to cultivate more land for commercial farming. These activities translate into increased incomes and poverty reduction in rural settlements.

#### (iii) Development of Investment Management Skills

As people plan to apply for loans, they also plan their investment activities that shall enable them pay back the loan. This is a challenge, and one is required to plan thoroughly, including consultation before he/she makes an application.