

# **Microfinance Project**

## **Progress Report for February 2013**

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### **Summary of Work to Date**

In the month of February, the microfinance team at Projects Abroad has begun to move into Phase Two of the project. Three groups have been paying loan installments every week, and now have finished paying for over half of their loans. This has enabled Projects Abroad to give loans to other women in the groups, outside of the initial five. Four additional women in Riverside have been approved for loans of 100,000 shillings each, therefore nine members of the group have been funded.

In addition to focusing on loan collections this week, Projects Abroad has deepened its work with three other women's groups – Tupendane, IkusuraPatandi, and Mshikamano – which have not yet received loans. All of these groups have now completed group and individual interviews as well as the first session of business training, including marketing strategies and bookkeeping. Tupendane has completed the entire process, receiving both sessions of training (business planning and feasibility study in addition to the previously mentioned training) and have completed their loan applications. They will not be funded until more money is available to provide loans. The other groups have been put on hold in their training for the same reason – otherwise, we have a buildup of loan applications and women who are eager to receive loans, but no money to give.

Volunteers have been working to improve training for the women. Business trainings can easily become dry and boring, so we have been trying to develop more engaging ways to teach the women. The new ideas for the bookkeeping trainings are still being developed. A worksheet has been created to enable the women to write their own bookkeeping table, and the instructor of the training is therefore able to engage the women by asking them to respond to questions about how they would record their income and expenses in each of the tables. These worksheets help the women stay focused and gain a better understanding of the training. Volunteers are also trying to find new pictures and examples to use throughout the other trainings, and the execution of the training itself is starting to turn more into a

conversation-discussion rather than a lecture. Trainings are also now available in both English and Swahili translations.

## Loan Status

As we have commenced loan collections each week, money has become available for other women in the groups to receive loans, outside of the initial five. By the end of February, all of the initial five women in Riverside, Amani, and CHE groups will have paid more than half of their loans, and the Riverside Women will complete paying their installments in March. As such, three other women in Riverside who had not previously received loans from Projects Abroad were given loans in February (in addition to the one at the end of January) and will finish their repayments by the end of April.

The following women received loans in the month of February:

### Riverside Women's Group

1. HidrhaSilivista, to add capital to her business selling vitenge and other types of cloth
2. Bertha Francis Kingu, to improve stock and variety of her fruit business
3. Husna Solo, to increase the variety of products in her business targeting women's' needs

### CHE Group

1. Elinipa Lesion, to buy feed for her cows and therefore produce more milk
2. Anna Rubona, to buy feed for her chickens
3. Fortunata George, to buy more stock for her shop in which she sells various foods
4. Vicky Edward, to buy more stock for her shop in which she sells basic needs for the community

The remaining Amani Women will receive their loans in first March.

## Learning Curve

The microfinance team has spent some time in February trying to learn from other microfinance projects in Arusha. We went to the office of Open Mind Tanzania (OMT), a Tanzanian NGO which does different types of work all over the country, much like Projects Abroad.

**About OMT:** OMT gives small loans to women, but they borrow as individuals, not groups. They begin with small loans of 50,000 shillings, and as women repay the loans they are able to borrow increasing amounts up to 1,000,000 shillings. OMT has three ways to collect money. First, a borrower may come to office to pay back the loan. Second, the borrower may deposit the loan in the OMT bank account. Or, finally, the borrower may use M-PESA. OMT collects the loans only once a month. Usually, the loan term is six months, and they take 20% interest. OMT has only two members (one Japanese manager and one Tanzanian staff), they cannot visit their borrowers, which sometimes creates a difficulty in establishing a good relationship with the women.

### Compared with our project:

After visiting OMT, which accomplishes its work more like a bank than a non-profit NGO, we were able to compare and contrast our two projects. We came away with a feeling of satisfaction about our own project model because even though we are new, so far it has been successful. We usually visit each group every week, and this practice is advantageous in creating good relationships with the women in all

of the groups. So far, no women receiving loans from Projects Abroad have defaulted, but OMT has many problems receiving their installments on time, and they have encountered multiple instances in which the women have simply disappeared upon receiving the loan. Projects Abroad has been able to exchange some ideas with OMT, and volunteers would like to continue learning about other projects around Arusha as well.

## Future Planning

**Installment Collections:** Projects Abroad has continued to collect installments from each of the three groups every week. This way the relationship can be better-managed and the passbooks completed individually. It is also a time to help with any business-related questions e.g., help with cash book, marketing plan, etc. New women who are selected to receive loans will pay their first installment after only one week instead of two so that they will complete paying off their loan faster. This is at the request of the groups so that they may manage their funds better.

**Post-Loan Interviews:** As the first phase of the microfinance project comes to a close, volunteers have begun to develop a post-loan interview to gain feedback from the women as well as to assess whether their quality of life has improved a result of the loan. It is important to decide whether the microfinance approach used in this project is beneficial to the women or if there is a better way to move forward, especially because this initiative is so new. We hope to see that the women's lives have been improved by the loan and business trainings, and that they do not become dependent on the loan.

**Future Loans:** The intention is that, once a successful loan phase has completed, the group can be eligible for further loans at an increased amount. It is recommended however, that the quality of the application needs to improve commensurate with the new loan amount. It should be one of the goals of the microfinance project that with increasing loans comes an increasing transfer of financial, business, and managerial knowledge to the borrowers. As March approaches and the Riverside Women will complete the first phase, more money needs to become available in order to increase the loan amount.

**Refresher Training:** It is recommended that the training modules are delivered every six months as refresher training for groups that are talking the loans. This will help improve understanding and quality of loan applications (and hopefully business profitability too!). The training itself should be constantly reviewed and refreshed so relevant and effective.

## Challenges and Lessons Learned

**Funding Available:** Projects abroad began its microfinance project with a small budget of 1.5 million Tanzanian shillings, which amounts to less than \$1,000 US dollars. This amount has been enough to lend small loans to women from three selected groups of women: the Riverside Women, Amani Group, and the CHE Group. As the first five women from each group have paid their installments on the loan, Projects Abroad has been able to extend the loans to other women in the group, eventually encompassing all group members.

However, the small fund that Projects Abroad began with is not enough to move forward with three new women's groups: IkusuraPatandi, Mshikamano, and Tupendane. Also, as the first three groups finish paying off their loans, they will look to receive loans in higher amounts. Projects Abroad does not charge any interest on its loans, therefore the funding to provide loans to these women does not expand or

grow. This is a challenge because we are unable to expand the project or continue providing funding for women to grow their business.

Many of the women make jewelry as a group project but do not have a market in which to sell them. Some jewelry from the Riverside Women and also IkusuraPatandi are on display in the office for volunteers to purchase. The microfinance team has considered raising the price of these pieces (only slightly, to be 500 or 1,000 Tsh more expensive) in order to make a small profit which would serve to provide loans for other women.

## Attachments

- Individual Profiles of Women Receiving Loans from the Microfinance Team