

**EFFECTS OF CREDIT PROVISIONS AND COLLECTION CRITERIA
OF SAVINGS AND CREDIT COOPERATIVE UNION IN
TANZANIA: A CASE STUDY OF SELF EMPLOYED
WOMEN IN ARUSHA (SEWIA).**

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**A DISSERTATION SUBMITTED TO THE COLLEGE OF ECONOMICS
AND MANAGEMENT SCIENCES IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF THE BACHELOR'S
DEGREE IN BUSINESS ADMINISTRATION OF
KAMPALA INTERNATIONAL
UNIVERSITY**

MAY 2012

DECLARATION

I, **FARIDA HUSSEIN** declare that this project proposal is my original work and has never been presented to any other university for award of any academic certificate or anything similar to such. I solemnly bear and stand to correct any inconsistency.

Signature

F. Hussein

FARIDA HUSSEIN

Date:

26/MAY/2012

APPROVAL

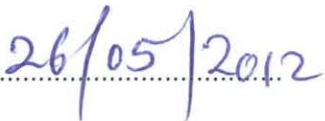
This report is resulting from the researcher's effort in the area of the credit provision and collection criteria of Savings and Credit Cooperative Union for women in Arusha and was conducted under my supervision. It is now ready for submission to the academic board for the award of a Bachelor's Degree in Business Administration of Kampala International University with my approval.

Signed

.....

Supervisor's name: Dr. Stanley Kinyatta

Date.....



DEDICATION

This research work is dedicated to my beloved mother Mrs.C.M.Kamuhabwa, my daughter JusterSweetbart, my sister Khadija Hussein and all my brothers Peter, Paul, Michael and Faraja.

ACKNOWLEDGEMENT

First of all I give thanks to almighty God for his mercy and grace granted to me during this time of my degree course and through this research project.

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LIST OF ACRONYMS

SEWIA	-	Self Employed Women in Arusha
SACCs	-	Saving and Credit Cooperatives
SACC	-	Saving and Credit Cooperative
MFI	-	Microfinance Institutions
NBT	-	National Bank of Tanzania
NGOs	-	Non-government Organisations

ABSTRACT

This research entitled 'the credit provision and collection criteria in SEWIA saving and credit cooperatives union for women in Tanzania' examined the loan provision, collection procedures as well as the default rate of this SACC.

Today a number of SACCs are established to give a saving and loan services to clients and much emphasis is given for those women who wants to run small and medium n business enterprises. SEWIA's major clients are women who would have an impact on changing their own life as well as their families. The study attempted to identify and assess the loan provision criteria's, collection procedures, the reason for default, the impact of interest on the cooperatives and clients and last but not least the benefits and challenges of the SACC under SEWIA.

Data for the study was collected through questionnaire, interview and discussions with four cooperatives members and credit officers who are situated in the sub-city of Arusha.

Results of the study indicate that in order to give loan to a woman SEWIA have set criteria so as to decrease the default rate. A woman has to save money and has to provide a business plan in order to be given the requested loan, after being a member of SACCs. The study also indicates that the interest charged has a great impact on clients which make them to reduce the amount of loan they want to take.

The study has recommended that, a woman will be eligible to loan if she has enough saving which is compatible to the respective loan size. It is also recommended that, there should be a grace period adopted by the Savings and Credit Cooperatives (SACCs) because a business is not expected to generate income immediately after being established. It is recommended that, the interest rate established by the cooperatives should consider also the borrowers since they are the major clients of the cooperative.

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

Saving and Credit Cooperatives (SACCs) stand for the provision of saving and credit services to their members. SACs are members who owned controlled and capitalized organizations. They mobilize from members and return those to members in the form of loans. The provision of credit has increasingly been as an important tool for raising the income of urban as well as rural population, mainly by mobilizing resources to more productive uses. Saving And Credit Cooperative Societies in Tanzania operate within the framework of the proclamation No.147/98. According to the Proclamation, a minimum of ten members is required to form a cooperative society. In Tanzania the employees of Tanzania Railway Authority established the first Savings and Credit Cooperative (SACCs) in 1950, next to this was the one founded by the employees of the Tanzania Airlines in 1956.

The study is about one of Savings and Cooperative Union in Tanzania under the name of Self Employed Women in Arusha (SEWIA). SEWIA is a secular, indigenous, non-governmental organization established in 2000 and legally registered with the Ministry of Justice. SEWIA is dedicated to the elimination of the facets of urban poverty and the realization of sustainable livelihood among the poor urban women. Having started its operation in 2001, the organization is currently working with poor self employed women in Arusha in five operational areas in their efforts to achieve self-reliance, exercise rights and improve the quality of their lives. The union has 15 cooperatives under it and there are more than 4000 members. The major focus area is the economic, social and political empowerment of women and the attainment of gender quality. Action Aid Tanzania is the long term partner of Self Employed Women in Arusha (SEWIA) providing funding for financing its programs since its inception in 2000. Recently SEWIA has also established partnership with concern Tanzania.

1.2 Statement of the problem

Even though Savings and Credit Cooperatives (SACCs) help those who have no access to the financial services of formal financial institutions (they bank the un-bankable). In addition, they also contribute a lot to reduce the positive impact of local money lenders in areas they

operate in; however, it is encircled by so many deep-rooted problems. One problem is concerning the requirement that has to be provided for receiving a loan, the other one is the interest rate that the cooperatives charge. In Saving and Credit Cooperatives, the greater interest rate risk occurs when the cost of funds goes up faster than the institution can or is willing to adjust its lending rates. The cost of funds can sometimes exceed the interest earned on loans and investments, resulting in the loss to the sector. The interest cost is considered to be low since it doesn't be able to cover 100% of the operating costs. But for the members this cost is considered to be high since the interest they receive on their saving is very less than the interest they pay on loans. This in turn discourages member's motive to deposit as well as to borrow. Therefore the reason to undertake this research is to assess the loan provision and degree of collectability and to identify the main reasons that lead to default.

1.3 Purposes of the study

The purpose of this study is to examine the credit provisions and collection criteria of Savings and Credit Cooperative Union in Tanzania on Self Employed Women in Arusha (SEWIA).

1.4 Scope of the study

The findings of the research would have been more satisfactory if it were able to cover all savings and credit cooperatives of Self Employed Women in Arusha, but due to time and the scatteredness of the members, the study is limited to the four savings and credit cooperatives which are located in central Arusha. In addition, the study is also delimited to identifying factors involved in loan provision, collection and default aspect of the cooperatives. The study was carried out for a period of four months from February to May 2012.

1.5 Objectives of the study

- i) To examine the collection procedures adopted by the cooperatives and its impact to the members
- ii) To examine the impact of interest rate charged by the cooperatives on both the cooperatives and members
- iii) To assess the collectability rate in turn also the default rate and its impact to the members.
- iv) To assess any problem associated with saving and credit functions of the cooperatives and to recommend possible solutions based on the analysis that will be made.

1.6 Research Questions

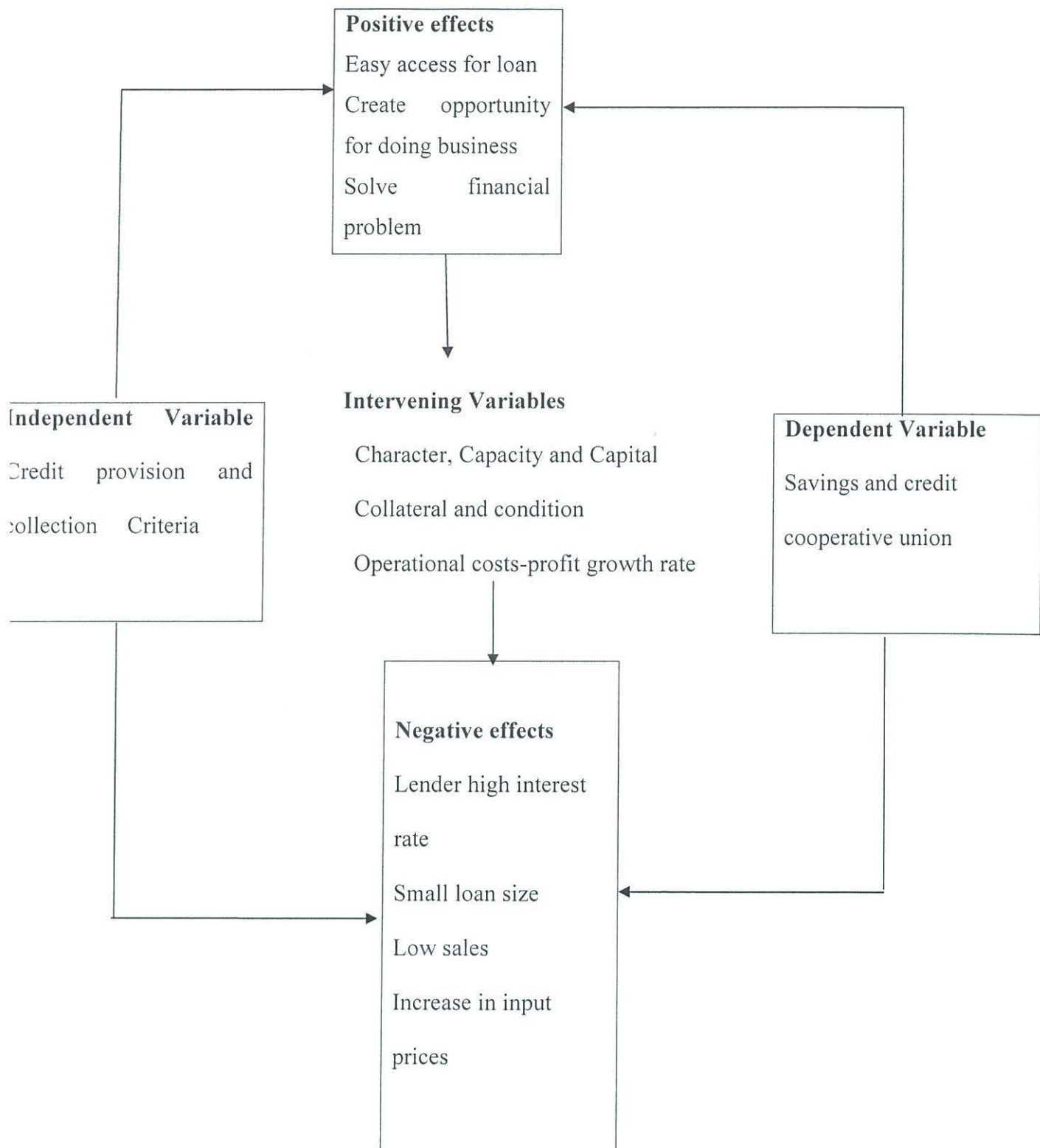
- (i) What is the loan collection procedures adopted by the cooperatives and its impact to the members?
- (ii) What is the impact of interest rate charged by the cooperatives on both the cooperatives and their members?
- (iii) What are the main reasons for the default rate and its impact to the members?
- (iv) What are the problems associated with savings and credit functions of the cooperatives?

1.7 Significance of the study

Savings and credit cooperatives provide services for those who cannot be able to receive services through the formal financial institutions. They provide services for those who cannot fulfill the requirements provided by the formal. Because of this they increase the people's standard of living by giving them a chance to start a new beginning, a journey which has a good impact on the economy as well. **The significances of this study are:**

- To give solutions to the problems
- To assess the impact of loan provision and collection procedures on to the members
- To be a reference for further research.

1.8 Conceptual Framework



CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter brings up relevant literatures required to find answers and connection to our research questions.

2.1 The Savings and Credit Cooperatives as a system for financing

In the third word the credit cooperative very often refrains from granting credit, particularly when it is intended for productive purposes. We have already discussed this problem and the damages caused, whereby the cooperative will not allocate any of its financial resources as credit to members. Now we will try to examine the more specific aspect of credit allocations for production in particular.

Credit is the source of all stages of agricultural production. The cost of credit and its scarcity is a major thorn in the side of most of the world's farmers. In many third world countries, cooperatives will just not grant their accumulated money as for credit for financing production. It is a distortion of the basic principle behind the credit and saving cooperative and forces farmers to take loans from the banks or money lenders.

2.2 Major risks to Savings and Credit Union

Many risks are common to all financial institutions. From banks to unregulated informal sectors, these include credit risk, market risk or pricing risk, operational risk, compliance and legal risk and strategic risk. Most risks can be grouped into three general categories: financial risks, operational risks and strategic risks as in table below;

Table: Major Risk Categories

Financial Risks	Operational Risks	Strategic Risks
Transaction risk Liquidity risk Interest rate risk Portfolio risk Foreign exchange risk Investment portfolio risk	Human resources risk Frauds (integrity) risk Information and technology risk Legal and compliance risk	Ineffective oversight Poor governance structure Reputation risk External business risk Event risk

Financial institution managers and regulators review these risks in light of; i) the institution's potential exposure to loss ii) the quality of internal risk management and information systems and iii) the adequacy of capital and cash to absorb both identified and unidentified potential losses. In other words, management determines whether the risk can be adequately measured and managed, considers the size of the potential loss, and assesses the institution's ability to withstand such a loss.

2.2.1 Financial Risks

The business of a financial institution is to manage financial risks which include credit risk liquidity risk, interest rate risk, foreign exchange risk and investment portfolio risk. Microfinance institutions that use savings deposit as a source of loan funds must have sufficient cash to fund loans and withdrawals from savings. Those institutions include saving and credit that rely on depositors and other borrowed sources of fund are also vulnerable to changes in interest rates.

2.2.2 Credit Risk

Credit risk, the most frequently addressed risk for informal sectors, is the risk to earnings or capital due to borrowers' late and non-payment of loan obligations. Credit risk encompasses both the loss of income resulting from the sector inability to collect a anticipated interest earnings as well as the loss of principle resulting from loan defaults. Credit risk includes both transaction risk and portfolio risk.

2.2.3 Transaction Risk

Transaction risk refers to the risk within individual loans. Informal sectors mitigate transaction risk through borrower screening techniques, underwriting criteria, and quality procedures for loan disbursement, monitoring and collection.

2.2.4 Portfolio Risk

Portfolio risk refers to the risk inherent in the composition of the overall loan portfolio. Policies on diversification (avoiding concentration in a particular sector or area), maximum loan of size, types of loans and loan structures lessen portfolio risk.

2.2.5 Liquidity Risk

Liquidity risk is the possibility of negative effects on the interests of the owners, customers and other stakeholders of the financial institution resulting from the inability to meet current cash obligations in timely and cost efficient manner. Liquidity risk usually arises from managements' inability to adequately anticipate and plan for changes in funding sources and cash needs. Efficient liquidity management requires maintaining sufficient cash reserves on hand (to meet client withdrawals, disburse loans and fund unexpected cash shortages) while also investing as many funds as possible to maximize earnings (Putting cash to work in loans or market investments).

2.2.6 Market Risk

Market risk includes interest rate risk, foreign currency risk, and investment portfolio risk.

2.2.7 Interest Rate Risk

Interest rate risk arises from the possibility of a change in the value of assets and liabilities in response to changes in market interest rates. Also known as asset and liability management risk, interest rate risk is a critical treasury function in which financial institutions match the maturity schedules and risk profiles of their funding sources (liabilities) to the loans they are funding(assets).

In Savings and Credit Cooperatives, the greatest interest rate risk occurs when the cost of funds goes up faster than the institution can or is willing to adjust its lending rates. The cost of funds can sometimes exceed the interest earned on loans and investments, resulting in a

loss of a sector. Interest rate changes can also affect fee income, since most fee income is associated with loan products that are interest rate sensitive. Interest rate risk management is most important to this sector that makes longer-term loans and relies on capital markets for a large percentage of their funds. In most environments, the interest rates paid to savers tend to move more slowly. Any informal sector operating in inflationary economies face additional asset and liability management issues. Below they are two common approaches to interest rate risk management among financial institutions:

To reduce the mismatch between short-term variable rate liabilities e.g savings deposits and long-term fixed rate loans, managers may refinance some of the short-term borrowings with long-term fixed rate borrowings. This might include offering one and two year term deposits as a product and borrowing five to ten year funds from other sources. Such step reduces interest rate risk and liquidity risk.

To boost profitability, savings and credit union may purposely mismatch assets and liabilities in anticipation of changes in interest rates. If the asset and liability managers think interest rates will fall in the near future, they may decide to make more long-term loans at existing fixed rates and shorten the term of liabilities.

2.3 Credit Methodology

Credit methodology lies at the heart of formal and non-formal institutions and its quality is one of the most determinant factors for the efficiency, impact and profitability of the institutions.

Credit methodology is comprised of a host of activities involved in lending sales, client selection and screening, the application and approval process, repayment monitoring, and delinquency and portfolio management. It is also linked to the institutional structure and human resource policies such as hiring, training and compensating staff. Getting the credit methodology and product mix right is therefore one of the most demanding as well as rewarding challenges of every institutions.

2.3.1 Credit Approval Process

The individual steps in the credit approval process and their implementation have a considerable impact on the risks associated with credit approval. The quality of credit approval processes depends on two factors, i.e. a transparent and comprehensive presentation of the risks when granting the loan on the one hand and an adequate assessment of these risks on the other hand. Furthermore, the level of efficiency of the credit approval processes is an important rating element. Due to the differences in the nature of various borrowers and the assets to be financed as well as the large number of products and their complexity, there cannot be a uniform process to assess credit risks.

The quality of the credit approval process from a risk perspective is determined by the best possible identification and evaluation of the credit risk resulting from a possible exposure. The credit risk can be distributed among four risk components. (Oesterreichische National Bank Credit Approval Process and Credit Risk Management 2000).i) Probability of Default (PD) ii) Loss given Default (LGD) iii) Exposure at Default (EAD) iv) Maturity(M).

The most important components in credit approval processes are PD, LGD and EAD while Maturity (M) is required to calculate the required capital; it plays a minor role in exposure review. The significance of PD, LGD and EAD is described as follows:

a. Probability of default (PD)

Reviewing a borrower's probability of default is basically done by evaluating the borrower's current and future ability to fulfill its interest and principal repayment obligations. This evaluation has to take into account various characteristics of the borrower (natural or legal person) which should lead to a differentiation of the credit approval process in accordance with the borrowers served by the bank.

b. Loss given default (LGD)

The loss given default is affected by the collateralized portion as well as the cost of selling the collateral. Therefore, the calculated value and type of collateral also have to be taken into account in designing the credit approval processes.

c. Exposure at default (EAD)

In the majority of the cases described here, the exposure at default corresponds to the amount owed to the institution. Thus, besides the type of claim, the amount of the claim is another important element in the credit approval process.

2.3.2. Credit decisions

Extending credit it's the careful balance of limiting risk and maximizing profitability while maintaining a competitive edge in a complex global market place. Credit analysis is the process of deciding whether or not to extend credit to a particular customer. It involves two steps: gathering relevant information and determining credit worthiness.

2.3.2.1 Credit information

If a firm does want credit information on customers, there are a number of sources. Information sources commonly used to assess credit worthiness include the following:

- ✓ Financial statements, a firm can ask a customer to supply financial statements like balance sheet and income statement. Rules of thumb base on financial ratios can be calculated.
- ✓ Credit reports on the customer's payment history with other firms. Information obtained from firms that sell information on the strength and credit history of business firm.
- ✓ Banks, banks will generally provide some assistance to their business customers in acquiring information on the credit worthiness of other firms.
- ✓ The customer's payment history with the firm. The most obvious way to obtain an estimate of a customer's probability of non-payment is whether he/she has paid previous obligations and how quickly they have meet these obligations.

2.3.2.2 Credit Evaluation and Scoring

Once information has been gathered, the firm faces the hard choice of either granting or refusing credit. Many financial managers use the "five C's of Credit" as their guide.

Five C's of credit

1. Character: The history of the business and experience of its management are critical factors in assessing a company's ability to satisfy its financial obligations. Look at how long the business has been under the same control and check for any previous litigation or

bankruptcy information. Also get a clear understanding of who owns the business and who is ultimately responsible if a problem arises. Always get a list of the company's officers with their ages and backgrounds. Research the financial worth of principals for proprietorships and partnerships. Identify the exact business name and legal form of the organization. What products does it sell? On what terms? Is it a seasonal business? What are its margins? Get a sense of the character of the owners and the business's ability to compete in its markets.

2. Capacity: Make sure to assess the capacity of the business to operate as an ongoing concern in every credit decision. Principals in small businesses are often forced to wear many hats. Business must be able to allocate resources evenly to the various functions of the organization such as marketing and sales, production and finance. Keep an eye on management. Assess their experience and their ability to manage all aspects of the company without compromising efficiency. Does the organization have the facilities to handle your business needs?

3. Capital: Analyze the financial capacity of the organization in order to determine its ability to meet financial obligations in a timely fashion. Its ability to pay may be much more important. It is critical to understand the difference. Watching customer payment habits over time is an excellent indication of cash flow. Also, check for a parent company relationships. A parent company's guarantee may be available. Intercompany loans might affect financial solvency. Check agency ratings that predict slow payment or default to complete your investigation.

4. Conditions of the times: General economic conditions in the nation, in the community and in the industry will exert a modifying influence on the financial analysis of an account. Watch for any news items or special events that could affect the firm's ability to continue as an ongoing concern.

5. Collateral: A pledge of assets in the case of default.

Use financial ratio analysis:

When entering into a relationship with a new customer, consider these two very important questions. Will I be paid slowly? And will I be paid at all? Some companies are willing to accept some level of slow pay based on their goals and objectives and how much risk they are

willing to take. Few firms are willing to accept no payment at all. Financial analysis will help you determine a prospect's financial capacity to pay obligations in a timely fashion as well as their ability to maintain an ongoing relationship. Your decision to conduct business with this firm will vary based on whether they appear to be a one-time purchase or a long term account.

When trying to understand the financial capacity of a prospect, a financial ratio analysis is a good place to start. Ratios can be grouped into three main categories:

Solvency ratios to determine the cash available to pay obligations and the amount of debt of the prospect.

Efficiency ratios to determine how efficiently the firm runs its operations such as the collection period and inventory turnover.

Profitability to determine the firm's reinvestment in the business for future growth.

Track trends:

An assessment of the financial capacity of a company should always include an evaluation of trends. Businesses can have a bad year, without resulting in financial difficulty. If a firm has a strong enough net worth it might be able to sustain losses for five consecutive years. Evaluate trends over a three to five years period to get a clear picture of the direction a firm is heading. Look at a company's profitability and cash flow. Assess their receivables. Are they selling inventory fast enough to generate needed working capital? Is the company retaining profit to help the business grow?

Profitability over time is an excellent indicator of management's efficiency. A reduction in expenses may have a minimal impact if revenues due not increase. Look at the trends of these key indicators. They will tell a clear story of a company's direction. These and a lot of other questions can be answered with a thorough analysis of a company's capacity.

Compare to a peer group:

Ratio results should always be compared to a peer group of or an industry comparison. Is the firm collecting faster or slower than the rest of the industry? Is this company more profitable than other companies just like them? Make maximum use of ratios by comparing the firm to its peers using established benchmarks. Compare the company to firms in the same line of business, geographic area and employee size for a more accurate comparison.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter discusses the methods the researcher will use to collect data. It focuses on the research design, organization of the study, data collection and data collection procedures and data analysis.

3.1 Research Design

The study used a case study design, where both qualitative and quantitative techniques of data collection will be employed. Questionnaires and interviews will be used to collect data from a cross section of respondents.

3.2 Target Population

The target population of 200 employees of self employed women cooperative society was chosen at random to participate in this study. The study used top management, customers of self employed cooperative and employees in order to get the answers to the questions in this study.

3.3 Sampling procedure

The researcher employed purposive sampling on the customers and staff members of self employed women cooperative. Self employed women cooperative administrators helped the researcher identify customers and staff members who were relevant to the study.

3.4 Sample size

The researcher will use purposive population sampling method to reach at the targeted study group. This will help her in getting representative data, which will be used in the findings. The sample sizes will be 133 respondents.

According to Sloven sample size is determined by the below formula;

$$n = N / [1 + N(C)^2]$$

Where n = sample size, N= target population, C= margin of error at 5% standard value.

$$\text{Sample size: } n = \frac{200}{[1 + 200(0.05)^2]}$$

Sample size = 133

3.5 Data collection Instruments

3.5.1 Questionnaire

The researcher used self-administered questionnaires. This was applied while collecting data from key customers involved in the study. Interviews were conducted among the top management.

3.5.2 Interviews

The researcher conducted key informant interviews with the members of the management teams who play a key role in the internet banking. The interviews are intended to generate information on policy and challenges faced in the process of doing their job.

3.5.3 Documentation

The researcher carried out documentary review. The documents included; policy, strategies plans, budgets and work plans.

3.6 Data analysis

The researcher carried out quantitative analysis, where data was converted into numerical codes. The researcher will prepare the code sheet specifically for items which are open ended. While for the close ended items, data was entered into the computer using a statistical software package known as excel.

3.7 Ethical consideration

The research ensured that the names of respondents do not appear on the questionnaire to ensure confidentiality of the respondents as it is part of the ethical procedure to ensure that respondents are protected.

The researcher assured respondents that the information given by them was purposely for the

reasons of this study and was not used for any other purpose. This was done to ensure that they confidently answer all the necessary questions for this research without fear of using it for other purposes other than that of academic research.

The permission to conduct the research was got from the relevant institutions, which include Kampala International University and heads of the Bank where data collection took place.

The researcher then went ahead to administer questionnaires to the customers and employees and conduct interviews with the top management in order to obtain information relevant to this study.

3.8 Validity and Reliability

In order to reduce the possibility of getting incorrect answers, attention needs to be paid to validity and reliability.

3.8.1 Validity

Validity is concerned with whether the findings are really about what they appear to be about. Validity defined as the extent to which data collection method(s) accurately measure what they were intended to measure by using various sources of evidence. The following steps will be taken to ensure the validity of this research:

The needed data will be collected in the format of a structured questionnaire that had been designed based on the literature related to adoption of innovation.

After translating the questionnaire into the local language for the customers who will be not so familiar with English, in order to make sure that the measurement scales were adopted appropriately, company administration and experts had given their views about internet banking services.

3.8.2 Reliability

Reliability refers to the degree to which data collection method(s) will yield consistent findings, similar observations would be made or conclusions reached by other researchers or there is transparency in how sense was made from the raw data. Numbers of different steps will be taken to ensure the reliability of the study:

- ✓ Case study will be used during the data collection
- ✓ The same type of questions will be asked from company's respondent and customers' in order to increase the reliability.

CHAPTER FOUR

PRESENTATION, INTERPRETATION AND ANALYSIS OF THE DATA

4.0 Introduction

In this chapter, it ultimately covers presentation of data and discussion of findings which has made by the researcher who undertook the research project to arrive a conclusion.

4.1. Presentation of demographic data

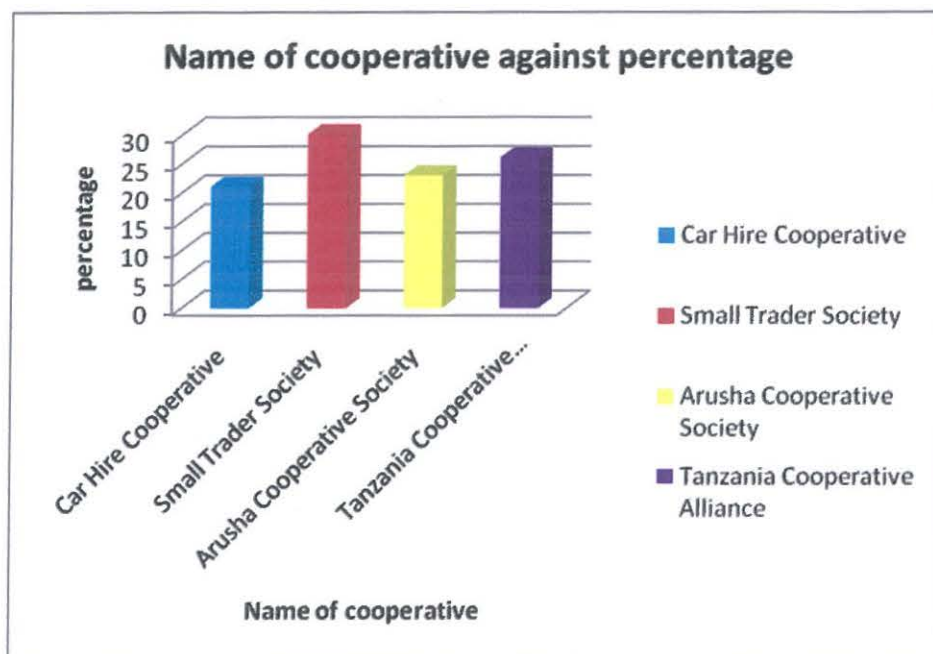
Information has been gathered selectively from one hundred thirty three (133) respondents of both research questionnaires and interviewees. The following table summarises the name of cooperatives selected and their response rate.

Table 1: 4.1 Response Rate

Name of the cooperative	No. of members	Frequency	Percentage
Car hire cooperative society	44	28	21
Small trader cooperative	57	40	30
Arusha cooperative society	47	30	23
Tanzania cooperative Alliance	52	35	26
Total	200	133	100

Source: Researcher's own computation from primary data source.

Figure 1: Graphical representation



Source: Researcher's own computation from primary data source.

4.1.1 Demographic characteristics of client respondents

The demographic distribution of respondents such as age, marital status and educational background will help to determine whether there is a direct or indirect relationship with the way they save, lend and repay. The demographic distribution concern of the sample respondents indicate all the clients of the cooperatives are females that are concentrated on sub-city. In regard, the respondents under consideration are clients who are randomly selected.

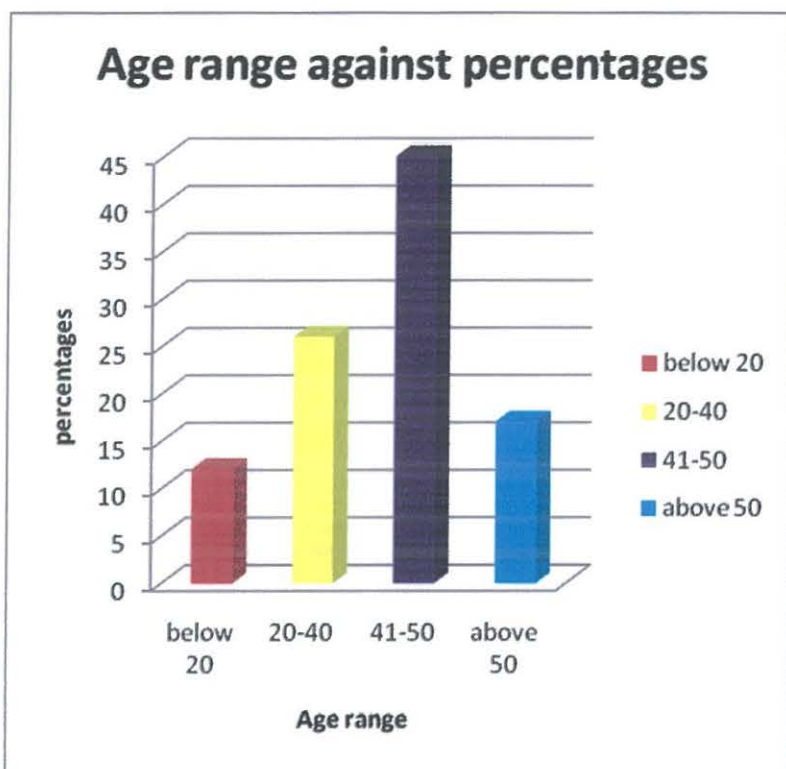
Table 2:4.2 Age distribution

Age range	Respondents	Percentage
Below 20	16	12
20-40	34	26
41-50	60	45
Above 51	23	17
Total	133	100

Source: Researcher's own computation from primary data source

As it can be summarized on the above table most of the client respondents are between the ages of 41-50, which constitute 45% of the total respondents. As a result it can be concluded that most of the clients of the saving and credit cooperative re in productive age groups. In addition out of the 133 selected respondents the summary shows that 12% of the respondents are below 20, 26% are between the age group of 20-40 and the remaining 17% of them are above 51.

Figure 2:Graphical representation



Source: Researcher's own computation from primary data source

4.1.2Gender and marital status of the Respondents

The main assumption the saving and credit cooperatives under SEWIA is that much help is needed for women. The motive is to empower women in every way which will help to support their families or in general the number of dependants they have under them. Much recent research has shown that access to credit generates uniform economic self-esteem and status within the family. The summary of the marital status of the clients are shown in the following table.

Table 3: 4.3 Marital status and number of dependants

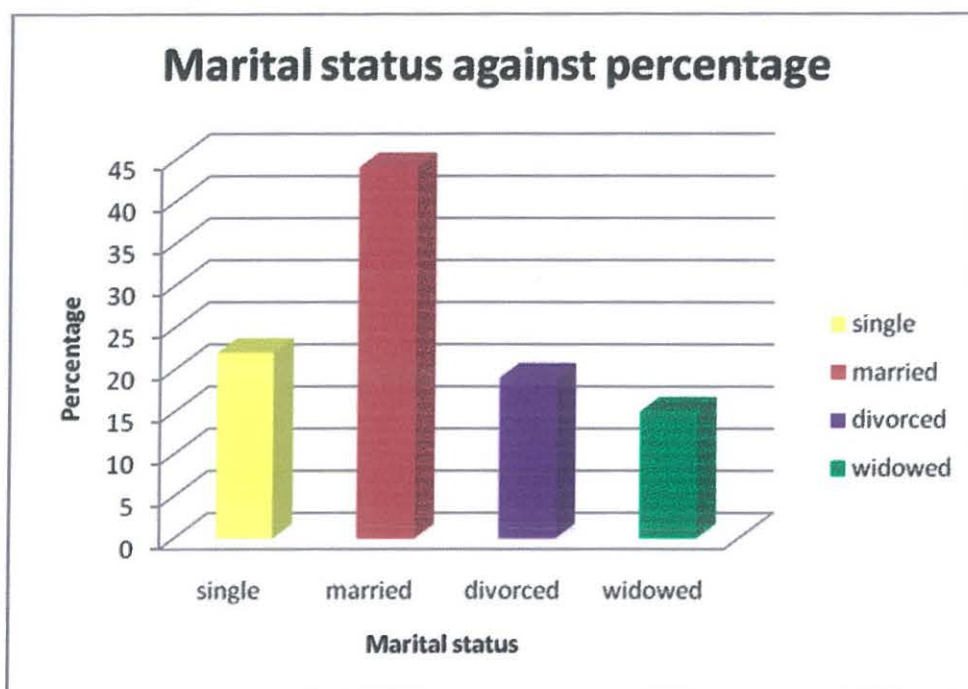
Marital status	Respondents	Percentage	Average number of dependants
Single	29	22	4
Married	59	44	7
Divorced	25	19	5
Widowed	20	15	6
Total	133	100	22

Source: Researcher's own computation from primary data source

From the summary of the above table it can be revealed that most of the clients of the cooperatives are married women which show 44% of the total respondents and also they have relatively large number of dependants under them. And 29% of the respondents are single, 19% of them are divorced and the remaining 15% are widowed. Even though most of the respondents are married women, they have stated that having a husband in their life has an impact on the loan amount they have to acquire and the kind of business they have to run. Given that most of the decisions are made by their husbands who will limit their right to start the business they want and also to get the amount of loan desired.

From the above table, it can be seen that whether the woman is single, married, divorced or widowed they have a number of dependants under them. Not only have they taken care of themselves, but also the dependants under them. Most of the respondents claim that having dependants have limited them in things they carry out and in the kind of business they want to run. Most of them have started the business just to meet their daily basic needs and majority of their basic needs are fulfilled by the income generated from the business. Even the married women have stated that even though most of their spouses have other income, while the income amount is very low to feed their families they are dependent on the business income. And in order to run that business they have to borrow from the cooperatives.

Figure 3:Graphical representation



Source: Researcher's own computation from primary data source

4.1.3 Educational status of the Respondents

The Educational status of both the employees and the client will have an impact on their behaviour as well as on the loan provision and collusion procedures. Thus, educational background of respondents is an important factor to be considered with regard to making business and household decision. Education improves the skill, capacity, communication and access to developments, as summarised in the following table;

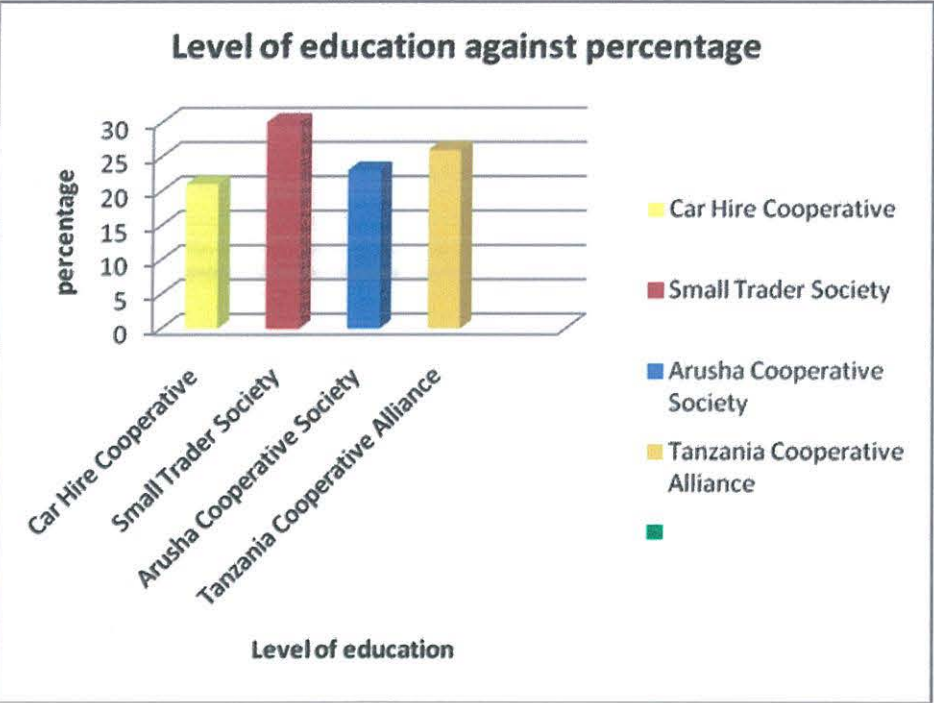
Table 4: 4.4 Educational status

Level of Education	Respondents	Percentage
Primary Level	24	18
O Level	38	28
A Level	57	43
Diploma	10	8
Degree	4	3
Total	133	100

Source: Researcher's own computation from primary data source

Therefore, from the above table 43% of the total respondents have completed their A Level secondary education, followed by 28% of women who have completed their O Level in secondary education, 18% who completed primary level, 8% got a deploma and the remaining 3% of the respondents' attained universities and got a degree. The reason for the highest proportion of literacy the primary school and secondary could be due to the study under consideration is done in the capital city where the better off community is living. Apart from that, 10 clients have a diploma and 4 have a degree. Ten of the employees are working as credit offices and most of them stated that they have got this position from experience and from additional trainings they have taken from SEWIA. Four of the employees interviewed have a degree since one of them is a manager who controls the credit officers and has stated that she got this position from experience.

Figure 4: Graphical representation



Source: Researcher’s own computation from primary data source

4.2 Loan Provision practice of Self Employed Women in Arusha (SEWIA) saving and credit cooperatives.

4.2.1 Major Requirements to be a SEWIA cooperative member.

For a woman to be a member of the cooperative she has to fulfil the following major requirements:

- She has to get from her respective North side an identification card and a certificate stating that she is a poor woman. For SEWIA cooperative a poor woman is the one who has an income of Tshs.200,000/= or less monthly.
- She has to buy a minimum of one share, one share amount Tshs.3000/=. In addition to the share she has to pay a registration fee of Tshs.1000/=.
- At the time of registration she has to specify the amount of money that is going to be saved weekly. The minimum amount of saving in the cooperatives is Tshs.5000/= per week. As per the employee respondents after fulfilling the above requirements she can be a member of the cooperatives.

4.2.2 Sources of the cooperative capital

According to the respondents (employees) the sources of cooperative capital come from two means. The first and major fund comes from revolving fund which is given by SEWIA. At the time cooperatives are established under the proclamation No. 147/98 a working capital (loan) is channelled to members on a revolving fund basis through cooperatives and saving facilities are provided. Self Employed Women in Arusha will give a revolving fund to help them start the work. The revolving fund is a loan given to cooperatives without interest.

Saving and Crediting Cooperative are registered by the federal cooperatives agency or by the regional cooperative promotion bureaus as Limited Liability Company that is, members' liability is restricted to their share capital. While forming a cooperative, each member is allowed to hold a maximum of 10% of the total paid share capital of the cooperative.

As the cooperatives are established each member is required to buy a share, this is considered as an initial capital or a share capital for the cooperatives. When the end of the year approaches, 70% of the cooperatives income will be distributed as dividend to members and 40% will be retained. The dividend that is going to be distributed depends on their amount of saving, this is to encourage the women to save more and also it is dependent on the amount of

share they hold. Based on this 70% of the income will be distributed to each member. Majority of the cooperatives comes from the interest charged to members while borrow from the cooperatives.

4.2.3. Assessment of variables of borrowers to provide loan

In the saving and credit cooperatives under study different kinds of financial services are provided. From the financial services the major one is providing saving services and loans to members. The loan has three parts: A loan in order to run the business, a house loan and educational loan. But the concentration is on the business loan since it encompasses the major functions of the cooperatives. 80% of the total loan is given to run the business designed by the members.

One of the major functions of the saving and credit cooperatives is to provide loans to members besides saving. In order to give a loan to members the cooperatives have to assess things to minimise the default risk.

From the five C's characteristics the cooperatives follow character and capacity, assessing the borrower's ability to pay will help the cooperative to be in the safe side and also it will give them guarantee that the business members involved are worth investing.

According to the respondents there are factors to consider before giving a loan to a member, they have listed the factors as follows:

A woman can take a loan after saving for 8 weeks continuously. The saving ranges from Tshs.5,000 to Tshs.70,000/=. During these weeks she would be given training on major business skills. The training is given for 12 half days. And when the woman's saving reaches 100,000 she can ask for the first level of loan.

In addition to the above fact, in order to be provided with a loan she has to sign her business plan which is prepared in a very understandable format. The business plan is prepared with the help of the training she has taken and also with the help of the trainers, but the idea has to come from her. Her business plan will be assessed by employees of SEWIA. The assessment of processes is dependent on the following questions;

- Is the amount of loan asked compatible with the business plan she is going to undertake?
- Does the woman have the ability and the basic skill to manage the loan she is going to get?

- Does the woman have the history of default(character)? For this the women history is going to be assessed by determining whether she has taken a loan from other financial institutions or not.
- And most of all, the entire business plan has to be assessed vary widely. Is the business going to be able to generate the required return on investment (Capacity)? In general the profitability of the business must be assessed.

The assessment would take about a minimum of 7 days and a maximum of 15 days before a final decision is made whether to give the loan or not. During this time the woman would be interviewed by credit officers of SEWIA to make sure that she has all the ability to start and run the business. And to be sure that she will be able to pay the loan on a given amount of time. In general for loan appraisal her saving amount the amount of share she has and the profitability of the business would be assessed thoroughly. If the loan amount is approved by the cooperative personnel's it has to be paid to the member within 7days.

The payment can be in cash or in cheque whichever is convenient. If a woman couldn't be able to take the loan payment within 7days because of many reasons the loan would be cancelled.

Additional loan can be asked if the business that the members are involved considered as profitable and only if the member pays 75% and above of the previous loan that she has taken. Furthermore the new loan would be taken as a new loan contract which is different from the previous loan taken.

4.2.4 Loan Size and Credit Period

4.2.4.1 Loan Size

One of the major factors to assess the loan provision of Savings and Credit Cooperatives is the loan size to be provided to its clients. All the saving and cooperatives under the study provide loan for the poor woman to involve in small and medium business activities. Loan sizes are increased gradually based on the clients performance that is her on time repayment so as to minimize the risk. All loans are given on individual basis; no group based loan is given by cooperatives. According to respondents they have claimed that in the earlier years group loan was provided to clients by assessing factors but latter the group lending was not as

effective as they thought it would be. Since beginning of 2010 they have stopped the group based lending methodology and concentrate on individual lending.

According to the respondents the minimum amount of loan provided by the cooperatives is Tshs.500,000/= and the maximum goes up to Tshs.20,000,000/=for all the cooperatives under SEWIA.The basis of the loan size depends on the amount of saving the clients have and the capital of the cooperatives. The following are the summary of the size given by the cooperatives which is dependent on the saving amount.

- 1st level of loan the saving amount is 100,000 with loan size of saving*10 and the amount of loan will be 1,000,000.
- 2nd level of loan the saving amount is 340,000 with loan size of saving*5 and the amount of loan will be 1,700,000.
- 3rd level of loan the saving amount is 560,000 with loan size of saving*4 and the amount of loan will be 2,240,000.
- 4th level of loan the saving amount is 900,000 with loan size of saving*4 and the amount of loan will be 3,600,000.
- 5th level of loan the saving amount is 1,500,000 with loan size of saving*4 and the amount of loan will be 6,000,000.
- 6th level of loan the saving amount is 2,700,000 with loan size of saving*4 and the amount of loan will be 10,800,000.
- 7th level of loan the loan size of saving*4.
- 8th level and above the loan size of saving*2.

Based on the above level of loans, for woman to take the first loan amount she has to multiply her saving times ten. The minimum saving amount is Tshs.100,000 to get her first loan therefore the loan size she is going to get would be 100,000 multiplied by 10. For loans above the 7th level a fixed amount is not determined by the cooperatives it depends on the amount of saving a woman has and the purpose of the loan. The more profitable a woman business can become and the more saving she has, she can take a loan up to Tshs.20,000,000. So the level of loan goes up to 20,000,000. A woman cannot skip from one level to another no matter how much her saving goes high; she has to follow the levels starting from level one to the last level which is a maximum level of 20,000,000.

According to the cooperative manual a woman can also take a loan for education by providing the necessary documents. A woman will be provided with educational loan if she enters the second level for loan, which means she has to have a saving of 340,000 in the cooperative account. In addition to education loan the cooperative also give a house loan for those woman's who have got the condominium houses, for house loan the maximum amount is Tshs.1,200,000 and the interest charged is 10%. According to the officials in charges so far only two women have taken a house loan. In addition they stated that the house loan as well as the amount is under study and they are just trying it in those women.

Furthermore according to the officials in charge, after joining the cooperative a member has to take loan within one year or else she would be out of the membership of the cooperative. She has to save and also she has to get a means of financing through loan within one year. The following table summarizes the minimum and maximum loan size provided for the selected cooperatives to run their small and medium business.

4.2.4.2 Loan Range

According to the respondents, the size of the loan differentiates from one cooperative to another. The difference is due to the number of years they are in operation and also the number of members they have. For instance, Car Hire Cooperative Society was established in 17th November 2002 and currently it has 28 members under it. The loan size for this cooperative ranges from a minimum of Tshs.500,000/= up to Tshs.150,000,000/=. Small Trader Cooperative Society established on 14th September, 2005 and currently it has 40 members under it and the range of the loan size is from a minimum of Tshs.500,000/= up to Tshs.15,000,000/=. Arusha Cooperative Society established on 20th January, 2005 and currently it has 30 members under it and the range of the loan size is from a minimum of Tshs.500,000/= up to Tshs.10,000,000/= while Tanzania Cooperative Alliance established on 25th May, 2007 and currently it has 35 members under it and the range of the loan size is from a minimum of Tshs.500,000/= up to Tshs.9,500,000/=.

They have given a loan of 20,000,000 Tshs to three women. And according to the employees these are the only women who have gone up to the maximum because of the high saving they have and also the profitability of the business.

And if we compare Tanzania Cooperative Alliance and Small Trader Cooperative Society even enough, Small Trader Cooperative Society was established prior than Tanzania

Cooperative Alliance but the loan size for later one is higher than the previous one, which ranges from a minimum of Tshs.500,000/= to Tshs.9,500,000/=. The reason for the difference is contributed by the less number of members and employees who claim that this cooperative is not functioning as expected relative to the others due to a different kind of reasons.

4.2.4.3 Credit Period

According to the rules and regulations of SEWIA saving and credit cooperative, a loan has two credit level. The first one is a short term loan which has a credit period of less than a year and the second one is which the credit period ranges from 1-5 years is called a medium term loan.

The credit period can be extended if a woman has encountered problems which are out of her control. After specifying her problems together with convincing documents the credit period can be extended. For a short term loan the credit period can be extended up to six months and for the medium term loan the credit period can be extended up to a maximum of one year, but the credit period can be extended after payment of 50% or above of the loan.

4.2.5 Lending Interest Rate

Since the National Bank of Tanzania has removed the ceiling for lending interest rate, the different financial institutions provide different interest rate. However, the National Bank of Tanzania continued setting minimum (floor) interest rate for deposits. The minimum interest rate for deposit set by the National Bank of Tanzania is currently 4% per annum. Current the National Bank has set the ceiling for financial institutions other than bank stating that the saving interest rate has to start from a minimum of 4% and the maximum lending interest rate has to go up to 12.5%.

The nature of the interest rate for the Savings and Credit Cooperative under study is fixed rather than floating. The saving interest rate is fixed at 7% and the lending interest rate is also fixed at 12%. According to the respondents before July 2010 the lending interest rate charged by the cooperatives was 7% but after assessing many factors they change the interest rate to 12%. They claim that the reason for changing the interest rate was since it couldn't be able to

cover their major operating costs. Savings and Credit Cooperative charged the interest rate by considering the following factors;

- Operating costs, like salary of employees, supplies costs and other
- Loan loss
- Inflation cost and
- Profit growth rate.

By considering the above factors thoroughly they changed the lending interest rate from 7% to 12%. The employees working in loan stated that now the interest rate is much better than the previous one but still it is not able to cover 100% of the operating costs incurred by the cooperatives. A woman who has taken a loan would be charged with interest rate the day she has collected the loan amount.

But 90% of the client respondents stated that the interest rate charged by the Savings and Credit Cooperative is very high and it doesn't consider the impact on the members. Most of them stated that since the interest rate is not compatible with the loan size and the business they are running.

Based on the respondents answer it can be concluded that the lending interest rate charged by the cooperatives has a major impact on the size of loan they want to take in order to run the business. In addition since the interest and the principal payment is weekly it is considered as a business barrier to them. Due to this their concentration is on payment of their loan rather than running the business in the most effective and efficient manner.

Further more because of the interest rate impact on their loan they are forced to take a lesser amount of loan which makes it difficult to run the intended business with that amount of loan they get from the respective cooperatives.

4.2.6 Collection Procedures

The collection procedures for Savings and Credit Cooperative under SEWIA according to the respondents are considered to be effective, since it leads to low default rate. A woman who has taken a loan from the cooperatives has to pay the principal and the interest weekly. There is no grace period for the loan, a woman who has taken a loan this week has to start paying her loan next week, which according to the client's respondents is very unfair. From the total client respondents taken 120 of them stated that the collection procedure of the loan is very

strict and unmanageable for them, because every week they have to save and pay their principal and interest at the week they have taken the loan.

For every cooperative there is a credit officer assigned who controls and monitors the collection procedures. And each cooperative member are grouped, the grouping is made based on the nearness to each other or based on the geographical area they are situated on. In each group there is a leader who is selected by the members but not like a group based lending. The leader will gather the members every week and collect their respective saving, the principal and interest amount based on the collection procedures given by the cooperative. The group leader after collecting the amount with receipts, she would take the money to the SEWIA for reassurance of the amount and immediately the collected money will be deposited to each cooperatives bank account.

In addition, there is a follow up by SEWIA officers every week whereby they visit each woman by going house to house in order to assess how the business is going and how the payment of loan is made. The major motive of this follow up is to be precautionous about default risk. The amount of principal and interest collected is based on the annex attached at the end of the paper.

4.3. Degree of collectability

For most financial institutions the default rate is higher, because of that before giving the loan they would assess the borrower by using the 5 C's criteria's: character, Capacity, Capital, Collateral and Condition. And most formal financial institutions they would secure the loan they give with tangible assets, therefore in case of default they possess the tangible assets.

Surprisingly the default rate for the Savings and Credit Cooperative under study is very minimal; according to the respondents the default rate is insignificant. As per the respondents the collection rate of SEWIA Savings and Credit Cooperative as of August 2010 is 96.5%. Most of the loans given by the cooperatives are short term loans and these loans ensure better repayment performance. Experience shows that long-term loans usually lead to poor repayment performance in comparison to short-term loans.

Even though the collection rate is significantly high the clients stated that the collection procedures of the cooperatives are not as effective to them as it was to the cooperatives. The

client respondents have claimed that every week they are required to pay the saving, principal and interests at the same time and this creates a burden to them.

Even though it has a high burden to them but because of not wanting to lose the membership they are forced to pay the amount. Along with most of their business income goes for the payment and sometimes they have to look for other sources of earning in addition to their business income.

The following table summarizes the sources of loan payment:

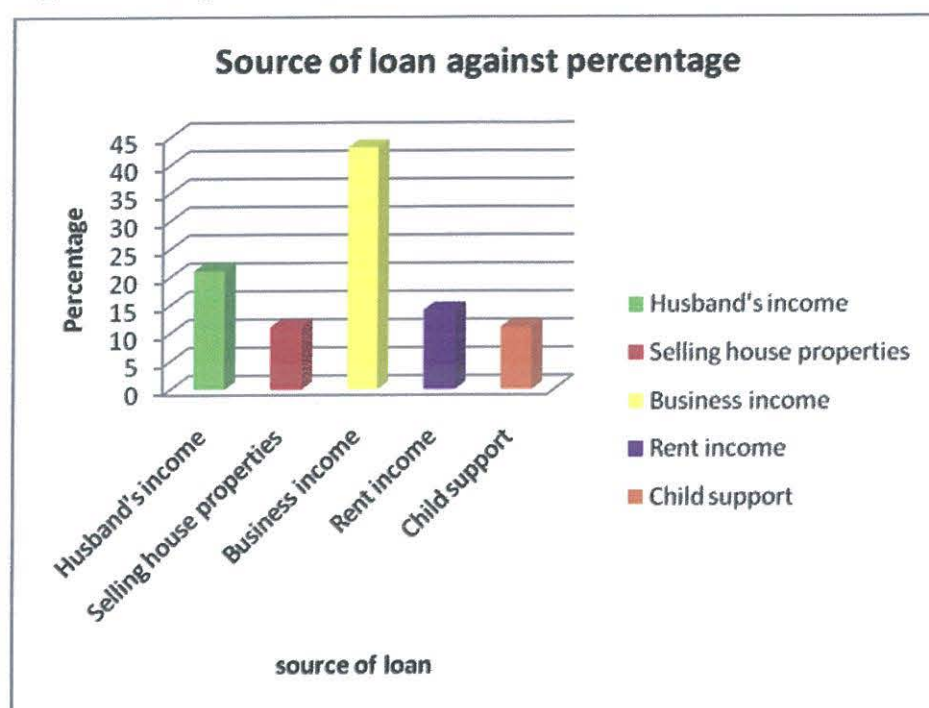
Table 5:4.5. Sources of Loan Payment

Sources of loan payment	Respondents	Percentage
Husband's income	28	21
Selling house properties	14	11
Business income	58	43
Rent income	19	14
Child support	14	11
Total	133	100%

Source: Researcher's own computation from primary data source

As it can be summarized from the above table most of the respondents 43% of them pay their loan amounts from the income they generate from their business. 21% of the respondents use their husband's income salary, 11% of them use the income they get from their children and house furniture's and the remaining 14% from the rent income they get. According to the respondents most of the income they get goes for payment of the loan principal and interests.

Figure 5: Graphical representation



Source: Researcher's own computation from primary data source

4.3.1 Factors leading to late Payment

The small amount of default comes from different factors. According to the respondents the factors that lead to late payment can be categorized as follows;

- **Problems related with the borrower:** which includes factors like unexpected pregnancy, illness, death of a husband Lack of knowledge about their business, and other family related problems
- **Problems related with the business operations:** includes an increase in input price, competitiveness, low sales etc
- **Problems related with lender:** includes high interest rate and small loan size.

4.3.2. Collection procedures for default loan amount

If a woman defaults in her payments, she would be called inactive member of the cooperative and for this there are procedures to be followed in order to collect the default amount. According to the Savings and Credit Cooperative the inactive member would be taken the following measures depending on the situation;

a) If a woman discontinues her loan payment and saving by her willingness, the loan amount would be deducted from the saving she has and the remaining amount would be returned to her together with the share capital.

b) If a woman cannot be able to pay her loan because of uncontrollable factors, the loan amount would be recovered from the saving she has.

c) Those who are able to pay but who are unwilling would be taken the following measures;

- For an inactive member who is behind with one week, she would be given an oral warning and Tshs.2500/= penalty.
- For a woman who is late with two weeks, written warning and Tshs.5000/= penalty.
- For an inactive member who is delayed within three weeks, she would be given a warning by the cooperative negotiators and Tshs.7500/= penalty.
- For four week default she would be given Tshs.10, 000/= penalty with the last warning.
- Finally if a woman is late with five weeks, she would be taken to the cooperative court.

For late payment a woman would be charged with a penalty every week. If she continues on not paying the loan amount for continuously five weeks, the officers of SEWIA as well as the group leader will make every effort to make the woman pay her loan amount.

First they would visit her to her house asking the reason for not paying the loan if the reasons are considered to be satisfying and she wants to discontinue her business, the loan would be deducted from her saving. And she would be given the remaining amount of it and including the share she has, in addition she would be discontinued from the business. But it depends on the amount of saving she has, if her saving is not enough to cover her loan she would be asked to pay the loan payment from other sources. But if the inactive member is unable to pay the loan amounts, she would be taken to the cooperative court for final decision.

4.3.3. Savings

In addition to providing loans, the other and major activity of the Savings and Credit Cooperative is providing a saving service for their clients. These compulsory savings that are obligatory to get loan are intended to encourage savings by clients and at the same time to create investment reserve fund in lending. All the cooperatives under SEWIA have designed a compulsory saving by their clients. The saving amount can vary from woman to woman, but a woman who has joined the cooperative has to save a minimum of Tshs.5000/= weekly.

The range of compulsory savings by each member of the cooperatives is as follows;

- i) Car Hire Cooperative Society compulsory saving weekly is from 6500/= to 150,000/=.
- ii) Small Trader Cooperative Society compulsory saving weekly is from 5000/= to 60,000/=.
- iii) Arusha Cooperative Society compulsory saving weekly is from 5000/= to 70,000/=.
- iv) Tanzania Cooperative Alliance compulsory saving weekly is from 5000/= to 70,000/=.

According to these information, on average majority of the clients of SEWIA save from a minimum of Tshs.5000/= to Tshs.70,000/= weekly.

4.4. Benefits and challenges of the cooperative's service

The saving and Credit Cooperatives have changed the woman's life in a very significant manner. Most of the respondents have stated that because of joining the Savings and Credit Cooperative now they have a job to do and an earning to feed their family. Even though Savings and Credit Cooperative have believed to bring a major change on cooperatives members it has also have its own weakness and challenges.

4.4.1. Benefits of the cooperative's service to its clients

The sample clients were also asked the major benefits that they have got for the cooperatives services. The following below are the different parameters and the attitudes of client respondents;

Develop saving habit; here the respondents said that they are able to save more because of saving services provided by their cooperatives.

Easy access for loan; Clients have responded that they have now easy access for loan from their cooperatives.

Create opportunities for doing business, some of respondents said that they are able to generate business ideas, there by developing business leadership skills also source of new friendship and strengthen their faith.

Solve financial problems; clients have stated that the loan given to them by their cooperatives has solved their financial problems. These are the benefits views of clients towards the cooperative services.

4.4.2. Major weakness and challenges of the cooperatives

The cooperative has some weakness and threats that come from the cooperative itself and from its clients: some of them are discussed below;

i) Limited outreach, despite its ever increasing coverage, SEWIA's outreach is still limited. The size of the target community is considered small and the strategies used to address the issue of dropout and to attract new members need some revamping.

ii) Staff and logistics, the lean size of the cooperative has posed overburden on many of the staff and considering their dedication, the compensation they receive is found to be inadequate. Regarding the logistics, the available office and training facilities are insufficient, particularly considering the intent of expand outreach.

iii) Sources of funding, although SEWIA has a reliable source of funding from Action Aid, its reliance on a single donor is considered as a risk and thus calls for diversification.

iv) Harsh competitiveness in business, easy entry to the informal sector leading to extraordinary expansion of the sector. This intense business competition has resulted in low turnover and profitability of most micro enterprises.

v) Poor attitude to self employment, most young women have low entrepreneurial drive to start their own business. Instead, they prefer employment in governmental or non-governmental organizations or to immigrate to foreign countries in search of better life.

vi) High incidence attrition from cooperative members, although one should not rule out the fact that members of savings and credit cooperatives graduated from their original status of the poorest of the poor, the existence of a high dropout rate is a major threat that deserve special attention. The dropout is mainly due to poor health, relocation of their residents and poor loan repayment capacity.

vii) Alarming health conditions, high prevalence rates of HIV/AIDS pandemic represents a heavy social and economic burden on families in general and women in particular in relocation to their responsibilities in nursing patients. Moreover, the poor state of environmental sanitation conditions in neighbourhoods where the poor are living increases their vulnerability to communicable diseases.

viii) Negative effects of globalization, the dumping in bulk of the cheap imported products in the market has grave consequences on the profitability of local business in general and micro-enterprises in particular.

ix) Cultural factors perpetuating gender inequalities, multiple social commitments of women over tax them in terms of their time and energy. Moreover, their households' chores that includes child rearing, cooking, washing, etc. Leave them little time to concentrate on their business.

CHAPTER FIVE

SUMMARY OF THE MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

In this chapter, the conclusions from the study and the recommendations made are presented. The study used both qualitative and quantitative methods of analysis.

5.1 Summary of the major findings

Based on the analysis made in chapter four, the following summary of the major findings are made;

Self Employed Women in Arusha (SEWIA) is a union of Savings and Credit Cooperative which operates in four sub-cities of Arusha. The Savings and Credit Cooperative is established with the main motive of providing credit and saving services for women only.

Credit is given for women who are members of the Savings and Credit Cooperative under SEWIA. For a member to be eligible for a loan, she has to save a minimum of 5000/= per week. When the woman's saving reaches 100,000 she can get the first level loan which amounts to 1,000,000 provided by the cooperatives. In addition to saving, a woman has to submit her business plan in order to assess the profitability of the business so that default risk is minimized. The loan size is dependent upon the amount of saving a member has; the more a woman saves the higher the loan she is going to get. The loan size of the cooperatives is divided into eight levels and above.

A grace period is not allowed for a member who has borrowed from the cooperative. Payment will start a week after a loan is obtained and the payment is made weekly. To facilitate the collection procedure the cooperative has assigned group leaders who are selected under each cooperative. Every week the group leaders meet with the members and collect the principal, interest and saving amount. After collection of the amount with receipts the group leaders will take the amount to Savings and Credit Cooperative officers for further assurance, then the amount will be deposited in the cooperatives bank account immediately.

If a woman is late with her loan payment she will be given a warning together with a penalty payment, a member who is late for a week is charged a penalty of Tshs.3000/= and the amount increases as times goes by.

If she cannot be able to pay the loan amount even if penalty and warning is imposed on her, her loan payment will be covered from the saving she has and if she will be dismissed from the membership.

Amazingly, the default rate of the cooperatives is very minimal in amount. The collection rate as of August 2010 was 96.5%. The effectiveness of the collection and procedures of SEWIA Saving and Credit Cooperative is one of the factors of high collectability. But the collection procedure implemented by the cooperatives has an impact on the members' ability to pay. Most of the members repay the loan by using their business income and other additional sources.

5.2 Conclusion

In conclusion, most of the life of women has changed due to the establishment of SEWIA Savings and Credit Cooperative, it has made them believe that a woman can change her life as well as her family by being implemented criteria to be fulfilled being a member and also provisions to be eligible for a loan as well as procedures for loan collection.

5.3 Recommendations

Based on the findings, the following recommendations are made by the researcher;

- i) It is highly recommended that, a woman will be eligible to loan if she has enough saving which is compatible to the respective loan size. Also a specific amount of loan should be provided for those groups of borrowers who have less educational background. A policy should be developed and designed to this group of lenders since majority of the informal sector does not have any or little access to the formal education.
- ii) It is also recommended that, there should be a grace period adopted by the Savings and Credit Cooperatives (SACCs) because a business is not expected to generate income immediately after being established. The lack of the grace period has made an impact on the sources of loan payment; they have to pay loan by looking for other sources in addition to the business income they generate.

- iii) It is recommended that, the interest rate established by the cooperatives should consider also the borrowers since they are the major clients of the cooperative. The interest rate impact on the members should be one factor to consider while charging the interests.
- iv) It highly recommended for the cooperatives to develop a group based lending methodology since it has an impact on the loan payment, on the screening borrowers, on spotting risk individuals and most of all on creating a group harmony among them.
- v) In addition to the above recommendation made, Self Employed Women in Arusha (SEWIA) has to also increase the size and qualifications of the staff. Staff development should be done with more trainings and workshops. The level size of the staff has created a burden on the existing officers which in turn will have an impact on efficiency of the work being done.

5.3. 1 Suggestions for further research

More research should be done on the benefits of the Savings and Credit Cooperative Societies in order to encourage more people to join them.

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APPENDIX A: RESEARCH INSTRUMENTS

I. Questionnaire for members

I am undertaking a research project on the loan provision, degree of collectability and reason for default in the case of Self Employed Women in Arusha. Knowing the local practice of the role and challenges of cooperatives will have a paramount important to the institution, to owners, to clients, to government and others. Moreover the result of this study will be used as additional reference for those who want to conduct detailed research on the area.

I have prepared a self administered questioner to help me gather the pertinent information from the randomly selected members of the cooperative. The quality of the result of this research is based on the accuracy of the information you provided.

Eventually, I promise you that the information your will provide me is going to be reported and communicated in aggregate and utmost care will be taken for its confidentiality. I need your cooperation

I. Profile

1. Name of your cooperative.....
2. Address of cooperative: Sub city..... Keble H. No.....
3. Age: below 20 20 to 30 30 to 40 above 40
4. Marital status: single married divorce widow
5. Numbers of your dependent.....
6. Educational background:
Primary level (standard 1-7)
O'level (form 1-4) A'level (form 5-6)
Diploma Degree Other, please specify
7. How much is your monthly income other than the cooperative loan amount which helps you to run the business.....
8. Duration of your membership in the cooperative
Less than 1 yr 1-2 yrs 2-3 yrs More than 3yrs
9. Current monthly saving amount in the cooperative.....

II. Loan provision procedures

1. Have you ever taken a loan from your cooperative before? Yes No
2. If you answer Qn 1. Was yes, and then please answer the following questions;

2.1. Is the loan taken individually or in group?

2.2. For what purpose you have taken the loan?

2.3. What procedures have you followed in order to ask for the loan?

2.4. Did you face any problem when asking for the loan? Yes No

If yes, what kind of problems have you faced?

Asset collateral loan saving amount personal/group guarantees

Permitted fewer amounts from what you have asked

Other(s) please specify

2.5. When did you take the loan?

2.6. How much did you ask and receive.....

2.7. Is there a difference on what you have asked and received? Yes No

If yes, please explain the reasons.....

2.8. For how long did you take the loan?

2.9 How frequently you have paid the loan amount and interest?

Monthly Quarterly Semi-annually Annually

Other, please specify

2.10. How much you pay per period? Principal..... Interest.....

2.11. What is the interest rate for your loan amount?

2.12. Do you think the interest rate is fair for you? Yes No

If your answer is no, in you're believed what should be the maximum interest rate.....

2.13. Is the loan amount received enough to run your proposed business? Yes No

2.14. Did you have any available opportunity for obtaining loan before being a member of your cooperative? Yes No

III. Default and payment procedures

1. Have you ever been unable to pay your periodic loan repayment? Yes No

2. If your answer to 2.14 was yes,

a. For how many periods

b. Please specify the reason(s)

c. What are the measures taken by the cooperative for delay?

Financial penalty, please specify the amount

Refusal of additional loan Reduce the additional loan amount

Other please specify

3. Did you use other sources to pay the loan repayment other than the return of your loan investment? Yes No

If your answer is yes, what are the sources? Please explain in brief.....

.....

4. Did the collection procedure of the cooperative affect your business operation?

Yes No

If yes, how? Explain.....

5. Did you submit a business proposal for loan and declined by the cooperative before?

Yes No

If yes, what was the reason given for decline by the cooperative? Please explain.....

.....

6. What are the major benefits you have got being a member of the cooperative?

Develop saving habit Easy access for loan

Create opportunity for doing business Solve financial problem

Other(s), please specify.....

7. If you have any idea or comment in relation to the benefits and impediments of saving and credit function of your cooperative other than the above issues, please put them on the space provided below.....

.....

.....

Thank you for your cooperation.

II: INTERVIEW GUIDE

1. What is your age?
2. What is your marital status?
3. How much do you earn per month apart from the loan provided to you by the Savings and Credit Cooperative Union?
4. What difficulties do you face when asking for loan as a member of Self Employed Women in Arusha (SEWIA)?
5. What are you going to do with the loan provided to you by the Savings and Credit Cooperative Union?
6. How much are you going to pay as an interest rate for the loan you have get from the cooperative?
7. Do you thing that interest rate is fear for you? And what do you think could be the maximum interest rate?
8. Is the loan received from the cooperative enough for you to run your proposed business?
- 9, As a member of Self Employed Women in Arusha (SEWIA), have you ever been unable to pay your periodic loan repayment?
10. What benefits are you obtain by being a member of Self Employed Women in Arusha (SEWIA)?

APPENDIX B: RESEARCH TIMETABLE

	Week 1	Week 2	Week 3	Week 4	Week 5
Submission of topic					
Preparation of proposal and questionnaire					
Data collection and analysis					
Submission of first draft					
Submission of dissertation					

APPENDIX C: BUDGET

Fixed expenses	Tsh.
Research assistants (1) @ 5000 per day	5,000
Questionnaires	20,000
Meals	50,000
Airtime	15,000
SUB TOTAL	90,000
OTHER COSTS	
Stationery	20,000
Secretarial work	20,000
Printing	10,000
Miscellaneous	20,000
SUB TOTAL	70,000
TOTAL EXPENDITURE	160,000