

**SOCIO-ECONOMIC FACTORS AFFECTING WOMEN ACCESSIBILITY TO
MICRO-CREDIT: CASE STUDY OF CARITAS**

BY

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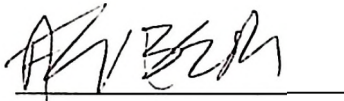
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ABSTRACT

The study looked at the socio-economic factors affecting accessibility of micro-credit provided by Caritas-Dar es Salaam on the lives of women who comprise the poorest in Tanzania societies. There are different views about micro-credit. Others consider it as a powerfully development tool in the lives of poor people. Others consider it too risky to be taken by people with poor resources. The purpose of the study was to identify socio-economic factors affecting accessibility of micro-credit provided by Caritas to poor women. The study was conducted at Kibaha (Mail-Moja ward), Mlandizi, Makuburi, Mwananyamala ward, Kigamboni Centre and Kisarawe Centre. Data for the study were collected by interview, observation and review of secondary data at the mentioned locations Caritas-Dar es Salaam office respectively. The finding showed that income, sense of community towards micro-credit/microfinance institutions especially Caritas-DSM, lack of physical assets as collateral, business status, repayment period, harassment for defaulters by Caritas credit officers, religious affiliation, education level, employment status, marital status and lack of skills in micro-credit/microfinance management are the main socio-economic factors affecting accessibility of Caritas credit by women. The study observed that, despite the financial sector in Tanzania undergoing development phases, women appear to be more constrained in terms of credits accessibility attributed by social and economic reasons. To address these problems the study suggests the following; proper training in small business management skills should be provided before credit provision; close follow up to recipients to ensure that the credit received is used for strengthening or expanding viable business and not otherwise; proper mechanism to track down defaulters established in such a way that they are willing to pay their dues.

DECLARATION

I, ABDALLAH ZUBERI, do hereby declare to the Senate of Sokoine University of Agriculture that, this dissertation is my own original work and it has not been or concurrently being submitted for a higher degree award in any other University.



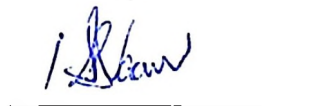
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It is important to realize that this special paper is not the results of the work of one person, but it's a product of one person standing on the shoulders of others. It is obvious that without the help of all the organizations that I met with, the people I interviewed and all the various writers whose work supplemented this study, I would not have been able to complete this work.

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DEDICATION

This paper is dedicated to my beloved parents, my mother Batuli Athman and my father the Late Mr. Zubcri Omari Mfuko whose prayers and support saw me this far.

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LIST OF SYMBOLS AND ABBREVIATIONS USED

ACB	Akiba Commercial Bank
AIDS	Acquired Immuno Deficiency Syndrome
ALP	Agriculture and Livestock
ASDS	Agriculture Sector Development Strategy
BOT	Bank of Tanzania
CRDB	Co-operative and Rural Development Bank
CSCS	Caritas Savings and Credits Scheme
CYAF	Young Artisanal Fishermen
DSM	Dar es Salaam
FAIDA	Finance and Advice in Development Assistance
FINCA	Foundation for International Community Assistance
HIV	Human Immuno-deficiency Virus
MCI	Microfinance Institutions
MDGs	Millennium Development Goals
MIDP	Mafia Island Integrated Development Program
NBC	National Bank of Commerce
NGOs	Non-Government Organization
NMB	National Microfinance Bank
NSGRP	National Strategy for Growth and Reduction of Poverty “MKUKUTA”
OFM	Organization for Food Security Production for Market
PRIDE	Promotion of Rural Initiatives and Development Enterprises
PTF	Presidential Trust Fund
SACCOS	Savings and Credits Co-operative Society
SELFINA	Sero Lease and Finance

SIDO	Small Industries Development Organization
SNAL	Sokoine National Library
SPSS	Statistical Package for Social Science
UDEC	University of Dar es Salaam
WID	Women in Development

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background

Caritas is a Latin word which literally means love. Caritas-Dar es Salaam, is a Non Government Organization (NGO), under Archdiocese of Dar es Salaam. The Archdiocese was registered in 1968, while Caritas-Dar es Salaam was established in 1972. Caritas-Dar es Salaam has since January 1979 been providing social and economic support to community based activities in Dar es Salaam and Coast region. The broad mandate of Caritas –DSM is to help the poor by facilitating them to develop the required capacity to come out of poverty. This include assisting people to organize themselves to acquire capital and technical know how through its Micro-credit Scheme, Gender and Development Programmes. Caritas-DSM implements its activities in partnership with external donors but in liaison with the local government structures. The community based saving and credit scheme which began in 1999 is one of their going program that operates successfully.

The mandate of Caritas-DSM is consistent with the overall mandate of Caritas international which includes integrated development, emergency relief, advocacy, peace building, respect for human rights and support for proper stewardship of the planet's environment and resources. The facilitatory approach of the functioning of Caritas-DSM is based on the social teachings of the church, which focuses on the dignity of human kind. Thus Caritas-DSM works for the poor and disadvantaged without any form of discrimination in form of religious, gender, racial, tribal etc, as manifested by God's love for all creation (Acts 6:2-3), (The Holy Bible,1997).

Caritas-DSM believes that the weak and the oppressed are not objects of pity but agents of change leading the structure to eradicate dehumanizing poverty, unacceptable living and working conditions, and unjust social, political, economic and culture structures.

The Archdiocese of DSM have fifty parishes with innumerable out stations both in urban, semi-urban, semi-rural and rural settings. For this reason a need assessment survey was taken of the Archdiocese from June until September 1996 so that the development program would be designed to address the people's needs. The survey was taken in collaboration with the Institute of Development Studies of the University of Dar es Salaam. The results of this survey conducted throughout the Archdiocese was almost unanimous in that everyone, with exception of one Parish Priest over 2000 people, identified women and youth as the neediest people in that society, (Archdiocese Annual Report, 1997). They were in need of training and access to financial services/credits for self-employment, improving income and production. Therefore the programs target women and youth, (Caritas-DSM Strategic Programme Plan, 2007).

Caritas-DSM has five major projects namely: Caritas Savings and Credit Scheme (SCS), Women In Development (WID), Organization Development for Food Security Production for Market (OFM), Mafia Island Integrated Development Program (MIDP) and the Centre for Young Artisanal Fishermen (CYAF) as well as a Social Program (Caritas-DSM Strategic Programme Plan, 2007).

Besides good intention of Caritas-DSM to help the poor through facilitating them to develop the required capacity to come out of poverty, either by giving them micro-credits, training or even sometimes providing them with physical assets. Unfortunately very few women, who need services provided by Caritas-DSM such as micro-credits, have received.

Table 1 is a summarized table showing the performance of Caritas-DSM in terms of number of clients, their success and failures.

Table 1: Caritas-Dar es Salaam Performance in Terms of Number Clients

Performance Indicator	2000	2001	2002	2003	2004
Number of Branches	8	13	22	21	26
Estimated Clients	6506	14 600	30 000	36 228	45 000
Clients attended	3250	12 680	16 870	20 430	32 890
Repayment rate (%)	70	65	68	83	92
Percentage of success (%)	49.9	86.8	56.2	56.4	73.1
Percentage of failure (%)	50.1	13.2	43.8	43.6	26.9

Source: Caritas-Dar es Salaam records, 2003/2004

1.2 Some of the projects implemented by caritas Dar es Salaam

1.2.1 Savings and Credit Scheme (SCS)

The SCS started in a pilot scale in Kibaha district at Mlandizi, Kibaha area and Kisarawe district since 1999. It has since expanded to Mbagala, Makuburi, Chang'ombe, Mwananyamala, Kigamboni, Mbezi Luis, Kimara, Mtoni, Mavuruza and Yombo Dovea. All these additional Centres have been established in low-income areas of Dar es Salaam.

This project was established aimed at poverty alleviation to the poor and low income families through women in remote areas under the Archdiocese of Dar es Salaam. The need Assessment Survey carried out in both Coast and Dar es Salaam regions identified informal women and youth who are engaged in self employment income generation activities, as most vulnerable and constrained by lack of capital and inadequate business management skills to improve their small-scale businesses. The poor people have no access to financial services from formal lending institution; therefore the program's goal is

to enable them through organization: savings mobilization, business management training, and credit support to improve their small-scale businesses as well as household income.

1.2.2 Women in development (WID)

The Archdiocesan development office recognized that limited financial services coupled with the adverse effects of economic restructuring policies exacerbated the situation of poverty among women and other disadvantaged group. Women's efforts to address the problems are frustrated due to lack of formal collateral to access credit and lack of business skills as well as financial management, the result of this was the performance of a formal need assessment done in 1996 (Caritas-DSM savings and credit scheme,1998). Caritas Women in development was started in 1998 in response to a Need Assessment Survey that showed women often are the poorest and most exploited group (Caritas-DSM savings and credit scheme, 1998). The project has been designed to raise the consciousness of the community about women's development issues while simultaneously seeking real changes in the social structures of the society.

1.2.3 Centres for young artisanal fishermen (CYAF)

This was established by the Archdiocese of Dar es Salaam to assist young artisanal fishermen along the coast who are some of the most exploited people in the population. Because they are poor they cannot afford to buy boats, nets and other necessary equipment. They hire themselves out to rich boat owners and are paid a pittance for their labour. Artisanal fishermen are exploited by rich boat owners who hire them at very low daily wages. Through the program they are assisted to be self employed and give them an opportunity to improve the quality of their and their families' lives.

1.3 Other financial and NGO's providing similar services as caritas-DSM

Currently there are number of institutions offering the same services as Caritas-DSM. These institutions include, Foundation for International Community Assistance (FINCA), Promotion of Rural Initiatives and Development Enterprises (PRIDE), Presidential Trust Fund (PTF), Savings and Credits Cooperative Society (SACCOS), Banks such as National Microfinance Bank (NMB), National Bank of Commerce (NBC), AKIBA Commercial Bank. Some of these institutions are international recognized.

1.4 Problem statement

Currently there are number of both, financial/non-financial institutions together with government line agencies providing micro credits/loans and other assistance to most needy people especially to women and youth. This increase in these institutions targeting in helping women and youth is a global change as most of the researches observed that women and youth are disadvantageous group in terms of credit accessibility (Yunus, 2004).

In Tanzania, these institutions besides aiming at poverty reduction, they also operate on the targets of the National Strategy for Growth and Reduction of Poverty (NSGRP) commonly known as "MKUKUTA" in Kiswahili and other relevant government policies and programmes such as: National Microfinance Policy (2000), Tanzania Gender Policy (2000), Community Development Policy (2000), Cooperative Development Policy (2000), Agriculture and Livestock Policy (1997), National Environment Policy (1997), Small and Medium Enterprises Development Policy (2003). Also complement the efforts of other global players in development such as Millennium Development Goals (MDGs).

This mushroom growth of institutions providing microcredit and other assistance to women and youth, constituted with both international recognized as well as local institutions, some of these are: Caritas, Foundation for International Community Assistance (FINCA), Promotion for Rural Initiatives and Development Enterprises (PRIDE), Standard Chartered Bank, African Development Bank (ADB), Barclays Bank, Access Bank and others, local institutions include: TUNAKOPESHA Limited, Presidential Trust Fund (PTF), National Microfinance Bank (NMB), National Bank of Commerce (NBC), Co-operative Rural Development Bank (CRDB), Sero Lease and Finance (SELFINA), Akiba Commercial Bank (ACB), Savings and Credits Co-operative Society (SACCOS), Small Industries Development Organization (SIDO) and others.

Most of the institutions mentioned have adopted the concept of micro-credit schemes as a means of poverty reduction. Microcredit is seen as a major tool of development for providing with poor people with credit for income generating activities that can help them their way out of poverty. Many studies identified women and youth as neediest people by the main reason that majority of them live below poverty.

Even though women and youth identified as the most needy group, but it is still cumbersome for this group to access micro credits from various institutions, the reasons for this comprises both socio and economic factors such as: income, religious affiliation, sense of respondents towards micro-credit institutions, number of financial institutions from which the respondents take micro-credits, type of economic activities to generate income, education level, employment/non-employment, marriage, physical assets as collateral, harassment for defaulters, and others.

Therefore it is in this context this study will identify socio-economic factors together with the above factors affecting accessibility of micro-credits provided by Caritas to the neediest group (women).

1.5 Objectives of the study

1.5.1 General objective

The general objective of the study was to find out socio-economic factors affecting accessibility of micro-credits provided by Caritas-DSM to women.

1.5.2 Specific objectives

Implied in the overall objective were the following specific objectives.

- i. To identify if women are aware of Caritas-DSM and other financial institutions.
- ii. To identify whether women have multiple accessibility of micro-credits from financial institutions or not.
- iii. To establish the reasons for respondents not taking micro-credits from Caritas-DSM.
- iv. To identify economic factors affecting accessibility of micro-credits provided by Caritas-DSM.

1.6 Organization of the report

This report is organized into five chapters .The first chapter gives a general back ground of the study where among other things, it presents the problem statement and objectives of the study. The second chapter gives a critical review of the literature relevant to the study while the third chapter gives a detailed description of the methodology employed for this study. The fourth chapter presents results and discussion while the last chapter provides the

concluding remarks, recommendations of the study, appendices and references used in the study.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Micro-credit versus microfinance

Micro-credit and Microfinance have very little difference. Micro-credit provides cash money where Microfinance can also be used for providing assets like livestock for the client (Desai, 2002). In the study area I found some cases of microfinance but they are very limited and microcredit is the most prominent. I have used the term micro-credit and microfinance in similar meaning avoiding the difference in this study.

Microcredit is a financial intervention for the poor through the distribution of small loans, encouragement for small savings and provision of other financial products and services. Many organizations that intervene in the lives of the poor people through this mechanism are termed as Micro-credit Institutions (MCIs), which share the common goal, of poverty alleviation primarily achieved through increasing and diversifying income opportunities for the poor, including insuring permanent housing and/or saving accounts (Besley, 1997). Perhaps the most admirable character of micro-credit is considering as creditworthy the poor who have no material assets against which they could take loan from the formal banks. It is about putting the trust in them that they are honest and hardworking enough to use to improve their condition and return the money. It is a tool to connect the poor with the mainstream economy and having the benefits by breaking “the low income-low capital production” cycle. Emphasizing on the women as clients is another distinguishing feature of micro-credit which in turns helps to improve their neglected social condition to create empowerment (Daly, 2002).

Undoubtedly this is a very powerful tool in the field of development. However, like other such tools it also has weaknesses in its practice. Apart from the criticisms like the interest rate or installment collection method, the very notion of targeting the 'poor' has been put into question.

A World Bank study by (Khandker, 1998) showed that microcredit programmes have greater impact on extreme poverty than on moderate poverty. But according to Wright, microcredit has failed to reach the extreme poor worldwide, even in Bangladesh, (Wright and Dondo, 2001). Similar comment has been made by (Ahmed, 2004) where the questions of the effectiveness of microcredit for the extreme-poor—"Perhaps microcredit, in its current practice is not the answer for the extreme poor". In later studies "extreme poverty" has been defined by different measures like headcount or one dollar a day method. However, regarding the criticism (Yunus, 2004) argued that "from this big pot full of "microfinance" stew, they picked up all kinds of conclusion. Microcredit has shown success to reduce poverty but its success does not necessarily mean that it is a solution for all types of poverty everywhere. Therefore in order to have a clear concept of microcredit we need to look on the historical perspectives of it.

2.2 Short historical perspective of financial institutions in Tanzania

Microfinance in Tanzania is one of the approaches that the government has focused its attention in recent years in pursuit of its long term vision of providing sustainable financial services to majority of Tanzania population (URT, 2002). In Tanzania, before the current financial and banking restructuring took place, most of the financial services for rural, micro and small enterprises were offered by the National Bank of Commerce (NBC) and the Co-operative and Rural Development Bank (CRDB) (Chijoriga, 2000).

Since 1991, the government has been implementing financial sector reforms aimed at putting in place a competitive, efficient and effective financial system. Although the reforms have had reasonable success in bringing about the growth of competitive and efficient mainstream banking sector, it has not brought about increased access to basic financial services by the majority of Tanzanians (Rabambey, 2001).

The realization of the shortcoming led to the Government's decision to initiate deliberate action to facilitate alternative approaches in the creation of broad based financial system comprising of a variety of sustainable institutions with wide outreach and offering diverse financial products (Rabambey, 2001). The government's choice of microfinance was influenced by the conviction that, given adequate attention, microfinance has the potential to contribute considerably to the economic development of the country because it is more adapted to the needs of the low-income population which makes up the majority of Tanzanians.

Micro-credit institutions all over the world and Tanzania in particular, can easily established since their requirements in terms of capital, technology, management and even utilities are not so demanding, as it is the case of for large financial institutions (Cheston *et al.*, 2002).

The access to financial services by the poor people (women) has seen to be one of the major constraints which limit their benefits from credit facilities. In most cases, the access to financial services problems is mainly created by financial institutions through their lending policies (Szabo, 1992). This is described in the form of minimum amount of loans which are given to the borrowers (Table 10), complicated application procedures in applying for a loan as well as the restrictions on credit for specific purposes. For example

many studies indicated that in developing countries many micro-finance institutions provide training to the borrowers as one of the precondition for obtaining credit, whereby credit and training now considered to be as a joint product. This means that in Tanzania almost all micro-credit/microfinance institutions such as Small Industries Development Organization (SIDO), Finance and Advice in Development Assistance (FAIDA), Promotion of Rural Industries Development Enterprises (PRIDE-Tanzania), Poverty Africa Credit Shops and many others have adopted this joint product. Therefore training has been considered to be one of the major preconditions for qualifying for a loan or credit; hence the lack of access to finance is mainly caused by these policies from the financial institutions (Kuzilwa, 2005).

In Tanzania, the demand for credit is so high, whereby it is estimated that about 2.5 million borrowers are demanding for loans or credits compared only to 50 000 borrowers who are served recently. Also, the range of the credit which is largely demanded by most borrowers is between TShs 50 000 to TShs 500 000. The repayment period of about three to twelve months this is a very short. This means that in this situation, only few borrowers' benefit from these credits such as those primarily engaged in trade, food vending as well as agriculture.

Another condition is that most of the credits/loans provided attract an interest rate of between 25% and 40% per year, which is over and above the commercial lending rates of 20%-25%. Therefore due to these high interest rates, most borrowers are discouraged not to take long term borrowing even if they were available (UDEC, 2002).

According to micro credit institutions in Tanzania, there is another condition for the borrowers in accessing micro-credits/loans; this is through following group lending

requirements. This mode of group lending requires the borrowers to formulate group and meet once every week, so as to obtain this type of a loan. The loan in which the group will be given to start the business with is so small (i.e TShs 50 000) and gradually the loan will be increasing as the business proceeds (UDEEC, 2002).

2.3 The largest microfinance institutions in Tanzania

There is a significant number of the Non-Government Organizations providing services to the low income earners and poor households in Tanzania. The two largest microfinance NGOs in terms of clients base and outreach success are PRIDE-Tanzania (affiliated with the Kenya based PRIDE Africa and the second one is FINCA-Tanzania), which uses conditional or group lending as its base lending methodology (Randhawa and Gallardo, 2003).

According to Randhawa and Gallardo (2003) and integrated financial services into Poverty Reduction Strategies in Tanzania (2007), the formal financial institutions consist of licensed commercial banks as well as Savings and Credit Co-operatives Societies. The commercial banks available are: CRDB, NMB, NBC, Akiba Commercial Bank, Barclays Bank, Tanzania Postal Bank, Standard Chartered Bank, Stanbic Bank, Access Bank Tanzania etc.

The regional and rural units' banks include: Kilimanjaro Co operative Bank, Kagera Farmers Co operative Bank, Mwanza Community Bank, Dar es Salaam Community Bank, Mufindi Community Bank and Mbinga Community Bank. The Savings and Credit Cooperative Societies (SACCOS) seem to dominate the industry especially in the rural areas. Records by Bank of Tanzania (BOT) indicated that 2005 Tanzania have a total of 1899 microfinance institutions out of which 1635 are SACCOS (Kuzilwa, 2005).

2.4 Different forms of micro-credit

The term Micro credit refers to a wide range of different financial intermediates; from the traditional moneylenders, pawnshops, friends and relatives to the Grameen type of micro credit. Different lenders have different aims on the provision of credit money lender is more likely to be motivated by profit than the Grameen Bank which focuses on poverty alleviation. This makes it important to distinguish between different forms of micro credit in order to minimize confusion. Muhammad Yunus, founder of Grameen Bank, recently came up with a classification system of ten different forms of micro credit.

This study will focus on the Grameen type of group lending; the basic principle is to lend to groups of individuals rather than to specific individuals. All group members become jointly responsible for each member's loan; this creates a form of social collateral and the system works as both a screening and enforcement mechanism (Harper 2002).

The Yunus (2004) micro credit classification system is as follows:

- a) Traditional informal micro credit such as money lenders' credit, pawnshops, from friends and families.
- b) Micro credit based on traditional informal groups.
- c) Activity based micro credit through conventional or specialized banks (for example agriculture credit, livestock credit or fisheries credit).
- d) Rural credit through specialized banks.
- e) Cooperative micro credit, such as cooperative credit, credit union, savings bank.
- f) Consumer's micro credit.
- g) Bank-Non Government Organization partnership based micro credit.
- h) Grameen type micro credit.
- i) Other forms of Non Government Organization micro credit.

j) Other types of non-NGOs, non-collateralized micro credit.

2.4.1 The history of Grameen bank in Bangladesh

The Grameen Bank started out as an experimental project in 1976 by the Bangladesh Professor Dr. Muhammad Yunus. He wanted to test the hypothesis that poor people can generate self employment without external help if they are merely given financial resources and credit at reasonable interest rates and under appropriate conditions (Bernasck, 2003). Dr. Yunus explains the idea behind the Grameen Bank as following: "You look at the smallest village and the tiniest person in that village, very capable person, and a person desperate to work. You have to create a favorable environment to support these people so that they can change their lives through their own efforts" (Bornstein, 1997).

In 1983 the project was turned into the Grameen Bank, with government holding of 90 percent of the shares in paid-up capital and under a special law. In 2005 the government shares had decreased to six percent and 94 percent of total equity was owed by the members of the Grameen Bank. The Grameen Bank had in 2005 over 5.58 million borrowers and 96 percent of them were women. The repayment rate is an exceptional 99.01 percent. The Grameen Bank has not received any donor funds since 1998, the existing growing deposits are enough to both expand its credit programs and repay current loans. The Grameen Bank has four different interest rates, 20 percent for income generating loans, 8 percent for housing loans, 5 percent for student loans and 0 percent for struggling members (Yunus, 2004).

Grameen Bank gives loans to a group of individuals. Each borrower is individually responsible for repayments of the loan and each client has an individual savings and loan

account. If one of the member defaults, all members of the group will be sanctioned. Potential clients to the Grameen Bank are asked to form groups of five members, which are then organized into centers with five to seven of each group. The formation of this system facilitates the intermediation process (Harper, 2002). It is in the end the group and not the bank that evaluates loan proposals (Bornstein, 1997).

2.4.2 General characteristics of micro-credit borrowers

Being poor means spending what little you have on essential products and services like food, shelter, medical services and fuel (Rutherford, 2003). If a larger expenditure or investment opportunities arises and there is no cash or savings available, which may be a likely situation for poor individuals, credit is needed (Rutherford, 2003). Ideally to sidestep current budget and enable intertemporal budgets, people borrow money, pay back it with future pay-off from investments, and grow economically. The characteristic low-income borrower demands working capital to make continuous investments in productive activities like buying up a stock of goods that can be sold in the short term (Ray, 2004). Capital may also be demanded to cover private consumption if for example sales are temporarily low for an entrepreneur (Ray, 2004).

Micro-credit borrowers are typically poor individuals that lack access to formal bank loans, and that may not be sufficiently served by informal sources of micro-sized credit (National Microfinance Policy, 2000). They are often self employed and household-based shopkeepers, service providers and street vendors in urban areas, and small farmers, food processors or traders in rural areas (National Microfinance Policy, 2000).

However, all poor individuals are not necessarily for micro-credit borrowing. For example, having undependable incomes or not having an identified economic opportunity may mean

that one is unsuitable as a micro-credit client, at least for the existing array of credit products (National Microfinance Policy, 2000). This is not to say that not everyone can become suitable clients. To find the preferable micro-credit borrowers it is again instrumental to have a screening process. Key for micro-credit phenomenon is that it tries to apply another form of screening process to get around information problems that cause formal banks to avoid lending to poor individuals. This particularly concerns getting around the problem of collateral requirements and higher cost per loan for smaller-seized loans, while at the same time maintaining the formal lender capacity that informal alternatives may lack (Gonzalez-Vega, 2004).

2.4.3 Rationale for micro-credit taken by women

Micro credit emerged from the reality that the poor particularly women, are traditionally denied access to financial institutions based on the perception that they are not creditworthy. Unfortunately in many cases where the poor are in need of financial assistance, they are usually subjected to the extremely high interest rates often charged by informal money lenders, as for the case of Caritas-DSM charged interest rates of up to 27% (Kuzilwa, 2005).

Further, in countries with high rates of unemployment, the demand for job far exceeds the number of opportunities in the formal education sectors, such as government and business (Khandker, 1998). This further exacerbates the already dire situation of most people living in poverty, as there exist only minimal means of changing their reality. Micro credit as a tool to meet the people the poor's need for financial services, and to promote poverty alleviation and empowerment, captured, much attention of the development world, particularly NGOs, multi-lateral organizations, and governments in 1980s and 1990s. Today over 137 nations are involved in some form of micro credit provision to their

poorest residents. The majority of micro credit loans target women as roughly 79% of total micro credit financing offered globally are services which target women (Sebstad and Cohen, 2000).

Targeting women has proven to be a particularly successful and efficient economic development tool as women are usually the primary or sole family caretakers in many developing countries. Studies indicate that helping women gain additional daily income improves the condition of their entire households as women generally pour extra money back into their families (Khandker, 1998). Children are more likely to complete their education and escape the poverty trap experienced by their parents when women reinvest money in their families' wellbeing. Giving women access to micro credit, loans therefore generates a multiplier effect that increases the impact of micro credit institutions activities, benefiting multiple generations (Khandker, 1998).

Specifically the micro credit taken by the respondents I interviewed are used for different purposes like use in agriculture, educational expenses (tuition/examination fees), buying furniture, house repairing, buying drugs, buying livestock (cattle, goats, pigs and poultry), buying clothes, to buy foods, repaying other credit (especially from local money lenders). As it was observed, micro credit was being used by the respondents more or almost in other sectors than income generating activities. Among them loan prepayment and household expenses are the major sectors of using micro credits. Some respondents are also taking micro credit as soon as they become eligible to get it without making any prior plan to invest the money.

2.5 Social and economic context

I did not use any particular scale for assessing the change in social and economic conditions of the respondents I studied. For economic factors I tried to find out the change in their financial condition based on: sources of income, the amount of micro credit/loan received, the interest rates charged, community awareness towards Caritas-DSM as a micro credit and financial institutions (this also was used as a social factor), accessibility of micro credit, type of economic activities engaged after receiving loans to generate more income, frequency of taking /paying micro credit and the number of institutions from which the respondents take loans. The information were collected via questionnaires, in-depth interviewing with Caritas staffs, observational and using other official documents. It was not so easy to understand the change in their social status following the change in their economic condition through micro credit. But besides that hardship, I have looked out social factors by looking the following: religious affiliation, marital status, education level, employment and non-employment category, respondent's awareness toward micro credit institutions and decision dependence when taking and planning of utilization of loan.

CHAPTER THREE

3.0 METHODOLOGY

3.1 Location of the study

The study was conducted in the Dar es Salaam and Coast regions. From each region three specific study areas were selected. In Dar es Salaam the areas selected were: Makuburi and Mwananyamala from Kinondoni district, Kigamboni Centre from Temeke district, while from Coast region the areas selected were: Mail Moja and Mlandizi from Kibaha district and Kisarawe Centre from Kisarawe district. A total of 60 women respondents were purposefully selected and in each area 10 women respondents were selected.

3.2 Justification for selection of the study areas

The areas were selected because good number of low income people was found within the area as per assessment need done results indicated and also Caritas Savings and Credit Scheme (CSCS) implemented in these areas within Coast and Dar es Salaam before implementation in other areas, since then no any reasonable assessment of the program was done. Therefore it is due to this context; Caritas-DSM needs to make assessment of the program through research, so that they can make necessary adjustments based on the study findings and recommendations.

3.1.2 Demography

The total population of the two regions on specific selected study areas are tabulated as follows in Table 2 and 3 based on each region.

Table 2: Population size of selected areas

Ward	Females	Males
Mlandizi	24 118	22 440
Mail Moja	9100	9080
Kisarawe Centre	7610	7820
Total	40 848	39 340

Source: Coast Region, Quarterly population census report (2007).

Table 3: Population size of selected areas

Ward	Females	Males
Kigamboni Centre	25 070	25 190
Mwananyamala	27 070	27 414
Makuburi	23 291	22 300
Total	65 381	64 904

Source: Dar es Salaam Region, Quarterly population census report (2007).

3.2.2 Economic activities of respondents

The majority of the respondents are engaged in micro-enterprises such as, livestock keeping including cattle, goats, pigs and poultry, street vending businesses including foods vending “Mama Lishe”, clothes selling, cooking utensils selling, matting selling and many others. Based on the study, they are engaged in these small businesses simply because they are easy to start so that most willing respondents can run them on a full or part time basis, they are easily adapted to change, they are not legally recognized by the authority, in most cases they lack suitable premises.

The study observed few respondents engaged in legalized large businesses which are reliable and some how with permanent, so it is easier to get skilled human resources. This last group comprised of mostly employed respondents.

3.3 Sampling and sample size

The study was conducted in the Coast and Dar es Salaam regions. A total of seven villages and four town centers were selected from which 60 women were purposefully selected as respondents. Respondents were selected randomly from a short list of respondents attending Caritas-Dar es Salaam meetings and others were selected randomly from the selected areas but not participating in Caritas-DSM meetings, at least two respondents were selected from each area.

3.4 Data sources

Both primary and secondary data were used in this study and was both qualitative and quantitative in nature. Secondary data collected in this study was from various reports and publications such as Caritas-DSM Strategic Programme Plan (2007-2011), Caritas-DSM Savings and Credit Scheme (Pilot project report) and Caritas annual reports, Sokoine National Library (SNAL). The primary data was obtained from respondents via questionnaires (Appendix 1), direct observation during internship, informal interview to Caritas-DSM Administrative staffs.

3.5 Method of data collection and validation

The main tool used in primary data collection was a questionnaire (Appendix 1). The questionnaire was designed to collect sufficient data to address the objectives of the study. The major sections of the questionnaire were those aimed at collecting information on basic personal particulars and economic composition.

Questionnaires were designed using English language and translated in Swahili for easy filling incase of respondents who are not using English language. During the process three major problems were encountered, the first one was that some of the respondents need

payments before filling the questionnaire, the second one was, some of the respondents did not keep records of their businesses together with the amount of money taken as credit and the last one was that some of them tried to hide their poor condition from me, for example during the first week of my study in the community selected one respondent told me that she does not have to go to work as her husband earns enough for the small family of the two members. This seemed strange as I later came to know that family is one of the poorest and has a big amount debt. With the length of my stay with Caritas-Dar es Salaam, I understood that she was feeling shy to speak to newcomer about her miserable condition. Gradually as I became more accepted in the community these problems began to disappear, also to solve the first problem, the purpose of the study was revealed now and then.

3.6 Data analysis

The data collected was coded from computer processing and the analysis was carried out using Statistical Package for Social Science (SPSS) version 12.0. Descriptive statistics was used from which frequencies and percentages of the selected variables were specifically used.

3.7 Utility of the study

It is hoped that the findings of the study will be useful to Caritas-DSM in making adjustments through the recommendations of findings. Furthermore, the findings can be used as a way of evaluating the ongoing Caritas-DSM Savings and Credit Scheme programme within other parishes.

CHAPTER FOUR

4.0 RESULTS AND DISCUSSION

This chapter entails a presentation of data collected from the study area, Dar es Salaam and Coast region respectively. It begins with socio-demographic characteristics covering study area, age, marital status, education level and type of job, followed by a presentation of the general characteristics of the women not receiving micro credits provided by Caritas (DSM). With this approach I looked at the sources of micro credits covering accessibility, financial institution, amount received and reasons as to why they are not receiving micro credits from Caritas. I further looked at whether the women seek permission or not from anyone before taking micro credits.

4.1 Characteristics of the respondents

The respondents were selected from two regions; in each region three specific study areas were selected. Kibaha, Kisarawe and Mlandizi were selected from Coast region while Kigamboni, Makuburi and Mwananyamala were selected from Dar es Salaam. These areas were selected because Caritas savings and credit schemes was first implemented, therefore Caritas administration needs to look out the successfulness or failure of the programmes. All the respondents were women. Based on the objectives of the study the following characteristics of the respondents were analyzed and tabulated in Table 4, these include, age, marital status, education and occupation.

4.1.1 Villages where data were collected

The data were collected from Coast region and specific areas were, Mail Moja town centre and Uyaoni villages from Kibaha small town council while Mbwawa and Vikuruti villages from Mlandizi located within Kibaha town council, while from Kisarawe district, clients

were selected from Bomani and Matumbini all are found within Kisarawe town centre. From each place at least two clients were purposively selected.

From Dar es Salaam region the following areas were involved, Tua-ngoma and Mikadi villages from Kigamboni ward, Kwa-Mtogole and Kisiwani all from Mwananyamala ward and lastly from Makuburi centre from Makuburi ward. Also two respondents were purposively selected. The mentioned areas were selected because being the first areas from which need assessment was done and also these areas were specifically nominated by Caritas-DSM administration.

4.1.2 Age distribution

The age of a woman has a great influence on her ability to partake in economic activities and, of course chances of benefiting from the ongoing micro enterprise in the study area. The age of respondents is very important because it gives an idea of the different age groups who are benefiting from the micro-credits institutions in DSM and Coast regions. It gives a rough idea as to whether one is in the child bearing cohort or not, which has implication on women in taking micro-credits and participation in economic activities (Nung, 2002).

It's argued that, the limited time and erratic participation of younger women, that is, women with burden of heavy childcare and household provisioning responsibilities, usually yields insufficient individual benefits to guarantee their micro-credits involvement (Steele, 1998).

But this is different for the women in the study area where 68.3% of all the women in the study area have household provisioning responsibilities, which have compelled them to

combine both income generating activities, whether employed or not and reproductive roles.

Table 4: Social characteristics of respondents

Variable	Categories	Frequency	Percentage (%)
Age	18-28	8	13.3
	29-39	25	41.7
	40-50	20	33.3
	51-61	6	10.0
	62-72	1	1.7
Marital Status			
	Married	37	61.7
	Single	15	25.0
	Widowed	4	6.7
	Divorced	4	6.7
Education Level			
	Primary	11	18.5
	Secondary	30	50.0
	University	15	25.0
	Others	4	6.7
Occupation			
	Employed	41	68.3
	Unemployed	19	31.7

The data from Table 4 shows that 41.7 and 33.3 percent respectively of the women respondents are within the age brackets of 29-39 and 40-50 years, which represent the economically active population. Most of the women under the age group mentioned are involved in economic activities such as micro-credits taking from various financial institutions, and that might have explained the reason why they are active group. It is also succinctly clear from Table 4 that 10 percent of the women are in cohort of 51-61 and 1.67

percent of them are within the age group of 62 and above, which is even the retiring age of people. One possible reason behind the small numbers in the age group of 62 and above is that, most of them have grown up children who are catering for their welfare needs.

4.1.3 Marital status

Marriage is a social institution. It re-organizes society, leading to the formation of kinship ties and membership in descent groups. In other words, marriage leads to the creation of new and entrenchment of old social relationships. When a man and a woman are joined in marriage, their respective families become affinal relatives automatically. It is therefore an institution through which kinship ties are both established and extended (Nukunya, 1992).

From the data trend in Table 4, 61.7 percent of the respondents were married and still with their husbands, 25 percent are never married. Meanwhile, 6.7 percent of them were widows and the remaining 6.7 percent have been divorced by their husbands. The table suggests that widows come next in terms of numbers; this is a result of them rarely getting support from other family members, especially those without grown-up children.

The other 6.7 percent represent divorcees. This also is small by the reason that most of men in the Coast and DSM regions, they exercise polygamy i.e. instead of divorcing, they marry more than one woman, which of cause are used as productive forces and engaged in small income generating activities.

4.1.4 Education and occupation

Education affords the individual the opportunity to access formal, government or white colour jobs. It equips the individual with the skills to read, write, record, receive training and seek information. The mentioned skills are very necessary when seeking a formal job

as well as looking for micro credits. The formal sector is regulated and it is assured public pension. Admission into the sector depends on one's skills and qualification.

On contrary, those without education had to be content with the employment offered by informal sector. The informal sector covers a wide range of enterprises including individual home based processing and manufacturing, petty trading and street merchants

Women in the informal sector have no access and even if at all, very little access to official sources of credit or information. Women in the informal sector often hold multiple jobs in different sectors to minimize risk and uncertainty. Therefore formal education is an important tool to access of credits and information.

The results shown in Table 4 revealed that 18.5% of the respondents had attained primary education, 30.0% attained secondary level. Furthermore, 15% of the respondents have attended university level. Due to the result, it indicates that most of the respondents are knowledgeable thus they can access micro-credit easily. The abnormally 45% a totality of secondary and university levels is likely to be because by the fact that most of the respondents are employed 68% (Table 7).

Occupation does influence credit accessibility. This expresses ones economic status and hence its ability to pay for credit/loan taken. From Table 4, the results it shows that 68.3% of the respondents are employed in formal sectors and 31.7% are not employed and majority of them are doing small businesses such as food vending, keeping animals like goats, poultry, cattle and pigs, tailoring etc. Most of the employed groups have not taken loans/credits from Caritas-DSM rather they have opted for other financial institutions covering both formal and informal such as FINCA, PRIDE, commercial banks such as

NMB, NBC, CRDB, ACB etc. They have pointed some of the reasons being complicated procedures before taking loans etc. Occupation was used as a guarantorship for credit/loan taking, by the reason that the financial institutions are sure of getting its repayment through monthly salary of the respondents, while for self employed group, they are normally stalked from getting credits from various institutions by the reason that they do not have reliable jobs, most of them have small businesses and sometimes their businesses are not better pay off, therefore it becomes difficult when it comes to credit repayment.

4.2 General description of Caritas credit programme and policies

Caritas-DSM supports self employment income generation activities to improve low income women living conditions, through the savings and credit scheme which operate complimentary to women and youth development programme. This is because, Caritas-DSM believes that credit by itself is not a panacea to address the root causes of the beneficiary problems (a belief shared by many women that only credit will solve their problems of meeting their basic needs and services) without a comprehensive conscientization and development plan (Caritas-DSM Strategic Programme Plan, 2007).

Caritas-DSM uses operational principles of the group based credit scheme which has been reviewed for adaptability and modified to suit the programme requirement. Credits are provided to low income clients who do not qualify in the formal lending institutions. The small scale enterprises to be supported however must be economically viable with a higher probability of credit repayment within one year. Caritas-DSM also provides technical assistance in form of training and advice for the promotion and effective organization, planning, management and implementation of the proposed activities.

4.2.1 Loan and client characteristics

Caritas-DSM can not respond to every request from its parishes, therefore developed credit policies and procedures to target mearge resources for maximum resources. Clients have to meet the following criteria, terms and conditions for eligibility:

i. Eligibility

Credit is advanced to registered members through their area centre groups upon complying with their rules and regulations. Credit is restricted to the informal sector women enterprises who have viable micro scale business activities and who can not get credit from other sources.

ii. Character of potential loanee

Due to the weak collateral structures for this type of lending, the above is the first item to be considered before assessing her ability to repay and manage the business.

Other items to consider are loan application and approval.

iii. Loan application and approval

Applications must be submitted through their respective core and centre groups which are responsible for preliminary assessment and endorsement of loan applications.

iv. Age and Sex

Single or married with 18 or above years.

v. Location

The business must be located within the programme operational area. If it has no fixed locale, then the client must be located in the operation area at least for the last six months.

vi. Type of business

- a) Agribusiness i.e. food and oil processing, horticulture, fishery and livestock keeping.

- b) Local Manufacturing i.e. milling, furniture, tailoring etc.
- c) Commerce i.e. traders, vendors, wholesalers, retailers etc
- d) Services i.e. repair, transport, water, construction etc

vii. Purpose of the credit

The credit must be utilized as working capital for strengthening or expanding viable enterprises. This will ensure that the programme become sustainable and produce a multiplier effect. Caritas-DSM strives to reverse the poverty life comprised of low income, savings and investments to an individual who can acquire credit, be able to save, invest and finally to have more income.

vii. Status of business

Clients must have all necessary licenses/registration for their business. Enterprises which have already began for at least 6 months will have more advantage.

viii. Groups or individuals

Individual enterprises are preferred over group ones unless there are clear roles, accountability and responsibility systems. However, the client must have group guarantee. The more the client can save with the group, the more she can borrow.

ix. Duration of the credit

Shorter credit cycle enterprises are preferred (4-8 months) over long maturity ones. No credit will be issued for long gestation period projects (Over 12 months).

x. Credit repayment

The client will make an agreement with Caritas-DSM on the best plan of her credit repayment plus interest. This will be spelled out in the credit contract. Repayment for the principal plus interest can be spread out evenly in weekly or monthly installments. Grace period will only be extended for special cases.

xi. Rescheduling

Rescheduling of credit repayment normally accepted for genuine recognized cases. The same will apply for repayment delays. Otherwise a penalty of weekly interest amount due will be charged to defaulters.

xii. Interest rate

The Caritas-DSM, savings and credit scheme normally charge a flat interest rate of 27% per year or 15% for 6 months. From 25% interest rate, 14% is the annual rate of inflation while Caritas-DSM uses the rest as a reserve for future project sustainability (to off-set part of operating costs).

xiii. Credit Guarantee

All loans must be secured by all centre members by way of understanding to forfeit savings which serve as loan guarantees.

Apart from high viability of the enterprises, groups' structure would be one of the most important collateral methods for guarantee of member loans. Groups will collect member's contributions and deposit them with Caritas to benefit from the credit scheme. Additional collateral in form of domestic assets or other valuable materials can be used by groups to supplement credit default coverage.

xiv. Credit defaulters

Credit defaulters are not tolerated unless their problems are known and genuine. Aside from the penalty any client who fail to pay the amount due over 45 days without specific reason is defaulted and risk been terminated from the programme. Incase of the later, her deposit, savings, loan insurance fund and part of the project materials are confiscated to recover the balance due. If two members from the group default in loan repayment, the group funds and savings are seized by Caritas and the group is disqualified (terminated from the programme).

xv. **Credit write-off**

Only be considered after all efforts and legal means of credit recovery have been exhausted, either failed or not cost effective. This situation may arise if a client dies, has become invalidated due to illness or serious crisis with the enterprises. Under all circumstances the policies, guidance and procedures will be fully adhered to. Other fees: Forms for client intake, loan application or appraisal and pass books will be obtained at cost.

4.2.2 Terms and conditions

Clients must meet the following terms and conditions to participate in savings and credit provided by Caritas-DSM:

- (i) Women with low income, but are able to raise required savings.
- (ii) Can be an individual or group.
- (iii) Must be honest and trustworthy; accept legal action in case of non repayment.
- (iv) Must be organized in self selected groups, ready to guarantee each other, attend group schedule meetings without fail, be willing and able to work together and adhered to group by-laws.
- (v) Must have received adequate and appropriate business management training.
- (vi) Must be able to deposit 20% of loan with the group as security and loan guarantee fund.
- (vii) Be willing to mandatory savings of at least 10% of loan by weekly or monthly installments.
- (viii) Should be adult, more than 18 years and have lived in the area for at least six months and be resident.
- (ix) Should agree that business credit can be used for personal expenses.
- (x) Business should be located within the operational area (DSM or Coast region).

- (xi) Fulfill weekly or monthly repayments as scheduled.
- (xii) Interest rate agreement of 27% (flat rate) of the loan per year or 15% per six months.
- (xiii) Should have a bank account or agree to open one before funding and maintain books of financial records.
- (xiv) Should not be servicing another loan.

4.2.3 Procedures

This cover loan application, appraisal, collateral, approval, disbursement, repayment collection and application of savings incase of default.

i. Loan application and appraisal

The loan application form is provided by caritas after visiting the potential clients who have identified themselves and their business. The request must first be endorsed by her core group and have it recommended to the centre group before being submitted back to caritas.

ii. Loan collateral

The core groups of five members co-guarantee one another for each loan. They also pledge their savings in the centre.

iii. Loan approval

Loans are approved by the centre review committee and the caritas staff after the recommendation of the core group and feasibility report.

iv. Loan disbursement

Loan disbursement is made by cheque in favor of individual borrower within the core group and released at a centre meeting. This open process facilitates loan utilization and follow-up. Borrowers have to sign for receipt of the loan.

v. Loan repayment

The core group first responsibility is to ensure regular repayments are remitted by their members who have borrowed according to the agreed schedules. The money collected is provided to the centre treasurer for banking to Caritas-DSM project account. Proper receipts should be issued equal to the amounts paid.

vi. Loan collection

When repayments are not made as per agreed schedule, the core group must immediately find a way to collect repayment in arrears. The Caritas credit officer maintains a close follow-up of arrears.

vii. Application of savings

In case of loan default, members savings of the responsible centre are used to cover losses. Savings can also form capital for future to members. Clients monthly mandatory savings, together with interest paid will be under savings account managed by Caritas-DSM until graduation. Clients will have access to these funds before graduation. Mandatory monthly savings demonstrate the success of credit program and business being operated. The more the customer saves, the more she has access to further and bigger credit.

4.2.4 Credit administration

The Caritas-DSM savings and credit administrative system will describe how the scheme is going to be managed. The system designed enable Caritas-DSM office to keep track of loan fund resources, have an effective management of information about borrowers and the whole credit resources, assist in planning and implementing the scheme, and enable the office to make appropriate management decisions. The following outlines the full credit process. For effective and efficient follow up, forms have been designed to provide information at every stage of the loan process as well as loan records to be maintained by

the office. These forms are in two groups namely, loan policies and procedures which set limit and define loan process and client forms for groups and individual enterprises. These include:

(i) Form 1: Initial Client Intake

This form is used to identify a potential client or group and their enterprises. It provides client information of who they are, where they are and what they are doing. By reading through these forms, the staffs and management would know the type of client they are working with, where and the type of activities (Appendix 2).

(ii) Form 2: Client Contact/Follow-up Journal

This form is a record of the entire loan relationship between the project and the client from initial identification/application to final repayment every time the client is contacted. It also record what happen with other type of assistance provided such as training (Appendix 3).

(iii) Form 3: Loan application and appraisal

Clients found to have a clear idea of the activity they want to do and how, will be encouraged to fill application and appraisal form. The form is organized into six sections to guide the clients and the review committee members to think through the details of the proposed activity for effective analysis and approval (Appendix 4). These forms cost TShs 500. Clients will be requested to complete these forms bur can be supported by extension or Caritas staff where there is a need. The following below is a summary of the contents of the application form.

- a. Section 1: General information about the client.
- b. Section 2: Business information i.e. Activity, size, type, legal status and type of assistance required.
- c. Section 3: Market feasibility i.e. to whom will client sell their products and how, supply of raw materials, how to manage competition etc.

- d. Section 4: Technical feasibility or Production/Service techniques i.e. management feasibility.
 - e. Section 5: Economic feasibility i.e. Cash flow and financial analysis.
 - f. Section 6: Loan request i.e. Specify loan terms consideration, guarantors, security, bank experience, owner's equity etc.
 - g. Section 7: Technical review. This is a critical observation by Caritas and extension staffs about the market, technology, financial, loan request and references on the proposed activity plus their best judgment.
- (iv) Form 4: Agreement for loan and guarantee
- All parties' concerned need to have a clear statement about the conditions under which the loan is made which shall be indicated in the agreement. Aside from terms and conditions, the form would identify the lender, borrower and guarantor who shall have places to sign. It also indicates amount borrowed and its repayment plan and dates for both the principle and interest (Appendix 5).
- (v) Form 5: Loan history card
- This form holds in one place all relevant information about a loan to a client or group. It reflects trends in loan repayment over a year period (Appendix 6).
- (vi) Form 6 A and B: Receipt of disbursement and payment.
- Voucher and receipts of payments record transactions of payments and receipts which are signed by both the issuer and receiver (Appendix 7).
- (vii) Form 8: Monthly repayment list
- Is a vital form loan follow- up. Its information forms the original entry to the project accounting system. It records information about monthly or weekly repayments on loans from clients as they received from the field (Appendix 8).

(viii) Form 9: Monthly activities summary

This form is used to monitor project performance and follow-up of activities. It records request accepted and refused during the month as well as follow-up visits (Appendix 9).

a. Programme monitoring forms

These forms are used for monitoring and evaluating the progress of the project. These are:

(ix) Form 7: Loan fund and revenue journal

This is a part of project accounting and reporting system. The journal controls the flows of loan fund in and out of the programme. It indicates the amount of resources; Caritas are working with and their sources (Appendix 10).

(x) Form 10: Past due loan report

This form provides information about loans that are experiencing delays in payments. This enables Caritas to make necessary follow-up. It can also notify Caritas on changing economic conditions of clients (Appendix 11).

(xi) Form 11: Client fund statement

Is completed monthly and can be provided at any period of the same year.

(xii) Form 12: Summary of loan activities

This form provides a summary of credit activities during a given period or cumulatively in a year. It quickly indicates if you are achieving your planned objectives (Appendix 12).

4.2.5 Functions of Caritas-DSM

The main functions of Caritas-DSM are as follows:

- a) Build capacity and facilitate the empowerment of the impoverished rural and urban communities so that they can reduce poverty, illiteracy and combat diseases.

- b) Spearhead and strengthen democracy and human rights through lobbying and advocacy aimed at ensuring that disadvantaged communities and individuals are aware of their fundamental human rights, civic rights and have the basic education to go with it so as to ensure social justice.
- c) Improve institutional capacity to manage development work more effectively and efficiently.
- d) Provide welfare and emergency services.

Caritas-DSM targeting the following groups of people:

- a) People (Including men and women) in abject poverty and those with very low income.
- b) Women and Children.
- c) The youth.
- d) Victims of natural and man-made disasters including HIV/AIDS.

4.2.6 Credit sources

Informal sector activities represent an important means of earning income for women in developing countries. But its growth depends on the availability of credit. For the purpose of this study, micro credits are small loans made available to poor people for income generating activities in order to generate income for their livelihood. It enables human capital to be leveraged with physical capital in order to increase income (Hollis, 2002). Lack of it is a major problem facing small entrepreneurs especially women.

4.2.6.1 Financial institutions awareness for respondents

Financial institution awareness does influence accessibility of micro-credits. Therefore financial institution awareness is used as a capstan towards micro-credits accessibility.

Table 5: Financial institutions awareness for respondents

Reason	Frequency	Percentage (%)
Yes	60	100.0
No	0	0.0
Total	60	100.0

The data from Table 5 indicates that all respondents are aware of formal, informal and semi-formal financial institutions/Non Government Organizations providing micro credits. The common institutions mentioned include: Co-operative Rural Development Bank (CRDB), National Microfinance Bank (NMB), National Bank of Commerce (NBC), Backlays Bank, Akiba Commercial Bank (ACB), Presidential Trust Funds (PTF), Foundation for International Community Assistance (FINCA), Promotion of Rural Initiatives and Development Enterprises (PRIDE), Small Industries Development Organization (SIDO), Promotion for Rural Initiatives and Development Enterprises (PRIDE), Savings and Credits Co-operative (SACCOS), Sero Lease and Finance (SELFINA), Caritas, etc.

4.2.6.2 Micro-credit accessibility

After knowing financial institutions and their operation, then the next step is to make rational decision as to whether to take or not micro-credits/loans.

Table 6: Micro-credit awareness for respondents

Area	Frequency	Percentage (%)
Yes	60	95.0
No	3	5.0
Total	60	100.0

From Table 6 it shows that 95% of the respondents normally take loans/credits, while only 5% of the respondents are not willing to take micro-credits. The results justify that majority of the respondents do take loans/credits from various financial institutions (Table 5).

4.2.6.3 Amount of credit given to respondents

The range of credit which is largely demanded by most of the respondents is between TShs 50 000 to TShs 500 000. From Table 9 a total of 23.4% have taken credits ranges TShs 50 000 to TShs 150 000, while 73.3% have taken more than TShs 150 000, while 3.3% have not taken any loan .The 73.3% revealed that most of the respondents started with TShs 50 000 as initial loan and gradually the loan increased as a result of good repayment or expansion of their businesses.

Table 7: Amount of credit given to respondents

Amount (TShs)	Frequency	Percentage (%)
50 000	1	1.7
100 000	2	3.4
150 000	11	18.3
More than 150 000	44	73.3
Missing	2	3.3
Total	60	100.0

4.2.6.4 Permission for taking micro-credits by respondents

Most of the respondents have full mandate of making decision of taking or not micro credits this revealed by 85%, while 5% normally seek permission from either their husbands or members of the family such as sisters, brothers, uncles etc. Therefore

permission seeking was not seen as one of the problem facing the respondents towards accessibility of micro credits.

Table 8: Permission for taking micro-credits by respondents

Response	Frequency	Percentage (%)
Yes	6	10
No	51	85
Missing	3	5
Total	60	100.0

4.2.6.5 Caritas awareness shown by respondents

The Table shows that, out of 60 respondents, 66.7% of them, they know Caritas-DSM, while only 33.3% did not know what is Caritas-DSM, this percentage is a significant figure which has influence towards respondents micro-credits accessibility provided by Caritas-DSM.

Table 9: Caritas-DSM awareness shown by respondents

Response	Frequency	Percentage (%)
Yes	40	67.7
No	20	33.3
Total	60	100.0

4.2.6.6 Reasons for not taking loan from Caritas-DSM

It was observed that as a result of numerous financial institutions operating within the same area with Caritas-DSM having good financial conditions, this forced a good number of respondents interviewed not to take loans/credits from Caritas-DSM, as stipulated in Table 10.

Table 10: Reasons for not taking loan from Caritas-DSM

Reason	Frequency	Percentage (%)
Charge high interest Rate than 25%	9	15.0
No legal businesses to run	4	6.7
Have another loan	23	38.3
Others	22	36.7
Missing	2	3.3
Total	60	100.0

The results from Table 10 shows that there are many reasons for the respondents for not taking credits /loans from Caritas, the main reason being, most of the respondents have already taken loans/credits from more than one financial institution (38.3%), therefore they are afraid of having high repayment burden which automatically will subject them to live in hard situation, others mentioned that high interest rate of more than 25% charged by Caritas compared to other financial institutions is also a constraint towards loan/credit taking this reason constitute 15% of respondents, few respondents 6.7% mentioned that lack of viable and legal businesses forced them to be out of Caritas loans/credits, then 36.7% of the respondents mentioned other reasons such as the institution is religious based therefore they thought that loans are provided to Roman Catholics believers or otherwise you have to be converted to Roman (This group consist of respondents who do not know Caritas), they also mentioned that Caritas-DSM staffs use bad language towards defaulters, therefore they were not happy with this, furthermore they mentioned that the amount given as the initial loan of TShs 50 000 is very small in such a way that a lot of energy is needed to make it used as a working capital, the ceiling amount of TShs 500 000 is also a limiting factor, they also connected this with repayment period being short i.e. (3-12) months, they further pointed out that when one client within the group fall sick or failed to pay loan once/within schedule by genuine reason(s), the remaining group members will pay the

dues, respondents said that this is not fair and they have mentioned that the training given before loan taking does not help them much to start and run their businesses successful

CHAPTER FIVE

5.0 CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

This study investigated socio-economic factors affecting accessibility of micro-credits provided by Caritas-DSM to women. The surveyed areas, which were the representative of the whole Caritas-DSM area, were: Kibaha-Mail Moja, Mlandizi and Kisarawe Centre in Coast region; Kigamboni, Makuburi and Mwananyamala in Dar es Salaam region. The specific objectives of the study were: (i) to identify if women are aware of Caritas-DSM and other financial institutions (ii) to identify whether women have multiple accessibility of micro-credits from financial institutions or not (iii) to establish the reasons for the respondents not taking micro-credits from Caritas-DSM, (iv) to identify economic factors affecting accessibility of micro-credits provided by Caritas-DSM.

The study data was collected by the author from 60 women respondents residing in Coast and Dar es Salaam regions. The respondents were selected based on a number of factors but the main one was their involvement in loans taking. The data was collected using the structured questionnaires and was analyzed using Statistical Package for Social Science (SPSS) version 12.0 where frequencies and percentages of the selected variables used. In addition a review of relevant literature and findings of other related studies were carried out. The content of this chapter is based on the main findings of the study and include pertinent issues related to micro-credits as well as socio-economic concept.

In the study area, the age of the respondents lies between 18-72 years; out of which 41.7% and 33.3% of the respondents were in the age group of 29-39 and 40-50 years respectively, which represent the economically active population, in the fact that, they are largely

involved in economic activities. On the part, 93.3% of all the respondents were literate with primary-university level education. This would indicate that the majority of the respondents were able to read and comprehend the instructions related to financial institutions issues especially micro-credits they were given.

The number of respondents employed in formal sectors, were 41.0% while 19.0% were self employed and doing small business. Assessment of employed group showed that ,they engaged in micro-credits taking from various institutions and they are sure of repaying due to reliable formal employment, while is not the case for the other group (unemployed).

Under this, the study find out that, awareness of respondents towards financial institutions, credit accessibility, how much they received as credits and from which financial institutions, repayment modality and lastly looked out reasons for some respondents not taking micro-credits from Caritas-DSM and then who make decisions before credit taking and how to utilize the credit.

The study observed that, all the 60 (100%) respondents were aware of the presence of financial institutions; 95.0% of the respondents were able to access micro-credits from various institutions and able to pay, while only 5.0% were not willing to take micro-credits and in decision making 85.0% of the respondents decide on their own to take and eventually utilize the credit and only 10.0% seek permission before credits taking. Therefore from this, it can be concluded that, most of the respondents have full mandate of taking and using the credits, have multiple credits from various financial institutions.

5.2 Recommendations

The following recommendations are based on the contributions from the respondents as well as from the findings of the research itself.

From the findings, it was observed that all the respondents were aware of financial institutions, but a good number of them are not aware of Caritas-DSM especially the way they are operating including provision of micro-credits and other services.

It is recommended that, there is a need for provision of more information, Caritas-DSM should conduct more education and outreach programmes to educate people about Caritas as a whole, at the same time they should work hard to improve the knowledge of women having in mind that, women are usually the least informed group about many matters including financial matters.

It is also recommended that, Caritas-DSM, should find ways to enhance information to the public, and opportunities for greater participation of its clients, so as to change the mind of the people that it is there for Roman Catholics only rather than an opportunity for all without any kind of discrimination.

To clear out completely religious thinking, it is recommended that, the offices of Caritas-DSM and the like dealt with micro-credits provision, should be physically separated from churches offices/areas, even-if this only, involves renting space in other buildings like other micro-finance institutions have already done.

Also, Caritas-DSM should provide enabling environment by making sure there is a provision of better education for its staffs, so that they can compete with financial

institutions in terms of technical and managerial skills/competence, at the end this will automatically will help them to increase the number of clients. Caritas also need to build technical and managerial capacity in terms of manpower and internal operational policies and system.

Based on the findings, it was observed that, the interest rate charged by Caritas-DSM is high (more than 25%) compared with the one charged by other financial institutions, which mostly charged an interest rate at a range between 16%-25% per annum, therefore they have to review this. Of course ,they have pointed out that, they charged high interest rate due to lending and administrative costs (for example, identifying and screening clients).But there is a broad consensus that increased competition in financial sector is a key to driving down interest rates (National Microfinance Policy, 2000).

It was also observed that, the issue of collateral especially using physical assets, mostly furniture's and other domestic properties as one of the condition of getting micro-credits, is not a good way as results of harassment done to the clients when collecting the assets. It is recommended that, Caritas have to opt for Grameen credit modality, i.e. providing micro-credit without basing on any form of collateral or legally enforced contracts, rather it is based on "trust", not on legal procedures and system, but this will bring positive results only and only if proper education is provided by well educated staffs, otherwise the operation will be successfully. At the same time Caritas should restructure their training contents to include improving their clients' business skills. They should organize regular business training for their clients and qualified training institutions should conduct this.

The findings reveal that the process of application for loans starts with small amount and after repayment the client can apply for next higher amount. This process was observed to

be a limiting factor for those customers who needed a large amount right from the beginning. This is true because it takes unnecessarily long time for those seeking a large loan to obtain enough funds to meet their needs. In addition to the time taken to receive large loans, the clients also raised concerns about the time frame from the receipt of the loan to the time of starting repayment.

As a recommendation, Caritas should consider the possibility of increasing the grace period and reducing the frequency of repayment so as to provide for clients with long term loans turn to business such as farming.

As general comments, women as the most need group should be offered more credits with substantially reduction of collateral needs, interest rates and repayment terms. Therefore, Caritas should lower interest rates to a level that would cover Caritas' operating expenses and at the same time facilitate the growth of their clients' business.

Nevertheless, because of its interest in seeing that all the Tanzanians have access to financial services, the government will at times take on a promotional role. For example, it may encourage and guide donors in establishing programs to support micro-finance institutions in building internal capacity, it may promote the adoption of best practices and standards by service providers and it may support capacity building efforts. In its promotional activities, the government has to leave it to the institutions itself, such as product development, delivery methodology, loan terms, loan clientele etc. Thus more efforts should be made by Government and relevant institutions to promote the development and growth of informal as well as semi-formal credit channels for them to be more effective tools in the efforts to alleviate poverty (Kashuliza *et al.*, 1998).

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APPENDICES

Appendix 1: Respondents questionnaire

Confidential

Socio-economic factors affecting accessibility of micro-credits provided by Caritas-DSM to women.

A: Personal particulars

1. Name.....Residential

Area.....

2. Age.....

3. Marital status (Tick the correct answer)

(a) Married (b) Single (c) Widow (d) Divorced

4. Educational level (Tick the correct answer)

(a) Primary level (b) Secondary level (c) University level

(d)Others.....

5. Type of job (Tick the correct answer)

(a) Employed (b) Self employed (c) Unemployed

6. If self employed which one below is your job? (Tick the correct answer)

(a) Agribusiness: i.e. Foods & Oils Processing, Horticulture, Fishery & Livestock
keeping

(b) Local Manufacturing: i.e. Milling, Furniture, Tailoring

(c) Commerce: i.e. Traders, Street Vendors, Wholesalers, Retailers

(d) Others (Specify).....

B: Economic composition

7. Do you know any financial institution/NGO providing micro-credits? (Tick the correct answer) (a) Yes (b) No
8. If yes, the institution is :(You can tick/mention more than one if you have)
 (a) CARITAS (b) PLAN International (c) PRIDE
 (d) Others (Specify).....
9. Do you have any access to credit? (a) Yes (b) No
10. How much is given as a credit? (Tick the correct answer)
 (a) TShs 50 000/= (b) TShs 100 000/= (c) TShs 150 000/=
 (d) Others (Specify).....
11. Do you know CARITAS? (a) Yes (b) No
12. How do you get to know about CARITAS? (Tick the correct answer)
 (a) From friends (b) From church (c) From internet
 (d) Others (Specify).....
13. From which institution do you receive loan? (Tick the correct answer)
 (a) CARITAS (b) PLAN International (c) PRIDE
 (d) Others (Specify).....
14. Do you usually pay back the credit obtained? (a) Yes (b) No
15. If yes, how often? Weekly/Monthly/Daily.....
16. Do you pay interest? (a) Yes (b) No
 If yes at what interest?.....
17. Do you seek permission from anyone in order to obtain credit? (a) Yes (b) No
18. If question number (17) is yes, who? (Tick the correct answer)
 (a) Husband (b) Father in-law (c) Mother in-law
 (d) Others (Specify).....

19. If you have not taken the credit from CARITAS, what is/are the reason(s)?

- (a) They charge high interest rate, more than 25%
- (b) I do not have legal and viable small income generating activity
- (c) I have another loan from another institution
- (d) Other reasons (Specify).....

Appendix 2: Initial client intake form

1. **Client particulars** Date.....
 - (a) Full Name of Client.....
 - (b) Age..... Date of Birth.....
 - (c) Marital status..... Address.....
 - (d) Street..... House No..... Area.....
 - (e) Name of Ten cell leader.....
 - (f) Duration of your stay in the area..... District.....
 - (g) Institution introducing the client.....
 - (h) Address.....

2. **Business Particulars.**
 - (a) Type of business..... Location.....
 - (b) Type of Productions/Services.....
 - (c) Ownership (Sole-proprietor, Family, Partnership etc).....
 - (d) Year started..... Amount of initial capital.....
 - (e) Source of capital (Savings, Family gift, Upatu, Loan, etc).....
 - (f) Main customers (Institutions, Individuals, Other business).....
 - (g) Customers are from (Neighborhood, town, others).....
 - (h) Total assets value owned by business.....
 - (i) Monthly sales volume.....
 - (j) Over the last year, have sales gone up or down.....
 - (k) Monthly business expenses.....
 - (l) Number of employees of your business..... Part-time..... Full time.....
 - (m) Monthly wage bill for your business (excluding owner).....
 - (n) Average monthly drawings from the business for personal use.....
 - (o) Main problems faced by business (marketing, finance, competition).....

3. Loan Particulars

(a) Amount of loan required TShs.....Other assistance.....

(b) Intended use of loan.....

(c) Other sources of income.....

(d) Monthly income.....

4. Comments from Area Extension Officer related to the project

.....
.....
.....

5. Comment from the Area/Parish committee

.....
.....
.....

6. Preliminary Comments from Caritas-DSM Staff

.....
.....
.....

Appendix 4: Loan application and appraisal

1: Personal particular

- a) (i) Name.....
- (ii) Address.....
- (iii) Home Tel. number.....Off. Tel. number.....
- (iv) Age.....Marital status.....

b) Residential area.

- (i) Street:.....House No:.....
- (ii) Area.....Village.....Ward.....
- (iii) District.....Region.....
- (iv) Time stayed in the area.....years.

c) Educational level.

- (i) No formal education.....
- (ii) Primary school standard.....
- (iii) Secondary education form.....
- (iv) Higher education.....

d) Different courses you have attended.

Year/Duration	Place/College	Course
.....
.....
.....

- e) Present Job(Agriculture, Business, Livestocks keeping, Fishery, Industrial, Employed)

Activities	Earning per year/month
i.....
ii.....
iii.....
iv.....

- f) Number of children you have

Name	Age	Alive	Doing what
.....
.....
.....
.....
.....

Appendix 5: Agreement form for loan and guarantee

(a) Full names.....

(b) Guarantor.....

(c) Loan number.....I have decided myself today, date.....

(d) To allow Caritas-DSM to sell my properties as follows.....or

(e) To pay sum assured, incase Mr./Mrs./Ms.....will fail to repay the amount due in time within 45 days or more than that according to the repayment procedures of the loan.

(f) The money obtained will be used to pay:

- a. Loan taken
- b. Loan interest
- c. Penalty for late loan repayment
- d. Amount due

(g) I understand that it is illegal to transfer assets assured for guarantee before loan repayment is completed.

(i) Name of Guarantor
.....

Signature
.....

(ii) Name of Magistrate/Lawyer
.....

Signature
.....

Appendix 6: Loan history card

(a) Name of Borrower:.....Loan No.....

(b) Purpose of Loan:.....Interest Rate.....

(c) Proved Loan Amount:.....Repayment Terms:.....

(d) Final Maturity Date.....Rescheduling:.....

(e) Additional Loan: Approved Amount.....Repayment Terms:.....

Disbursements

DATE	AMOUNT	DATE	AMOUNT	DATE	AMOUNT	DATE	AMOUNT

Repayments

DATE	PARTICULARS

Appendix 7: FORM 6 a receipt of disbursement

(a) DATE:.....

(b).....

(Name of borrower)

(b) Have received.....

(Amount in Shs or actual goods)

(c) From.....

(Name of person delivering cash or goods)

.....

Signed by issuer (person delivering loan proceeds)

Signed by borrower/recipient

FORM 6B

Receipt of payment

(a) DATE:.....

.....

(Name of person receiving payment)

(b) Have received.....

(Amount in Shs or in kind)

From.....

(Person making payment)

.....

Signed (Payer)

.....

Signed (Recipient)

Appendix 8: FORM 8: Monthly repayment list

Field Officer.....**Month**.....

		AMOUNT DUE				AMOUNT RECEIVED					
Loan No	Borrower Name	P	I	OF	Total Due	R	D	P	I	OF	Total Received

Where: P#Principle, I#Interest, OF#Other Fees, D#Date

Appendix 9: Monthly activities summary**(a) Disbursements**

DATE	AMOUNT	DATE	AMOUNT	DATE	AMOUNT	DATE	AMOUNT

(b) Repayments

DATE	PARTICULARS

Appendix 10: Revenue fund journal

Period:.....

Description of sources/uscs	Reference number	REVENUE AMOUNT			SOURCES				USES				
		Inflows	Outflows	Balance	I	F	O	T	LF	OE	O	T	

Where: I# Interest, F# Fees, O# Other, T# Total, OE# Operational Expenses , LF#

Loan Fund

Appendix 12: Summary of Loan Activities

(Period)

(a) Loans Granted

- (i) Number of loans granted
- (ii) Amount loaned
- (iii) Average size of Loan (A/B)

(b) Repayments

- (i) Number of loans outstanding
- (ii) Number of loans being repaid on-time
- (iii) Number of loans being repaid delinquent
- (iv) Number of loans no payments in 3 months or more
- (v) Amount of loans outstanding
- (vi) Amount of loans being repaid on time
- (vii) Amount of loans being paid delinquent
- (viii) Amount of loans not being repaid

(c) Loans write offs

- (i) Number of loans written off
- (ii) Amount of loans written off
- (iii) Amounts previously written off recovered

(d) Loans Granted by type of Activity

Number of loans

- (i) Agro Processing.....
- (ii) Manufacturing.....
- (iii) Service.....
- (iv) Commerce.....

Total